

No. 18-801

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In the  
**Supreme Court of the United States**

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

*Petitioner,*

v.

NANTKWEST, INC.,

*Respondent.*

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

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**BRIEF OF THE INTERNATIONAL  
TRADEMARK ASSOCIATION AS  
*AMICUS CURIAE*  
IN SUPPORT OF RESPONDENT**

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**AMICUS CURIAE BRIEF OF THE  
INTERNATIONAL TRADEMARK  
ASSOCIATION IN SUPPORT OF  
RESPONDENT**

The undersigned amicus curiae respectfully submits this brief in support of Respondent NantKwest, Inc., and urges affirmance of the decision below in *NantKwest, Inc. v. Iancu*, 898 F.3d 1177 (Fed. Cir. 2018).<sup>1</sup>

**INTERESTS OF THE AMICUS CURIAE**

Amicus curiae the International Trademark Association (“INTA”) is a not-for-profit global organization dedicated to the support and advancement of trademarks and related intellectual property. Founded in 1878, INTA has more than 7,200 member organizations from 191 countries. Its members include trademark and brand owners, as

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<sup>1</sup> Pursuant to Supreme Court Rule 37.6, this brief was authored solely by INTA and its counsel, and no part of this brief was authored by counsel for a party. No party or counsel for a party, nor any other person or entity other than amicus curiae, its members, and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3(a), both Petitioner and Respondent have provided written consent to INTA’s filing of this brief.

well as law firms and other professionals who regularly assist in the creation, registration, protection, and enforcement of trademarks. All INTA members share the goal of promoting an understanding of the essential role that trademarks play in fostering effective commerce, fair competition, and informed decision-making by consumers.

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation following invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with major trademark and related legislation. INTA also has participated as amicus curiae in numerous cases in this Court and other courts across the country involving significant Lanham Act issue.<sup>2</sup> Moreover, INTA's members are

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<sup>2</sup> Cases in which INTA has filed amicus briefs include: *Iancu v. Brunetti*, 588 U.S. \_\_\_ (2019); *Mission Product Holdings, Inc. v. Tempnology, LLC*, 587 U.S. \_\_\_ (2019); *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC*, 586 U.S. \_\_\_ (2019); *Matal v. Tam*, 137 S. Ct. 1744 (2017); *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907 (2015); *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015); *Pom Wonderful LLC v. Coca-Cola Co.*, 573 U.S. 102 (2014); *Already, LLC v. Nike, Inc.*, 568 U.S. 85 (2013); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543

frequent participants in litigation both in courts and in administrative proceedings before the United States Patent and Trademark Office (“USPTO”) and the Trademark Trial and Appeal Board (“TTAB”), with respect to the Lanham Act. INTA and its members have a deep and powerful interest in the development of clear, consistent, and equitable principles of trademark law.

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U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015); *Ferring B.V. v. Watson Labs., Inc.-Fla.*, 764 F.3d 1382 (3d Cir. 2014); *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206 (2d Cir. 2012); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012); *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011); *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011); *Chloe v. Queen Bee of Beverly Hills, LLC*, 616 F.3d 158 (2d Cir. 2010); *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009); *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007); *Test Masters Educ. Servs., Inc. v. Singh*, 428 F.3d 559 (5th Cir. 2005).

### INTA's Focus on Trademark Issues

INTA has a substantial interest in this matter because the outcome may have a significant impact on trademark law. For this reason, INTA has filed four amicus briefs<sup>3</sup> addressing the issues on appeal—two in *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), and two when the instant case was before the Federal Circuit.

Mindful of this Court's admonition that an amicus brief should bring "to the attention of the Court relevant matter not already brought to its attention by the parties," Sup. Ct. R. 31(1), INTA will focus on the history that Patent Act Section 145, 35 U.S.C. § 145 (hereinafter, "Section 145"), shares with the analogous Lanham Act Section 21(b)(3), 15 U.S.C. § 1071(b)(3) (hereinafter "Section 21(b)(3)"), which the Government acknowledges, but otherwise largely ignores. Lanham Act Section 21(b)(3) is derived from Patent Act Section 145. The Patent Act and the Lanham Act both offer a disappointed applicant the option of filing a civil action in district court as an alternative to a direct appeal to the circuit court.

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<sup>3</sup> INTA acknowledges the substantial work of the INTA members who authored all four of INTA's prior amicus briefs on the present issue—Anthony Dreyer (Skadden, Arps, Slate, Meagher, & Flom LLP) and Mark Mutterperl (Zeisler PLLC). The present brief is built on their work.

Under both the patent and trademark statutes, an applicant choosing to file in the district court must pay “all the expenses” of the proceedings. *Compare* 35 U.S.C. § 145 *and* 15 U.S.C. § 1071(b)(3).

Because the language of Section 21(b)(3) is materially the same as the Patent Act Section 145 under review, this Court should consider both statutes when it interprets Section 145 at issue. INTA submits that any construction of Section 145 of the Patent Act must consider input from, and harmonize with, the Lanham Act. Accordingly, INTA offers this amicus brief to focus light on the trademark legislative and judicial history that the parties may not emphasize.

### **SUMMARY OF ARGUMENT**

Courts of the United States were already following the American Rule that each litigant pays its own attorney’s fees when, in 1839, Congress allowed patent applicants to appeal to the district court, provided they pay the “whole expenses of the proceeding” without any mention of attorney’s fees. For 174 years, the Patent Office did not interpret its right to recover “expenses of the proceedings” to authorize it to recover its attorney’s fees, but in 2013 the USPTO changed its mind and secured an award of fees from a trademark applicant that appealed to the district court under Section 21(b) of the Lanham Act.

