

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

BRIEF FOR THE PETITIONER

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QUESTION PRESENTED

When the United States Patent and Trademark Office (USPTO) denies a patent application, the Patent Act gives the unsuccessful applicant two avenues for seeking judicial review of the agency's decision. The applicant may appeal directly to the Federal Circuit, 35 U.S.C. 141, which "shall review the decision from which an appeal is taken on the record before the [USPTO]," 35 U.S.C. 144. Alternatively, the applicant may bring a civil action against the Director of the USPTO in district court, where the applicant may present additional evidence. 35 U.S.C. 145. If the applicant elects to bring such an action, "[a]ll the expenses of the proceedings shall be paid by the applicant." *Ibid.* The question presented is as follows:

Whether the phrase "[a]ll the expenses of the proceedings" in 35 U.S.C. 145 encompasses the personnel expenses the USPTO incurs when its employees, including attorneys, defend the agency in Section 145 litigation.

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BRIEF FOR THE PETITIONER

OPINIONS BELOW

The opinion of the en banc court of appeals (Pet. App. 1a-55a) is reported at 898 F.3d 1177. The opinion of the court of appeals panel (Pet. App. 56a-87a) is reported at 860 F.3d 1352. The opinion of the district court (Pet. App. 88a-100a) is reported at 162 F. Supp. 3d 540.

JURISDICTION

The judgment of the court of appeals was entered on July 27, 2018. On October 5, 2018, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including November 23, 2018. On November 14, 2018, the Chief Justice further extended the time to and including December 21, 2018. The petition

was filed on that date and was granted on March 4, 2019.¹ The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 145 of the Patent Act provides:

An applicant dissatisfied with the decision of the Patent Trial and Appeal Board in an appeal under section 134(a) may, unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Director in the United States District Court for the Eastern District of Virginia if commenced within such time after such decision, not less than sixty days, as the Director appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Patent Trial and Appeal Board, as the facts in the case may appear and such adjudication shall authorize the Director to issue such patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.

35 U.S.C. 145. Other pertinent statutory provisions are reproduced in an appendix to this brief. App., *infra*, 1a-12a.

STATEMENT

A. Legal Background

1. The United States Patent and Trademark Office (USPTO) is “responsible for the granting and issuing of

¹ The petition for a writ of certiorari identified Andrei Iancu, the Director of the United States Patent and Trademark Office, as the petitioner. As a result of Director Iancu’s recusal, Deputy Director Laura Peter has been substituted as the petitioner.

patents.” 35 U.S.C. 2(a)(1). When an applicant seeks a patent, the USPTO assigns an examiner to study the application and to determine whether a patent should issue. 35 U.S.C. 131; 37 C.F.R. 1.104. An applicant who is dissatisfied with the examiner’s decision may appeal within the USPTO to the Patent Trial and Appeal Board (Board). See 35 U.S.C. 6(b)(1), 134. An applicant who is dissatisfied with the Board’s decision may seek judicial review through either a direct appeal to the Federal Circuit or a civil action in district court. 35 U.S.C. 141(a), 145.

In a direct appeal under 35 U.S.C. 141, the Federal Circuit “review[s] the [Board’s] decision * * * on the record before the” USPTO. 35 U.S.C. 144. The court of appeals must apply the deferential standards of review prescribed by the Administrative Procedure Act, 5 U.S.C. 701 *et seq.*, and may set aside the USPTO’s findings of fact only if they are “unsupported by substantial evidence,” 5 U.S.C. 706(2)(E). See *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999).

Alternatively, an unsuccessful applicant may “have remedy by civil action against the Director” of the USPTO in the United States District Court for the Eastern District of Virginia, 35 U.S.C. 145, with a subsequent appeal to the Federal Circuit, 28 U.S.C. 1295(a)(4)(C). Unlike a direct appeal from the agency’s denial of a patent application, a Section 145 proceeding is not limited to the administrative record. The applicant may conduct discovery and introduce evidence that was not presented to the USPTO, and the proceedings may culminate in a trial. See *Kappos v. Hyatt*, 566 U.S. 431, 444 (2012). If the applicant introduces new evidence, “the district court must make *de novo* factual

findings that take account of both the new evidence and the administrative record before the PTO.” *Id.* at 446.

Section 145 states that “[a]ll the expenses of the proceedings shall be paid by the applicant.” 35 U.S.C. 145. That requirement applies “regardless of the outcome” of the suit. *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc), aff’d, 566 U.S. 431 (2012). No analogous expense-recoupment provision applies when an unsuccessful applicant instead pursues a direct appeal to the Federal Circuit under Section 141.

2. Section 145 is the current embodiment of a statutory provision that has authorized judicial review of the decisions of the USPTO (or its predecessor, the Patent Office) since 1836, when Congress first created an agency responsible for the examination of patents. See Act of July 4, 1836 (1836 Act), ch. 357, § 16, 5 Stat. 123-124; see also *Hoover Co. v. Coe*, 325 U.S. 79, 84-87 (1945). To finance the agency’s operations, Congress created a “patent fund,” into which applicants were required to pay fees for examinations. 1836 Act § 9, 5 Stat. 121. The fund was used “for the payment of the salaries of the officers and clerks herein provided for, and all other expenses of the Patent Office.” *Ibid.* An applicant who was dissatisfied with the agency’s decision could seek review before a board of examiners, § 7, 5 Stat. 119-120, and in some circumstances could obtain judicial review by filing a “bill in equity,” § 16, 5 Stat. 124.²

In 1839, Congress abolished the board of examiners and permitted disappointed applicants to appeal to the chief judge of “the district court of the United States for

² A “bill in equity” was the initial pleading in suits invoking the equity jurisdiction of the courts, equivalent to the complaint in actions at law. See, e.g., Benjamin J. Shipman, *Handbook of the Law of Equity Pleading* § 101, at 168 (1897).

the District of Columbia.” Act of Mar. 3, 1839 (1839 Act), ch. 88, § 11, 5 Stat. 354. The chief judge was required to “hear and determine all such appeals * * * on the evidence produced before the” agency. *Id.* at 355. Congress also extended the bill-in-equity provision “to all cases where patents are refused for any reason whatever.” § 10, 5 Stat. 354. The hallmark of that proceeding, as distinct from the appeal, was that “new evidence could be submitted.” P. J. Federico, *Evolution of Patent Office Appeals* (pt. 1), 22 J. Pat. Off. Soc’y 838, 844 (1940). Congress also directed that, in any case where an applicant invoked the bill-in-equity mechanism, “the whole of the expenses of the proceeding shall be paid by the applicant, whether the final decision shall be in his favor or otherwise.” 1839 Act § 10, 5 Stat. 354.

Congress has since amended various aspects of the Patent Act’s scheme for judicial review. See *Hoover Co.*, 325 U.S. at 85-87. Throughout that period, however, the statutory scheme has both (a) afforded disappointed patent applicants the option of initiating an equitable proceeding in which the applicant could introduce new evidence, and (b) required any applicant who chose that route to pay all the expenses of that proceeding. See, e.g., Act of July 8, 1870 (1870 Act), ch. 230, § 52, 16 Stat. 205; Rev. Stat. § 4915 (2d ed. 1878). In 1927, Congress modified the statute to require an applicant to choose between taking a direct appeal or filing a bill in equity. Act of Mar. 2, 1927, ch. 273, § 11, 44 Stat. 1336-1337 (35 U.S.C. 63 (1934)). After the merger of law and equity, Congress replaced the term “bill in equity” with “civil action,” while still mandating that “[a]ll the expenses of the proceedings shall be paid by the applicant.” Patent Act of 1952, ch. 950, § 145, 66 Stat. 803.

3. The Lanham Act, 15 U.S.C. 1051 *et seq.*, contains a materially identical expense-recoupment provision that applies in the trademark-registration context. When it was first enacted, the Lanham Act simply incorporated “the same conditions, rules, and procedure” that governed the Patent Act’s bill-in-equity mechanism. Act of July 5, 1946, ch. 540, § 21, 60 Stat. 435. Congress later eliminated that cross-reference to the Patent Act but retained the substance of the provision. See Act of Oct. 9, 1962, Pub. L. No. 87-772, § 12, 76 Stat. 771-772; S. Rep. No. 2107, 87th Cong., 2d Sess. 7 (1962).

In its current form, the Lanham Act establishes a process by which the holder of a trademark may apply to register the mark with the USPTO, which undertakes an examination analogous to the one that occurs under the Patent Act. 15 U.S.C. 1051(a); see *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1300 (2015). If the agency issues a final decision denying the application, the disappointed applicant may either appeal to the Federal Circuit or file a civil action against the Director of the USPTO in district court. 15 U.S.C. 1071(a)(1) and (b)(1). The Lanham Act requires an applicant who invokes the district-court mechanism to pay all the expenses of that proceeding: “[U]nless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not.” 15 U.S.C. 1071(b)(3).

4. The USPTO has invoked the expense-recoupment provisions of Section 145 and its predecessors, as well as the counterpart provisions in the Lanham Act, to recover a variety of expenses that the agency has incurred when disappointed applicants have elected to proceed in district court rather than taking direct appeals. *E.g.*,

Cook v. Watson, 208 F.2d 529, 530-531 (D.C. Cir. 1953) (per curiam) (printing expenses for appeal); *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931) (travel expenses for agency attorneys to attend depositions); *Sandvik Aktiebolag v. Samuels*, 20 U.S.P.Q.2d 1879, 1880 (D.D.C. 1991) (expert witness fees). The USPTO has always exercised discretion, however, in determining whether to seek the full range of expenses permitted by the statute. See, e.g., Edwin M. Thomas, *Recent Suits Against the Commissioner Under R. S. 4915*, 22 J. Pat. Off. Soc'y 616, 618 (1940) (noting that the USPTO "seldom exercise[s]" its statutory right to require an applicant to pay the expenses of an appeal by the agency if the applicant prevails in district court). The agency typically attempts to negotiate the amount of expenses to be paid rather than seeking a judicial ruling.

