No. 18-801

IN THE

Supreme Court of the United States

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

Petitioner,

—v.—

NANTKWEST, INC.,

Respondent.

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

BRIEF OF *AMICUS CURIAE* ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK IN SUPPORT OF RESPONDENT

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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 that the United States Patent and Trademark Office incurs when its employees, including attorneys, defend the agency in litigation under 35 U.S.C. § 145.

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STATEMENT OF INTEREST OF *AMICUS CURIAE*

The Association of the Bar of the City of New York ("Association"), through its Committee on Patents, submits this *amicus curiae* brief in response to this Court's order on March 4, 2019, granting the petition for certiorari and setting forth the question presented above. The Association files this brief in support of respondent NantKwest Inc. ("NantKwest") in accordance with Rule 37 of the Supreme Court Rules. The parties to this appeal have consented to the filing of this amicus brief.[1]

The Association is a private, non-profit organization of more than 24,000 members who are professionally involved in a broad range of law-related activities. Founded in 1870, the Association is one of the oldest bar associations in the United States. The Association seeks to promote reform in the law and to improve the administration of justice at the local, state, federal and international levels through its more than 150 standing and special committees. The Committee on Patents ("Patents Committee") is a long-established standing committee of the Association, and its membership reflects a wide range of corporate, private practice and academic

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

experience in patent law. The participating members of the committee are dedicated to promoting the Association's objective of improving the administration of the patent laws.

SUMMARY OF THE ARGUMENT

Though the United States Patent and Trademark Office ("USPTO") characterizes the monetary award it seeks under 35 U.S.C. § 145 ("section 145") as one for "personnel expenses," those "personnel expenses" are in fact attorneys' fees. Attorneys' fees, however, cannot be awarded under a statute that provides solely for "expenses," as attorneys' fees and expenses have long been held to be distinct and non-interchangeable sums of money. Accordingly, this Court and lower courts have stated that attorneys' fees can be awarded only when they are expressly authorized by statutory language. Since section 145 mentions only "expenses" and never mentions "attorneys' fees," this Court should not permit the USPTO to recover attorneys' fees under section 145.

The American Rule for an award of attorneys' fees is that each litigant pays its own attorneys' fees, win or lose, unless a statute or contract provides otherwise. *Baker Botts v. ASARCO*, 135 S. Ct. 2158, 2164 (2015). The phraseology of section 145—"[a]ll the expenses of the proceedings"—falls short of the stringent standard requiring express authorizing statutory language to shift attorneys' fees from one party to another.

Further, any departure from the American Rule may have a chilling effect on patent applicants of limited means, who may not have the resources to mount a section 145 proceeding were they required to pay not only their own attorneys' fees, but those of the USPTO as well. Such applicants would be foreclosed from the access to justice at the district court expressly provided by statute, and prevented from obtaining patent protection, contrary to Congress's constitutional power "[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. Const., Art. I, Sec. 8, Cl. 8.

LEGAL BACKGROUND

As this Court is aware, the present dispute concerns the allocation of financial burdens when a patent applicant pursues certain legal proceedings to challenge an unfavorable ruling by the USPTO on the allowability of a patent claim. When a patent examiner issues a final rejection of a patent claim in an application, a dissatisfied applicant may appeal the rejection to the Patent Trial and Appeal Board (the "Board" or "PTAB"). 35 U.S.C. § 134(a). If the Board affirms the rejection, the applicant may further challenge the rejection through one of two procedural routes: (a) filing a direct appeal to the Court of Appeals for the Federal Circuit under 35 U.S.C. § 141(a); or (b) filing a federal lawsuit in the District Court for the Eastern District of Virginia under section 145. If the applicant chooses a Federal Circuit challenge under 35 U.S.C. § 141(a), then consistent with the "American Rule" each litigant

pays its own attorneys' fees. If the applicant chooses to pursue a district-court challenge under section 145, then the statute states that "[a]ll the expenses of the proceedings shall be paid by the applicant," with no explicit requirement that the applicant's challenge be successful.

ARGUMENT

I. The USPTO's Claim For "Personnel Expenses" Under The "Expenses" Clause Of Section 145 Is Actually Directed To Attorneys' Fees

As the district court and the Federal Circuit observed in the decisions below, the USPTO's request for "personnel expenses" under section 145's general provision for "expenses" is in fact directed to attorneys' fees. *See NantKwest Inc. v. Lee*, 162 F. Supp. 3d 540, 542 (E.D. Va. 2016); *see also NantKwest, Inc. v. Iancu*, 898 F.3d 1177, 1184 (Fed. Cir. 2018). Where an organization, such as the USPTO, directs staff attorneys to represent it in a lawsuit, the compensation paid by the organization to those attorneys for legal work in the lawsuit constitute attorneys' fees even though that compensation is not explicitly tallied in attorney invoices. Courts have routinely calculated the attorneys' fees awardable for the work of staff attorneys using the "lodestar" method. In the lodestar method, an initial estimate of awardable attorneys' fees is produced by multiplying the amount of time spent by staff attorneys on legal work by a prevailing market rate for that type of legal work. *See, e.g.*, *Zacharias v. Shell Oil Co.*, 627 F. Supp. 31, 35

