

IN THE SUPREME COURT OF THE UNITED STATES

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No. 18A-\_\_\_\_\_

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

v.

NANTKWEST, INC.

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APPLICATION FOR AN EXTENSION OF TIME  
WITHIN WHICH TO FILE A PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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Pursuant to Rules 13 and 33.2 of the Rules of this Court, the Solicitor General, on behalf of Andrei Iancu, Under Secretary of Commerce for Intellectual Property and Director, United States Patent and Trademark Office (USPTO), respectfully requests a 29-day extension of time, to and including November 23, 2018, within which to file a petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case. The en banc opinion of the court of appeals (App., infra, 35a-87a) is reported at 898 F.3d 1177, and a prior panel opinion (App., infra, 1a-31a) is reported at 860 F.3d 1352. The en banc court entered its judgment on July 27, 2018. Unless extended, the time within which to file a petition for a writ of

certiorari will expire on October 25, 2018. The jurisdiction of this Court would be invoked under 28 U.S.C. 1254(1).

1. The USPTO is "responsible for the granting and issuing of patents." 35 U.S.C. 2(a)(1). When a person applies for a patent, the USPTO undertakes an examination process to determine whether a patent should issue. 35 U.S.C. 131. If the USPTO denies the application, the applicant may appeal to the United States Court of Appeals for the Federal Circuit, 35 U.S.C. 141, which reviews the USPTO's factual findings under the standards of the Administrative Procedure Act, 5 U.S.C. 701 et seq., see Dickinson v. Zurko, 527 U.S. 150, 152 (1999). Alternatively, the applicant may file a "civil action against the Director" of the USPTO in the United States District Court for the Eastern District of Virginia, 35 U.S.C. 145, in which the applicant may introduce evidence of patentability not previously considered by the USPTO, see Kappos v. Hyatt, 566 U.S. 431, 444 (2012). If the applicant introduces such evidence in a Section 145 proceeding, "the district court must make de novo factual findings." Id. at 446.

Section 145 provides that "[a]ll the expenses of the proceedings shall be paid by the applicant." 35 U.S.C. 145. The applicant must pay all the expenses of the proceedings "regardless of the outcome." Hyatt v. Kappos, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc), aff'd, 566 U.S. 431 (2012).

2. This case concerns whether, under 35 U.S.C. 145, the USPTO may recover the expenses it incurs when USPTO personnel, including attorneys, defend the agency in a Section 145 proceeding.

NantKwest, Inc.'s predecessor-in-interest brought a Section 145 suit to challenge the USPTO's rejection of a patent application. After the USPTO prevailed at summary judgment, the agency moved under 35 U.S.C. 145 for an award of expenses, including more than \$78,000 in personnel costs for the time two USPTO attorneys and a paralegal had spent on the proceeding (calculated as a pro rata share of the employees' salaries). See App., infra, 43a-44a.

The district court denied the USPTO's motion with respect to the personnel costs. 162 F. Supp. 3d 540, 546. In that court's view, Section 145's reference to "[a]ll expenses" was not sufficiently "'specific and explicit'" to encompass the attorney and paralegal personnel costs, given the presumption under the "American Rule \* \* \* that each litigant pays his own attorneys' fees." Id. at 542 (quoting Baker Botts L.L.P. v. ASARCO LLC, 135 S. Ct. 2158, 2164 (2015)).

A divided panel of the court of appeals reversed. App., infra, 1a-31a. The panel majority assumed without deciding that the American Rule is relevant to interpreting Section 145, which requires an applicant to pay "[a]ll the expenses of the proceedings" regardless of the outcome of those proceedings. Id.

at 5a-6a (brackets in original) (citing 35 U.S.C. 145). Even accepting that premise, however, the majority concluded that Section 145 “authorizes an award of fees” because “‘expenses’ here includes attorneys’ fees,” both in contemporary usage and when Congress enacted the original version of Section 145 in 1839. Id. at 6a-7a. Judge Stoll dissented. Id. at 17a-31a.

The en banc court of appeals vacated the panel opinion and reheard the case sua sponte. App., infra, 32a-34a. On rehearing, the en banc court affirmed the district court’s denial of the USPTO’s motion for personnel expenses. Id. at 38a. The majority “acknowledge[d] that the word ‘expenses’ is broad” and can “refer to a variety of burdens incurred by a litigant, including attorneys’ fees.” Id. at 62a. It nonetheless concluded that the “phrase ‘[a]ll the expenses of the proceedings’” in Section 145 “falls short” of what the majority perceived as the “stringent standard” Congress must meet to displace the American Rule and authorize an award of attorney’s fees. Id. at 38a. In so holding, the majority recognized that the Fourth Circuit has “interpreted a nearly identical provision of the Lanham Act, 15 U.S.C. § 1071(b)(3),” to authorize the USPTO to recover its personnel expenses. Id. at 44a (citing Shammas v. Focarino, 784 F.3d 219, 223-224 (4th Cir. 2015), cert. denied, 136 S. Ct. 1376 (2016)). Chief Judge Prost, joined by three other judges, dissented. Id. at 69a-87a. In her view, “[w]hen Congress said, ‘[a]ll the

expenses,' \* \* \* it meant all the expenses," including the USPTO's personnel costs. Id. at 69a (second set of brackets in original).

3. The Solicitor General has not yet determined whether to file a petition for a writ of certiorari in this case. The additional time sought in this application is needed to continue consultation with the Department of Commerce and the USPTO, as well as other components within the Department of Justice. Additional time is also needed, if a petition is authorized, to permit its preparation and printing.

Respectfully submitted.

NOEL J. FRANCISCO  
Solicitor General

OCTOBER 2018

**United States Court of Appeals  
for the Federal Circuit**

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**NANTKWEST, INC.,**  
*Plaintiff-Appellee*

v.

**JOSEPH MATAL, PERFORMING THE FUNCTIONS  
AND DUTIES OF THE UNDER SECRETARY OF  
COMMERCE FOR INTELLECTUAL PROPERTY  
AND DIRECTOR, U.S. PATENT AND TRADEMARK  
OFFICE,**  
*Defendant-Appellant*

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2016-1794

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Appeal from the United States District Court for the Eastern District of Virginia in No. 1:13-cv-01566-GBL-TCB, Judge Gerald Bruce Lee.

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Decided: June 23, 2017

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ALAN J. HEINRICH, Irell & Manella LLP, Los Angeles, CA, argued for plaintiff-appellee. Also represented by MORGAN CHU, LAUREN NICOLE DRAKE, GARY N. FRISCHLING; SANDRA HABERNY, Newport Beach, CA.

JAYNIE RANDALL LILLEY, Appellate Staff, Civil Division, United States Department of Justice, Washington, DC, argued for defendant-appellant. Also represented by

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Before PROST, *Chief Judge*, DYK and STOLL, *Circuit  
Judges*.

Opinion for the court filed by *Chief Judge* PROST.