In 2013, the USPTO began to seek recovery of the expenses the agency incurs when its employees, including attorneys, devote their time to defending the agency in proceedings under 35 U.S.C. 145 or 15 U.S.C. 1071(b). The agency has calculated those expenses as a pro rata share of the employees' salaries. See, e.g., Def.'s Mem. of Law at 13-16, *Shammas v. Rea*, No. 12-cv-1462 (E.D. Va. Nov. 13, 2013). That change in agency practice responded to two developments.

First, in the Leahy-Smith America Invents Act (AIA), Congress directed the USPTO to "set or adjust[]" the fees charged for its services so as "to recover the aggregate estimated costs to the [USPTO] for processing, activities, services, and materials relating to patents * * * and trademarks." Pub. L. No. 112-29, § 10(a)(2), 125 Stat. 316; see SUCCESS Act, Pub. L. No. 115-273, § 4, 132 Stat. 4159 (extending the USPTO's fee-setting authority to 2026); cf. H.R. Rep. No. 98, 112th Cong., 1st

Sess. Pt. 1, at 49-50 (2011) (explaining that most USPTO fees were formerly set by statute). The agency has exercised that authority to set fees at levels sufficient to recoup its operating expenses. See, *e.g.*, 37 C.F.R. 1.16, 1.17, 2.6. By including its personnel expenses within the expenses it sought to recover in proceedings under Sections 145 and 1071(b), the agency has attempted to recoup those expenses from the particular applicants who cause the agency to incur them, rather than from other fee-paying users of the USPTO's services.³

Second, the agency's change in practice was prompted in part by the rising expense of proceedings under Sections 145 and 1071(b). At one time, many of these proceedings were "relatively simple" affairs. Karl B. Lutz, *Court Review of Decisions of the U.S. Patent Office*, 2 Geo. Wash. L. Rev. 174, 175 (1934) (*ex parte* patent proceedings). Today, they increasingly resemble modern patent or trademark litigation, with expert discovery and extensive motion practice. In many cases, including this one, the single largest expense the agency incurs is the increment of employee salary that is attributable to

³ Rather than charging each patent applicant the same examination fee, the USPTO has adopted a system of tiered fees under which the amount a particular applicant must pay depends in part on the agency resources that the examination consumes. See, *e.g.*, 37 C.F.R. 1.16(b), (i), and (s) (additional fees charged for more than three independent claims in an application, more than 20 claims, and more than 100 pages in a specification). That system substantially predates the enactment of the AIA. Under the AIA's cost-recovery mandate, however, that longstanding tiered-fee system and the agency's more recent efforts to recoup personnel expenses in Section 145 civil actions serve complementary purposes, by reducing the extent to which some users of the USPTO's services must cross-subsidize others.

time USPTO workers must devote to the proceedings. See Pet. App. 100a.

B. The Present Controversy

1. This dispute arises from a Section 145 proceeding brought by respondent as the assignee of a patent application. Pet. App. 102a-103a. The application claimed “a method of treating cancer in a mammal or a human by administering NK-92 cells to recognize and lyse cancer cells *in vivo*, i.e., in the mammal or the human.” *Id.* at 131a. “NK-92 cells” are cells from a particular line of “natural killer” immune-system cells. *Id.* at 102a-103a. An examiner rejected the claims as obvious, 35 U.S.C. 103, in light of two prior-art references. One of those references taught the use of NK-92 cells to lyse (destroy) tumor cells, while the other taught the *in vivo* use of a different type of immune-system cells for cancer therapy. Pet. App. 134a-137a. The examiner concluded that a person of ordinary skill in the art would have been motivated to combine the two references to arrive at the claimed invention, and the Board affirmed. See *id.* at 137a-139a.

Respondent then brought this Section 145 action to challenge the Board’s decision. J.A. 20-24. During the examination process, the applicant had “relied solely on the testimony” of the putative inventor. Pet. App. 140a. In the Section 145 proceeding, however, respondent relied on a new expert witness, who submitted three expert reports and who claimed that the Board had misunderstood the teachings of the prior art. See *id.* at 140a-142a. The USPTO retained an expert to respond, *id.* at 140a, and both experts participated in lengthy depositions with USPTO attorneys, J.A. 32-33. After discovery, the USPTO moved for summary judgment, and respondent filed three motions in limine seeking to

exclude evidence at trial. See Pet. App. 129a; J.A. 9-14. The parties also presented oral argument at a hearing before the district court. J.A. 15.

The district court granted summary judgment to the USPTO on the issue of patentability, Pet. App. 146a, and the court of appeals affirmed in an unpublished decision, *id.* at 101a-128a.

2. After the USPTO prevailed at summary judgment, the agency moved for reimbursement of \$111,696.39 in expenses under Section 145. Those expenses included \$78,592.50 in personnel costs for the time two USPTO attorneys and a paralegal had spent on the proceeding, and \$33,103.89 in expert-witness expenses. J.A. 28-29; see Pet. App. 8a. The USPTO calculated its personnel expenses as a pro rata share of the relevant employees' salaries. J.A. 38-39. Two experienced USPTO attorneys had spent nearly 1000 hours defending the agency in the district-court proceeding. See J.A. 41-43, 45-47 (attorney affidavits in support of USPTO motion). The USPTO declined to request other expenses, such as the agency's travel expenses, that it had incurred as a result of the litigation. J.A. 34.

The district court granted the USPTO's request for reimbursement of expert-witness fees but denied the request for reimbursement of personnel expenses. Pet. App. 88a-100a. In distinguishing between the two types of expenses, the court stated that the phrase "[a]ll the expenses of the proceedings" in Section 145 is not sufficiently "specific and explicit" to encompass the USPTO's attorney and paralegal personnel expenses, given the presumption under the "American Rule * * * that each litigant pays his own attorneys' fees." *Id.* at 90a-92a (citing *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015)).

3. A divided panel of the court of appeals reversed. Pet. App. 56a-87a. The panel majority assumed without deciding that the American Rule is relevant to interpreting 35 U.S.C. 145, even though an applicant's obligation to pay the expenses of Section 145 proceedings does not turn on whether the applicant prevails. Pet. App. 60a-61a. Even accepting that premise, however, the panel majority concluded that Section 145 "authorizes an award of fees" because "'expenses' here includes attorneys' fees." *Id.* at 61a. The majority based that conclusion on evidence of ordinary usage in 1839, when Congress first required plaintiffs in suits like this one to pay the attendant expenses, *id.* at 62a; on the history and purpose of the statute, *id.* at 62a-63a; and on this Court's precedent, including the Court's observation that the "nontaxable expenses" borne by litigants, as distinct from taxable costs, include "expenses * * * for attorneys," *id.* at 63a-64a (quoting *Taniguchi v. Kan Pac. Saipan, Ltd.*, 566 U.S. 560, 573 (2012)) (emphasis omitted). Judge Stoll dissented. *Id.* at 72a-87a.

4. Acting *sua sponte*, the en banc court of appeals vacated the panel opinion and reheard the case. Pet. App. 156a-158a. After rehearing, the court affirmed the district court's denial of the USPTO's motion for personnel expenses, holding in a 7-4 decision that the term "expenses" in Section 145 does not encompass the USPTO's "attorneys' fees." *Id.* at 1a-55a.

a. The en banc majority first held that "the American Rule applies to § 145," even though the agency's entitlement to reimbursement of its expenses for a particular suit does not turn on whether it is the prevailing party. Pet. App. 11a-16a. The majority recognized that the Fourth Circuit had rejected an analogous premise

in *Shammas v. Focarino*, 784 F.3d 219 (2015), cert. denied, 136 S. Ct. 1376 (2016), and had “interpreted [the] nearly identical provision of the Lanham Act, 15 U.S.C. § 1071(b)(3),” to authorize the USPTO to recover its personnel expenses. Pet. App. 9a, 12a-13a; see *Shammas*, 784 F.3d at 227 (concluding that Section 1071(b) requires an applicant “to pay, as ‘all the expenses of the proceeding,’ the salaries of the PTO’s attorneys and paralegals attributed to the defense of the action”).

In the en banc majority’s view, Section 145 “lacks the ‘specific and explicit’ congressional authorization required to displace the American Rule.” Pet. App. 16a. The majority “acknowledge[d] that the word ‘expenses’ is broad and * * * is sometimes used in judicial opinions to refer to a variety of burdens incurred by a litigant, including attorneys’ fees.” *Id.* at 28a. The majority also recognized that dictionaries contemporaneous with the 1839 enactment of Section 145’s first antecedent broadly defined “expense” to include “the disbursing of money.” *Id.* at 17a (citation omitted). The majority dismissed that evidence as “vague,” however, and looked instead to “Congress’s usage of the terms ‘expenses’ and ‘attorneys’ fees’ in other statutes” currently in force. *Id.* at 18a. It noted that some statutes authorize the award of both “‘expenses’” and “‘attorneys’ fees,’” whereas others “define expenses to include attorneys’ fees, but they do so explicitly.” *Id.* at 18a-20a. The majority concluded that the term “expenses” is at best “ambiguous” with respect to attorney’s fees, and that Section 145 therefore is not specific enough to overcome the presumption against fee-shifting, particularly when compared to other Patent Act provisions that expressly authorize shifting of attorney’s fees. *Id.* at 22a-23a. The

majority also stated that, because the USPTO’s “interpretation * * * would have a patent applicant pay the government’s attorneys’ fees even when the patent applicant succeeds,” that position would mark “a particularly unusual divergence from the American Rule.” *Id.* at 26a.

b. Chief Judge Prost dissented, joined by three other members of the court. Pet. App. 36a-55a. The dissenters would have held that Section 145 requires “the applicant to pay *all* the expenses of the proceedings, including the PTO’s personnel expenses.” *Id.* at 36a.

