

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*

JOINT APPENDIX

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

MORGAN CHU
Irell & Manella
1800 Avenue of the Stars
Suite 900
Los Angeles, CA 90067-4276
MChu@Irell.com
(310) 277-1010

*Counsel of Record
for Petitioner*

*Counsel of Record
for Respondent*

PETITION FOR A WRIT OF CERTIORARI FILED: DEC. 21, 2018
CERTIORARI GRANTED: MAR. 4, 2019

TABLE OF CONTENTS

	Page
Court of appeals docket entries	1
District court docket entries	7
Complaint (Dec. 20, 2013)	20
Answer (Feb. 19, 2014).....	25
Defendant’s motion for expenses (Sept. 16, 2015).....	28
Memorandum of law in support of defendant’s motion for expenses (Sept. 16, 2015)	30
Exhibit A: Declaration of Mary L. Kelly (Sept. 16, 2015).....	40
Exhibit B: Declaration of Sarah E. Craven (Sept. 16, 2015).....	44
Exhibit C: Declaration of Macia L. Fletcher (Sept. 16, 2015).....	48
NantKwest, Inc.’s opposition to defendant’s motion for expenses (Oct. 19, 2015)	51
Final judgment (Feb. 5, 2016)	75
Brief for appellee in <i>Cook v. Watson</i> , No. 11675 (D.C. Cir. Mar. 1953)	77
Brief for appellee in <i>Robertson v. Cooper</i> , No. 3066 (4th Cir. Oct. 14, 1930).....	82
Defendant-appellant’s reply to plaintiff-appellee’s brief in <i>Robertson v. Cooper</i> , No. 3066 (4th Cir. Oct. 31, 1930).....	88

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Docket No. 16-1794

NANTKWEST, INC., PLAINTIFF-APPELLEE

v.

ANDREI IANCU, DIRECTOR, U.S. PATENT AND
TRADEMARK OFFICE, DEFENDANT-APPELLANT

DOCKET ENTRIES

DATE	DOCKET NUMBER	PROCEEDINGS
4/5/16	<u>1</u>	Appeal docketed. Received: 04/01/2016. [324071] Entry of Appearance due 04/19/2016. Cer- tificate of Interest is due on 04/19/2016. Docketing State- ment due 05/05/2016. Appellant/ Petitioner's brief is due 06/06/2016. [SMJ] [Entered: 04/05/2016 02:13 PM]
		* * * * *
6/6/16	<u>19</u>	BRIEF FILED for Appellant Lee [<u>18</u>]. Number of Pages: 35. Service: 06/06/2016 by email. Pursuant to Fed. Cir. R. 31(b), filer is directed to file six copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 06/13/2016. Appel-

DATE	DOCKET NUMBER	PROCEEDINGS
		lee NantKwest, Inc. brief is due 07/18/2016. [341372] [SMJ] [Entered: 06/07/2016 09:51 AM]
		* * * * *
9/6/16	<u>24</u>	BRIEF FILED for Appellee NantKwest, Inc. [23]. Number of Pages: 48. Service: 09/06/2016 by email. Pursuant to Fed. Cir. R. 31(b), filer is directed to file six copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 09/12/2016. Appellant Michelle K. Lee, Director, U.S. Patent and Trademark Office reply brief is due 09/20/2016. [364642] [SMJ] [Entered: 09/07/2016 10:08 AM]
		* * * * *
10/11/16	<u>33</u>	REPLY BRIEF FILED for Appellant Lee [32]. Number of Pages: 16. Service: 10/11/2016 by email. The paper copies of the brief should be received by the court on or before 10/18/2016. Appendix is due 10/18/2016. [373974] [SMJ] [Entered: 10/13/2016 04:05 PM]
		* * * * *

DATE	DOCKET NUMBER	PROCEEDINGS
10/14/16	<u>36</u>	APPENDIX FILED for Lee [34]. Number of Pages: 106. Service: 10/14/2016 by email. The paper copies of the brief should be re- ceived by the court on or before 10/24/2016. [375325] [SMJ] [En- tered: 10/18/2016 12:53 PM]
		* * * * *
2/9/17	46	Submitted after ORAL ARGU- MENT by Jaynie Randall Lilley for Lee and Alan J . Heinrich for NantKwest, Inc. Panel: Judge: Prost, Judge: Dyk, Judge: Stoll. [405895] [JAB] [Entered: 02/09/2017 10:40 AM]
6/9/17	47	Official caption revised—the of- ficial caption in this matter is re- vised to substitute Joseph Matal, Performing the Functions and Duties of the Under Secretary of Commerce for Intellectual Property and Director, U.S. Pa- tent and Trademark Office, as defendant-appellant. The offi- cial caption is reflected on the electronic docket under the list- ing of the parties and counsel. Service as of this date by Clerk of Court. [438045] [JAB] [Entered: 06/09/2017 03:35 PM]

DATE	DOCKET NUMBER	PROCEEDINGS
6/23/17	<u>48</u>	OPINION and JUDGMENT filed. The judgment or decision is: Reversed and Remanded. (Precedential Opinion). (For the Court: Prost, Chief Judge; Dyk, Circuit Judge and Stoll, Circuit Judge). Dissenting opinion filed by Circuit Judge Stoll. [441589] VACATED pursuant to court order. See Doc. No. [49] [JAB] [Entered: 06/23/2017 09:29 AM]
8/31/17	<u>49</u>	PRECEDENTIAL ORDER filed vacating the Precedential Opinion [48]; reopening appeal. This case will be heard en banc sua sponte. Appellant's en banc brief is due 10/16/2017. By: En Banc (Per Curiam). Service as of this date by Clerk of Court. [457945] [SMJ] [Entered: 08/31/2017 10:08 AM]
		* * * * *
11/15/17	<u>55</u>	BRIEF FILED for Appellant Joseph Matal [54]. Number of Pages: 43. Service: 11/15/2017 by email. The paper copies of the brief should be received by the court on or before 11/27/2017. Appellee NantKwest, Inc. brief is due 12/15/2017. [476038] [SMJ] [Entered: 11/16/2017 08:40 AM]

DATE	DOCKET NUMBER	PROCEEDINGS
1/16/18	<u>89</u>	<p style="text-align: center;">* * * * *</p> BRIEF FILED for Appellee NantKwest, Inc. [88]. Number of Pages: 56. Service: 01/16/2018 by email. The paper copies of the brief should be received by the court on or before 01/24/2018. Appellant Joseph Matal, Performing the Functions & Duties of Director of the US Patent & Trademark Ofc reply brief is due 01/31/2018. [490165] [SMJ] [Entered: 01/17/2018 09:24 AM]
1/31/18	<u>139</u>	<p style="text-align: center;">* * * * *</p> REPLY BRIEF FILED for Appellant Joseph Matal [138]. Number of Pages: 21. Service: 01/31/2018 by email. The paper copies of the brief should be received by the court on or before 02/07/2018. [494086] [SMJ] [Entered: 01/31/2018 02:08 PM]
2/8/18	145	<p style="text-align: center;">* * * * *</p> Official caption revised to reflect confirmation of new PTO director. The official caption is reflected on the electronic docket under the listing of the parties and counsel. Service as of this date by Clerk of Court. [496319]

DATE	DOCKET NUMBER	PROCEEDINGS
3/8/18	146	<p>[SMJ] [Entered: 02/08/2018 01:40 PM]</p> <p>Submitted after ORAL ARGUMENT by Jaynie Randall Lilley for Iancu and Morgan Chu for NantKwest, Inc. Panel: Judge: Prost, Judge: Newman, Judge: Lourie, Judge: Dyk, Judge: Moore, Judge: O'Malley, Judge: Reyna, Judge: Wallach, Judge: Taranto, Judge: Hughes, Judge: Stoll. [503475] [JAB] [Entered: 03/08/2018 10:20 AM]</p>
7/27/18	<u>149</u>	<p>* * * * *</p> <p>OPINION and JUDGMENT filed. The judgment or decision is: Affirmed. (Precedential Opinion). (For the Court: Prost, Chief Judge; Newman, Lourie, Dyk, Moore, O'Malley, Reyna, Wallach, Taranto, Hughes, and Stoll, Circuit Judges). Dissenting opinion filed by Chief Judge Prost, in which Circuit Judges Dyk, Reyna, and Hughes join. [538948] [SMJ] [Entered: 07/27/2018 09:43 AM]</p> <p>* * * * *</p>

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
(ALEXANDRIA)

Docket No. 1:13-cv-01566-GBL-TCB
CONKWEST, INC. AND NANTKWEST, INC., PLAINTIFFS

v.

HON. MARGARET A. FOCARINO, PERFORMING THE
FUNCTIONS AND DUTIES OF UNDER SECRETARY OF
COMMERCE FOR INTELLECTUAL PROPERTY AND
DIRECTOR OF THE UNITED STATES PATENT AND
TRADEMARK OFFICE AND MICHELLE K. LEE,
DEPUTY UNDER SECRETARY OF COMMERCE FOR
INTELLECTUAL PROPERTY AND DEPUTY DIRECTOR OF
THE UNITED STATES PATENT AND TRADEMARK OFFICE,
DEFENDANTS

DOCKET ENTRIES

DATE	DOCKET NUMBER	PROCEEDINGS
12/20/13	<u>1</u>	COMPLAINT against Margaret A. Focarino (Filing fee \$400, receipt number 14683040817.), filed by ConkWest, Inc.. (Attachments: # <u>1</u> Civil Cover Sheet, # <u>2</u> Letter, # <u>3</u> Receipt) (gwalk,) Modified on 12/23/2013 to change the file date (gwalk,). (Entered: 12/23/2013)

* * * * *

DATE	DOCKET NUMBER	PROCEEDINGS
2/19/14	<u>5</u>	ANSWER to <u>1</u> Complaint, by Margaret A. Focarino. (Barghaan, Dennis) (Entered: 02/19/2014)
		* * * * *
1/22/15	<u>10</u>	NOTICE by Michelle K. Lee of <i>Submission of the Administrative Record (Part I)</i> (Attachments: # <u>1</u> Certification, # <u>2</u> A1-101, # <u>3</u> A102-202, # <u>4</u> A203-302, # <u>5</u> A303-403, # <u>6</u> A404-504) (Barghaan, Dennis) (Entered: 01/22/2015)
1/22/15	<u>11</u>	NOTICE by Michelle K. Lee of <i>Submission of the Administrative Record (Part II)</i> (Attachments: # <u>1</u> A505-605, # <u>2</u> A606-706, # <u>3</u> A707-807, # <u>4</u> A808-908, # <u>5</u> A909-1009) (Barghaan, Dennis) (Entered: 01/22/2015)
1/22/15	<u>12</u>	NOTICE by Michelle K. Lee of <i>Submission of the Administrative Record (Part III)</i> (Attachments: # <u>1</u> A1010-1110, # <u>2</u> A1111-1211, # <u>3</u> A1212-1312, # <u>4</u> A1313-1413) (Barghaan, Dennis) (Entered: 01/22/2015)
1/22/15	<u>13</u>	NOTICE by Michelle K. Lee of <i>Submission of the Administrative Record (Part IV)</i> (Attachments: # <u>1</u> A1414-1514, # <u>2</u> A1515-1615,

DATE	DOCKET NUMBER	PROCEEDINGS
1/22/15	<u>14</u>	# <u>3</u> A1616-1716, # <u>4</u> A1717-1817) (Barghaan, Dennis) (Entered: 01/22/2015) NOTICE by Michelle K. Lee <i>of Submission of the Adminis- trative Record</i> (Attachments: # <u>1</u> A1818-1888) (Barghaan, Den- nis) (Entered: 01/22/2015)
5/11/15	<u>33</u>	* * * * * MOTION in Limine <i>to Preclude Defendant from Relying on Evi- dence not Timely Disclosed Un- der Rule 26 (A)(2)</i> by ConkWest, Inc.. (Attachments: # <u>1</u> Sup- plement Declaration of Liane M. Peterson in Support of Plaintiff's Motion in Limine, # <u>2</u> Exhibit Ex A—the 1994 Abstract, # <u>3</u> Ex- hibit Ex B—The Blood Letter, # <u>4</u> Exhibit Ex C—Lanier Re- port, # <u>5</u> Exhibit Ex D— Klingemann 1996, # <u>6</u> Exhibit Ex E—Dec of Klingemann, # <u>7</u> Exhibit Ex F—Miller Rubuttal Report and exhibits, # <u>8</u> Exhibit Ex G—Excerpts Lanier Depo) (Peterson, Liane) (Entered: 05/11/2015) * * * * *