Dissenting opinion filed by *Circuit Judge* STOLL.

PROST, *Chief Judge*.

Nantkwest, Inc. appeals from a decision of the United States District Court for the Eastern District of Virginia granting-in-part and denying-in-part the United States Patent and Trademark Office (“USPTO”) Director’s motion for fees. In its order, the district court granted the Director’s requested witness’ fees but denied the requested attorneys’ fees. The Director appeals the court’s denial of attorneys’ fees. We reverse.

## I

In 2001, Dr. Hans Klingemann filed a patent application directed to a method of treating cancer by administering natural killer cells. After several years of examination, the USPTO rejected Dr. Klingemann’s application on obviousness grounds. The Patent and Trial Appeal Board (“PTAB”) affirmed the examiner’s rejection and Nantkwest, as assignee of the application, appealed to the district court under 35 U.S.C. § 145. We have provided a summary of the technology and the proceedings at the USPTO and district court in Nantkwest’s

companion appeal. *Nantkwest, Inc. v. Michelle K. Lee*, No. 2015-2095, slip op. at 2–5 (Fed. Cir. May 3, 2017).

Section 145 provides that an applicant dissatisfied with the PTAB’s decision may appeal directly to the United States District Court for the Eastern District of Virginia in lieu of immediate appeal to this court. 35 U.S.C. § 145. The statute further provides that the applicant must pay “[a]ll of the expenses of the proceeding,” *id.*, “regardless of the outcome,” *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc), *aff’d and remanded*, 132 S. Ct. 1690 (2012). After prevailing at the district court on the merits, the Director filed a motion to recover \$111,696.39 of the USPTO’s fees under the § 145 expense provision. *See* J.A. 84 (seeking \$78,592.50 in attorneys’ fees (including paralegal fees) and \$33,103.89 in expert fees).<sup>1</sup>

Although the district court granted the USPTO’s expert fees, it denied its requested attorneys’ fees, citing the “American Rule.” J.A. 10–11. Under this Rule, litigants pay their own attorneys’ 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). Applying this Rule, the court found that in order to recover these fees, “[d]efendants must be able to articulate a statutory provision that clearly and explicitly allows them to recovery attorneys’ fees from Plaintiff.” J.A. 3–4. The district court concluded that the “[a]ll expenses” provision of the statute was neither sufficiently specific nor explicit enough for the authorization of attorneys’ fees under this

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<sup>1</sup> To arrive at this value, the USPTO calculated the pro-rata share of the salaries of the two attorneys and one paralegal who worked on the appeal. J.A. 83–84. Nantkwest did not challenge the number of hours expended or the pro-rata share of salaries the USPTO proffered at the district court. J.A. 138–40.



Rule. *Id.* On appeal, the Director argues that the district court erred by excluding the USPTO's attorneys' fees under § 145. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(C).

## II

The principal issue on appeal is whether § 145's "[a]ll expenses of the proceedings" provision authorizes an award of the USPTO's attorneys' fees under this section.<sup>2</sup>

We review a district court's interpretation of a statute de novo. *Weatherby v. Dep't of the Interior*, 466 F.3d 1379, 1383 (Fed. Cir. 2006). "In construing a statute or regulation, we begin by inspecting its language for plain meaning." *Meeks v. West*, 216 F.3d 1363, 1366 (Fed. Cir. 2000) (citation omitted). In the absence of a definition of a term, courts give the words their "ordinary, contemporary, common meaning." *Williams v. Taylor*, 529 U.S. 420, 421 (2000).

Under 35 U.S.C. § 145,

[a]n applicant dissatisfied with the decision of the [PTAB] . . . may, unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Director in the United States District Court for the Eastern District of Virginia . . . . *All the expenses of the proceedings shall be paid by the applicant.*

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<sup>2</sup> Throughout its briefing, the Director routinely refers to these attorneys' fees as "personnel expenses." See, e.g., Appellant's Br. 3. Because there is no genuine dispute that the terms "personnel expenses" and "attorneys' fees" are interchangeable within the context of this appeal, we refer to them as "attorneys' fees" throughout this opinion.

*Id.* (emphasis added).

At the outset, we observe that we have previously construed other portions of § 145. *See, e.g., Hyatt*, 625 F.3d at 1322. Although *Hyatt* resolved a different issue than the one presented here, we based our holding, in part, on our recognition of the breath of the “all expenses” provision and the substantial financial burden that applicants must bear for initiating § 145 appeals. *Id.* at 1337. “To deter applicants from exactly the type of procedural gaming that concerns the Director, Congress imposed on the applicant the heavy economic burden of paying ‘[a]ll the expenses of the proceedings’ regardless of the outcome.” *Id.* (alteration in original) (citing 35 U.S.C. § 145). Put another way, Congress intended that all applicants unconditionally assume this financial burden when seeking review directly in district court—whether they win, or lose. We thus concluded that Congress drafted this provision without requiring any degree of success on the merits (much less a prevailing party) as a necessary precedent for shifting this “heavy economic burden” onto the applicant. *Id.*

#### A

Before determining whether § 145 authorizes an award of the USPTO’s attorneys’ fees, we first address the government’s argument that the American Rule does not apply to these proceedings. Like the Fourth Circuit, we have substantial doubts that this provision even implicates this Rule. *See Shammass v. Focarino*, 784 F.3d 219, 223 (4th Cir. 2015), *cert. denied sub nom. Shammass v. Hirshfeld*, 136 S. Ct. 1376 (2016) (concluding that a nearly identical statutory provision governing Trademark appeals (15 U.S.C. § 1071(b)(3)) does not “operate[] against the backdrop of the American Rule” because that provision made no reference to prevailing parties).

In response to the government’s arguments, Nantkwest relies on *Baker Botts L.L.P. v. ASARCO LLC*

to support its position that the American Rule applies *whenever* a litigant seeks to recover attorneys' fees. 135 S. Ct. 2158, 2164 (2015).<sup>3</sup> *Baker Botts*, however, does not stand for a general proposition that courts must apply the American Rule's specific and explicit requirements to *all* fee statutes irrespective of a prevailing party as Nantkwest contends. Rather, it demonstrates that a statute must meet these requirements before a party may recover its fees when attempting to extend its reach to ancillary litigation Congress never intended. *See id.* at 2165. Nevertheless, despite our doubts as to the applicability of the American Rule here, we analyze § 145's "[a]ll expenses of the proceeding" provision assuming the Rule applies, as we conclude that even under this Rule, the expenses at issue here include the USPTO's attorneys' fees.

