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 THE AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* SUPPORTING RESPONDENT

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TABLE OF CONTENTS

Page

STATEMENT OF INTEREST.................................. 1

SUMMARY OF ARGUMENT................................... 3

ARGUMENT 5

I. THE PTO'S PROPOSED INTERPRETATION OF SECTION 145 WOULD ERECT AN INSURMOUNTABLE ROADBLOCK TO JUSTICE FOR MANY PATENT APPLICANTS... 5

II. SECTION 145 DOES NOT PROVIDE FOR AWARDS OF ATTORNEYS' FEES 12

A. The American Rule Governs Absent "Clear" and "Explicit" Congressional Intent to Deviate From It 12

B. No Reading of "All the Expenses of the Proceeding" Supports Shifting of Attorneys' Fees 14

C. The Mandatory Nature of Section 145 Weighs Against the PTO's Interpretation of the Statute............. 17

D. The PTO's Funding and Historical Interpretation of Section 145 Evidence a Lack of Explicit

Congressional Authorization of Fee-Shifting.. 18

E. The Fourth Circuit Erred in its *Shammas* Decision 21

CONCLUSION.. 25

TABLE OF AUTHORITIES

Cases

Aktiebolag v. Samuels,
No. 89-3127-LFO, 1991 WL 25774 (D.D.C. Feb. 7, 1991) 20

Alyeska Pipeline Serv. Co. v. Wilderness Soc'y,
421 U.S. 240 (1975) 13, 14

Arcambel v. Wiseman,
3 U.S. 305, 3 Dall. 306 (1796) 12, 13

Baker Botts, LLP v. ASARCO LLC,
135 S. Ct. 2158 (2015) 13, 18, 21

Bill Johnson's Rests., Inc. v. N.L.R.B.,
461 U.S. 731 (1983) 10

Booking.com B.V. v. Matal,
No. 1:16-cv-425 (LMB-IDD), 2017 WL 4853755 (E.D. Va. Oct. 26, 2017) 8

Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.,
532 U.S. 598 (2001) 13

Butterworth v. Hill,
114 U.S. 128 (1885) 17

Butterworth v. United States ex rel. Hoe,
112 U.S. 50 (1884) 18

Cal. Motor Transp. Co. v. Trucking Unlimited,
404 U.S. 508 (1972) 10

Carter v. United States,
733 F.2d 735 (10th Cir. 1984) 10

Cook v. Watson,
208 F.2d 529 (D.C.C. 1953) 20

F.D. Rich Co. v. U.S. for Use of Indus. Lumber Co.,
417 U.S. 116 (1974) 14

Farmer v. Arabian Am. Oil Co.,
379 U.S. 227 (1964) 13, 14

Fleischmann Distilling Corp. v. Maier Brewing Co.,
386 U.S. 714 (1967) ....passim

Griffin v. Illinois,
351 U.S. 12 (1956) 6

Hardt v. Reliance Standard Life Ins. Co.,
560 U.S. 242 (2010) 12

Isbrandtsen Co. v. Johnson,
343 U.S. 779 (1952) 19

Jafar v. Webb,
303 P.3d 1042 (Wash. 2013)................................... 6

Kappos v. Hyatt,
566 U.S. 431 (2012) 10, 11, 18

KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.,
543 U.S. 111 (2004) 24

Lexmark Int'l, Inc. v. Static Control Components, Inc.,
572 U.S. 118 (2014) 24

Lorillard v. Pons,
434 U.S. 575, 580.. 23

Microsoft Corp. v. i4i Ltd. P'ship,
564 U.S. 91 (2011) 15

NantKwest, Inc. v. Iancu,
898 F.3d 1177 (Fed. Cir. 2018)............................. 16

Nantkwest, Inc. v. Matal,
860 F.3d 1352 (Fed. Cir. 2017)............................. 16

Rimini Street, Inc. v. Oracle USA, Inc.,
139 S. Ct. 873 (2019) 15

Roadway Exp., Inc. v. Piper,
447 U.S. 752 (1980) 14

Robertson v. Cooper,
46 F.2d 766 (4th Cir. 1931) 19

Ruckelshaus v. Sierra Club,
463 U.S. 680 (1983) 17

Russello v. United States,
464 U.S. 16 (1983) 24

Safeco Ins. Co. of Am. v. Burr,
551 U.S. 47 (2007) 15

Sebelius v. Cloer,
569 U.S. 369 (2013) 17

Shammas v. Focarino,
784 F.3d 219 (4th Cir. 2015) 19, 21, 23

Taniguchi v. Kan Pac. Saipan, Ltd.,
566 U.S. 560 (2012) 15

Taylor v. Lee,
Nos. 1:15-cv-1607(LMB/JFA), 1:15-cv-1684(LMB/JFA), 1:16-cv-12(LMB/JFA), 2016 WL 9308420 (E.D. Va. July 12, 2016)............. 8, 10

