No. 18-801

IN THE

Supreme Court of the United States

LAURA PETER, DEPUTY DIRECTOR,
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* NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF RESPONDENT

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QUESTION PRESENTED

Whether the Court of Appeals for the Federal Circuit correctly decided that the United States Patent and Trial Office ("PTO") cannot recover attorneys' fees from a litigant seeking review of a determination by the Patent and Trial Board by a United States District Court pursuant to 35 U.S.C. § 145, which states "All the expenses of the proceedings shall be paid by the applicant." 35 U.S.C. § 145.

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INTEREST OF *AMICUS CURIAE*

The New York Intellectual Property Law Association ("NYIPLA" or "Association") respectfully submits this brief as *amicus curiae* in support of NantKwest, Inc. and respectfully urges this Court to affirm the merits of the en banc decision and judgment of the United States Court of Appeals for the Federal Circuit in *NantKwest, Inc. v. Iancu*, 898 F.3d 1177 (Fed. Cir. 2018).[1]

The arguments set forth herein were approved on June 19, 2019 by an absolute majority of the officers and members of the Board of Directors of the NYIPLA, including officers or directors who did not vote for any reason, including recusal, but do not necessarily reflect the views of a majority of the members of the Association, or of the law firms or corporate organizations with which those members are associated. After reasonable investigation, the NYIPLA believes that no officer or director of the Association, or member of the Association's Committee on Amicus Briefs who voted in favor of filing this brief, or any attorney associated with any such officer, director, or committee member, whether alone or in any law firm or corporate organization, represents a party in this litigation. Some officers, directors, committee members, or attorneys associated with them may represent entities, including other *amici curiae*, which have an interest in

1. Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* states that no counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus* or its counsel made a monetary contribution to this brief's preparation or submission. The parties have consented to the filing of this brief.

other matters that might be affected by the outcome of this litigation.

The NYIPLA is a bar association of more than 1,000 attorneys who practice in the area of patent, copyright, trademark, and other intellectual property ("IP") law. It is one of the largest regional IP bar associations in the United States. The Association's members include a diverse array of attorneys specializing in patent law, from in-house counsel for businesses that own, enforce and challenge patents, to attorneys in private practice who represent inventors and petitioners in various proceedings before the United States Patent and Trademark Office ("PTO").

Directly relevant to the issue here, many of the Association's members regularly represent and counsel clients prosecuting patents and trademarks before the PTO and in the judicial review of adverse decisions of the PTO. The NYIPLA's members and their clients therefore have a keen desire and interest in maintaining equitable principles of patent and trademark law and bring an informed perspective to the issue presented.

In particular, the NYIPLA has an interest in the correct judicial interpretation of the expense-shifting language in Section 145 of the Patent Act relating to civil actions against the PTO in district court instituted by aggrieved patent applicants who seek *de novo* review of the PTO's denial of registration, as well as the corresponding provision in the Lanham Act. The NYIPLA, based on its own perspective and expertise, believes that the affirmation of the Federal Circuit's decision is necessary in this case in order that the Court may provide uniform guidance to the lower federal courts as to the correct

interpretation of the statute and enable NYIPLA members to advise their clients reliably regarding the consequences of filing an appeal to the district court of the PTO denials of registration.

SUMMARY OF THE ARGUMENT

This case involves a rather peculiar circumstance where the Government is seeking to recoup the **salaries** of its **staff** attorneys and paralegals from an adversary as an "expense" under Section 145 of the Patent Act (35 U.S.C.). This deviation from the "American Rule" was first propounded by the government in 2013 in the context of a claim involving a corresponding provision of the Lanham Act (15 U.S.C. § 1071(b)(3)), and now has become a regular quiver in the arsenal used by the government to fight challenges to decisions involving patent and trademark applications in district courts.

I. *Amicus curiae* submits this brief urging this Court to reject these unauthorized departures from the American Rule, which requires that: "**Each litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise**." *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252-253 (2010) (emphasis added). As this Court recognized in *Hardt*, this "bedrock" principle traces its roots back to the founding of the republic (*see, e.g.*, *Arcambel v. Wiseman*, 3 U.S. (3 Dall.) 306 (1796)) and should not be departed from lightly.