DATE	DOCKET NUMBER	PROCEEDINGS
5/11/15	<u>35</u>	MOTION in Limine <i>to Preclude Defendant from Relying on the Inventor's Work Published Within A Year of the Filing Date</i> by ConkWest, Inc.. (Peterson, Liane) (Entered: 05/11/2015)
5/11/15	<u>36</u>	Brief in Support to <u>35</u> MOTION in Limine <i>to Preclude Defendant from Relying on the Inventor's Work Published Within A Year of the Filing Date</i> filed by ConkWest, Inc.. (Attachments: # <u>1</u> Exhibit Index of Exhibits, # <u>2</u> Exhibit A—Klingemann et al., A cytotoxic NK-cell line, # <u>3</u> Exhibit B—Klingemann et al., Blood 87:4913 (1996), # <u>4</u> Exhibit C—Declaration of Hans-Georg Klingemann,) (Peterson, Liane) (Entered: 05/11/2015)
		* * * * *
5/11/15	<u>38</u>	MOTION in Limine <i>to Preclude Defendant From Relying on Post-Filing References As Prior Art or in Support of Obviousness</i> by ConkWest, Inc.. (Peterson, Liane) (Entered: 05/11/2015)
5/11/15	<u>39</u>	MOTION in Limine by Michelle K. Lee. (Barghaan, Dennis) (Entered: 05/11/2015)

DATE	DOCKET NUMBER	PROCEEDINGS
5/11/15	<u>40</u>	Brief in Support to <u>38</u> MOTION in Limine to Preclude Defendant From Relying on Post-Filing References As Prior Art or in Support of Obviousness filed by ConkWest, Inc.. (Attachments: # <u>1</u> Exhibit Index of Exhibits, # <u>2</u> Exhibit A—February 13, 2015 Expert Report of Lewis Lanier, # <u>3</u> Exhibit B—Tam, Y.K. et al., Human Gene Therapy, 10:1359 (1999), # <u>4</u> Exhibit C—Miller, J.S. et al., Blood 105:3051 (2005), # <u>5</u> Exhibit D—Tonn, T., et al., Cytotherapy 15:1563 (2013), # <u>6</u> Exhibit E—Arai, S., et al., Cytotherapy 10:625 (2008), # <u>7</u> Exhibit F—Geller, M.A., et al., Cytotherapy 13:98 (2011), # <u>8</u> Exhibit G—Morgan, R.A., et al., Mol. Therapy 18:843 (2010), # <u>9</u> Exhibit H—Cesano, A. et al., Cancer Immunol. Immunother. 44:125 (1997), # <u>10</u> Exhibit I—Fast, L.D., et al., Transfusion 53:373 (2013)) (Peterson, Liane) (Entered: 05/11/2015)
5/11/15	<u>41</u>	Memorandum in Support re <u>39</u> MOTION in Limine filed by Michelle K. Lee. (Attachments:

DATE	DOCKET NUMBER	PROCEEDINGS
		# <u>1</u> Exhibits 1-5) (Barghaan, Dennis) (Entered: 05/11/2015)
		* * * * *
5/11/15	<u>44</u>	MOTION for Summary Judgment by Michelle K. Lee. (Barghaan, Dennis) (Entered: 05/11/2015)
		* * * * *
5/26/15	<u>50</u>	Memorandum in Support re <u>44</u> MOTION for Summary Judgment (<i>Corrected</i>) filed by Michelle K. Lee. (Barghaan, Dennis) (Entered: 05/26/2015)
5/26/15	<u>51</u>	Memorandum in Opposition re <u>35</u> MOTION in Limine to Preclude Defendant from Relying on the Inventor's Work Published Within A Year of the Filing Date, <u>38</u> MOTION in Limine to Preclude Defendant From Relying on Post-Filing References As Prior Art or in Support of Obviousness, <u>33</u> MOTION in Limine to Preclude Defendant from Relying on Evidence not Timely Disclosed Under Rule 26(A)(2) filed by Michelle K. Lee. (Attachments: # <u>1</u> Table of Contents (Exhibits), # <u>2</u> Exhibits 1-2, # <u>3</u> Ex-

DATE	DOCKET NUMBER	PROCEEDINGS
5/26/15	<u>52</u>	<p>hibits 3-8) (Barghaan, Dennis) (Entered: 05/26/2015)</p> <p>Memorandum in Opposition re <u>39</u> MOTION in Limine filed by ConkWest, Inc.. (Attachments: # <u>1</u> Supplement Declaration of Liane M. Peterson in Support of Opposition, # <u>2</u> Exhibit A—Immunol-1995-Vujanovic, # <u>3</u> Exhibit B—Gong 1994, # <u>4</u> Exhibit C—Excerpts—Miller Transcript., # <u>5</u> Exhibit D) (Peterson, Liane) (Entered: 05/26/2015)</p>
5/29/15	<u>53</u>	<p>* * * * *</p> <p>Opposition to <u>44</u> MOTION for Summary Judgment filed by ConkWest, Inc.. (Attachments: # <u>1</u> Exhibit 1—Miller Declaration, # <u>2</u> Supplement Peterson Declaration, # <u>3</u> Exhibit A—Lanier Deposition Excerpts, # <u>4</u> Exhibit B—Lanier Expert Report with Ex 1, # <u>5</u> Exhibit C—955 Application, # <u>6</u> Exhibit D—Hyperplasia, # <u>7</u> Exhibit E—Clinical Trials) (Peterson, Liane) (Entered: 05/29/2015)</p>
6/2/15	<u>54</u>	<p>Reply to Motion re <u>35</u> MOTION in Limine to <i>Preclude Defendant from Relying on the Inventor's Work Published Within A Year</i></p>

DATE	DOCKET NUMBER	PROCEEDINGS
6/2/15	<u>55</u>	<p><i>of the Filing Date, <u>38</u> MOTION in Limine to Preclude Defendant From Relying on Post-Filing References As Prior Art or in Support of Obviousness, <u>33</u> MOTION in Limine to Preclude Defendant from Relying on Evidence not Timely Disclosed Under Rule 26(A)(2) (Omnibus Reply Brief in Support) filed by ConkWest, Inc.. (Attachments: # <u>1</u> Exhibit A—Excerpts from Deposition of Lewis Lanier dated March 10, 2015)(Peterson, Liane) (Entered: 06/02/2015)</i></p> <p>REPLY to Response to Motion re <u>39</u> MOTION in Limine filed by Michelle K. Lee. (Attachments: # <u>1</u> Exhibit 6) (Barghaan, Dennis) (Entered: 06/02/2015)</p>
6/9/15	<u>59</u>	<p>* * * * *</p> <p>REPLY to Response to Motion re <u>44</u> MOTION for Summary Judgment filed by Michelle K. Lee. (Attachments: # <u>1</u> Exhibit 28) (Barghaan, Dennis) (Entered: 06/09/2015)</p> <p>* * * * *</p>

DATE	DOCKET NUMBER	PROCEEDINGS
7/15/15	<u>73</u>	Minute Entry for proceedings held before District Judge Gerald Bruce Lee: Motion Hearing held on 7/15/2015 re <u>44</u> MOTION for Summary Judgment filed by Michelle K. Lee—heard and taken under advisement. The motions in limine will be decided on the papers, per the Court. Appearances: (plaintiff: Liane Marie Peterson, Cynthia Rigsby, Morgan Chu, Gary Frischling, Lauren Drake, Alan Heinrich; for Defendants: Dennis Barghaan, Mary Kelly, Sara Craven. (Court Reporter R. Wilson.) (tbul,) (Entered: 07/15/2015)
* * * * *		
9/2/15	<u>76</u>	MEMORANUDM OPNINION AND ORDER granting <u>44</u> Motion for Summary Judgment; denying as moot <u>33</u> Motion in Limine; denying as moot <u>35</u> Motion in Limine; denying as moot <u>38</u> Motion in Limine; denying as moot <u>39</u> Motion in Limine. Signed by District Judge Gerald Bruce Lee on 9/2/15. (gwalk,) (Entered: 09/02/2015)

DATE	DOCKET NUMBER	PROCEEDINGS
9/2/15	<u>77</u>	FINAL JUDGMENT. Signed by District Judge Gerald Bruce Lee on 9/2/15. (gwalk,) (Entered: 09/02/2015)
9/16/15	<u>78</u>	MOTION for the Expenses of the Proceeding by Michelle K. Lee. (Barghaan, Dennis) (Entered: 09/16/2015)
9/16/15	<u>79</u>	Memorandum in Support re <u>78</u> MOTION for the Expenses of the Proceeding filed by Michelle K. Lee. (Attachments: # <u>1</u> Exhibits A-D) (Barghaan, Dennis) (Entered: 09/16/2015)
		* * * * *
9/23/15	<u>81</u>	AGREED ORDER that the case caption for the above-referenced case is hereby amended as indicated below to identify Plaintiff as NantKwest. Inc.. Signed by District Judge Leonie M. Brinkema on 9/23/15. (klau,) (Entered: 09/23/2015)
9/24/15	<u>82</u>	NOTICE OF APPEAL as to <u>77</u> Judgment by NantKwest, Inc.. Filing fee \$505, receipt number 0422-4652121. (Peterson, Liane) (Entered: 09/24/2015)
		* * * * *

DATE	DOCKET NUMBER	PROCEEDINGS
10/19/15	<u>89</u>	Opposition to <u>78</u> MOTION for the Expenses of the Proceeding filed by NantKwest, Inc.. (Peterson, Liane) (Entered: 10/19/2015)
10/19/15	<u>90</u>	Declaration re <u>89</u> Opposition to <i>Defendant's Motion for Expenses</i> by NantKwest, Inc.. (Attachments: # <u>1</u> Exhibit 01—2015-06-26 Opposition to Petition for Rehearing or Rehearing En Banc, # <u>2</u> Exhibit 02—Final Judgment, # <u>3</u> Exhibit 03—2015-06-24 Supplemental Authority, # <u>4</u> Exhibit 04—Order Denying Petition for Rehearing, # <u>5</u> Exhibit 05—2013-11-13 Exs A-C to Memo ISO Defts Motion for Fees & Expenses, # <u>6</u> Exhibit 06—2015-01-13 Expert Report of J Miller—Excerpts, # <u>7</u> Exhibit 07—Declaration of Lewis L. Lanier, Ph.D.) (Peterson, Liane) (Entered: 10/19/2015)
		* * * * *
10/26/15	<u>93</u>	REPLY to Response to Motion re <u>78</u> MOTION for the Expenses of the Proceeding filed by Michelle K. Lee. (Attachments: # <u>1</u> Exhibits E-H) (Barghaan, Dennis)

DATE	DOCKET NUMBER	PROCEEDINGS
		(Entered: 10/26/2015)
		* * * * *
10/30/15	<u>95</u>	Minute Entry for proceedings held before District Judge Gerald Bruce Lee: Motion Hearing held on 10/30/2015 re: <u>78</u> MOTION for the Expenses of the Proceeding filed by Michelle K. Lee. Appearances: Liane Peterson, Lauren Drake for Pltff; Dennis Barghaan, Sara Craven, and Mary Kelly for the Director/Deft. Heard. T.U.A. Order to follow. (Court Reporter R. Wilson.) (tbul.) (Entered: 10/30/2015)
		* * * * *
2/5/16	<u>97</u>	MEMORANDUM OPINION and ORDER. ORDERED that Defendant Michelle K. Lee's Motion for Expenses is DENIED for attorney's fees of \$78,592.50 and GRANTED for the fees of \$33,103.89 for Defendant's expert witness Lewis Lanier; that Plaintiff pay the USPTO \$33,103.89 within 45 days of this Order. Signed by District Judge Gerald Bruce Lee on 2/5/2016. (rban.) (Entered: 02/05/2016)

DATE	DOCKET NUMBER	PROCEEDINGS
2/5/16	<u>98</u>	FINAL JUDGMENT. ORDERED that Judgment is ENTERED against Defendant Michelle Lee for the attorney's fees of the litigation, amounting to \$78,592.50 and in favor of Plaintiff Nankwest, Inc.; that Judgment is ENTERED in favor of Defendant Michelle Lee for the expenses of expert witness Lewis Lanier, amounting to \$33,103.89 and against Plaintiff Nankwest, Inc. Signed by District Judge Gerald Bruce Lee on 2/5/2016. (rban,) (Entered: 02/05/2016)
3/21/16	<u>99</u>	NOTICE by NantKwest, Inc. <i>Satisfaction of Payment of Expenses</i> (Peterson, Liane) (Entered: 03/21/2016)
4/1/16	<u>100</u>	NOTICE OF APPEAL as to <u>98</u> Judgment, by Michelle K. Lee. (Barghaan, Dennis) (Entered: 04/01/2016)

* * * * *

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 1:13-cv-01566-GBL-TCB

CONKWEST, INC.
THE PLASTINO BUILDING
2533 SOUTH COAST HIGHWAY 101, SUITE 210
CARDIFF-BY-THE-SEA, CA 92007-2133, PLAINTIFF

v.