Watson v. Allen,
274 F.2d 87 (D.C. Cir. 1959) 19, 20

Whitman v. Am. Trucking Ass'ns,
531 U.S. 457 (2001) 5

Statutes

5 U.S.C. § 504 7

15 U.S.C. § 1071 .... 21, 22, 23

15 U.S.C. § 1071(b)(3) 8, 24

15 U.S.C. § 1117(a)... 23, 24

15 U.S.C. § 1117(b)... 23, 24

17 U.S.C. § 505 15

28 U.S.C. § 1821 15

28 U.S.C. § 1920 15

28 U.S.C. § 1923 .... 12, 13

28 U.S.C. § 2412 7

35 U.S.C. § 42(c)(3)(A) 20

Act of Oct. 21, 1980, Pub. L. No. 96-481,
§§ 202, 94 Stat. 2321 (1980) 7

National Childhood Vaccine Injury Act of 1986,
Pub. L. No. 99–660, 100 Stat. 3743 (1986) 17

Pub. L. No. 93-600, 88 Stat. 1955 (1975) 22, 23

Rev. Stat. § 4915 .... 17, 18

Trademark Counterfeiting Act of 1984,
Pub. L. No. 98-473, 98 Stat. 1837 (1984) 23

Rules & Regulations

Sup. Ct. R. 37.6 1

Other Authorities

H.R. Rep. No. 96-1418 (1980) 7

H.R. Rep. No. 99-120 (I) (1985) 7

John F. Vargo,
The American Rule on Attorney Fee Allocation: The Injured Person's Access to Justice,
42 AM. U. L. REV. 1567 (1993) 12, 16

Michael A. Mogill,
Professing Pro Bono: To Walk the Talk, 15
NOTRE DAME J.L. ETHICS & PUB. POL'Y 5, 7
(2001) 6

P.J. Federico, *Evolution of Patent Office Appeals*,
22 J. PAT. OFF. SOC'Y 838 (1940) 18

Peter Mark Roget,
Thesaurus of English Words and Phrases 227 (Barnas Sears ed., 1856) 16

Resolution 108A,
https://www.americanbar.org/news/reporter_resources/midyear-meeting-2016/house-of-delegates-resolutions/108a.html 3

Robert V. Percival & Geoffrey P. Miller,
The Role of Attorney Fee Shifting in Public Interest Litigation, 47 LAW & CONTEMP. PROBS. 233 (Winter 1984) 7

U.S. Patent and Trademark Office,
FY 2018 Performance and Accountability Report 188,
https://www.uspto.gov/sites/default/files/documents/USPTOFY18PAR.pdf (last visited April 29, 2019).. 9

STATEMENT OF INTEREST[1]

The American Bar Association ("ABA") respectfully submits this brief as *amicus curiae* in support of Respondent Nantkwest, Inc. ("Nantkwest").

The ABA is the leading national organization of the legal profession, with more than 400,000 members from all 50 states, the District of Columbia and the U.S. territories. Membership is voluntary and includes attorneys in private practice, government service, corporate law departments and public interest organizations. ABA members comprise judges, legislators, law professors, law students and non-lawyer "associates" in related fields, and represent the full spectrum of public and private litigants.[2]

The ABA Section of Intellectual Property Law (IPL Section), which was established in 1894, is the world's oldest and largest organization of intellectual property professionals. The IPL Section has approximately 15,000 members, including attorneys who

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[1] Pursuant to Rule 37.6, amicus curiae certifies that no counsel for a party authored this brief in whole or in part and that no person or entity, other than amicus, its members or its counsel, has made a monetary contribution to the preparation or submission of this brief. Sup. Ct. R. 37.6. Further, and pursuant to Supreme Court Rule 37.3(a), amicus curiae has obtained the consent of the parties to file this amicus brief.

[2] Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

represent trademark owners, accused infringers, and small corporations and universities and research institutions across a wide range of industries. The IPL Section promotes the development and improvement of intellectual property law and takes an active role in addressing proposed legislation, administrative rule changes and international initiatives regarding intellectual property. It also develops and presents resolutions to the ABA House of Delegates for adoption as ABA policy to foster necessary changes to the law and as the bases for amicus briefs. The IPL Section comprises and represents attorneys on all sides of the issues; its size and diversity makes it unique among intellectual property organizations. The IPL Section relies on its members' expertise to develop consensus positions within the ABA and ensure its positions reflect those of the broader intellectual property community.

The ABA submits that imposing governmental attorneys' fees on patent applicants who choose civil actions under 35 U.S.C. § 145 will hamper equal access to justice and chill the assertion of meritorious claims. It is also contrary to the express language of Section 145, which does not overcome the presumption of the American Rule that each party pays its own attorneys' fees.

