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 RESPONDENT NANTKWEST, INC.

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QUESTION PRESENTED

Whether the phrase "[a]ll the expenses of the proceedings" in 35 U.S.C. § 145 encompasses the personnel expenses the United States Patent and Trademark Office incurs when its employees, including attorneys, defend the agency in § 145 litigation.

CORPORATE DISCLOSURE STATEMENT

NantKwest, Inc. does not have a parent corporation, and no publicly held corporation owns 10% or more of NantKwest, Inc.'s stock.

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STATEMENT OF THE CASE

The default presumption—known as the "American Rule"—is that parties must pay their own attorneys' fees. As this Court observed in *Alyeska Pipeline,* when Congress intends to depart from this presumption, it does so through "specific and explicit" language. *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 260 (1975). Section 145 of the Patent Act makes no mention of "attorneys' fees." Only "expenses" are compensable under § 145, and both courts and Congress have historically treated "attorneys' fees" and "expenses" as distinct. Consistent with this historical understanding, the United States Patent and Trademark Office (the "PTO") did not seek attorneys' fees under § 145 for over 170 years after the enactment of its predecessor. The PTO's new interpretation that "expenses" now includes "attorneys' fees" is remarkable, not only because it ignores the American Rule and upsets nearly two centuries of practice, but also because it would mean that the PTO is entitled to recover attorneys' fees even when it loses. The PTO has not identified any other statute (other than § 145's Lanham Act analogue) where Congress has authorized the recovery of fees based on the word "expenses" alone; nor has it identified any provision where Congress has permitted the government to recover attorneys' fees from private citizens even when it loses. Congress would not have intended such a radical departure from the American Rule without saying so explicitly.

I. LEGAL BACKGROUND

A. Section 145 Of The Patent Act

After the PTO rejects a patent application, "[t]he applicant may either: (1) appeal the decision directly

to the United States Court of Appeals for the Federal Circuit, pursuant to § 141; or (2) file a civil action against the Director of the PTO in the United States District Court for the [Eastern District of Virginia] pursuant to § 145." *Kappos v. Hyatt*, 566 U.S. 431, 434 & n.1 (2012).

Each method has advantages and disadvantages. Proceeding under § 141 generally results in a faster adjudication, but the Federal Circuit does not review the PTO's decision de novo, and applicants must rely on the record developed before the PTO. *Id.* at 434-35. By contrast, review under § 145 is de novo and provides the applicant an opportunity to introduce new evidence. *Id.* As such, this is a slower process. In addition, § 145 directs that "[a]ll the expenses of the proceedings shall be paid by the applicant." 35 U.S.C. § 145.

Congress passed § 145's predecessor in 1839. Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 353, 354.[1] For over 170 years, the PTO utilized this provision to recover various "expenses," such as those related to printing,[2] counsel's travel,[3] court reporters,[4] and expert witnesses.[5] However, before this case, the

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[1] Section 145's 1839 predecessor required an applicant to pay "the whole of the expenses of the proceeding . . . whether the final decision shall be in his favor or otherwise." *Id*.

[2] *See Cook v. Watson*, 208 F.2d 529, 530-31 (D.C. Cir. 1953) (per curiam) (permitting the PTO to recover "printing expenses," specifically the cost of printing the PTO's appeal brief, as a component of "expenses" pursuant to a predecessor to § 145, R.S. § 4915).

[3] *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931).

[4] *Sandvik Aktiebolag v. Samuels*, No. CIV. A. 89-3127-LFO, 1991 WL 25774, at *2 (D.D.C. Feb. 7, 1991).

[5] *Id.* at *1-2.

PTO never sought—and no court ever awarded—attorneys' fees under § 145 or its predecessors.

Since 1839, Congress has amended other provisions of the Patent Act to provide for an award of attorneys' fees. In each of these amendments, Congress used the explicit and specific phrase "attorney fees" or "attorneys' fees"—not the general term "expenses." *See, e.g.,* 35 U.S.C. § 285 ("The court in exceptional cases may award reasonable attorney fees to the prevailing party."); 35 U.S.C. § 271(e)(4) ("[A] court may award attorney fees under section 285."); 35 U.S.C. § 273(f) (same); 35 U.S.C. § 296(b) (same); 35 U.S.C. § 297(b)(1) ("Any customer . . . who is found by a court to have been injured by any material false or fraudulent statement . . . may recover . . . reasonable costs and attorneys' fees.").

During this same period, Congress has never seen fit to amend § 145 to specifically and explicitly provide for the recovery of such fees. Notably, Congress did not amend § 145 after this Court's decision in *Alyeska Pipeline,* even though Congress responded to that decision "by broadening the availability of attorney's fees" in other areas. *Crawford Fitting Co. v. J. T. Gibbons, Inc.*, 482 U.S. 437, 444 (1987). Congress also did not amend § 145 in 2011, when it required the PTO to operate as a user-funded agency under the Leahy-Smith America Invents Act (the "AIA"). Pub. L. No. 112-29, § 10, 125 Stat. 284, 316 (2011).

B. Section 1071 Of The Lanham Act

Section 1071 of the Lanham Act is § 145's trademark analog. The Lanham Act was passed in 1946. Lanham Trademark Act, ch. 540, § 21, 60 Stat. 427, 435 (1946). While the Lanham Act originally incorporated the review procedures of § 145 by reference, *id.*, in 1962,

Congress amended the Lanham Act to include § 1071, which provides, in part: "unless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not." 15 U.S.C. § 1071(b)(3). Like the Patent Act, numerous provisions of the Lanham Act expressly authorize an award of "attorney's fees." *See, e.g.,* 15 U.S.C. § 1117(b) (authorizing recovery of "reasonable attorney's fee" in counterfeit mark litigation); 15 U.S.C. § 1122(c) (specifying remedies of prevailing party as including "actual damages, profits, costs and attorney's fees"). Section 1071 does not.

Just as with § 145, the PTO failed to seek attorneys' fees under § 1071 or its predecessor for 67 years after the Lanham Act was passed. That changed in 2013, when the PTO for the first time sought such fees in *Shammas v. Focarino*, 990 F. Supp. 2d 587, 594 (E.D. Va. 2014). A court in the Eastern District of Virginia granted the PTO's request, and a divided Fourth Circuit affirmed. *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), *cert. denied sub nom. Shammas v. Hirshfeld*, 136 S. Ct. 1376 (2016).

II. THE PTO'S ABOUT-FACE AND THE DISTRICT COURT PROCEEDING

On December 20, 2013, NantKwest filed suit in the Eastern District of Virginia seeking a judgment that NantKwest was entitled to a patent for the invention claimed in three rejected claims of U.S. Patent Application Serial No. 10/008,955. JA20-24. On February 19, 2014, the PTO answered and asserted that it was entitled to its "reasonable expenses, including those related to compensation paid for attorneys' and paralegals' time, incurred in defending this action,

regardless of whether the final decision is in plaintiff's favor." JA26.

The proceedings that followed were, contrary to the PTO's characterization, far from extensive. The case concluded at summary judgment prior to trial, and the parties conducted limited fact and expert discovery. JA32-33, 54. Additionally, the parties filed a limited number of motions in limine. JA9-10.

Following entry of judgment, the PTO filed a motion under § 145 seeking $111,696.39, including $78,592.50 in attorneys' fees. JA28, 39. These fees were calculated based on a pro-rata share of the salaries of the PTO attorneys and paralegal assigned to this matter. JA38.

On February 5, 2016, the district court denied the PTO's "Motion for Expenses regarding the [PTO's] attorney fees" and granted the PTO's "Motion for Expenses relating to [the PTO's] expert witness." Pet. App. 90a. The district court concluded that the PTO was "not entitled to attorneys' fees because the American Rule specifically forbids it." *Id*. The PTO appealed.

III. THE FEDERAL CIRCUIT PROCEEDINGS

A divided panel of the Federal Circuit reversed, holding that § 145 authorized an award of the "pro-rata share of the attorneys' fees the USPTO incurred to defend applicant's appeal." Pet. App. 71a. The panel "assum[ed] the [American] Rule applies" but held that "the expenses at issue here include the USPTO's attorneys' fees." Pet. App. 61a. Judge Stoll dissented. Following this Court's holding in *Alyeska Pipeline,* she reasoned that "any such deviation from the American Rule must be 'specific and explicit,'" and "Congress's use of 'expenses' is not the type of 'specific and explicit' language that permits the award of attorneys' fees." Pet. App. 73a.

The Federal Circuit sua sponte decided to rehear the case en banc, thereby vacating the panel decision. Pet. App. 156-58.

In a seven-to-four decision, the en banc panel affirmed the district court and held that the PTO was not entitled to recover attorneys' fees.[6] Writing for the majority, Judge Stoll held that § 145's text could not support an award of attorneys' fees. The majority began by noting that the American Rule—under which each litigant pays his own attorneys' fees—"serves as the 'basic point of reference' whenever a court 'consider[s] the award of attorney's fees.'" Pet. App. 4a (quoting *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252-53 (2010)). "Because the PTO contends that § 145 should be construed to shift its attorneys' fees to the patent applicants," the majority held that "the American Rule necessarily applies." Pet. App. 11a. In reaching this decision, the majority explicitly rejected the Fourth Circuit's holding in *Shammas*: "We respectfully submit that *Shammas*'s holding cannot be squared with the Supreme Court's line of nonprevailing party precedent applying the American Rule." Pet. App. 12a-13a. "[T]he Supreme Court has consistently applied the [American] [R]ule broadly to any statute that allows fee shifting to either party, win or lose." Pet. App. 13a.

The en banc majority then asked whether § 145 contained specific and explicit language sufficient to displace the presumption against fee shifting and concluded that it did not. Pet. App. 16a-17a. After examining definitions of "expenses" contemporaneous with § 145's predecessor's enactment and Congress's use

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[6] Eleven members of the court participated in the en banc rehearing. Circuit Judge Chen did not participate.

of the term "expenses" over two centuries, the majority concluded "that Congress understood the 'ordinary, contemporary, common meaning' of 'expenses' as being something other than 'attorneys' fees' unless expressly specified." Pet. App. 21a (quoting *Summit Valley Indus. Inc. v. Local 112 United Bhd of Carpenters*, 456 U.S. 717, 722 (1982)). That "a layperson" might believe the definitions "broad enough to cover attorneys' fees as well as other items," was not sufficient. Pet. App. 27a. In sum, the majority concluded that "a statute awarding '[a]ll the expenses,' with nothing more," does not depart from the American Rule's presumption against fee-shifting. Pet. App. 28a.