A divided panel of the Fourth Circuit affirmed, *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), ruling that the American Rule only applied to statutes that shifted fees to a prevailing party. Lanham Act Section 21(b)(3) did not do this, but instead required that the appealing party always pay the government's expenses. Therefore, the *Shammas* panel majority held, the "heightened clarity" required by the American rule was not required.

In the patent case now before this Court, the Federal Circuit en banc majority rejected *Shammas* and held that the American Rule applied. *NantKwest, Inc. v. Iancu*, 898 F.3d 1177, 1184 (Fed. Cir. 2018).

The Federal Circuit was correct to reject *Shammas*. Most fundamentally, even assuming that the American Rule does not apply to a statute that awards attorney's fees to the Government regardless of who wins, it does not follow that this should lead to less scrutiny of the statute. On the contrary, a statute that purports to require that a party must *always* pay the opponent's attorney's fees regardless of who wins should be subject to *greater* scrutiny, not less.

The Federal Circuit correctly held that "expenses of the proceedings" is ambiguous and therefore failed the American Rule's requirement that

Congress must be clear and explicit if it wants to deviate from the American Rule.

The USPTO has in effect admitted its own uncertainty about the meaning of “expenses” in Section 145 by not seeking attorney’s fees in a patent case for 174 years and for nearly 75 years after Congress incorporated analogous provisions into the Lanham Act.

The legislative history of Section 145 does not indicate that Congress intended “expenses” to include attorney’s fees. The Government’s reliance on the 1836 Act’s treatment of “salaries” as “expenses” is misplaced because there is no indication the Patent Office employed any attorneys at that time or, for that matter, for many decades.

Likewise, the legislative history of Section 21(b)(3) of the Lanham Act does not indicate that Congress intended “all expenses of the proceeding” to include an award of attorney’s fees. Congress amended the Lanham Act, and Section 21(b)(3) in particular, on several occasions—in 1962, 1975, and 1988. All of these dates are long before the USPTO’s surprise new interpretation in 2013.

On two separate occasions, Congress amended Section 21 of the Lanham Act, but did not add an explicit attorney’s fees provision, even though the

legislative history reflects clear awareness of the application of the American Rule to the Lanham Act.

The Government has not justified the USPTO's new interpretations of Section 145 and Section 21(b)(3). The Government argues that, after 174 years of not seeking attorney's fees pursuant to Section 145, the USPTO is nonetheless entitled to change its interpretation because the USPTO's aggregate operating expenses have increased in the patent area as a result of the complex litigation attending the America Invents Act. This argument has no factual basis. Congress has never instructed the USPTO that the costs of defending such appeals should be funded by recovering the USPTO's attorney's fees as Section 145 "expenses." Congress has always instructed and expected the USPTO to set fees sufficient to fund its overall operations, including the defense of Section 45 and Lanham Act Section 21 actions.

Finally, public policy does not support the Government's interpretation. The Government's proposed approach would have a chilling effect and introduce such a prohibitive expense that it would effectively remove district court review under Section 145—and also under Section 21(b)(3)—as a viable procedure for all but the wealthiest applicants.

Most importantly, this Court will undermine decades of American Rule jurisprudence if it holds that a statute authorizing recovery of “expenses” is sufficient to authorize an award of attorney’s fees. The result would be a flood of specious attorney’s fees claims based on thin statutory language.

### **LEGAL BACKGROUND**

The Government’s “Legal Background” Statement Sections 1 and 2 (Pet’r’s Br. 2–5) is thorough and accurate. Any further comment about those sections is not necessary.

However, the Government’s discussion of the Lanham Act (Pet’r’s. Br. Sec. 3, at. 6) is incomplete because it overlooks significant amendments to Section 21(b)(3), which amendments are relevant to the constriction of “expenses.” INTA supplements the Government’s discussion of the Lanham Act. INTA addresses the significance of these amendments in Section 4.2, below.

The Government attempts to justify the USPTO’s decision in 2013 to change its interpretation of Section 145 of the Patent Act. These justifications are flawed and will be rebutted below in Section 5 below.

## PROCEDURAL HISTORY

INTA adopts the Government's Procedural Statement.

## ARGUMENT

### 1. THE FEDERAL CIRCUIT CORRECTLY REJECTED *SHAMMAS* AND INSTEAD APPLIED THE AMERICAN RULE

#### 1.1 The American Rule

Any discussion of attorney's fees awards must begin with 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." *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) (quoting *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252–253 (2010)). The presumption that parties pay their own attorney's fees, win or lose, is not easily overcome, as this Court has recently re-emphasized: "We consequently will not deviate from the American Rule 'absent explicit statutory authority.' We have recognized departures from the American Rule only in '*specific and explicit provisions* for the allowance of attorneys' fees under selected statutes." *Baker Botts*, 135 S. Ct. at 2164 (*emphasis added*) (internal citations omitted) (*quoting Buckhannon Bd. & Care Home, Inc. v. West Virginia*

*Dept. of Health and Human Resources*, 532 U.S. 598, 602 (2001); *Alyeska Pipeline Serv. Co. v. Wilderness Soc’y*, 421 U.S. 240, 260 (1975).

The American Rule is not new and predates the 1839 enactment of the predecessor of Section 145. *Arcambel v. Wiseman*, 3 Dall. 306 (1796); *Alyeska Pipeline Service Co.*, 421 U.S. 240. “[S]ince shortly after the first Congress began legislating, the Supreme Court has consistently declared attorneys’ fees ordinarily are not recoverable in the absence of a statute or enforceable contract that provides therefor.” R. Leighton, *Awarding Attorneys’ Fees in “Exceptional” Lanham Act Cases: A Jumble of “Murky” Law*, 102 Trademark Reporter 849, 852 (2012)).