To record its consensus view on this issue, on February 8, 2016, the ABA's House of Delegates adopted a formal policy opposing interpretations of intellectual property laws that would "impose the payment of the government's attorney fees on a party challenging a decision of the United States Patent and Trademark Office (PTO) in federal district court, unless the statute in question explicitly directs the courts to award attorney fees."[3] The ABA policy not only addresses 35 U.S.C. § 145, but also 15 U.S.C. § 1071(b)(3), relating to trademarks. Both statutes use the term "expenses," and the ABA urges this Court to hold that this term does not include the government's fees.

SUMMARY OF ARGUMENT

Congress created an express pathway for patent applicants to obtain *de novo* review of the PTO's denial of their applications: a civil action in district court under 35 U.S.C. § 145. Section 145 provides an alternative to a direct appeal of PTO decisions to the court of appeals. Congress imposed only one qualification on an applicant's choice of using that pathway: "All the expenses of the proceedings shall be paid by the applicant." 35 U.S.C. § 145. For nearly two centuries, the phrase "all the expenses of the proceedings" has been understood to mean that the applicant must pay only the PTO's out-of-pocket expenses for the proceedings, such as travel costs and expert witness fees. The PTO now urges a radical, novel departure from that longstanding interpretation, namely, that the provision requires the applicant to pay for the government's salaried attorneys any time the applicant invokes Section 145, even if the applicant prevails against the government in the proceedings.

[3] *See* Resolution 108A, at https://www.americanbar.org/news/reporter_resources/midyear-meeting-2016/house-of-delegates-resolutions/108a.html.

If accepted, the PTO's newfound interpretation would have intolerable results. The doors of justice should be open to all, regardless of individual prosperity. But the PTO's interpretation would mean that applicants' wealth would determine their access to the pathway to justice provided by Congress. That interpretation would shut the door to the congressionally created Section 145 pathway for applicants lacking funds to pay for the federal government's lawyers. They would be blocked from the benefits of the Section 145 pathway—including *de novo* review of the denial of their applications and the ability to introduce new evidence in district court—solely because of their inability to pay. Meanwhile, those benefits would remain open to large corporations and affluent individuals able to shoulder the burden of paying for the government's lawyers.

This would contrast starkly with the purpose of fee-shifting provisions. When Congress has enacted fee-shifting provisions in other statutes, it has generally done so to promote access to justice—for example, provisions in civil rights statutes allowing prevailing plaintiffs to obtain fees. To the ABA's knowledge, Congress has never enacted a fee-shifting provision that shifts only the government's fees onto private parties—much less a provision doing so even if the government loses in the litigation.

Additionally, the statutory text does not show a congressional intent to require patent applicants to pay the government's attorneys' fees. Under traditional rules of construing fee-shifting provisions, the "expenses of the proceedings" provision in Section 145 should be read to exclude attorneys' fees. The background presumption is the American Rule: each litigant pays its own attorneys' fees, win or lose. Congress can depart from that rule and enact fee-shifting provisions, but it must do so in a clear and explicit manner. The phrase "expenses of the proceedings" is not the type of clear and explicit statement required to overcome the presumption that the American Rule applies. That phrase falls far short of the level of clarity required for a novel statute shifting only the government's attorneys' fees onto private litigants—especially if the fee shifting would occur regardless of who wins.

Congress does not hide elephants in mouseholes, *Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001); here, it did not hide an unprecedented government-only, regardless-of-outcome, attorney-fee-shifting intent in the word "expenses." There is no evidence Congress intended Section 145 to be a roadblock to justice, and the Court should not interpret it that way.

ARGUMENT

I. THE PTO'S PROPOSED INTERPRETATION OF SECTION 145 WOULD ERECT AN INSURMOUNTABLE ROADBLOCK TO JUSTICE FOR MANY PATENT APPLICANTS.

Section 145 provides important rights to a patent applicant that are otherwise unavailable under the Patent Act, including *de novo* review of the denial of their applications and the ability to introduce new evidence in district court. Adoption of the PTO's position will close the Section 145 avenue to many, if not most, individuals, small businesses, and non-profit organizations. The implications of doing so are of significant concern to the ABA.

Equal access to justice is not merely an aspiration; it is the cornerstone of the American justice system. As Justice Powell noted in an August 10, 1976, speech:

> Equal justice under law is not merely a caption on the façade of the Supreme Court building. It is perhaps the most inspiring ideal of our society. It is one of the ends for which our entire legal system exists . . . . [I]t is fundamental that justice should be the same, in substance and availability, without regard to economic status.

Quoted in Michael A. Mogill, *Professing Pro Bono: To Walk the Talk*, 15 NOTRE DAME J.L. ETHICS & PUB. POL'Y 5, 7 (2001).

