No. 18-801

IN THE

Supreme Court of the United States

ANDREI IANCU, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, UNITED STATES PATENT AND TRADEMARK OFFICE,

Petitioner,

v.

NANTKWEST, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION FOR RESPONDENT NANTKWEST, INC.

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QUESTIONS PRESENTED

Patent applicants who are dissatisfied with a decision of the Patent Trial and Appeal Board may initiate a civil action in the United States District Court for the Eastern District of Virginia to obtain a patent. 35 U.S.C. § 145. These applicants must pay "[a]ll the expenses of the proceedings." *Id.*

1. Does the American Rule's presumption that "[e]ach litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise," *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015), apply to § 145?

2. Does the language "[a]ll the expenses of the proceedings," 35 U.S.C. § 145, contain "specific and explicit provisions for the allowance of attorneys' fees" demonstrating a clear Congressional intent to deviate from the American Rule's presumption that each side pay its own attorneys' fees, win or lose? *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 260 (1975).

CORPORATE DISCLOSURE STATEMENT

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

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INTRODUCTION

The American Rule provides that "[e]ach litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise." *Hardt v. Reliance Standard Life Ins.*, 560 U.S. 242, 253 (2010). That rule applies *whenever* a litigant seeks to recover attorneys' fees. *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2165-66 (2015). And only "specific and explicit provisions for the allowance of attorneys' fees under selected statutes" establishing a clear Congressional intent to deviate from the American Rule can displace this time-honored presumption. *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 260 (1975).

As the Federal Circuit en banc correctly recognized, the phrase "[a]ll the expenses of the proceedings" in 35 U.S.C. § 145 falls short of this "stringent" requirement. *NantKwest, Inc. v. Iancu*, 898 F.3d 1177, 1180 (Fed. Cir. 2018) (en banc). Section 145 contains no specific and explicit language for the allowance of attorneys' fees. Only "expenses" are compensable under § 145. "Fees" are never mentioned, let alone "attorneys' fees" or any other equivalent that would suggest that such fees are recoupable. Nor does the language or legislative history of § 145 otherwise demonstrate clear Congressional intent to deviate from the American Rule.

Indeed, Congress introduced § 145's predecessor in 1839, Act of Mar. 3, 1839 (1839 Act), ch. 88, § 10, 5 Stat. 354, and in the nearly two-centuries since, the United States Patent and Trademark Office (the "PTO") has never before been awarded, or—prior to this case—even sought, attorneys' fees under that provision. And despite the PTO's failure to seek attorneys' fees pursuant to § 145 and its predecessors, and despite multiple amendments to the Patent Act during this time,

Congress has never amended § 145 to specifically or explicitly provide for attorneys' fees.

In 2013, the PTO reversed course. For the first time, it sought and was awarded attorneys' fees as a component of its "expenses" pursuant to § 145's trademark analog, 15 U.S.C. § 1071(b)(3).[1] *Shammas v. Focarino*, 990 F. Supp. 2d 587, 594 (E.D. Va. 2014). A divided Fourth Circuit affirmed. *Shammas v. Focarino*, 784 F.3d 219, 221 (4th Cir. 2015), *cert. denied sub nom. Shammas v. Hirshfeld*, 136 S. Ct. 1376, 1376 (2016) (mem.).

The *Shammas* majority did not find that § 1071(b)(3)'s reference to "expenses" was an explicit reference to attorneys' fees sufficient to overcome the American Rule's presumption. Instead, its holding was premised on the view that the American Rule applies only where a statute references a "prevailing party" or otherwise premises attorneys' fee awards on achieving some degree of success. *Id.* at 223. This Court subsequently rejected that very premise in *Baker Botts*. 135 S. Ct. at 2164. Specifically, in *Baker Botts*, this Court held that the American Rule's presumption against fee shifting *does not* hinge upon whether the statute premises a fee award on a party's success. *Id.* at 2164. Rather, the American Rule applies *whenever* a party seeks to recover attorneys' fees. *Id.* This Court further reaffirmed that the American Rule's presumption against fee shifting can only be displaced by specific and explicit statutory language permitting the same. *Id.*

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[1] Section 1071(b)(3) permits the PTO to collect "all the expenses of the proceeding" in a civil action filed to obtain registration of a mark following the Director or Trademark Trial and Appeal Board's refusal to do the same, unless "the court finds the expenses to be unreasonable." 15 U.S.C. § 1071(b)(3).

