

No. 18-1309

In the Supreme Court of the United States

BOOKING.COM B.V., PETITIONER

v.

UNITED STATES PATENT AND TRADEMARK OFFICE,
ET AL.

*ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT*

BRIEF FOR THE RESPONDENTS

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QUESTION PRESENTED

When the United States Patent and Trademark Office (USPTO) denies an application for trademark registration, the Trademark Act of 1946, 15 U.S.C. 1071, provides the unsuccessful applicant two avenues for seeking judicial review of the agency's decision. The applicant may appeal directly to the Federal Circuit, 15 U.S.C. 1071(a), which "shall review the decision from which the appeal is taken on the record before the [USPTO]," 15 U.S.C. 1071(a)(4). Alternatively, the applicant may bring a civil action in district court, where the applicant may present additional evidence. 15 U.S.C. 1071(b)(3). If the applicant elects to bring such an action, "unless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not." *Ibid.* The question presented is as follows:

Whether the phrase "all the expenses of the proceeding" in 15 U.S.C. 1071(b)(3) encompasses the personnel expenses the USPTO incurs when its employees, including attorneys, defend the agency in Section 1071(b) litigation.

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OPINIONS BELOW

The amended opinion of the court of appeals (Pet. App. 1a-48a) is reported at 915 F.3d 171. The opinion of the district court on summary judgment (Pet. App. 81a-146a) is reported at 278 F. Supp. 3d 891. The opinion of the district court regarding expenses (Pet. App. 51a-80a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on February 4, 2019. A petition for rehearing was denied on April 5, 2019 (Pet. App. 147a-149a). The petition for a writ of certiorari was filed on April 10, 2019. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. a. The Trademark Act of 1946 (Lanham Act), 15 U.S.C. 1051 *et seq.*, established the modern regime for registering trademarks in the United States. When an applicant seeks to register a trademark, the Director of the United States Patent and Trademark Office (USPTO) refers the application to an examiner. 15 U.S.C. 1062(a). “If the applicant is found not entitled to registration, the examiner shall advise the applicant thereof and of the reasons therefor.” 15 U.S.C. 1062(b). An applicant who is dissatisfied with the examiner’s decision may appeal to the Trademark Trial and Appeal Board (TTAB), which renders a final decision on behalf of the USPTO. See 15 U.S.C. 1067, 1070.

An applicant who is dissatisfied with the TTAB’s decision may seek judicial review through either of two avenues: a direct appeal to the Federal Circuit or a civil action in district court. 15 U.S.C. 1071(a) and (b). As discussed below, each of those avenues originated in, and contains language materially similar to, the statutory provisions that govern judicial review of USPTO decisions regarding patent applications. See pp. 3-5, *infra*; see generally S. Rep. No. 2107, 87th Cong., 2d Sess. 7 (1962) (explaining that before 1962, the Lanham Act incorporated patent review procedures by reference); Act of Oct. 9, 1962 (1962 Act), Pub. L. No. 87-772, § 12, 76 Stat. 771-772 (establishing trademark review procedures); cf. 35 U.S.C. 141, 145 (procedures for reviewing patent denials).

In a direct appeal under 15 U.S.C. 1071(a), the Federal Circuit reviews “the decision from which the appeal is taken on the record before the [USPTO].” 15 U.S.C. 1071(a)(4). The court reviews the USPTO’s factual findings for “substantial evidence.” *In re Pacer Tech.*,

338 F.3d 1348, 1349 (Fed. Cir. 2003); cf. *Dickinson v. Zurko*, 527 U.S. 150, 165 (1999) (holding that courts of appeals must apply the deferential standards of review prescribed by the Administrative Procedure Act, 5 U.S.C. 701 *et seq.*, to the USPTO’s findings of fact under the materially similar patent scheme).

Alternatively, an unsuccessful applicant for trademark registration may “have remedy by a civil action” against the USPTO in federal district court. 15 U.S.C. 1071(b)(1). Unlike in a direct appeal, the applicant in such an action may conduct discovery and may introduce evidence that the USPTO had no opportunity to consider, “and the judge resolves registration *de novo*.” *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1301 (2015); see 15 U.S.C. 1071(b)(3); cf. *Kappos v. Hyatt*, 566 U.S. 431, 445-447 (2012) (describing the same framework for actions challenging patent denials under analogous provisions of 35 U.S.C. 145).