Critical to the notion of equal access is that those with fewer resources not be dissuaded from seeking redress from the courts by financial impediments to justice. To that end, courts waive filing and transcript fees for the indigent. *See, e.g., Griffin v. Illinois,* 351 U.S. 12, 17-18 (1956) ("Plainly the ability to pay costs in advance bears no rational relationship to a defendant's guilt or innocence and could not be used as an excuse to deprive a defendant of a fair trial."); *Jafar v. Webb,* 303 P.3d 1042, 1047 (Wash. 2013) (requiring waiver of all court fees and local surcharges for indigent litigants).

Fee shifting is used in similar fashion in federal law; it is designed to *increase* access to justice, rather than limit it. When Congress has provided for fee shifting, it generally has done so to correct an imbalance of power by permitting a successful plaintiff to collect attorneys' fees. Robert V. Percival & Geoffrey P. Miller, *The Role of Attorney Fee Shifting in Public Interest Litigation*, 47 LAW & CONTEMP. PROBS. 233, 241 (Winter 1984) ("Fee shifting is designed to remove some of the disincentives facing public interest litigants, thus increasing access to the courts for groups who otherwise might be unrepresented or underrepresented."). For example, provisions in civil rights statutes, such as the Equal Access to Justice Act, allow prevailing plaintiffs to obtain fees in litigation against the government. *See* Act of Oct. 21, 1980, Pub. L. No. 96-481, §§ 202, 204, 94 Stat. 2321, 2325 (1980) (codified as amended at 28 U.S.C. § 2412 and 5 U.S.C. § 504). That Act levels the litigation playing field between the government, on the one hand, and individuals and small businesses, on the other. *See* H.R. Rep. No. 99-120 (I), at 4 (1985) ("The Act reduces the disparity in resources between individuals, small businesses, and other organizations with limited resources and the Federal Government."). Indeed, Congress has expressly articulated its concern that well-funded governmental agencies not target small businesses because of their inability to pay for expensive litigation. *See* H.R. Rep. No. 96-1418, at 10 (1980) ("In fact, there is evidence that small businesses are the target of agency action precisely because they do not have the resources to fully litigate the issue" with the well-funded government.).

The interpretation advocated by the PTO is contrary to these foundational principles. It would shut the door to the congressionally created Section 145 pathway for all except those who can afford to pay not only their own legal fees but also those of the federal government—even if the government loses.

The government's attorneys' fees in *de novo* actions can be substantial. A recent decision from the Eastern District of Virginia imposed attorneys' fees of $51,472.53 in a 15 U.S.C. § 1071(b)(3) trademark case—a case in which the applicant was *successful*. *Booking.com B.V. v. Matal,* No. 1:16-cv-425 (LMB-IDD), 2017 WL 4853755, at *9 (E.D. Va. Oct. 26, 2017) (basing its award on a salary chart prepared by the PTO). Another decision required the applicant to post a "conservative bond of $40,000" before permitting a Section 145 action to proceed, based partly on the PTO's estimate that it would spend $45,000 in attorney time on the case. *See Taylor v. Lee*, Nos. 1:15-cv-1607(LMB/JFA), 1:15-cv-1684(LMB/JFA), 1:16-cv-12(LMB/JFA), 2016 WL 9308420, at *2 (E.D. Va. July 12, 2016). Under that decision, the patent applicant must essentially pre-pay the government's fees even before conducting any aspect of the litigation.

Those fees would be on top of the already-high expenditures required of applicants to pursue actions to overcome adverse PTO decisions in district court. Plaintiffs generally opt for the Section 145 pathway so they can introduce new evidence; thus, they must already pay for their experts and other expenses, as well as their own attorneys' fees.

An additional hurdle of reimbursing the PTO for potentially tens of thousands of dollars in fees will be insurmountable for many applicants and a significant deterrent to even more of them. Applicants lacking sufficient wealth to pay for their adversaries' lawyers would be blocked from the benefits of the Section 145 pathway—including *de novo* review of the denial of their applications and the ability to introduce new evidence in district court—solely because of their inability to pay. This will disproportionately affect individuals, small businesses, and non-profit organizations.[4] Meanwhile, those benefits would remain open to large corporations and affluent individuals able to shoulder the burden of paying for the government's lawyers.

What is more, Section 145 appellants have no control over the PTO's staffing of a matter, let alone how many hours the Office spends on it. Rarely does a client tell its own lawyer to proceed regardless of cost. Yet the PTO's interpretation would mean that Section 145 appellants must essentially write the government a blank check before proceeding. Absent a clear directive from Congress, no applicant should be exposed to such financial uncertainty.

Here, the PTO's position implicates more than just a statutory right. The First Amendment encompasses a right of access to the judicial system. *See*

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[4] *See* U.S. Patent and Trademark Office, *FY 2018 Performance and Accountability Report* 188, https://www.uspto.gov/sites/default/files/documents/USPTOFY18PAR.pdf (last visited April 29, 2019) (showing over 20% of U.S. utility patents were issued to small and micro entities in each year from 2014–2018).

