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Win or Lose, Prepare to Pay the Government's Attorney's Fees

Federal judge requires parties challenging decisions of the Trademark Trial and Appeal Board to pay the government's attorney's fees

In a matter of first impression, a Virginia District Court recently ruled that the plaintiff in *Shammas v. Focarino*, who had unsuccessfully appealed a rejection of his trademark application, must pay the government approximately $35,000, because the government's attorney's fees and other expenses are included in "all the expenses of the proceeding," which must be borne by the plaintiff under the applicable statute.[1] The *Shammas* ruling should cause unsuccessful trademark applicants to pause before appealing to the district court and consider whether the opportunity to introduce new evidence is worth paying for "all the expenses of the proceeding."

Background

In 2012, Milo Shammas filed a complaint in the Northern District of Virginia, requesting review under 15 U.S.C. § 1071(b)(1) of a decision by the Trademark Trial and Appeal Board (TTAB). The TTAB had denied Shammas' application for the PROBIOTIC mark because the term was generic with respect to fertilizers and/or was descriptive and lacked secondary meaning. Upon the district court's grant of summary judgment against Shammas, the government filed a motion for fees and expenses.

Under 15 U.S.C. § 1071(b)(3), the plaintiff must pay "all the expenses of the proceeding." Whether this required payment of the government's attorney's fees was a significant issue because, while the government claimed less than $400 in photocopying expenses, it claimed a total of more than $35,000 in attorney and paralegal fees.

The District Court's Analysis

The court began its analysis by outlining the two avenues a party can appeal the denial of a trademark application. A party may appeal to the Court of Appeals for the Federal Circuit, but is limited to the administrative record in such an appeal. Alternatively, a party may file an action in a local district court, where new evidence may be admitted to supplement the administrative record. As the court noted, a party may be inclined to pursue this second route to take advantage of the opportunity to provide further evidentiary support for its trademark claim. However, the statute requires that a party choosing to file in district court must pay the government "all the expenses of the proceeding."

Finding no prior court decisions determining whether attorney's fees are included in "all the expenses of the proceeding," the district court conducted its own examination of the statute. Stating that its statutory analysis started and ended with the application of ordinary dictionary definitions, the court referenced Black's Law Dictionary and Merriam-Webster, which generally defined "expenses" as (respectively) "the

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expenditure of money, time, labor, resources, and thought" and "something expended to secure a benefit or bring about a result." Furthermore, according to the court, the statute's use of the word "all" in "all the expenses of the proceeding" made the statute's inclusion of attorney's fees clear.

The court supplemented this reasoning with consideration of other federal statutes relating to attorney's fees and references to similar rulings by two other courts. The court noted six other federal statutes, as well as Rule 37(b)(2)(C) of the Federal Rules of Civil Procedure, each of which the court understood to explicitly include "attorney's fees" as a subset of "expenses."[2] The court further cited the Supreme Court's decision in *Fox v. Vice*, which noted that the "litigation expenses" a party is generally required to pay in the absence of a fee-shifting statute includes its own attorney's fees.[3] The court also examined a district court's decision in a False Claims Act case — after a similar consideration of both the plain meaning of "expenses" and its use in other statutes — that "expenses" included attorney's fees.[4]

Accordingly, the court held that the statute required Shammas to pay over $35,000 in attorney salaries, paralegal salaries and photocopying expenses to the government.

Attorney's Fees Calculated Using Actual Rates, Not Prevailing Market Rates

Having concluded that the phrase "all expenses of the proceedings" includes attorney's fees, the court briefly discussed whether actual salaries, rather than prevailing market salaries should determine the fee under 15 U.S.C. § 1071(b)(3). The court ruled that actual salaries were appropriate, as they represented the actual costs incurred by the government during the litigation.

Government Cannot Recoup for Excessive and Unreasonable Work

The government also sought to recover its attorney's fees, which were excluded from the amount it sought to recover as expenses, incurred from a motion to strike under Fed. R. Civ. P. Rule 37(b)(2)(C). The government's motion to strike had been filed in response to an improper attempt by Shammas to introduce new evidence after the cut-off date for such submissions set by a discovery order. While neither party disputed Shammas was responsible for the government's reasonable attorney's fees relating to the motion, the court ruled that the government's claim for 29 hours of attorney time for the motion, which was admittedly "typical and mundane," was excessive and unreasonable. Rather, the court determined that the reasonable time for such a motion was only six hours of attorney time and ordered Shammas to compensate the government accordingly.

Conclusion

Trademark applicants should be aware of the potential added costs of the government's attorney's fees when they consider appealing decisions of the TTAB to a district court under 15 U.S.C. § 1071. Keeping in mind that the statute also permits appeals — limited to the administrative record — to the Federal Circuit, applicants should weigh the cost of the government's attorney's fees against the benefit of an opportunity to supplement the administrative record with new evidence. Alternatively, applicants can avoid this dilemma by ensuring that they develop a full record before the TTAB, thereby eliminating the need to present additional evidence on appeal.

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Endnotes

1 *Shammas v. Focarino*, Case No. 1:12-cv-1462 (E.D. Va. Jan. 3, 2014).

2 The statutes referenced by the court were 28 U.S.C. § 2412, 5 U.S.C. § 504, 12 U.S.C. 4246, 14 U.S.C. § 1447(c), 12 U.S.C. § 5009 and 42 U.S.C. § 1490s.

3 131 S. Ct. 2205, 2213 (2011).

4 *United States ex rel. Smith v. Gilbert Realty Co.*, 34 F. Supp. 2d 527 (E.D. Mich. 1998).