## B

Under the American Rule, "the prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser." *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 247 (1975). Courts uniformly recognize an exception to this general proposition, however: when the statute itself "specific[ally]" and "explicit[ly]" authorizes an award of fees, the prevailing party may be entitled to collect its fees. *Id.* at 260. In agreement with

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<sup>3</sup> In that case, although the statute made no reference to prevailing parties, Congress drafted the fees provision to apply exclusively to non-adversarial bankruptcy proceedings. *Id.* at 2163–65. Nevertheless, *Baker Botts* used this provision as a basis to recover its fees for work it performed in a related, but adversarial, fee-defense litigation. *Id.* at 2166. By applying this statute to a proceeding Congress never contemplated in the first instance, *Baker Botts* effectively sought its fees in the absence of a fee statute altogether.

two other circuits, we conclude that “expenses” here includes attorneys’ fees. *See Shammas*, 784 F.3d at 222–23 (holding that the term “expenses” covers the USPTO’s attorneys’ fees); *United States v. 110-118 Riverside Tenants Corp.*, 886 F.2d 514, 520 (2d Cir. 1989) (observing that attorneys’ fees are “expenses of the proceedings” under § 6342 of the Internal Revenue Code).<sup>4</sup>

## 1

The definitions and explanations that standard legal dictionaries and treatises provide for the term “expense” support this conclusion. *Wright & Miller on Federal Practice and Procedure*, for example, defines this term as “includ[ing] all the expenditures actually made by a litigant in connection with the action,” including “attorney’s fees.” 10 Charles Alan Wright et al., *Federal Practice and Procedure* § 2666 (3d ed. 1998). Similarly, *Black’s Law Dictionary* defines “expenses” as “expenditure[s] of money, time, labor, or resources to accomplish a result.” *Black’s Law Dictionary* 698 (10th ed. 2014) (“*Black’s*”) (emphasis added).

The dissent summarily dismisses these definitions, declaring that “they are not contemporaneous with Congress’s introduction of the word ‘expenses’ into the Patent Act in 1839.” Dissenting Op. 14. Relying on Nineteenth Century dictionaries instead, the dissent concludes that “the words ‘expense,’ ‘cost,’ and ‘damage’ were considered

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<sup>4</sup> The court in *Riverside* relied on the statutory language of this section’s “expenses of the [foreclosure] proceedings” provision when awarding the Apartment Corporation its attorneys’ fees. *See id.* (“The attorneys’ fees incurred . . . for selling the shares . . . are in the same category as expenses of foreclosure and sale proceedings . . .”).

synonymous around the time of the 1839 Amendments.”<sup>5</sup> *Id.* at 6. Not so. The Patent Act of 1836 specifically distinguished among these three terms. *Compare* Act of July 4, 1836, ch. 357, 5 Stat. 117, § 9 (“[M]oneys received into the Treasury under this act shall constitute a fund for the payment of salaries of the officers and clerks herein provided for, and all other *expenses* of the Patent Office.” (emphasis added)), *with id.* § 14 (“[W]henever, in any action for damages for making, using, or selling the thing whereof the exclusive right is secured by any patent . . . , a verdict shall be rendered . . . , it shall be in the power of the court to render judgment for any sum above the amount found by such verdict as the actual *damages* sustained . . . , not exceeding three times the amount thereof, according to the circumstances of the case, with *costs*.” (emphases added)). The historical statute that the dissent relies on simply does not support its conclusion. If anything, this statute lends support to the majority’s position by expressly characterizing the salaries of USPTO officers and clerks and as “expenses.” *Id.* § 9. The Supreme Court has observed the distinction between “expenses” and “costs” recently, providing an interpretation that comports with the modern definitions that the dissent disregards.

In *Taniguchi v. Kan Pacific Saipan, Ltd.*, the Court recognized the distinction between costs and fees; determining that the term “fees” includes “expenses borne by

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<sup>5</sup> The dissent’s position here not only lacks support in the briefing, but also directly undermines the party’s position it purports to advance. Specifically, in arguing that § 145 does not include attorneys’ fees, Nantkwest cited the same dictionary and definitions that the dissent now concludes bear no relevance to the interpretation of this statute. *See* Appellee’s Br. 27–28 (relying on the 2014 *Black’s Law Dictionary* definition for the term, “expense”).

litigants for attorneys.” 132 S. Ct. 1997, 2006 (2012). There, the Court distinguished “expenses” from the more limited term “costs,” which represent only a fraction of expenses, relying specifically on the 1998 Wright & Miller treatise cited above.

Although costs has an everyday meaning synonymous with expenses, the concept of taxable costs . . . is more limited . . . . Taxable costs are limited to relatively minor, incidental expenses[.] . . . such items as clerk fees, court reporter fees, expenses for printing and witnesses, expenses for exemplification and copies, docket fees, and compensation of court-appointed experts. . . . Taxable costs are a fraction of the *nontaxable expenses borne by litigants for attorneys, experts, consultants, and investigators.*

*Id.* at 2006 (emphasis added) (citations and quotation marks omitted). The Court provided this analysis in direct support of its holding that resolved the breadth of taxable costs under 28 U.S.C. § 1920. *Id.* at 2000, 2006. Notably, neither the dissent nor Nantkwest provide contrary authority where the Supreme Court has held that the term “expenses” categorically excludes attorneys’ fees.

Nantkwest argues here that the term “expenses” lacks the requisite specificity to overcome the presumption of the American Rule that each party will pay its own attorneys’ fees. Although Nantkwest does not deny that this term supplies sufficient breath to cover the USPTO’s attorneys’ fees, it contends that the American Rule demands more. In particular, it argues “[o]n its own, the term ‘expenses’ is ambiguous.” Appellee’s Br. 32. As support, Nantkwest relies heavily on the fact that other federal statutes under various titles illustrate that Congress has employed the term “expenses” to authorize attorneys’ fees either in *addition* to expenses (e.g., “expenses *and* attorneys’ fees), or as a *component* of them

(e.g., “expenses *including* attorneys’ fees).<sup>6</sup> In other words, the term “expenses,” Nantkwest contends, can either include or exclude attorneys’ fees depending on the statute and, thus, the term is “far from clear.” Appellee’s Br. 33. Reviewing the list of statutes that Nantkwest provides, however, we conclude that Congress made clear that it meant to award attorneys’ fees under the broader term “expenses” within the context of these particular proceedings.