This Court recognizes that departures from the American Rule must be authorized by "specific and explicit provisions for the allowance of attorneys' fees under selected statutes." *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 260 (1975). Thus, for

example, this Court has recognized that a statute "which mentions 'fees,' a 'prevailing party,' and a 'civil action'—is a 'fee-shifting statut[e]' that trumps the American Rule." *Baker Botts L.L.P. v. ASARCO LLC,* 135 S.Ct. 2158, 2164 (2015) (discussing *Commissioner v. Jean*, 496 U.S. 154, 161 (1990), interpreting 28 U.S.C. § 2412(d)(1)(A)).

II. The present dispute can be traced back to a change in policy by the government, first implemented in 2013 in a case involving a district court challenge by a trademark applicant, Milos Shammas. In *Shammas v. Rea*, 978 F. Supp. 2d 599 (E.D. Va. 2013), the government made a novel and creative application seeking an award of the salaries of its staff attorneys and paralegals for defending the action under the guise that such salaries were expenses under Section 1073(b)(3) of the Lanham Act (15 U.S.C.). The district court agreed with the government and awarded attorney's fees. *Shammas v. Focarino*, 990 F. Supp. 2d 587,590 (E.D. Va. 2014). A split panel from the Court of Appeals for the Fourth Circuit affirmed the award. *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015). Shortly thereafter, this Court issued its decision in *Baker Botts*, which strongly rejected the rationale and reasoning set forth by the majority of the panel. Petitions for rehearing and rehearing en banc before the Fourth Circuit and certiorari to this Court were rejected.

Following this success, the government continues to seek awards for the salaries of its attorneys and paralegal employees in other trademark actions brought in district court–which were granted ***even when the Government lost*** the case before the district and appellate court. *See, e.g., Booking.com B.V. v. United States Patent & Trademark Office*, 915 F.3d 171, 188 (4th Cir. 2019), *cert pending*, No. 18-1309 (filed Apr. 10, 2019). Now, the government is

further expanding such requests to challenges brought under other acts, including the Patent Act (35 U.S.C.), as in the case below.

The district court and the panel of the Court of Appeals for the Federal Circuit below recognized that the government's request was contrary to the American Rule, and that statutory authority to award "expenses" (rather than "fees") was not a sufficiently "specific and explicit" under this Court's authority to justify departure from the American Rule. *See* R. at 35a.

Based on this clear conflict between the circuits, and the government's continuing requests for awards of its salaried employees, this Court granted certiorari in this case.

III. At issue here is the government's reliance upon the provisions of Section 145 of the Patent Act (35 U.S.C.) and the corresponding provision of the Lanham Act (15 U.S.C. § 1071(b)(3)), that "[a]ll the expenses of the proceedings shall be paid by the applicant." 35 U.S.C. § 145; *cf.* 15 U.S.C. § 1071(b)(3).

But neither Section 145 of the Patent Act nor Section 1071(b)(3) of the Lanham Act provides sufficiently specific and explicit language to allow for fee shifting of "attorney's fees," let alone making a challenger of government action bear the costs of the **salaries** of the government employees defending such actions.

The use of the term "expenses" in the statute without also using the more common term of "fees" is not sufficient to trump the American Rule. At the time Section 145 of the Patent Act was enacted in 1952, Congress knew exactly

how to award "attorney fees" if it so chose, because it included a specific fee shifting provision in Section 285: "The court in exceptional cases may award **reasonable attorney fees** to the prevailing party." 35 U.S.C. § 285 (emphasis added); *see Octane Fitness v. ICON Health & Fitness,* 572 U.S. 545, 549 (2014).

The NYIPLA respectfully submits that the American Rule applies to the litigation at issue, following this Court's decision in *Baker Botts*, and that the Federal Circuit correctly ascertained that including staff's salaries in the phrase "all the expenses" contravenes the American Rule, as well as Congress' choice to not include the phrase "attorneys' fees" in 35 U.S.C § 145. *See* R. at 35a. Furthermore, the PTO's recent trend of demanding attorneys' fees after one hundred and seventy years of not doing so (*see* Patent Act of 1839, ch. 88, § 10, 5. Stat. 353-355 (1839) (current version at 35 U.S.C. § 145)) is executive overreach in excess of the powers duly granted to the PTO by Congress.

IV. Finally, if the decision below is reversed, this would have a chilling effect and discourage patent applicants, especially those of limited means, from seeking *de novo* reviews of flawed PTO decisions.