(E.D.N.Y. 1984) (determining an "hourly billing rate" for an in-house attorney according to "the value of his service in [the] legal department"). The initial estimate may then be adjusted according to case-specific circumstances to arrive at an ultimate value for awardable attorneys' fees. *See, e.g.*, *In re Qwest Communs. Int'l, Inc. Sec. Litig.*, 625 F. Supp. 2d 1143, 1148–49 (D. Colo. 2009) (awarding attorneys' fees more than three times the value of the initial estimate).

Here, the "personnel expenses" sought by the USPTO were calculated as attorneys' fees and were "based on the pro rata salaries of the two PTO attorneys and one paralegal who worked on the case." *NantKwest*, 898 F.3d at 1183. Accordingly, those "personnel expenses" are functionally identical to attorneys' fees and should be treated as such.

II. The Patent Statute Distinguishes "Expenses" From "Attorneys' Fees"

Relevant statutory language in patent law expressly distinguishes "expenses" from "attorneys' fees." Specifically, the term "expenses" appears in section 145, while the contrasting term "attorneys' fees" appears in 35 U.S.C. § 285 ("section 285"). 35 U.S.C. § 285 (providing for an award of "reasonable attorney fees to the prevailing party" in "exceptional cases"); *see also Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014). The difference in terminology between those two provisions has existed since the Patent Act of 1952. Patent Act of 1952, Pub. L. No. 82-593, 66 Stat. 792. That Congress chose to recite "expenses" in one provision and "attorney fees"

in the other indicates those terms are non-interchangeable. Accordingly, an award of expenses cannot encompass attorneys' fees, nor can attorneys' fees be synonymous with expenses.

The distinction between expenses and attorneys' fees has consistently been observed in patent cases. In *Amsted Industries Inc. v. Buckeye Steel Castings Co.*, 23 F.3d 374 (Fed. Cir. 1994), the Federal Circuit held that the term "attorney fees" under section 285 does not include fees for expert witnesses. *Id.* at 377 (finding that "[t]he trial court incorrectly awarded expert witness fees under section 285"). Relying on the principle of statutory construction concerning expert-witness fees previously announced by this Court, the Federal Circuit found that an "explicit statutory reference to expert witness fees" is needed to make such fees awardable. *Amsted Indus.*, 23 F.3d at 377[2] (citing *West Virginia University Hospitals, Inc. v. Casey*, 499 U.S. 83, 95 (1991) (holding expert witness fees not awardable as "attorney fees" under a statutory provision that does not expressly mention expert-witness fees). In the absence of statutory language that expressly authorizes awards of expenses, a court can require a party to pay expenses only as a sanction for an abuse of judicial process. *Id.* at 378 (noting that "a finding of fraud or abuse of the judicial process" must be made "before a trial court can invoke its inherent sanctioning power to impose

[2] In the absence of an explicit statutory award of expert-witness fees, the "fees" awardable in connection with experts are limited to the amounts allowed for ordinary witnesses under 28 U.S.C. § 1821.

expert witness fees").[3] Accordingly, this Court should not contravene established readings of section 145 and section 285 by permitting the USPTO to recover attorneys' fees under a statute that provides only for expenses.

III. This Court Recognizes A Distinction Between "Expenses" And "Attorneys' Fees"

A distinction between expenses and attorneys' fees has long been observed by the jurisprudence of this Court. In *Arlington Central School District Board of Education v. Murphy*, 548 U.S. 291 (2006), this Court declined to award expert-witness fees under a statute that allowed only for "reasonable attorneys' fees." *Id.* at 298 (noting that the relevant statute "does not authorize an award of any additional expert fees"). To emphasize the necessity of an express statutory authorization for expense awards, this Court noted that an award of expert-witness fees under the proffered statute, 20 U.S.C. § 1415(i)(3)(B), would contravene this Court's reading of a nearly identical statute concerning attorneys' fees—42 U.S.C. § 1988—in a different case. *Id.* at 302; *see also Casey*, 499 U.S. at 96–97. Indeed, Congress responded to this Court's refusal to award expenses under the latter statute by amending the statute to

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[3] *See also Synthon IP, Inc. v. Pfizer Inc.*, 484 F. Supp. 2d 437, 445 (E.D. Va. 2007), *aff'd*, 281 Fed. App'x 995 (Fed. Cir. 2008) (noting that "[35 U.S.C.] § 285 does not provide a basis for an award of expert witness fees"); *Metso Minerals, Inc. v. Powerscreen Int'l Dist. Ltd.*, 833 F. Supp. 2d 333, 355 (E.D.N.Y. 2011), *rev'd on other grounds*, 526 Fed. App'x 988 (Fed. Cir. 2013) (noting that a party "may not obtain the award of expert fees pursuant to [35 U.S.C.] § 285").

provide specifically for "expert fees." Civil Rights Act of 1991, Pub. L. No. 102-166, 105 Stat. 1071.