By contending otherwise, the PTO invites this Court to revisit and rewrite its jurisprudence regarding the scope and application of the American Rule, including the Court's recent decision in *Baker Botts*.

STATEMENT OF THE CASE

I. 35 U.S.C. § 145

Upon receiving a decision from the PTAB affirming an examiner's rejection, an unsatisfied patent applicant has two options. "The applicant may either: (1) appeal the decision directly to the United States Court of Appeals for the Federal Circuit, pursuant to [35 U.S.C.] § 141; or (2) file a civil action against the Director of the PTO in the United States District Court for the [Eastern District of Virginia] pursuant to § 145." *Kappos v. Hyatt*, 566 U.S. 431, 434 (2012).

Each method has advantages and disadvantages. Proceeding under § 141 generally results in a faster adjudication, but the Federal Circuit does not review the PTO's decision *de novo*, and applicants must rely on the record developed before the PTO. *See id.* at 434-35. By contrast, review under § 145 is *de novo* and provides the applicant an opportunity to introduce new evidence, but is more time consuming, *see id.*, and requires the applicant to pay "[a]ll the expenses of the proceedings." 35 U.S.C. § 145. Accordingly, an applicant who proceeds under § 145 must shoulder his own expenses and fees, in addition the PTO's "expenses of the proceedings."

In the 170 years that § 145 and its predecessors have been in force, the courts have identified specific, covered "expenses," including printing expenses,[2]

[2] *Cook v. Watson*, 208 F.2d 529, 530-31 (D.C. Cir. 1953).

counsel's deposition travel expenses,[3] court reporter fees,[4] and money paid to necessary expert witnesses.[5] And, courts have done so despite the recognition that such expenses may be "harsh" on patent applicants. *Cook*, 208 F.2d at 530.

However, before this case, no court had ever awarded the PTO attorneys' fees pursuant to § 145. In fact, in those 170 years, the PTO had never even sought such fees.[6] And in those years, Congress has never seen fit to amend § 145 or its predecessors to specifically or explicitly provide for the recovery of attorneys' fees, including in 2011, when it required the PTO to operate as a user-funded agency.[7]

II. The PTO's About-Face And The District Court Proceeding

On December 20, 2013, NantKwest filed suit under § 145 in the Eastern District of Virginia. *NantKwest, Inc. v. Lee*, 162 F. Supp. 3d 540, 541 (E.D. Va. 2016). Following entry of judgment, the PTO filed a motion

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

[4] *Sandvik Aktiebolag v. Samuels*, No. Civ. A. 89-3127-LFO, 1991 WL 25774, at *1-2 (D.D.C. Feb. 7, 1991).

[5] *Id.*

[6] Section 145 is not discretionary. 35 U.S.C. § 145 ("[A]ll the expenses of the proceedings *shall* be paid by the applicant." (emphasis added)). "To the extent the phrase 'expenses' unambiguously includes attorneys' fees, it is unclear why it took the PTO more than 170 years to appreciate the statute's alleged clarity and seek the attorneys' fees that are statutorily mandated under its interpretation." *NantKwest*, 898 F.3d at 1189 n.5.

[7] Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 10, 125 Stat. 284, 316 (2011) (requiring the PTO to operate as a revenue-neutral agency by setting fees to recover the "aggregate estimated costs" of operation).

under § 145 seeking $111,696.39, including $78,592.50 in attorneys' fees. *Id*. at 541, 546. These fees were calculated based on a "pro-rata share of the salaries" of the PTO attorneys and paralegal assigned to this matter. *NantKwest, Inc. v. Matal*, 860 F.3d 1352, 1354 n.1 (Fed. Cir. 2017) (citation and quotation marks omitted).