ARGUMENT

I. THE "AMERICAN RULE" AND ITS EXCEPTIONS ARE STRICTLY APPLIED BY THIS COURT

Since the early days of this republic, the so-called "American Rule" has been a bedrock principle governing the award of attorney fees in litigation: "**Each litigant pays his own attorney's fees, win or lose, unless a**

statute or contract provides otherwise." *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252-253 (2010) (emphasis added) (tracing rule to as early as *Arcambel v. Wiseman*, 3 U.S. (3 Dall.) 306 (1796)).

This Court has applied this rule unwaveringly for centuries. *See, e.g., Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 260 (1975); *F. D. Rich Co. v. United States* (*ex rel Indus. Lumber Co.*), 417 U.S. 116, 127-128 (1974); *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 720 (1967); *Stewart v. Sonneborn*, 98 U.S. 187, 197 (1878); *Oelrichs v. Spain*, 82 U.S. (15 Wall.) 211, 231 (1872); *Arcambel,* 3 U.S. at 306.

Recently, this Court even recognized that the American Rule applies explicitly to the Patent Act, in discussing 35 U.S.C. § 285 and its predecessor statute 35 U.S.C. § 70 (1946 ed.). *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 548, (2014) (discussing history of application of American Rule to patent act, and congressional action to "add a discretionary fee-shifting provision").

This Court further recognizes that departures from the American Rule must be authorized by "specific and explicit provisions for the allowance of attorneys' fees under selected statutes." *Alyeska Pipeline Serv.,* 421 U.S. at 260.

As this Court explained in *Alyeska*, "[I]n 1796, this Court appears to have ruled that the Judiciary itself would not create a general rule, independent of any statute, allowing awards of attorney fees in federal courts." 421 U.S. at 249. After discussing the progression of this nation's rules regarding the award of "attorney fees"

and "costs" in litigation, *Alyeska* explained "[u]nder this scheme of things, it is apparent that the circumstances under which attorney' fees are to be awarded and the range of discretion of the courts in making those awards are matters for Congress to determine." *Id*. at 262. Thus, *Alyeska* concluded that it was not for the courts (even this Court) to allow for the award of attorney fees without express Congressional authority.

Thus, for example, a statue "which mentions 'fees,' a 'prevailing party,' and a 'civil action'—is a 'fee-shifting statut[e]' that trumps the American Rule." *Baker Botts,* 135 S.Ct. at 2164 (discussing *Commissioner v. Jean*, 496 U.S. 154, 161 (1990), interpreting 28 U.S.C. § 2412(d)(1)(A)).[2]

By contrast, a statute that omits such clear language as the term "fees" and instead uses words like "cost" is not sufficiently specific and explicit to overcome the American Rule. For example, in *Key Tronic Corp. v. United States,* 511 U.S. 809, 813 (1994), this Court found that a statute holding the government liable for "any … necessary costs of response incurred by another person" was not explicit enough to overcome the presumption of the American Rule. *Accord Rimini St., Inc. v. Oracle USA, Inc.,* 139 S.Ct. 873, 878-79 (2019) (holding "full costs" means "costs" otherwise available under the law, not other expenses).

Likewise, this Court has rejected efforts to find exceptions to the American Rule when a statute provides

2. The relevant section states "a court shall award to a prevailing party other than the United States fees and other expenses, in addition to any costs awarded pursuant to subsection (a), incurred by that party in any civil action…." 28 U.S.C. § 2412.

for "costs" and "damages" but does not explicitly state "fees." *Summit Valley Indus. Inc. v. United Bhd. Carpenters & Joiners,* 456 U.S. 717, 722 (1982) (declining to interpret "damages" to include "fees;" "Section 303 [29 U.S.C. § 187] does not expressly provide for the recovery of attorney's fees, so we are not presented with a situation where Congress has made 'specific and explicit provisions for the allowance of" such fees.").[3]

This case is not about overturning the American Rule, rather, it involves merely applying it to the statute at hand, which has never been applied to justify an award of fees and should not now be found to do so.[4]

II. BEGINNING IN 2013, THE GOVERNMENT BEGAN SEEKING THE REIMBURSEMENT OF SALARIES OF ITS EMPLOYEES IN DISTRICT COURT CHALLENGES TO PTO DENIALS

Starting in 2013, the government adopted the novel and creative theory that applicants for patents and trademarks who elect to challenge adverse decisions

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3. *See* 29 U.S.C. § 187(b) ("Whoever shall be injured in his business or property by reason or [of] any violation of subsection (a) [of this section] may sue therefor in any district court of the United States . . . and shall recover the damages by him sustained and the cost of the suit.").