HON. MARGARET A. FOCARINO, PERFORMING
THE FUNCTIONS AND DUTIES OF UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE,
P.O. BOX 1450, ALEXANDRIA, VA 22313-1450,
DEFENDANT

[Filed: Dec. 20, 2013]

COMPLAINT

Plaintiff Conkwest. Inc. (“Conkwest”), for its Complaint against Defendant, the Acting Director of the United States Patent and Trademark Office (“PTO”), alleges as follows:

I. NATURE OF THE ACTION

1. This civil action is brought pursuant to 35 U.S.C. § 145 by the assignee of U.S. Patent Application Serial No. 10/008,955 (“the ’955 application”), Plaintiff Conk-

west, against the Acting Director of the PTO seeking a judgment that Plaintiff is entitled to a patent for the invention specified in claims 20, 26, and 27 of the '955 application, which claims are the subject of a final decision by the Patent Trial and Appeal Board ("PTAB").

2. This civil action arises under 35 U.S.C. § 145 because Plaintiff Conkwest, to whom the applicant's rights in the '955 application have been assigned, is dissatisfied with the final decision of the PTAB in an appeal under 35 U.S.C. § 134(a) affirming the rejection of claims 20, 26, and 27 of the '955 application.

II. THE PARTIES

3. Plaintiff Conkwest is a corporation organized under the laws of the State of Illinois and has its principal place of business at 2533 South Coast Highway 101, Suite 210 Cardiff-by-the-Sea, CA 92007-2133.

4. Defendant Margaret A. Focarino is the Commissioner for Patents and, as of November 21, 2013, has been performing the functions and duties of the Under Secretary of Commerce for Intellectual Property and Director of the PTO, a position that is currently vacant. Defendant Focarino is sued in her official capacity.

5. On December 11, 2013, the U.S. Secretary of Commerce Penny Pritzker announced the appointment of Michelle K. Lee as the next Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the PTO. The announcement states that Ms. Lee will begin her new position on January 13, 2014.

III. JURISDICTION AND VENUE

6. This Court has jurisdiction and venue pursuant to 35 U.S.C. § 145 (as amended by the America Invents Act on September 16, 2011).

7. The PTAB decision was rendered by a three-judge panel on October 25, 2013. The PTAB decision was a final decision under 37 C.F.R. § 41.2. This Complaint is being timely filed, within sixty-three (63) days of the final decision, in accordance with 37 C.F.R. § 90.3(a)(3)(i).

8. Plaintiffs have not appealed the final decision of the PTAB at issue in this civil action to the United States Court of Appeals for the Federal Circuit.

9. Jurisdiction in this civil action is limited to claims 20, 26, and 27 of the '955 application, which claims were the only claims held unpatentable in the PTAB's final decision.

* * * * *

V. SOLE COUNT

37. Plaintiff incorporates by reference the allegations in paragraphs 1-36 above, as if fully set forth here.

38. The decision of the PTAB, affirming the rejection of claims 20, 26, and 27 of the '955 application under 35 U.S.C. § 103(a) over Gong in view of Santoli, was unwarranted by the facts, was unsupported by substantial evidence, was in excess of statutory jurisdiction, authority or limitation, and was arbitrary, capricious, an abuse of discretion or otherwise not in accordance with law.

39. Specifically, the PTAB (a) failed to establish a *prima facie* case of obviousness, (b) failed to give proper consideration to evidence demonstrating that the claimed treatment method would not have been obvious, and (c) applied incorrect legal standards in ascertaining whether claims 20, 26, and 27 of the '955 application would have been obvious over Gong in view of Santoli.

40. Claims 20, 26, and 27 of the '955 application are patentable and satisfy, *inter alia*, 35 U.S.C. § 103(a) as well as applicable statutory and regulatory requirements, and a United States Patent should issue thereon.

41. Upon allowance of claims 20, 26, and/or 27 of the '955 application, Plaintiff is entitled under 37 C.F.R. § 1.141 to consideration of any claim written in dependent form which includes all the limitations of claims 20, 26, and/or 27 of the '955 application, and a United States Patent should issue thereon.

VI. PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully prays as follows:

A. Entry of judgment setting aside and reversing the PTAB's conclusion, and the actions and findings underlying the conclusion, that claims 20, 26, and 27 of the '955 application are unpatentable under 35 U.S.C. § 103(a) over Gong in view of Santoli.

B. For a decree pursuant to 35 U.S.C. § 145, authorizing the Director of the PTO to issue a United States Patent for the invention specified in claims 20, 26, and 27 of the '955 application, and any dependent claims satisfying 37 C.F.R. § 1.141, in due form of law, as prescribed by the Patent Statute, 35 U.S.C. § 1 *et seq.*

C. For such other and further relief as the nature of the case may admit or require and as may be just and equitable.

Dated: Dec. 20, 2013

Respectfully submitted.

/s/ LIANE M. PETERSON
LIANE M. PETERSON
(VA Bar No. 65828)
lpeterson@foley.com
FOLEY & LARDNER LLP
3000 K Street, N.W., Suite 600
Washington, DC 20007
Telephone: (202) 672-5300
Facsimile: (202) 672-5399
*Attorneys for Plaintiff,
Conkwest, Inc.*

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 1:13cv1566
CONKWEST, INC., PLAINTIFF

v.

MICHELLE K. LEE, DEPUTY UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DEPUTY DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE, DEFENDANT

Filed: Feb. 19, 2014

ANSWER

Pursuant to Federal Rule of Civil Procedure 8, Michelle K. Lee, Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent and Trademark Office (“USPTO”), through her undersigned counsel, respectfully submits the instant answer to plaintiff’s complaint in the above-captioned action.

FIRST DEFENSE

The USPTO decisions at issue in this case were not arbitrary and capricious, an abuse of discretion, or otherwise not in accordance with the law.

SECOND DEFENSE

Pursuant to 35 U.S.C. § 145, defendant is entitled to her reasonable expenses, including those related to compensation paid for attorneys' and paralegals' time, incurred in defending this action, regardless of whether the final decision is in the plaintiff's favor.

* * * * *

WHEREFORE, defendant, having fully answered the allegations of the complaint, requests that this Court dismiss plaintiff's complaint and enter judgment in her favor, as well as deny plaintiff all relief requested, and award defendant the expenses it incurred in these proceedings.

Respectfully submitted,

DANA J. BOENTE
ACTING UNITED STATES ATTORNEY

By: /s/ _____
DENNIS C. BARGHAAN, JR.
Assistant U.S. Attorney
2100 Jamieson Avenue
Alexandria, Virginia 22314
Telephone: (703) 299-3891
Fax: (703) 299-3983
Email: dennis.barghaan@usdoj.gov
ATTORNEYS FOR DEFENDANT

DATE: Feb. 19, 2014

OF COUNSEL: Mary L. Kelly
Kristi L. R. Sawert
Associate Solicitors
United States Patent & Trademark
Office

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 1:13cv1566
CONKWEST, INC., PLAINTIFF

v.

MICHELLE K. LEE, DEPUTY UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DEPUTY DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE, DEFENDANT

Filed: Sept. 16, 2015

DEFENDANT'S MOTION FOR EXPENSES

Pursuant to 35 U.S.C. § 145, defendant, through her undersigned counsel, hereby respectfully moves for an order requiring plaintiff to pay to the United States Patent and Trademark Office the amount of \$111,696.39, representing the “expenses of the proceeding.” The grounds for this motion are more fully explicated in the simultaneously-filed memorandum of law in support of the motion.

Respectfully submitted,

DANA J. BOENTE
United States Attorney

By: /s/

DENNIS C. BARGHAAN, JR.
Assistant U.S. Attorney
2100 Jamieson Avenue
Alexandria, Virginia 22314
Telephone: (703) 299-3891
Fax: (703) 299-3983
Email: dennis.barghaan@usdoj.gov
ATTORNEYS FOR DEFENDANT

DATE: Sept. 16, 2015

OF COUNSEL: Mary Kelly
Sarah Craven
Associate Solicitors
United States Patent & Trademark
Office

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 1:13cv1566
CONKWEST, INC., PLAINTIFF

v.

MICHELLE K. LEE, DEPUTY UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DEPUTY DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE, DEFENDANT

Filed: Sept. 16, 2015

**MEMORANDUM OF LAW IN SUPPORT OF
DEFENDANT'S MOTION FOR EXPENSES**

Pursuant to Local Rule 7(F)(1), defendant, through her undersigned counsel, hereby respectfully submits the instant memorandum of law in support of her motion for expenses, pursuant to 35 U.S.C. § 145, in the above-captioned action.

INTRODUCTION

Following a decision of the Patent Trial and Appeal Board that affirmed rejections of certain of its patent claims, plaintiff CoNKwest, Inc., elected against seeking immediate judicial review in the United States Court of Appeals for the Federal Circuit. Instead, plaintiff filed the instant action in this Court against

the United States Patent and Trademark Office (“USPTO”), pursuant to 35 U.S.C. § 145, to present alleged “new evidence” to support the patentability of its proposed patent claims. On September 2, 2015, this Court entered summary judgment in favor of the USPTO, holding that neither the evidence already in the administrative record, nor plaintiff’s putative “new evidence,” could overcome the conclusion that its proposed claims would have been obvious over the prior art. The nature of this Court’s merits decision, however, is irrelevant to the relief sought in the instant motion.

The statutory language of § 145 clearly provides that “[a]ll of the expenses of the proceeding shall be paid by” plaintiff, without any reference to whether the plaintiff was ultimately successful in reversing the PTAB’s decision. 35 U.S.C. § 145. Put simply, Congress understood the greater burden defending these types of proceedings, as opposed to direct appellate review, imposes on the USPTO. And as such, Congress mandated that if an applicant elected to proceed in this Court, and have the opportunity to introduce new evidence, the applicant would be required to pay the expenses that the USPTO incurred in defending the action. Through this motion, the USPTO seeks an order requiring plaintiff to fulfill its statutory obligation to reimburse the USPTO for those expenses that it reasonably incurred in defending the instant action.

PROCEDURAL HISTORY

Plaintiff CoNKwest, Inc. commenced the instant civil action by filing its complaint in this Court on December 20, 2013 (Dkt. No. 1). That complaint sought this Court’s review, pursuant 35 U.S.C. § 145, of a

decision issued by the PTAB, which affirmed a USPTO examiner’s final rejections of certain claims of U.S. Patent Application 10/008,955, which had been assigned to plaintiff. Complaint, ¶ 1. Those patent claims “cover 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.” Mem. Op. (Dkt. No. 76), at 3. During the instant civil action in this Court, *eight* separate attorneys—from two international law firms—entered appearances for plaintiff.

As this Court recognized, claims seeking judicial review of a PTAB decision concerning on patentability pursuant to § 145 is a “hybrid” action, partly an appeal from an administrative body, and partly a new evidentiary proceeding. In particular, although plaintiff was entitled to introduce new evidence on patentability, “this Court’s review” was also “guided by the administrative record.” Id. at 13-14 (citing Johnson v. Rea, 2013 WL 1499052 (E.D. Va. Apr. 9, 2013); BTG Int’l Ltd. v. Kappos, 2012 WL 6082910, at *4 (E.D. Va. Dec. 6, 2012)). And that administrative record—which the USPTO filed in this Court (Dkt. Nos. 10-14)—was substantial, spanning nearly 2000 pages.

After the USPTO answered the complaint (Dkt. No. 5), discovery commenced with the entry of this Court’s standard scheduling orders (Dkt. Nos. 7; 9). The parties focused primarily on sophisticated expert discovery, with each party disclosing a single expert on the patentability issues—which concerned complex immunology subject-matter—presented in the action. In addition to the nearly 200 pages of expert reports produced during the discovery process, both parties took

lengthy depositions of the respective experts. The USPTO also took the deposition of the named inventor of the method claimed in the pertinent patent application.

Upon the close of discovery, the parties embarked on significant motions practice before this Court. The USPTO filed a motion for summary judgment, which sought dispositive treatment on plaintiff's § 145 claim, and also filed a motion *in limine*, which sought the exclusion of certain evidentiary items that the USPTO believed that plaintiff would introduce at trial (Dkt. Nos. 39; 41; 43-47). Plaintiff filed *three* separate motions *in limine*, each with independent supporting memoranda (Dkt. Nos. 33-38; 40; 42). Over the next three weeks' time, the parties proceeded to brief each of these motions fully (Dkt. Nos. 50-55; 59). On July 15, 2015, this Court heard argument on the motion for summary judgment (Dkt. No. 73).

Through a memorandum opinion and order dated September 2, 2015, this Court held that the USPTO was entitled to the entry of summary judgment in its favor "because there is no genuine material factual dispute as to whether the invention claimed in the [] application was obvious over the prior art, as found by both the Examiner and the Board," and that "no reasonable trier of fact could find that the claimed invention was not obvious over the prior art." Mem. Op. (Dkt. No. 76), at 15; 17. More specifically, this Court concluded as follows:

There is no dispute that, together, Santoli and Gong disclose all the elements of the claimed invention. Even considering the new evidence and drawing all inferences in CoNKwest's favor, it is clear that a [person of ordinary skill in the art] in 1997 would

have had a reasonable expectation that NK-92 cells would recognize and lyse one or more cancer cells *in vivo* in a mammal.

