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APPROVED
JAN 2-1975

ACTION

THE WHITE HOUSE
WASHINGTON

Last Day: January 4

December 31, 1974

*Posted
1/3
To Archives
1/3*

MEMORANDUM FOR THE PRESIDENT
FROM: KEN COLE
SUBJECT: Enrolled Bill H.R. 8981
Trademark Act Amendments

Attached for your consideration is H.R. 8981, sponsored by Representative Kastenmeier, which would effect three minor revisions of the Trademark Act. The bill would:

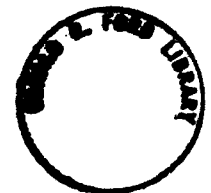
- Extend the time for filing oppositions;
- eliminate the requirement for filing "reasons of appeal" in the Patent Office;
- award attorneys fees in trademark cases.

OMB recommends approval and provides additional background information in its enrolled bill report (Tab A).

Max Friedersdorf (Loen) and Phil Areeda both recommend approval.

RECOMMENDATION

That you sign H.R. 8981 (Tab B).



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 26 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 8981 - Trademark Act amendments
Sponsor - Rep. Kastenmeier (D) Wisconsin

Last Day for Action

January 4, 1975
Purpose

To ~~make~~ minor changes in the Trademark Act to: extend the time for filing oppositions, eliminate the requirement for filing "reasons of appeal" in the Patent Office, and award attorneys fees in trademark cases.

Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Justice	No objection

Discussion

H.R. 8981 would effect three minor revisions of the Trademark Act. Only the provision concerning attorney fees would have any substantive effect on trademark law and practice.

Oppositions

The Trademark Act permits any person to oppose the registration of a trademark within 30 days of its official notice. Existing law allows the Commissioner to extend this 30-day period when good cause is shown. Commerce, in its draft bill letter, states that 30 days is often not enough time.

This legislation would provide an automatic 30-day extension. All further extensions would require good cause to be shown. Under the enrolled bill, the majority of trademarks which are unopposed (approximately 95%) could continue to be registered in 30 days while parties opposing registrations would be relieved of the need to file lengthy reasons for extensions.

"Reasons of Appeal"

Under Section 21 of the Trademark Act, a party taking an appeal to the United States Court of Customs and Patent Appeals must file his "reasons of appeal" with the Patent Office. Modern practice has made this statute an anachronism. While the "reasons of appeal" previously served as a complaint, today a written record of arguments is commonly printed as a complaint brief.

Attorney Fees

H.R. 8981 would authorize the award of attorney fees to the prevailing party in exceptional cases. The decision of a case in 1967 states that attorney fees are recoverable only in the presence of express statutory authority. Therefore, although patent and copyright laws provide for reasonable attorney fees, trademark cases can no longer use this provision. The committee report states:

"The Department of Commerce believes...that the remedy should be available in exceptional cases, in infringement cases...which can be characterized as 'malicious,' 'fraudulent,' 'deliberate' or 'willful.' The attorney fee remedy should coexist with existing provisions for treble damages and attorney fees should also be available to defendants in exceptional cases."

The enrolled bill is identical to a bill submitted to Congress by the Department of Commerce in June 1973.

Wilfred H. Roussel
Assistant Director for
Legislative Reference

Enclosures



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 26 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 8981 - Trademark Act amendments
Sponsor - Rep. Kastenmeier (D) Wisconsin

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Approval

Department of Commerce

Approval

Department of Justice

No objection

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"Reasons of Appeal"

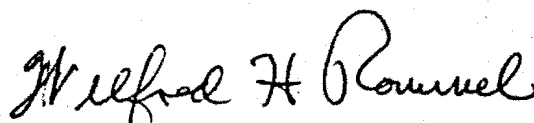
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The enrolled bill is identical to a bill submitted to Congress by the Department of Commerce in June 1973.


Assistant Director for
Legislative Reference

Enclosures

Department of Justice
Washington, D.C. 20530

DEC 23 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Ash:

In compliance with your request, I have examined a facsimile of enrolled 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."

H.R. 8981 would amend sections 13, 21 and 35 of the Trademark Act of 1946 (60 Stat. 427) for the purposes described in the bill's title.

The Department of Justice has no objection to Executive approval of this bill.

Sincerely,



W. Vincent Rakestraw
Assistant Attorney General



THE UNDER SECRETARY OF COMMERCE
Washington, D.C. 20230

DEC 26 1974

Honorable Roy Ash
Director
Office of Management and Budget
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Ash:

This is in reply to your request for the views of this Department on H.R. 8981, H.R. 9199 and H.R. 7599, and their enrolled enactment.

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

(1) It would afford an automatic, 30-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 U.S. 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.

This bill was introduced at the request of the Department of Commerce as part of its legislative program for the 93rd Congress. Accordingly, we recommend approval of H.R. 8981 by the President.