Cal. Motor Transp. Co. v. Trucking Unlimited, 404 U.S. 508, 510 (1972). Specifically, "the right of access to the courts is an aspect of the First Amendment right to petition the Government for redress of grievances." *Bill Johnson's Rests., Inc. v. N.L.R.B.*, 461 U.S. 731, 741 (1983). By rejecting the PTO's reading of Section 145, the Court can avoid the constitutional concerns implicated by that reading. *See, e.g.*, *Carter v. United States*, 733 F.2d 735, 737 (10th Cir. 1984) (holding that required payment of fees unduly burdened indigent prisoner's constitutional right of access to the courts).

One court has suggested that Congress enacted the expense provision "to discourage applicants from undertaking this type of proceeding, which enables them to introduce new evidence ... thereby raising the potential for gamesmanship." *Taylor,* 2016 WL 9308420, at *1. But there is no evidence that the potential for such "gamesmanship" was animating Congress to act. In fact, this Court in *Kappos v. Hyatt*, 566 U.S. 431 (2012), was not persuaded by the proposition that an applicant would intentionally withhold evidence from the PTO with the goal of presenting that evidence for the first time to a non-expert judge at the district court: "An 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." *Id.* at 445. Nothing in *Kappos* (nor in the PTO's 2010 submissions in that case) suggests that Congress intended to deter the risk of gamesmanship by expanding the understanding of "expenses" to include attorneys' fees.

Nothing in *Kappos* (nor in the PTO's 2010 submissions in that case) suggests that the risk of gamesmanship should also be deterred by expanding the understanding of "expenses" to include attorneys' fees. Imposing the costs of experts and transcripts on applicants is one thing; exponentially increasing the cost of exercising a statutory right is quite another. Without clear congressional authorization, this Court should not permit the PTO to set the price of admission so high that many appellants will be forced to choose not to exercise their rights.

Congress made the civil action mechanism available to patent applicants for a reason—to allow them to persuade a district court, in a trial setting and limited only by the Federal Rules of Civil Procedure and the Federal Rules of Evidence, that they deserved patents denied by the PTO. Congress surely did not provide this route to patent applicants and then erect a roadblock that would eliminate its use. A decision favoring that roadblock would have an unjust chilling effect on small businesses, sole inventors, and others who cannot afford the additional costs of the agency's fees, regardless of the merits of their inventions and civil actions. These implications must be avoided; the doors of justice must be open to all, regardless of individual prosperity. This is particularly true here, where, as set forth below, the language does not compel the opposite conclusion.

II. SECTION 145 DOES NOT PROVIDE FOR AWARDS OF ATTORNEYS' FEES

A. The American Rule Governs Absent "Clear" and "Explicit" Congressional Intent to Deviate From It

The process of considering whether a statute shifts attorneys' fees must begin with the foundational presumption that fees are *not* shifted. As the Court has explained, "[o]ur 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 v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252–53 (2010) (internal quotation marks omitted). The American Rule intentionally departs from the English rule, which authorizes fee awards to prevailing parties in litigation, *i.e.*, "loser pays." *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 717 (1967). Early in our history, the Court explained that the rule is "entitled to the respect of the court, till it is changed, or modified, by statute." *Arcambel v. Wiseman*, 3 U.S. 305, 306, 3 Dall. 306 (1796).

Congress codified the American Rule in 1853, explicitly permitting *only* the shifting of docket fees up to twenty dollars, absent other statutory authorization. *See* John F. Vargo, *The American Rule on Attorney Fee Allocation: The Injured Person's Access to Justice*, 42 AM. U. L. REV. 1567, 1578 (1993) (citing Act of Feb. 26, 1853, ch. 80, 10 Stat 161 (codified as amended at 28 U.S.C. § 1923)). The 1853 Act was enacted to overcome the "unequal, extravagant, and often oppressive system" of fee-shifting, when there were no constraints on the amounts lawyers could charge for services. *Id.* Since then, this Court has reaffirmed the American Rule many times. *See Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 250 (1975) (citing cases from 1852, 1872, 1873, 1879, 1967, and 1974 in which the "Court has consistently adhered to [the] early holding [of *Arcambel*]).

The Court has recognized departures from the American Rule only in "specific and explicit provisions for the allowance of attorneys' fees under selected statutes." *Baker Botts, LLP v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) (quoting *Alyeska*, 421 U.S. at 260). The Court has made clear that there should be no deviation from the American Rule unless "explicit statutory authority" exists to do so. *Id.* (quoting *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598, 602 (2001)).

This principle is consistent with the underlying rationale of the American Rule itself—promoting fair access to the legal system. As this Court has explained, "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 ...." *Fleischmann Distilling Corp.*, 386 U.S. at 718. As Justice Goldberg noted in *Farmer v. Arabian Am. Oil Co.*, 379 U.S. 227 (1964), it is "[no] accident that the American litigant must bear his own cost of counsel and other trial expense save for minimal court costs, but a deliberate choice to ensure that access to the courts be not effectively denied those of moderate means." *Id.* at 237 (Goldberg, J., concurring).