On February 5, 2016, the district court denied the PTO's "Motion for Expenses regarding the [PTO's] attorney fees" and granted the PTO's "Motion for Expenses relating to [the PTO's] expert witness." *Lee*, 162 F. Supp. 3d at 541. The district court concluded that the PTO was "not entitled to attorneys' fees because the American Rule specifically forbids it." *Id.* at 542. The PTO appealed.

III. The Federal Circuit Panel's Opinion

A. Majority

A divided panel of the Federal Circuit reversed, holding that § 145 authorized an award of the "pro-rata share of the attorneys' fees the [PTO] incurred to defend applicant's appeal." *Matal*, 860 F.3d at 1360.

The panel "assum[ed] the [American] Rule applies" but held that "the expenses at issue here include the USPTO's attorneys' fees." *Id.* at 1355. The panel explained that "[c]ourts uniformly recognize an exception" to that rule: "when the statute itself specifi[cally] and explicit[ly] authorizes an award of fees." *Id*. at 1356 (citations and quotation marks omitted). In purported agreement with *Shammas*, the panel concluded "that 'expenses' here includes attorneys' fees." *Id.*[8]

[8] As discussed in section II, Reasons For Denying The Petition *infra*, the panel majority in *Shammas* did *not* apply the American

B. Dissent

Judge Stoll dissented. She found that "Supreme Court precedent makes clear that the American Rule marks the starting point for any analysis that shifts fees from one litigant to another." *Id.* at 1360 (Stoll, J., dissenting).

Because § 145 provides no "express authority" to award attorneys' fees, Judge Stoll reviewed "the ordinary meaning of 'expenses' [and] § 145's legislative history," but found no authorization for an award of attorneys' fees. *Id.* at 1361-62. "The phrase 'attorneys' fees' is not mentioned, and Congress's use of 'expenses' is not the type of 'specific and explicit' language that permits the award of attorneys' fees." *Id.* at 1361.

Absent "specific and explicit statutory authority" to award attorneys' fees, Judge Stoll considered whether congressional intent to authorize such an award could be "glean[ed] . . . from the ordinary meaning of 'expenses' or the legislative history of § 145." *Id*. at 1362. Judge Stoll found that "at the time Congress introduced the word 'expenses' into the Patent Act, its ordinary meaning did not include attorneys' fees." *Id.* at 1363. "That the PTO did not rely on this provision to seek attorneys' fees for over 170 years" supported Judge Stoll's conclusion that "it is far from clear whether '[a]ll the expenses of the proceedings' includes attorneys' fees." *Id*. So did Congress' reference to both "expenses" and "attorneys' fees" in other statutory provisions. *Id*. at 1363-64.

Section 145's ambiguity was particularly fatal given that, "if § 145 were a fee-shifting statute, it would represent a particularly unusual divergence from the

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Rule; accordingly, the Federal Circuit panel's decision was not consistent with *Shammas*. It merely reached the same result.

American Rule because it obligates even successful plaintiffs to pay the PTO's attorneys' fees." *Id*. at 1364-65. "In these atypical circumstances," Judge Stoll found that "Congress's intent to award the PTO attorneys' fees in every case should have been more clear." *Id*. at 1365.

IV. Sua Sponte Rehearing En Banc

The Federal Circuit sua sponte decided to consider this case en banc. *NantKwest, Inc. v. Matal*, 869 F.3d 1327, 1327 (Fed. Cir. 2017). The panel opinion was accordingly vacated. *Id*.

A. Majority

Writing for a seven-member majority,[9] Judge Stoll held that § 145's text could not support an award of attorneys' fees. The majority began by noting that the American Rule—under which each litigant pays his own attorney's fees, win or lose—"serves as the 'basic point of reference' whenever a court 'consider[s] the award of attorney's fees.'" *NantKwest, Inc. v. Iancu*, 898 F.3d 1177, 1181 (Fed. Cir. 2018) (en banc) (quoting *Hardt*, 560 U.S. at 252-53). "Because the PTO contends that § 145 should be construed to shift its attorneys' fees to the patent applicants," the majority held that "the American Rule necessarily applies." *Id.* at 1184.

