No. 18-801

IN THE

Supreme Court of the United States

LAURA PETER, DEPUTY DIRECTOR, UNITED STATES PATENT AND TRADEMARK OFFICE,

Petitioner,

v.

NANTKWEST, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* FEDERAL CIRCUIT BAR ASSOCIATION IN SUPPORT OF NEITHER PARTY

WILLIAM P. ATKINS
Counsel of Record
PILLSBURY WINTHROP SHAW PITTMAN LLP
1650 Tysons Boulevard, 14th Floor
McLean, VA 22102
(703) 770-7900
william.atkins@pillsburylaw.com

Counsel for Amicus Curiae
Federal Circuit Bar Association

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STATEMENT OF INTEREST OF *AMICUS CURIAE*[1]

Amicus Curiae Federal Circuit Bar Association ("FCBA") is a national bar organization with over 2,600 members from across the country, all of whom practice or have an interest in the decisions of the Court of Appeals for the Federal Circuit ("Federal Circuit"). The FCBA provides a forum for common concerns and dialogue between the bar and judges of the federal courts. One of the FCBA's purposes is to offer assistance and advice to the federal courts, including briefs amicus curiae, on matters affecting practice before this Supreme Court, the Federal Circuit and other tribunals that address comparable subject matter.

The FCBA has a substantial interest in this case due to the need to reflect the important views of the Federal Circuit bar, the patent bar, intellectual property holders, and industry. This submission seeks to assist the Court in interpreting 35 U.S.C. § 145 in the manner most consistent with the language of the statute itself, the legislative history, and the longstanding practice of the United States Patent and Trademark Office.

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1. No person other than the *amicus curiae* or their counsel has made any monetary contribution to the preparation or submission of this brief. Further, no counsel for any party authored this brief in whole or in part, nor did any government member of the FCBA participate in the drafting, consideration, or authorization of this brief. In accordance with Rule 37(3)(a), the parties have consented to the filing of this *amicus curiae* brief in support of neither party.

SUMMARY OF THE ARGUMENT

The term "expenses" under 35 U.S.C. § 145 does not include, and has never been interpreted to include attorneys' fees. According to our research, the United States Patent and Trademark Office ("USPTO") did not seek attorneys' fees under 35 U.S.C. § 145 and its predecessor statutes before 2015, a span of well over a century. For these many years, Congress knew that the USPTO was not claiming awards of attorney fees under these statutes, and did nothing to change § 145 to clarify that the statute's "expenses" should include attorneys' fees. In light of this history, arguments over various definitions of the word "expenses" are inapposite.

ARGUMENT

1. "Expenses" Is Ambiguous, at Best

From the dawn of patent law in the United States until 2015, the USPTO never sought attorneys' fees from a dissatisfied patent applicant who appealed an unfavorable decision. In 2015, the USPTO changed course, moving to recover the prorated salaries of two attorneys and one paralegal for defending a suit against the Commissioner of Patents under § 145. *NantKwest, Inc. v. Matal*, 860 F.3d 1352, 1353 (Fed. Cir. 2017). The history of 35 U.S.C. § 145 suggests that "expenses" was never meant to, nor was it ever previously understood to, include attorneys' fees.

(a) 1839: Congress First Adds "Expenses" to the Patent Act

In 1839, Congress amended former § 16 of the 1836 Act, adding that:

> upon appeals from the decision of [the Commissioner of Patents], … and in all cases where there is no opposing party, a copy of the bill shall be served upon the Commissioner of Patents, when *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.

Patent Act of 1839, 5 Stat. 353-355 § 10 (1839) (emphasis added).

(b) 1870: Congress Requires Legal Qualifications within the USPTO and the USPTO Appears in Court

In 1870, the Patent Act specified the USPTO officers' qualifications for the first time; "the examiners-in-chief shall be persons of competent legal knowledge and scientific ability . . . ." Patent Act of 1870, 16 Stat. 198-217 § 10 (1870). Thus examiners-in-chief, at least, were required to have legal knowledge.