## **1.2 This Court Granted Certiorari to Resolve the Conflict Between *Nantkwest* and *Shammas***

The Government’s petition for certiorari was based in substantial part on the conflict between the Federal Circuit’s en banc ruling in the instant case that Patent Act Section 145 “expenses” did not include attorney’s fees and the Fourth Circuit’s inconsistent holding in *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015) that the corresponding language in the Lanham Act did include attorney’s fees. Cert. Pet. 12,

23. But the Government’s merits brief largely ignores the Fourth Circuit’s analysis in *Shammas*.

The Federal Circuit en banc majority rejected the analysis in *Shammas* and instead held, correctly, that the American Rule applied. *NantKwest, Inc. v. Iancu*, 898 F.3d 1177, 1184 (Fed. Cir. 2018). The dissent assumed that the rule applied, but “share[d] the Fourth Circuit’s doubt that the Rule applies in this context—i.e., where Congress has simply assigned payment responsibility to the applicant” regardless of who prevails. 898 F.3d at 1202.

### **1.3 The Federal Circuit Correctly Rejected the Fourth Circuit’s Misguided *Shammas* Decision**

The Federal Circuit’s en banc majority correctly rejected *Shammas*, where a divided panel ruled that Lanham Act Section 21(b)(3) authorized an award of attorney’s fees to the USPTO. To reach this conclusion, the *Shammas* panel majority ruled that the American Rule did not apply:

The requirement that Congress speak with heightened clarity to overcome the presumption of the American Rule thus applies only where the award of attorneys fees turns on whether a party seeking fees has prevailed to at least some degree. . . . Therefore, even

assuming that a statute must explicitly provide for the shifting of attorneys fees to overcome the presumption of the American Rule, that requirement is not applicable here.

784 F.3d at 223. The en banc majority in *NantKwest* rejected this holding. For three reasons, the Federal Circuit was correct.

First, and most fundamentally, even assuming that the American Rule does not apply to a statute that awards attorney's fees to the Government regardless of who wins, it does not follow that this should lead to less scrutiny of the statute. On the contrary, a statute that purports to require that a party must *always* pay the opponent's attorney's fees regardless of who wins should be subject to *greater* scrutiny, not less. Consequently, the Fourth Circuit's strained effort to evade the American Rule does not avoid the need for "heightened clarity."

Second, the *Shammas* panel misapplied or misinterpreted this Court's opinion in *Ruckelshaus v. Sierra Club*, 463 U.S. 680 (1983). The *Shammas* majority quoted the following language from *Ruckelshaus*:

[W]hen Congress has chosen to depart from the American Rule by statute, virtually every one of the more than 150 existing federal fee-

shifting provisions predicates fee awards on some success by the claimant; while these statutes contain varying standards as to the precise degree of success necessary for an award of fees[,] . . . the consistent rule is that complete failure will not justify shifting fees . . . .

784 F.3d at 223 (emphasis omitted) (alterations in original). From virtually this language alone, the *Shammas* majority held (incorrectly) that “a statute that mandates the payment of attorneys fees without regard to a party’s success is not a fee-shifting statute that operates against the backdrop of the American Rule.” *Id.* *Ruckelshaus*, however, does not support the *Shammas* holding.

*Ruckelshaus* is not on point because the statute at issue there, unlike the Sections 145 or 21(b)(3), explicitly authorized an award of attorney’s fees. More importantly, the *Ruckelshaus* Court required “a clear showing” that Congress intended to award fees without requiring success.

Put simply, ordinary conceptions of just returns reject the idea that a party who wrongly charges someone with violations of the law should be able to force that defendant to pay the costs of the wholly unsuccessful suit against it.

Before we will conclude Congress abandoned this established principle that a successful party need not pay its unsuccessful adversary's fees—rooted as it is in intuitive notions of fairness and widely manifested in numerous different contexts—a *clear showing that this result was intended is required*.

463 U.S. at 685 (emphasis added) and n.7 (“Indeed, when Congress *has* desired such a change, it has said so expressly . . . .”) (emphasis in original). For these reasons, it is difficult to understand why the *Shammas* majority concluded that *Ruckelshaus* supported its holding. It plainly supports Respondent here because the *Ruckelshaus* Court did not consider it enough merely to mention “attorney’s fees.” This Court still required a “clear showing” that Congress intended this result, *Ruckelshaus*, 463 U.S. at 685, and thereby demonstrates that, regardless of whether the American Rule applies, this Court still requires a clear and specific authorization to award attorney’s fees. *See also Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 255 (2010) (“As in the statute in *Ruckelshaus*, Congress failed to indicate clearly . . . that it ‘meant to abandon historic fee-shifting principles and intuitive notions of fairness.’”) (quoting *Ruckelshaus*, 463 U.S. at 686)).

Third, the *Shammas* court was mistaken in attaching significance to Section 21(b)(3)'s requirement that “all expenses” be paid. 784 F.3d at 224. This Court rejected a similar argument in *Rimini Street Inc. v. Oracle USA, Inc.*, 139 S.Ct. 873, 878–79 (2019), when it held that “full costs” did not expand the meaning of “costs.” This reasoning should apply here as well. Awarding “all expenses” does not expand the interpretation of “expenses.”

For these three reasons, the Federal Circuit correctly rejected *Shammas*.