Courts must therefore look carefully at statutory language before departing from the American Rule, and a party seeking such a departure bears a heavy burden to overcome the "deeply rooted" adherence to it. *Roadway Exp., Inc. v. Piper,* 447 U.S. 752, 760-61 (1980) (examining legislative history and finding "nothing" to support the inclusion of attorneys' fees in the "taxable costs" of litigation); *Alyeska,* 421 U.S. at 271 (declining to depart from American Rule because it "is deeply rooted in our history and in congressional policy"); *F.D. Rich Co. v. U.S. for Use of Indus. Lumber Co.*, 417 U.S. 116, 128-31 (1974) (declining to interpret "costs" and "sums justly due" to include "attorney's fees").

B. No Reading of "All the Expenses of the Proceeding" Supports Shifting of Attorneys' Fees

As the *en banc* court of appeals explained, neither the text nor the legislative history of Section 145 supports the proposition that Congress intended the mere word "expenses" to require an unprecedented departure from the American Rule by shifting the PTO's attorneys' fees to the patent applicant in every case.

The issue here is whether the phrase "all the expenses of the proceeding" "expressly" and "clearly" provides for that reimbursement. Courts construing terms in a statute must give those terms their ordinary, contemporary, common-law meaning: "[W]here Congress uses a common-law term in a statute, we assume the 'term ... comes with a common law meaning, absent anything pointing another way.'" *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 101 (2011) (alteration in original) (quoting *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 58 (2007)). Moreover, "[t]hat a definition is broad enough to encompass one sense of a word does not establish that the word is *ordinarily* understood in that sense." *Taniguchi v. Kan Pac. Saipan, Ltd.*, 566 U.S. 560, 568 (2012).[5]

This proposition is apparent even in *Rimini Street, Inc. v. Oracle USA, Inc.*, 139 S. Ct. 873 (2019), upon which the PTO improbably relies throughout its brief. That opinion interpreted Section 505 of the Copyright Act, 17 U.S.C. § 505, which gives district courts discretion to award "full costs" to the prevailing party in a copyright infringement action. Contrary to the PTO's suggestion, the Court did not expand the definition of that phrase to include such litigation-related expenditures as expert witness, e-discovery, and jury consulting fees. Instead, the Court restricted that definition to sweep in only the six categories of costs that may be awarded against the losing party under 28 U.S.C. §§ 1821 and 1920. *See Rimini St.*, 139 S. Ct. at 878.

Here, when Congress first adopted language identical to that in Section 145 in 1839, the words "expense," "cost," and "damage" were considered

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[5] Despite the PTO's citation to it, *Taniguchi* does not support the PTO's interpretation of Section 145. That opinion held nothing more than that the word "interpreter" in 28 U.S.C. § 1920 does not include costs of a "translator." 566 U.S. at 568. It did not interpret the word "expenses."

synonymous. *Nantkwest, Inc. v. Matal*, 860 F.3d 1352, 1363 (Fed. Cir. 2017) (Stoll, J., dissenting) (citing Peter Mark Roget, *Thesaurus of English Words and Phrases* 227 (Barnas Sears ed., 1856)). The PTO did not then read "expenses of the proceeding" in that statute as including the *pro rata* cost of the PTO's staff. Nor did it or anyone else advance that reading after Congress amended the Patent Act in 1870, 1927, or 1952. Not until 2013—nearly 200 years after its original enactment—did the PTO reinterpret Section 145 to include staff salary reimbursement. The PTO's longstanding prior interpretation was the one that fits more naturally with the common understanding of "expenses" as reaching out-of-pocket costs tied to the litigation, not the government-employee salaries.

Whenever Congress believed the term "expenses" should include attorneys' fees, it has made that distinction apparent. Indeed, over 200 federal statutes and almost 2000 state statutes provide for shifting of attorneys' fees, *Vargo*, *supra*, at 1588, and neither the PTO nor the courts have located a single one that does so by referring only to "expenses." *See also NantKwest, Inc. v. Iancu,* 898 F.3d 1177, 1188 (Fed. Cir. 2018) (listing twenty independent examples of statutes distinguishing between "expenses" and "attorney's fees"); *see also id.* at 1195 (noting that the PTO could not identify a single statute that awards to the government prorated portions of its attorneys' salaries without using the phrase "attorneys' fees"). Adopting the PTO's position would therefore make Section 145 unique among all fee-shifting laws.[6]

C. The Mandatory Nature of Section 145 Weighs Against the PTO's Interpretation of the Statute

That Congress did not design Section 145 to shift fees from one party to the other is also evident from the statute's provision of an award of "the expenses" whether the patent applicant wins or loses. This non-discretionary feature of the statute undermines the proposition that Congress intended the term "expenses" to encompass attorneys' fees. As the Court has explained, "generations of American judges, lawyers, and legislators, with [the American Rule] as the point of departure, would regard it as quite 'inappropriate' to award the 'loser' an attorney's fee from the 'prevailing litigant.'" *Ruckelshaus v. Sierra Club,* 463 U.S. 680, 683-84 (1983). Moreover, Section 145 and its predecessors have had this feature from the 1800s. *See*, *e.g.*, *Butterworth v. Hill*, 114 U.S. 128, 129-30 (1885) (citing § 4915 Rev.