Id. at 22. The Clerk of this Court entered judgment in favor of the USPTO the same day (Dkt. No. 77).

ARGUMENT

* * * * *

II. THE USPTO IS ENTITLED TO THE REIMBURSEMENT OF ALL OF THE REASONABLE “EXPENSES” IT INCURRED IN LITIGATING THE INSTANT ACTION

The USPTO thus seeks from this Court an order requiring plaintiff to reimburse the agency for two types of expenses: (1) expert witness outlays; and (2) those portions of the salaries of the pertinent USPTO attorneys and paralegals that were devoted to the litigation of this civil action. Although the USPTO incurred other expenses in this litigation (*e.g.*, photocopying and other travel costs for its own personnel), in an exercise of discretion, it has elected against seeking reimbursement of those expenses.

* * * * *

B. THE USPTO IS ENTITLED TO REIMBURSEMENT OF THOSE PORTIONS OF ATTORNEY & PARALEGAL SALARIES DEDICATED TO THE LITIGATION OF THIS CIVIL ACTION

1. The USPTO, in defending this action, also incurred significant expense in the form of personnel salaries, for which it is entitled to reimbursement from plaintiff as “expenses of the proceeding” pursuant to § 145. To

date, the only court of appeals to have confronted this question has held that the statutory phrase “expenses of the proceeding”—within 15 U.S.C. § 1071(b)(3), the trademark analogue to § 145—requires an applicant seeking review of a USPTO decision in this Court to reimburse the USPTO for those portions of its attorneys and paralegals’ salaries that were dedicated to a defense of the action. See *Shammas v. Focarino*, 784 F.3d 219, 227 (4th Cir. 2015), affirming 990 F. Supp. 2d 587 (E.D. Va. 2015) (Ellis, J.).²

There are simply no material differences between § 1071(b) and § 145 for the instant purposes. As provided below, the statutory language is identical, the nature of the two proceedings is identical, and both statutes share a common legislative lineage.

Initially, and perhaps most importantly, the statutory language in the two provisions is identical—*i.e.*, both require an applicant who elects against seeking judicial review in the Federal Circuit, and instead elects to proceed in district court, to pay the “expenses of the proceeding.” Compare 15 U.S.C. § 1071(b)(3) (requiring the dissatisfied applicant to pay “all the expenses of the proceeding”) with 35 U.S.C. § 145 (requiring the dissatis-

² The USPTO recognizes that the Fourth Circuit’s decision in *Shammas* is not technically binding on this Court (in the pure *stare decisis* sense) for purposes of the instant motion because, as an action brought pursuant to 35 U.S.C. § 145 (*i.e.*, part of the Patent Act), the Federal Circuit serves as this Court’s reviewing court of appeals here. Nevertheless, the Fourth Circuit’s decision in *Shammas* remains (along with Judge Ellis’s decision that it affirms) the only decision to have opined on whether the statutory term “expenses” for purposes of district court review of USPTO decisionmaking includes attorney salaries, and its cogent analysis should guide this Court’s analysis.

fied applicant to pay “[a]ll of the expenses of the proceeding”). And as the Fourth Circuit held, the term “‘expenses’ is sufficiently broad to include attorneys['] fees and paralegals['] fees.”³ Shammas, 784 F.3d at 222.⁴

Second, the nature of the district court proceedings authorized by § 1071(b)(3) are identical to those authorized by § 145, especially as they relate to the added burden on the USPTO. Both statutory provisions allow a dissatisfied applicant to seek judicial review of a USPTO decision in district court—as opposed to the Federal Circuit—and both proceedings allow that applicant to introduce new evidence in support of their

³ It bears mentioning in this context that although the Shammas court held that the term “expenses” encompassed “attorneys’ fees,” the USPTO does not here seek reimbursement of “attorneys’ fees” as that term is typically understood for litigative purposes—*i.e.*, payment of a set hourly rate determined by a judicially-accepted formula regardless of the actual amount charged. Instead, the USPTO only seeks reimbursement of the actual salaries paid to its attorneys and paralegals for the time dedicated to this action, which, as demonstrated in greater below, is *far* less than the hourly rates that this Court has authorized in traditional litigative contexts.

⁴ Data available to the USPTO reveal that the agency dedicates yearly in excess of 2000 hours of attorney time, and in excess of 2000 hours of paralegal time, for civil actions brought pursuant to 15 U.S.C. § 1071(b) and 35 U.S.C. § 145; in essence, the USPTO devotes the entire services of at least one attorney and one paralegal for these types of actions annually. Put simply, as the Shammas court held, without these types of proceedings, the USPTO would hire fewer attorneys and be able to allocate those amounts to other aspects of the agency’s mission. See Shammas, 784 F.3d at 223 (holding that “the PTO [] incurred expenses when its attorneys were required to defend to Director in the district court proceedings, because their engagement diverted the PTO’s resources from other endeavors” (citing Wisconsin v. Hotline Indus., Inc., 236 F.3d 363, 365 (7th Cir. 2000))).

substantive position on either patentability or the propriety of trademark registration. As the Fourth Circuit held, these types of proceedings are “more fulsome and expensive,” and require the USPTO “to expend substantially greater time and effort and incur substantially greater expense than it would otherwise in an appeal to the Federal Circuit.” Shammas, 784 F.3d at 225. And accordingly, through the “expenses” provision that is at issue here, “Congress obviously intended to reduce the financial burden on the PTO in defending such a proceeding.” Id. The same “obviously” applies to a § 145 action.

Finally, the Fourth Circuit in Shammas held that Congress actually modeled the “expenses” provision in § 1071(b)(3) to be identical to a provision in the Patent Act of 1836. Id. at 226 (“The ‘all the expenses’ provision for trademark cases was adopted from a parallel provision in Title 35 (addressing patents)”). In looking at the legislative history of this patent provision, the Shammas court noted that “Congress understood the term ‘expenses’ to include the salaries of the [Patent] Office’s employees,” and accordingly, it was “reasonable to conclude that” the term “expenses” included the salaries of the agency’s personnel. Id. at 226-27.

As such, because there are no material differences between Congress’s use of the term “expenses” in 15 U.S.C. § 1071(b)(3) and 35 U.S.C. § 145, this Court should follow Shammas’s cogent statutory analysis, and hold that the USPTO is entitled to reimbursement of that portion of its attorneys’ and paralegals’ salaries that was dedicated to the defense of this action.

2. From this premise, the USPTO must bear the burden to establish a quantifiable amount for these legal expenses—often identified as “a proportional share of the salaries of its attorneys handling” the case. Hotline Indus., 236 F.3d at 368. As the attached declarations demonstrate, the two primary USPTO attorneys assigned to this case⁵ earn salaries of \$157,100 and the assigned paralegal earns \$91,657. DEX A-C. The instant motion uses 2000 hours in calculating the proper hourly amount, given that USPTO attorneys and paralegals are required to account for eighty (80) hours every two weeks (*i.e.*, 2,087/year).⁶ See Shammas, 990 F. Supp. 2d at 592 (“Accordingly, rather than using the market rate method, the PTO multiplied the number of hours its attorneys and paralegal devoted to the case by the actual hourly rate of the attorneys and paralegal. Thus, the resulting product of the hours worked times the actual hourly rate . . . is the amount § 1071(b) requires plaintiff to pay the PTO.”). That ratio would suggest that USPTO attorneys earn \$78.55/hour from their salaries,⁷ and Ms. Fletcher earns

⁵ It bears mentioning in this context that although other attorneys assisted in the defense of this civil action, the USPTO is only seeking its expenses with respect to the two primarily-assigned attorneys.

⁶ Although USPTO attorneys and paralegals may literally work fewer than 2000 hours/year if they take more than two weeks of leave, any lower number would inhere to the detriment of plaintiff, because the resulting ratio would yield a higher hourly figure.

⁷ As a comparison, these “hourly” rates are much lower than the rates that this Court has recently approved—through the well-established lodestar approach—for attorneys with analogous years of experience, in far less complicated litigation. See, e.g., Tech Sys., Inc. v. Pyles, 2013 WL 4033650, at *7 (E.D. Va. Aug. 6, 2013). For instance, for those with seven years of experience (Ms. Cra-

\$45.82/hour. Multiplying those figures by the number of hours that Ms. Kelly (685.5), Ms. Craven (285), and Ms. Fletcher (51.50) dedicated to this complex action, DEX A-C, yields \$78,592.50.

CONCLUSION

For the foregoing reasons, this Court should enter an order requiring plaintiff to remit \$111,696.39 to the USPTO as the “expenses” of this “proceeding.”

Respectfully submitted,

DANA J. BOENTE
United States Attorney

By: /s/

DENNIS C. BARGHAAN, JR.
Assistant U.S. Attorney
2100 Jamieson Avenue
Alexandria, Virginia 22314
Telephone: (703) 299-3891
Fax: (703) 299-3983
Email: dennis.barghaan@usdoj.gov

ATTORNEYS FOR DEFENDANT

DATE: Sept. 16, 2015

OF COUNSEL: Mary L. Kelly
Sarah Craven
Associate Solicitors
United States Patent & Trademark
Office

ven), this Court authorized a range of rates between \$350-600/hour.
See id.

EXHIBIT

A

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 1:13cv1566 (GBL)

CONKWEST, INC., PLAINTIFF

v.

MICHELLE K. LEE, UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE, DEFENDANT

Filed: Sept. 16, 2015

DECLARATION OF MARY L. KELLY

I, Mary L. Kelly, hereby declare as follows:

1. The facts set forth in this Declaration are based upon my personal knowledge.
2. I am employed as an Associate Solicitor in the Office of the Solicitor within the Office of General Counsel at the United States Patent and Trademark Office (“USPTO”), 600 Dulany Street, Alexandria, Virginia.
3. I am one of two USPTO attorneys representing the Defendant, Michelle K. Lee, in her capacity as Under Secretary of Commerce for Intellectual Property and Director of the USPTO in this case.

4. I am an attorney licensed to practice law in, and am a member in good standing of the bar for the State of Illinois (Bar No. 6270055).
5. I have been employed in the Solicitor's Office as an Associate Solicitor since March 2002, when I was hired as an attorney paid at the GS Grade 15 Step 10 level. I am currently employed with the USPTO at the same grade and step level.
6. I have an annual salary of \$157,100.00.
7. During my tenure in the Solicitor's Office, I have been the principal or second attorney on more than at least 50 appeals before the Federal Circuit seeking review of USPTO decisions. I have also been the principal USPTO attorney on at least a dozen district court civil actions seeking review of USPTO decisions pursuant to 35 U.S.C. § 145, and pursuant to the Administrative Procedure Act. During my tenure in the USPTO Solicitor's Office, I have also assisted the U.S. Department of Justice, including the Office of the U.S. Solicitor General, on several Supreme Court matters involving patent legal issues.
8. Prior to my employment with the USPTO, I was an associate attorney at the intellectual property firm of McAndrews, Held & Malloy in Chicago, Illinois. My practice involved all aspects of patent law, including prosecuting patent applications before the USPTO and litigating patent matters in federal district courts.

9. I spent a total of 685.50 hours working on this case as revealed by the USPTO's internal time-keeping system, which collected data I entered contemporaneously with my work on the case.

I hereby declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: Sept. 15, 2015

MARY L. KELLY
MARY L. KELLY
Associate Solicitor
*Office of the Solicitor for the
U.S. Patent and Trademark Office*

EXHIBIT

B

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 1:13cv1566 (GBL)

CONKWEST, INC., PLAINTIFF

v.

MICHELLE K. LEE, UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE, DEFENDANT

Filed: Sept. 16, 2015

DECLARATION OF SARAH E. CRAVEN

I, Sarah E. Craven, hereby declare as follows:

1. The facts set forth in this Declaration are based upon my personal knowledge.
2. I am employed as an Associate Solicitor in the Office of the Solicitor within the Office of General Counsel at the United States Patent and Trademark Office (“USPTO”), 600 Dulany Street, Alexandria, Virginia.
3. I am one of two USPTO attorneys representing the Defendant, Michelle K. Lee in her capacity as Under Secretary of Commerce for Intellectual Property and Director of the USPTO in this case.

4. I am an attorney licensed to practice law in, and am a member in good standing of the bar of the District of Columbia (Bar No. 1011094).
5. I have been employed in the Solicitor's Office as an Associate Solicitor since November 2014, when I was hired as an attorney paid at the GS Grade 15 Step 10 level. I am currently employed with the USPTO at the same grade and step level.
6. I have an annual salary of \$157,100.00.
7. During my tenure in the Solicitor's Office, I have been the principal or second attorney on at least 5 appeals before the Federal Circuit seeking review of decisions by the Patent Trial and Appeal Board. I have also been the principal or secondary USPTO attorney on at least two district court civil actions seeking review of USPTO decisions pursuant to 35 U.S.C. § 145 or the Administrative Procedure Act.
8. Prior to my employment with the USPTO, I was an associate attorney at the law firm of Finnegan LLP in Washington, D.C. My practice involved all aspects of patent law, including litigating patent matters in federal district courts.
9. I spent a total of 285.00 hours working on this case as revealed by the USPTO's internal time-keeping system, which collected data I entered contemporaneously with my work on the case.