Section 1071(b)(3) states that “unless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not.” 15 U.S.C. 1071(b)(3); see 35 U.S.C. 145 (similar). No analogous expense-recoupment provision applies when an unsuccessful applicant instead opts for a direct appeal to the Federal Circuit.

b. The Lanham Act’s judicial-review scheme grew out of the statutory provisions governing judicial review of USPTO decisions regarding patent applications. In 1839, Congress directed that when a disappointed patent applicant seeks judicial review—at that time through a “bill in equity,” Act of July 4, 1836, ch. 357, § 16, 5 Stat. 124—“the whole of the expenses of the proceeding shall be paid by the applicant, whether the final

decision shall be in his favor or otherwise,” Act of Mar. 3, 1839 (1839 Act), ch. 88, § 10, 5 Stat. 354. The substance of that provision has remained in force since then. Although Congress has amended various aspects of the Patent Act’s scheme for judicial review, see *Hoover Co. v. Coe*, 325 U.S. 79, 85-87 (1945), the statutory scheme consistently has both (a) afforded disappointed patent applicants the option of initiating a type of court proceeding in which the applicant could introduce new evidence, and (b) required any applicant who chose that route to pay all the expenses of the proceeding. See Act of July 8, 1870, ch. 230, § 52, 16 Stat. 205; Rev. Stat. § 4915 (2d ed. 1878); Act of Mar. 2, 1927, ch. 273, § 11, 44 Stat. 1336-1337; 35 U.S.C. 63 (1946). In the Patent Act of 1952, ch. 950, 66 Stat. 792, Congress replaced the term “bill in equity” with “civil action,” while mandating that “[a]ll the expenses of the proceedings shall be paid by the applicant,” § 145, 66 Stat. 803 (capitalization and emphasis omitted).

Before 1962, the Lanham Act simply incorporated by cross-reference the procedures for judicial review of patentability determinations. See 15 U.S.C. 1071 (1958) (authorizing proceedings “under sections 145 and 146 of Title 35 * * * under the same conditions, rules, and procedure as are prescribed in the case of patent appeals”); see also *E. C. Atkins & Co. v. Moore*, 212 U.S. 285, 290-291 (1909) (holding that Rev. Stat. § 4915, which referred only to patent applications, was “applicable in trademark cases”). In 1962, Congress revised the Lanham Act to include its own judicial-review provisions, which required that a disappointed trademark-registration applicant who sought review in federal district court pay “all the expenses of the proceeding * * * whether the final decision is in his favor or not.” 1962

Act § 12, 76 Stat. 772. Although Congress has amended the Lanham Act’s judicial-review provisions on several occasions,^{*} the substance of the expenses provision remains substantially unchanged. Section 1071(b)(3) today provides that “unless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not.” 15 U.S.C. 1071(b)(3).

b. The USPTO has invoked the expense-recoupment provisions of the Lanham Act, as well as those of Section 145 and its predecessors, to recover a variety of expenses that the agency has incurred when disappointed applicants have elected to proceed in district court rather than taking direct appeals. See, e.g., *Sandvik Aktiebolag v. Samuels*, 20 U.S.P.Q. 2d 1879, 1880 (D.D.C. 1991) (expert witness fees); *Cook v. Watson*, 208 F.2d 529, 530-531 (D.C. Cir. 1953) (per curiam) (printing expenses); *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931) (travel expenses for agency attorneys). The USPTO has always exercised discretion, however, in determining whether to seek the full extent of expenses permitted by the statutes. See, e.g., *Edwin M. Thomas, Recent Suits Against the Commissioner Under R. S. 4915*, 22 J. Pat. Off. Soc’y 616, 618 (1940).

^{*} See Act of Jan. 2, 1975, Pub. L. No. 93-600, § 2, 88 Stat. 1955; Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 162(1), 96 Stat. 49; Act of Nov. 8, 1984, Pub. L. No. 98-620, Tit. IV, § 414(b), 98 Stat. 3363; Trademark Law Revision Act of 1988, Pub. L. No. 100-667, Tit. I, § 120, 102 Stat. 3942; American Inventors Protection Act of 1999, Pub. L. No. 106-113, Div. B, Tit. IV, § 4732(b)(1)(B), 113 Stat. 1501A-583; Trademark Technical Act and Conforming Amendment Act of 2010, Pub. L. No. 111-146, § 3(c), 124 Stat. 67; Leahy-Smith American Invents Act, Pub. L. No. 112-29, § 9(a), 125 Stat. 316.