The 1870 Act, as then amended, read "in all cases where there is no opposing party a copy of the bill shall be served on the commissioner, and *all the expenses of the proceeding* shall be paid by the applicant, whether the final decision is in his favor or not." *Id.* at § 52 (1870) (emphasis added). Thus, although attorney examiners-in-chief were specifically provided for in the Act, Congress said nothing about including fees for them within "all the expenses."[2]

2. The Brief for the Petitioner mentions outside counsel fees incurred by the Commissioner of the USPTO in 1845 in connection

The activities of the Patent Office then extended into courts. For example, Webster S. Ruckman joined the Patent Office in 1893 and during his eight years as a Law Examiner, he "represented the Patent Office in some seventy cases before the courts." *Changes in Personnel in the Patent Office*, 18 J. Pat. Off. Soc'y 79, 81 (1936) (article on Judge Ruckman's retirement). In 1922, Theodore A. Hostetler became the first Solicitor of the USPTO, when the Office of Solicitor was created. *New Editor/Retirement of Mr. Hostetler*, 17 J. Pat. Off. Soc'y 607, 608 (1935); *see also Of General and Personal Interest*, 4 J. Pat. Off. Soc'y 507, [ii] (1922). He "had been a Law Examiner" before becoming Solicitor and "[t]he nature of Mr. Hostetler's duties [was] the same, but the official designation of his position [as Solicitor was] made to correspond with his duties." *Id.* "As solicitor he handled all the court work for the Patent Office – mostly appeals from the Patent Office decisions and bills of equity under R.S. 4915, in the Supreme Court of the District of Columbia, the Court of Appeals of the District of Columbia, the Court of Customs and Patent Appeals and the Federal Courts of the Fourth Circuit." *Id.*

(c) 1946: Congress Added Attorneys' Fees in the Predecessor of 35 U.S.C. § 285, but Not for USPTO Attorneys

In 1946, Congress amended 35 U.S.C. § 70, the predecessor of § 285, giving courts the "discretion [to]

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with two suits in equity by patent applicants and referenced as "[t]he expenses of the office" in 1846. Report of the Commissioner of Patents for the Year 1846, H. Doc. No. 29-52 at 1 (2d Sess. 1847) (cited at Petitioner's Br. at pg. 23, footnote 5). Those attorneys' fees do not appear to have been asserted against or billed to the patent applicants involved in the two suits in equity in 1845.

award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case." Pub. L. No. 587, Ch. 726, 60 Stat. 778 (1946). The accompanying Senate Report 1503 provides little guidance, but states that "[i]t is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits, but the discretion given the court in this respect … will discourage an infringer of the patent thinking all he would be required to pay if he loses the suit would be a royalty." *See* Daniel G. Cullen, *Recovery of Profits Under R.S. 4921, as Amended*, 29 J. Pat. Off. Soc'y 148, 150 (Feb. 1947). Thus, even where Congress explicitly authorized attorneys' fees in the Patent Act, Congress limited the availability of those fees.

(d) 1952: Patent Act Includes 35 U.S.C. §§ 145 and 285

35 U.S.C. § 145 established recourse for an "applicant dissatisfied with the decision of the Board of Appeals," allowing the applicant a "remedy by civil action against the Commissioner in the United States District Court for the District of Columbia." 35 U.S.C. § 145. Here, Congress continued to provide that "[a]ll the expenses of the proceedings shall be paid by the applicant," but again expressly omitted any reference to attorneys' fees. Patent Act of 1952, 66 Stat. 792 § 145 (1952).

There is no indication that the USPTO had ever previously sought attorneys' fees, or requested that they be covered by the statute. *See, e.g.*, *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931) (noting Congress intended "expenses" to include more than what is ordinarily included in "costs" under 35 U.S.C. § 63, and identifying the issue as only whether the applicant was liable for

"the *traveling expenses* incurred by counsel for the Commissioner in attending to the taking of depositions on behalf of the plaintiff in California." No mention is made of attorneys' fees) (Emphasis added).

In contrast to the "expenses" language of § 145, Congress provided in § 285 that "[t]he court in *exceptional* cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (emphasis added). And, "[f]rom 1874 to 1952 over sixty Acts of Congress relating to patents have been passed." P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 166 (Nov. 1975). Given the comprehensive scope of the 1952 Act, Congress could have amended "expenses" in § 145, as it did in § 285, to specify the inclusion of attorneys' fees if that is what Congress intended, but Congress did not do so.