In reaching this decision, the majority explicitly rejected the Fourth Circuit's holding in *Shammas*: "We respectfully submit that *Shammas*'s holding cannot be squared with the Supreme Court's line of non-prevailing party precedent applying the American Rule." *Id.* at 1185. "The Supreme Court has consistently

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

applied the rule broadly to any statute that allows fee shifting to either party, win or lose." *Id.*

The en banc majority then asked whether § 145 contained specific and explicit language sufficient to displace the presumption against fee shifting. *Id.* at 1186. It did not. *Id.* at 1187. After examining definitions of "expenses" contemporaneous with § 145's predecessor's enactment and Congress' use of the term "expenses" over two centuries, the majority concluded "that Congress understood the 'ordinary, contemporary, common meaning' of 'expenses' as being something other than 'attorneys' fees' unless expressly specified." *Id.* at 1187-89 (quoting *Summit Valley Indus. Inc. v. Local 112 United Bhd. of Carpenters*, 456 U.S. 717, 722 (1982)). That "a layperson" might believe the definitions "broad enough to cover attorneys' fees as well as other items," was not sufficient. *Id.* at 1192. "[A] statute awarding '[a]ll the expenses,' with nothing more," does not depart from the American Rule's presumption against fee-shifting. *Id.*

B. Dissent

Chief Judge Prost, joined by three other members of the court, dissented, reasoning that the statutory language "[a]ll the expenses of the proceedings" was sufficient to overcome the American Rule's presumption. *Id.* at 1203 (Prost, C.J., dissenting). The dissent reasoned that "expenses"—as defined contemporaneously with the enactment of § 145's predecessor statute and used by this Court and Congress—was "broad enough to cover the PTO's personnel expenses." *Id.* at 1199. And "Congress's use of the word 'all' indicated its desire to broadly and comprehensively include *all* of the expenses as it commonly understood them." *Id.* at 1201.

REASONS FOR DENYING THE PETITION

I. The Federal Circuit Correctly Determined That The American Rule Prohibits The PTO's Request For Attorneys' Fees

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

The Federal Circuit properly analyzed the PTO's request under the American Rule, the "basic point of reference when considering the award of attorney's fees." *Hardt*, 560 U.S. at 252-53 (quotation marks omitted). Under that rule, "[e]ach litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise" using "specific and explicit" language. *Baker Botts*, 135 S. Ct. at 2164.

As this Court's recent decision in *Baker Botts* makes clear, the American Rule applies *whenever* a litigant seeks to have another pay his attorneys' fees. *Id*. Indeed, the American Rule's demand for clarity is actually at its *strongest* when a statute is argued to shift fees regardless of who prevails. *Id*. at 2166.

The PTO attempts to limit the application of the American Rule to statutes that shift fees to a prevailing party, Pet. at 20, but "the rule is not so limited." *NantKwest*, 898 F.3d at 1185. As the Federal Circuit recognized, this Court "has consistently applied the rule broadly to any statute that allows fee shifting to either party, win or lose," including statutes that do not mention a "prevailing party." *NantKwest,* 898 F.3d at 1185-86 (discussing *Baker Botts*, 135 S. Ct. at 2165; *Key Tronic Corp. v. United States*, 511 U.S. 809, 813, 819 (1994), *Summit Valley*, 456 U.S. at 722; *F.D. Rich Co. v. United States ex rel. Use of Indus. Lumber Co.*, 417 U.S. 116, 130-31 (1974)).

It is simply not true that, as the PTO states, "[b]efore the Federal Circuit's decision in this case, no court of appeals had ever applied the American Rule to a statute that does not merely shift fees to the losing party, but instead requires one party to pay all the expenses of a proceeding regardless of the outcome." Pet. at 20. For example, in *Baker Botts,* this Court applied the American Rule to a statute that claimants contended awarded fees to both successful and unsuccessful litigants. 135 S. Ct. at 2166.

