

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.

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

REPLY BRIEF FOR THE PETITIONER

NOEL J. FRANCISCO
*Solicitor General
Counsel of Record
Department of Justice
Washington, D.C. 20530-0001
SupremeCtBriefs@usdoj.gov
(202) 514-2217*

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Respondent’s core textual premise is that the term “expenses” in 35 U.S.C. 145 has a “distinct *legal* meaning” (Br. 10) that excludes attorney’s fees. That premise is wrong. Respondent does not identify any dictionary that defines “expenses” as a legal term of art that excludes either attorney’s fees generally or the specific personnel expenses that the United States Patent and Trademark Office (USPTO) seeks to recover here. Although respondent invokes the usage of the term “expenses” in other statutes and case law, its own examples demonstrate that the term commonly *includes* attorney’s fees. Respondent thus identifies no reason to doubt that Section 145 uses “expenses” in its ordinary sense, which encompasses the personnel expenditures the USPTO seeks to recoup here.

Respondent further contends (Br. 10) that the term “expenses” is “vague” and “insufficient to displace the American Rule presumption” against fee-shifting. But the American Rule does not require that Congress use the magic words “attorney’s fees.” Because the ordinary meaning of the term “expenses” includes personnel expenditures, Congress’s use of that term in Section 145 provides sufficiently clear and specific authority to satisfy the American Rule. This Court could reach that same result by concluding, as the Fourth Circuit held in construing Section 145’s sister provision in the Lanham Act, 15 U.S.C. 1071(b), that the American Rule has no bearing on the interpretation of the unusual expense-recoupment provision at issue here. Either analytic route leads to the same conclusion: The text and structure of Section 145, not the American Rule, dictate the outcome of this case.

Respondent also stresses (*e.g.*, Br. 23-26) that the USPTO did not previously seek to recoup its personnel expenses in Section 145 proceedings. In light of recent developments, however, the USPTO reasonably reconsidered its prior forbearance and began seeking reimbursement of what is now often the agency’s single largest expense in such cases. Doing so helps to ensure that those expenses, like examination fees, generally fall on the particular applicants that cause the agency to incur them, rather than on other fee-paying users of the USPTO’s services. The statute plainly supports that effort. Respondent elected to invoke Section 145 and is now liable for “[a]ll the expenses of the proceedings,” 35 U.S.C. 145, not merely some of them.

A. Respondent’s Interpretation Of “Expenses” Defies The Plain Meaning Of The Term And Is Inconsistent With The Structure, Purpose, And History Of Section 145

1. Section 145 requires a disappointed patent applicant who elects to bring a civil action in district court, rather than taking a direct appeal to the Federal Circuit, to pay “[a]ll the expenses of the proceedings.” 35 U.S.C. 145. The ordinary meaning of the term “expenses” includes “‘expenditure[s] of money, time, labor, or resources.’” Pet. Br. 18 (quoting *Black’s Law Dictionary* 698 (10th ed. 2014)). The term bore that same meaning in 1839, when Congress enacted the first antecedent of Section 145’s expense-recoupment provision. See *id.* at 22-23 (historical definitions). In its common usage, the term therefore unambiguously encompasses the expenditures for attorney and paralegal services that the USPTO incurs when its personnel represent the agency in Section 145 proceedings.

a. Respondent does not meaningfully dispute that the ordinary meaning of the term “expenses” encompasses the expenditures at issue here. See Resp. Br. 8 (“*could be construed broadly in some context to encompass attorneys’ fees*”); *id.* at 29-30 (similar); cf. Pet. App. 17a, 28a, 33a (en banc majority’s repeated recognition that the term “expenses” can refer to attorney’s fees). Respondent instead dismisses (Br. 10) the ordinary meaning of “expenses” as “hav[ing] no bearing on the distinct *legal* meaning” of the term. That effort is unavailing.