The majority noted that the "PTO's interpretation would create a particularly unusual divergence from the American Rule" because it obligates even successful plaintiffs to pay the PTO's attorneys' fees. Pet. App. 26a. "Indeed, the PTO could not identify any [other] statute that shifts the salaries of an agency's attorneys onto the party bringing suit to challenge the agency's decision." *Id.* The majority reasoned that "[h]ad Congress intended to produce such an anomalous result, we believe 'it would have said so in far plainer language than that employed here.'" Pet. App. 26a-27a. (quoting *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 694 (1983)).

Chief Judge Prost, joined by three other members of the court, dissented, reasoning that the statutory language "[a]ll the expenses of the proceedings" was sufficient to overcome the American Rule's presumption. Pet. App. 50a. The dissent focused on "Congress's use of the word 'all,'" and reasoned that its use "indicated [Congress's] desire to broadly and comprehensively include *all* of the expenses as it commonly understood them." Pet. App. 45a.

SUMMARY OF ARGUMENT

The Federal Circuit's conclusion that the PTO is not entitled to recover attorneys' fees under § 145 should be affirmed. Under the American Rule, each party to a litigation must bear its own attorneys' fees. Courts cannot "deviate from" this presumption "absent explicit statutory authority." *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) (quoting *Buckhannon Bd. & Care Home, Inc. v. West Virginia Dept. of Health and Human Resources,* 532 U.S. 598, 602 (2001)). Such statutory authorization must be "specific and explicit." *Id.* Vague or open-ended phrases that *could be* construed broadly in *some context* to encompass attorneys' fees will not suffice.

The phrase "all expenses" standing on its own is not sufficient to displace the American Rule presumption. First, the history of judicial and statutory usage as well as contemporaneous legal dictionary definitions demonstrate that the terms "expenses" and "attorneys' fees" have historically been treated as distinct concepts. Courts often award "expenses" and "attorneys' fees" as separate items. Moreover, there are scores of statutes that authorize an award of "attorneys' fees" *in addition to* "expenses." This makes little sense if the latter necessarily subsumes the former. Indeed, though Congress has enacted well over a hundred fee-shifting provisions, the PTO does not identify a single one, aside from the disputed statutory provisions at issue here, in which Congress used with word "expenses" standing alone to authorize an award of attorneys' fees.

Second, numerous courts have held that the term "expenses" does not include "attorneys' fees," including multiple state court decisions going back at least 150 years. At the very least, this demonstrates that the

term "expenses" does not *unambiguously* encompass "attorneys' fees" as it must to satisfy the American Rule.

Third, until now, the PTO has never even sought, much less been awarded, attorneys' fees under § 145 in the nearly two centuries since its passage. The PTO implausibly claims that it was simply exercising its discretion by declining to seek such fees, but the statutory language is mandatory, not permissive ("All the expenses of the proceedings *shall* be paid by the applicant."). The PTO's own prior behavior thus demonstrates that the term "expenses" has not been understood to include "attorneys' fees."

Fourth, the text of the Patent Act demonstrates that Congress did not intend for "expenses" to include "attorneys' fees." Congress has amended the Patent Act at least five times to authorize an award of "attorneys' fees," and every single one of those times Congress has used the term "attorneys' fees" or similar explicit language, not "expenses." The same is true of the Lanham Act. When Congress drafted § 1071 of the Lanham Act, it chose to retain the term "expenses" of its Patent Act counterpart. Yet, tellingly, when Congress chose to amend other provisions of the Lanham Act to authorize an award for "attorneys' fees," it expressly used that phrase.

The PTO nevertheless insists that the term "expenses" necessarily includes attorneys' fees. None of the PTO's arguments, however, support this interpretation.

The PTO first asserts that the "ordinary" meaning of the term "expenses" could encompass "attorneys' fees." The PTO relies primarily on generic dictionary

definitions, but such definitions have no bearing on the distinct *legal* meaning of the terms expenses and attorneys' fees, as illustrated by the long history of judicial and statutory usage, contemporaneous legal dictionaries, judicial precedent dating back at least 150 years, the text of the Patent Act, and the PTO's own conduct for nearly two centuries. Moreover, at best, the PTO's broad interpretation of the word "expenses" just shows that this term is vague and open-ended and therefore insufficient to displace the American Rule presumption.

The PTO next attempts to avoid the American Rule presumption by arguing that it does not apply because § 145's expenses provision does not hinge on whether the PTO is the prevailing party. This Court's precedents, however, are clear: the American Rule presumption applies *whenever* a party asserts that a statute shifts fees regardless of whether the provision at issue mentions prevailing parties or not. *See Hardt*, 560 U.S. at 253 (noting that the American Rule applies to fee shifting provisions of "various forms," including provisions that do not have a "prevailing party" requirement). Indeed, if anything, this presumption is at its strongest where a party contends that it would be entitled to attorneys' fees even when it lost, as the PTO asserts here. Congress would not enact such "a radical departure from established principles" without doing so explicitly. *See Ruckelshaus*, 463 U.S. at 693-94.

The PTO also tries to support its position that "expenses" includes "attorneys' fees" by taking portions of this Court's precedents—often single sentences—out of context. However, none of the cases cited by the PTO held or even suggested that the word "expenses"

standing alone would be sufficient to authorize an award for attorneys' fees. On the contrary, these cases demonstrate that where Congress has intended to include "attorneys' fees" among the "expenses" authorized by a statute, it has expressly identified such "fees" as one of the "expenses" that a party may recover.

Finally, the PTO asserts that it should be entitled to recover attorneys' fees based on the purpose and statutory history of § 145. But policy arguments and legislative history cannot provide the necessary clarity and specificity that the text of § 145 lacks. Moreover, if the Court were to adopt the PTO's position, potential applicants with meritorious claims might be deterred from seeking relief under § 145 if they have to pay the PTO's attorneys' fees even when they prevail. It should be up to Congress to decide whether the PTO's policy concerns warrant such a chilling effect.

For these reasons, and all the reasons explained below, the Federal Circuit's en banc decision should be affirmed.

ARGUMENT

I. UNDER THE AMERICAN RULE, A STATUTE MUST NOT BE READ TO SHIFT ATTORNEYS' FEES UNLESS THE TEXT IS SPECIFIC AND EXPLICIT

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." *Hardt*, 560 U.S. at 252-53 (quoting *Ruckelshaus*, 463 U.S. at 683). As this Court has explained, the purpose of the American Rule is to protect litigants from the costs and uncertainties

associated with fee-shifting regimes, which could unfairly deter citizens from vindicating their rights:

> [S]ince litigation is at best uncertain one should not be penalized for merely defending or prosecuting a lawsuit, and . . . the poor might be unjustly discouraged from instituting actions to vindicate their rights if the penalty for losing included the fees of their opponents' counsel.

Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 718 (1967). As the Federal Circuit noted, "the policy behind the American Rule would be even more strongly implicated where attorneys' fees would be imposed on a winning Plaintiff." Pet. App. 12a.

Accordingly, statutory "departures from the American Rule" must be "'specific and explicit,'" putting litigants on notice that they may have to pay the opposing side's attorneys' fees. *Baker Botts*, 135 S. Ct. at 2164 (quoting *Alyeska Pipeline*, 421 U.S. at 260). The presumption is that "Congress legislates against the strong background of the American Rule," and courts should not infer that Congress intended a "bold departure" from this bedrock principle absent clear and "explicit statutory language." *Fogerty v. Fantasy, Inc*., 510 U.S. 517, 533 (1994). Nor may courts fashion exceptions to the American Rule even where "redistributing litigation costs" would be sensible as a matter of policy. *Alyeska Pipeline*, 421 U.S. at 271. "[I]t is not for [the courts] to invade the legislature's province by" awarding fees where the legislature authorized none. *Id.*

These principles date back to the founding of the republic. *See Runyon v. McCrary*, 427 U.S. 160, 185 (1976) ("[T]he law of the United States . . . has always been that absent *explicit* congressional authorization,

attorneys' fees are not a recoverable cost of litigation.") (emphasis added); *see also Arcambel v. Wiseman*, 3 U.S. 306, 306 (1796) ("We do not think that this charge [of attorney's fees] ought to be allowed. The general practice of the United States is in oposition [sic] to it; and even if that practice were not strictly correct in principle, it is entitled to the respect of the court, till it is changed, or modified, by statute."). Thus, when Congress enacted § 145 and its predecessors, the prevailing rule was against fee shifting.

Historically, when Congress has authorized attorneys' fees, it has done so through "specific and explicit" language. For example, in 1792, Congress authorized United States attorneys to collect "fees" to the extent such fees were authorized by state law. Act of May 8, 1792, § 3, 1 Stat. 277 ("To the attorney of the United States for the district, such fees in each state respectively as are allowed in the supreme courts of the same . . . ."). Notably, this same provision separately authorizes United States attorneys to recover any "expenses" they incur for travel. *Id.; see also Alyeska Pipeline*, 421 U.S. at 249 & n.19 (discussing the legislative history of this provision). On numerous other occasions, Congress used the specific term "fees" to authorize an award of attorneys' fees. *E.g.*, Act of Sept. 29, 1789, § 2, 1 Stat. 93 ("[R]ates of fees . . . shall be the same in each state respectively as are now used or allowed in the supreme courts of the same."); Act of Mar. 1, 1793, § 1, 1 Stat. 332 (setting "[t]he stated fee" for attorneys in admiralty and maritime cases); Act of May 26, 1826, ch. 127, 4 Stat. 185 ("Be it enacted . . . [t]hat there be allowed to the attorney of the United States, for the district of Missouri, a fee of six dollars in each case now pending, or hereafter to be by him prosecuted on behalf of the United States, to be paid by the unsuccessful party . . . .").