The dissenting judges explained that, both in modern usage and when Section 145’s first antecedent was enacted, the “ordinary meaning of ‘expenses’ encompasses expenditures for personnel.” Pet. App. 40a (citing dictionaries). The dissenters explained that the 1836 Act had referred to agency salaries as “*expenses of the Patent Office*,” *id.* at 39a (quoting 1836 Act § 9, 5 Stat. 121), and that Congress had used the same term (“expenses”) three years later when it amended the 1836 Act to require applicants who file a bill in equity to pay the “whole of the expenses of the proceeding,” 1839 Act § 10, 5 Stat. 354; see Pet. App. 39a; pp. 4-5, *supra*. The dissenting judges further observed that reading “expenses” to include the USPTO’s personnel expenses is consistent with the statute’s purpose “to ensure that” the expenses of Section 145 proceedings “fall on the applicants who elect the more expensive district court proceedings over the standard appeal route.” Pet. App. 49a. The dissenters explained that the majority’s interpretation, by contrast, would ensure that “*other* PTO applicants * * * pay the PTO’s personnel expenses incurred in” Section 145 proceedings. *Id.* at 54a.

SUMMARY OF ARGUMENT

I. When a disappointed patent applicant elects to file suit in district court to challenge the agency’s adverse decision, Section 145 of the Patent Act requires the applicant to bear “[a]ll the expenses of the proceedings.” 35 U.S.C. 145. The term “expenses” includes the expenses the agency incurs when its personnel, including attorneys, devote their time to a Section 145 proceeding.

A. The ordinary meaning of “expenses” encompasses the expenditure of time and money on personnel to accomplish a result. In the specific context of civil litigation, the term “expenses” is also commonly used to encompass payments to attorneys. The term is broader than “costs,” which is a term of art that refers to a specific set of expenditures identified by statute. The term “expenses” also encompassed payments to personnel when Congress enacted the first antecedent to Section 145’s expense-recoupment requirement in the 1839 Act. Indeed, the 1836 Act, which the 1839 Act amended, explicitly included the salaries of agency personnel among the “expenses of the Patent Office.”

B. The statutory structure and purpose confirm that the term “expenses” as used here includes expenditures for agency personnel. Section 145 affords disappointed applicants an unusual opportunity to present new evidence in judicial review of the agency’s decision. Those proceedings can subject the USPTO to greater financial burdens—for example, the expenses incurred in taking and defending expert depositions or trying the case—than would a direct appeal, which would be limited to the record before the USPTO.

Section 145 protects the USPTO from those additional burdens. It also protects other fee-paying users

of the USPTO's services, by requiring the particular applicants who cause the USPTO to incur the expenses of Section 145 civil actions to bear those expenses. The Federal Circuit's contrary reading would prohibit the USPTO from seeking reimbursement of what is commonly its most significant expense in Section 145 proceedings.

C. The statutory history reinforces the conclusion that the term "expenses" in Section 145 includes personnel expenses. In fashioning statutory mechanisms for judicial review of agency denials of patent applications, Congress has long paired the disappointed applicant's right to introduce new evidence in a trial-court proceeding with the requirement to pay all the expenses of that proceeding. Those trial-court proceedings, in which disappointed patent applicants are entitled to present new evidence, have traditionally been viewed as part of the patent-application process. And the application process has long been funded by user fees to cover the agency's expenses, including personnel expenses. Requiring applicants to reimburse the agency for the personnel expenses it incurs in a Section 145 proceeding accords with that history. Although the USPTO only recently began to seek recoupment of the personnel expenses it incurs in Section 145 proceedings, the agency's prior forbearance does not cast doubt on its current authority to act.

II. In construing the term "expenses" in Section 145 to exclude attorney salaries, the Federal Circuit held that Congress must use more explicit language to displace the American Rule, under which each party to litigation is ordinarily responsible for its own attorney's fees. That reasoning is unsound.

A. Section 145 does not implicate the American Rule because it requires a disappointed patent applicant who elects district-court review to pay all the expenses of the proceedings without regard to the outcome of the suit. The American Rule is a presumption that a successful litigant must pay its own attorney's fees, unless a statute or contract provides otherwise. For that reason, statutes that displace the American Rule overwhelmingly refer to a "prevailing" party or a "successful" outcome in litigation. Section 145 does not operate that way. Instead, it is an unconditional expense-reimbursement requirement that Congress imposed on applicants who elect to proceed under Section 145. In determining the scope of that unusual requirement, the plain text of the statute—not the American Rule—is the appropriate starting point.

B. In any event, the language of Section 145 is sufficiently specific and express that it would displace the American Rule even if that Rule were implicated here. The Federal Circuit based its contrary holding primarily on the fact that some federal fee-shifting statutes refer to both "expenses" and "attorney's fees," or to "expenses, including attorney's fees." But the fact that Congress sometimes refers specifically to "attorney's fees" provides no sound basis for construing the umbrella term "expenses" in an atextually narrow manner. Although an express reference to "attorney's fees" in Section 145 would have made the correct disposition here even clearer, Congress is not required to use that precise language in order to authorize recovery of *all* the USPTO's litigation expenses.

ARGUMENT

I. A DISAPPOINTED PATENT APPLICANT WHO FILES A CIVIL ACTION UNDER SECTION 145 MUST REIMBURSE THE USPTO FOR THE EXPENSES THE AGENCY INCURS WHEN ITS PERSONNEL DEVOTE THEIR TIME TO THE PROCEEDINGS

A disappointed patent applicant who elects to proceed in district court, rather than taking a direct appeal to the Federal Circuit, must pay “[a]ll the expenses of the proceedings.” 35 U.S.C. 145. The plain meaning of “expenses” includes the expense the USPTO incurs when its personnel, including attorneys and paralegals, devote their time to defending the agency in a Section 145 proceeding.

That observation resolves this case. When, as here, Congress has not defined a statutory term, the term should generally be “interpreted in accordance with [its] ordinary meaning.” *Sebelius v. Cloer*, 569 U.S. 369, 376 (2013) (quoting *BP Am. Prod. Co. v. Burton*, 549 U.S. 84, 91 (2006)); see *Bilski v. Kappos*, 561 U.S. 593, 603 (2010) (“In patent law, as in all statutory construction, unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning.”) (brackets, citation, and internal quotation marks omitted). If the ordinary meaning is “unambiguous and the statutory scheme is coherent and consistent” when that meaning is used, the Court’s “inquiry into the meaning of the statute’s text ceases.” *Matal v. Tam*, 137 S. Ct. 1744, 1756 (2017) (quoting *Barnhart v. Sigmon Coal Co.*, 534 U.S. 438, 450 (2002)).

Both in its ordinary usage and in the specific context of civil litigation, the term “expenses” unambiguously encompasses the increments of employee salary that the USPTO seeks to recoup from respondent. The term

bore that meaning in 1839, when Congress enacted the first antecedent to Section 145. The statute’s structure, purpose, and history confirm that the “expenses” to which Section 145 refers include personnel expenses.

A. The Plain Meaning Of “Expenses” Includes Personnel Expenses

1. The ordinary meaning of the term “expense” is an “expenditure of money, time, labor, or resources to accomplish a result.” *Black’s Law Dictionary* 698 (10th ed. 2014); see, e.g., *The American Heritage Dictionary of the English Language* 624 (5th ed. 2016) (defining “expense” as “[s]omething spent to attain a goal or accomplish a purpose” or “[a]n expenditure of money; a cost”); *Webster’s New World College Dictionary* 511 (5th ed. 2014) (“charges or costs met with in * * * doing one’s work”); *New Oxford American Dictionary* 609 (3d ed. 2010) (“the cost required for something; the money spent on something”). The term is naturally understood to encompass expenditures on labor, such as employing personnel to accomplish a result. For example, when a company promises to reimburse all of an employee’s “moving expenses,” no one would doubt that the company has promised to cover the cost of paying movers. Cf. *Merriam-Webster’s Dictionary of Law* 180 (1996) (defining an “expense” as a “financial burden or outlay,” and using “moving expense” as an example) (emphasis omitted).

Section 145 uses the term “expenses” in that conventional sense. Thus, when Congress required applicants who invoke Section 145 to reimburse the USPTO for “[a]ll the expenses of the proceedings,” 35 U.S.C. 145, it made applicants liable for all the “expenditure[s] of money, time, labor, or resources,” *Black’s Law Dictionary* 698, that the applicants cause the USPTO to incur

in the proceedings. And, in “ordinary parlance,” that construction of “‘expenses’ is sufficiently broad to include attorneys fees and paralegals fees.” *Shammas v. Focarino*, 784 F.3d 219, 222 (4th Cir. 2015) (interpreting parallel language in 15 U.S.C. 1071(b)), cert. denied, 136 S. Ct. 1376 (2016); see Pet. App. 40a (Prost, C.J., dissenting) (“The ordinary meaning of ‘expenses’ encompasses expenditures for personnel.”) (citing dictionaries). The agency’s expenditures on attorneys and paralegals are just as much an “expense,” in the ordinary sense of that term, as are the agency’s outlays to hire expert witnesses, travel to depositions, and print briefs for a Section 145 proceeding. Neither respondent nor the Federal Circuit disputed that plain meaning of the term or identified any contrary definition.