(e) 1984: Patent Act Adds Another Attorneys' Fees Provision

In 1952, § 285 contained the only provision for attorneys' fees within the Patent Act. In 1984, the Act was amended again, adding § 271(e)(4), which provides "[t]he remedies prescribed by subparagraphs (A), (B), (C), and (D) are the only remedies which may be granted by a court for an act of infringement described in paragraph (2), except that a court may award attorney fees under section 285." Pub. L. No. 98-417, 98 Stat. 1603 § 202 (1984). Again, no reference was made to § 145 or to including attorneys' fees under that section.

(f) 1999: Congress Adds More Attorneys' Fees Provisions, Not in § 145

In 1999, Congress added two more provisions referring to attorneys' fees. Section 273(f), like § 271(e)(4), now provided for attorneys' fees by reference to § 285. Pub. L. No. 106-113, 113 Stat. 1536, 1501A-555 (1999) ("If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney fees under section 285.").

The second attorneys' fees provision added to the Act in 1999 appears in 35 U.S.C. § 297(b)(1), Pub. L. No. 106-113, 113 Stat. 1536, 1501A-552 (1999). Section 297(b)(1) establishes a civil remedy for an injured customer who enters into a contract with an invention promoter. In addition to actual or statutory damages, the injured party may also recover "reasonable costs and attorneys' fees." 35 U.S.C. § 297(b)(1). In contrast to §§ 271(e)(4) and 273, § 297(b)(1) provides for attorneys' fees *without* reference to § 285. Again, Congress demonstrated its ability to specify an intent to include attorneys' fees, and chose *not* to specify such an intent for the "all expenses" language in § 145.

(g) 2015: USPTO Seeks Attorneys' Fees Under § 145

According to legal research by various members of the *amicus*, the USPTO did not seek attorneys' fees under § 145 or its predecessor statutes from 1870 until 2015, a

span of 145 years.[3] That is when the USPTO first moved for expenses, including attorneys' fees, against NantKwest in this case. Since adopting this new practice, the USPTO has sought attorneys' fees under § 145 at least two more times. *See, e.g.*, *Booking.com B.V. v. Matal*, No. 1:16-cv-425 (LMB/IDD), 2017 WL 4853755 (E.D. Va. 2017); *Realvirt, LLC v. Lee*, 220 F. Supp. 3d 695 (E.D. Va. 2016). This new practice contrasts with the absence of such efforts in the preceding 145 years, where the USPTO must have historically understood "expenses" within § 145 (and its predecessor statutes) to not include "attorneys' fees."

2. The American Rule

The "basic point of reference when considering the award of attorney's fees is the bedrock principle known as the American Rule: Each litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise." *Baker Botts v. ASARCO*, 135 S. Ct. 2158, 2164 (2015) (quoting *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252-53 (2010)). "The American Rule has roots in our common law reaching back to at least the 18th century." *Baker Botts*, 135 S. Ct. at 2163.

The American Rule applies here. In *Shammas v. Focarino*, the Fourth Circuit relied upon an erroneously restrictive description of the American Rule: "*the prevailing party* may not recover attorneys' fees *from the losing party*." 784 F.3d 219, 223 (4th Cir. 2015) (quoting *Alyeska Pipeline Service Co. v. Wilderness Society*, 421

3. The members of the *amicus* reviewed citing references of §§ 145 and 146 and found no prior cases at the appellate or trial courts that mention the USPTO seeking attorneys' fees. *See also* footnote 2 on page 3 of this brief.

U.S. 240, 245 (1975) (emphasis added)). This reading is unnecessarily narrow, particularly because this Court, in its more recent *Baker Botts* decision, defined the American Rule as an affirmative obligation of "each party," rather than as a limitation on a prevailing party. *Baker Botts*, 135 S. Ct. at 2164 (citing *Arcambel v. Wiseman*, 3 U.S. 306 (1796)).

There is a strong presumption favoring the American Rule. "[W]here the American Rule applies, Congress may displace it only by expressing its intent to do so 'clearly and directly.'" *Shammas*, 784 F.3d at 223. This Court has only recognized departures from the American Rule in "*specific* and *explicit* provisions for the allowance of attorneys' fees under selected statutes." *Baker Botts*, 135 S. Ct. at 2164 (quoting *Alyeska Pipeline*, 421 U.S. at 260). Because the legislative history strongly suggests that "expenses" in § 145 is exclusive of attorneys' fees, § 145 is insufficient to overcome the American Rule's presumption that each party pays its own attorneys' fees.