Respondent never specifies the distinctive legal meaning that it posits for the term “expenses,” contending only (*e.g.*, Br. 15) that the term excludes attorney’s fees. (Although respondent did not previously contest the USPTO’s authority to recoup its expert-

witness fees when the district court awarded them, it now disavows any concession that such fees were appropriately treated as Section 145 “expenses,” albeit without affirmatively contesting the point. See Resp. Br. 40 & n.10.) Respondent and its amici also identify no dictionary, from any era, supporting respondent’s contention that “expenses” is a legal term of art. Respondent principally relies (Br. 17) on the definition of a different term, “*expensae litis*,” that does not appear in Section 145 and that does not exclude all attorney’s fees. See 1 John Bouvier, *A Law Dictionary Adapted to the Constitution and Laws of the United States of America* 392 (1839) (defining “*expensae litis*” as the “expenses of the suit, the costs which are generally allowed to the successful party”); see also *Day v. Woodworth*, 54 U.S. (13 How.) 363, 372 (1852) (explaining that “legal taxed costs” are “all the law allows” a court to award to a successful litigant “as *expensa litis*” in most jurisdictions, and that these taxable costs may include “moderate fees of counsel,” though typically “far below the real expenses incurred by the litigant”).

Respondent also cites (Br. 17) dictionary definitions of the term “costs,” but that term likewise does not appear in Section 145. In the context of civil litigation, the term “costs,” unlike the term “expenses,” has come to have a technical meaning that is narrower than its ordinary meaning and that excludes attorney’s fees. Pet. Br. 20-21; see *Taniguchi v. Kan Pac. Saipan, Ltd.*, 566 U.S. 560, 573 (2012). But the established understanding of “costs” as a legal term of art simply highlights the significance of Congress’s decision to use a different word in Section 145.

Respondent's position that "expenses" is a term of art that excludes fees is also inconsistent with the common understanding of that term reflected in leading treatises. Pet. Br. 19; see, e.g., 10 Charles Alan Wright et al., *Federal Practice and Procedure* § 2666, at 206 (4th ed. 2014) (explaining that, in civil litigation, the term "expenses" refers to "all the expenditures actually made by a litigant," including attorney's fees). Respondent cites (Br. 21) *American Jurisprudence* for the proposition that "[t]he term 'costs' or 'expenses' as used in a statute is not understood ordinarily to include attorneys' fees." But that same annotation goes on to explain that "other courts take the position that 'expenses' or 'expenses of litigation' are attorneys' fees." 14 Am. Jur. *Costs* § 63, at 38-39 (1938).

b. Respondent contends (Br. 15-16) that "'statutory' and 'judicial' usage * * * demonstrate[] that the terms 'expenses' and 'attorneys' fees' have distinct meanings." To the contrary, judicial and statutory usage confirm that "expenses," consistent with its plain meaning, can encompass expenditures for attorneys.

For example, this Court has frequently referred to attorney's fees as an "expense" borne by litigants. See Pet. Br. 20 (collecting examples); see also, e.g., *Fox v. Vice*, 563 U.S. 826, 832 (2011) (stating that the American Rule "generally requires each party to bear his own litigation expenses, including attorney's fees"); *Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161, 165-166 (1939) (referring to fees as part of "the entire expenses of the litigation"); cf. *Commissioner v. Heininger*, 320 U.S. 467, 468-470 (1943) (holding that "lawyer's fees" can be deducted from income for tax purposes as "ordinary and necessary expenses" of a business).

Respondent discusses (Br. 16-17) a purported 19th century judicial understanding that the term “expenses” excluded attorney’s fees. This Court’s precedent shows otherwise. In 1852, for example, the Court referred to “counsel-fees” as among the “real or supposed expenses” that litigants incur “over and above taxed costs.” *Day*, 54 U.S. (13 How.) at 372; see also, e.g., *Trustees v. Greenough*, 105 U.S. 527, 535 (1882) (stating that a statute fixing costs does not “regulate the fees of counsel and other expenses”); *United States ex rel. Hyde v. Bancroft*, 24 F. Cas. 980, 982 (S.D.N.Y. 1873) (No. 14,513) (awarding “the expenses of this contempt proceeding, including a proper counsel fee”); *In re Yerkes*, 99 Pa. 401, 407 (1882) (referring to “counsel fees” as among the “expenses of the proceedings”).