The term “expenses” likewise is commonly used to encompass expenditures on attorneys in the specific civil-litigation context to which Section 145 applies. Leading commentators have explained, for example, that the term “expenses” refers to “all the expenditures actually made by a litigant in connection with [an] action.” 10 Charles Alan Wright et al., *Federal Practice and Procedure* § 2666, at 206 (4th ed. 2014). Accordingly, legal “fees * * * are expenses.” *Ibid.*; see 10 James Wm. Moore, *Moore’s Federal Practice* § 54.103[1], at 54-183 (3d ed. 2019) (“Indeed, often the largest expense incurred * * * is the amount of compensation paid to the party’s attorneys.”). The Federal Rules of Civil Procedure use the term “expenses” in that manner. Under Rule 37(a)(5), which is entitled “Payment of Expenses,” if a party successfully moves to compel disclosure or discovery, the court may award the party its “reasonable expenses incurred in making the motion,

including attorney’s fees.” Fed. R. Civ. P. 37(a)(5) (emphasis omitted); see also, *e.g.*, Fed. R. Civ. P. 4(d)(2)(B) (award of “reasonable expenses, including attorney’s fees”); Fed. R. Civ. P. 11(c)(4) (award of “reasonable attorney’s fees and other expenses”).

This Court’s decisions reflect the same common understanding of the term “expenses.” The Court recently observed that Congress may authorize the award of “litigation expenses,” and it identified “attorney’s fees” as an example of such expenses. *Rimini St., Inc. v. Oracle USA, Inc.*, 139 S. Ct. 873, 877 (2019). The Court has similarly described expenditures on “attorneys, experts, consultants, and investigators” in connection with litigation as among the “expenses borne by litigants.” *Taniguchi v. Kan Pac. Saipan, Ltd.*, 566 U.S. 560, 573 (2012); cf. *Law v. Siegel*, 571 U.S. 415, 422 (2014) (recognizing that attorney’s fees can be an “administrative expense” under the Bankruptcy Code); *West Va. Univ. Hosps., Inc. v. Casey*, 499 U.S. 83, 92 (1991) (describing “attorney’s fees” as an “item[] of expense”) (overruled by statute on other grounds, Civil Rights Act of 1991, Pub. L. No. 102-166, § 113, 105 Stat. 1079); *Hutto v. Finney*, 437 U.S. 678, 695 (1978) (referring to attorney’s fees as “expenses incurred in litigation”).

The Court’s use of the term “expenses” stands in particular contrast to its understanding of the term “costs,” which is used in the litigation context as a term of art for the “relatively minor, incidental expenses,” such as “clerk fees, court reporter fees, [or] expenses for printing,” *Taniguchi*, 566 U.S. at 573, that may be taxed against a losing party under 28 U.S.C. 1920. See *Rimini St.*, 139 S. Ct. at 877-878 (explaining that a stat-

ute authorizing the award of “costs,” without more, authorizes only the award of the “litigation expenses * * * listed in [28 U.S.C.] 1821 and 1920”). In *Arlington Central School District Board of Education v. Murphy*, 548 U.S. 291 (2006), the Court specifically contrasted the narrower term “costs” with the broader term “expenses,” holding that a statute requiring States to waive their sovereign immunity from awards of “costs” to prevailing litigants did not put States on notice that they would be liable for expenditures on expert consultants. See *id.* at 296-297. After explaining that “costs” is a “term of art” with a limited scope, the Court observed that Congress would have needed to use a more “open-ended provision,” such as “expenses,” in order to “make[] participating States liable for all expenses incurred by prevailing” litigants. *Id.* at 297.

By using the umbrella term “expenses” in Section 145, Congress required disappointed patent applicants who invoke the district-court review mechanism to reimburse the USPTO for all the litigation-related expenses the agency incurs in the proceeding, including its personnel expenses.⁴

⁴ In the course of drafting and debating the 1870 Act, see p. 5, *supra*, Congress considered but rejected a proposal to replace the term “expenses” with the term “costs.” An early version of the relevant bill would have required that “all costs shall be paid by [a] complainant” who files a bill in equity to challenge the denial of a patent application. H.R. 1714, 41st Cong., 2d Sess. § 52, at 24 (Apr. 7, 1870). The Senate rejected that proposal, however, see H.R. 1714, 41st Cong., 2d Sess. § 52, at 24 (May 31, 1870); Cong. Globe, 41st Cong., 2d Sess. 4820 (1870), and the 1870 Act maintained in effect the requirement that “all the expenses of the proceeding shall be paid by the applicant,” § 52, 16 Stat. 205.

2. The term “expenses” also encompassed expenditures for agency personnel in 1839, when Congress enacted the initial statutory antecedent to the expense-recompement provision. Congress had used the term “expenses” in just that sense in the 1836 Act, which had created the Patent Office and charged it with examining patent applications. See pp. 4-5, *supra*. To finance the agency’s operations, Congress required applicants to pay fees into a “patent fund,” to be used for the “payment of the salaries * * * and all other expenses of the Patent Office.” 1836 Act § 9, 5 Stat. 121; see Act of Mar. 3, 1837, ch. 45, § 14, 5 Stat. 195 (confirming that the patent fund may be used to pay “the salaries” of agency personnel “and all other expenses of the Patent Office”). There is no reason to think that the 1839 Congress intended a narrower meaning of “expenses”—one that would exclude the salaries of agency personnel—when it amended an adjacent provision of the 1836 Act to require disappointed patent applicants who file a bill in equity to pay the “whole of the expenses of the proceeding.” 1839 Act § 10, 5 Stat. 354; see Pet. App. 39a-40a (Prost, C.J., dissenting) (inferring from the 1836 Act “that Congress, at the time it enacted the precursor to § 145, understood salaries to be within the scope of ‘expenses’”); *Shammas*, 784 F.3d at 226 (similar).

Dictionaries of that era defined the term “expenses” in ways that encompassed payments to attorneys. Noah Webster’s preeminent American dictionary defined “expense” as “the disbursing of money, or the employment and consumption, as of time or labor.” 1 Noah Webster, *An American Dictionary of the English Language* (1828); cf. 2 Samuel Johnson, *A Dictionary of the English Language* (H.J. Todd ed., 1818) (defining “expense” as “[c]osts; charges; money expended”); Pet. App. 40a

(Prost, C.J., dissenting) (additional examples). The time that USPTO personnel (including attorneys) devote to Section 145 proceedings, and the salaries and wages that those workers receive for their efforts, constitute “expenses of the proceedings” in that traditional sense.⁵

Congress retained the same term “expenses” in enacting various post-1839 amendments to the patent laws. See, *e.g.*, Rev. Stat. § 4915 (“[A]ll the expenses of the proceeding shall be paid by the applicant, whether the final decision is in his favor or not.”). Respondent has not identified any evidence that the term had a narrower ordinary meaning at any time between 1839 and the present. To the contrary, the term “expenses” continued to include—as it does today—expenditures of time and money. See, *e.g.*, Joseph E. Worcester, *Dictionary of the English Language* 521 (1860) (defining “expense” as “[t]hat which is spent; money expended; expenditure; cost; price; charges”); James Stormonth, *Etymological and Pronouncing Dictionary of the English Language* 194 (7th ed. 1882) (“cost; charges; a laying out, as of money, a consuming, as of labour or time”).

3. The modifier “all” in Section 145 refutes any inference that Congress intended applicants to be liable for only a subset of the agency’s “expenses.” The earliest versions of the expense-recoupment provision like-

⁵ In an 1847 report to Congress, the Commissioner of the Patent Office referred to the “expenses of the office” as including “fees paid to counsel in two suits in equity recently pending against the Commissioner.” H.R. Doc. No. 52, 29th Cong., 2d Sess. 1 (1847); see Pet. App. 41a (Prost, C.J., dissenting). Earlier reports had also included employee salaries among the “expenses” of the Office. See, *e.g.*, S. Doc. No. 105, 25th Cong., 2d Sess. 1, 50 (1838).

wise required applicants to pay “the whole of the expenses,” 1839 Act § 10, 5 Stat. 354, not merely part of them.

The Federal Circuit concluded that “the word ‘all’ sheds no light on the breadth of ‘expenses,’” but simply “clarif[ies] that, whatever the ‘expenses’ are, all of them must be paid by the applicant.” Pet. App. 30a-31a. It is true that, if salaries paid to agency personnel fell outside the ordinary meaning of the term “expenses,” or if that word had acquired a specialized meaning as a legal term of art, Section 145’s use of the modifier “all” would not support the collection of amounts that did not otherwise constitute “expenses.” Cf. *Rimini St.*, 139 S. Ct. at 881 (holding that a statutory provision authorizing courts to award “full costs” in copyright cases did not authorize awards of items beyond the “costs specified in [28 U.S.C.] 1821 and 1920”). Congress’s inclusion of the modifier at least confirms, however, that the word “expenses” in Section 145 should not be given an artificially constricted scope. See *Shammas*, 784 F.3d at 222 (explaining that the term “all” in Section 1071(b) “clearly indicat[es] that the common meaning of the term ‘expenses’ should not be limited”).

B. The Statutory Structure And Purpose Confirm That “The Expenses Of The Proceedings” For Which An Applicant Is Liable Include The USPTO Personnel Expenditures That Are Attributable To The Section 145 Proceedings

The Federal Circuit’s crabbed interpretation of the term “expenses” in 35 U.S.C. 145 is also inconsistent with the structure and purpose of the statute.

1. The Patent Act provides two alternative avenues for obtaining judicial review of a USPTO decision re-

jecting a patent application. Under Section 141, an applicant who is “dissatisfied with the final decision” of the agency may appeal to the Federal Circuit, 35 U.S.C. 141(a), which reviews the agency’s decision on the basis of the existing administrative record, see 35 U.S.C. 144; *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999). Alternatively, Section 145 permits a disappointed applicant to “have remedy by civil action against the Director” of the USPTO in district court. 35 U.S.C. 145.