I hereby declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: Sept. 15, 2015

SARAH E. CRAVEN
SARAH E. CRAVEN
Associate Solicitor
*Office of the Solicitor for the
U.S. Patent and Trademark Office*

EXHIBIT

C

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 1:13cv1566 (GBL)

CONKWEST, INC., PLAINTIFF

v.

MICHELLE K. LEE, UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE, DEFENDANT

Filed: Sept. 16, 2015

DECLARATION OF MACIA L. FLETCHER

I, Macia L. Fletcher, hereby declare as follows:

1. The facts set forth in this Declaration are based upon my personal knowledge.
2. I am employed as a Paralegal Specialist in the Office of the Solicitor within the Office of General Counsel at the United States Patent and Trademark Office (“USPTO”), 600 Dulany Street, Alexandria, Virginia, counsel for the Defendant, Michelle K. Lee in her capacity as Under Secretary of Commerce for Intellectual Property and Director of the USPTO.
3. I have been employed in the Solicitor’s Office at the USPTO since September, 2004.

4. Prior to my employment at the USPTO, I was employed as a Paralegal Specialist in the Trade Practices Division within the Office of the Assistant General Counsel at the United States Department of Agriculture, 1400 Independence Avenue, S.W., Washington, D.C.
5. At the USPTO, I am presently employed at the GS Grade 12—Step 7 level, with an annual salary of \$91,657.
6. I spent a total of 51.50 hours working on this case. My work included obtaining and preparing the USPTO's evidence with supporting declarations in this case.

I hereby declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: Sept. 15, 2015

MACIA L. FLETCHER
MACIA L. FLETCHER
Paralegal Specialist
*Office of the Solicitor for the
U.S. Patent and Trademark Office*

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 1:13-cv-01566-GBL-TCB

NANTKWEST, INC., PLAINTIFF

v.

MICHELLE K. LEE, DEPUTY UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DEPUTY DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE, DEFENDANT

Filed: Oct. 19, 2015

NANTKWEST, INC'S OPPOSITION
TO DEFENDANT'S MOTION FOR EXPENSES

* * * * *

I. INTRODUCTION

NantKwest, Inc. (“NantKwest”) filed this proceeding to address an adverse decision from the United States Patent and Trademark Office (“USPTO”) regarding its long-pending patent application. The patent statute authorizes this civil action to obtain a patent and provides that “[a]ll the expenses of the proceeding shall be paid by the applicant.” 35 U.S.C. § 145 (emphasis added). The USPTO now seeks \$111,696.39 as “expenses” under this provision. But the USPTO’s figure is unlawfully and improperly inflated in two respects.

First, the USPTO’s demand improperly includes attorney’s fees—\$78,592.50 to pay various USPTO legal employee’s salaries. The American Rule prohibits any such award. Under that Rule, each litigant presumptively pays its own attorney’s fees absent specific and explicit statutory language to the contrary. Section 145 contains no such clear language. Indeed, in the over two hundred years that parties have been entitled by statute to file civil actions to obtain patents in the instant manner, the USPTO has never before been awarded, or even sought, any attorney’s fees.

Further, even if such attorney’s fees were allowable (they are not), the USPTO has not met its burden to provide sufficient documentation to justify any fee award. Instead, the USPTO merely provides conclusory declarations, without any supporting documentation, that state the total hours that its salaried employees allegedly worked on this case. The USPTO provides no information regarding the time spent on any particular task and never describes the particular work performed as would be necessary to assess reasonableness. The USPTO then uses this undocumented,

unsupported “total” time to apportion its legal fees based on each employee’s yearly salary. But the USPTO has not shown that the particular personnel involved would have been unemployed, or received any lower compensation, had NantKwest never filed this proceeding. Hence, these employee salaries cannot be an “expense of the proceeding,” as the statute requires, any more than could the USPTO’s rent, electric bills, computers, office chairs, or other fixed expenses.

Second, the USPTO’s figure includes unreasonable and excessive fees and expenses paid to the USPTO’s expert witness, Dr. Lanier. The USPTO chose to pay Dr. Lanier for his opinions at double the hourly rate he was paid to apply the exact same expertise in a prior matter. Further, his rate is also more than double the rate that NantKwest’s highly qualified expert charged to address the exact same subject matter. The USPTO is not entitled to reimbursement for such grossly inflated expenses. Were it otherwise, the USPTO could routinely hire experts at exorbitant hourly rates as a means to discourage patent applicants from exercising their statutorily authorized right to challenge administrative decisions in this Court.

II. FACTUAL BACKGROUND

The patent application involved here is U.S. Patent Application Serial No. 10/008,955 (the “955 application”). It discloses and claims a method for treating a cancer *in vivo* in a mammal using a particular cell line, NK-92. The application was filed on December 7, 2001 and claims the benefit of an earlier application filed on April 30, 1997.

On December 20, 2010, the USPTO issued a Final Office Action that rejected the application's claims. NantKwest appealed to the Board of Patent Appeals and Interferences (now the Patent Trials and Appeals Board (the "PTAB")). On October 25, 2013, nearly 12 years after NantKwest filed the '955 application, the PTAB issued a "Decision on Appeal" affirming in-part and reversing-in-part the USPTO's Final Office Action.

On December 20, 2013, NantKwest filed the instant action under 35 U.S.C. § 145. (Dkt. No. 1). Although this matter has been pending for nearly two years, it has not been heavily litigated. For example, the Court's Rule 16(b) scheduling order was entered on December 1, 2014, nearly a year after this case was filed. (Dkt. Nos. 8 and 9). Under this scheduling order, as modified, (Dkt. No. 18), the parties conducted limited fact and expert discovery. The USPTO filed a motion for summary judgment that the '955 application's claims would have been obvious. (Dkt. Nos. 44 and 45). The parties also filed a limited number of motions *in limine*. (Dkt. Nos. 33, 35, 38, and 39).

On September 2, 2015, this Court granted the USPTO's motion for summary judgment and denied the parties' motions *in limine* as moot. (Dkt. No. 76). On the same day, the Clerk of this Court entered judgment in the USPTO's favor. (Dkt. No. 77).

On September 16, 2015, the USPTO filed the instant motion seeking \$111,696.39 in "expenses" pursuant to Section 145. (Dkt. No. 78). On September 24, 2015, NantKwest timely filed a Notice of Appeal of this Court's summary judgment decision. (Dkt. No. 82).

III. DEFENDANT’S MOTION FOR EXPENSES SHOULD BE DENIED

A patent applicant has two options for judicial review if the PTAB denies its application. “The applicant may either: (1) appeal the decision directly to the United States Court of Appeals for the Federal Circuit, pursuant to § 141; or (2) file a civil action against the Director of the PTO in the United States District Court for the [Eastern District of Virginia] pursuant to § 145.” *Kappos v. Hyatt*, 132 S. Ct. 1690, 1694 (2012). With the second option, “[a]ll the expenses of the proceedings shall be paid by the applicant.” 35 U.S.C. § 145. Stretching far beyond the “expenses” traditionally paid under this provision (such as printing, travel, and reasonable expert witness expenses), the USPTO proposes to add attorney’s fees, thus creating a potentially enormous new penalty for all patent applicants that exercise their congressionally mandated right to judicial review in district court. The Court should reject the USPTO’s proposed new claim to attorney’s fees for three reasons.

First, Section 145 does not specifically and explicitly provide for attorney’s fees. The American Rule prohibits fee-shifting based on a statutory provision as ambiguous as the “expenses” language in Section 145. Indeed, nearly two hundred years of history reflect that this statute has never been interpreted to provide for attorney’s fees and Congress has foregone multiple opportunities to clearly include any such fees in Section 145.

Second, the only legal authority that the USPTO provides to support its request for fees is the Fourth Circuit’s non-binding, divided decision in *Shammas v. Focarino*, which addressed a similar provision in the

trademark statute. 784 F.3d 219 (4th Cir. 2015). The *Shammas* decision erroneously awarded fees based on its premise that the American Rule applies only where the statute in question awards fees to a “prevailing party.” *Id.* at 223-24. But a subsequent Supreme Court decision undermines that faulty premise and makes clear that American Rule applies whenever a litigant seeks to recover attorney’s fees. *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2165-66 (2015). Further, the American Rule’s presumption against fee-shifting is particularly strong in the “unusual” circumstance where, as here, the statute would otherwise be interpreted to provide attorney’s fees without regard to which party prevailed. *Id.* at 2166.

Third, even assuming, incorrectly, that Section 145 authorized attorney’s fees, any expenses awarded must be reasonable. The USPTO provides no sufficient supporting documentation for its attorney’s fees, pointing only to conclusory statements regarding the total time its salaried employees supposedly worked on this case. Such statements are insufficient to establish reasonableness.

In addition, the Court should reject the USPTO’s requested expert witness expenses because the USPTO provides no support for its expert’s excessive hourly rate. Instead, the evidence establishes that his rates are as much as double the reasonable amount. The Court should not award such unreasonably excessive expenses.

A. Attorney's Fees Are Not Recoverable Under Section 145.

1. The American Rule: No Attorney's Fees Absent "Specific And Explicit" Statutory Authorization.

The American Rule precludes the attorneys' fees that the USPTO now seeks to graft onto the ambiguous language in Section 145. The "basic point of reference when considering the award of attorney's fees is the bedrock principle known as the American Rule: Each litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise." *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252-53 (2010) (internal quotation marks omitted). As the Supreme Court has explained, the American Rule "is deeply rooted in our history and in congressional policy; and it is not for [the courts] to invade the legislature's province by redistributing litigation costs." *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 271 (1975). Accordingly, "absent statute or enforceable contract, litigants pay their own attorneys' fees." *Id.* at 257 (citations omitted).

Courts "will not deviate from the American Rule absent explicit statutory authority." *Baker Botts*, 135 S. Ct. at 2164 (citations and quotations omitted). Hence, departure from the American Rule is permitted only with "specific and explicit provisions for the allowance of attorneys' fees under selected statutes" that establish a clear Congressional intent to deviate from the American Rule. *Alyeska Pipeline*, 421 U.S. at 260. Section 145 contains no such "specific and explicit" language providing for attorney's fees, whether as USPTO legal employee salaries or otherwise.

2. *The American Rule Applies Because Section 145 Does Not “Specifically And Explicitly” Authorize Attorney’s Fees.*

Contrary to the requirements that the Supreme Court reiterated in *Baker Botts*, Section 145 neither specifically nor explicitly authorizes courts to shift the attorney’s fees incurred in adversarial litigation from one side to the other. Instead, Section 145 contains two significant qualifications on its cost-shifting provision. First, only “expenses” are compensable under Section 145. “Fees” are never mentioned, let alone “attorney’s fees.” Second, to be compensable under Section 145, the USPTO’s “expenses” must be incurred for “the proceeding” at hand. 35 U.S.C. § 145 (emphasis added). In other words, the USPTO may not seek compensation for fixed and other expenses that it would have incurred regardless of whether or not the particular proceeding in question had ever been filed. Nothing in Section 145 trumps the American Rule or transforms the USPTO’s fixed legal employee yearly salaries into case-specific “expenses.”

When Congress intends to authorize an award of attorney’s fees it is explicit. *See, e.g.*, 35 U.S.C. § 285 (authorizing, in “exceptional cases,” awards of “reasonable attorney fees”); 15 U.S.C. § 1114(2)(D)(iv) (imposing liability on party making material misrepresentations “for any damages, including costs and attorney’s fees”); 15 U.S.C. § 1116(d)(11) (authorizing, in action for wrongful seizure of goods or marks, award of “a reasonable attorney’s fee”); 15 U.S.C. § 1117(a) (authorizing, in “exceptional cases,” awards of “reasonable attorney fees”); 15 U.S.C. § 1117(b) (authorizing, in counterfeit mark litigation, recovery of “a reasonable attorney’s fee”).

ney’s fee”); *Shammas*, 784 F.3d at 228 (King, J., dissenting).¹ On its own, the term “expenses” is ambiguous. Accordingly, when Congress actually intends to authorize attorney’s fees it modifies that term to provide both clarity and specificity. Such fees may be authorized in addition to expenses. *See, e.g.*, 11 U.S.C. § 363(n) (authorizing recovery of “any costs, attorneys’ fees, or expenses incurred”); 12 U.S.C. § 1464(d)(1)(B)(vii) (at the court’s discretion, obligating federal savings associations to pay “reasonable expenses and attorneys’ fees” in enforcement actions); 26 U.S.C. § 6673(a)(2)(A) (requiring lawyers who cause excessive costs to pay “excess costs, expenses, and attorneys’ fees”); 31 U.S.C. § 3730(d)(4) (authorizing, in false claims suit, “reasonable attorneys’ fees and expenses” to prevailing defendant); *Shammas*, 784 F.3d at 228 (King, J., dissenting). Alternatively, such fees may be authorized as a component of so-called expenses. *See, e.g.*, 12 U.S.C. § 5009(a)(1)(B) (holding party at fault liable for “interest and expenses (including costs and reasonable attorney’s fees and other expenses of representation)”); Fed. R. Civ. P. 37(a)(5)(A) (requiring party at fault to pay “reasonable expenses . . . including attorney’s fees”); *Shammas*, 784 F.3d at 228-29 (King, J., dissenting). These examples demonstrate that the meaning Congress intends when it uses the term “expenses” alone is far

¹ In his dissent, Judge King reasoned that “[b]ecause the American Rule applies” and “§ 1071(b)(3) cannot overcome the presumption against fee awards embodied in the American Rule, . . . the district court’s award of attorney’s fees should be vacated.” *Shammas*, 784 F.3d at 228. Due to the Supreme Court’s decision in *Baker Botts* rejecting the *Shammas* majority’s only basis for reaching a different conclusion, Judge King’s dissent in fact provides the proper analysis. *Baker Botts*, 135 S. Ct. at 2166.

from clear. But when Congress actually intends to authorize attorney’s fees, it can and does say so with precision.