As noted above, the ordinary meaning as defined in dictionaries and the Supreme Court’s interpretation of this term lend significant weight to the conclusion that when Congress used the phrase “all expenses,” it meant to include attorneys’ fees. The fact that the dissent and Nantkwest compiled a list of statutory provisions for which Congress on occasion employed the term “expenses” to authorize attorneys’ fees *in addition to* expenses in

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<sup>6</sup> Nantkwest cites approximately twenty such statutory provisions covering a wide range of areas of law including: bankruptcy, administrative procedure, judicial proceedings, and financial management. Appellee’s Br. 32–34. Some of these statutes list attorneys’ fees in addition to expenses while others list attorneys’ fees as part of expenses. Roughly fifty percent of those statutes cited do not support the Appellee’s view because they treat attorneys’ fees as part of expenses. *Id.* The fact that the remaining provisions support Nantkwest’s position is neither reliable nor significant within the context of § 145 proceedings. Similarly, the dissent provides its own list of federal statutes, more than half of which actually *support* the majority’s view as well. Dissenting Op. 7–9. Notably, neither the dissent nor Nantkwest provide any indication regarding which—if any—of these cited provisions Congress enacted prior to the Supreme Court’s creation of the “explicit” and “specific” criteria under the American Rule.

other contexts cannot be sufficient to dislodge the reasonable and ordinary meaning of this term. This is especially true in the context of this particular statutory provision where Congress explicitly authorized compensation for “[a]ll expenses of the proceedings.” 35 U.S.C. § 145. At best, these examples demonstrate that Congress will not confine itself to a single word or phrase when referencing attorneys’ fees. Yet under Nantkwest’s narrow view, a statute could not meet the American Rule’s heightened demands without using the precise words “attorneys’ fees” or some equivalent. For example, when asked during oral argument to propose other language that Congress could have employed to satisfy the American Rule, Nantkwest cited “reasonable compensation of attorneys” as the only alternative.<sup>7</sup> The dissent shares this view, stating and restating that the statute cannot award attorneys’ fees because Congress did not employ these exact words. *See, e.g.*, Dissenting Op. 1–2 (“Section 145 neither mentions ‘attorneys’ fees’ nor reflects congressional intent to authorize them.”); *id.* at 3 (“The phrase ‘attorneys’ fees’ is not mentioned [in § 145] . . .”).

The Supreme Court, on the other hand, has provided other suitable alternatives without using any of these words. In *Baker Botts* for instance, the Court recognized the term “litigation costs” as one such example. 135 S. Ct. at 2164. Clearly, “litigation costs” does not include the phrase “attorneys’ fees.” Yet the dissent offers little to justify its conflict with the Supreme Court’s conclusion that the use of the term “litigation costs” overcomes the American Rule. While a reference to a “prevailing party”

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<sup>7</sup> Oral Argument 12:42–13:17, <http://oralarguments.cafc.uscourts.gov/mp3/2016-1794.mp3>. We perceive no practical difference between “attorneys’ fees” and the “reasonable compensation of attorneys” example Nantkwest provided.



may “usually” appear in fee-shifting statutes, *id.*, the Supreme Court has never suggested that such a reference is a requirement for fee shifting, contrary to what the dissent argues. *See* Dissenting Op. 9–10 (“Nothing in [§ 145] confines the award of expenses to a prevailing party.”).

The law neither confines Congress to the use of any particular term or phrase to satisfy the American Rule’s specificity requirement nor requires that Congress employ the words, “compensation,” “fee,” or “attorney” to meet it. The term “expenses,” like “litigation costs,” is another example where Congress authorized fee awards without including the words “fees” or “compensation” in the statute. Nantkwest and the dissent simply demand too much.

Our conclusion that this term authorizes the USPTO’s fee award is particularly important here in the context of § 145’s all expenses provision. This unique provision requires that applicants uniformly name the Director as defendant to their suits. In representing the USPTO’s interests, the Director relies on personnel from the Office of the Solicitor. *See* 37 C.F.R. § 11.40(b). These attorneys—the Solicitor, his deputy, and associates—and supporting paralegals receive fixed salaries as compensation for their government work. As salaried employees, they do not bill individual hours for their work, nor do they collect fees from those whom they represent. In this context, we characterize the overhead associated with their work more precisely as an “expense” to the government than a “fee.” *Compare Black’s* 698 (defining “expense” as “expenditure[s] of money, time, labor, or resources to accomplish a result”), *with Black’s* 154 (defining “attorney’s fee” as “[t]he charge to a client for services performed for the client, such as an hourly fee, a flat fee, or a contingent fee”). Under the dissent and Nantkwest’s view, Congress must use the word “fee” instead for the USPTO to receive remuneration. We do not view the American Rule so narrowly. To conclude otherwise, our

interpretation would force Congress into the untenable position of selecting a word that must be applied in an unconventional and imprecise manner in the context of these unique proceedings.<sup>8</sup>

Given the Supreme Court's construction of "expenses," the guidance dictionary and treatises provide on this term, and the context in which Congress applied it, we conclude that the term "expenses" includes the USPTO's attorneys' fees under § 145.

## 2

Nantkwest makes an additional argument regarding whether the USPTO's attorneys' fees are "expenses of the proceedings." 35 U.S.C. § 145. It contends that this provision does not provide a basis for attorneys' fees because

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<sup>8</sup> Congress's contrasting use of the term "attorneys' fees" under 35 U.S.C. § 285 provides further evidence to this point. There, Congress chose not to award all expenses to the prevailing party, but only attorneys' fees. The dissent appears to ignore this distinction, instead requiring that Congress recite the phrase "attorneys' fees" to cover at least a subset of these "expenses" simply because other portions of Title 35 employ that phrase. Dissenting Op. 4–5. Put another way, under the dissent's view, Congress must rigidly employ a phrase such as "attorneys' fees and other expenses" in place of the broader term "expenses," which already includes these fees. Relying on a flawed premise, the dissent simply dismisses—even as a theory—that Congress could have intended a broader compensation scheme under § 145 than § 285. Congress indisputably has the authority to employ a broad word over other narrower alternatives if it so chooses. And it may do so irrespective of how many times it amended other portions of Title 35 or employed narrower alternatives for other sections of the Code.

the USPTO would have had to pay the portions of these full-time employees' salaries regardless of Nantkwest's suit.

We disagree. First, we have accorded similar relief in the past in the context of other salaried attorneys. In *Raney v. Federal Bureau of Prisons*, for example, we awarded salaried union attorneys an apportionment of their salaries because the litigation required the lawyers to divert their time away from other pending matters. 222 F.3d 927, 935 (Fed. Cir. 2000). Second, our sister circuits have recognized the costs associated with these diversions and awarded fees to salaried employees as well. *See, e.g., Shammis*, 784 F.3d at 223 (recognizing that the USPTO “incurred expenses when its attorneys were required to defend the Director in the district court proceedings, because their engagement diverted the PTO’s resources from other endeavors”); *Wisconsin v. Hotline Indus., Inc.*, 236 F.3d 363, 365–66 (7th Cir. 2000) (holding that salaried government employees could recover their fees as they relate to the government’s opposition to an improper removal of a state court case).

Section 145 proceedings similarly impact the USPTO’s resources. These costs are particularly relevant here, where the USPTO attributes over seventy percent of its total expenses (\$78,592.50 of the \$111,696.39) to attorneys’ fees. Nantkwest filed its appeal in district court and enjoyed the pro-applicant benefits of that forum. *See Hyatt*, 625 F.3d at 1336–37 (obtaining de novo review with the ability to introduce new evidence). Under Nantkwest’s view, the government’s recovery would be limited only to certain ad hoc expenses, e.g., printing, travel, expert witness costs, Appellee’s Br. 35, while ignoring the vast majority of the expenses the USPTO incurred as the proximate cause of Nantkwest’s appeal. We cannot subscribe to this view.