This linguistic practice did not suddenly change in 1839. In 1853, Congress enacted a general fee-shifting provision and again used the specific and explicit phrase "Fees of Attorneys," as opposed to a more "open-ended" phrase like "all expenses." *See Alyeska Pipeline*, 421 U.S. at 253, n.25. Since then Congress has repeatedly authorized attorneys' fee awards using similarly specific language, such as "a reasonable attorney's fee," 18 U.S.C. § 2707(b)(3), or "reasonable compensation for actual, necessary services rendered by the . . . attorney," 11 U.S.C. § 330(a)(1)(A), including in those rare instances when Congress authorizes the government to collect "attorneys' fees." *See, e.g.,* 33 U.S.C. § 1319(g)(9) (permitting the Attorney General to collect "attorneys fees" under the Clean Water Act).

To be sure, the "high bar for shifting attorneys' fees . . . does not impose a magic words requirement" as the Federal Circuit recognized. Pet. App. 7a. In other words, a statute does not have to use the exact phrase "attorneys' fees" to displace the American Rule's strong presumption against fee shifting. *Id*. But the statutory language must be clear. Vague and "open-ended" phrases are insufficient. *Baker Botts*, 135 S. Ct. at 2168. For example, in *Baker Botts*, this Court concluded that the phrase "reasonable compensation for actual, necessary services rendered by the . . . attorney" was sufficient to overcome the American Rule. *Id.* at 2165. But "[t]he open-ended phrase 'reasonable compensation,' standing alone, [was] not the sort of 'specific and explicit provisio[n]' that Congress

must provide in order to alter [the American Rule]." *Id.* at 2168 (quoting *Alyeska Pipeline*, 421 U.S. at 260).[7]

II. THE AMERICAN RULE PRECLUDES ATTORNEYS' FEES BECAUSE THEY ARE NOT SPECIFICALLY AND EXPLICITLY AUTHORIZED BY § 145

As the Federal Circuit concluded, § 145's requirement that the applicant pay "[a]ll the expenses of the proceedings," 35 U.S.C. § 145, is not sufficiently "specific and explicit" to overcome the American Rule's strong presumption against shifting attorneys' fees. The terms "expenses" and "fees" have distinct meanings. Even if the word "expenses" is to some extent ambiguous such that it *could* encompass "fees," such "open-ended" language is insufficient to "alter [the American Rule]." *Baker Botts*, 135 S. Ct. at 2168. "The American Rule . . . demand[s] more than language that merely *can be* and *is sometimes used* broadly to implicitly cover attorneys' fees." Pet. App. 17a.

A. The History Of Statutory And Judicial Usage Demonstrates That "Expenses" And "Attorneys' Fees" Are Distinct

In concluding that the term "expenses" is not ordinarily understood to include "attorneys' fees," the Federal Circuit examined the "statutory" and "judicial" usage of these terms. Pet. App. 17a-26a; *see also W. Va. Univ. Hosps., Inc. v. Casey*, 499 U.S. 83, 88, 97 (1991) (examining "statutory" and "judicial usage" to determine whether the term "attorney's fees" included

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[7] In *Baker Botts*, this Court did not even consider whether the attorneys' fees sought were compensable as "reimbursement for actual, necessary expenses" pursuant to § 330(a)(1)(B) of the Bankruptcy Code.

"fees for experts' services"). Such usage demonstrates that the terms "expenses" and "attorneys' fees" have distinct meanings. "Attorneys' fees" relate to the compensation paid to attorneys for their services whereas "expenses" consist of litigation-related expenditures such as filing, copying, travel, and court reporter expenditures—i.e., the sorts of items for which the PTO had historically sought reimbursement. This is illustrated, as an example, by the fact that courts, when granting awards for "attorneys' fees" and "expenses," treat these as separate and distinct line items. *See, e.g., Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.,* 572 U.S. 559, 561-62 (2014) ("[T]he District Court fixed the amount of the award at $4,694,727.40 in attorney's fees and $209,626.56 in expenses . . . .").

This distinction between "attorneys' fees" and "expenses" is not some modern convention that would have been unknown to the drafters of § 145. As the Federal Circuit observed, "[m]any courts and litigants in the 1800s referred to 'expenses' and 'attorneys' fees' as distinct items." Pet. App. at 25a; *see, e.g., Morris v. Way*, 16 Ohio 469, 472 (1847) (referring to statement of accounts listing "attorney's fees and expenses"); *Hayden v. Sample*, 10 Mo. 215, 221 (1846) (noting defendant's request that jury be instructed to ignore evidence of "the expenses incurred . . . and the fees paid counsel and attornies"); *Anderson v. Farns*, 7 Blackf. 343, 343 (Ind. 1845) (citing party's request for indemnity from all "penalties, costs, damages, attorney's fees, and expenses"); *State v. Williams*, 13 Ohio 495, 499 (1844) (providing that trustees had authority to settle "the expense of prosecuting suits, attorney's fees, etc."); *Bishop v. Day*, 13 Vt. 81, 83 (1841) (discussing contract containing indemnity from "any costs, lawyers' fees, and expenses"); *Hickman v. Quinn*, 14 Tenn. 96, 107 n.1 (1834) (explaining that

defendants deducted "their expenses, attorney's fees, etc." from amount voluntarily given to plaintiff).

This judicial usage is consistent with contemporaneous legal dictionary definitions of the terms "expenses" and "fees." Bouvier's Law Dictionary, published in 1839, the same year as § 145's predecessor, defines "expensae litis," or "[e]xpenses of the suit," as "the costs which are allowed to the successful party." Bouvier's Law Dictionary 392 (1st ed. 1839) (definition of "Expensae Litis"). Such "costs" did not include the "extraordinary fees [a party] may have paid counsel." *Id.* at 244-45 (definition of "Costs"); *see also id*. at 404 (defining "Fees" as "compensation" to "to officers concerned in the administration of justice"). Thus, in 1839, the phrase "[a]ll the expenses of the proceedings," much like the phrase "expenses of the suit," would not have been understood to encompass attorneys' fees. Similarly, the first edition of Black's Law Dictionary, published in 1891, distinguished between "costs," which is defined as "an allowance to a *party* for *expenses* incurred in prosecuting or defending a suit" and "fees," which is defined as "compensation to an *officer* for services rendered in progress of a cause." Black's Law Dictionary 282 (1st ed. 1891) (definition of "Costs") (emphasis on "expenses" added).

Congress has likewise treated "attorneys' fees" and "expenses" as distinct expenditures when authorizing their reimbursement. Congress has enacted numerous statutes authorizing attorneys' fees *in addition to* "expenses." *See, e.g.*, 11 U.S.C. § 363(n) (authorizing recovery of "any costs, attorneys' fees, or expenses incurred"); 12 U.S.C. § 1464(d)(1)(B)(vii) (at the court's discretion, obligating federal savings associations to pay "reasonable expenses and attorneys' fees" in enforcement actions); 26 U.S.C. § 6673(a)(2)(A) (requiring lawyers

who cause excessive costs to pay "excess costs, expenses, and attorneys' fees"); 31 U.S.C. § 3730(d)(1) (authorizing, in false claims suits, "reasonable expenses which the court finds to have been necessarily incurred, plus reasonable attorneys' fees and costs"); 15 U.S.C. § 6309(d) (authorizing the award of "reasonable attorneys fees and expenses"); 28 U.S.C. § 1875(d)(2) (referring to "attorney fees and expenses incurred"); 28 U.S.C. § 2412(b) (authorizing "reasonable fees and expenses of attorneys"). Even when Congress has treated "attorneys' fees" as a component of "expenses," it has done so explicitly by including an expressed reference to "attorneys' fees" or other similarly specific language. *See, e.g.*, 12 U.S.C. § 5009(a)(1)(B) (holding party at fault liable for "interest and expenses (including costs and reasonable attorney's fees and other expenses of representation)"); 5 U.S.C. § 504(a)(1) (authorizing recovery of "fees and other expenses," including "reasonable attorney or agent fees"); 28 U.S.C. § 2412(d)(2)(A) ("'[F]ees and other expenses' includes the reasonable expenses of expert witnesses, the reasonable cost of any study, analysis, engineering report, test, or project which is found by the court to be necessary for the preparation of the party's case, *and reasonable attorney fees*.") (emphasis added).

These statutory provisions demonstrate that the terms "expenses" and "fees" are distinct, and "expenses" standing on its own is not ordinarily understood to necessarily encompass attorneys' fees. Otherwise, "statutes referring to the two separately become an inexplicable exercise in redundancy." Pet. App. 20a (quoting *W. Va. Univ. Hosps.*, 499 U.S. at 92).

The PTO tries to downplay Congress's repeated and consistent differentiation of the terms "expenses" and "attorneys' fees" by insisting that "[s]ome redundancy

is hardly unusual" in the fee shifting context. Pet. Br. 41 (quoting *Rimini St., Inc. v. Oracle USA, Inc.*, 139 S. Ct. 873, 881 (2019)). But this is hardly just *some* redundancy. As the numerous statutes above demonstrate, Congress has consistently used the phrase "attorneys' fees" or similar language in addition to "expenses" when it has wanted to authorize attorneys' fees. This repeated persistence makes no sense if the word "expenses" standing on its own would suffice.

Indeed, aside from the disputed language in § 145 and its Lanham Act counterpart, the PTO does not identify a single statute in which, under its view, Congress has used the term "expenses," standing alone, to denote "attorneys' fees." As the Federal Circuit noted, *none* of the statutes identified in the 2008 Congressional Research Service Report, which compiled the text of several hundred attorneys' fee-shifting provisions, uses the word "expenses" standing alone. Pet. App. 30a, n.8 (citing Henry Cohen, *Cong. Research Serv., Awards of Attorneys' Fees by Federal Courts and Federal Agencies* 64-114 (2008), available at https://fas.org/sgp/crs/misc/94-970.pdf.).[8] Instead, they use language like "'attorneys' fees,' 'fees,' 'compensation for . . . attorney[s],' 'fees for attorneys,' 'compensation for representation . . . equivalent to that provided for court-appointed representation,' 'fees of counsel,' 'legal fees,' or 'compensation' for 'foreign counsel.'" *Id.* The same is true for fee-shifting statutes that Congress passed prior to 1839. As noted above, these statutes used the term "fees" explicitly. *E.g.,* Act of Mar. 1, 1793, § 1, 1 Stat. 332; Act of Sept. 29, 1789,

[8] "Notably, § 145 was not included in the statutory compilation." Pet. App. 30a, n.8.