**2. BECAUSE CONGRESS EXPLICITLY AUTHORIZED AN AWARD OF ATTORNEY'S FEES IN OTHER PARTS OF THE PATENT AND LANHAM ACTS, THIS COURT SHOULD PRESUME THAT CONGRESS ACTED INTENTIONALLY AND PURPOSELY IN OMITTING SUCH A PROVISION FROM SECTION 145**

When Congress means to authorize an award of attorney's fees, it is careful to do so explicitly and separately. This pattern permeates the federal law,<sup>4</sup>

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<sup>4</sup> See *NantKwest*, 898 F.3d at 1188–89 (“[C]ourt . . . may allow to any such party reasonable expenses and attorneys’ fees”) (quoting 12 U.S.C. § 1464(d)(1)(B)(vii) (alternation in original); “[C]ourt . . . may allow to any such party such reasonable

but it is especially apparent in the statutes at issue here. Congress explicitly provided for attorney’s fees in several sections of the Patent Act. *See NantKwest*, 898 F.3d at 1190 (“The court in exceptional cases may award reasonable attorney fees to the prevailing party”) (*quoting* 35 U.S.C. § 285) (emphasis omitted); (“[A] court may award attorney fees under section 285 . . . .”) (*quoting* 35 U.S.C. § 271(e)(4)); (“[T]he court shall find the case exceptional for the purpose of awarding attorney fees under section 285”) (*quoting* 35 U.S.C. § 273(f)) (emphasis omitted).

Congress has also provided explicit authorization for attorney’s fees in several sections of the Lanham Act. *See, e.g.*, 15 U.S.C. §§ 1114(2)(D)(iv) (“damages, including costs and attorney’s fees”); 1116(d)(11) (“a reasonable attorney’s fee”); 1117(a) (“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”); 1117(b) (“damages . . . together with a reasonable attorney’s fee”); 1122(c) (“costs and attorney’s fees”).

“[W]here Congress includes particular language in one section of a statute but omits it in

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expenses and attorneys’ fees as it deems just and proper . . . .”) (*quoting* 12 U.S.C. § 1786(p) (alternation in original)); (“An order remanding the case may require payment of just costs and any actual expenses, including attorney fees, incurred as a result of the removal.”) (*quoting* 28 U.S.C. § 1447(c)).

another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.” *Russello v. United States*, 464 U.S. 16, 23 (1983) quoting *United States v. Wong Kim Bo*, 472 F.2d 720, 722 (5th Cir. 1972); see also *Keene Corp. v. United States*, 508 U.S. 200, 208 (1993) (noting the “duty to refrain from reading a phrase into the statute when Congress has left it out”).

This canon of construction applies here, in particular, because, as noted below in the discussion of the legislative history, Congress has had many opportunities to consider the language of Lanham Act Section 21. Because Congress explicitly added attorney’s fees to other sections of the Lanham Act, but not to Section 21, this Court may presume that Congress acted intentionally. This presumption should be extended to Section 145, given the intertwined history of the Section 21(b)(3) and Patent Act Section 145.

**3. THE FEDERAL CIRCUIT CORRECTLY HELD THAT “EXPENSES OF THE PROCEEDING” IS AMBIGUOUS.**

The requirement that applicants bringing actions under Section 145 of the Patent Act pay “all expenses of the proceedings” is not a specific and

explicit indication that Congress intended to require that applicants pay the Government's attorney's fees.

The Federal Circuit ruled that the meaning of expenses in Section 145 was "at best ambiguous" and, therefore, did not satisfy the requirement that deviations from the American Rule be explicit and clear. *NantKwest*, 898 F.3d at 1187–88. In its brief here, the Government counters that the plain meaning of "expenses" is broad enough to encompass salaries, including salaries of attorneys, and that this plain meaning should control. Pet'r's Br. 18–23. In addition, the Government observes that "[s]tatutes that treat attorney's fees as a form of expense, as by authorizing courts to award 'reasonable expenses, including attorneys' fees,' 28 U.S.C. 361, assume that the term 'expenses' encompasses those fees. That formulation is common." Pet'r's Br. 40 and n.7 (listing statutes that use phrase expense or costs "including attorneys' fees") (emphasis omitted). The Government dismisses as harmless redundancy those statutes that list attorney's fees separately as if they are not a subset of any other broader category (as in "costs and attorneys' fees"): "[S]ome redundancy is hardly unusual." Pet'r's Br. 41, *quoting Rimini St.*, 139 S. Ct. at 881.

There are two major flaws in the Government's argument.

First, the fact that Congress consistently makes separate provision for attorney’s fees is evidence that Congress lacks confidence that less explicit language will satisfy the American Rule. The Government says the use of phrases like “expenses, *including* attorneys’ fees” or “attorneys’ fees *and other* expenses” is an admission that attorney’s fees are merely a type of expense. Petr’s Br. 40–41. But Congress’s repeated decision to remove doubt by explicitly listing “attorney’s fees” separately<sup>5</sup> is an admission that Congress concluded that clarification was necessary. This is what it means to be “explicit.” It hardly matters whether Congress sometimes says “including attorneys’ fees” and at other times says “and attorneys’ fees.” In both cases, Congress consistently and explicitly provides for “attorney’s fees” as a separate and distinct category, obviously not content to rely on any general term like expenses. In fact, Congress’s inconsistency (sometimes “including” and sometimes “and” and sometimes neither term) contributes to the uncertainty and supports the Federal Circuit’s conclusion that Section 145 is ambiguous.

Second, the USPTO has in effect admitted its own uncertainty about the meaning of “expenses” in

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<sup>5</sup> As in 28 U.S.C. 1447(c) (“any actual expenses, including attorney fees”). See other examples listed at Petr’s Br. 40 n.7.