There, this Court analyzed various provisions of the Bankruptcy Code. Pursuant to 11 U.S.C. § 327(a), a bankruptcy trustee "may employ "one or more attorneys . . . to represent or assist the trustee in carrying out the trustee's duties under this title." And 11 U.S.C. § 330(a)(1) provides compensation for those attorneys:

> After notice to the parties in interest and the United States Trustee and a hearing, and subject to sections 326, 328, and 329, the court may award to a trustee, a consumer privacy ombudsman appointed under section 332, an examiner, an ombudsman appointed under section 333, or a professional person employed under section 327 or 1103—
>
> (A) *reasonable compensation for actual, necessary services rendered by the* trustee, examiner, ombudsman, professional person, or *attorney* and by any paraprofessional person employed by any such person; and
>
> (B) reimbursement for actual, necessary expenses.

11 U.S.C. § 330(a)(1) (emphasis added). Section § 330(a)(1) thus allows bankruptcy courts to award

"reasonable compensation for actual, necessary services rendered by" attorneys that serve a debtor. *Id.*; *see* 11 U.S.C. § 327(a). Like § 145, this provision does not condition such awards upon success. *Baker Botts*, 135 S. Ct. at 2166 (declining to authorize attorneys' fees in part because doing so "would allow courts to pay professionals for arguing for fees they were found never to have been entitled to in the first place").

There was no dispute that this provision entitled attorneys *serving* the debtor to their reasonable attorneys' fees incurred. *Id.* at 2165 ("No one disputes that § 330(a)(1) authorizes an award of attorney's fees" for "actual, necessary services rendered" to an estate administrator). Rather, at issue was whether § 330(a)(1) authorized courts to award attorneys' fees for work performed defending a fee application, i.e., for work performed *adverse* to the trustee. *Id*. at 2163.

This Court held that it did not. And it did so by analyzing the statute under the American Rule. *Id.* at 2164 (beginning its analysis by noting that "'[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'" (quoting *Hardt*, 560 U.S. at 252-53)). This Court reiterated that the American Rule's presumption against fee shifting could only be overcome by "specific and explicit provisions for the allowance of attorneys' fees." *Id.* The Court then held that § 330(a)(1)'s provision for "reasonable compensation for actual, necessary services rendered by the . . . attorney" to the trustee did not displace the American Rule's presumption because the statute "neither specifically nor explicitly authorizes the courts to shift the costs of adversarial litigation from one side to the other." *Id.*

at 2165. While the statute was sufficiently clear to permit a fee award for services rendered by attorneys to the estate, it did not permit an award of fees incurred in defending a fee application against the estate. *Id*. That is, this Court held that the attorneys could not recover fees for fee-defense litigation under § 330(a)(1)—a statute that, like § 145, does not precondition a fee award upon success—because the text was not sufficiently specific and explicit to overcome the American Rule.

This Court did not stop there. It noted the practical effect of adopting the claimants' interpretation of the statute: Under the claimants' theory, they would be entitled to fees even for *unsuccessful* fee-defense litigation, given that the statute made no reference to a prevailing party. *Id.* at 2166. The Court noted that a statute awarding attorneys' fees to a *losing party* would represent "a particularly unusual deviation from the American Rule" because "[m]ost fee-shifting provisions permit a court to award attorney's fees only to a prevailing party, a substantially prevailing party, or a successful litigant." *Id.* (quotation marks omitted). Because "[t]here is no indication that Congress departed from the American Rule in § 330(a)(1) with respect to fee-defense litigation, let alone that it did so in such an unusual manner," the presumption against awarding attorneys' fees applied. *Id.*