It cannot be credibly disputed that the USPTO dedicated time and resources of its attorneys to the defense of this litigation when it could have otherwise applied those resources to other matters. Without acknowledging these concerns, Nantkwest essentially endorses a rule that would theoretically permit an award if the USPTO retained outside counsel to defend its interests but not if it elected to proceed on its own. Logically, the meaning of “of the proceedings” cannot turn on the *type* of attorneys retained to defend the government’s interests. As we previously observed, we must equally regard salaried attorneys’ time and “tak[e] into account the opportunity costs involved in devoting attorney time to one case when it could be devoted to others.” *Raney*, 222 F.3d at 934–35.<sup>9</sup> We thus conclude that § 145 entitles the USPTO to compensation for the diversion of its resources in the defense of § 145 appeals.

Accordingly, we hold that “[a]ll expenses of the proceedings” under § 145 includes the pro-rata share of the attorneys’ fees the USPTO incurred to defend applicant’s appeal. To conclude otherwise would conflict with *Hyatt*, where we recognized the “heavy economic burden” that § 145 shifts onto applicants for electing this favorable appellate path. *Hyatt*, 625 F.3d at 1337.

We have considered Nantkwest’s remaining arguments in this appeal but find them unpersuasive as well.

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<sup>9</sup> Without shouldering these expenses itself, Nantkwest seeks a ruling that essentially requires other applicants to fund its own appeal. *See Leahy-Smith America Invents Act*, Pub. L. No. 112-29, § 10, 125 Stat. 284, 316 (2011) (recognizing the USPTO as exclusively an applicant-funded agency). Although this may be appropriate in the context of other agency proceedings, it does not accord with our requirement that the applicant *itself* must bear the burden of these appeals. *Hyatt*, 625 F.3d at 1337.

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NANTKWEST, INC. v. MATAL

CONCLUSION

For the foregoing reasons, we reverse the district court and remand the case for it to enter an additional award of \$78,592.50 in favor of the Director.

**REVERSED AND REMANDED**

**United States Court of Appeals  
for the Federal Circuit**

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**NANTKWEST, INC.,**  
*Plaintiff-Appellee*

v.

**JOSEPH MATAL, PERFORMING THE FUNCTIONS  
AND DUTIES OF THE UNDER SECRETARY OF  
COMMERCE FOR INTELLECTUAL PROPERTY  
AND DIRECTOR, U.S. PATENT AND TRADEMARK  
OFFICE,**  
*Defendant-Appellant*

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2016-1794

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Appeal from the United States District Court for the Eastern District of Virginia in No. 1:13-cv-01566-GBL-TCB, Judge Gerald Bruce Lee.

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STOLL, *Circuit Judge*, dissenting.

Under the American Rule, “each party in a lawsuit ordinarily shall bear its own attorney’s fees unless there is express statutory authorization to the contrary.” *Hensley v. Eckerhart*, 461 U.S. 424, 429 (1983). It erects a strong presumption against fee-shifting, requiring an explicit provision permitting a departure from the American Rule or other evidence of congressional intent to make such an award available. Section 145 neither mentions “attorneys’ fees” nor reflects a congressional intent to

authorize them. Because I believe § 145 fails to provide the necessary congressional directive to overcome the American Rule’s bar against shifting attorneys’ fees, I respectfully dissent.

### I.

The majority expresses “substantial doubts” regarding whether the American Rule applies to § 145. Maj. Op. 5. But Supreme Court precedent makes clear that the American Rule marks the starting point for any analysis that shifts fees from one litigant to another. Often referred to as a “bedrock principle,” the American Rule requires that “[e]ach litigant pay[] 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, 253 (2010)). This presumption against fee shifting in American litigation dates back more than 200 years to *Arcambel v. Wiseman*, 3 U.S. (3 Dall.) 306 (1796). “[T]he law of the United States, but for a few well-recognized exceptions not present [here], has always been that absent explicit congressional authorization, attorneys’ fees are not a recoverable cost of litigation.” *Runyon v. McCrary*, 427 U.S. 160, 185 (1976) (footnote omitted).

While Congress remains free to draft statutes providing for the award of attorneys’ fees, any such deviation from the American Rule must be “specific and explicit,” for Congress has not “extended any roving authority to the Judiciary to allow counsel fees as costs or otherwise whenever the courts might deem them warranted.” *Alyeska Pipeline Serv. Co. v. Wilderness Soc’y*, 421 U.S. 240, 260–62 (1975) (citing statutory provisions containing the phrase “attorney’s fees” as examples of “specific and explicit provisions for the allowance of attorneys’ fees”). Several cases have recognized that a statute’s failure to reference “attorneys’ fees” is not always dispositive, but the statute must “otherwise evince[] an intent to provide

for such fees.” See, e.g., *Key Tronic Corp. v. United States*, 511 U.S. 809, 815 (1994). This necessitates resort to the ordinary meaning of the phrase that is alleged to shift attorneys’ fees and the legislative history of the statutory provision to see if such an intent exists. *Id.* at 817–19; *Summit Valley Indus. Inc. v. Local 112, United Bhd. of Carpenters & Joiners of Am.*, 456 U.S. 717, 722–23 (1982).

## II.

It is against this backdrop that we analyze whether Congress expressed an intent “to set aside this longstanding American rule of law,” *Runyon*, 427 U.S. at 185–86, and award attorneys’ fees under § 145. In order to shift the PTO’s attorneys’ fees to NantKwest in this case, we must find in the text of § 145 a “specific and explicit” authorization from Congress. See *Alyeska Pipeline*, 421 U.S. at 260. Without express authority, the ordinary meaning of “expenses” or § 145’s legislative history has to provide it. A searching review exposes no such authorization.

### A.

The language of § 145 does not explicitly grant us authority to shift attorneys’ fees. Section 145 requires a patent applicant electing to challenge the PTO’s unfavorable decision in district court to pay “[a]ll the *expenses* of the proceedings.” 35 U.S.C. § 145 (emphasis added). The phrase “attorneys’ fees” is not mentioned, and Congress’s use of “expenses” is not the type of “specific and explicit” language that permits the award of attorneys’ fees. See *Summit Valley*, 456 U.S. at 722 (noting that statute does not expressly mention attorneys’ fees); *Key Tronic*, 511 U.S. at 814–15 (same); *F. D. Rich Co. v. U.S. for the Use of Indus. Lumber Co.*, 417 U.S. 116, 126 (1974) (same).