[6] *Sebelius v. Cloer*, 569 U.S. 369 (2013), relied upon by the PTO throughout its brief, is not to the contrary. In contrast to Section 145's reference to "expenses," the statutory framework at issue in *Cloer* expressly authorized a permissive award of reasonable attorneys' fees to an unsuccessful petitioner for compensation under the National Childhood Vaccine Injury Act of 1986, Pub. L. No. 99–660, 100 Stat. 3743 (1986). *See* 42 U.S.C. § 300aa-15 (providing that "the special master or court may award an amount of compensation to cover [an unsuccessful] petitioner's reasonable attorneys' fees and other costs … if … the petition was brought in good faith and there was a reasonable basis for the claim for which the petition was brought").

Stat.). Yet a Section 145 civil action, as with its predecessor "bill in equity," has long been known as "a suit according to the ordinary course of equity practice and procedure." *Kappos,* 566 U.S. at 44 n.4 (quoting *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50, 61 (1884)); *see also* P.J. Federico, *Evolution of Patent Office Appeals*, 22 J. PAT. OFF. SOC'Y 838, 844 (1940) (explaining the equitable nature of Section 145's predecessor statute). There has been no change to the language of Section 145 that would justify a departure from this longstanding interpretation.

As the Court noted in *Baker Botts*, departures from the American Rule "tend to authorize the award of 'a reasonable attorney's fee,' 'fees,' or 'litigation costs,' and usually refer to a 'prevailing party' in the context of an adversarial 'action.'" 135 S. Ct. at 2164. By contrast, Section 145: (1) requires only the payment of "expenses," not "fees"; (2) provides for payment only of the government's expenses, never the applicant's; and (3) does so in *every* Section 145 action, regardless of which party prevails. Any *one* of these features makes Section 145 unlike any other fee-shifting provision. The presence of *all three* compels interpreting the provision to exclude attorneys' fees.

D. The PTO's Funding and Historical Interpretation of Section 145 Evidence a Lack of Explicit Congressional Authorization of Fee-Shifting

As explained above, statutes allegedly deviating from the American Rule must "speak directly," be "clear and explicit," and "clearly express" how they are meant to stray from the common law. That deviation also must be "evident." *Cf. Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783 (1952) ("Statutes which invade the common law ... are to be read with a presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident."). It is not enough that the phrase "all the expenses of the proceeding" may be read to include the reimbursement of the pro rata share of PTO staff salaries or could mean that PTO staff salaries are included; rather, the intent to include repayment of staff salaries must be evident.

The PTO's own changing interpretation of this language in Section 145 shows that such intent is not clear and explicit. For nearly two centuries, the phrase "expenses of the proceedings" in Section 145 has been understood to mean that the applicant must pay only the PTO's out-of-pocket expenses for the proceedings. The PTO itself has historically not interpreted "expenses" in Section 145 to include attorneys' fees but only typical expenses, such as agency travel costs, expert witness fees, and the like. As the PTO has acknowledged, it did not seek reimbursement of the salaries of its legal staff under Section 145 or its predecessor until 2013. *Shammas v. Focarino*, 784 F.3d 219, 230 n.4 (4th Cir. 2015). Throughout this time, the PTO sought to recover its actual "expenses," such as travel expenses that its employees incurred travelling to depositions, *e.g.*, *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931), and expenses for printing briefs and joint appendices on appeal. *E.g.*, *Watson v. Allen*, 274 F.2d

87, 88 (D.C. Cir. 1959); *see also Aktiebolag v. Samuels*, No. 89-3127-LFO, 1991 WL 25774, at *1 (D.D.C. Feb. 7, 1991) (expert witness fees); *Cook v. Watson*, 208 F.2d 529, 531 (D.C.C. 1953) (printing expenses).

If Section 145's requirement that "all the expenses of the proceeding shall be paid by the party bringing the case" "clearly expressed" an obligation to repay the Office for staff time, the PTO would have come to that understanding well before 2013. Whatever arguments the PTO may employ today to conclude that Section 145 requires applicants to pay staff wages, the fact remains that for over 100 years the PTO read the same words and thought otherwise.