This is especially true where, as here, the statute at issue involves civil actions against the government. Pursuant to 28 U.S.C. § 2412 (the “Equal Access to Justice Act”), an eligible party who prevails in a civil action against the government may recover its costs and fees. *Id.* Certain provisions of the Equal Access to Justice Act refer to expenses in addition to (and therefore different from)² “fees . . . of attorneys.” 28 U.S.C. § 2142(a)(1) (authorizing the award of costs “but not including the fees and expenses of attorneys”); 28 U.S.C. § 2142(b) (authorizing “reasonable fees and expenses of attorneys”); 28 U.S.C. § 2142(c)(2) (specifying the manner of payment for “fees and expenses of attorneys”). Other provisions refer to the “fees” as a component of expenses. 28 U.S.C. § 2142(d)(1)(A), (B) (referring to “fees and other expenses”). The generic phrase “fees and other expenses” is then defined as specifically including “reasonable attorney fees.” 28 U.S.C. § 2412(d)(2)(A).³ Again, while the meaning Congress intends when it uses the term “expenses” is far from clear, Congress is explicit when it intends to authorize attorney’s fees.

The USPTO argues that the term “expenses” could be broadly interpreted to include attorney’s fees. Mtn. at 7. That argument misses the point. If the American

² Otherwise, the use of the phrase “fees and expenses of attorneys” would result in surplusage.

³ This provision once again demonstrates that Congress recognizes the need to be explicit when authorizing attorney’s fees.

Rule’s presumption against fee-shifting succumbed to any argument that broad statutory language could possibly be interpreted to include attorney’s fees, it would be a very weak presumption indeed. But to the contrary, finding some dictionary definition for one word or phrase that might plausibly include attorney’s fees is not sufficient. For example, the Supreme Court has found that even the “open-ended phrase ‘reasonable compensation,’ standing alone, is not the sort of ‘specific and explicit provisio[n]’ that Congress must provide in order to alter [the American Rule].” *Baker Botts*, 135 S. Ct. at 2168 (quoting *Alyeska Pipeline*, 421 U.S. at 260). The broad, ambiguous phrase “all expenses,” like the open-ended phrase “reasonable compensation” is thus not sufficiently specific to displace the American Rule.⁴ *Id.* at 2168. This is particularly so given that

⁴ The USPTO has previously argued that *Baker Botts* establishes that the language of Section 145 “would satisfy the American Rule” because the Supreme Court agreed that the phrase “reasonable compensation for actual, necessary services rendered” was sufficiently clear to overcome the presumption of the American Rule. Defendant-Appellee Margaret A. Focarino’s Opposition to Petition for Rehearing or Rehearing En Banc at 12, *Shammas v. Focarino*, Appeal No. 14-1191 (4th Cir. June 26, 2015) (Ex. 1). This argument ignores that the Supreme Court found the open-ended phrase “reasonable compensation” insufficient to overcome the presumption of the American Rule. *Baker Botts*, 135 S. Ct. at 2168. Indeed, the phrase “all expenses” is even more-open ended and ambiguous than “reasonable compensation,” which at least suggests payment for work performed. Compare COMPENSATION, Black’s Law Dictionary (10th ed. 2014) (“Remuneration and other benefits received in return for services rendered; esp., salary or wages.”) with EXPENSE, Black’s Law Dictionary (10th ed. 2014) (“An expenditure of money, time, labor, or resources to accomplish a result; esp., a business expenditure chargeable against revenue for a specific period.”).

Congress elsewhere included clear and specific language in the patent statute when it wanted to authorize fee-shifting. *See, e.g.*, 35 U.S.C. § 285 (authorizing in “exceptional cases,” awards of “reasonable attorney fees”); *cf. Baker Botts*, 135 S. Ct. at 2165-66 (refusing to award certain attorney’s fees based on broad language in 11 U.S.C. § 330(a)(1) where “other provisions of the Bankruptcy Code” expressly required paying the debtor’s “reasonable attorney’s fees and costs”) (citing 11 U.S.C. § 110(i)); *Clay v. United States*, 537 U.S. 522, 528-29 (2003) (“When ‘Congress includes particular language in one section of a statute but omits it in another section of the same Act,’ we have recognized, ‘it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.’”) (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)).

The USPTO, relying on the *Shammas* majority, also argues that the legislative history of Section 145 demonstrates “that Congress understood the term expenses to include the salaries of the Patent Office’s employees.” Mtn. at 11 (quoting *Shammas*, 784 F.3d at 226) (internal quotation marks omitted). That argument is based on an 1836 amendment to the Patent Act whereby Congress established a new fund for the Patent Office that it designated for the “salaries of the officers and clerks . . . and all other expenses” of the Office. *See* Patent Act of 1836, Ch. 357, § 9, 5 Stat. 117, 121. The *Shammas* majority concluded that this language established that in 1836 “Congress understood the term ‘expenses’ to include the salaries of the Office’s employees”—*e.g.*, the salaries of its attorneys. *Shammas*, 784 F.3d at 226. This language in fact leads to the opposite conclusion. Despite Congress’ ability to

draft a statute containing “specific and explicit” language concerning attorney’s fees, the words “attorney’s fees” are not found in Section 145. And, despite multiple opportunities over nearly two-hundred years, Congress has never chosen to clarify Section 145 to provide the USPTO with its attorney’s fees. These omissions must be deemed intentional. *See Clay*, 537 U.S. at 528-29; *Shammas*, 784 F.3d at 229 (“Because Congress declined to add any language to § 1071(b)(3) to define the term ‘expenses,’ its omission must be deemed intentional.”) (King, J., dissenting).

Moreover, even if Section 145 authorized courts to award attorney’s fees as expenses, it does not provide for “expenses” *simpliciter*, but “expenses of the proceeding.” 35 U.S.C. § 145 (emphasis added). Here, the three USPTO employee’s salaries would have been paid even if NantKwest had never filed the instant proceeding and hence are not compensable under any plausible reading of the statute. The USPTO’s interpretation would require impermissibly excising the words “of the proceeding” from the language of Section 145. *See Baker Botts*, 135 S. Ct. at 2167 (“Section 330(a)(1) does not authorize courts to award ‘reasonable compensation’ *simpliciter*, but ‘reasonable compensation for actual, necessary services rendered by’ the § 327(a) professional. . . . Thus, the only way to reach their reading of the statute would be to excise the phrase ‘for actual, necessary services rendered’ from the statute.”).

3. Neither The USPTO, Congress, Nor The Courts Have Ever Interpreted Section 145 To Authorize Any Attorney's Fees.

The predecessor of Section 145 was R.S. § 4915, which allowed an unsuccessful patent applicant to file suit in federal court and, in cases where “there [was] no opposing party,” required that “all the expenses of the proceeding . . . be paid by the applicant, whether the final decision is in his favor or not.” Rev. Stat. § 4915 (1875). Similar language was included in the 1839 predecessor to R.S. § 4915. Patent Act of 1839, Ch. 88, § 10, 5 Stat. 353, 354. Despite the nearly two hundred years that these provisions have been in existence, the USPTO is unable to provide a single example where attorney’s fees were awarded as “expenses” pursuant to Section 145. This dearth is telling.

History belies the USPTO’s new attempt to stretch the ambiguous “expenses” language to include attorney’s fees. The USPTO offers no explanation why it has for nearly two centuries failed to seek any attorney’s fees in these sorts of cases if, as it argues, the statutory “expenses” so clearly include such a recovery. Further, assuming (contrary to fact) that Congress intended that the USPTO receive its attorney’s fees as “expenses” under Section 145, there is no explanation for Congress’ failure to clarify the statute to address the USPTO’s universal, bicentennial failure to ever obtain them. Instead, despite multiple amendments to the Patent Act, including the December 2011 amendment changing the venue for Section 145 actions⁵ and

⁵ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284; *see also Kappos v. Hyatt*, 132 S. Ct. 1690, 1694 (2012).

Congress’s “broadening the availability of attorney’s fees in the federal courts” in response to the Supreme Court’s *Alyeska* decision,⁶ Congress has never clarified Section 145 to specifically or explicitly provide for any attorney’s fees.

District courts have similarly never interpreted Section 145 as allowing the recovery of attorney’s fees. While courts have allowed the USPTO to recover printing expenses,⁷ counsel’s deposition travel expenses,⁸ court reporter fees,⁹ and money paid to necessary expert witnesses,¹⁰ the USPTO fails to cite a single decision interpreting “expenses” in Section 145 to include “attorney’s fees.” To the contrary, at least one court has excluded “attorney’s fees” from the “expenses” recoverable under Section 145. *Encyclopedia Britannica, et al. v. Q. Todd Dickinson*, No. 1:98cv00209(ESH), slip op. at 2 (D.D.C. Nov. 2, 2001) (“Pursuant to § 145, the defendant shall submit a statement of its reasonable expenses, not including attorneys fees, to the Court”) (Ex. 2).

The USPTO attempts to benefit from the lack of case law on this issue, arguing that the “*only* court of appeals to have confronted this question” and the “*only* decision to have opined of whether the statutory term ‘expenses’ . . . includes attorney salaries” has

⁶ *Crawford Fitting Co. v. J. T. Gibbons, Inc.*, 482 U.S. 437, 444 (1987).

⁷ *Cook v. Watson*, 208 F.2d 529, 531 (D.C. Cir. 1953).

⁸ *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931).

⁹ *Sandvik Aktiebolag v. Samuels*, No. CIV. A. 89-3127-LFO, 1991 WL 25774, at *2 (D.D.C. Feb. 7, 1991).

¹⁰ *Id.*

found in their favor. Mtn. at 9 & n.2 (emphasis added). But there has never been a prior decision on this issue because the USPTO has never in the last two centuries sought its attorney’s fees under Section 145 or its predecessors. The lack of case law is simply the result of the USPTO’s longstanding prior recognition, across countless administrations and scores of changes in leadership, that attorney’s fees are not part of its recoverable “expenses.” Now, after nearly two hundred years, and absent explanation for its drastic new divergence from its own longstanding practice, the USPTO seeks to place an enormous new burden on applicants that pursue the congressionally provided remedy set forth in Section 145. The statute’s language does not support the USPTO’s new position.¹¹

B. The Supreme Court’s Recent *Baker Botts* Decision Demonstrates That The *Shammas* Decision Was Incorrect And Section 145 Proceedings Are Subject To The American Rule.

The USPTO’s only authority for stretching the “expenses” language in Section 145 to include attorney’s fees is the Fourth Circuit’s divided, non-binding decision in *Shammas*. As explained below, the Supreme Court’s subsequent decision in *Baker Botts* confirms that the foundation for the *Shammas* decision was wrong. Contrary to *Shammas*, the American Rule’s presumption, and its attendant requirement for heightened statutory clarity, applies whenever a Court is

¹¹ Even if this Court finds that Section 145 authorizes an award of attorney’s fees, as a matter of equity, the Court should decline to require NantKwest to pay the USPTO’s attorney’s fees here in light of the USPTO’s consistent position of never seeking attorney’s fees in the past, and the public’s reliance regarding the same.

assessing whether a statute shifts fees from one party to another.

1. *The Shammas Decision Erroneously Rejected The American Rule.*

The *Shammas* decision addressed expenses recoverable under 15 U.S.C. § 1071(b)(3)—a trademark statute similar to Section 145. *Shammas*, 784 F.3d at 221. In 2013, after nearly two hundred years of interpreting “expenses” in Sections 145 and 1071(b)(3) and their predecessors as excluding attorney’s fees, the USPTO dramatically changed its position. For the first time ever, the USPTO sought and was awarded attorney’s fees as a component of its “expenses” pursuant to Section 1071(b)(3). *Shammas v. Focarino*, 990 F. Supp. 2d 587, 594 (E.D. Va. 2014).