3. "Expenses" Does Not Include Attorneys' Fees

(a) Congress Does Not Include Attorneys' Fees in the Statute

(i) Section 145 does not say attorneys' fees

Congress had many opportunities to include attorneys' fees language between 1836, when Congress first added the remedy bill in equity to the Patent Act, and 2015, when the USPTO first sought attorneys' fees from a dissatisfied patent applicant. And yet, § 145 does not state that it includes attorneys' fees. Other statutes within 35 U.S.C. certainly and clearly do include attorneys' fees.

(ii) Section 285 does say attorneys' fees

In contrast to § 145, Congress explicitly added "attorney fees" in § 285. The § 285 statute was created in 1946, and at that time Congress did not modify § 145's predecessor to include the same attorneys' fees language. Pub. L. No. 587, 60 Stat. 778 (1946).

The Patent Act was amended again in 1952, and at that time Congress split the predecessor of § 145 into two sections, §§ 145 and 146. P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 200 (Nov. 1975). Congress chose to retain the express reference to "attorney fees" in § 285, but chose *not* to easily write "attorney fees" into § 145.

"Where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Russello v. United States,* 464 U.S. 16, 23 (1983); *United States v. Wong Kim Bo*, 472 F.2d 720, 722 (5th Cir. 1972); *see also Keene Corp. v. United States*, 508 U.S. 200, 208 (1993) (noting the "duty to refrain from reading a phrase into the statute when Congress has left it out."). Again, Congress had multiple opportunities to amend the Patent Act. Although Congress added and amended § 285 and others to include specific attorneys' fees language, the exclusion of that language from § 145 must be presumed to be intentional.

"The starting point in every case involving construction of a statute is the language itself." *United States v. Hohri*, 482 U.S. 64, 68 (1987). "[W]hen the statute's language is

plain, the sole function of the courts–at least where the disposition required by the text is not absurd–is to enforce it according to its terms." *Dodd v. United States*, 545 U.S. 353, 359-60 (2005) (*quoting Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 6 (2000)).

A comparison of the various sections of the Patent Act is illustrative. Congress specified that "the court . . . may award reasonable *attorney fees*" in § 285. 35 U.S.C. § 285 (emphasis added). However, like § 145, § 2 of the Patent Act uses "expenses" in the context of subsistence and travel expenses. 35 U.S.C. § 2 ("Office is authorized to expend funds to cover the *subsistence expenses* and *travel-related expenses*, including per diem, lodging costs, and transportation costs, of persons attending such programs who are not Federal employees.") (emphasis added). There, Congress understood that rather than attorneys' fees, "expenses" refers to expenditures collateral to legal services, not the legal services themselves. *See also* 35 U.S.C. § 5 ("While away from such member's home or regular place of business such member shall be allowed travel expenses, including per diem in lieu of subsistence…."); 35 U.S.C. § 24 ("Every witness subpoenaed and in attendance shall be allowed the fees and traveling expenses allowed to witnesses attending the United States district courts."). Similarly, § 146 provides that in derivation proceedings, "the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes." 35 U.S.C. § 146. In none of these examples does the Patent Act provide for attorneys' fees – just like in § 145. Finally, Congress again demonstrated its ability to provide for attorneys' fees in

§ 297, allowing for recovery of damages "in addition to reasonable costs and attorneys' fees." 35 U.S.C. § 297(b).