An applicant who elects to bring a Section 145 action is not limited to the administrative record. Rather, the applicant may conduct discovery and present additional evidence that the agency had no prior opportunity to consider, and the district court must make de novo findings concerning that new evidence. See *Kappos v. Hyatt*, 566 U.S. 431, 444-445 (2012). The “opportunity to present new evidence” in a Section 145 proceeding can be “significant” for the applicant, “not the least because the PTO generally does not accept oral testimony.” *Id.* at 435. But such litigation can also subject the USPTO to significant financial burdens—*e.g.*, the costs of conducting and responding to discovery, retaining and deposing expert witnesses, engaging in sometimes extensive motion practice, and trying the case—that the agency does not incur in a direct appeal. See, *e.g.*, *SD3, LLC v. Lee*, 205 F. Supp. 3d 37, 39 (D.D.C. 2016) (four-day bench trial on patentability); *Dome Patent, L.P. v. Rea*, 59 F. Supp. 3d 52, 55 (D.D.C. 2014) (three-day bench trial), *aff’d*, 799 F.3d 1372 (Fed. Cir. 2015). Section 145’s requirement that the applicant pay “[a]ll the expenses of the proceedings” protects the USPTO’s resources by shifting the additional expense of a civil action and possible trial to the applicants who opt for those proceedings. 35 U.S.C. 145.

This case provides a vivid example. After a thorough examination, the USPTO denied respondent’s patent application because the application claimed a method of lysing cancer cells that the agency concluded would have been obvious to skilled persons in light of the prior art. Pet. App. 134a-137a. Respondent then commenced this Section 145 proceeding and retained an expert witness, who submitted three separate reports concerning the complex subject matter at issue. *Id.* at 140a-142a. The agency retained its own expert to respond, and two experienced USPTO attorneys devoted hundreds of hours to the proceeding—studying the prior art, taking and defending expert depositions, and briefing and arguing multiple motions. See pp. 9-10, *supra*; J.A. 32-33, 41-47.

Under Section 145, respondent was entitled to put the USPTO to its proof in district-court proceedings at which respondent could introduce new evidence. But Congress has required respondent to take the bitter with the sweet—to pay “[a]ll the expenses” of such a proceeding, regardless of its outcome. 35 U.S.C. 145.

2. The purposes of Section 145 are best served by reading the term “expenses of the proceedings” to encompass all the expenses an applicant causes the agency to incur, including increments of salary attributable to the time that agency lawyers devote to the proceeding. As just discussed, the main purpose of the expense-recoupment provision is to ensure that the applicants who initiate Section 145 proceedings—rather than the agency, patent applicants generally, or the larger public—bear the expense those proceedings impose on the USPTO.

Although the salary payments at issue here are borne in the first instance by the USPTO, the expense-

recoupment provision indirectly protects other fee-paying users of the agency's services. The USPTO is entirely fee-funded and therefore must recoup the full costs of its operations, including employee salaries, from persons who use its services. Congress has, in particular, directed the USPTO to set and charge fees for its services at the level that is estimated to be necessary to cover the agency's aggregate operating expenses. See AIA § 10, 125 Stat. 316; pp. 7-8, *supra*. Accordingly, the agency has established fees that applicants for patents and trademarks must pay for particular services, including various stages of the examination and registration processes. See *USPTO Fee Schedule* (Mar. 1, 2019), <https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule>.

Pursuant to longstanding agency practice, fees for patent examinations are set so that applicants with more complex and lengthy applications, which consume more of the USPTO's resources to examine, pay more than other applicants whose applications impose less of a burden on the agency. See p. 8 n.3, *supra*; see also, *e.g.*, 82 Fed. Reg. 52,780, 52,782 (Nov. 14, 2017) (discussing the USPTO's decision to impose higher fees on certain amino-acid sequence claims that require "significant" additional resources for the agency to examine). Section 145 reflects the same approach to the district-court phase of the examination process. If the agency's personnel expenses in Section 145 proceedings cannot be recouped from the particular applicants who invoke those proceedings, the agency must instead recover those operating expenses through the fees it charges to patent applicants generally, thereby subverting the balanced fee structure that the agency devised through rulemaking under the AIA.

The Federal Circuit’s interpretation of “expenses” in Section 145 guarantees that some USPTO expenditures attributable to Section 145 proceedings will ultimately be borne by other fee-paying users of the agency’s services. Respondent embraced that result below, arguing that the USPTO should “recover the attorney’s fees sought here * * * through fees charged” to other applicants. Resp. C.A. Br. 45. But Congress directed that “[a]ll the expenses” of Section 145 proceedings should fall on the applicants who choose to initiate those proceedings. 35 U.S.C. 145.

Finally, the expense-recoupment provision protects the agency from abusive patent-prosecution tactics. The procedural regime that governs in Section 145 proceedings can create an incentive for applicants to withhold evidence during agency examinations, in order to obtain de novo fact-finding when that evidence is ultimately put before the district court. To deter such “procedural gaming,” Congress imposed on applicants who proceed under Section 145 the “economic burden of paying ‘[a]ll the expenses of the proceedings,’ regardless of the outcome.” *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc) (quoting 35 U.S.C. 145), aff’d, 566 U.S. 431 (2012). More broadly, Section 145 creates a modest incentive for applicants not to make Section 145 proceedings unduly complicated or protracted.

The Federal Circuit’s interpretation undermines those important purposes. The personnel expenses that the Federal Circuit forbade the USPTO from recovering often represent the bulk of the USPTO expenditures that are attributable to a particular Section 145 proceeding. In this case, for example, the most significant expense the USPTO incurred came in the form of attorney time. See Pet. App. 100a (district court order

denying the USPTO recovery of more than 70% of the agency's expenses). If the decision below is not reversed, other USPTO users will necessarily be required to underwrite some of the expenses of Section 145 proceedings, in contravention of the statutory design. See *id.* at 54a (Prost, C.J., dissenting).

C. The History Of Section 145 Supports The USPTO's Reading Of The Term "Expenses"

1. As explained above, when Congress first created an agency to examine patent applications, it required applicants to pay fees into a fund, which was in turn used for "the payment of salaries * * * and all other expenses of the Patent Office." 1836 Act § 9, 5 Stat. 121; see p. 4, *supra*. The 1836 Act created a limited form of the bill-in-equity mechanism, see § 16, 5 Stat. 124, as well an additional procedure—financed by additional applicant fees—for administrative appeals to a board of examiners, § 7, 5 Stat. 120. That system proved unsatisfactory, in part because the review proceedings began "to add considerably to the labor of the office." H.R. Rep. No. 797, 25th Cong., 2d Sess. 3 (1838) (reprinting letter from Henry L. Ellsworth, Commissioner of Patents). Congress therefore abolished the board of examiners, substituted a direct judicial appeal, and made the bill-in-equity procedure available in "all cases where patents are refused for any reason whatever." 1839 Act § 10, 5 Stat. 354; see § 11, 5 Stat. 354. Cognizant of the potential strain that additional litigation might cause the agency, Congress required each applicant who filed a bill in equity to pay "the whole of the expenses of the proceeding." § 10, 5 Stat. 354.

The expense-reimbursement requirement has persisted in every later version of the statute. See p. 5, *su-*

pra. Congress has thus long coupled a disappointed applicant's option to introduce new evidence in a trial-court proceeding with the obligation to pay the entire expense of the proceeding. And throughout that time, the examination process was itself funded by fees charged to applicants. Cf. 4 Donald S. Chisum, *Chisum on Patents* § 11.02[1][d][i] at 11-103 to 11-106 (4th ed. 2018) (listing application fees since 1790).

Moreover, in *Gandy v. Marble*, 122 U.S. 432 (1887), this Court described equity proceedings under Section 145's predecessor as "a part of the application" process, *id.* at 439. After his appeal from the Patent Office's denial of his patent application was dismissed, the applicant in *Gandy* waited more than two years to file a bill in equity challenging that denial. *Id.* at 433-434 (Statement of the Case), 439. At the time, "[a]ll applications for patents" that were not prosecuted "within two years after any action therein" were deemed by statute to be abandoned. *Id.* at 439 (quoting Rev. Stat. § 4894). This Court held that the timing rule barred the late-filed bill in equity. While recognizing that such a bill technically initiates a new "suit according to the ordinary course of equity practice," the Court described the equity proceedings as, "in fact and necessarily, a part of the application for the patent." *Ibid.*; see *id.* at 440 (concluding that "[t]he presumption of abandonment * * * exists as fully in regard to that branch of the application involved in the remedy by bill in equity as in regard to any other part of the application, whether so much of it as is strictly within the Patent Office").

Gandy demonstrates that, in the 19th century, an equity proceeding brought after the Patent Office had denied an application was understood to be in practical effect a continuation of the examination process, in which

the applicant could receive an adjudication of his entitlement to a patent based on new evidence. Construing the term “expenses” to encompass personnel expenses accords with that historical understanding and gives Section 145’s expense-reimbursement requirement the same function as application fees—namely, defraying the USPTO’s expenditures, including personnel expenses, and allocating those expenditures to the particular users who cause the USPTO to incur them.

2. The Federal Circuit did not discuss this Court’s decision in *Gandy*. In its view, the salient historical practice was instead the USPTO’s failure until 2013 to seek recoupment of its personnel expenses under 35 U.S.C. 145 or 15 U.S.C. 1071(b). Pet. App. 2a, 4a, 22a n.5. Contrary to the Federal Circuit’s understanding, the agency’s prior failure to seek recoupment of these expenses provides no sound basis for concluding that it lacks authority to do so.