In this case, the omission of “attorneys’ fees” from § 145 is particularly telling. When Congress wanted to



make attorneys' fees available in a patent litigation, it knew how to do so. Section 285 of the America Invents Act, for example, provides: "The court in exceptional cases may award reasonable *attorney fees* to the prevailing party." 35 U.S.C. § 285 (emphasis added). Several other sections of the Patent Act cross-reference § 285, and each of those sections recognizes the availability of "attorney fees" under § 285. *See, e.g., id.* § 271(e)(4); § 273(f). Similarly, Section 297 of the AIA permits a customer who has been defrauded by an invention promoter to recover "reasonable costs and *attorneys' fees*," in addition to other damages incurred by the customer. *Id.* § 297(b)(1) (emphasis added).

It is a fundamental principle of statutory interpretation that, "[w]here Congress includes particular language in one section of a statute but omits it in 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)). Congress decided to exclude "attorney fees" from § 145 but not § 285—the exact type of disparate exclusion we ordinarily presume to be intentional.<sup>1</sup> The omission of attorneys' fees from

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<sup>1</sup> Congress has expressly awarded attorneys' fees in many other statutory contexts. *See, e.g.,* 7 U.S.C. § 2565 ("The court in exceptional cases may award reasonable attorney fees to the prevailing party."); 10 U.S.C. § 1089(f)(2) (recognizing that statute provides "the authority to provide for reasonable attorney's fees"); 15 U.S.C. § 1117(a) (permitting award of "reasonable attorney fees to the prevailing party" for certain trademark violations); 22 U.S.C. § 277d-21 (permitting Commissioner to "allow reasonable attorneys' fees"); 42 U.S.C.

§ 145 “strongly suggest[s] a deliberate decision not to authorize such awards.” *Key Tronic*, 511 U.S. at 818–19. It reveals Congress’s intent “to pick and choose among its statutes and to allow attorneys’ fees under some, but not others.” *Alyeska Pipeline*, 421 U.S. at 263.

Congress’s knowledge of the American Rule lends even more force to this argument. At least as early as 1973, Congress formed subcommittees to study attorneys’ fees and other issues affecting legal services. *See F. D. Rich Co.*, 417 U.S. at 131 & n.20. And when warranted, Congress has drafted statutes to overcome the American Rule. *See Hensley*, 461 U.S. at 429 (stating that Congress enacted Civil Rights Attorney’s Fees Awards Act of 1976 in response to American Rule to provide explicit authorization for shifting attorneys’ fees). As it did with the Civil Rights Attorney’s Fees Awards Act of 1976, Congress could have revised § 145 to expressly provide for the award of attorneys’ fees. Congress, however, did not. We should defer to Congress’s decision. *See Gross v. FBL Fin. Servs., Inc.*, 557 U.S. 167, 174 (2009) (“When Congress amends one statutory provision but not another, it is presumed to have acted intentionally.”).

#### B.

Because § 145 lacks specific and explicit statutory authority to shift attorneys’ fees, we must be able to glean a congressional intent to do so from the ordinary meaning of “expenses” or the legislative history of § 145. The majori-

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§ 2000e-16c(e) (stating “attorney’s fees may be allowed by the court”); 46 U.S.C. § 41305(e) (“[T]he prevailing party may be awarded reasonable attorney fees.”).

ty concludes that the ordinary meaning of “expenses” necessarily includes attorneys’ fees.<sup>2</sup> I disagree.

It is a fundamental canon of statutory construction that, “[u]nless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning’ at the time Congress enacted the statute.” *Amoco Prod. Co. v. S. Ute Indian Tribe*, 526 U.S. 865, 873–74 (1999) (quoting *Perrin v. United States*, 444 U.S. 37, 42 (1979)). As the Director points out in her brief, Congress amended the Patent Act in 1839 to require that “the whole of the expenses of the proceeding shall be paid by the applicant, whether the final decision shall be in his favor or otherwise.” Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 353, 354; Appellant Br. 21. In the 1830s, the definition of “expense” included “cost,” and the definition of “cost” included “expense.” J.E. Worcester, *A Pronouncing and Explanatory Dictionary of the English Language with Pronouncing Vocabularies of Classical and Scripture Proper Names* 75, 117 (1830); see also Noah Webster et al., *An American Dictionary of the English Language* 197, 319 (Joseph Emerson ed., 1830) (listing definition for “expense” as “cost” and vice versa). Moreover, the words “expense,” “cost,” and “damage” were considered synonymous around the time of the 1839 Amendments. Peter Mark Roget, *Thesaurus of English Words and Phrases* 227 (Barnas Sears ed., 1856).

These definitions suggest that, at the time Congress introduced the word “expenses” into the Patent Act, its ordinary meaning did not include attorneys’ fees. The Supreme Court has twice held that the word “damages”—a synonym for “expenses” at the time of enactment—is insufficient to override the American Rule. See *Summit*

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<sup>2</sup> The majority does not rely on the legislative history to support its position.

*Valley*, 456 U.S. at 722–23 (“Ordinarily a statutory right to ‘damages’ does not include an implicit authorization to award attorney’s fees. Indeed, the *American Rule* presumes that the word ‘damages’ means damages exclusive of fees.” (emphasis added)); *Arcambel*, 3 U.S. (3 Dall.) at 306. And even the majority agrees that the word “costs” cannot displace the American Rule. See Maj. Op. 8–9. There can be no doubt that the ordinary meaning of “expenses” at the time of its inclusion in the Patent Act falls short of overcoming the American Rule. That the PTO did not rely on this provision to seek attorneys’ fees for over 170 years supports the understanding that it is far from clear whether “[a]ll the expenses of the proceedings” includes attorneys’ fees.

Congress’s frequent use of “expenses” and “attorneys’ fees” in other statutory provisions further reinforces that “[a]ll the expenses of the proceedings” does not necessarily include attorneys’ fees. The U.S. Code is replete with examples of Congress awarding “expenses” and then separately clarifying that attorneys’ fees are also available. See, e.g., 11 U.S.C. § 363(n) (authorizing trustee to recover “any costs, attorneys’ fees, or expenses incurred” in certain situations); 12 U.S.C. § 1464(d)(1)(B)(vii) (“[C]ourt . . . may allow to any such party reasonable expenses and attorneys’ fees.”); 12 U.S.C. § 1786(p) (“Any court having jurisdiction of any proceedings instituted under this section . . . may allow to any such party such reasonable expenses and attorneys’ fees as it deems just and proper . . . .”); 12 U.S.C. § 5005(b)(2)(B) (providing that, in absence of breach of warranty, amount of indemnity shall be sum of “interest and expenses (including costs and reasonable attorney’s fees and other expenses of representation)”); 25 U.S.C. § 1401(a) (discussing “payment of attorney fees and litigation expenses”); 26 U.S.C. § 6673(a)(2)(A) (allowing recovery of “excess costs, expenses, and attorneys’ fees” against attorney who vexatiously multiplied proceedings); 15 U.S.C. § 77z-1(a)(6)