To be sure, as respondent explains at length (Br. 41-46), the Court in making those observations was not construing the word “expenses” as an actual statutory term. The Court’s previous decisions nevertheless are relevant here as evidence of the “common understanding of the term ‘expenses,’” Pet. Br. 20, whatever their specific holdings. Respondent’s own competing evidence of judicial usage includes only a single example from this Court (Br. 16), in which the Court referred to the award of “attorney’s fees and * * * expenses”—a reference not to separate expenses of the litigant, but rather to the expenses incurred *by the attorneys* (calculated as part of a fee award). *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 561-562 (2014); see Pl.’s Mem. in Supp. of Req. of Award of Att’y Fees & Expenses at 22, *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, No. 03-cv-1384 (N.D. Tex. Apr. 30, 2010) (D. Ct. Doc. 603). That usage con-

firms that the term “expenses” as commonly understood is broad and can refer to a variety of expenditures incurred in litigation. It does not suggest that “expenses” *excludes* “fees.”

Respondent’s evidence of statutory usage (Br. 17-18) is equally unavailing. Many federal statutes refer to expenses “and” attorney’s fees, but many others refer to expenses “including” attorney’s fees. See Pet. Br. 40 & n.7 (collecting examples); *e.g.*, 42 U.S.C. 4654(a) (authorizing the award of “expenses, including reasonable attorney * * * fees,” in a provision entitled “*Litigation expenses*”). Statutes in the latter category demonstrate that Congress sometimes uses the umbrella term “expenses” to encompass fees. Respondent argues (Br. 19) that Congress’s use of the term “attorneys’ fees” alongside the term “expenses” would be redundant if “expenses” comprehends fees. But redundancy is “hardly unusual” in this context, *Rimini St., Inc. v. Oracle USA, Inc.*, 139 S. Ct. 873, 881 (2019) (citation omitted), and a belt-and-suspenders approach eliminates any doubt that a statute covers attorney’s fees along with other litigation expenses. It is also consistent with ordinary usage—as, for example, when a per diem covers “meals and expenses,” even though the cost of meals is itself an expense.

Finally, respondent relies (Br. 20-22) on an array of state-court decisions. But none of those rulings interpreted a federal statute, let alone a federal statute comparable to the unusual expense-recoupment provision in Section 145. And in a variety of contexts, other state courts have read the term “expenses” to include attorney’s fees, consistent with the term’s plain meaning. See, *e.g.*, *Norwood v. Baker*, 172 U.S. 269, 271, 276 (1898) (describing state-court proceedings in which a

statute authorizing the award of “costs and expenses” was construed to include “solicitor and expert witness fees”); *Foreman v. Foreman*, 176 P.2d 144, 151 (Utah 1946) (“[T]he word ‘expenses’ covers the attorney fees the damaged party incurred.”); *Haczela v. Krupa*, 106 N.E. 1004, 1004 (Mass. 1914) (“‘Expense’ is a word of somewhat varying significance. But when used in mortgages, it has been held to be broad enough to include reasonable counsel fees.”).

At most, the state-court decisions on which respondent relies demonstrate that the term “expenses” *can* be given a narrowing gloss. As used in Section 145, however, the term should be given its ordinary meaning, which embraces personnel expenditures. And Congress’s use of the modifier “all” reinforces the conclusion that the term “expenses” should be given its full literal scope, thereby “resolving any lingering doubt in favor of inclusion.” Pet. App. 45a (Prost, C.J., dissenting); see Pet. Br. 24.

2. The structure and purpose of Section 145 confirm that the term “expenses” includes the personnel expenses that the USPTO seeks to recover here. When the USPTO rejects a patent application, the disappointed applicant may challenge that decision either through a direct appeal to the Federal Circuit, 35 U.S.C. 141(a), or by filing a civil action in district court under Section 145, with the option of a subsequent appeal to the Federal Circuit, 28 U.S.C. 1295(a)(4)(C). By invoking Section 141, a disappointed patent applicant can obtain the sort of administrative-record review, conducted under traditional Administrative Procedure Act (APA) standards, see generally *Dickinson v. Zurko*, 527 U.S. 150 (1999), that in most contexts is

the *only* form of judicial review available to persons aggrieved by federal agency action. Section 141 does not require the disappointed applicant to pay the expenses of the proceedings.

In a Section 145 case, by contrast, the applicant may introduce additional evidence, and the reviewing court may make *de novo* factual findings. See *Kappos v. Hyatt*, 566 U.S. 431, 444-446 (2012). When an applicant invokes that option, Section 145 requires the applicant to shoulder the expenses those proceedings impose on the USPTO. The statute thus requires the applicant to internalize the additional costs that this unusual mode of review entails, thereby protecting the agency from the financial burdens of district-court litigation and discouraging abusive filings. See Pet. Br. 24-26. And Section 141 ensures that applicants who wish to avoid those burdens can still obtain the judicial review of agency action that is ordinarily available to aggrieved private parties.