§ 2, 1 Stat. 93; Act of May 8, 1792, § 3, 1 Stat. 277; Act of May 26, 1826, 4 Stat. 185.

This illustrates the implausibility of the PTO's position. If the PTO is correct, then § 145 and its Lanham Act counterpart constitute unique and inexplicable departures from consistent Congressional practice going back to the founding. Indeed, under the PTO's interpretation, § 145 and § 1071 would be remarkable for two reasons. Not only would they shift attorneys' fees by using the word "expenses" standing alone, but they would also allow the government to recover attorneys' fees *even when it loses*. Pet. App. 26a. (noting that "the PTO could not identify any [other] statute that shifts the salaries of an agency's attorneys onto the party bringing suit" regardless of the outcome). It is unreasonable to interpret § 145 to produce such an anomalous result.

B. Longstanding Judicial Precedent Demonstrates That "Expenses" Do Not Include "Attorneys' Fees"

The PTO's position is also inconsistent with long-standing judicial precedent. Numerous courts in the in nineteenth century held that a statute or contractual provision providing for an award of "expenses" did not permit a party to recover "attorneys' fees." For example, in 1866 the Supreme Court of Kansas held that the term "costs and expenses" in a partition statute did not "include the compensation due from the parties respectively to their attorneys or any part thereof." *Swartzel v. Rogers*, 3 Kan. 380, 383 (1866). Similarly in 1888, the Alabama Supreme Court held that a mortgage agreement which provided for reimbursement for "expenses of sale" did not "specially

authorize" an award of attorneys' fees connected with a foreclosure. *Thomas v. Jones,* 84 Ala. 302, 304 (1888*); see also Ball v. Vason*, 56 Ga. 264, 268 (1876) (holding that order awarding "costs and expenses" did not encompass counsel fees). Legal treatises likewise demonstrate that, as a historical matter, courts have long understood that there is difference between "expenses" and "attorneys' fees." *See, e.g.*, 14 Am. Jur., Costs, § 63 (1936) ("The term 'costs' or 'expenses' as used in a statute is not understood ordinarily to include attorneys' fees.").

State courts generally have persisted in rejecting the contention that "expenses" encompasses "attorneys' fees" throughout the twentieth century up until the present. *E.g., McQuade v. Richland Water Co*., 1912 WL 3724, at *2 (Pa. Com. Pl. 1912) (phrase "expenses and charges" did not include counsel fees); *Ragan v. Ragan,* 119 S.E. 882, 884 (N.C. 1923) ("[A]ll costs and expenses' does not include attorneys' fees."); *Fiorito v. Goerig*, 179 P.2d 316, 318 (Wash. 1947) ("The term 'costs' is synonymous with the term 'expense[]" and "does not include counsel fees[.]"); *Royal Disc. Corp. v. Luxor Motor Sales Corp*., 170 N.Y.S.2d 382, 383 (App. Term 1957) ("The terms 'costs' and 'expenses' as employed in the assignment agreement do not include attorney's fees . . . ."); *Ark. Dep't of Human Servs., Div. of Econ. & Med. Servs. v. Kistler*, 320 Ark. 501, 509 (1995) ("The terms 'costs' or 'expenses' when used in a statute do not ordinarily include attorney's fees.") *VSI Enters., Inc. v. Edwards*, 238 Ga. App. 369, 375 (1999) ("[C]osts or expenses do not include attorney fees."); *Cracker Barrel Old Country Store, Inc. v. Epperson*, 284 S.W.3d 303, 310 (Tenn. 2009) ("[T]he term 'expenses,' without more, also does not include an award of attorney fees.") (listing cases); *Air Turbine Tech., Inc. v. Quarles & Brady, LLC*, 165 So. 3d 816,

823 (Fla. Dist. Ct. App. 2015) ("[T]he contractual terms 'costs' and 'expenses' do not include attorney's fees unless the contract specifically defines them to include attorney's fees.").

Likewise, other federal courts that have considered this issue have held that the term "expenses" does not include "attorneys' fees." *See, e.g., McAdam v. Dean Witter Reynolds, Inc.,* 896 F.2d 750, 776 (3d Cir. 1990) ("[W]e cannot find the vague reference in § 4-207(3) to 'expenses' [to be a] sufficient basis on which to predicate such an award [of attorneys' fees]."). Moreover, as discussed further below, the Fourth Circuit in *Shammas* only reached a contrary result because it erroneously concluded that the American Rule's presumption did not apply to § 145.

Against this backdrop, the PTO's argument that "in 'ordinary parlance,' . . . 'expenses' is sufficiently broad to include attorneys fees" is untenable. Pet. Br. 19 (quoting *Shammas*, 784 F.3d at 222). At the very least, it cannot be said that the term "expenses" *unambiguously* includes attorneys' fees, which is what the American Rule requires. *Baker Botts*, 135 S. Ct. at 2168.

Indeed, adopting the PTO's position would produce incongruous results whereby, in two instances—specifically, § 145 and § 1071—the term "expenses" would encompass attorneys' fees, but in other statutes the term "expenses" would *not* encompass attorneys' fees. This would only sow confusion in an area in which this Court has stressed the need for clarity.

C. The PTO's Failure To Seek Attorneys' Fees For More Than 170 Years Demonstrates That Such Fees Are Unavailable

For over 170 years, the PTO's own course of conduct has been consistent with the statutory and judicial usage and judicial precedent detailed above. Indeed, in the more than 170 years after § 145 was enacted, the PTO did not once seek attorneys' fees. This speaks volumes.

Recently, in *Rimini,* this Court held that the term "full costs" as used in the Copyright Act did not authorize an award of expenses beyond the six categories of enumerated "costs" specified by Congress in the general cost-sharing statute. 139 S. Ct. at 876. The Court emphasized "that none of the more than 800 available copyright decisions awarding costs from 1831 to 1976—that is, from the year the term 'full costs' first appeared in the Copyright Act until the year that the Act was last significantly amended—awarded expenses other than those specified by the applicable state or federal law." *Id.* at 880. "The best interpretation [of this history] is that the term 'full costs' meant in 1831 what it means now: the full amount of the costs specified by the applicable costs schedule." *Id.*

Here, before this case no court had ever awarded the PTO attorneys' fees under § 145. Indeed, the PTO *never even sought such fees* under § 145 until this case. The best interpretation of this history is that "expenses" meant in 1839 what it means now: it does not encompass attorneys' fees.

In fact, the PTO has on multiple occasions intimated that such fees were not recoverable. For example, in *Robertson*, the district court denied the PTO's recovery

for the travel expenses of one of its lawyers to attend an out-of-state deposition. 46 F.2d at 769. On appeal, the applicant argued that failing to limit "expenses" to "costs" would invite abuses, including attempts by the PTO to recover "parts of the salaries of the Patent Office solicitor, of the solicitor general, [and] of the Patent Office clerks." JA87 (Br. for Appellee at 37, *Robertson v. Cooper*, 46 F.2d 766 (4th Cir. Oct. 14, 1930) (No. 3066)). The applicant noted that such charges "might practically bankrupt an ordinary litigant." *Id.* In response, the PTO called items such as salaries for its personnel "so remote that they need not be seriously considered." JA89 (Def.-Appellant's Reply to Pl.-Appellee's Br. at 10, *Robertson v. Cooper*, 46 F.2d 766 (4th Cir. Oct. 14, 1930) (No. 3066)).

Similarly, the PTO's assertion that Congress intended to permit the PTO to recoup its attorneys' fees for litigating § 145 actions because "[t]hose proceedings can subject the USPTO to greater financial burdens . . . than would a direct appeal," Pet. Br. 14, is belied by history. In *Cook*, the District of Columbia Circuit allowed the PTO to recover "printing expenses," specifically the cost of printing the PTO's appeal brief, as a component of "expenses" pursuant to a predecessor to § 145, R.S. § 4915. 208 F.2d at 530. In its brief, the PTO characterized the "expenses incident to . . . trial in the District Court" as "relatively small" in comparison to "the much greater expenses of an appeal whenever the applicant saw fit to take one." JA80 (Br. for Appellee at 5, *Cook v. Watson*, 208 F.2d 529 (D.C. Cir. Mar. 1953) (No. 11,675)). This is *exactly the opposite* of the position the PTO takes here.

The PTO offers no explanation for why it has never before sought attorneys' fees though it supposedly had the power to do so. Instead, the PTO claims it was simply exercising its "discretion" not to "seek the full range of expenses permitted by the statute." Pet. Br. 7; *see also id.* at 31-32. But if the PTO's current interpretation of the § 145 is correct, then it had no such discretion. Pet. App. 22a, n.5 ("We note that § 145 is not discretionary."). Section 145's "expenses" provision is mandatory, not permissive. It states that the "[a]ll the expenses of the proceedings *shall be paid* by the applicant." 35 U.S.C. § 145 (emphasis added); *see also Lopez v. Davis,* 531 U.S. 230, 241 (2001) (noting Congress's use of the word "'shall' to impose discretionless obligations").

If this language truly requires applicants to reimburse the PTO for attorneys' fees, as the PTO now contends, then the PTO was not free to ignore this statutory directive for 170 years.[9] Of course, the more plausible explanation as to why the PTO never before sought attorneys' fees is not that it was deliberately shirking its statutory obligations for the better part of two centuries, but that it understood that § 145 did not authorize such fees. The PTO's current position is thus

[9] Even assuming that the PTO has some discretion in this area, its contention that it simply chose not exercise it strains credulity. The PTO gives no explanation as to why it chose not seek reimbursement for the salary of its attorneys, which makes little sense when it has previously sought reimbursement for other more minor expenses like printing and travel. Similarly, the PTO gives no explanation for its failure, even now, to seek reimbursement for the salary of all of its attorneys' fees. JA38 (n.5) (stating "although other attorneys assisted in the defense of this civil action, the USPTO is only seeking its expenses with respect to the two primarily-assigned attorneys").

nothing more than a post-hoc rationalization to justify its sudden about face.