(discussing “[t]otal attorneys’ fees and expenses” that can be awarded by court); 2 U.S.C. § 396 (“The committee may allow any party reimbursement from the applicable accounts of the House of Representatives of his reasonable expenses of the contested election case, including reasonable attorneys fees . . . .”); 10 U.S.C. § 2409(c)(1)(C) (permitting agency head to require that contractor pay “an amount equal to the aggregate amount of all costs and expenses (including attorneys’ fees and expert witnesses’ fees)” in connection with complaint regarding a reprisal); 15 U.S.C. § 2310(d)(2) (permitting recovery of sum “equal to the aggregate amount of cost and expenses (including attorneys’ fees based on actual time expended)"); 28 U.S.C. § 1447(c) (“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.”); 29 U.S.C. § 1370(e)(1) (“[T]he court in its discretion may award all or a portion of the costs and expenses incurred in connection with such action, including reasonable attorney’s fees . . . .”); 30 U.S.C. § 938(c) (allowing successful miner to recover “a sum equal to the aggregate amount of all costs and expenses (including the attorney’s fees)"); 31 U.S.C. § 3730(d)(1) (“Any such person shall also receive an amount for reasonable expenses which the court finds to have been necessarily incurred, plus reasonable attorneys’ fees and costs.”); 33 U.S.C. § 1367(c) (“[A] sum equal to the aggregate amount of all costs and expenses (including the attorney’s fees) . . . shall be assessed . . . .”); 38 U.S.C. § 4323(h)(2) (“[T]he court may award any such person who prevails in such action or proceeding reasonable attorney fees, expert witness fees, and other litigation expenses.”); 41 U.S.C. § 4705(d)(1)(C) (noting that head of agency may “[o]rder the contractor to pay the complainant an amount equal to the aggregate amount of all costs and expenses (including attorneys’ fees and expert witnesses’ fees) that the complainant reasonably incurred”); 42 U.S.C. § 247d-6d(e)(9) (permit-

ting party to recover “reasonable expenses incurred . . . including a reasonable attorney’s fee”).

The message is clear: Congress did not view “[a]ll the expenses of the proceedings” as necessarily including “attorneys’ fees.” If “expenses” included “attorneys’ fees,” there would be no reason for Congress to specify the availability of attorneys’ fees in statutes that already provide for the award of expenses. Instead, the logical implication is that “expenses” and “attorneys’ fees” mean different things and that expenses do not necessarily include attorneys’ fees. At best, Congress’s reference to “[a]ll the expenses” is ambiguous. As such, Congress’s intent is not clear, and the statutory language does not overcome the American Rule.

Although Congress has enacted statutes that award the government attorneys’ fees in a district court action, in each circumstance, Congress explicitly referred to attorneys’ fees, making its fee-shifting intent abundantly clear. For example, in the context of an agency enforcement action for assessment of a civil penalty, 42 U.S.C. § 7413(a)(5)(B) provides that “[a]ny person who fails to pay on a timely basis a civil penalty ordered or assessed under this section shall be required to pay . . . the United States enforcement expenses, including but not limited to attorneys fees.” Likewise, 33 U.S.C. § 1319(g)(9)(B) provides that “[a]ny person who fails to pay on a timely basis the amount of an assessment of a civil penalty . . . shall be required to pay [the agency] . . . attorneys fees and costs for collection proceedings.” Unlike these statutes, Congress’s alleged intent to award attorneys’ fees to the government in § 145 actions is not so clear.

Finally, if § 145 were a fee-shifting statute, it would represent a particularly unusual divergence from the American Rule because it obligates even successful plaintiffs to pay the PTO’s attorneys’ fees. “[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.” *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 684 (1983); *see also Baker Botts*, 135 S. Ct. at 2164 (recognizing deviations from American Rule “tend to authorize the award of ‘a reasonable attorney’s fee,’ ‘fees,’ or ‘litigation costs,’ and usually refer to a ‘prevailing party’ in the context of an adversarial ‘action.’”). Nothing in § 145 confines the award of expenses to a prevailing party. Instead, it requires the applicant to pay “[a]ll the expenses of the proceedings,” which according to the majority means the applicant pays for the PTO’s attorneys’ fees in every § 145 proceeding. In these atypical circumstances, I think Congress’s intent to award the PTO attorneys’ fees in every case should have been more clear. I cannot agree that Congress used the word “expenses” to effect such an unusual departure from the American Rule—a departure that would saddle even prevailing applicants with the PTO’s attorneys’ fees.<sup>3</sup>

### C.

The maintenance of a robust American Rule also finds support in public policy. For example, uncertainty is inherent in any litigation, and “one should not be penalized for merely defending or prosecuting a lawsuit,” as

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<sup>3</sup> The majority repeatedly mischaracterizes the dissent as advocating for a rigid requirement that would bar the award of attorneys’ fees unless Congress invoked those exact words. *See* Maj. Op. 11, 12, 13 n.8. This is incorrect. My opinion only addresses whether the word “expenses” is a specific and explicit directive from Congress to shift attorneys’ fees *or* whether § 145 otherwise signals Congress’s intent to make an award of attorneys’ fees available. I express no opinion as to what other words carry enough weight to displace the American Rule.

this could have a disproportionate effect in discouraging less wealthy individuals “from instituting actions to vindicate their rights if the penalty for losing included the fees of their opponents’ counsel.” *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 718 (1967); see also *Summit Valley*, 456 U.S. at 725 (“[C]onsiderations [favoring application of the American Rule] include the possible deterrent effect that fee shifting would have on poor litigants with meritorious claims.”). Independent advocacy could also be threatened, the Supreme Court warned, “by having the earnings of the attorney flow from the pen of the judge before whom he argues.” *F. D. Rich Co.*, 417 U.S. at 129. Finally, if the word “expenses” in every statute or contract trumped the American Rule, then “the time, expense, and difficulties of proof inherent in litigating the question of what constitutes reasonable attorney’s fees would pose substantial burdens for judicial administration.” *Fleischmann*, 386 U.S. at 718.

Here, the majority’s interpretation would compel any prospective patentee who avails herself of the review afforded by § 145 to pay the PTO’s attorneys’ fees even if the applicant prevails and proves error by the PTO.<sup>4</sup> These high and uncertain costs will likely deter applicants, particularly solo inventors and other smaller entities, from pursuing review under § 145. And every § 145

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<sup>4</sup> The AIA offers two options for judicial review of a Board decision rejecting a patent application. The applicant can appeal to the Federal Circuit under § 141 or it can file a civil action in the Eastern District of Virginia against the Director of the PTO under § 145. See *Kappos v. Hyatt*, 132 S. Ct. 1690, 1694 (2012). Seeking review under § 145 offers certain benefits to the applicant, including the ability to conduct discovery and introduce additional evidence. See *id.* at 1700–01.



proceeding would involve litigation over whether the PTO's attorneys' fees were reasonable, creating an additional burden for the district court. I am not convinced that Congress intended such an outcome.