In 2013, the USPTO began seeking to recover the personnel-related expenses (including money paid to paralegals and attorneys) that the agency incurs in proceedings under 15 U.S.C. 1071(b) and 35 U.S.C. 145. That change in agency practice responded to two developments. First, although the USPTO's fees were previously set by statute, see *Figueroa v. United States*, 466 F.3d 1023, 1026 (Fed. Cir. 2006), cert. denied, 550 U.S. 933 (2007), in the Leahy-Smith America Invents Act, Congress directed the agency to set its fees so as “to recover the aggregate estimated costs to the [USPTO] for processing, activities, services, and materials relating to patents * * * and trademarks,” Pub. L. No. 112-29, § 10(a)(2), 125 Stat. 316; see SUCCESS Act, Pub. L. No. 115-273, § 4, 132 Stat. 4159 (extending USPTO's fee-setting authority to 2026). Accordingly, the USPTO has established fee schedules that are designed to recover the aggregate costs of its operations, including the costs the agency incurs in examining patent and trademark applications. See, e.g., 37 C.F.R. 1.17, 2.6. Second, proceedings under Sections 1071(b) and 145 have grown increasingly expensive, and the single largest expense to the USPTO is often the time that agency employees must devote to those matters—as was true in this case. See Pet. App. 28a.

2. Petitioner operates a website on which customers can book hotel accommodations. Pet. App. 5a. In 2011 and 2012, petitioner filed with the USPTO four applications to register trademarks for the use of BOOKING.COM as a word mark and for stylized versions of that purported mark. *Ibid.* A USPTO examiner refused registration because, *inter alia*, the examiner

found that the term was generic for the relevant services. *Id.* at 5a-6a. Petitioner appealed the decision to the TTAB, which affirmed. *Id.* at 6a.

Pursuant to Section 1071(b), petitioner then filed this district-court action against the USPTO and its Director. Pet. App. 6a-7a; see 15 U.S.C. 1071(b)(3). Petitioner presented new evidence, including a consumer survey, to the district court. Pet. App. 7a. The court granted in part petitioner's motion for summary judgment, holding that BOOKING.COM was descriptive rather than generic, and thus eligible for registration upon a demonstration of acquired distinctiveness. *Id.* at 81a-146a.

The USPTO subsequently moved under Section 1071(b)(3) for an order directing petitioner to pay "all the expenses of the proceeding." 15 U.S.C. 1071(b)(3). The USPTO presented evidence that, in defending the litigation, the agency had incurred \$1660.05 in court-reporter and transcription expenses, \$21,750.00 in expert fees, and \$51,472.53 in personnel expenses associated with the work performed by agency attorneys and paralegals. Pet. App. 60a n.3; see *id.* at 74a.

The district court granted the USPTO's motion. Pet. App. 59a-79a. The court observed that under the Fourth Circuit's decision in *Shammas v. Focarino*, 784 F.3d 219 (2015), cert. denied, 136 S. Ct. 1376 (2016), Section 1071(b)(3) "requires a dissatisfied . . . trademark applicant who chooses to file an action in district court challenging the final decision of the [US]PTO, to pay, as "all expenses of the proceeding," the salaries of the [US]PTO's attorneys and paralegals attributed to the defense of the action." Pet. App. 61a-62a (quoting *Shammas*, 784 F.3d at 227). The district court rejected petitioner's arguments that this Court's decision in

Baker Botts L.L.P. v. ASARCO LLC, 135 S. Ct. 2158 (2015), had overruled *Shammas*'s reasoning, Pet. App. 63a-66a; that Section 1071(b)(3) violates the First Amendment by restricting access to the courts, *id.* at 66a-71a; and that because the salaries of USPTO attorneys are "fixed costs," *id.* at 72a (quoting D. Ct. Doc. 102, at 17 (Sept. 27, 2017)), they are not "expenses of th[e] proceeding" for purposes of Section 1071(b)(3), *id.* at 73a. Finally, the court held that the USPTO had provided sufficient documentation to demonstrate that the requested expenses were reasonable. *Id.* at 73a-79a.

3. The USPTO appealed the district court's grant of partial summary judgment to petitioner regarding trademark registrability, and petitioner cross-appealed the district court's grant of the USPTO's motion for expenses. The court of appeals affirmed both aspects of the district court's decision. Pet. App. 1a-48a.

The court of appeals divided 2-1 regarding whether BOOKING.COM is registrable as a trademark. The majority agreed with the district court that BOOKING.COM is a descriptive (rather than generic) mark. Because the USPTO did not appeal the district court's determination that, assuming the mark was descriptive, petitioner had demonstrated acquired distinctiveness in BOOKING.COM, the court of appeals affirmed the district court's partial grant of summary judgment to petitioner. Pet. App. 27a. Judge Wynn dissented in relevant part, concluding that the majority's decision "unjustifiably empowers [petitioner] to monopolize language." *Id.* at 44a.