First, the USPTO “has never affirmatively disclaimed” its authority to recover personnel expenses under Section 145. Pet. App. 54a (Prost, C.J., dissenting). Before 2013, no court had addressed the question or suggested that Section 145 should be read more narrowly than its plain text indicates. To the contrary, the agency had successfully sought reimbursement of the travel expenses its attorneys had incurred in Section 145 proceedings—even though attorney travel expenses are often treated as a component of attorney’s fees. See *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931); cf. *Hutchinson ex rel. Julien v. Patrick*, 636 F.3d 1, 17 (1st Cir. 2011) (explaining that counsel’s “travel expenses” may be “incorporated as part of a fee award”). And the USPTO has always exercised discretion in deciding

whether to seek reimbursement of particular expenses covered by the statute. See p. 7, *supra*.

Second, the agency's change of course with respect to personnel expenses was a reasonable response to recent developments, including the increasing expense of Section 145 proceedings. "Given how dramatically the patent and litigation landscapes have changed since the provision was first enacted, it is hardly surprising that the PTO would have felt compelled in recent years to change its strategy." Pet. App. 54a (Prost, C.J., dissenting). As explained above, Congress's recent requirement that the USPTO set its fees at the level necessary to cover its aggregate operating expenses provided a further reason for the agency to re-examine its practices under Section 145. See pp. 7-8, *supra*. In any event, the agency's prior failure to seek reimbursement of its personnel expenses does not negate the clear statutory directive that the applicant who initiates Section 145 review must pay "[a]ll the expenses of the proceedings."

II. THE AMERICAN RULE ON FEE-SHIFTING DOES NOT REQUIRE A CONTRARY RESULT

The Federal Circuit viewed its reading of Section 145 as compelled by the "American Rule"—*i.e.*, the default presumption "that each side must pay its own attorney's fees" in litigation in American courts. *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2163 (2015). The court of appeals repeatedly acknowledged that the term "expenses" can encompass the cost of paying USPTO attorneys. See Pet. App. 17a ("capable of implicitly covering attorneys' fees"); *id.* at 28a ("sometimes used * * * to refer to a variety of burdens incurred by a litigant, including attorneys' fees"); *id.* at 33a ("can be broad enough to cover salaries of some

PTO employees”) (emphasis omitted). It concluded, however, that Section 145 “lacks the ‘specific and explicit’ congressional authorization required to displace the American Rule.” *Id.* at 16a.

That conclusion was doubly flawed. Section 145 is not the sort of fee-shifting provision that triggers the American Rule. And even if the Rule’s presumption against fee-shifting were implicated here, the clear language of Section 145 would rebut it.

A. Section 145 Does Not Implicate The American Rule

1. The American Rule is a default presumption in U.S. courts that “[e]ach litigant pays his own attorney’s fees, win or lose, unless a statute or contract provides otherwise.” *Baker Botts*, 135 S. Ct. at 2164 (quoting *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252–253 (2010)). The presumption traces its roots to *Ar-cambel v. Wiseman*, 3 U.S. (3 Dall.) 306 (1796), in which this Court ordered remittitur of a damages award that included \$1600 in counsel fees for the prevailing party. See *ibid.* (stating that “[t]he general practice of the United States is in opposition” to such an award). That decision came to stand for the proposition that the “Judiciary itself would not create a general rule, independent of any statute, allowing awards of attorneys’ fees in federal courts.” *Alyeska Pipeline Serv. Co. v. Wilderness Soc’y*, 421 U.S. 240, 249 (1975).

“[I]n a variety of circumstances,” Congress has departed from that default rule in order to protect important federal interests. *Alyeska Pipeline*, 421 U.S. at 261. “Although these ‘statutory changes to the American Rule take various forms,’ they * * * usually refer to a ‘prevailing party’ in the context of an adversarial ‘action.’” *Baker Botts*, 135 S. Ct. at 2164 (brackets and citation omitted). Indeed, “virtually every one of the

more than 150 existing federal fee-shifting provisions predicates fee awards on *some* success by the claimant.” *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 684 (1983).⁶ Even when Congress has authorized an award of attorney’s fees without specifying that only a prevailing party is entitled to such an award, this Court has generally required the fee claimant to “show ‘some degree of success on the merits’ before a court may award attorney’s fees.” *Hardt*, 560 U.S. at 255 (quoting *Ruckelshaus*, 463 U.S. at 694). That principle reflects the Court’s understanding of the American Rule as the point of departure for “shift[ing] the costs of adversarial litigation from one side to the other.” *Baker Botts*, 135 S. Ct. at 2165.

2. The American Rule is not the appropriate point of departure for construing Section 145’s expense-recompement mandate. As the Fourth Circuit explained in construing the Lanham Act’s parallel provision (15 U.S.C. 1071(b)), “a statute that mandates the payment of attorneys fees without regard to a party’s success is not a fee-shifting statute that operates against

⁶ See, e.g., 5 U.S.C. 504(a)(1) (“prevailing party”); 5 U.S.C. 552(a)(4)(E)(i) (“substantially prevailed”); 5 U.S.C. 552a(g)(2)(B) (same); 5 U.S.C. 552b(i) (“substantially prevails”); 7 U.S.C. 18(d)(1) (“finally prevails”); 7 U.S.C. 210(f) (same); 7 U.S.C. 499g(e) (“prevails”); 12 U.S.C. 2607(d)(5) (“prevailing party”); 12 U.S.C. 3417(a)(4) (“in the case of any successful action”); 15 U.S.C. 77k(e) (“if judgment shall be rendered * * * in favor of such party”); 15 U.S.C. 298(c) (“if successful”); 15 U.S.C. 1640(a)(3) (“in the case of any successful action”); 33 U.S.C. 928(a) (“successful prosecution of [a] claim”); 33 U.S.C. 1365(d) (“prevailing or substantially prevailing party”); 42 U.S.C. 1988(b) (“prevailing party”); 42 U.S.C. 2000e-5(g)(2)(B) (“proves a violation”); 42 U.S.C. 3612(p) (“prevailing party”); 45 U.S.C. 153(p) (“finally prevail”); 52 U.S.C. 10310(e) (“prevailing party”).

the backdrop of the American Rule.” *Shammas*, 784 F.3d at 223. Application of Section 145 does not turn on any evaluation of the merits of the applicant’s suit or the relative success of the parties. The statute instead requires the applicant to pay “[a]ll the expenses of the proceedings’ regardless of the outcome.” *Hyatt*, 625 F.3d at 1337 (quoting 35 U.S.C. 145) (brackets in original); see 1839 Act § 10, 5 Stat. 354 (“[T]he whole of the expenses of the proceeding shall be paid by the applicant, whether the final decision shall be in his favor or otherwise.”).

For that reason, the expense-reimbursement provision operates not as a form of fee-shifting based on litigation success, but rather as “an unconditional compensatory charge imposed on” all applicants who invoke Section 145 rather than pursuing a direct appeal. *Shammas*, 784 F.3d at 221. The requirement that such applicants pay all the expenses of the proceedings is a counterpart to the requirement that all applicants pay fees for examination. Cf. *Gandy*, 122 U.S. at 440 (describing the district-court proceeding as a “branch of the application”). Like the expenses an applicant must pay under Section 145, examination fees must be paid whether or not the application is successful, see 35 U.S.C. 41(a)(2)(C) and 37 C.F.R. 1.26(a) (limiting refunds), and those fees are designed to cover the USPTO’s aggregate operating expenses, including personnel expenses, see pp. 26-27, *supra*. Because the proceeding authorized by Section 145 takes place before a court, the agency’s expenses necessarily include expenses for personnel who are employed as attorneys, rather than as patent examiners. But that does not

transform Section 145 into the sort of fee-shifting statute to which the American Rule has traditionally been applied.

That conclusion is reinforced by the manner in which the USPTO calculates its personnel expenses. When the government seeks an award of attorney’s fees under a fee-shifting statute, the amount of the award is typically calculated based on the prevailing market rate for private counsel, regardless of the government’s actual expenditure for the representation. See, *e.g.*, *NLRB v. Local 3, Int’l Bhd. of Elec. Workers*, 471 F.3d 399, 406-407 (2d Cir. 2006). The USPTO does not use that metric in calculating personnel expenses under Section 145. Instead, it seeks reimbursement only for the actual agency expenditures that are attributable to the litigation—namely, an amount that reflects the actual salaries of the relevant employees, prorated according to the amount of time each spent on the district-court proceeding. Pet. App. 8a.

3. The Federal Circuit’s contrary view rests on a misreading of this Court’s fee-shifting precedents.

a. The Federal Circuit looked primarily to this Court’s “nonprevailing party precedent[s].” Pet. App. 12a. On several occasions, the Court has construed statutes that authorize awards of attorney’s fees in litigation but do not expressly limit eligibility for such awards to prevailing parties. See, *e.g.*, *Hardt*, 560 U.S. at 251-252 (statute authorizing a court to “allow a reasonable attorney’s fee * * * to either party”) (quoting 29 U.S.C. 1132(g)(1)); *Ruckelshaus*, 463 U.S. at 681-682 (statute authorizing a fee award “whenever [the court] determines that such award is appropriate”) (quoting 42 U.S.C. 7607(f)) (brackets in original). As noted above, the Court has construed those statutes as requiring

“some degree of success on the merits” as a prerequisite to a fee award, *Ruckelshaus*, 463 U.S. at 694, rather than as “forc[ing] [a] defendant to pay the costs of [a] wholly unsuccessful suit against it,” *id.* at 685.

The Federal Circuit’s reliance on those decisions was misplaced. Those precedents establish that, except where Congress clearly authorizes courts to award attorney’s fees to unsuccessful litigants, federal fee-shifting provisions will be construed to require at least some degree of success as a prerequisite to a fee award. Those decisions do not shed light on the distinct question presented in this case, which concerns the *types* of expenses that may be recouped under an atypical provision whose application does *not* turn on litigation success.

