HR 93--524

93D CONGRESS 1st Session

HOUSE OF REPRESENTATIVES REPORT No. 93-524

AMENDING TRADEMARK ACT TO EXTEND TIME FOR FILING OPPOSITION, ELIMINATE REQUIREMENT OF REASONS FOR APPEAL, AND AUTHORIZE AWARD OF ATTORNEY FEES IN EXCEPTIONAL CASES

SEPTEMBER 25, 1978.----Committed to the Committee of the Whole House on the State of the Union and ordered to be printed.

Mr. KASTENMEIER, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 8981]

The Committee on the Judiciary, to whom was referred the bill (H.R. 8981) to amend the Trademark Act to extend the time for filing oppositions, to eliminate the requirement for filing reasons of appeal in the Patent Office, and to provide for awarding attorney fees, having considered the same reports favorably thereon with amendment and recommends that the bill do pass.

The amendment is as follows:

On page 2, line 18, before "the court" insert "to"

PURPOSE OF THE AMENDMENT

The amendment corrects a printers error.

PURPOSE OF H.R. 8981

The purpose of H.R. 8981 is to affect 3 minor changes in the Trademark Act of 1946, as amended:

(1) It would afford an automatic, thirty--day extension on request in which to file an opposition to an application for a trademark registration, without need to give reasons showing good cause:

(2) It would eliminate as archaic the existing requirement that so--called "reasons of appeal" be filed with the Patent Office when appealing from the agency to the United States Court of Customs and Patent Appeals; and

(3) It would authorize award of attorney fees to the prevailing party in trademark litigation where justified by equitable considerations.

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STATEMENT

H.R. 8981 was introduced at the request of the Department of Commerce. The following changes in the Trademark Act are proposed:

OPPOSITIONS

Section 13 of the Trademark Act permits any person to oppose registration of a trademark within 30 days of publication of the application for registration in the Official Gazette. The opposer must state his grounds. This triggers a so--called opposition proceeding. Existing law allows the Commissioner to extend the 30--day period on a showing of good cause. The Commerce Department says that 30 days is often insufficient time to prepare and file an opposition with reasons. Accordingly, H.R. 8981 provides an extension of 30 days automatically upon request and without need to show good cause. Further extensions would (as at present) require that good cause be shown.

REASONS OF APPEAL

Under section 21 of the Trademark Act, a party appealing from the Patent Commissioner to the Court of Custom and Patent Appeals must file "reasons of appeal" with the Patent Office within 60 days from the date of the decision appealed from. This document once served the function of a complaint. Today it is an anachronism.

Today a written record is developed including a printed brief containing all the appellant's arguments. The Commerce Department says, "The Patent Office has no need whatsoever for receiving reasons of appeal."

Not only is the requirement unneeded under modern practice, but it has caused applicants to lose rights by preventing the Appellate Court from considering a case on the merits. Judges of that Court have noted the uselessness of the provision in question. Section 2 of H.R. 8981 would eliminate it, and would provide instead that a notice of appeal be filed, containing specified information.

ATTORNEY FEES

The sole substantive provision of H.R. 8981 involves authorization of an award of attorney fees to the prevailing party in exceptional cases.

Existing law since 1967 is that attorney fees are recoverable only in the presence of express statutory authority (Fleischmann Distillery Corp. v. Maier Brewing Co., 386 U.S. 714 (1967)). As a result, although the patent law and the copyright law provide for reasonable attorney fees, this remedy is not now available in the trademark area.

The Department of Commerce believes and the Committee agrees that the remedy should be available in exceptional cases, i.e., in infringement cases where the acts of infringement can be characterized as "malicious," "fraudulent," "deliberate," or "willful." The attorney fee remedy should coexist with existing provision for treble damages and attorney fees should also be available to defendants in exceptional cases.

A public hearing was held on H.R. 8981, on July 20, 1973.

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DEPARTMENT OF COMMERCE STATEMENT

The communication from the Department of Commerce requesting introduction of the subject legislation contains the following statement of Purpose and Need:

This proposal would effect three minor revisions in the Trademark Act of 1946, as amended, which are generally considered to be noncontroversial. Only the provision concerning attorney fees would have any substantive effect on trademark law and practice. The other two are procedural improvements, one to eliminate an unnecessary procedure, the other to liberalize part of the opposition procedure.

OPPOSITIONS

Under section 13 of the Trademark Act, any person who believes that he would be damaged by the registration of a mark upon the principal register may oppose the same by filing an opposition within 30 days after the publication of the mark sought to be registered. First extensions of time for filing oppositions are generally approved, even though the Trademark Act requires a showing of good cause for the granting of an extension. These automatic extensions are needed because the 30--day period is many times insufficient for the preparation of an opposition, including consultation with a principal who may be unavailable temporarily or located at a distance from the attorney who has noticed the publication of the offending mark.