Section 145 by not seeking attorney's fees until 2013, 174 years after Congress added (in 1839) the precursor to Section 145 to the Patent Act and nearly 75 years after Congress incorporated analogous provisions into the Lanham Act. The Government says, without any record support, that this was merely forbearance and an exercise of discretion, as if to say that the USPTO always knew it had the right to collect attorney's fees but it exercised discretion to give applicants a break.

It would be more candid to concede that the USPTO simply did not consider the term "expenses" sufficiently explicit to cover attorney's fees. At a minimum, a 174 year track record is evidence that many generations of Patent and Trademark Office administrators have harbored doubts about the meaning and scope of the phrase "all expenses of the proceedings." These doubts, inferred from the long delay, support the conclusion that the statutes are ambiguous, and therefore inadequate to satisfy the American Rule requirement that the authority to award attorney fees be clearly and explicitly stated. *See McLaren v. Fleischer*, 256 U.S. 477, 480–81 (1921) ("[T]he practical construction given to an act of Congress, fairly susceptible of different constructions, by those charged with the duty of executing it is entitled to great respect and, if acted upon for a number of years will not be disturbed except for cogent

reasons.”); *Colonial Press Intern., Inc. v. U.S.*, 788 F.3d 1350, 1357–58 (Fed. Cir. 2015) (using practical construction as a tool of statutory interpretation).

**4. THE LEGISLATIVE HISTORY DOES NOT SHOW THAT CONGRESS EXPLICITLY AND CLEARLY INTENDED “EXPENSES” TO INCLUDE ATTORNEY’S FEES IN EITHER THE PATENT OR LANHAM ACT**

**4.1 The legislative history of Patent Act Section 145 does not indicate that Congress intended “all expenses of the proceedings” to include authority to award attorney’s fees**

The Federal Circuit dissent observed, 898 F.3d at 1198, and the Government now argues, Pet’r’s. Br. 13, that the 1836 Patent Act provided that application fees would be paid into a fund to pay “salaries of the officers and clerks herein provided for, and other expenses of the Patent Office.” Patent Act of 1836, ch. 337, § 9, 5 Stat. 117, 121. The Government says this shows that “salaries” are “expenses.” This argument is flawed for two reasons.

First, it misses the question, which is whether the statute authorized recovery of *attorney’s fees*, not whether salaries are expenses. Even if salaries are expenses, the American Rule would still require that

salaries that represent attorney's fees must be treated differently.

Second, there is no evidence that the 1836 Patent Office employed any attorneys, or, if it did, that any of them acted as attorneys during their employment at that time. INTA has found no evidence that the patent clerks employed in 1836 were lawyers. Then, as now, patent clerks, or, in today's parlance, Patent Examiners, need not be attorneys and were more likely scientists or engineers. *See*, Kara W. Swanson, *The Emergence of the Professional Patent Practitioner*, 50 *Tech & Culture* 519, 530–32 & n.42 (2009) (explaining that “conspicuously lacking during the antebellum period was any reference to legal training as part of the ideal skills of a patent practitioner, or much attempt by members of the bar to occupy that space,” and noting but a single “antebellum examiner with any legal training”); U.S. Patent and Trademark Office, U.S. Dep't of Commerce, *The Story of the U.S. Patent and Trademark Office*, 10 (1988) (observing that by 1856, “[t]he Patent Office staff consist[ed] of a Commissioner, a chief clerk, 12 examiners, 12 assistant examiners, a draftsman, an agricultural clerk, a machinist, a librarian, and about 50 clerical employees,” but not mentioning either attorneys or lawyers on staff).

Furthermore, by 1839 Congress was already legislating against the backdrop of the American Rule and would have included a reference to attorney’s fees if it intended to include them as a component of “expenses.” See *Arcambel v. Wiseman*, 3 U.S. (3 Dall.) 306, 306 (1796) (“We do not think that this charge [of attorney’s fees] ought to be allowed. The general practice of the United States is in opposition to it; and even if that practice were not strictly correct in principle, it is entitled to the respect of the court, till it is changed, or modified, by statute.”).

In the 1839 Patent Act, Congress allowed disappointed patent applicants to appeal by filing a bill in equity to the district court, with the requirement that the applicant pay the “whole of the expenses of the proceeding.” Ch. 88, § 10, 5 Stat. 353–54 (1839). Concerned about a backlog of appeals to the Patent Office’s Board of Examiners,<sup>6</sup> the Patent Office proposed in its 1838 Annual Report to allow an appeal by bill of equity to the courts. Henry L. Ellsworth, Rep. from the Comm’r of Patents, H.R. Doc.

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<sup>6</sup> Caused in part by applicants who added additional evidence to the record. Henry L. Ellsworth, Rep. from the Comm’r of Patents, H.R. Doc. No. 25-80, at 2 (3d Sess. 1839). This is comparable to the facts that gave rise to *Kappos v. Hyatt*, 566 U.S. 431 (2012), where Section 145 parties were permitted to add evidence not submitted during examination, and shows, yet again, that there is nothing new about the USPTO’s current challenges.