Congress has repeatedly distinguished between "expenses" and "attorneys' fees" by clarifying within statutes whether attorneys' fees are available separate from expenses. *See, e.g.*, 12 U.S.C. § 1786(p) ("Any court having jurisdiction … may allow to any such party such reasonable expenses and attorneys' fees…"); 42 U.S.C. § 4654(a) (providing for reimbursement of "reasonable costs, disbursements, and expenses, including reasonable attorney, appraisal, and engineering fees, actually incurred because of the condemnation proceedings."). Here, Congress' decision to specify "expenses" without any suggestion of "attorneys' fees" in § 145 is a clear indication of Congress' intent to exclude attorneys' fees, especially over the immense amount of time that the statute has been in force. Further, courts should "ordinarily resist reading words or elements into a statute that do not appear on its face." *Bates v. United States*, 522 U.S. 23, 29 (1977). Again, Congress did not provide for attorneys' fees in § 145. Congress knew how to distinguish between expenses and attorneys' fees, and did not do so here. This Court need not read "attorneys' fees" into § 145 where Congress chose not to include such fees and the USPTO has not asserted the inclusion of such in 145 years.

The possibility that various terms may or may not include attorneys' fees supports the ambiguity in § 145. This is particularly true where, as discussed above, Congress has repeatedly clarified the word "expenses" with the addition of the phrase "attorneys' fees," but purposely omitted "attorneys' fees" in § 145.

(iii) Section 145 lacks the "clear support" required to overcome the American Rule presumption

There is a strong presumption in favor of applying the American Rule. *See Shammas*, 784 F.3d at 223. When determining whether a statute overcomes that presumption, courts will look for "clear support" for such a construction on the statute's face or in the legislative history. *Summit Valley Indus. Inc. v. Local 112*, 456 U.S. 717, 724 (1982). Absent such clear support, the statute will not overcome the presumption. *See id.*

For the reasons discussed above, the meaning of "expenses" in § 145 is ambiguous at best, has no support in Congress' many amendments of the patent Acts, and thus cannot overcome the American Rule presumption. Congress could have simply said "including attorney fees," and Congress' choice to be indirect and allusive—rather than direct and specific—fails the test of explicitness required to overcome the presumption that the American Rule applies.

(b) Arguments over Various Historical Definitions of the Word "Expenses" Are Inapposite

"It is a 'fundamental canon of statutory construction' that, 'unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning.'" *Sandifer v. U.S. Steel Corp.*, 134 S.Ct. 870, 876 (2014) (quoting *Perrin v. United States*, 444 U.S. 37, 42 (1979)). Attempting to apply that canon to the question at bar, the majority and the dissent cite various meanings at different points of the 181-year history of the

statute. Unfortunately, these many definitions supply only conflicting evidence that merely serves to obscure, we submit, the true answer—the answer given by Congress' long history of declining to insert "attorneys' fees" into the statue in question—and also the USPTO's long history of administrative interpretation.

(c) The Longstanding Practice of the USPTO Has Been to Not Ask for Attorney's Fees

A "longstanding and consistent administrative interpretation is entitled to considerable weight." *Zenith Radio Corp. v. United States*, 437 U.S. 443, 450 (1978). For 145 years until 2015, the USPTO appears to have never sought attorneys' fees under the "expenses" provision of § 145. It is difficult to imagine a more "longstanding and consistent administrative interpretation," and under that interpretation, "expenses" must not include attorneys' fees.

(d) Awarding Attorneys' Fees to the USPTO Conflicts with the Provisions and Purpose of the Equal Access to Justice Act

The Equal Access to Justice Act ("EAJA") is a statutory exception to the American Rule. It allows private litigants to recover attorneys' fees in successful actions brought by or against federal agencies. The EAJA also serves to prevent unsuccessful litigants from being further burdened by having to pay the government's attorneys' fees. *See* 28 U.S.C. § 2412. Whereas the purpose of the EAJA is to avoid penalizing parties for prosecuting lawsuits, including attorneys' fees is contrary to that purpose. This is particularly applicable where a central

reason for pursuing an appeal under § 145 is to admit additional evidence into the record. A dissatisfied patent applicant should not have to pay the USPTO's attorneys' fees merely for trying to complete the record.

CONCLUSION

For the reasons provided above, the Court should hold that the "expenses" provision in 35 U.S.C. § 145 does not authorize an award of attorneys' fees of the USPTO to the USPTO.

Respectfully submitted,

WILLIAM P. ATKINS
Counsel of Record
PILLSBURY WINTHROP SHAW PITTMAN LLP
1650 Tysons Boulevard, 14th Floor
McLean, VA 22102
(703) 770-7900
william.atkins@pillsburylaw.com

Counsel for Amicus Curiae
Federal Circuit Bar Association

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