The proposal recognizes the need for a longer period for preparing and filing oppositions. It provides for an automatic extension of the 30--day period on request by a prospective opposer. For the great majority of cases (est. 95%) no opposition is filed. In these cases the opposition period terminates 30 days after publication of the mark for opposition and the mark is duly registered. It is for this reason that the alternative of extending the opposition period was not believed to be the better solution. Thus, there is no need to delay registration of unopposed marks (95%) beyond the present 30--day opposition period for the sake of the 5% which are opposed. Under the proposal, the first automatic extension may be followed by a second extension on a showing of good cause.

STATEMENT OF REASONS OF APPEAL

Section 21 of the Lanham Act requires that a party taking an appeal to the United States Court of Customs and Patent Appeals must give notice thereof to the Commissioner and file his reasons of appeal with the Patent Office. A time limit of not less than 60 days from the date of the decision appealed from is provided by statute for filing this statement.

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This requirement is traceable to the organizational structure of the Patent Office under the Patent Act of 1836. At that time the Commissioner was operating the Patent Office and the examination system practically by himself and any decision to refuse a patent was essentially his personal decision. Appellate review of such decisions was entirely outside the Patent Office. In taking an appeal to the District Courts it was necessary to inform the court of the issues involved. This was the function of the "reasons of appeal." They were in the nature of a pleading, corresponding to the complaint of today.

However, the whole proceeding is different today. Appeals are taken from decisions of Patent Office Boards, which always take the form of written opinions. In both patent and trademark cases the examiner furnishes his answer to the appellant's brief when the case is before the Board. Therefore, the examiner's grounds of rejection have been carefully enumerated and the Board's disposition thereof explained.

When an appeal is taken to the United States Court of Customs and Patent Appeals, the appellant files his notice of appeal, gets the Patent Office to deliver his records to the Courts, files his petition, and the Court Clerk has the record printed. Thereafter, the appellant files his printed brief containing his full argument as to why the Patent Office takes up the case for consideration and the writing of the appellee's brief. He has no need whatsoever for receiving reasons of appeal, at this stage.

This requirement for providing reasons of appeal, however, has caused inexperienced and unwary applicants for trademark registrations to lose rights by preventing the United States Court of Customs and Patent Appeals from considering a case on its merits. Note, for example, In re LePage's, Inc., 136 USPQ 170 (1963) and cases cited therein.
An analogous proposal to amend the patent law was made by Senator McClellan in his bill for general revision of the patent laws, S. 643, in the 92nd Congress.

ATTORNEY FEES
The general rule in United States judicial proceedings is that, absent specific authority by statute or contract, attorney fees are not recoverable in ordinary actions at law or in equity by either a successful plaintiff or defendant. This American departure from the "English rule," under which attorney fees are generally awarded, arose early in this country's judicial development. Relatively few litigants then engaged attorneys to represent them in court, so the question of attorney fees was not commonly encountered. When the question was raised, courts seeking to promote free access to judicial processes felt constrained not to award

attorney fees. They feared that an award to a successful litigant might discourage other potential litigants from bringing somewhat dubious suits. There was also fear that attorney fees would tend to become exorbitant if they could be charged against a losing party, and difficulties were anticipated in determining what amount was reasonable.
Courts have come to recognize, however, the equitable considerations demand exceptions to the general rule denying attorney fees. Attorney fees may not be the direct result of the wrong committed, but they may well be consequential and foreseeable. Judges and masters are capable of determining reasonable fees. In appropriate circumstances, a successful party should be entitled to full compensation for the injuries sustained and expenses incurred, since these were necessitated by the acts of the opposing party. The federal patent and copyright statutes expressly provide for reasonable attorney fees, as do a number of other federal acts.
Prior to 1967, the courts in trademark infringement and unfair competition cases had developed an equitable doctrine bolding the attorney fees are recoverable by a successful plaintiff, notwithstanding the absence of express statutory authority under the Lanham Act. This doctrine was over--ruled, however, by the Supreme Court decision in Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714 (1967)
Trademark and unfair competition cases brought under the Trademark Act of 1946, however, present a particularly compelling need for attorney fees, which are denied under the Fleischmann doctrine. Mass demand, mass advertising and the increasingly large variety of goods available make the trademarks of crucial importance to manufacturers, distributors and the consuming public. These facts of modern business life also make trademark infringement and acts of unfair competition particularly appealing to unethical competitors. Deliberate and flagrant infringement of trademarks should particularly be discouraged in view of the public interest in the integrity of marks as a measure of quality of products. Effective enforcement of trademark rights is left to the trademark owners and they should, in the interest of preventing purchaser confusion, be encouraged to enforce trademark rights. It would be unconscionable not to provide a complete remedy including attorney fees for acts which courts have characterized as malicious, fraudulent, deliberate, and willful. The proposed amendment would limit attorney fees to "exceptional cases" and the award of attorney fees would be within the discretion of the court.