Indeed, this Court has repeatedly applied the American Rule to statutes that do not explicitly refer to a "prevailing party." For example, in *Summit Valley*, this Court considered the availability of attorneys' fee awards under 29 U.S.C.§ 187 of the Labor Management Relations Act. 456 U.S. at 718-19. That statute provides that certain injured parties "shall recover the damages by him sustained and the cost of the suit"

without reference to a prevailing party. *Id*. at 718. This Court recognized that "[u]nder the American Rule it is well established that attorney's fees 'are not ordinarily recoverable in the absence of a statute or enforceable contract providing therefor.'" *Id.* at 721 (quoting *Fleischmann Distilling Corp. v. Maier Brewing Co*., 386 U.S. 714, 717 (1967)). Section 187 was no such statute: "[Section 187] does not expressly provide for the recovery of attorney's fees, so we are not presented with a situation where Congress has made 'specific and explicit provisions for the allowance of' such fees." *Id.* at 722 (quoting *Alyeska Pipeline Serv. Co.*, 421 U.S. at 260 n. 33).

So too, in *F.D. Rich Co.* There, the Court considered whether claimants under the Miller Act, 40 U.S.C. § 270a et seq., could recover attorneys' fees. 417 U.S. at 126. At the time of the decision, § 270b permitted a Miller Act supplier "to prosecute said action to final execution and judgment for the sum or sums justly due him."40 U.S.C. § 270b (1970). The statute made no reference to prevailing parties. *Id.* Nonetheless, this Court applied the American Rule and found that the statute did not "explicitly provide for an award of attorneys' fees." *F.D. Rich Co.*, 417 U.S. at 126-27.

Similarly, in *Key Tronic*, this Court considered "whether attorney's fees are 'necessary costs of response' within the meaning of [42 U.S.C. § 9607]." 511 U.S. at 811. And, again, this Court applied the American Rule—despite the fact that § 9607 made no reference to "prevailing parties"—and found that it did not provide for the requested attorneys' fees. *Id.* at 815, 819.

In *Hardt*, this Court evaluated a fee-shifting statute, 29 U.S.C. § 1132(g)(1), that unambiguously authorized the court, in its discretion, to award attorneys' fees to "either party." 560 U.S. at 251; *see* 29 U.S.C. § 1132(g)(1)

("In any action under this subchapter . . . by a participant, beneficiary, or fiduciary, the court *in its discretion* may allow a reasonable *attorney's fee* and costs of action to *either party*." (emphasis added)). At issue was "[w]hether § 1132(g)(1) limits the availability of attorney's fees to a 'prevailing party.'" *Hardt*, 560 U.S. at 251. The Supreme Court held that, under the plain language of the statute, "a fee claimant need not be a 'prevailing party' to be eligible for an attorney's fees award under § 1132(g)(1)." *Id*. at 252.

That, however, was not the end of the analysis. Because § 1132(g)(1) was by its text discretionary, this Court "next consider[ed] the circumstances under which a court may award attorney's fees pursuant to § 1132(g)(1)." *Id.* This Court's "'basic point of reference'" in making this determination was the "bedrock principle known as the 'American Rule.'" *Id*. at 252-53 (quoting *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 683-84 (1983)). As this Court noted, statutory changes to the American Rule "take various forms":

> Most fee-shifting provisions permit a court to award attorney's fees only to a "prevailing party." Others permit a "substantially prevailing" party or a "successful" litigant to obtain fees. *Still others authorize district courts to award attorney's fees where "appropriate," or simply vest district courts with "discretion" to award fees*.

Id. at 253 (emphasis added) (footnotes omitted). Accordingly, this Court analyzed § 1132(g)(1) "in light of our precedents addressing statutory deviations from the American Rule *that do not limit attorney's fees awards to the 'prevailing party*.'" *Id*. at 254 (emphasis added).

In an attempt to create ambiguity where none exists, the PTO continues to argue that "when this Court addressed a statutory scheme that requires the payment of attorney's fees regardless of a litigant's success, the Court did not mention the American Rule." Pet. at 20 (referring to *Sebelius v. Cloer*, 569 U.S. 369 (2013)). But in *Cloer*, this Court *did* consider the American Rule.