4. Under this Court's holding in *Baker Botts*, the American Rule applies to all fee-shifting statutes, regardless of whether or not the statute shifts fees from a prevailing party to a losing party. *Baker Botts,* 135 S.Ct. at 2164; *cf. Focarino,* 784 F.3d at 223 (a split panel pre-*Baker Botts* decision asserting that the American Rule is not applicable where fees are not awarded based on prevailing party status).

through district court proceeding (instead of a direct appeal) must pay the salaries of the PTO staff attorneys and paralegals who defend such challenges under the guise that such salaries are somehow "expenses" authorized by Congress to be reimbursed. Specifically, the government relies upon the provisions in Section 145 of the Patent Act (35 U.S.C.), and the corresponding provision of the Lanham Act (15 U.S.C. § 1071(b)(3), that "[a]ll the expenses of the proceedings shall be paid by the applicant." 35 U.S.C. § 145; *cf.* 15 U.S.C. § 1071(b)(3).

The government first sought to read fees into the term "expenses" in a trademark case brought by Milos Shammas. *See* Memorandum in Support of Defendant's Motion for Fees and Expenses, ECF 45 at 15-16, *Shammas v. Rea*, 978 F. Supp. 2d 599 (E.D. Va. 2013). The Court of Appeals for the Fourth Circuit ultimately affirmed, in a split decision, an award of those salaries as "expenses" under the Lanham Act. *Focarino*, 784 F.3d at 224, *reh'g denied,* No. 14-1191 (4th Cir. July 1, 2015), *cert. denied*, 136 S.Ct. 1376 (2016).

In the proceedings below, the government sought to expand the holding in *Shammas* to actions brought with respect to patents under Section 145 of Title 35 of the U.S. Code. The Federal Circuit, below, recognized that the *Shammas* holding was contrary to the American Rule and this Court's precedent on the American Rule, and rejected the PTO's application for its in-house staff salaries as "expenses" under the Patent Act. *See* R. at 35a.

This Court took certiorari in this case to address the conflict in circuits between the Federal Circuit, which follows this Court's precedent under the American Rule,

and the Fourth Circuit's deviation from this precedent as expressed in *Shammas*.

In *Baker Botts*, which was decided after *Shammas*, this Court made clear that the American Rule applies to this type of statue and is not to be easily overturned based on policy arguments or general desires to compensate the government or a party without explicit and specific language adopted by Congress.

This Court should make clear that the government cannot receive attorney fees as "expenses" under Section 145 of the Patent Act (or even under the corresponding Section 1073(b)(3) of the Lanham Act).

III. CONGRESS HAS NOT "SPECIFICALLY AND EXPLICITLY" OVERRULED THE AMERICAN RULE IN 35 U.S.C. § 145

At issue here is the government's reliance upon the provisions in Section 145 of the Patent Act (35 U.S.C.), and the corresponding provision of the Lanham Act (15 U.S.C. § 1071(b)(3), that "all the **expenses** of the proceedings shall be paid by the applicant." 35 U.S.C. § 145 (emphasis added); *cf.* 15 U.S.C. § 1071(b)(3).

But neither Section 145 of the Patent Act, nor Section 1071(b)(3) of the Lanham Act, provide sufficiently specific and explicit provisions to allow for fee shifting of "attorney's fees," let alone making a challenger to government action bear the costs of the **salaries** of the government employees defending such actions.

The use of the term "expenses" in the statute without also using the more common term of "fees" is not sufficient to trump the American Rule. *See, e.g., Key Tronic,* 511 U.S. at 813, 815 (denying the granting of attorneys' fees under a statute making a party liable for "any … necessary cost of response" because "mere 'generalized commands', however, will not suffice to authorize such fees").

The failure of Congress to use more specific and explicit language reserves for Congress the choice of deciding whether to overturn application of the American Rule here. *Baker Botts*, 135 S.Ct. at 2164 ("We consequently will not deviate from the American Rule 'absent explicit statutory authority.'"); *Alyeska*, 421 U.S. at 271 ("it is not for us to invade the legislature's province by redistributing litigation costs in the manner [not explicitly prescribed by Congress]").