Here, construing section 145, which mentions only "expenses," to authorize an award of attorneys' fees would contravene this Court's longstanding precedent.

IV. Multiple Federal Statutes Recognize A Distinction Between Expenses And Attorneys' Fees

Federal statutes consistently observe a distinction between expenses and attorneys' fees. For example, 28 U.S.C. § 1927 provides that an attorney who engages in vexatious conduct in a federal lawsuit may be ordered to pay the "excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct." In accordance with that rule, the Seventh Circuit held that an attorney who pursued a hearing that was a "pointless formality" should be required to compensate opposing counsel for expenditures incurred in traveling "approximately 100 miles" to make a court appearance at the hearing. *In re Maurice*, 69 F.3d 830, 833 (7th Cir. 1995). The Seventh Circuit specifically rejected the vexatious attorneys' contention that "travel time is not compensable under 28 U.S.C. § 1927," noting that "[o]utlays for getting to [the courthouse] and back are expenses." *Id*. at 833, 834 (internal quotations omitted); *see also Astro-Med, Inc. v. Plant*, 250 F.R.D. 28, 32 (D.R.I. 2008) (finding travel time compensable under 28 U.S.C. § 1927).

Multiple employee protection statutes make separate provisions for litigation expenses as opposed to attorneys' fees: for example, the Federal, Food, Drug, and Cosmetic Act provides that wrongfully terminated employees may obtain compensatory damages, including litigation costs, expert witness fees, and reasonable attorneys' fees. 21 U.S.C. § 399d(b)(4)(B)(iii) (addressing retaliation for reporting violations of food-safety regulations); *see also* 15 U.S.C. § 2087(b)(4)(C) (addressing retaliation for violations of consumer-safety regulations). Similarly, multiple statutes authorize the shifting of "reasonable attorney and expert witness fees" in lawsuits filed in response to regulatory violations, whether or not whistleblowing is involved. *E.g.*, 30 U.S.C. § 1427(c) (shifting fees in lawsuits concerning seabed-mining regulations); 42 U.S.C. § 9124(d) (shifting fees in lawsuits concerning regulations governing ocean thermal energy); 33 U.S.C. § 1515(d) (shifting fees in lawsuits concerning regulations on deep-water ports).

Numerous statutes expressly distinguish between expenses, including litigation expenses, and attorneys' fees. This Court should not undermine that distinction by allowing the USPTO to recover attorneys' fees under a statutory provision that concerns only expenses.

V. Granting The USPTO Its Staff Attorneys' Fees Would Have A Chilling Effect On Patent Applicants Seeking District Court Review

If this Court were to adopt the USPTO's position that the section 145 provision for "expenses" should include USPTO "attorneys' fees," a large group of patent applicants would not be financially able to seek district court review of USPTO decisions. In view of large amounts of evidence and document preparation often required in patent cases, the cost of district court litigation is already very high for many patent applicants, including independent inventors, small businesses and other organizations with limited resources. The interpretation of section 145 that would require a party with limited resources to pay not only its own attorneys' fees but also the attorneys' fees of the USPTO would have a chilling effect on that party seeking district court review of an adverse USPTO decision. While the party could seek to control its own attorneys' fees, it would have no control over the USPTO's attorneys' fees, and this uncertainty would be a further disincentive for pursuing district court review.

In section 145, Congress has provided an avenue of district court review of USPTO decisions in order to afford an applicant—through the court's broad jurisdiction—the ability to introduce facts into the record that have not been considered through the USPTO or PTAB review process. Patent applicants should be afforded district court review of USPTO or PTAB decisions and their access to justice should not be discouraged by the cost of having to pay both their

own attorneys' fees as well as the USPTO staff attorneys' fees. The USPTO's position that section 145 provision for expenses includes attorneys' fees would create a chilling effect on all patent applicants, but especially on those with limited resources, thus effectively prohibiting access to justice through the statute's provision for district court review. This will, in turn, prevent such applicants from obtaining patent protection, contrary to Congress's constitutional power "[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. Const., Art. I, Sec. 8, Cl. 8.

CONCLUSION

Courts and statutes have long recognized a distinction between "expenses" and "attorneys' fees," and that distinction means that the term "expenses" in 35 U.S.C. § 145 should not be construed to cover compensation paid by the USPTO to its staff attorneys for their work in litigation. The "expenses" provision of section 145 does not overcome the American Rule that each litigant, win or lose, pays its own attorneys' fees unless the applicable statute expressly provides otherwise.

Respectfully submitted,

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