The court of appeals unanimously affirmed the district court's grant of the USPTO's motion for expenses. Pet. App. 27a-29a. The court explained that, under *Shammas*, the "expenses of the proceeding" for which

Section 1071(b)(3) mandates reimbursement include the personnel expenses associated with the USPTO attorneys and paralegals who defended the action. *Id.* at 28a (citation omitted). The court noted the en banc Federal Circuit’s recent holding that the materially identical provision of the Patent Act, 35 U.S.C. 145, does not require the payment of personnel expenses the USPTO incurs when its attorneys defend the agency. Pet. App. 29a (citing *NantKwest, Inc. v. Iancu*, 898 F.3d 1177, 1185 (Fed. Cir. 2018) (en banc), cert. granted, No. 18-801 (Mar. 4, 2019)). The court of appeals concluded, however, that “*Shammas* remains the law in this circuit.” *Ibid.*

4. Following the court of appeals’ decision, on March 4, 2019, this Court granted the petition for a writ of certiorari in *Iancu v. NantKwest, Inc.*, No. 18-801 (subsequently recaptioned *Peter v. NantKwest, Inc.*), to resolve the question whether the materially identical provision of the Patent Act, 35 U.S.C. 145, encompasses the personnel expenses the USPTO incurs when its employees, including attorneys, defend the agency in Section 145 litigation in district court. Petitioner then moved to stay the Fourth Circuit’s mandate in this case, “insofar as it concerns the award of attorneys’ fees under 15 U.S.C. § 1071(b)(3),” pending this Court’s decision in *NantKwest*. Pet. C.A. Mot. to Stay Mandate in Part 1. In support of its motion, petitioner observed that *NantKwest* poses “an essentially identical question to the one presented in this case,” and that this Court’s decision in *NantKwest* “will be determinative of the issue of attorneys’ fees” here. *Id.* at 3; see *id.* at 8. Petitioner further urged that “[r]equiring [it] to file its own petition for certiorari, in order to avail itself of the benefit of a stay, when the Supreme Court will already be

deciding the issue would not only be an inefficient use of judicial resources, but might needlessly burden the parties as well.” *Id.* at 9-10.

On the same date that petitioner moved to stay the mandate, the government sought rehearing en banc on the question whether petitioner’s marks are registrable. See C.A. Doc. 64 (Mar. 21, 2019). The court of appeals denied the petition for rehearing en banc. Pet. App. 147a-149a. The court then deconsolidated the USPTO’s appeal from petitioner’s cross-appeal and granted petitioner’s motion to stay the mandate in the cross-appeal pending this Court’s decision in *NantKwest*. C.A. Docs. 67, 68 (Apr. 5, 2019).

DISCUSSION

Petitioner contends (Pet. 17-39) that the phrase “all the expenses of the proceeding” in 15 U.S.C. 1071(b)(3) does not encompass the personnel expenses the USPTO incurs when its employees, including attorneys, defend the agency in Section 1071(b) litigation. On March 4, 2019, this Court granted the petition for a writ of certiorari in *Iancu v. NantKwest, Inc.*, No. 18-801—which has since been recaptioned *Peter v. NantKwest* in light of the recusal of Director Iancu—to resolve the same question under the materially identical provision of the Patent Act, 35 U.S.C. 145. Accordingly, this Court should hold the petition in this case pending the decision in *NantKwest* and then dispose of the petition as appropriate in light of that decision.

Contrary to petitioner’s suggestion (Pet. 24), no sound reason exists to “grant certiorari [in] this matter and consolidate this case with *NantKwest*.” As petitioner observes (Pet. 25), the question presented in *NantKwest* is materially “identical” to the one presented here. Petitioner’s successful motion for a stay of the

mandate in the court of appeals similarly urged that the decision in *NantKwest* would “be determinative of the issue of attorneys’ fees” in this case. Pet. C.A. Mot. to Stay Mandate in Part 3. Although petitioner now seeks to identify (*e.g.*, Pet. 19-24) features of this case that distinguish it from *NantKwest*, petitioner does not suggest that those distinctions are sufficient to cause this Court to interpret differently the materially identical language of Sections 145 and 1071(b)(3). To the contrary, petitioner maintains (Pet. 9) that “[w]hatever the ultimate outcome,” *NantKwest* and this case “should be resolved consistently.” Particularly given that the briefing in *NantKwest* already is underway—with the government’s opening brief as petitioner due May 17, 2019—there is no reason for the petition in this case to be granted and consolidated with *NantKwest*, rather than held for the decision in that case.

CONCLUSION

The petition for a writ of certiorari should be held pending this Court’s decision in *Peter v. NantKwest, Inc.*, cert. granted, No. 18-801 (Mar. 4, 2019), and then disposed of as appropriate in light of that decision.

Respectfully submitted.

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