That the provision shifts only the PTO's expenses and never the applicant's, also strongly suggests it is not a fee-shifting statute. The PTO is designed to be a self-funding agency that pays its staff without resort to reimbursement of attorneys' fees. It therefore is not a typical litigant that requires an award of attorneys' fees to be made whole. The agency's annual appropriations are determined in accordance with its collection of user fees, which it uses to pay its attorneys and other employees and cover other overhead costs, including those related to litigation. 35 U.S.C. § 42(c)(3)(A). The issue presented by the PTO's interpretation of Section 145 therefore is not the *recovery* of its investment in an appeal brought under that statute but instead a *double recovery* from appellants under that section, who already have shouldered their share of the PTO's expenses through payment of their filing fees. Because the PTO already funds virtually all its annual operations, including attorney and staff expenses, by collecting user fees, such a double recovery is unwarranted.

E. The Fourth Circuit Erred in its *Shammas* Decision

Before its vacatur, the panel decision below that "expenses" includes attorneys' fees rested heavily on the Fourth Circuit's holding to that effect in *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015). In interpreting the substantively identical wording of Section 21(b) of the Lanham Act, 15 U.S.C. § 1071(b), the *Shammas* court expressed doubt that the American Rule applies where, as here, the relevant statutory language makes no reference to "prevailing parties." *Id.* at 222-24. But that does not follow. Fee-shifting statutes generally contain a reference to the "prevailing party." *Baker Botts*, 135 S. Ct. at 2164. The absence of "prevailing parties" in Section 145 is strong indication that it is not a fee-shifting statute at all.

Moreover, fundamental principles of statutory construction, including those recognized by the Court as generally applicable to the Lanham Act render *Shammas*'s holding that "expenses" includes attorneys' fees under Section 21(b) of the Lanham Act clear error. In *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967), this Court held that the then-extant version of the Lanham Act did not contemplate fee awards in litigation brought under it. Specifically, the Court rejected the claim that the ability of prevailing parties to recover "the costs of the action" under Section 35 of the Act allowed recovery of their attorneys' fees as well:

> [I]n the Lanham Act, Congress meticulously detailed the remedies available to a plaintiff who proves that his valid trademark has been infringed.... When a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause, other remedies should not readily be implied.... We therefore must conclude that *Congress intended § 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act. A judicially created compensatory remedy in addition to the express statutory remedies is inappropriate in this context.*

Id. at 719-21 (emphasis added) (footnote omitted) (citations omitted).

Congress responded to *Fleischmann Distilling* by enacting Pub. L. No. 93-600, 88 Stat. 1955 (1975), which accomplished two things relevant to the issue at hand. The first made certain procedural amendments to Section 21(b), which Congress did while retaining the "all the expenses of the proceeding" language contained in that section. In so acting nearly four decades before the PTO adopted its current position, Congress knew that the PTO historically had not interpreted "all the expenses of the proceeding" to include PTO staff salaries but did nothing to change this language. If Congress sought to expand the definition of "expenses," it would have said so: "Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change ...." *Lorillard v. Pons*, 434 U.S. 575, 580 (1978).

Second, Pub. L. No. 93-600 amended Section 35 of the Act—the provision identified by *Fleischmann* as "mark[ing] the boundaries of the power to award monetary relief in cases arising under the Act"—to authorize the imposition of fees upon the losing party in "exceptional cases." 15 U.S.C. § 1117(a). Likewise, following congressional passage of the Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, 98 Stat. 1837 (1984), Section 35(b) has made such an award virtually mandatory in cases in which a defendant has been found liable for trafficking in goods or services associated with counterfeit marks. 15 U.S.C. § 1117(b). The Lanham Act's treatment of monetary relief therefore is considerably more "meticulously detailed" now than at the time of *Fleischmann Distilling*, yet the Act still does not expressly contemplate awards of fees in Section 21(b) appeals. *Shammas*'s extrastatutory recognition of such a remedy therefore flies in the face of the methodology mandated by *Fleischmann Distilling*.

Shammas is also inconsistent with other case law of this Court. The Court has held when interpreting the Lanham Act that "where Congress includes particular language in one section of a statute but omits it in another section of the same

Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118 (2004) (alteration omitted) (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)). Here, Congress chose to make attorneys' fees available under the express text of Section 35(a) and Section 35(b) of the Lanham Act but did not make the same choice with respect to Section 21(b)(3). That choice has consequences fatal to the Fourth Circuit's interpretation of the latter statute and the one at issue here: As this Court has observed in interpreting another provision of the Lanham Act, "a court cannot apply its independent policy judgment to recognize a cause of action that Congress has denied …." *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 128 (2014).

CONCLUSION

For the foregoing reasons, "all the expenses of the proceedings" in 35 U.S.C. § 145 should be interpreted as not authorizing an award of the United States Patent and Trademark Office's attorneys' fees.

Respectfully submitted,

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