Respondent suggests (Br. 47-48) that the additional expenses at issue are not significant. But Section 145 proceedings can involve extensive motion practice, expert discovery, and trials. Here, respondent retained a new expert witness for the Section 145 proceedings to opine on the complex immune-system therapy technology claimed in the application. See Pet. Br. 9-10, 26. The district-court proceedings lasted nearly two years and indisputably caused the USPTO to incur expenses it would not have incurred if respondent instead had taken a direct appeal.

Section 145 also indirectly protects the fee-paying users of the USPTO's services who would otherwise be effectively required to cross-subsidize the operating

expenses that the USPTO incurs in Section 145 proceedings. See Pet. Br. 8 & n.3, 26-27. In that way, the expense-recoupment provision functions like the examination fees that every applicant must pay, whether or not its application is successful; those fees are structured in part so that parties whose applications impose greater burdens on the agency pay greater fees. See *id.* at 35-36. Although respondent questions (Br. 48) the magnitude of this cross-subsidization effect, it does not dispute that other fee-paying users will indirectly pay the personnel expenses the USPTO incurs in Section 145 proceedings if the decision below stands. That result is contrary to the statutory design, which makes the particular applicant who invokes Section 145 liable for all the expenses of the proceedings.

3. Finally, the history of Section 145 and its predecessors confirms that “expenses” should be read to include the personnel expenses the USPTO incurs when its attorneys and paralegals devote their time to a Section 145 proceeding.

a. Perhaps the best evidence that the term “expenses” encompassed employee salaries as of 1839, when Congress first enacted the expense-recoupment provision now found in Section 145, is the use of that term in the Act of July 4, 1836 (1836 Act), ch. 357, 5 Stat. 117. See Pet. Br. 22. The 1836 Act created the first administrative agency to review patent applications, required applicants to pay fees into a fund for the costs of examination, and directed that the fund be used for the “payment of the salaries * * * and all other expenses of the Patent Office.” § 9, 5 Stat. 121; see Pet. Br. 4-5. The 1836 Act also permitted a limited category of disappointed applicants to obtain judicial review by filing bills in equity. § 16, 5 Stat. 124. In

1839, Congress used the same term (“expenses”) when it broadened the availability of the bill-in-equity mechanism and required any applicant who elects to bring such a proceeding to pay “the whole of the expenses of the proceeding.” Act of Mar. 3, 1839 (1839 Act), ch. 88, § 10, 5 Stat. 354.

Respondent argues (Br. 27) that the salaries contemplated in the 1836 Act did not include attorney salaries, because the statute did not specifically provide for attorney positions within the Patent Office. That observation is beside the point.¹ The 1836 Act demonstrates that the term “expenses” was understood to include payments to salaried agency personnel.

Respondent also contends (Br. 28) that personnel expenses were not “expenses of the proceeding” within the meaning of the 1839 Act because agency personnel received fixed salaries. In the Federal Circuit, respondent offered a similar argument as an alternative ground for affirmance of the district court’s judgment denying the USPTO reimbursement of its personnel expenses. Resp. C.A. Br. 35-39. To the extent respondent seeks to reprise that broader argument here, respondent forfeited the point by omitting it from the brief in opposition. See, e.g., *Baldwin v. Reese*, 541 U.S. 27, 34 (2004). In any event, the argument lacks merit. As the panel majority below explained, the personnel expenses that an applicant causes the USPTO to incur in Section 145 litigation are expenses “of the proceedings” because, when the agency “dedicate[s] [the] time and resources of its attorneys” to a

¹ Agency personnel of the era included attorneys. Each of the first two Commissioners of the Patent Office, for example, had studied and practiced law. See *Biographical Sketches of the Commissioners of Patents*, 18 J. Pat. Off. Soc’y 145, 146, 148 (July 1936).