D. Other Provisions Of The Patent Act Demonstrate That Congress Did Not Intend For "Expenses" To Include "Attorneys' Fees"

Congress's provision for "attorneys' fees" elsewhere in the Patent Act further supports that "expenses" as used in § 145 excludes these fees. *Clay v. United States*, 537 U.S. 522, 528 (2003) ("When 'Congress includes particular language in one section of a statute but omits it in another section of the same Act,' we have recognized, 'it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.'") (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)); *cf. Baker Botts*, 135 S. Ct. at 2165-66 (refusing to award certain attorney's fees based on broad language in 11 U.S.C. § 330(a)(1) where "other provisions of the Bankruptcy Code" expressly required paying the debtor's "reasonable attorneys' fees and costs"). As noted above, Congress has used "attorneys' fees"—and not "expenses"—throughout the Patent Act to overcome the American Rule's presumption. *See, e.g.*, 35 U.S.C. § 285 (authorizing in "exceptional cases," awards of "reasonable attorney fees"); 35 U.S.C. § 271(e)(4); 35 U.S.C. § 273(f); 35 U.S.C. § 296(b); 35 U.S.C. § 297(b)(1). Yet it chose not to use that language in § 145. This choice is presumed to be intentional.

The statutory text of the Lanham Act also demonstrates that Congress did not intend for "expenses" to encompass "attorneys' fees." In 1962, Congress drafted § 1071 of the Lanham Act to mirror § 145. Yet fifteen years later, when Congress added a fee-shifting provision to the Lanham Act, it chose to use the phrase

"reasonable *attorneys fees*," not "*all expenses*." 15 U.S.C. § 1117(a) (emphasis added); *see Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC*, 626 F.3d 958, 964 (7th Cir. 2010) (detailing the statutory history of § 1117). The fact that Congress chose to adopt § 145's use of the word "expenses" for § 1071, but not in the Lanham Act's other cost shifting provisions that expressly include attorneys' fees demonstrates that, when Congress intends to authorize an award of attorney's fees, it is explicit.

The PTO argues that the 1836 Patent Act evidences a Congressional understanding that "expenses" includes PTO personnel expenses. Pet. Br. 28. It does not. The 1836 Patent Act included a provision that required patent applicants to pay the "expenses of the Patent Office," and it defined "expenses of the Patent Office" to expressly include "the salaries of the officers and clerks herein provided for." Patent Act of 1836, Pub. L. 24-357, § 9, 5 Stat. 117, 121.

This does not support the PTO's position for several reasons. As an initial matter, "it is doubtful (or at least uncertain) whether any of the salaries of the particular 'officers and clerks herein provided for' under § 9 included the salaries of PTO attorneys and paralegals who engaged in litigation on the agency's behalf." Pet. App. 33a. This is because, while the 1836 Patent Act created positions "for Commissioner of Patents, Chief Clerk of Patent Office, an examining clerk, and two 'other' clerks," it did not create any role for paid attorneys. *Id.* (citing §§ 1-2, 5 Stat. at 117-18).

Even assuming, however, that "expenses of the Patent Office," could be appropriately construed to include the salaries of PTO attorneys and paralegals, the PTO's argument still fails. The problem with the PTO's reliance on the 1836 Patent Act is that, when

Congress first introduced § 145's predecessor in the 1839 Patent Act, it notably chose not to use this same "expenses of the Patent Office" language, nor did it expressly provide that "expenses" included "the salaries of the officers and clerks" like it had in the 1836 Patent Act. *See* Act of Mar. 3, 1839, § 10, 5 Stat. 353, 354 (emphasis added). Instead, the relevant provision of the 1839 Patent Act, Ch. 88 § 10, refers to "the whole of the expenses of the proceeding," and it makes no mention of salaried employees whatsoever. *Id.* (emphasis added).

This is significant for two reasons. First, the salaries of the PTO's attorneys are not "expenses of the proceeding" (even assuming they could be characterized as "expenses of the Patent Office"). These salaries are fixed, and the PTO pays them regardless of whether the attorneys work on any particular § 145 proceeding or not. Second, the fact that Congress felt the need to expressly specify that the "expenses of the Patent Office" included "the salaries of the officers and clerks," but did not expressly include these same cost-items as part of the "expenses of the proceeding" in § 145's predecessor, cautions against reading this language into § 145. *See State Farm Fire & Cas. Co. v. U.S. ex rel. Rigsby*, 137 S. Ct. 436, 442 (2016) ("This Court adheres to the general principle that Congress' use of 'explicit language' in one provision 'cautions against inferring' the same [language applies] in another provision."). In other words, had Congress intended for "expenses of the proceedings" to cover the PTO's salaried employees, it would have said so expressly (as it did for "expenses of the Patent Office"). It would not have just used the generic term "expenses," and nothing in the 1836 Patent Act suggests that Congress intended to establish a definition of the term "expenses" that would neces-

sarily apply to all other contemporary and future provisions of the Act.

III. THE COURT SHOULD REJECT THE PTO'S ATTEMPT TO CONSTRUE THE TERM "EXPENSES" BROADLY TO ENCOMPASS "ATTORNEYS' FEES"

A. The PTO's Assertion That The "Ordinary" Meaning Of "Expenses" Includes "Attorneys' Fees" Is Both Unsupported And Irrelevant Under The American Rule

In spite of (1) the long history of statutory and judicial usage, (2) numerous state and federal precedents holding that "expenses" do not include "attorneys' fees," (3) its own course of conduct for the more than 170 years, and (4) the language of the Patent Act itself, the PTO nevertheless insists that the "ordinary meaning of 'expenses' incurred in connection with legal 'proceedings' includes money paid to attorneys." Pet. Br. 39. But despite the supposedly "plain" and "ordinary" meaning of this term, the PTO does not identify any other statutory provision among the hundreds that Congress has passed—except for § 145 and its Lanham Act counterpart—in which Congress used the word "expenses" standing alone to allegedly mean "attorneys' fees." This is contrary to what one would expect if the term "expenses" carried with it this supposedly "plain" and "ordinary" meaning.

The PTO relies on various dictionary definitions to support its interpretation of "expenses." Pet. Br. 18. None of these dictionaries, however, define "expenses" to include "attorneys' fees" specifically. Instead, the PTO cites vague and amorphous definitions of "expense," such as, "[s]omething spent to attain a goal" or "'the

cost required for something,'" or "[c]osts; charges; money expended." *Id.* at 18, 21 (citations omitted). The PTO reasons that, because fees expended on labor would generally fall within these sweeping definitions, "expenses" must include "attorneys' fees" as well. *Id.* But even assuming that the PTO is correct, and the term "expenses" could in certain contexts be interpreted broadly to include the cost of labor, the PTO's position is plainly contrary to the American Rule. At best, this argument just shows that the term "expenses" is vague and "open-ended" and therefore insufficient to overcome the American Rule presumption. *Baker Botts*, 135 S. Ct. at 2168. ("The open-ended phrase 'reasonable compensation,' standing alone, is not the sort of 'specific and explicit provisio[n]' that Congress must provide in order to alter [the] default [American] [R]ule."). For example, to illustrate this point, the PTO asserts that "'moving expenses'" would "cover the cost of paying movers." Pet. Br. 18. But context matters. There is no American Rule for "mover fees," nor is there a history of judicial and statutory usage treating "moving expenses" and "mover fees" as separate, reimbursable items. Thus, the mere fact that some dictionaries define the term "expenses" in a way that could be construed to cover "attorneys' fees" is irrelevant.

As the Federal Circuit noted, this Court has repeatedly "reject[ed] fee-shifting requests under the American Rule where Congress employs vague statutory language" that could be construed broadly to encompass such fees. Pet. App. 27a (citing *Summit Valley*, 456 U.S. at 722, 726 ("the damages by him sustained and the cost of the suit" did not include attorneys' fees); *F. D. Rich Co. v. United States*, 417 U.S. 116, 128 (1974) ("sums justly due" did not include attorneys' fees); *Fleischmann*, 386 U.S. at 720 ("costs of the action" did

not include attorneys' fees); *Key Tronic Corp. v. United States,* 511 U.S. 809, 813 (1994) ("any . . . necessary costs of response," including "enforcement activities," did not include attorneys' fees); *see also Baker Botts*, 135 S. Ct. at 2168 ("reasonable compensation" did not include attorneys' fees).

Indeed, the PTO concedes that the phrase "expenses" is vague and "open-ended." The PTO quotes *Arlington Central School District Board of Education v. Murphy* 548 U.S. 291 (2006) for the proposition that "'an open-ended provision,' such as 'expenses'" would be sufficient to authorize an award of attorneys' fees. Pet. Br. 21 (quoting *Arlington Central School District,* 548 U.S. at 297). As explained further below, this is a misreading of *Arlington Central School District*. The Court in that case held that the word "costs" was a narrow term of art that did not cover the broader array of "expenses" (*e.g.*, "travel and lodging expenses") that one might incur while prosecuting a lawsuit. *Id.* It did not hold that "expenses" standing alone would also encompass "attorneys' fees." And in *Baker Botts*, the Court made clear that such "open-ended" phrases are not sufficiently specific to capture "attorneys' fees." 135 S. Ct. at 2168. Hence, by the PTO's own admission, the term "expenses" cannot displace the American Rule presumption against shifting attorney's fees.

The PTO also argues that Congress's use of the modifier "all" in the phrase "all the expenses of the proceedings" supports its broad interpretation of the term "expenses." Pet. Br. 23. But "all" does not provide the clarity that "expenses" lacks. While this modifier makes clear that a § 145 plaintiff must bear all expenses, it does not specifically and explicitly provide that "expenses" include attorneys' fees. A catchall-phrase like "all" does not define what it

catches. *See Flora v. United States*, 362 U.S. 145, 149 (1960) (noting that "any sum," while a "catchall" phrase, does not "define what it catches").