Cloer concerned a provision of the National Childhood Vaccine Injury Act, which "provides that a court may award attorney's fees and costs 'incurred [by a claimant] in any proceeding' on an *unsuccessful* vaccine-injury 'petition filed under section 300aa-11,' if that petition 'was brought in good faith and there was a reasonable basis for the claim for which the 'petition was brought.'" *Cloer*, 569 U.S. at 371 (emphasis added) (quoting 42 U.S.C. § 300aa-15(e)(1)). At issue was not whether § 300aa-15 contained a specific or explicit reference to attorneys' fees—it did. *See* 42 U.S.C. § 300aa-15(e) (titling subsection (e) "Attorneys' Fees" and twice mentioning an award of "reasonable attorneys' fees"). Rather, this Court considered "whether an untimely petition can garner an award of attorney's fees." *Cloer*, 569 U.S. at 371-72.

While this Court "did not mention the American Rule" explicitly in answering that question, Pet. at 20, this Court *did* consider the American Rule. But it found that the Vaccine Injury Act's language—providing for "reasonable attorneys' fees and other costs incurred in any proceeding on [a] petition," *id*. at 374—could support such an award. *Id*. at 380. In light of this language, the Court rejected *the Government's* argument that "the 'presumption favoring the retention of long-established and familiar [common-law] principles'" prohibited an award. *Id.* (alteration in original)

(quoting Br. for Pet'r 32). As the Court stated, "[t]hese 'rules of thumb' give way when 'the words of a statute are unambiguous,' as they are here." *Id.* at 381 (quoting *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992)).

The "presumption favoring the retention of long-established and familiar common-law principles" that this Court found "g[ave] way" to the unambiguous and explicit language of the Vaccine Injury Act was the American Rule. *NantKwest*, 898 F.3d at 1186 ("Citing the page of the government's brief discussing the American Rule, the Court held that the 'presumption favoring the retention of long-established and familiar [common-law] principles,' i.e., the American Rule, must 'give way' to the unambiguous statutory language." (quoting *Cloer*, 569 U.S. at 380-81)).[10]

B. The American Rule Prohibits The PTO's Request For Attorneys' Fees Because § 145 Does Not "Specifically And Explicitly" Authorize Attorneys' Fees

The Federal Circuit correctly concluded that "expenses," whether or not modified by "all," did not provide the "'specific and explicit' congressional authorization" necessary to displace the American Rule's presumption against awarding attorneys' fees. *NantKwest*, 898 F.3d at 1187.

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[10] In *Cloer*, the Government itself took the position that the American Rule applied to 42 U.S.C. § 300aa-15(e)(1), which—like § 145—had no prevailing party requirement. *See* 569 U.S. at 380. Despite both NantKwest and the Federal Circuit pointing this out, *NantKwest*, 898 F.3d at 1186, the PTO continues to ignore the Government's briefing in *Cloer* and this Court's citation and consideration of the same. *See* Pet. at 20.

At best, "expenses" is ambiguous.[11] *Id.* That "expenses" could plausibly be understood to encompass attorneys' fees is not enough. *See* Pet. at 10 ("The majority acknowledged that the word 'expenses' can 'refer to * * * attorney's fees,' . . . ."). Just because a statute is susceptible to an interpretation does not mean that that statute specifically and explicitly mandates that interpretation. *See, e.g.*, *Summit Valley*, 456 U.S. at 722, 726 (denying attorneys' fees under statute permitting recovery of "the damages by him sustained and the cost of the suit"); *F. D. Rich Co.*, 417 U.S. at 128, 130-31 (denying attorneys' fees under a statute authorizing recovery of "sums justly due"); *Fleischmann*, 386 U.S. at 720-21 (denying attorneys' fees under a statute giving courts authority to award "costs of the action"); *Key Tronic*, 511 U.S. at 815 (denying attorneys' fees under a statute making responsible parties liable for "any . . . necessary costs of response," including "enforcement activities"). The American Rule demands precision, not breadth. *Key Tronic*, 511 U.S. at 815. ("Mere 'generalized commands,' however, will not suffice to authorize such fees.").