particular proceeding, it cannot “appl[y] those resources to other matters.” Pet. App. 70a (quoting 35 U.S.C. 145); see *Shammas v. Focarino*, 784 F.3d 219, 223 (4th Cir. 2015) (recognizing that the agency “incurred expenses when its attorneys were required to defend the Director in the district court proceedings, because their engagement diverted the PTO’s resources from other endeavors”), cert. denied, 136 S. Ct. 1376 (2016); cf. *Wisconsin v. Hotline Indus., Inc.*, 236 F.3d 363, 365 (7th Cir. 2000) (“[S]alaried government lawyers, like in-house and non-profit counsel, do incur expenses if the time and resources they devote to one case are not available for other work.”).

b. The history of the statute also demonstrates that, in the 19th century, equity proceedings under Section 145’s predecessor were viewed as a “branch of the application” process. *Gandy v. Marble*, 122 U.S. 432, 439-440 (1887). Although respondent suggests (Br. 51) that a direct appeal was equally a part of the application process, this Court distinguished between the two in *Gandy*. See 122 U.S. at 439 (explaining that a direct appeal is “confined to the case as made in the record” before the agency, whereas equity proceedings are “prepared and heard upon all competent evidence adduced and upon the whole merits”). Requiring an applicant to pay the personnel expenses that the USPTO incurs in Section 145 proceedings accords with the historical view of such proceedings as a functional continuation of the application process—the costs of which, including agency salaries, have long been funded by user fees. See Pet. Br. 29-31.

c. Respondent repeatedly invokes (Br. 1-2, 23-26, 29, 48, 50) the USPTO’s history of not seeking reimbursement of its personnel expenses under Section

145. But the agency's prior forbearance does not call into question its present authority to recoup those expenses. Pet. Br. 31-32.

First, the USPTO has never affirmatively disclaimed authority to recoup its personnel expenses. Respondent's contrary view (Br. 23-24) rests on a misreading of the briefs filed in *Robertson v. Cooper*, 46 F.2d 766 (4th Cir. 1931). Consistent with its position here, the government argued in *Robertson* that "it was clearly the intent of Congress that an applicant should pay all the expenses incurred by the government in proceedings of this kind." Gov't Reply Br. at 11, *Robertson*, *supra* (No. 3066); see *ibid.* ("all expenses, means all, just what it says"). In response to the applicant's assertion that the government's reading of the statute would permit it to request salaries of the judge, bailiff, and court clerk, as well as those of Patent Office attorneys, Appellee's Br. at 37, *Robertson*, *supra* (No. 3066), the government stated that "some of the items" the applicant listed were "so remote that they need not be seriously considered." Gov't Reply Br. at 10, *Robertson*, *supra* (No. 3066). That statement, which may have been directed at the applicant's reference to possible recovery of judicial expenses, was not a concession that the agency's own personnel expenses were not recoverable.²

² In *Robertson*, the court of appeals held that the Patent Office could recover the traveling expenses its in-house attorneys incurred in Section 145 proceedings. 46 F.2d at 769. Such expenses are commonly awarded as a component of an attorney's-fee award. See Pet. Br. 31. Respondent does not attempt to reconcile its narrow understanding of the term "expenses" with that aspect of the *Robertson* decision.

Second, the USPTO reasonably reconsidered its prior practice in light of the rising expense and complexity of Section 145 proceedings and the mandate of the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, § 10(a)(2), 125 Stat. 316, that the agency set its user fees at levels designed to cover its aggregate operating costs. See Pet. Br. 7-9, 31-32. Amicus IEEE-USA contends (Br. 27-30) that the USPTO had fee-setting authority prior to the AIA. The majority of pre-AIA fees, however, were fixed by statute. See H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 49-50 (2011) (“Although the USPTO has had the ability to set certain fees by regulation, most fees (*e.g.*, filing fee, issuance fee, maintenance fees) are set by Congress.”). After considering the matter afresh post-AIA, the agency determined that it should no longer refrain from seeking to recoup its personnel expenses, which are often its single largest expense in Section 145 proceedings and which would otherwise fall indirectly on other fee-paying users of the USPTO’s services. See pp. 9-10, *supra*.