No. 25-80, at 2 (3d Sess. 1839). But as the Report shows, there is no evidence that the Patent Office foresaw the need for the Patent Office to be represented by counsel in these proceedings or any need to employ counsel in the proceedings. The only “expense” that it expected was the need to compensate the Chief Judge for his time and that expense was in subsequent years paid out of the general fund. The 1838 Report explained:

I beg leave to suggest, as a substitute for the board of examiners, the expediency of allowing an appeal to the chief justice of this District, giving him power to examine and determine the matter summarily at chambers, or otherwise, on the evidence had before the Commissioner. From the experience had, thus far, it may be presumed that the judge would have but few cases to examine, and that those would not materially interfere with his other judicial duties. *A reasonable compensation for such duty may be made from the patent fund.*

H.R. Doc. No. 25-80, at 2 (emphasis added). A review of the Patent Office Annual Reports for 1838–1845 does not reflect salaries paid to any attorneys or any payments to counsel. The Annual Reports do, however, show annual payments to the court out of the Patent Office’s general account funded by collected

application fees. The Annual Report for 1846 includes “fees paid to counsel in two suits in equity recently pending against the Commissioner,” but these are described as “expenses of the office” (versus “of the proceedings”) and were paid out of the general fund. Edmund Burke, Rep. of the Comm’r of Patents, H.R. Doc. No. 29-52, at 1 (2d Sess. 1847). There is no indication on this occasion (or any other) that the Patent Office collected any money from applicants as expenses to cover Patent Office attorney’s fees.

The point is that there was nothing in the text of the Patent Office proposal for the bill of equity appeal (found in the 1838 Annual Report) or in the Patent Office Annual Reports issued over the following decade that reflects the slightest intention to recover attorney’s fees paid by the Patent Office for representation in bill of equity appeals. Given that United States courts had already made clear their skepticism about shifting attorney’s fees, the absence of any reference to attorney’s fees or legal representation in the equity courts undermines any suggestion that Congress clearly and explicitly intended the phrase “expenses of the proceeding” to include the Patent Office’s attorney fees.

**4.2 The legislative history of Lanham Act Section 21(b)(3) does not indicate that Congress intended “all expenses of the proceeding” to include authority to award attorney’s fees**

The Lanham Act became law in 1946 and that is the relevant date to begin the study of its legislative history. Thereafter, Congress focused on and amended the Lanham Act, and Section 21(b) in particular, in 1962, 1975, and 1988. All of these dates are long before the USPTO’s surprise new interpretation in 2013 that an applicant appealing a USPTO decision pursuant to Section 21(b)(3) would be required to pay the USPTO’s attorney’s fees regardless of which party won. There is no suggestion that Congress ever discussed attorney’s fees when deliberating on any of these amendments. The issue did not arise when the Patent Act’s language was first imported into the Lanham Act, or in the numerous times Section 21 of the Lanham Act was amended in the interim.<sup>7</sup> *See Exxon Mobil Corp. v. Allapattah*

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<sup>7</sup> *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 9, 125 Stat. 284, 316 (2011); Trademark Technical and Conforming Amendment Act of 2010, Pub. L. No. 111-146, § 3, 124 Stat. 66, 67 (2010); Consolidated Appropriations Act, 2000, Pub. L. No. 106-113, Div. B, § 1000(a)(9), 113 Stat. 1501, 1536 (1999); Trademark Law Revision Act of 1988, Pub. L. No. 100-667, § 120,

*Servs., Inc.*, 545 U.S. 546, 568 (2005) (“Extrinsic materials have a role in statutory interpretation . . . to the extent they shed a reliable light on the enacting Legislature’s understanding of otherwise ambiguous terms.”).

When Congress enacted the Lanham Act in 1946, it simply adopted by reference Patent Act Section 145. This was more than 100 years after the 1839 amendment to the Patent Act that created the statutory predecessor to the Section 145 appeal to the district court. At no time during that century had the Patent Office sought to recover attorney’s fees as “expenses” under Section 145. Accordingly, Congress was not on notice when it passed the 1946 Lanham Act that the adopted language could be stretched to require trademark applicants appealing to the district court to pay the government’s attorney’s fees.

In 1962, Congress amended the Lanham Act to dispense with the cross reference and instead added Section 21(b)(3) to customize the Section 145 appellate structure to fit trademark procedure, but it kept the

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102 Stat. 3935, 3942 (1988); Trademark Clarification Act of 1984, Pub. L. No. 98-620, § 414, 98 Stat 3335 (1984); Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 162, 96 Stat. 25 (1982); Act of Jan. 2, 1975, Pub. L. No. 93-600, § 2, 88 Stat. 1955 (1975); Act of Jan. 2, 1975, Pub. L. No. 93-596, 88 Stat. 1949 (1975).

substance of Section 145. Pub. L. No. 87-772, § 12, 76 Stat. 769, 771-72 (1962). In particular, Congress adopted the Patent Act's requirement that "all the expenses of the proceedings shall be paid by the party bringing them, whether the final decision is in his favor or not." *Id.* Of course, the Patent Office had not changed its interpretation of Section 145 by this date, so Congress had no reason to clarify any interpretation of "expenses" in the Lanham Act and it certainly took no steps to explicitly authorize an award of attorney's fees.

In 1975, Congress enacted two amendments to the Lanham Act. Pub. L. No. 93-600. One of the amendments added to Section 35 a provision explicitly authorizing the recovery of attorney's fees in trademark infringement actions under Section 35(a) of the Lanham Act. This amendment was a response to this Court's *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967), decision, which held that the American Rule barred awarding attorney's fees as "damages" to a prevailing plaintiff in a trademark infringement action. The accompanying Senate Report on the bill discusses, with respect to the attorney's fees amendment, the American Rule presumption against awarding attorney's fees absent explicit statutory authorization. *See* S. Rep. No.

93-1400 (1974), *reprinted in* 1974 U.S.C.C.A.N. 7132, 7134–36.<sup>8</sup>

Importantly, the same 1975 law amended Section 21(a) procedures<sup>9</sup> for direct appeals to the circuit court, but made no changes regarding Section 21(b) appeals to the district court.