In a divided decision that is not binding on this Court,¹² the Fourth Circuit upheld that decision. *Shammas*, 784 F.3d at 219. The majority in *Shammas* initially recognized the continued validity of the American Rule by stating “[t]o be sure, where the American Rule applies, Congress may displace it only by expressing its intent to do so ‘clearly and directly.’” *Id.* at 223 (quoting *In re Crescent City Estates*, 588 F.3d 822, 825 (4th Cir. 2009)). But the Court reasoned (by implication from prior Fourth Circuit decisions) that “[t]he requirement that Congress speak with heightened clarity to overcome the presumption of the American Rule

¹² The USPTO correctly recognizes that the Fourth Circuit’s decision in *Shammas* is not binding on this Court because the Federal Circuit is the exclusive appellate authority for this action brought pursuant to part of the Patent Act (35 U.S.C. § 145). Mtn. at 9 n.2.

. . . applies only where the award of attorneys fees turns on whether a party seeking fees has prevailed to at least some degree.” *Id.* Thus, the *Shammas* majority’s basis for side-stepping the American Rule was its theory that Section 1071(b)(3) “mandates the payment of attorneys fees without regard to a party’s success” and hence “is not a fee-shifting statute that operates against the backdrop of the American Rule.” *Id.*

Thus, according to *Shammas*, the expense provision of Section 1071(b)(3) is a “unilateral, compensatory fee” and therefore not subject to the American Rule’s presumption that each litigant pays his own attorney’s fees absent explicit statutory language to the contrary. *Id.* at 225. The Supreme Court, in *Baker Botts*, has since rejected this reasoning.¹³

¹³ The Fourth Circuit did not opine on the continued validity of its reasoning in *Shammas* in light of *Baker Botts*. The *Shammas* decision is dated April 23, 2015. The *Baker Botts* decision is dated June 15, 2015. Plaintiff-Appellant Milo Shammas brought the *Baker Botts* decision to the Fourth Circuit’s attention under Federal Rule of Appellate Procedure 28(j) and Local Rule 28(e), in conjunction with his petition for rehearing *en banc*. Plaintiff-Appellant Milo Shammas’s Citation to Supplemental Authority, *Shammas v. Focarino*, Appeal No. 14-1191 (4th Cir. June 24, 2015) (Ex. 3). Plaintiff-Appellant Milo Shammas’s petition for rehearing *en banc* was denied. Order, *Shammas v. Focarino*, Appeal No. 14-1191 (4th Cir. July 1, 2015) (Ex. 4).

2. *The Baker Botts Decision Confirms That The American Rule's Presumption Applies Whenever A Litigant Seeks To Recover Attorney's Fees.*

In *Baker Botts*, the Supreme Court applied the American Rule to analyze a statute that provided attorney's fees even though the statute did not require the party seeking fees to have prevailed in any way. *Baker Botts*, 135 S. Ct. at 2166. This confirms that *Shammas* was wrong to condition the American Rule on whether the statute in question only awards fees to a prevailing party.

The statute addressed in *Baker Botts* was Section 330(a)(1) of the Bankruptcy Code. 11 U.S.C. § 330(a)(1). That Section allows a bankruptcy court to award "reasonable compensation for actual, necessary services rendered by" attorneys that serve the debtor. *Id.*; see 11 U.S.C. § 327(a) (allowing the bankruptcy trustee to retain attorneys). The debtor, ASARCO, had retained two outside law firms to assist it in litigation. *Baker Botts*, 135 S. Ct. at 2163. Both firms thereafter submitted fee applications to the Bankruptcy court to seek compensation for their services under Section 330(a)(1). *Id.* But ASARCO, having by then emerged from bankruptcy, challenged the firms' requested fees. *Id.* After a trial, the Bankruptcy Court upheld the fee applications and awarded the firms their attorney's fees incurred defending their fee applications in a trial, all as part of their "services" rendered under Section 330(a)(1). *Id.* Applying the American Rule, the Fifth Circuit reversed the portion of the fees that the firms incurred during their fee-defense trial. *Id.*

The Supreme Court affirmed. It reasoned that “[t]o be sure, the phrase ‘reasonable compensation for actual and necessary services rendered’ permits courts to award fees to attorneys for work done to assist the administrator of the estate.” *Id.* at 2165 (quoting 11 U.S.C. § 330(a)(1)). But the fees must be incurred “in service of the administrator” to be compensable. *Id.* The attorney’s time spent in defending their own fee applications at trial was not “in service of the administrator” and therefore was not compensable. *Id.* at 2165-66.

Importantly, the Supreme Court’s analysis also applied the American Rule’s presumption against fee-shifting. It first reiterated that the courts must “not deviate from the American Rule ‘absent explicit statutory authority.’” *Baker Botts*, 135 S. Ct. at 2164 (quoting *Buckhannon Board & Care Home, Inc. v. West Virginia Dept. of Health and Human Resources*, 532 U.S. 598, 602 (2001)). It then explained that, under the firm’s interpretation, the statute would award attorney’s fees even if the firm had not prevailed. *Id.* at 2166 (finding that to interpret the statute in the proposed manner “could end up compensation attorneys for the *unsuccessful* defense of a fee application”). The Court found that a fee award under these circumstances would be “a particularly unusual deviation from the American Rule” because the award was not at all dependent on outcome and “most fee-shifting provisions permit a court to award attorney’s fees only to a prevailing party, a substantially prevailing party, or a successful litigant.” *Id.* Attorney’s fees were thus not available because “[t]here is no indication that Congress departed from the American Rule in Section 330(a)(1) with respect to fee-defense litigation, let alone that it did so in such an unusual manner.” *Id.*

This is directly contrary to the *Shammas* decision’s erroneous conclusion that the American Rule applies only to statutes that shift fees to a prevailing party. *Shammas*, 784 F.3d at 223-24. Rather, as the Supreme Court’s *Baker Botts* decision demonstrates, the American Rule is actually at its strongest, and the need for clarity in any deviation from that Rule is at its highest, precisely when a statute is argued to provide the “particularly unusual deviation” of shifting fees regardless of who prevails. *Baker Botts*, 135 S. Ct. at 2166.

The Supreme Court in *Baker Botts* thus makes clear the American Rule applies whenever a litigant seeks to recover attorney’s fees—including where the award of fees does not depend on whether the party “prevailed.” *Id.* at 2164. Accordingly, the American Rule precludes the USPTO from recovering attorney’s fees under Section 145 because that statute has no specific and explicit language awarding attorney’s fees.

3. *The Baker Botts Decision Demonstrates That The USPTO’s Policy-Based Arguments Fail To Trump The American Rule.*

Relying on *Shammas*, the USPTO laments that district court litigation under Section 145 is “‘more fulsome and expensive’ and require[s] the USPTO ‘to expend substantially greater time and effort and incur substantially greater expense than it would otherwise in an appeal to the Federal Circuit.’” Mtn. at 10 (quoting *Shammas*, 784 F.3d at 225). Accordingly, says the USPTO, “Congress obviously intended to reduce the financial burden on the PTO in defending such proceedings,” *id.* at 11 (quoting *Shammas*, 784 F.3d at 225 (discussing the expense provision of Section 1071(b)(3) of the trademark act)), and “deter applicants from

. . . procedural gaming . . . by impos[ing] on the applicant the heavy economic burden of paying all the expenses of the proceedings regardless of the outcome.” *Id.* at 6 (quoting *Hyatt v. Kappos*, 625 F.3d 1320, 1327 (Fed. Cir. 2010) *aff’d and remanded*, 132 S. Ct. 1690 (2012) (en banc)) (ellipses and brackets in original). To support its tale of oppression, the USPTO points to (but never actually supplies to the Court) “[d]ata available to the USPTO” that allegedly reveals “that the agency dedicates yearly in excess of 2000 hours of any attorney time, and in excess of 2000 hours of paralegal time, for civil actions brought pursuant to 15 U.S.C. § 1071(b) and 35 U.S.C. § 145.” *Mtn.* at 10 n.4.¹⁴

None of the USPTO’s purported financial hardships trump the American Rule. As the Supreme Court explained in *Baker Botts* when addressing analogous policy arguments concerning purported financial adversity to the bankruptcy bar:

More importantly, we would lack the authority to rewrite the statute even if we believed that uncompensated fee litigation would fall particularly hard on the bankruptcy bar. “Our unwillingness to soften the import of Congress’ chosen words even if we believe the words lead to a harsh outcome is longstanding,” and that is no less true in bankruptcy than it is elsewhere. *Lamie v. United States Trustee*, 540 U.S. 526, 538 (2004). Whether or not the Gov-

¹⁴ The USPTO fails to provide any data whatsoever to support this statement. Nor does the USPTO explain how the attorney and paralegal time dedicated to Section 145 and 1071(b) actions compares to the attorney and paralegal time dedicated to direct appeals—for which the USPTO does not recover its “expenses” or attorney’s fees.

ernment's theory is desirable as a matter of policy, Congress has not granted us “roving authority . . . to allow counsel fees . . . whenever [we] might deem them warranted.” *Alyeska Pipeline*, 421 U.S. at 260. Our job is to follow the text even if doing so will supposedly “undercut a basic objective of the statute.”

Baker Botts, 135 S. Ct. at 2169 (emphasis added). Thus, just as the Supreme Court found for the statute at issue in *Baker Botts*, Section 145 “itself does not authorize the award of fees . . . and that is the end of the matter.” *Id.*

Notably, policy arguments could just as easily lead this Court to reject the USPTO’s newfound theory for attorney’s fees. Requiring an applicant to pay the USPTO’s attorney’s fees both punishes the applicant and acts a windfall to the USPTO. An applicant who rightfully pursues a Section 145 action will be unduly burdened and prevented from pursuing the avenues of review the statute expressly contemplates if it is forced to pay both its own attorney’s fees and expenses and the unpredictable attorney’s fees and expenses that the USPTO elects to incur. On the other hand, the USPTO receives a windfall in not having to pay its attorney’s fees or expenses, at least a portion of which it would have been responsible for had the applicant pursued a direct appeal to the Federal Circuit.

* * * * *

IV. CONCLUSION

As the Supreme Court has made clear, to overcome the American Rule's presumption against fee-shifting, a statute must specifically and explicitly provide for attorney's fees. Section 145 provides no such clarity. Accordingly, the American Rule prohibits the USPTO's request for attorney's fees. Moreover, even were such fees compensable, the USPTO has failed to meet its burden to provide documentation to show both that its legal employees' salaries were specifically attributable to this case and that the time spent was in all instances reasonable in relation to any particular tasks performed in any specific amounts of time. The USPTO has likewise failed to support the exorbitant hourly rates charged by its paid expert. The Court should therefore deny the USPTO's motion for unlawfully and improperly inflated attorney's fees and expert witness expenses.

* * * * *

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 1:13-cv-01566-GBL-TCB

NANKWEST, INC., PLAINTIFF

v.

MICHELLE K. LEE, DEPUTY UNDER SECRETARY OF
COMMERCE FOR INTELLECTUAL PROPERTY AND
DEPUTY DIRECTOR OF THE UNITED STATES PATENT
AND TRADEMARK OFFICE, DEFENDANT

Filed: Feb. 5, 2016

FINAL JUDGMENT

THIS MATTER is before the court on Defendant, Michelle K. Lee's Motion for Expenses (Doc. 78). For the reasons stated in the Memorandum Opinion and Order,

IT IS HEREBY ORDERED that JUDGMENT is ENTERED against Defendant Michelle Lee for the attorney's fees of the litigation, amounting to \$78,592.50 and in favor of Plaintiff Nankwest, Inc.

IT IS FURTHER ORDERED that JUDGMENT is ENTERED in favor of Defendant Michelle Lee for the expenses of expert witness Lewis Lanier, amounting to of \$33,103.89 and against Plaintiff Nankwest, Inc.

Pursuant to Rule 58 of the Civil Rules of Procedure,
IT IS SO ORDERED.

ENTERED this 5th day of Feb., 2016

Alexandria, Virginia

2/5/2016

/s/

GERALD BRUCE LEE
United States District Judge

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

Appeal No. 11675

MARGARET J. COOK, APPELLANT

v.

ROBERT C. WATSON, COMMISSIONER OF PATENTS,
APPELLEE

[Filed: Mar. 1953]

**APPEAL FROM THE JUDGMENT
OF THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA CIRCUIT**

[BRIEF FOR APPELLEE]

INTRODUCTION

This is an appeal from an order of the United States District Court for the District of Columbia granting a motion by the Commissioner of Patents to require the payment by the plaintiff of the expenses of a proceeding under R. S. 4915, including the expense of printing the brief and appendix for the Commissioner of Patents; in an appeal taken to this Court from a decision of the court below holding the plaintiff to be entitled to registration of a trademark. That decision was affirmed by this court with one judge dissenting.