Respondent argues (Br. 25) that the agency’s prior practice must necessarily have reflected its view of the outer boundaries of its statutory authority because Section 145’s expense-recoupment provision is phrased in “mandatory” terms. For better or worse, however, the agency has always exercised discretion in deciding whether to seek reimbursement of particular expenses. Pet. Br. 7. If (as respondent suggests) Section 145 prohibits that practice, the logical implication is that the agency violated the statute when it previously *declined* to seek reimbursement of its personnel expenses, not that its current practice of seeking such reimbursement is unlawful. Until 2013, moreover, no

court had addressed the question presented here, and respondent does not contend that Congress acquiesced in or ratified an artificially narrow construction of the term “expenses.”

**B. The American Rule Does Not Support Respondent’s
Atextual Construction Of Section 145**

Respondent argues (Br. 29-46) that the term “expenses” in Section 145 is insufficient to overcome the American Rule, which establishes a presumption that each litigant pays its own attorney’s fees. Respondent’s reliance on that presumption is misplaced. Section 145 is not the sort of fee-shifting statute that implicates the American Rule. And by requiring any applicant who invokes Section 145 to pay “[a]ll the expenses of the proceedings” regardless of the outcome, 35 U.S.C. 145, Congress provided “specific and explicit” authority to shift the USPTO’s litigation expenses to the applicant, *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) (quoting *Alyeska Pipeline Serv. Co. v. Wilderness Soc’y*, 421 U.S. 240, 260 (1975)), thus displacing the American Rule even if it is implicated. Adoption of respondent’s contrary view would transform the American Rule from a sensible presumption of congressional intent into a magic-words requirement.

1. Section 145 does not implicate the American Rule because its expense-recoupment provision does not operate as a form of fee-shifting in the traditional sense, predicated on success in litigation. Instead, an applicant must pay all the expenses of the proceedings “regardless of the outcome.” *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc), aff’d, 566 U.S. 431 (2012). The expense-reimbursement requirement thus operates as “an unconditional compensatory charge im-

posed on a dissatisfied applicant who elects to” seek judicial review in district court (with the attendant opportunity to introduce new evidence and potentially obtain a more favorable standard of review), rather than seeking review directly in the court of appeals under traditional administrative-law standards. *Shammas*, 784 F.3d at 221; see Pet. Br. 34-36. This Court has never applied the American Rule presumption to a statute that requires one side to pay the other’s litigation expenses regardless of the outcome of the proceedings.

Respondent contends (Br. 34-35) that the American Rule is at its “zenith” here because requiring applicants to be “on the hook for [the USPTO’s] attorneys’ fees even when they prevail” would be a particularly significant departure from the norm that each side pays its own fees. But that unusual feature of the statute is precisely why the American Rule is an inapt starting point in construing Section 145. Congress required even applicants who prevail in Section 145 proceedings to pay all the expenses those proceedings cause the USPTO to incur, just as Congress required all applicants to pay fees to fund the other costs of examination. See Pet. Br. 35. The fact that Section 145’s expense-reimbursement mandate is not tied to litigation success simply confirms that the mandate serves purposes different from those that more typical fee-shifting provisions are intended to achieve.

Although respondent asserts (Br. 36) that this Court has applied the American Rule to “statutes that award fees regardless of which party prevails,” it misunderstands the import of those decisions. In construing certain other fee-shifting provisions that lacked an express prevailing-party limitation, the Court has concluded,

based on the American Rule, that Congress did *not* authorize fee-shifting “regardless of which party prevails” (*ibid.*), but rather required some degree of litigation success as a prerequisite to a fee award. See Pet. Br. 36-37; see also, *e.g.*, *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 251-252 (2010). But respondent does not contend that Section 145 should be construed in a like manner. Rather, it argues that the USPTO can *never* recover the personnel expenses it incurs in Section 145 proceedings, even when the agency prevails—as it did in this case.

It is concededly unusual for Congress to require a prevailing litigant to pay the attorney’s fees or other personnel expenses that another party incurs in the litigation. But it is likewise unusual for Congress to require a prevailing litigant to pay its adversary even the narrower categories of expenses (*e.g.*, those traditionally taxable as “costs”) that respondent would concede are reimbursable under Section 145. Respondent does not appear to dispute that applicants must pay all the “expenses” of Section 145 proceedings regardless of the outcome; the only contested issue is the scope of that obligation.