This Court did not mention the American Rule in *Sebelius v. Cloer*, *supra*, which addressed a statutory scheme that unambiguously authorizes the payment of attorney’s fees even to unsuccessful litigants. Under the National Childhood Vaccine Injury Act of 1986 (NCVIA), 42 U.S.C. 300aa-10 *et seq.*, persons claiming to have suffered a vaccine-related injury or death may petition the Court of Federal Claims for compensation, see 42 U.S.C. 300aa-11. “The Act also includes an unusual scheme for compensating attorneys who work on NCVIA petitions.” *Cloer*, 569 U.S. at 373. Attorneys may not charge claimants fees for such work, but the NCVIA requires that fees be awarded for successful petitions, and it authorizes discretionary awards for petitions “brought in good faith” with “a reasonable basis.” *Id.* at 373-374 (quoting 42 U.S.C. 300aa-15(e)(1)). The question presented in *Cloer* was whether fees could be awarded for an untimely petition, *id.* at 371-372, and the Court answered that question in the affirmative without discussing the American Rule, see *id.* at 376-382.

b. The Federal Circuit viewed this Court’s decision in *Baker Botts* as “confirm[ing]” that the American Rule applies to Section 145. Pet. App. 14a; cf. Br. in Opp. 10-12. But Section 145 is not comparable to the Bankruptcy Code provision that was at issue in *Baker Botts*. That provision authorizes a court to “award * * * reasonable compensation” from a bankruptcy estate to the attorneys retained by the administrator of the estate, as compensation “for actual, necessary services rendered.” 11 U.S.C. 330(a)(1)(A). Attorneys retained by an administrator sought fees they had incurred in defending their own fee application against an objection by the administrator. *Baker Botts*, 135 S. Ct. at 2162-2163.

This Court held that defending a fee application to which the administrator objected was not a “service[]” rendered *to the administrator* and therefore was not covered by Section 330(a)(1)(A). *Baker Botts*, 135 S. Ct. at 2165-2166. The Court explained that Section 330(a)(1)(A) does not contemplate “shift[ing] the costs of adversarial litigation from one side to the other,” but instead authorizes compensation for services to the estate. *Id.* at 2165. Because the Court determined that Section 330(a)(1)(A) does not contemplate any form of cost-shifting between adversarial parties, it had no occasion to decide whether the American Rule applies to a statute, like Section 145, that requires one party to pay its opponent’s litigation expenses regardless of the outcome.

B. Section 145 Provides Clear And Explicit Authority To Require An Applicant To Pay The USPTO's Personnel Expenses

1. Even if Section 145 were viewed as implicating the American Rule, the provision's language is sufficiently clear to override that background presumption. Under the American Rule, a court generally may not award attorney's fees "absent explicit statutory authority." *Baker Botts*, 135 S. Ct. at 2164 (citation omitted). Statutory departures from the American Rule may "take various forms," *ibid.* (quoting *Hardt*, 560 U.S. at 253), however, and "[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," *Key Tronic Corp. v. United States*, 511 U.S. 809, 815 (1994); see *id.* at 823 (Scalia, J., dissenting in part) ("Congress need only be explicit—it need not incant the magic phrase 'attorney's fees.'").

By requiring applicants to pay "[a]ll the expenses of the proceedings," 35 U.S.C. 145, Congress provided express statutory authority to shift to applicants the litigation expenses, including personnel expenses, that the agency incurs when applicants invoke this "branch of the application" process, *Gandy*, 122 U.S. at 440. For the reasons discussed above, the ordinary meaning of "expenses" incurred in connection with legal "proceedings" includes money paid to attorneys. See, e.g., *Rimini St.*, 139 S. Ct. at 877 (referring to attorney's fees as "litigation expenses"); *Taniguchi*, 566 U.S. at 573 (referring to attorney's fees as among the "nontaxable expenses borne by litigants"); pp. 18-21, *supra*. Indeed, the expense of paying attorneys is often the single largest one that a litigant incurs—as was true in this case. Pet. App. 100a.

This Court’s decision in *West Virginia University Hospitals, supra*, reinforces that conclusion. The Court in that case considered whether a statute that authorized an award of “a reasonable attorney’s fee” authorized an award of expert-witness fees. 499 U.S. at 84 (quoting 42 U.S.C. 1988 (1988)). The Court held that “attorney’s fees and expert fees are regarded as separate elements of litigation cost,” *id.* at 88, and that the statute at issue did not authorize the latter sort of award. The Court explained, however, that Congress “could easily have shifted” both types of fees by using the phrase “reasonable litigation expenses.” *Id.* at 99. Congress used comparable language here to accomplish that same purpose.

2. In reaching a contrary conclusion, the Federal Circuit observed that numerous statutes “authoriz[e] the award of both ‘expenses’ and ‘attorneys’ fees’” or “define expenses to include attorneys’ fees.” Pet. App. 18a, 20a; see, *e.g.*, 12 U.S.C. 1786(p) (“reasonable expenses and attorneys’ fees”); 15 U.S.C. 2310(d)(2) (“expenses [i]ncluding attorneys’ fees”). The court of appeals inferred from those laws that expenses and attorney’s fees are “distinct tools in [Congress’s] toolbox,” and that the term “expenses” standing alone therefore does not encompass attorney salaries. Pet. App. 21a-22a.

That inference is unsound. Statutes that treat attorney’s fees as a *form* of expense, as by authorizing courts to award “reasonable expenses, including attorneys’ fees,” 28 U.S.C. 361, assume that the term “expenses” encompasses those fees. That formulation is common.⁷

⁷ See, *e.g.*, 12 U.S.C. 5005(b)(2)(B) (“reasonable attorney’s fees and other expenses”); 28 U.S.C. 1447(c) (“any actual expenses, including attorney fees”); 29 U.S.C. 1370(e)(1) (“costs and expenses

The other statutes cited by the Federal Circuit, which authorize awards of expenses “and” attorney’s fees, see Pet. App. 18a-19a, do not show that the terms necessarily connote discrete sets of expenditures. “[S]ome redundancy is hardly unusual” in this context. *Rimini St.*, 139 S. Ct. at 881 (citation and internal quotation marks omitted). Many statutes authorize awards of “costs and expenses,” for example, even though costs are a form of expense. See *Federal Practice and Procedure* § 2666, at 206; see, e.g., 10 U.S.C. 2409(c)(1)(C) (“all costs and expenses”).

3. The Federal Circuit’s unwarranted reliance on the American Rule also produces anomalous results. It is undisputed that Section 145 permits the USPTO to seek reimbursement of expert-witness fees. See *Sandvik Aktiebolag v. Samuels*, 20 U.S.P.Q.2d 1879, 1880 (D.D.C. 1991); Pet. App. 53a (Prost, C.J., dissenting); cf. Pet. App. 100a (district court’s order requiring respondent to reimburse the USPTO’s expert-witness expenses in this case). But this Court has required “explicit statutory * * * authorization” to shift expert fees as well. *Crawford Fitting Co. v. J. T. Gibbons, Inc.*, 482 U.S. 437, 445 (1987). The Federal Circuit did not explain why the term “expenses” is sufficiently explicit to include sums paid to experts but not those paid to attorneys.

incurred in connection with [the] action, including reasonable attorney’s fees”); 29 U.S.C. 1451(e) (“expenses * * * including reasonable attorney’s fees”); 30 U.S.C. 815(c)(3) (“all costs and expenses [including attorney’s fees]”); 30 U.S.C. 938(c) (similar); 33 U.S.C. 1367(c) (similar); 42 U.S.C. 247d-6d(e)(9) (“reasonable expenses * * * including a reasonable attorney’s fee”); 52 U.S.C. 10310(e) (“reasonable attorney’s fee, reasonable expert fees, and other reasonable litigation expenses”); cf. pp. 19-20, *supra* (discussing similar usage in the Federal Rules of Civil Procedure).

4. Finally, the Federal Circuit contrasted Section 145 with Patent Act provisions that specifically authorize awards of attorney’s fees. Pet. App. 22a-24a; see, e.g., 35 U.S.C. 285, 297(b)(1). Because the Patent Act did not authorize such awards in private infringement suits until 1946, see *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 548 (2014), those provisions are of limited relevance in construing a distinct provision whose substance dates back to 1839.

As noted above, moreover, this Court has held that a statutory authorization to award “attorney’s fees” does not imply authorization to award expert-witness fees. See p. 40, *supra* (discussing *West Va. Univ. Hosps.*, 499 U.S. at 88). The Patent Act provisions discussed by the Federal Circuit, which refer to attorney’s fees standing alone, therefore do not authorize awards of expert-witness fees. The phrase “[a]ll the expenses of the proceedings” in Section 145, by contrast, unambiguously encompasses both types of expenditures. The differences in wording among the various Patent Act provisions therefore can be given operative effect without adopting an atextually constricted view of Section 145’s coverage.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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APPENDIX

Current Statutes

1. 15 U.S.C. 1071 provides:

Appeal to courts

(a) **Persons entitled to appeal; United States Court of Appeals for the Federal Circuit; waiver of civil action; election of civil action by adverse party; procedure**

(1) An applicant for registration of a mark, party to an interference proceeding, party to an opposition proceeding, party to an application to register as a lawful concurrent user, party to a cancellation proceeding, a registrant who has filed an affidavit as provided in section 1058 of this title or section 1141k of this title, or an applicant for renewal, who is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, may appeal to the United States Court of Appeals for the Federal Circuit thereby waiving his right to proceed under subsection (b) of this section: *Provided*, That such appeal shall be dismissed if any adverse party to the proceeding, other than the Director, shall, within twenty days after the appellant has filed notice of appeal according to paragraph (2) of this subsection, files notice with the Director that he elects to have all further proceedings conducted as provided in subsection (b) of this section. Thereupon the appellant shall have thirty days thereafter within which to file a civil action under subsection (b) of this section, in default of which the decision appealed from shall govern the further proceedings in the case.