* * * * *

ARGUMENT

Section 4915 of the Revised Statutes provides that “In all cases where there is no opposing party a copy of the bill shared 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.” This language is clear, unequivocal and without exception. It does not state that the court may or even shall assess expenses or costs against the applicant. The payment of expenses is expressly made an unconditional requirement, and it is respectfully submitted that the courts have no discretion in the matter, other than determining what items may properly be considered expenses. In other words, the court could not, in some particular case, decide that the expenses should not be paid by the applicant.

Rule 20(e) of this Court has no application to the present situation, first because that rule relates to costs rather than expenses, and secondly because it relates to cases in which the Court is authorized by statute to assess costs in its discretion, as distinguished from a case such as the present one in which the assessment is made by the statute itself.

It is evident from the very fact that the word “expenses” is used in the statute, rather than the common term “costs”, that the statute contemplates something more than the mere payment of costs by the applicant, and this was squarely held to be the case in the only reported decision dealing with the matter, namely *Robertson v. Cooper*, 46 F.2d 766, 8 USPQ 30 (C.C.A. Md.). * * *

* * * * *

In view of the clear distinction pointed out, a rule relating to costs would not govern the payment of expenses. Moreover, as above pointed out, the statute does not state that the court shall tax the expenses, and an interpretation of Rule 20(e) of this Court to mean that expenses were payable only when the Court so ordered would therefore be at variance with the statute. As a matter of fact it does not appear that, in the ordinary type of case involving an appeal by an applicant from the dismissal of a complaint in an action under R. S. 4915, this Court has ever made any order as to the payment of costs. Nevertheless, the expenses of the Patent Office, including that of printing the appeal brief, have been paid by the applicants in such cases, without exception and without question. Evidently, therefore, it has been the universal understanding that no order of this Court is necessary to require payment of such expenses.

The expense of printing the Patent Office appeal brief has also been borne by the applicants, so far as the records of this Office show, in all prior cases under R. S. 4915 in which appeal has been taken by the Patent Office.

For the reasons given it is submitted to be clear that the decision appealed from is correct unless it can be shown that the printing of the Commissioner's Brief was not a proper expense of the proceeding. It can scarcely be contended that the brief was not a proper and necessary expense incident to the appeal, since, if no brief had been filed, the appeal would have been subject to dismissal under Rule 19(i) of this Court. It would appear, therefore, that the appellant can prevail only if it can be established that the appeal was not a part of the proceeding within the meaning of the statute.

It is, of course, true that R. S. 4915 makes no express mention of any appeal. However, such appeals have been consistently filed by applicants and entertained by this Court, ever since the statute was enacted. Since there is obviously no express statutory basis for such appeals, they must have been considered on the theory that the right of appeal was inherent in the right to file a bill in equity or, in other words, that the appeal was a part of the statutory remedy or proceeding.

That conclusion is strengthened by the fact that the statute states that the applicant shall pay all expenses “whether the *final* decision is in his favor or not” (emphasis added). The only reasonable explanation of the use of the word “final” is that an appeal was contemplated as a part of the proceedings for which expenses were to be paid and, as above noted, it has been the invariable practice of applicants to pay the expenses incident to appeals in actions under R. S. 4915.

Moreover, since it was evidently the intention of Congress that no expenses should be incurred by the Patent Office in an action under R. S. 4915, it seems incredible that the relatively small expenses incident to the trial in the District Court should be charged to the applicant while the Patent Office was left to bear the much greater expenses of an appeal whenever the applicant saw fit to take one. It is submitted that both on principle and on the language used, the only reasonable interpretation of R. S. 4915 is that, when there is no opposing party other than the Commissioner, the applicant shall pay all the expenses of any proceeding based on the statute.

It is thus thought to be clear that the expense of printing the Commissioner's brief must be borne by the applicant when the latter takes the appeal. There seems to be no sound reason for placing a different interpretation on the statute when the appeal is taken by the Commissioner.

* * * * *

UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 3066

THOMAS E. ROBERTSON, COMMISSIONER OF PATENTS,
APPELLANT

v.

OSWALD COOPER, APPELLEE

[Filed: Oct. 14, 1930]

Appeal from the District Court of the United States
for the District of Maryland

BRIEF FOR APPELLEE

Preliminary.

This case comes up on appeal from a decision of his Honor Judge William C. Coleman of Baltimore, Maryland, in a suit brought by Oswald Cooper of Chicago, Illinois, against Thomas E. Robertson, Commissioner of Patents.

* * * * *

Expense of the Proceeding.

Beginning on page 29 of appellant's brief and including substantially the remaining pages of the brief, there is reference to the "expenses of the proceeding" as mentioned in Section 4915 of the Statute.

As previously stated, the words of the statute are as follows:

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

In view of this section appellant sought as previously stated to have an expense item of \$250.00 for traveling expenses for the Patent Office solicitor in going to and from California to attend the taking of testimony, paid by the appellee.

Judge Coleman refused to permit this claim, as shown by the last part of his decision, page 90 of the record.

In spite of this the appellant strenuously urges that the expenses referred to should be paid. We submit that the statute cannot reasonably be interpreted to include them.

We submit that the phrase in question, “all expenses of the proceeding,” simply means the usual court costs, such as ordinarily go to the prevailing party. In cases like the present under Section 4915, this ordinary rule of costs is changed or reversed, and the “applicant” is required by statute to pay the usual court costs or expenses even *if he wins*, although in an ordinary law suit he would not have to pay them if he won; and hence the pertinency and importance of the statutory wording in question is that the applicant even though winning shall have to pay the usual costs or expenses, which he would not ordinarily have to do.

This view as stated was taken by Judge Coleman in this case below and it is perfectly clear that the same view was taken by two other Judges in two other cases under this statute. These other cases did not rule specifically on this point but they did rule on the phrase in question and the language of the decisions indicates that they held the same view that Judge Coleman announced. This is apparent from the fact that in both cases they used the word “costs” as equivalent and synonymous with the word “expenses” in the statute and in one case there was a reference to “Court costs” as equivalent of the statute words.

In both of these other cases the suits were *interferences* and not *ex parte* cases and so in neither one of them was the applicant decreed to pay the costs, it being held that the clause applied only to *ex parte* cases and not to interference cases. But the language of the decisions showed clearly that merely the usual costs or court costs were in the minds of the judges deciding the cases. Both of these cases are mentioned in Judge Coleman’s opinion and in appellant’s brief.

One case, *Butler et al. v. Shaw*, 21 Fed. 321, was in the District Court of Massachusetts and was heard and decided by Mr. Justice Gray of the United States Supreme Court sitting as Circuit Justice in the First Circuit, and also by District Judge of Massachusetts. At page 328 the court said:

“The last clause of section 4915 of the Revised Statutes, requiring the applicant to pay all the expenses of the proceeding whether the final decision is in his favor or not, is, in manifest intention, if not by unavoidable construction, limited to cases in which there is no opposing party other than the

commissioner of patents and in which, therefore, the *costs*, if not paid by the applicant, would fall upon the commissioner, and upon the government whose officer he is. Whenever there are opposing parties, as in a contested case of interference, the ordinary rule should be followed, and *costs* be awarded to the party prevailing.” (Italics ours.)

The other case is *Clements v. Kirby*, 274 Fed. 575, decided by the Court of Appeals of the Sixth Circuit. At page 587 it is stated:

“The *costs* of this court and of the court below should go against Kirby. We think that the provision of section 4915, that ‘all the expenses of the proceeding shall be paid by the applicant whether the final decision is in his favor or not,’ applies only to those cases which had just been mentioned, viz., ‘where there is no opposing party’ and the papers are served on the Commissioner only.” (Italics ours.)

In appellant’s brief (p. 33), it is stated:

“While neither of these cases decide the question herein in issue the comments in the opinions should have some weight.”

With this we agree entirely—and believe these cases should have a great deal of weight, for one was decided by two Judges—one a Justice of the Supreme Court—and the other was decided unanimously by three Judges comprising at the time the Circuit Court of Appeals of the Sixth Circuit. *And both decisions are clearly and plainly against the contention of the appellant in this matter.* Both decisions refer to the word “expenses” of the Statute as “costs” (one decision as “court costs”) and evidently consider the usual “costs” or

“court costs” as all that the applicant should pay the Commissioner and such “costs” do not of course include traveling expenses of counsel—they never did and there is no contention by appellant that they do.

In spite of these three decisions—Judge Coleman’s directly adverse and the other two of five other Judges obviously adverse in thought and dicta, appellant still contends the words “all expenses” should include the traveling expenses in question. We submit that if that interpretation were given to the Statute, there would be *absolutely no end* to the charges that could be made against an *ex parte* litigant. He could be burdened by practically anything and everything connected closely or remotely with the litigation, charges that might practically bankrupt an ordinary litigant. For example, if depositions were taken abroad, traveling expenses of the Patent Office solicitor to attend would have to be paid by the applicant—to and from Europe, South America, Africa, any place. Such an expense to the applicant would be clearly unfair and unreasonable. It might easily make it impossible to take the depositions. He himself might be content to have a local attorney take the depositions to save expense; but with the ruling sought by the appellant the solicitor of the Patent Office or other representative would have the right to go anywhere and everywhere, and force the applicant to pay the bill. The same is true in this country. Even if the applicant employed local counsel, he could be compelled to pay traveling expenses of a Patent Office representative whenever one chose to make the trip.

The testimony in the instant case could have been attended by local counsel or by a local solicitor of the

United States. There is no showing that it was necessary for the solicitor of the Patent Office to go. Furthermore, with such a broad interpretation, street car fare, taxi fares going to and from court might be included, also parts of the salaries of the Patent Office solicitor, of the solicitor general, of the Patent Office clerks, of the judge, bailiff, court clerk, etc. There would be no end. Well did Judge Coleman suggest "possible abuses" if the broad interpretation were given.

* * * * *

UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 3066

THOMAS E. ROBERTSON, COMMISSIONER OF PATENTS,
DEFENDANT-APPELLANT

v.

OSWALD COOPER, PLAINTIFF-APPELLEE

[Filed: Oct. 31, 1930]

**DEFENDANT-APPELLANT'S REPLY TO
PLAINTIFF-APPELLEE'S BRIEF**

* * * * *

At page 34 et seq. of appellee's brief the question "Expense of the Proceedings" is discussed. As this question is quite fully treated in appellant's main brief (pp. 29 et seq.), little needs to be said here. However, appellee's contention that the term "all expenses" is synonymous with "costs" falls when we consider that by special Act of Congress, Section 4915 R. S., authorized remedy by bill in equity and in taking advantage of it an applicant must comply with all of its requirements, including the one that "all the expenses of the proceedings shall be paid by the applicant whether the final decision is in his favor or not." An applicant is supposed to bring his witnesses to the place of the trial, but if he chooses to take depositions at remote places it

is only right and proper that he should pay “all expenses.” The section so provides. Appellee (page 37) enumerates items that might be included; some of the items are so remote that they need not be seriously considered. Appellee suggests that the testimony could have been attended by local counsel or by a local solicitor of the United States. The expenses here in question were initiated by counsel for the applicant in this case by giving notice to the Patent Office that he would take the testimony of Mr. S. E. Fouts at Los Angeles, California. Mr. Fouts was one of the three Examiners in Chief who heard and decided the instant appeal in the Patent Office. Why he would or should testify and on what point could not be determined in advance. However, it was deemed necessary that some one familiar with Patent Office procedure should be present to cross-examine this witness. It is thus apparent that local counsel would not have answered the purpose. To employ local counsel to familiarize themselves with patent matters and then attend the taking of testimony would be time consuming and expensive. Who would pay this expense? This class of testimony is a burden that should not be placed upon the United States Attorneys.

How about “possible abuses” on the part of the Patent Office mentioned at the bottom of page 37 of appellee’s brief? The government, always subject to criticism, is not likely to “abuse” any statutory provisions; the abuses are not *by* the government but *against* the government as in this case.

Why did counsel for the applicant compel a representative of the Patent Office to attend the taking of testimony in California, testimony that was irrelevant

to the case and was ruled out at the hearing by the Court below. It is to guard against abuses of this kind that the "All expense" clause of Section 4915 R. S. is necessary. The remote possibility that a statute may be abused is no reason for not enforcing it. The government takes the position that Section 4915 R. S., as to *all* expenses, means *all*, just what it says. The history of patent procedure indicates that it was clearly the intent of Congress that an applicant should pay all the expenses incurred by the government in proceedings of this kind. If the clause does not mean that, it should be amended. But how can it be amended to make it clearer or more inclusive? To enumerate the items would only weaken it. If the statute is wrong or unjust it should be amended, not by the judicial but by the legislative branch of the government.

Aside from the instant case no instance is known where counsel for an applicant refused to pay the railroad fare and subsistence of the Patent Office representative in suits under Section 4915 R. S. when required to travel outside of the District of Columbia, nor did anyone contend that it meant only court costs.

Patents exist solely by virtue of statutory enactments.

The Patent Office functions as directed by the Patent Laws enacted for that purpose. To hold that the statutes do not mean what they say would create a chaotic condition not only in the Patent Office but throughout the entire realm in which applications and patents appear for consideration and adjudication.

* * * * *