Indeed, as the PTO recognizes, the Court rejected this exact argument in *Rimini*. Pet. Br. 24. There, the petitioner asserted that the term "full costs" should encompass various expenses (such as expert witness fees, e-discovery expenses, and jury consultant fees) that are not thought of as the type of incidental expenditures typically associated with the term "costs." The Court rejected this argument. It reasoned:

> The adjective "full" . . . does not alter the meaning of the word "costs." Rather, "full costs" are all the "costs" otherwise available under law. The word "full" operates in the phrase "full costs" just as it operates in other common phrases: A "full moon" means the moon, not Mars. A "full breakfast" means breakfast, not lunch. A "full season ticket plan" means tickets, not hot dogs. So too, the term "full costs" means costs, not other expenses.

Rimini, 139 S. Ct. at 878-79. Likewise, here, "all expenses" means the full range of expenses "otherwise available under the law," not attorneys' fees. *See id.*

The PTO nonetheless insists that Congress's use of the word "all" suggests that the term "expenses" should not be given an "artificially constricted scope." Pet. Br. 24. There is nothing "artificial," however, about treating "expenses" and "attorneys' fees" as distinct categories of recoupable payments. As explained above, countless court opinions and statutes have done just that.

B. Contrary To The PTO, The American Rule Applies *Whenever* A Litigant Seeks To Have Another Pay His Attorneys' Fees

For all the reasons explained above, the PTO's position that the term "expenses" is sufficiently specific and explicit to encompass attorneys' fees is untenable. So the PTO tries to avoid the American Rule presumption by asserting it does not apply. Quoting the Fourth Circuit's opinion in *Shammas*, the PTO claims that "a statute that mandates the payment of attorneys' fees without regard to a party's success is not a fee-shifting statute that operates against the backdrop of the American Rule." Pet. Br. 34-35 (quoting *Shammas*, 784 F.3d at 223). According to the PTO, § 145 does not involve fee-shifting because it is just "a counterpart to the requirement that all applicants pay fees for examination." Pet. Br. 35.

This argument is contrary to this Court's precedent. Indeed, the Fourth Circuit itself has questioned whether *Shammas* was correctly decided in light of intervening authority from this Court applying the American Rule to a statute that did not have a prevailing party requirement. *Booking.com B.V. v. United States*, 915 F.3d 171, 188 (4th Cir. 2019) ("[T]he year after we decided *Shammas*, the Supreme Court applied the American Rule to a bankruptcy statute that did not mention a prevailing party.") (citing *Baker Botts,* 135 S. Ct. at 2165). As the Fourth Circuit noted, its prior decision "*anomalously* requires an appealing party to pay the prorated salaries of government attorneys." *Id.* (emphasis added).

1. The American Rule Applies To § 145

As explained above, the American Rule establishes the default presumption. *Baker Botts,* 135 S. Ct. at 2164; Pet. Br. 33. There can be no real doubt that this presumption applies to § 145. If § 145 said nothing about "expenses" at all, then there would be no dispute that the PTO would have to pay its attorneys' fees based on the American Rule's "bedrock" presumption. *See Hardt*, 560 U.S. 242. The only question here is whether the term "expenses" standing on its own is sufficient to displace that presumption (it is not). The mere fact that § 145 states that the PTO may recover "expenses" even where it is not the prevailing party does not mean that the American Rule presumption is somehow irrelevant, nor does it mean that this Court's long line of cases holding that departures from the American Rule must be specific and explicit are somehow inapplicable.

This Court has held that the American Rule applies *whenever* a litigant seeks to have another pay his attorneys' fees regardless of whether he is the prevailing party or not. *Baker Botts*, 135 S. Ct. at 2164 (stating the rule as "[e]ach litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise"). Indeed, if anything, the American Rule presumption is at its zenith "where attorneys' fees would be imposed on a winning plaintiff." Pet. App. 12a. The "primary purpose of the American Rule [is the] protection of access to courts." Pet. App. 12a. Courts in this country long ago rejected the alternative British Rule because "the poor might be unjustly discouraged from instituting actions to vindicate their rights if the penalty for losing included the fees of their opponents' counsel." *Fleischmann*, 386 U.S. at 718. But this risk is even more acute where potential

litigants would be on the hook for attorneys' fees even when they prevail.

As this Court has repeatedly made clear, Congress would not enact such "a radical departure from established principles requiring that a fee claimant attain some success on the merits before it may receive an award of fees" without doing so explicitly. *Ruckelshaus*, 463 U.S. at 693. For example, in *Baker Botts,* this Court held that a Bankruptcy Code provision permitting "reasonable compensation for actual, necessary services rendered by the . . . attorney" did not permit courts to award attorneys' fee for work performed by counsel in defending their fee application. 135 S. Ct. at 2165. The Court reasoned that, because the Bankruptcy Code did not make such recovery dependent on whether counsel had prevailed, a broad reading of this provision would constitute "a particularly unusual deviation from the American Rule . . . as '[m]ost fee-shifting provisions permit a court to award attorney's fees only to a 'prevailing party.'" *Id.* at 2166 (quoting *Hardt*, 560 U.S. at 253). The Court concluded that "[t]here is no indication that Congress departed from the American Rule in § 330(a)(1) with respect to fee-defense litigation, let alone that it did so in such an unusual manner." *Id.* Similarly, here, the Court should not interpret the term "expenses" broadly to include attorneys' fees because this would produce the "particularly unusual" result that the PTO would be entitled to such fees even when it lost.

Indeed, if the PTO's interpretation of § 145 is correct, then that provision represents a wholly unique and unprecedented divergence from the American Rule. Other than the § 145 and its Lanham Act counterpart, the PTO has not been able to "identify any [other] statute that shifts the salaries of an agency's attorneys

onto the party bringing suit to challenge the agency's decision." Pet. App. 26a. If Congress had "intended such a novel result, it would have said so in far plainer language than that employed here." *Ruckelshaus*, 463 U.S. at 694.

2. This Court Has Consistently Applied The American Rule Presumption To Statutes That Award Fees To Non-Prevailing Parties

This Court has consistently applied the American Rule presumption to statutes that award fees regardless of which party prevails. The Court has recognized that fee-shifting provisions "take various forms," including provisions that "do not limit attorney's fees awards to the 'prevailing party.'" *Hardt*, 560 U.S. at 253-54. Regardless of the form at issue, however, the American Rule's presumption applies. *Id.*; *see also Hensley v. Eckerhart*, 461 U.S. 424, 443 n.2 (1983) (distinguishing "the 'American Rule,' under which the parties bear their own attorney's fees *no matter what the outcome of a case*," with "the 'English Rule,' under which the losing party, whether plaintiff or defendant, *pays the winner's fees*") (emphasis added).

As the Federal Circuit noted, this Court has "applied the American Rule to a variety of statutes that did not mention a 'prevailing party.'" Pet. App. 14a (listing cases). This includes the provision at issue in *Baker Botts* discussed above, which allows for the "reasonable compensation for actual, necessary services rendered by the attorney." 135 S. Ct. at 2165. This Court likewise applied the American Rule in interpreting a provision of the Comprehensive Environmental Response, Compensation and Liability Act permitting the recovery of any "necessary costs of response,"

including "enforcement activities." *Key Tronic*, 511 U.S. at 815, 819 (listing cases).

Moreover, in *Hardt,* this Court applied the American Rule to a fee-shifting statute, 29 U.S.C. § 1132(g)(1), that unambiguously authorized the court, in its discretion, to award attorneys' fees to "either party." 560 U.S. at 251; *see* 29 U.S.C. § 1132(g)(1) ("In any action under this subchapter, . . . the court in its discretion may allow a reasonable attorney's fee and costs of action to either party."). The Court therefore concluded "a fee claimant *need not be a 'prevailing party'* to be eligible for an attorney's fees award under § 1132(g)(1)." *Id.* at 252 (emphasis added). But this was not the end of the analysis. Because § 1132(g)(1) was by its text discretionary, the Supreme Court "next consider[ed] the circumstances under which a court may award attorney's fees pursuant to § 1132(g)(1)." *Id*. In making that determination, this Court applied the "bedrock principle known as the 'American Rule'" even though the statute did not expressly make attorneys' fees contingent on success. *Id*. at 252-53; *see also id.* at 254 ("We interpret § 1132(g)(1) *in light of our precedents* addressing statutory deviations from the American Rule *that do not limit attorney's fees awards to the 'prevailing party*.'") (emphasis added).

Similarly, in *Ruckelshaus*, this Court applied the American Rule in interpreting a provision of the Clean Air Act allowing a court to "award costs of litigation (including reasonable attorney and expert witness fees) *whenever it determines that such award is appropriate*." 463 U.S. at 682-83 (emphasis added). The statute in *Ruckelshaus,* like the one in *Hardt*, did not limit such awards to the "prevailing party." *Id.*

It is true that in both *Hardt* and *Ruckelhaus*, this Court interpreted the statutes at issue as requiring

the party seeking attorneys' fees to show it had achieved at least *some* success on the merits. *Ruckelshaus*, 463 U.S. at 688 ("Section 307(f) was meant to expand the class of parties eligible for fee awards from prevailing parties to partially prevailing parties—parties achieving some success, even if not major success."); *see also Hardt*, 560 U.S. at 255. The PTO infers this to mean that "[these] decisions do not shed light on the distinct question presented in this case, which concerns the *types* of expenses that may be recouped under an atypical provision whose application does *not* turn on litigation success." Pet. Br. 37. This makes no sense. Contrary to the PTO's suggestion, there is no "step 1" of the American Rule analysis whereby the Court determines the threshold issue of whether a statute shifts fees to the prevailing party before applying the American Rule presumption. Instead, the Court applies the American Rule presumption to determine whether an ambiguous provision should be read to dispense with the prevailing-party requirement given its well-established historical pedigree. The PTO offers no explanation as to why the analysis should be any different where that ambiguity involves whether the non-prevailing party is entitled to recover attorneys' fees at all.

Indeed, as explained above, the lesson of cases like *Baker Botts, Hardt,* and *Ruckelhaus* is that this Court is extremely reluctant to infer that Congress intended a statute to award attorneys' fees to a non-prevailing party precisely because this would constitute such "a radical departure from" the American Rule. *Ruckelshaus*, 463 U.S. at 693-94. Yet this is exactly the inference that the PTO is asking the Court to make here.