H.R. 9199 changes the title of the First Assistant Commissioner of Patents to Deputy Commissioner of Patents; it provides that the fifteen examiners-in-chief in the Patent Office shall be appointed under Civil Service instead of being appointed by the President and confirmed by the Senate; it would empower the Commissioner of Patents to accept late payment of the patent issue fee if delay in payment is shown to have been unavoidable, and it provides limited retroactivity with respect to the Commissioner's authority under section 3 of title 35, United States Code. Examiners-in-chief who are in office on the date of enactment of H.R. 9199 are continued in office.

The purpose of H.R. 7599 is to change the name of the Patent Office to "Patent and Trademark Office" and the title of the Commissioner of Patents to "Commissioner of Patents and Trademarks." In changing the name of the Patent Office and the title of the Commissioner of Patents to include reference to trademarks, the legislation would reflect the dual role of the Patent Office which administers both the patent law and the Trademark Act of 1946. Although about 95 percent of the Patent Office budget is still devoted to patents, it is thought that the public would benefit from a clarification of the name of the Office and the title of the Commissioner. This bill was introduced at the request of the Department of Commerce as part of its legislative program for the 93rd Congress.

With the following proviso, we recommend approval of both H.R. 9199 and H.R. 7599 by the President. It is essential that the name change bill, H.R. 7599, be signed into law after H.R. 9199. This is required because H.R. 9199 uses the terms "Patent Office" and "Commissioner of Patents" which, if signed into law after H.R. 7599, would defeat the purpose of H.R. 7599.

Enactment of these bills will not require additional appropriations.

Sincerely.

John K. Tabor

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: WARREN HENDRIKS

FROM: *Max L. Friedersdorf* MAX L. FRIEDERSDORF

SUBJECT: Action Memorandum - Log No. 876
Enrolled Bill H.R. 8981 - Trademark Act Amendments

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 876

Date: December 27, 1974

Time: 8:00 p.m.

FOR ACTION: Geoff Shepard *oh*
Max Friedersdorf *oh*
Phil Areeda *Sign*

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, December 30

Time: 1:00 p.m.

SUBJECT:

Enrolled Bill H.R. 8981 - Trademark Act Amendments

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

R. COLE, JR.
the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 876

Date: December 27, 1974

Time: 8:00 p.m.

FOR ACTION: Geoff Shepard
Max Friedersdorf
Phil Areeda

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, December 30

Time: 1:00 p.m.

SUBJECT:

Enrolled Bill H.R. 8981 - Trademark Act Amendments

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Approval
JCS

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 876

Date: December 27, 1974

Time: 8:00 p.m.

FOR ACTION: Geoff Shepard
Max Friedersdorf
Phil Areeda ✓

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, December 30

Time: 1:00 p.m.

SUBJECT:

Enrolled Bill H.R. 8981 - Trademark Act Amendments

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Sign OK the bill
P. Areeda

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

Calendar No. 1322

93D CONGRESS }
2d Session }

SENATE {

REPORT
No. 93-1400

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

DECEMBER 17, 1974.—Ordered to be printed

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

REPORT

[To accompany H.R. 8981]

The Committee on the Judiciary, to which 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 without amendment and recommends that the bill do pass.

PURPOSE OF H.R. 8981

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

(1) It would afford an automatic, 30-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 U.S. 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.

H.R. 8981 was introduced at the request of the Department of Commerce. It is identical to S. 3452 of the 92d Congress as passed by the Senate on September 19, 1972. 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.

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.

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.

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 Court, 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, that 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 holding the attorney fees are recoverable by a successful plaintiff, notwithstanding the absence of express statutory authority under the Lanham Act. This doctrine was overruled, 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 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.

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.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, 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 in the case 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 an 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. 35 (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.*



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

SEPTEMBER 25, 1973.—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, report favorably thereon with amendment and recommend 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 that 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.

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 exception 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.

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 non-controversial. 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.

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 Court, 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, that 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 holding the attorney fees are recoverable by a successful plaintiff, notwithstanding the absence of express statutory authority under the Lanham Act. This doctrine was overruled, 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

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.

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 *italics*, 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 in the case 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 an 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. 35 (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.*



Ninety-third Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the twenty-first day of January,
one thousand nine hundred and seventy-four*

An Act

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. Section 13 of the Trademark Act of 1946 (60 Stat. 427), as amended, is amended by deleting the second sentence and substituting therefor: "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 extensions 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. 2. Section 21 of the Trademark Act of 1946 (60 Stat. 427), as amended, is amended by deleting subsections (2), (3), and (4) from paragraph (a) and substituting therefor:

"(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 in the case 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 a brief explaining the grounds of the decision of the Patent Office, touching all the points involved in the appeal.

"(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."

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SEC. 3. Section 35 of the Trademark Act of 1946 (60 Stat. 427), as amended, is amended by adding the following sentence at the end thereof: "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

SEC. 4. This Act shall become effective upon enactment, but shall not affect any suit, proceeding, or appeal then pending.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*