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<sup>8</sup> The Senate Report shows that Congress was well aware of the American Rule when it passed the 1974 amendments:

The general rule in United States judicial proceedings is that, absent specific authority by statute or contract, attorney fees are not recoverable in ordinary actions at law or in equity by either a successful plaintiff or defendant. This American departure from the ‘English rule,’ under which attorney fees are generally awarded, arose early in this country’s judicial development. . . . Prior to 1967, the courts in trademark infringement and unfair competition cases had developed an equitable doctrine holding that attorney fees are recoverable by a successful plaintiff, notwithstanding the absence of express statutory authority under the Lanham Act. This doctrine was overruled, however, by the Supreme Court decision in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967).

1974 U.S.C.C.A.N. 7132, 7135–36.

<sup>9</sup> The amendment eliminated “as archaic the existing requirement that socalled ‘reasons of appeal’ be filed with the Patent Office when appealing” to the circuit court. *Id.* at 7132.

These 1975 amendments gave Congress a clear opportunity to incorporate an explicit reference to attorney's fees into Section 21(b). Congress's amendment of Section 35 to add an attorney's fee provision shows that Congress was fully aware that the American Rule required explicit authorization of attorney's fees. It is a fair inference that Congress did not see any need to clarify Section 21(b)(3) because it either did not conceive that "expenses" could be stretched to include attorney's fees or it did not intend to authorize an attorney's fee recovery.

In 1988 Congress amended Section 21(b)(3) to insert the phrase "unless the court finds the expenses to be unreasonable" immediately before the language borrowed from Section 145. Trademark Law Revision Act of 1988, Pub. L. No. 100-667, § 120, 102 Stat. 3935, 3942 (1988). After this amendment, Section 21 reads: "*unless the court finds the expenses to be unreasonable*, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not." 15 U.S.C. § 21(b)(3) (added language italicized).<sup>10</sup>

The 1988 amendment to Section 21(b)(3) is especially important because it shows that, even with

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<sup>10</sup> The amendment also changed plural "proceedings" the singular "proceeding." No reason was given.

focused attention to the language at issue and with full awareness of the American Rule, Congress still did not add language explicitly requiring payment of attorney's fees.

Moreover, the legislative history commentary demonstrates that Congress did not have any clue that "expenses" in Section 21(b)(3) might be stretched to include attorney's fees. When Senator DeConcini introduced the bill in 1987, he explained that the proviso added to Section 21(b)(3) "gives the courts discretion to refrain from charging the party bringing an ex parte appeal all the *costs* of such a proceeding. The . . . provision will assure that the PTO seriously considers the need for incurring certain expenses in ex parte cases." 133 Cong. Rec. S16546-54 (Nov. 19, 1987) (Senator DeConcini introducing the Trademark Law Revision Act) (emphasis added). The Senate Report recommending passage of the amendments explained that the added language "clarifies and revises the first sentence of Section 21(b)(3) [15 U.S.C. 21(b)(3)] of the [Lanham] Act to assure that the Patent and Trademark Office seriously considers the need for incurring certain expenses when defending an ex parte decision. The committee amended the statute to impose a statutory 'reasonableness' standard." S. Rep. No. 100-515, at 36 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5578.

This legislative history does not evidence any Congressional intent to make the applicant responsible for the Government's attorney's fees. Senator DeConcini's remarks equate "expenses" and "costs," which, of course, is a narrow term of art that does not include attorney fees. *Rimini St.*, 139 S.Ct. at 879. The 1988 Judiciary Committee Report explains that the committee added the proviso to discourage the USPTO from "incurring" unnecessary expenses "when defending an ex parte decision." S. Rep. No. 100-515. The message is that Congress wants to reduce the burden on the appealing applicant. Given this manifest message, the absence of any reference to attorney fees is glaring. *See Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994) ("Such a bold departure from traditional practice [i.e., the American Rule] would have surely drawn more explicit statutory language and legislative comment.").

It is important to put the 1988 amendments in context. The 1988 Trademark Law Revision Act was a comprehensive overhaul of the Lanham Act. Citing a study by INTA (then the "United States Trademark Association"), the Judiciary report recommending passage observed:

The bill, based on the results of an extensive study conducted by the U.S. Trademark Association's Review Commission, was the

product of more than 2 years of analysis, debate and consensus-building by trademark owners, attorneys, and other private sector experts. . . . Throughout the process, input from diverse public and private interests served by the Lanham Act was sought. Hundreds of trademark owners and practitioners, more than 50 organizations, Government officials in the United States and abroad, and eminent scholars in the fields of constitutional, commercial, trademarks and unfair competition law contributed to the project.

S. Rep. No. 100-515, at 2–3.

Despite the vast scale of the 1988 review of the Lanham Act, INTA is not aware of any evidence that Congress, the USPTO or any stakeholder observed that Section 21(b)(3) authorized an award of the attorney’s fees. This is true even though Congress was plainly *paying attention* to Section 21(b)(3) specifically.

Moreover, Congress and the trademark community stakeholders were well aware in 1988 that Congress must explicitly and clearly grant authority to award attorney’s fees. The Senate Report recommending passage of the Trademark Law Revision Act observed:

For the act's first 30 years, there was only one substantive change made in the law. . . . In more recent times, court decisions have often prompted Lanham Act amendments. In 1975, Congress responded to the Supreme Court decision in *Flieshmann Distillery Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967), which held that the Act did not authorize an award of attorney's fees to the prevailing party in an infringement action. Aligning the trademark law with the patent and copyright statutes, Congress passed H.R. 8981 and changed Section 35 to allow the award of fees in "exceptional" cases.