The PTO's assertion that the Court can draw this inference without regard to the American Rule is

directly contrary to the precedents discussed above. It is also contrary to *Sebelius v. Cloer,* 569 U.S. 369 (2013) upon which the PTO continues to inappropriately rely. Pet. App. 14a-15a.

Cloer concerned a provision of the National Childhood Vaccine Injury Act, which "provides that a court may award attorney's fees and costs 'incurred [by a claimant] in any proceeding' on an *unsuccessful* vaccine-injury 'petition filed under section 300aa-11,' if that petition 'was brought in good faith and there was a reasonable basis for the claim for which the petition was brought.'" 569 U.S. at 371 (emphasis added) (quoting 42 U.S.C. § 300aa-15(e)(1)). At issue was not whether § 300aa-11 contained a specific or explicit reference to attorneys' fees—it did. *See* 42 U.S.C. § 300aa-15(e) (titling subsection (e) "Attorneys' Fees" and twice mentioning an award of "reasonable attorneys' fees"). Rather, this Court considered "whether an untimely petition can garner an award of attorney's fees." *Cloer*, 569 U.S. at 371.

While this Court "did not mention the American Rule" explicitly in answering that question, Pet. Br. 37, this Court *did* consider the American Rule. But it found that the Vaccine Injury Act's language—providing for "reasonable attorneys' fees and other costs incurred in any proceeding on [a] petition," *Cloer*, 569 U.S. at 374—could support such an award. *Id.* at 380. In light of this language, the Court rejected *the Government's* argument that "the presumption favoring the retention of long-established and familiar [common-law] principles'" prohibited an award. *Id.* (alteration in original) (quoting Br. for Pet'r at 32). As the Court stated, "[t]hese 'rules of thumb' give way when 'the words of a statute are unambiguous,' as they

are here." *Id.* at 381 (quoting *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992)).

The "presumption favoring the retention of long-established and familiar common-law principles" that this Court found "g[ave] way" to the unambiguous language of the Vaccine Injury Act was the American Rule. Pet. App. 15a ("Citing the page of the government's brief discussing the American Rule, the Court held that the 'presumption favoring the retention of long-established and familiar [common-law] principles,' i.e., the American Rule, must 'give way' to the unambiguous statutory language.") (quoting *Cloer*, 569 U.S. at 380-81).[10] Accordingly, *Cloer* "stands for the unremarkable principle that a statute providing for the award of 'attorneys' fees' can displace the American Rule." Pet. App. 15a.

Finally, the PTO argues that the application of the American Rule to § 145 claims would produce "anomalous results" because "[i]t is undisputed that Section 145 permits the USPTO to seek reimbursement of expert-witness fees" which also require explicit statutory authorization. Pet. Br. 41. But this is not "undisputed."[11] In support of this proposition, the PTO cites a single unpublished district court order in which

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[10] In *Cloer*, the Government itself took the position that the American Rule applied to 42 U.S.C. § 300aa-15(e)(1), which—like § 145—had no prevailing party requirement. *See* 569 U.S. at 380. Despite both NantKwest and the Federal Circuit pointing this out, Pet. App. 15a, the PTO continues to ignore the Government's own stated position in *Cloer,* which is the opposite position that the PTO takes now, and this Court's citation to and consideration of this argument. *See* Pet. Br. 37.

[11] Nantkwest did not oppose the PTO's request for expert-witness fees here. But this in no way constitutes a concession that expert-witness fees are appropriate.

the sole issue in dispute was whether the expert fees were "reasonable," not whether they were authorized in the first place. *Sandvik*, 1991 WL 25774, at *1. Nothing in the Federal Circuit's opinion states that the PTO is necessarily entitled to recover expert witness fees. Regardless, even if the term "expenses" does include expert witness fees, this would not mean that it also includes attorneys' fees, as demonstrated by the numerous courts and statutes that have expressly distinguished between "attorney's fees" and "expert fees." *See, e.g., W. Va. Univ. Hosps.*, 499 U.S. at 94.

In sum, the PTO's contention that the American Rule does not apply to § 145 is contrary to precedent, the purpose of the American Rule, and common sense. The Court should reject it.

C. None Of The Case Law Cited By The PTO Demonstrates That "Expenses" Include "Attorneys' Fees"

To support its position that "expenses" includes "attorneys' fees," the PTO also relies on out-of-context portions—often single sentences—of cases in which, according to the PTO, this Court has characterized "attorneys' fees" as a type of "expense." Pet. Br. 20. These cases, however, actually demonstrate the opposite, namely that "attorneys' fees" are not among the "expenses" that a litigant may recover unless a statute says so expressly.

The PTO claims that this Court identified "attorneys' fees" as an example of a "'litigation expense[]'" in *Rimini*. Pet. Br. 20 (quoting *Rimini*, 139 S. Ct. at 877). The issue in *Rimini* was whether the term "cost" in the Copyright Act included "expenses" beyond what Congress had expressly authorized in 28 U.S.C. §§ 1821, 1920. This Court held that it did not. In reaching this

conclusion, the Court noted that "some federal statutes go beyond §§ 1821 and 1920 to *expressly provide for the award of expert witness fees or attorney's fees*." *Rimini*, 139 S. Ct. at 877 (emphasis added). The Court further stressed that "*absent such express authority*, courts may not award litigation expenses that are not specified in §§ 1821 and 1920." *Id.* (emphasis added). The Court never held, or even suggested, that the word "expenses" standing alone would constitute "express authority" to award attorneys' fees. To the contrary, this Court emphasized that statutes that permit such awards specifically identify "attorneys' fees" as among the "expenses" that are recoverable. *See id.*

The PTO also claims that, in *West Virginia University Hospitals*, this Court held that "Congress 'could easily have shifted' . . . [attorneys'] fees by using the phrase "'reasonable litigation expenses.'" Pet. Br. 40 (quoting *W. Va. Univ. Hosps.*, 499 U.S. at 99). That case, however, holds nothing of the sort. The issue in *West Virginia University Hospitals* was whether the term "attorneys' fees" could also be read to include "expert fees." The Court held it could not, citing cases in which courts had treated "expert fees," "attorneys' fees," and "litigation expenses" *as distinct categories*. *W. Va. Univ. Hosps.,* 499 U.S. at 94 (quoting *Bebchick v. Pub. Util. Comm'n*, 318 F.2d 187, 204 (D.C. Cir. 1963) ("'It is also our view that reasonable attorneys' fees for appellants, . . . reasonable expert witness fees, *and* appropriate litigation expenses, should be paid by [appellee].'") (alterations in original). In rejecting the position that Congress intended full reimbursement under the statute at issue, the Court concluded "Congress could easily have shifted 'attorney's fees and expert witness fees,' or 'reasonable litigation expenses,'" but did not. *Id.* at 99. Nothing in the Court's holding suggests that "attorneys' fees" are a subset of

"reasonable litigation expenses" or that the word "expenses" standing alone would be sufficient to authorize an award of "attorneys' fees."

The PTO also relies on single sentences taken out of context from *Law v. Siegel,* 571 U.S. 415, 422 (2014) and *Hutto v. Finney*, 437 U.S. 678, 695 (1978). But neither of these cases held or even suggested that the word "expenses" by itself would be sufficient to authorize an award of attorneys' fees. Indeed, the statutes at issue in *Law* and *Hutto* expressly included "attorneys' fees," *Law*, 571 U.S. at 422 (discussing status of funds spent "employ one or more attorneys" under the Bankruptcy Code) (quoting 11 U.S.C. § 327(a)); *Hutto*, 437 U.S. at 695 (discussing the Civil Rights Attorney's Fees Awards Act of 1976). Again, all these cases show is that, when Congress intends to award attorneys' fees, it does so expressly. It does not use the term "expenses" standing alone.

The PTO further argues that this "Court's use of the term 'expenses' stands in particular contrast to its understanding of the term 'costs,'" which, according to the PTO, is a narrow term of art that excludes attorneys' fees. Pet. Br. 20. But there is no such stark "contrast." This Court frequently uses the terms "costs" and "expenses" interchangeably, and it has sometimes referred to "attorneys' fees" as a type of "cost" in the generic sense just like it has sometimes referred to "attorneys' fees" as a type of "expense" in the generic sense. *See, e.g., W. Va. Univ. Hosps.*, 499 U.S. at 88 ("The record of statutory usage demonstrates convincingly that attorney's fees and expert fees are regarded as separate elements of litigation *cost*.") (emphasis added); *Missouri v. Jenkins by Agyei*, 491 U.S. 274, 280 (1989) (noting that "the Civil Rights Act of 1964 [] waived the United States'

immunity from suit and from *costs including reasonable attorney's fees*.") (emphasis added); *see also* Pet. App. 28a ("[T]he word 'expenses' . . . like 'costs' or 'litigation costs,' is sometimes used in judicial opinions to refer to a variety of burdens incurred by a litigant, including attorneys' fees. But the Supreme Court has never interpreted the phrase 'expenses' or 'all the expenses' to authorize a departure from the American Rule."). This just shows that word "costs" much like the word "expenses" is vague and open-ended. As the PTO itself concedes, the word "costs" standing alone would not be sufficient to authorize an award of attorneys' fees. There is no reason why "expenses" should be treated differently.

Even if "expenses" is generally broader than "costs" in the litigation context, this does not mean that "expenses" is somehow sufficiently specific and explicit to overcome the default presumption against shifting attorneys' fees.[12] None of the cases cited by the PTO say otherwise.

First, the PTO relies on a single sentence from *Taniguchi v. Kan Pac. Saipan, Ltd*. to support its

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[12] The PTO claims that, in 1870, Congress rejected a proposal to replace the term "expenses" with "costs" in § 145. Pet. Br. 21 n.4. However, this at best shows that Congress did not want to limit the PTO's recovery to "costs" only (to the extent that "costs" by that time had become a term of art distinct from "expenses"). It does not show that they intended "expenses" to be read expansively to include "attorneys' fees." For example, the PTO has recovered travel expenses under § 145 even though this is not one of the category of "costs" that litigants have traditionally been permitted to recover. *See Robertson*, 46 F.2d at 769 (awarding travel expenses under § 145 and noting that "[t]he evident intention of Congress in the use of the word 'expenses' was to include more than that which is ordinarily included in the word 'costs'").

position. Pet. Br. 20 (citing 566 U.S. 560 (2012)). But the Court in *Taniguchi* did not interpret a statute containing the word "expenses" to include "attorneys' fees." In fact, the statute at issue in *Taniguchi* expressly excluded "attorneys' fees." 566 U.S. at 565 (interpreting FRCP 54(d)). Instead, *Taniguchi* addressed the issue of whether "costs" include money spent for document translation. *Id.* at 572. The Court found it did not: "Although 'costs' has an everyday meaning synonymous with 'expenses,'" taxable costs are limited to "relatively minor, incidental expenses." *Id*. at 573. Far from holding that "expenses" includes "attorneys' fees," *Taniguchi* strongly suggests that the mere fact that "expenses" has a broad "everyday meaning"—like "costs"—would be insufficient to show that it includes "attorneys' fees."