(1a)

(2) When an appeal is taken to the United States Court of Appeals for the Federal Circuit, the appellant shall file in the United States Patent and Trademark Office a written notice of appeal directed to the Director, within such time after the date of the decision from which the appeal is taken as the Director prescribes, but in no case less than 60 days after that date.

(3) The Director shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the United States Patent and Trademark Office. The court may request that the Director forward the original or certified copies of such documents during pendency of the appeal. In an *ex parte* case, the Director shall submit to that court a brief explaining the grounds for the decision of the United States Patent and Trademark Office, addressing all the issues involved in the appeal. The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Director and the parties in the appeal.

(4) The United States Court of Appeals for the Federal Circuit shall review the decision from which the appeal is taken on the record before the United States Patent and Trademark Office. Upon its determination the court shall issue its mandate and opinion to the Director, which shall be entered of record in the United States Patent and Trademark Office and shall govern the further proceedings in the case. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

(b) Civil action; persons entitled to; jurisdiction of court; status of Director; procedure

(1) Whenever a person authorized by subsection (a) of this section to appeal to the United States Court of Appeals for the Federal Circuit is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, said person may, unless appeal has been taken to said United States Court of Appeals for the Federal Circuit, have remedy by a civil action if commenced within such time after such decision, not less than sixty days, as the Director appoints or as provided in subsection (a) of this section. The court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear. Such adjudication shall authorize the Director to take any necessary action, upon compliance with the requirements of law. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

(2) The Director shall not be made a party to an inter partes proceeding under this subsection, but he shall be notified of the filing of the complaint by the clerk of the court in which it is filed and shall have the right to intervene in the action.

(3) In any case where there is no adverse party, a copy of the complaint shall be served on the Director, and, unless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by

the party bringing the case, whether the final decision is in favor of such party or not. In suits brought hereunder, the record in the United States Patent and Trademark Office shall be admitted on motion of any party, upon such terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of any party to take further testimony. The testimony and exhibits of the record in the United States Patent and Trademark Office, when admitted, shall have the same effect as if originally taken and produced in the suit.

(4) Where there is an adverse party, such suit may be instituted against the party in interest as shown by the records of the United States Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there are adverse parties residing in a plurality of districts not embraced within the same State, or an adverse party residing in a foreign country, the United States District Court for the Eastern District of Virginia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs.

2. 35 U.S.C. 141 provides:

Appeal to Court of Appeals for the Federal Circuit

(a) EXAMINATIONS.—An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.

(b) REEXAMINATIONS.—A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under section 134(b) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(c) POST-GRANT AND INTER PARTES REVIEWS.—A party to an inter parties review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(d) DERIVATION PROCEEDINGS.—A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as

provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.

3. 35 U.S.C. 142 provides:

Notice of appeal

When an appeal is taken to the United States Court of Appeals for the Federal Circuit, the appellant shall file in the Patent and Trademark Office a written notice of appeal directed to the Director, within such time after the date of the decision from which the appeal is taken as the Director prescribes, but in no case less than 60 days after that date.

4. 35 U.S.C. 143 provides:

Proceedings on appeal

With respect to an appeal described in section 142, the Director shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the Patent and Trademark Office. The court may request that the Director forward the original or certified copies of such documents during pendency of the appeal. In an ex parte case, the Director shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall have the right to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board in a derivation pro-

ceeding under section 135 or in an inter parties or post-grant review under chapter 31 or 32. The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Director and the parties in the appeal.

5. 35 U.S.C. 144 provides:

Decision on appeal

The United States Court of Appeals for the Federal Circuit shall review the decision from which an appeal is taken on the record before the Patent and Trademark Office. Upon its determination the court shall issue to the Director its mandate and opinion, which shall be entered of record in the Patent and Trademark Office and shall govern the further proceedings in the case.

6. 35 U.S.C. 145 provides:

Civil action to obtain patent

An applicant dissatisfied with the decision of the Patent Trial and Appeal Board in an appeal under section 134(a) may, unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Director in the United States District Court for the Eastern District of Virginia if commenced within such time after such decision, not less than sixty days, as the Director appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Patent Trial and Appeal Board, as the facts in the case may appear and such adjudication shall authorize the

Director to issue such patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.

Historical Statutes

7. Act of July 4, 1836, ch. 357, 5 Stat. 117 provides in pertinent part:

* * * * *

SEC. 9. *And be it further enacted*, That before any application for a patent shall be considered by the commissioner as aforesaid, the applicant shall pay into the Treasury of the United States, or into the Patent Office, or into any of the deposite banks to the credit of the Treasury, if he be a citizen of the United States, or an alien, and shall have been resident in the United States for one year next preceding, and shall have made oath of his intention to become a citizen thereof, the sum of thirty dollars; if a subject of the King of Great Britain, the sum of Five hundred five hundred dollars; and all other persons the sum of three hundred dollars; for which payment duplicate receipts shall be taken, one of which to be filed in the office of the Treasurer. And the moneys received into the Treasury under this act shall constitute a fund for the payment of the salaries of the officers and clerks herein provided for, and all other expenses of the Patent Office, and to be called the patent fund.

* * * * *

SEC. 16. *And be it further enacted*, That whenever there shall be two interfering patents, or whenever a patent on application shall have been refused on an

adverse decision of a board of examiners, on the ground that the patent applied for would interfere with an unexpired patent previously granted, any person interested in any such patent, either by assignment or otherwise, in the one case, and any such applicant in the other case, may have remedy by bill in equity; and the court having cognizance thereof, on notice to adverse parties and other due proceedings had, may adjudge and declare either the patents void in the whole or in part, or inoperative and invalid in any particular part or portion of the United States, according to the interest which the parties to such suit may possess in the patent or the inventions patented, and may also adjudge that such applicant is entitled, according to the principles and provisions of this act, to have and receive a patent for his invention, as specified in his claim, or for any part thereof, as the fact of priority of right or invention shall in any such case be made to appear. And such adjudication, if it be in favor of the right of such applicant, shall authorize the Commissioner to issue such patent, on his filing a copy of the adjudication, and otherwise complying with the requisitions of this act. *Provided, however,* That no such judgment or adjudication shall affect the rights of any person except the parties to the action and those deriving title from or under them subsequent to the rendition of such judgment.

* * * * *

8. Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 354 provides:

And be it further enacted, That the provisions of the sixteenth section of the before, recited act shall extend to all cases where patents are refused for any reason whatever, either by the Commissioner of Patents or by the chief justice of the District of Columbia, upon appeals from the decision of said Commissioner, as well as where the same shall have been refused on account of, or by reason of, interference with a previously existing patent; and in all cases where there is no opposing party, a copy of the bill shall be served upon the Commissioner of Patents, when the whole of the expenses of the proceeding shall be paid by the applicant, whether the final decision shall be in his favor or otherwise.

9. Act of July 8, 1870, ch. 230, § 52, 16 Stat. 205 provides:

And be it further enacted, That whenever a patent on application is refused, for any reason whatever, either by the commissioner or by the supreme court of the District of Columbia upon appeal from the commissioner, the applicant may have remedy by bill in equity; and the court having cognizance thereof, on notice to adverse parties and other due proceedings had, may adjudge that such applicant is entitled, according to law, to receive a patent for his invention, as specified in his claim, or for any part thereof, as the facts in the case may appear. And such adjudication, if it be in favor of the right of the applicant, shall authorize the commissioner to issue such patent, on the applicant filing in the patent office a copy of the adjudication, and otherwise complying with the requisitions of law. And

in all cases where there is no opposing party a copy of the bill shall be served on the commissioner, and all the expenses of the proceeding shall be paid by the applicant, whether the final decision is in his favor or not.

10. Rev. Stat. § 4915 (2d ed. 1878) provides:

Whenever a patent on application is refused, either by the Commissioner of Patents or by the supreme court of the District of Columbia upon appeal from the Commissioner, the applicant may have remedy by bill in equity; and the court having cognizance thereof, on notice to adverse parties and other due proceedings had, may adjudge that such applicant is entitled, according to law, to receive a patent for his invention, as specified in his claim, or for any part thereof, as the facts in the case may appear. And such adjudication, if it be in favor of the right of the applicant, shall authorize the Commissioner to issue such patent on the applicant filing in the Patent-Office a copy of the adjudication, and otherwise complying with the requirements of law. In all cases, where there is no opposing party, a copy of the bill shall be served on the Commissioner; and all the expenses of the proceeding shall be paid by the applicant, whether the final decision is in his favor or not.

11. 35 U.S.C. 63 (1934) provides:

Bill in equity to obtain patent.

Whenever a patent on application is refused by the Commissioner of Patents, the applicant, unless appeal has been taken from the decision of the board of ap-

peals to the United States Court of Customs and Patent Appeals, and such appeal is pending or has been decided, in which case no action may be brought under this section, may have remedy by bill in equity, if filed within six months after such refusal; and the court having cognizance thereof, on notice to adverse parties and other due proceedings had, may adjudge that such applicant is entitled, according to law, to receive a patent for his invention, as specified in his claim, or for any part thereof, as the facts in the case may appear. And such adjudication, if it be in favor of the right of the applicant, shall authorize the commissioner to issue such patent on the applicant filing in the Patent Office a copy of the adjudication and otherwise complying with the requirements of law. In all cases where there is no opposing party a copy of the bill shall be served on the commissioner; and all the expenses of the proceedings shall be paid by the applicant, whether the final decision is in his favor or not. In all suits brought hereunder where there are adverse parties the record in the Patent Office shall be admitted in whole or in part, on motion of either party, subject to such terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court may impose, without prejudice, however, to the right of the parties to take further testimony. The testimony and exhibits, or parts thereof, of the record in the Patent Office when admitted shall have the same force and effect as if originally taken and produced in the suit.