II. The Fourth Circuit Incorrectly Determined That The American Rule Applies Only When A Statute Awards Fees To A Prevailing Or Substantially Prevailing Party

It is true that "the decision below conflicts with the Fourth Circuit's decision in *Shammas.*" Pet. at 23. But this Court has already resolved this conflict.

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[11] Furthermore, § 145's legislative history does not evidence clear Congressional intent to make fees available. *NantKwest*, 898 F.3d at 1187, 1194-95.

In 2013, the PTO sought and was awarded attorneys' fees as a component of its "expenses" pursuant to § 145's trademark analog § 1071(b)(3). *Shammas*, 990 F. Supp. 2d at 594. A divided panel of the Fourth Circuit affirmed. *Shammas*, 784 F.3d at 221. The *Shammas* majority concluded that the American Rule did not apply to § 1071(b)(3). *Id.* at 223. In the majority's view, "[t]he requirement that Congress speak with heightened clarity to overcome the presumption of the American Rule . . . applies only where the award of attorneys fees turns on whether a party seeking fees has prevailed to at least some degree." *Id*. Because § 1071(b)(3) "mandates the payment of attorneys fees without regard to a party's success," the majority reasoned, it "is not a fee-shifting statute that operates against the backdrop of the American Rule." *Id*.[12]

After erroneously concluding that the American Rule did not apply to § 1071(b)(3), the majority did not require a "specific" or "explicit" authorization for attorneys' fees, but instead interpreted § 1071(b)(3) by "giving the phrase 'all the expenses of the proceeding' its ordinary meaning *without regard to the American Rule*." *Id.* at 224 (emphasis added); *see also Matal*, 860 F.3d at 1366 (Stoll, J., dissenting) ("Only after dispatching with the strong presumption against fee shifting embodied in the American Rule—a rule that the majority here assumes is applicable—was the *Shammas* court able to interpret the ordinary meaning

[12] The dissent disagreed: "Our judiciary strongly disfavors awards of attorney's fees that are authorized solely by the courts—a well-settled tradition dating almost to our Nation's founding. . . . Thus, as we recently emphasized, absent explicit statutory authority, the courts presume that the litigants will bear their own legal costs, win or lose. That principle—commonly known as the American Rule—should be recognized and applied here." *Id.* at 227 (King, J., dissenting) (internal citations and quotation marks omitted).

of 'expenses' to cover attorneys' fees."). Because the ordinary meaning of "expenses" was sufficiently broad to encompass attorneys' fees, the Fourth Circuit held that § 1071(b)(3) authorized the same. *Shammas*, 784 F.3d at 222, 224.

The conclusion in *Shammas* depends on the American Rule *not* applying. *Id.* at 223-24. This was legal error. The American Rule's settled presumption that parties shall bear their own legal fees applies to *all* potential fee-shifting statutes. This Court has never intimated otherwise. Indeed, two months after the *Shammas* decision, this Court rejected the Fourth Circuit's reasoning and confirmed that the American Rule applies *whenever* a litigant seeks to recover attorneys' fees. *Baker Botts*, 135 S. Ct. at 2165-66; *see supra,* Reasons For Denying The Petition § I.A.

Baker Botts is directly contrary to the *Shammas* majority's earlier decision that the American Rule applies only to statutes that shift fees to a prevailing party. Rather, as this Court's *Baker Botts* decision demonstrates, the American Rule is actually at its *strongest*, and the need for clarity in any deviation from that Rule is at its *highest*, precisely when a statute is argued to provide the "particularly unusual deviation" of shifting fees regardless of who prevails. *Baker Botts*, 135 S. Ct. at 2166. The PTO argues that § 145 shifts fees in this same "particularly unusual" manner. Accordingly, the American Rule not only applies, but is at its strongest here.

CONCLUSION

The Court should not grant certiorari.

Respectfully submitted,

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