Respondent also challenges (Br. 39-40) the government’s reliance on *Sebelius v. Cloer*, 569 U.S. 369 (2013). See Pet. Br. 37. The question presented in *Cloer* was whether a federal statute authorizing fee awards to unsuccessful claimants under a vaccine-injury compensation scheme authorized fee awards for untimely petitions. See 569 U.S. at 371-372. The government argued that it did not, in part because that reading would cause the statute to “substantially depart from” the American Rule and therefore would be disfavored under the “presumption favoring the retention of long-

established and familiar principles’” of common law. U.S. Br. at 32, *Cloer*, *supra* (No. 12-236) (citation and emphasis omitted). Respondent is thus correct (Br. 39) that in *Cloer* the government made, and this Court considered, an argument based on the American Rule. But the Court declined to adopt the government’s position, reasoning that the statutory text unambiguously authorized fee awards for untimely petitions, so that the canon of construction invoked by the government did not “come into play.” *Cloer*, 569 U.S. at 381. *Cloer* thus left open whether the American Rule bears on interpreting the scope of a statute that shifts litigation expenses without regard to the outcome of the proceedings. And the Court used as its starting point not the American Rule (as respondent urges here), but rather “the understanding that * * * ‘statutory terms are generally interpreted in accordance with their ordinary meaning.’” *Id.* at 376 (citation omitted).

2. Even if Section 145’s unconditional expense-reimbursement requirement implicated the American Rule, the language of the statute is sufficiently clear and specific to displace the default presumption against fee-shifting and to authorize the USPTO to recover its personnel expenses. Congress required applicants who invoke Section 145 to pay all the “expenses” of the proceedings, and the ordinary meaning of the term “expenses” unambiguously encompasses the personnel expenditures at issue in this case. See Pet. Br. 39-42; pp. 3-8, *supra*.

Respondent’s contrary view amounts in practical effect to a magic-words requirement, in contravention of this Court’s precedent. See *Key Tronic Corp. v. United States*, 511 U.S. 809, 815 (1994) (explaining that “[t]he

absence of specific reference to attorney’s fees is not dispositive if the statute otherwise evinces an intent to provide for such fees”); *id.* at 823 (Scalia, J., dissenting in part) (“Congress need only be explicit—it need not incant the magic phrase ‘attorney’s fees.’”). Respondent purports (Br. 14) to eschew such a requirement, even while arguing (Br. 18) that Congress’s use of the term “expenses” is insufficiently specific to authorize fee-shifting without “an expressed reference to ‘attorneys’ fees’ or other similarly specific language.” That is the epitome of a magic-words requirement. Cf. Pet. App. 50a n.3 (Prost, C.J., dissenting) (noting respondent’s statement at oral argument that, in order to authorize the USPTO to recoup its attorneys’ salaries, Congress must refer specifically to “time spent by lawyers working on the particular matter from the Solicitor’s office” or to “persons providing lawyer services who are hired internally or externally by the Patent Office”) (citation omitted).

In Section 145, Congress employed an omnibus term (“expenses”) that in ordinary usage encompasses expenditures on personnel, and that encompasses expenditures for attorney services in the specific context of civil litigation. Congress also specified that an applicant must pay “[a]ll” the expenses, not merely some of them. Congress was not required to specify in addition that “expenses” as used here includes personnel expenses.

The decisions that respondent invokes (Br. 30-31) do not support its crabbed interpretation of “expenses.” Most of those decisions construed statutory terms, like “damages” or “costs,” that are generally recognized not to encompass attorney’s fees. See *Key Tronic Corp.*, 511 U.S. at 811, 815-819 (statute authorizing a party that incurs certain environmental-cleanup costs to

bring an action for contribution against other potentially responsible parties for the “necessary costs of response”) (quoting 42 U.S.C. 9607(a)(4)(B)); *Summit Valley Indus., Inc. v. Local 112, United Bhd. of Carpenters*, 456 U.S. 717, 722-723 (1982) (statute authorizing an employee to sue for “damages” caused by an unfair labor practice) (quoting 29 U.S.C. 187(b)); *F. D. Rich Co. v. United States ex rel. Indus. Lumber Co.*, 417 U.S. 116, 128 (1974) (statute authorizing a federal contractor to sue for “sums justly due” on an unpaid construction bond) (quoting 40 U.S.C. 270b(a) (1970)); *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 720 (1967) (Lanham Act provision authorizing the award of the “costs of the action”) (quoting 15 U.S.C. 1117 (1964)). In *Baker Botts*, the Court observed in dicta that the “open-ended phrase ‘reasonable compensation,’ standing alone,” would be insufficient to authorize “a deviation from the American Rule,” 135 S. Ct. at 2168; but the Court did not address the term “expenses.” The Court also did not suggest (contra Resp. Br. 31) that any term that might be characterized as “open-ended” is necessarily insufficient to override the American Rule.