Section 35 of the present Trademark Act provides for awarding treble damages in appropriate circumstances in order to encourage the enforcement of trademark rights. The availability of treble damages, however, cannot be regarded as a substitute for the recovery of attorney fees. In suits brought primarily to obtain an injunction, attorney

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fees may be more important than treble damages. Frequently, in a flagrant infringement where the infringement action is brought promptly, the measurable damages are nominal. Section 35, as proposed to be amended, makes clear that a court has discretion as to whether to award treble damages, attorney fees, or both, or neither.
The bill would also permit prevailing defendants to recover attorney fees in exceptional cases. This would provide protection against unfounded suits brought by trademark owners for harassment and the like.
The bill, if enacted, would impose no administrative burden or additional expenses on the Patent Office.

BACKGROUND OF THE BILL
The bill now proposed is identical to S. 3452 which was passed by the Senate in the 92nd Congress.
The instant bill is also identical to H.R. 14021, introduced in the 92nd Congress, except that Section 2 of this bill specifies that the appellant shall file a "notice of appeal" with the Commissioner within sixty days "after the date of the decision appealed from." The only other change in Section 2 is that it now specifies the contents of the notice of appeal.

SECTIONAL ANALYSIS
Section 1 provides for automatic extension of the period of filing oppositions in trademark cases, on request of a prospective opposer. No reasons for requesting a first extension would be required. Subsequent extensions could be granted if good cause is shown.
Section 2 eliminates the statutory requirement for filing reasons of appeal when taking an appeal in a trademark case to the United States Court of Customs and Patent Appeals. It removes an archaic procedural requirement which occasionally has deprived litigants of legal rights.
Section 3 provides that attorney fees may be awarded to the prevailing party in actions under the federal trademark laws, when equitable considerations justify such awards. It would make a trademark owner's remedy complete in enforcing his mark against willful infringers, and would give defendants a remedy against unfounded suits.
Section 4 specifies the date of taking effect of the Act, avoiding any possibility of retroactive application of these provisions.

COST TO THE UNITED STATES
The Department of Commerce reports the bill, if enacted, would impose no administrative burden or additional expense on the Patent Office.

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VOTES

At a meeting held on September 25, 1973, the Committee on the Judiciary, by voice vote, ordered H.R. 8981 be favorably reported to the House without amendment. No record vote was taken in connection with the Committee's consideration of the measure.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman): SEC. 13 (15 U.S.C. 1063). Opposition to registration of marks on the principal register

* * * [For good cause shown, the time for filing opposition may be extended by the Commissioner, who shall notify the applicant.] Upon written request prior to the expiration of the thirty--day period, the time for filing opposition shall be extended for an additional thirty days, and further extension of time for filing opposition may be granted by the Commissioner for good cause. The Commissioner shall notify the applicant of each extension of the time for filing opposition: SEC 21 (15 U.S.C. 1071). Appeal to court and review by civil action

(a)(1) ** *

[(2) When an appeal is taken to the United States Court of Customs and Patent Appeals, the appellant shall give notice thereof to the Commissioner, and shall file in the Patent Office his reasons of appeal, specifically set forth in writing, within such time after the date of the decision appealed from, not less than sixty days, as the Commissioner appoints.]

(2) Such an appeal to the United States Court of Customs and Patent Appeals shall be taken by filing a notice of appeal with the Commissioner, within sixty days after the date of the decision appealed from or such longer time after said date as the Commissioner appoints. The notice of such appeal shall specify the party or parties taking the appeal, shall designate the decision or part thereof appealed from, and shall state that the appeal is taken to said court.

[(3) The court shall, before hearing such appeal, give notice of the time and place of the hearing to the Commissioner and the parties thereto. The Commissioner shall transmit to the court certified copies of all the necessary original papers and evidence specified by the appellant and any additional papers and evidence specified by the appellee, and in an ex parte case the Commissioner shall furnish the court with the grounds of the decision of the Patent Office, in writing, touching all the points involved by the reasons of appeal.]

(3) The court shall, before hearing such appeal, give notice of the time and place of the hearing to the Commissioner and the parties thereto. The Commissioner shall transmit to the court certified copies of all the necessary papers and evidence in the case specified by the appellant and any

additional papers and evidence specified by the appellee, and in on ex parte case the Commissioner shall furnish the court with a brief explaining the grounds of the decision of the Patent Office, touching all the points involved in the appeal.

[(4) The court shall hear and determine such appeal on the evidence produced before the Patent Office, and the decision shall be confined to the points set forth in the reasons of appeal. Upon its determination, the court shall return to the Commissioner a certificate of its proceedings and decision, which shall be entered of record in the Patent Office and govern the further proceedings in the case.]

(4) The court shall decide such appeal on the evidence produced before the Patent Office. The court shall return to the Commissioner a certificate of its proceedings and decision, which shall be entered of record in the Patent Office and govern further proceedings in the case.
SEC. (15 U.S.C. 1117). Remedies----Recovery for violation of rights
*** The court in exceptional cases may award reasonable attorney fees to the prevailing party.