Second, the PTO relies on *Arlington Central School District*. Pet. Br. 21. But the Court in *Arlington Central School District* did not interpret a statute containing the word "expenses" to include "attorneys' fees." Instead, this Court held that the Disabilities Education Act, which explicitly authorizes a court to "award reasonable attorneys' fees as part of the costs" to prevailing parents, did not authorize prevailing parents to recover expert witness fees. *Arlington Central School District*, 548 U.S. at 293-94. According to the PTO, "the Court observed that Congress would have needed to use a more 'open-ended provision,' such as 'expenses,' in order to 'make[] participating States liable for all expenses incurred by prevailing' litigants." Pet. Br. 21. But this does not mean that "all expenses" include "attorneys' fees." As the Federal Circuit noted, "[t]he PTO seizes on this language, but it omits the end of the sentence, which provides examples of the 'open-ended . . . expenses' envisioned by the Court: 'travel and lodging expenses or lost

wages due to time taken off from work.' [*Arlington Central School District*, 548 U.S. at 297]. Absent from the list is a reference to attorneys' fees." Pet. App. 29a.

D. Neither The Purpose Of § 145 Nor Its Legislative History Demonstrate That "Expenses" Include "Attorneys' Fees"

The PTO argues that the Court should interpret the term "expenses" to include "attorneys' fees" based on the purpose behind § 145 and its legislative history. Pet. Br. 24-32. The entire point of the American Rule, however, is that the statute's *text* must be "specific and explicit." No amount of legislative history or policy considerations can turn a facially ambiguous provision into an unambiguous one. Regardless, the PTO's analysis of § 145's purpose and legislative history provide it no support.

1. The PTO's Policy Arguments Are Irrelevant And Overblown

The PTO argues that fee shifting under § 145 is necessary to "protect[] the USPTO's resources by shifting the additional expense of a civil action and possible trial to the applicants who opt for those proceedings." Pet. Br. 25. Even assuming, however, that the PTO faces some resource shortage as a result of § 145 actions that it will have to make up for by increasing fees for other applicants, which, as discussed below, is highly doubtful, this issue "is best left for Congress." Pet. App. 34a. The purported financial hardship on patent applicants that do not pursue § 145 relief cannot trump the American Rule. As the Court explained in *Baker Botts* when addressing analogous policy arguments concerning purported financial adversity to the bankruptcy bar, "*Congress has not granted us 'roving authority . . . to allow counsel fees . . . whenever [we] might deem them warranted.'*" *Baker Botts*, 135 S. Ct.

at 2169 (emphasis added) (quoting *Alyeska Pipeline*, 421 U.S. at 260). Courts must "follow the text even if doing so will supposedly 'undercut a basic objective of the statute.'" *Id.*

The PTO admits that these supposed resource allocation issues did not arise until Congress passed the AIA in 2011, which requires that the PTO be a wholly user-funder agency. Pet. Br. 27. But the AIA cannot possibly shed any light on what Congress intended some 170 years prior when § 145's predecessor was first enacted. If Congress had wanted to empower the PTO to collect attorneys' fees under § 145 in light of the AIA's new funding requirements, it could have easily amended § 145 to make this explicit, just as it has historically amended numerous other provisions of the Patent Act to allow for an award of attorneys' fees. Congress, however, chose not to do so.

Regardless, the PTO's concerns are almost certainly "exaggerated." Pet. App. 34a. According to the PTO, it collected roughly $3.3 billion in total fees in 2018. United States Patent and Trademark Office, Fiscal Year 2020 Congressional Justification, at p. 10 (March 2019).[13] Here, the PTO sought $78,592.50 in attorneys' fees. JA39. During oral argument before the three-judge panel below, the PTO estimated there were just "four to five [§ 145] proceedings in the last three years." Pet. App. 34a (citing Oral Arg. At 19:19-20:10, http://oralarguments.cafc.uscourts.gov/default.aspx?fl=20 16-1794.mp3.). So if this case is a representative sample, the attorney fees that the PTO incurs from

[13] This Court may take judicial notice of this document as an official public record. *See, e.g., Massachusetts v. Westcott,* 431 U.S. 322, 323 (1977) (taking notice of "the records of the Merchant Vessel Documentation Division of the Coast Guard"); *see also* Fed. R. Evid. 201(b).

§ 145 proceedings make up a fraction of one percent of its total budget.

It is also unlikely that such proceedings place a heavy burden on other applicants. The Federal Circuit estimated, even under generous assumptions, that the attorney fees associated with § 145 actions would amount "to less than $1.60 per [patent] application." Pet. App. 35a. The PTO does not contest this estimate, nor has it introduced any evidence in the record that would suggest the per-application distribution is actually greater than what the Federal Circuit estimated.

The PTO also cites the need to deter applicant gamesmanship as a justification for requiring applicants to pay the PTO's attorneys' fees. Pet. Br. 28 (citing *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc)). *Hyatt*, however, was decided against a backdrop where, for more than 170 years, the PTO had only interpreted § 145 as permitting an award of expenses *other than attorneys' fees*; that is, the court assumed that the non-attorney-fee "expenses" for which applicants were already responsible provided a sufficient deterrent effect. *See Hyatt*, 625 F.3d at 1337.

Regardless, it is not at all clear that there is anything to deter. When this Court considered the PTO's arguments concerning gamesmanship in *Hyatt*, it found the hypothetical to be "unlikely," as "[a]n applicant who pursues such a strategy would be intentionally undermining his claims before the PTO on the speculative chance that he will gain some advantage in the § 145 proceeding by presenting new evidence to a district court judge." *Hyatt*, 566 U.S. at 445.

Finally, policy considerations just as easily counsel rejecting the PTO's newfound theory for attorneys'

fees. An applicant who rightfully pursues a § 145 action will be unduly burdened and prevented from pursuing the avenues of review the statute expressly contemplates if it is forced to pay both its own attorneys' fees and expenses and the unpredictable attorneys' fees and expenses that the PTO elects to incur, win or lose. This is precisely what the American Rule was intended to prevent. Moreover, applicants who cannot afford to take on these risks will be deprived of the opportunity to present their cases in federal court and the important rights and safeguards that process affords, such as the right to present live expert and fact-witness testimony. This "is significant . . . because the PTO generally does not accept oral testimony" in application proceedings. *Hyatt*, 566 U.S. at 435. There is no indication that Congress intended to institute a class-based, two-tier patent system whereby affluent applicants would have access to certain procedural protections that less affluent applicants would not.

2. Section 145's Legislative History Does Not Support The PTO's Position

The history of § 145 likewise provides no support for the PTO's position. As threshold a matter, this Court has been reluctant to rely on legislative history in determining whether a statutory provision is sufficiently clear to displace the American Rule. *See Buckhannon Bd.,* 532 U.S. at 608 ("Particularly in view of the 'American Rule' that attorney's fees will not be awarded absent 'explicit statutory authority,' such legislative history is clearly insufficient to alter the accepted meaning of the statutory term.") (quoting *Key Tronic,* 511 U.S. at 819); *see also Conroy v. Aniskoff*, 507 U.S. 511, 519 (1993) (Scalia, J., concurring) ("The law as it passed is the will of the majority of both

houses, *and the only mode in which that will is spoken is in the act itself* . . . .") (emphasis in original) (internal quotation marks and citations omitted). This makes sense. The American Rule presumption would hardly produce the clarity and certainty it is meant to afford if potential litigants had to pore over legislative history to determine whether the statutory language authorized an award of attorneys' fees (especially in a case like this one where the statute was passed more than 170 years ago).

Regardless, none of evidence that the PTO cites supports its interpretation that "expenses" include "attorneys' fees." Indeed, the PTO fails to identify anything in the legislative history that preceded the passage of § 145 and even mentions attorneys' fees.

Specifically, the PTO cites a letter from the Patent Commissioner in 1838 stating that the application appellate process was adding to the "labor of the office." Pet. Br. 29. But if § 145 was really designed to help the PTO recoup these labor costs, then it makes no sense why the PTO failed to avail itself of this mechanism for the subsequent 170 years.[14] The PTO also cites to *Gandy v. Marble*, 122 U.S. 432 (1887)—a case that post-dates the passage of the § 145 by nearly thirty years. Pet. Br. 30-31. According to the PTO, *Gandy* demonstrates that § 145 proceedings were

[14] The PTO also cites a report that the Commissioner of the Patent Office wrote in 1847, which referred to fees of counsel as "expenses of the office." Pet. Br. 23 n.5. It is not clear, however, how this letter, which was written eight years after the text of § 145 was enacted, sheds any light on what Congress meant by the term "expenses of the proceeding" in 1839. Moreover, as explained above, even assuming that "attorneys' fees" can be accurately characterized as an "expense of the *office*," this does not mean that they are an "expense of the *proceeding*."

understood to be "'a part of the application' process." *Id.* at 30 (quoting *Gandy,* 122 U.S. at 439). The PTO, however, does not explain how this shows that Congress necessarily intended "expenses" to include the PTO's "attorneys' fees." Moreover, by this same logic, a direct appeal under § 141 would also constitute an extension of the application process. Yet no one disputes that the PTO is not automatically entitled to recoup its attorneys' fees for such appeals. Nor is it entitled to recoup its attorney's fees for § 145 proceedings.

CONCLUSION

For the reasons explained above, the Federal Circuit's decision should be affirmed.

Respectfully submitted,

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