Respondent’s position is also inconsistent with this Court’s expressed understanding in *West Virginia University Hospitals, Inc. v. Casey*, 499 U.S. 83 (1991), that the phrase “reasonable litigation expenses” encompasses both expert-witness fees and attorney’s fees, *id.* at 99; see Pet. Br. 40. Respondent contends (Br. 42-43) that the Court in that case treated “litigation expenses” as a category of expenditures distinct from attorney’s fees. Respondent bases that argument (Br. 42) on the Court’s parenthetical quotation from a lower-court decision that had referred separately to “attorneys’ fees,”

“reasonable expert witness fees,” and “appropriate litigation expenses” in identifying recoverable items. See *West Va. Univ. Hosps.*, 499 U.S. at 94 (quoting *Bebchick v. Public Utilities Comm’n*, 318 F.2d 187, 204 (D.C. Cir.) (per curiam), cert. denied, 373 U.S. 913 (1963)). The Court quoted that language, however, as support for the proposition that “attorney’s fees” and “expert fees” had traditionally been viewed as “separate categories of expense,” see *id.* at 93-94, so that express statutory authorization to award “attorney’s fees” did not authorize an award of expert fees, see *id.* at 87-102 (construing 42 U.S.C. 1988 (1988)). In observing that “Congress could easily have shifted ‘attorney’s fees and expert witness fees,’ or ‘reasonable litigation expenses,’” *id.* at 99, the Court indicated that it viewed the latter phrase as an umbrella term that encompassed both attorney’s and expert fees.

Likewise in Section 145, the umbrella term “expenses” unambiguously encompasses personnel expenses *as well as* any other litigation expenses an applicant causes the USPTO to incur, including expert-witness fees, travel expenses, and printing costs. Additional items beyond attorney’s fees would not be awardable, by contrast, under other Patent Act provisions (see Resp. Br. 26) that specifically authorize attorney’s-fee awards in private adversarial litigation. The Court thus can give effect to the differing language Congress used in those provisions without adopting respondent’s narrow construction of “expenses” in Section 145. See Pet. Br. 42.

3. Several of respondent’s amici argue that concerns for access to the courts favor a narrow construction of the term “expenses” in Section 145. See, *e.g.*,

ABA Amicus Br. 5-11. Those policy concerns are misplaced.

As explained above, disappointed patent applicants can appeal directly to the Federal Circuit under 35 U.S.C. 141, without incurring any obligation to pay USPTO personnel expenses associated with the appeal. Such an appeal, like judicial review of federal agency action in virtually every other context, is based on the administrative record and is adjudicated under traditional APA standards. Section 145's expense-reimbursement requirement thus is not a condition on judicial review of USPTO patent denials; it is a condition on an unusual (and, at least in many instances, unusually expensive) *form* of judicial review.

All patent applicants are required to pay significant fees to fund the examination process. See Pet. Br. 8, 27. There is nothing inequitable in Congress's decision to impose Section 145's expense-reimbursement requirement on the particular applicants who invoke that statute—many of whom are sophisticated corporate parties, see R St. Inst. Amicus Br. 16-21, and who can derive significant litigation advantages from the opportunity to submit new evidence and potentially obtain a more favorable standard of review. Cf. Pet. App. 53a-54a (Prost, C.J., dissenting) (observing that an applicant's "own attorneys' fees" are likely to "vastly exceed the PTO's personnel expenses," and that the expenses of Section 145 proceedings "have to be paid by someone" given the USPTO's fee-funded structure). Respondent's amici identify no sound policy objection to literal enforcement of Congress's directive that applicants who invoke this unusual review mechanism must pay "[a]ll the expenses of the proceedings." 35 U.S.C. 145.

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For the foregoing reasons and those stated in our opening brief, the judgment of the court of appeals should be reversed.

Respectfully submitted.

NOEL J. FRANCISCO
Solicitor General

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