At the time Section 145 of the Patent Act was enacted in 1952, Congress knew exactly how to award "attorney fees" if it so chose. Indeed, it included a specific fee shifting provision in Section 285: "The court in exceptional cases may award **reasonable attorney fees** to the prevailing party." 35 U.S.C. § 285 (emphasis added); *see Octane Fitness,* 572 U.S. at 549. Yet Section 145 does not use the clear and explicit language found in this other part of the same statute.

The phrase "all the expenses" from 35 U.S.C. § 145 is not specific and explicit enough to overcome the American Rule. At most, it is ambiguous whether the term "expenses" includes attorneys' fees, whereas there is ample support for the proposition that the term "expenses" *does not* include attorneys' fees. Among the most compelling arguments against subsuming attorneys'

fees into "expenses" are the numerous provisions that articulate "expenses" and "attorneys' fees" separately. *See, e.g.,* 12 U.S.C. § 1464(d)(1)(B)(vii) ("[The Court] … may allow to any such party reasonable expenses and attorney's fees."); 25 U.S.C § 1401(a) ("payment of attorney fees and litigation expenses"); 15 U.S.C. § 77z-1(a)(6) (setting limits on the court's power to grant "attorneys' fees and expenses"). If "expenses" necessarily included attorneys' fees, then, to quote the Court, numerous "statutes referring to the two separately become an inexplicable exercise in redundancy." *W. Va. Univ. Hosps. v. Casey*, 499 U.S. 83, 92 (1991).

Lending more support to the proposition that the term "expenses" does not encompass attorneys' fees, the PTO itself has for over one hundred and seventy years taken the position that "expenses" do not include attorneys' fees. 35 U.S.C. § 145's predecessor, the Patent Act of 1839, Ch. 88, clearly stated that "the whole of the expenses of the proceedings shall be paid by the applicant." Patent Act of 1839, ch. 88, § 10, 5. Stat. 353-355 (1839) (current version at 35 U.S.C. § 145); *see also* Noah Webster, An American Dictionary of the English Language 319 (Joseph Worcester ed., 3d ed. 1830) (defining "expense" as "the disbursing of money," "[m]oney expended, "cost" and "[t]hat which is used, employed, laid out, or consumed"). In fact, the PTO did not even attempt to obtain reimbursement for attorneys' fees under this definition until 2013, when it reversed its longstanding policy of defining expenses to only include minor expenses, such as travel costs and expert fees, and officially stated its belief that 35 U.S.C. § 145 also included its attorneys' salaries. Bill Donahue, *The Next Big 4 Copyright and Trademark Rulings Are* …, Law360 (Jun. 26, 2018. 7:33 PM EDT), https://www.law360.com/ip/articles/1055408. Given the discussion

above, the Association respectfully submits that the PTO's prior, longstanding understanding that "expenses" do not in fact include attorneys' fees was the correct one.

IV. THE PTO'S RECENT TREND OF SUING FOR ATTORNEYS' SALARIES UNDER 35 U.S.C. § 145 AND 15 U.S.C. § 1071(B)(3) WILL HAVE A CHILLING EFFECT ON LEGITIMATE APPEALS OF PTAB DECISIONS

The PTO's new policy will have a chilling effect on *de novo* patent appeals to the Eastern District of Virginia. Congress clearly intended to give an aggrieved party the right to an appeal, but if the Federal Circuit's decision is not affirmed, very few parties, especially those of limited means, will elect to incur the extraordinary financial burden of paying the PTO's attorneys' salaries as well as its own. "As we have often noted, one of the primary justifications for the American Rule is that 'one should not be penalized for merely defending or prosecuting a lawsuit.'" *Summit Valley Indus.*, 456 U.S. at 724 (quoting *Fleischmann Distilling Corp.*, 386 U.S. at 718). Reversal here will impose a penalty not authorized by Congress on the exercise of a specific appellate right authorized by Congress and in violation of this Court's precedent and the American Rule.

Allowing the Fourth Circuit's interpretation of "all the expenses" to stand would penalize parties for merely commencing a lawsuit to such a degree that many parties of limited means simply could not have their statutorily granted day in court. This would particularly penalize emerging inventors and entrepreneurs seeking to file innovative patents.

CONCLUSION

In view of the foregoing, the NYIPLA respectfully submits that this Court should affirm the Court of Appeals for the Federal Circuit's holding that attorneys' fees are not included in the phrase "all the expenses" in 35 U.S.C. § 145.

Respectfully submitted,

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