S. Rep. No. 100-515, at 2. The Report's reference to *Fleishmann* and the 1975 amendments shows that Congress was fully aware in 1988 that if it wanted to authorize attorney's fees under Section 21(b)(3), it needed to be clear and explicit, especially when it was otherwise amending the Section. Congress's failure to do so in 1988 when it amended Section 21(b)(3) is evidence either that Congress was unaware that the "expenses" provision could be stretched to include attorney's fees or that it did not intend to authorize attorney's fees under that Section.

**5. THE GOVERNMENT HAS NOT JUSTIFIED THE USPTO'S NEW INTERPRETATION OF SECTION 145 OR SECTION 21(b)(3)**

The Government argues that the USPTO is entitled to change its interpretation of Section 145 because Congress has directed it to set fees at a level sufficient to cover the USPTO's aggregate operating expenses. Pet'r's Br. 7–8, 13, 31–32. The Government says that recovering attorney's fees from Section 145 appellants avoids shifting the cost of Section 145 proceedings to patent applicants. There are several flaws with this argument.

First and foremost, this rationale does not justify a change in the interpretation of Lanham Act Section 21(b)(3). It would seem that the USPTO is paying for the more complex and expensive Section 145 appeals in patent cases by recovering attorney's fees from applicants appealing trademark decisions.

Second, Congress has not instructed the USPTO to pay for the defense of the Commissioner in Section 145 proceedings by recovering attorney's fees pursuant to Section 145. In the 2011 Leahy-Smith America Invents Act (the "AIA"), Pub.L. No. 112-29, 125 Stat. 284 (2011), Congress gave the USPTO authority to set its fees by regulation. Before then,

Congress had set the fees by legislation. But whether by law or rulemaking, the Patent Office has always from its inception been self-funding based on its collected fees. Both before and after the AIA, the USPTO has set its fees, and requested corresponding appropriations in an aggregate amount sufficient to cover “necessary expenses of the Patent and Trademark Office provided for by law, *including the defense of suits against the Commissioner of Patents, and Trademarks.*” Compare Pub. L. No. 106-113, App. A, 113 Stat. 1501A-28 (Consolidated Appropriations Act, 2000), *with* Pub. L. No. 114-13, 129 Stat. 2290 (Consolidated Appropriations Act, 2016) (emphasis added).

Moreover, the Patent Office has always faced financial pressures that would have motivated recovering attorney’s fees if the authority to do so had existed. Indeed it was precisely this sort of pressure that motivated the Patent Office in 1838 to propose moving appeals out of the Patent Office and to the Courts, which proposal led in 1839 to the precursor to Section 145. *See* H.R. Doc. No. 25-80, at 2; *see also supra* pp. 23–25 and n.5.

Despite the ever present financial pressure, the Patent Office never sought attorney’s fees until 2013. Since 1839, the Patent Office has funded the defense of its decisions out of its general budget funded by

diverse application fees. Respectfully, it is not credible to suggest that recent changes in patent law complexity have so fundamentally altered the landscape that the USPTO should be permitted to reinterpret Section 145 and create a new funding source.

Finally, if the AIA spawned more complex patent appeals pursuant to Section 145, then it follows that Congress could have explicitly required payment of the Government's attorney's fees when it passed the AIA. Even though the AIA contains many provisions authorizing the USPTO to set fees at a level sufficient to cover the predicted high cost of implementing the AIA, there is not a whisper about recovering its Section 145 attorney's fees.

### **5.1 Public Policy Does Not Support the Government's Interpretation**

The Government's narrow interpretation of the American Rule would effectively eliminate the right to district court review for many patent and trademark applicants. Imposing the significant and unpredictable cost of the USPTO's attorney's fees on any patent or trademark applicant who exercises its rights under Section 145 or Lanham Act Section 21 will cause exactly the sort of evils the American Rule exists to prevent. As Judge Stoll observed in her

dissent from the Federal Circuit’s panel decision, the “high and uncertain costs” of attorney’s fees “would likely deter applicants, particularly solo inventors and other smaller entities.” *Nantkwest, Inc. v. Matal*, 860 F.3d 1352, 1366 (Fed. Cir. 2017).

Limiting application of the American Rule to “prevailing party” statutes is contrary to the policies underlying the Rule: “[O]ne of the primary justifications for the American Rule is that ‘one should not be *penalized* for merely defending or prosecuting a lawsuit.’” *Summit Valley Indus. Inc. v. Local 112, United Bhd. of Carpenters & Joiners of Am.*, 456 U.S. 717, 724 (1982) (quoting *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 718 (1967)). But that is precisely the result that would occur if this Court adopts the Government’s position. As the en banc majority recognizes, the Government’s position “would have a patent applicant pay the government’s attorneys’ fees even when the patent applicant succeeds.” *NantKwest*, 898 F.3d at 1191.

Finally, and perhaps most important, a holding that authorizing an award of “expenses” is enough to satisfy the American Rule would signal to Congress that there is no need to be explicit in order to authorize attorney’s fees, as it has repeatedly done in diverse federal statutes. This message would undermine

decades of efforts by this Court to send exactly the opposite message.

### CONCLUSION

For the foregoing reasons, the Court should affirm the Federal Circuit’s interpretation of the American Rule and Section 145 of the Patent Act and hold that attorney’s and paralegal’s fees are not included within the scope of “all the expenses of the proceedings” under Section 145.

Respectfully submitted,

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