### III.

The majority's arguments to the contrary do not persuade me to conclude otherwise. The majority relies heavily on our statement in *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) that plaintiffs who proceed under § 145 bear "the heavy economic burden of paying '[a]ll the expenses of the proceedings' regardless of outcome." Maj. Op. 5, 15. This observation, however, does not require that expenses include attorneys' fees. Indeed, the PTO has traditionally interpreted this statutory language to include expert fees, court reporter fees, deposition travel expenses, and printing expenses—all of which can be significant and pose a "heavy economic burden" in district court litigation.

The majority also claims that its holding is consistent with opinions from the Second and Fourth Circuits that have interpreted "expenses" to include attorneys' fees. But the rationale adopted by the majority diverges from that of the Fourth Circuit in *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), and the Second Circuit's opinion in *United States v. 110-118 Riverside Tenants Corp.*, 886 F.2d 514 (2d Cir. 1989) is easily distinguished.<sup>5</sup>

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<sup>5</sup> In addition, the majority cites to dicta in *Taniguchi v. Kan Pacific Saipan, Ltd.*, 132 S. Ct. 1997 (2012) as evidence that the Supreme Court has blessed its interpretation of "expenses." As described by the Court, the question presented in *Taniguchi* was whether the phrase "compensation of interpreters" includes the cost of translating written documents. The Court answered this

In interpreting a section of the Lanham Act requiring the party bringing the case to pay “all the expenses of the proceeding,” 15 U.S.C. § 1071(b)(3), the *Shammas* majority<sup>6</sup> found the American Rule did *not* apply. *Shammas*, 784 F.3d at 223. Only after dispatching with the strong presumption against fee shifting embodied in the American Rule—a rule that the majority here assumes is applicable—was the *Shammas* court able to interpret the ordinary meaning of “expenses” to cover attorneys’ fees. *Id.* at 224. Simply reaching the same result, however, does not make the majority’s opinion consistent with *Shammas*. This is particularly so here because the two opinions offer conflicting views on the applicability of the foundational common law principle embodied in the American Rule.

The Second Circuit’s decision in *110-118 Riverside* is inapposite because it does not address the interpretation of “expenses” in a contract or statutory provision. In-

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question by concluding that “both the ordinary and technical meanings of ‘interpreter,’ as well as the statutory context in which the word is found, lead to the conclusion that § 1920(6) does not apply to translators of written materials.” *Id.* at 2005. Only then did the Court explain that its holding was consistent with the “narrow scope of taxable costs,” which it characterized as a fraction of the nontaxable expenses. *Id.* at 2006. It never interpreted a statutory provision containing the word “expenses” to include attorneys’ fees.

<sup>6</sup> Judge King dissented. In his view, the American Rule controls the analysis, and attorneys’ fees should not be shifted because the statutory provision at issue “makes no reference to attorney’s fees awards and does not reflect a Congressional intention to authorize such awards.” *Shammas*, 784 F.3d at 227 (King, J., dissenting).

stead, *110-118 Riverside* dealt with an apartment corporation that incurred expenses in foreclosing a lien that the government placed on one of the apartment corporation's tenants. The government bore responsibility for foreclosing the tax lien, but the apartment corporation effectuated the foreclosure and shouldered the expenses associated with the proceeding. Because it was the government's duty to foreclose the tax lien, the court found no reason why the government should not reimburse the apartment corporation for the expenses of the foreclosure proceeding, including attorneys' fees. *110-118 Riverside*, 886 F.2d at 520. As these facts demonstrate, *110-118 Riverside* is a case where a private party performed the legal obligations of the government and was made whole for its efforts; it does not involve the interpretation of a statute in the context of adversarial litigation to determine whether Congress specifically and explicitly provided for the recovery of attorneys' fees by one party against the other based on its use of the word "expenses."

Next, the majority relies on dictionary definitions to illuminate the ordinary meaning of "expenses." The majority's dictionaries, however, are from 1998 and 2014—they are not contemporaneous with Congress's introduction of the word "expenses" into the Patent Act in 1839. Therefore, they shed no light on the ordinary meaning of "expenses" more than 175 years ago. See *Amoco Prod. Co.*, 526 U.S. at 873–74 (“[U]nless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning’ *at the time Congress enacted the statute.*” (alteration in original) (emphasis added) (quoting *Perrin*, 444 U.S. at 42)). And unlike the 1998 definition from Wright and Miller, the contemporaneous definitions do not mention “attorneys’ fees.” See Section II.B, *supra*.

Finally, the majority posits that the litany of statutory provisions separately specifying both “expenses” and “attorneys’ fees” demonstrates Congress’s desire not to be

restricted to a single word or phrase when awarding attorneys' fees. *See* Maj. Op. 11. These statutes, in my view, compel the opposite conclusion, especially when read in light of the American Rule. As explained above, there would be no reason for Congress to provide for the award of "attorneys' fees" in numerous statutory provisions where it also permits the award of expenses if the contemporaneous, ordinary, and well-known meaning of "expenses" necessarily included attorneys' fees. Rather, in the context of § 145, the term "expenses" is ambiguous and shows no clear intent to award attorneys' fees.

#### IV.

The American Rule is the starting point for our analysis, and it imposes a high bar for any litigant seeking to shift its attorneys' fees to the opposing party. Despite assuming the American Rule's applicability to this case, the majority believes § 145 provides the requisite authorization. But § 145 lacks the specific and explicit provision for the allowance of attorneys' fees, and the ordinary meaning of "expenses" fails to fill the void. I respectfully dissent.

**United States Court of Appeals  
for the Federal Circuit**

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**NANTKWEST, INC.,**  
*Plaintiff-Appellee*

v.

**JOSEPH MATAL, PERFORMING THE FUNCTIONS  
AND DUTIES OF THE UNDER SECRETARY OF  
COMMERCE FOR INTELLECTUAL PROPERTY  
AND DIRECTOR, U.S. PATENT AND TRADEMARK  
OFFICE,**  
*Defendant-Appellant*

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2016-1794

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Appeal from the United States District Court for the  
Eastern District of Virginia in No. 1:13-cv-01566-GBL-  
TCB, Judge Gerald Bruce Lee.

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**SUA SPONTE REHEARING EN BANC**

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Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK,  
MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, HUGHES,  
and STOLL, *Circuit Judges*.\*

PER CURIAM.

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\* Circuit Judge Chen did not participate.

## ORDER

This case was argued before a panel of three judges on February 9, 2017. A sua sponte request for a poll on whether to reconsider this case was made. A poll was conducted and a majority of the judges who are in regular active service voted for sua sponte en banc consideration.

Accordingly,

IT IS ORDERED THAT:

(1) The panel opinion of June 23, 2017 is vacated, and the appeal is reinstated.

(2) This case will be heard en banc sua sponte under 28 U.S.C. § 46 and Federal Rule of Appellate Procedure 35(a). The court en banc shall consist of all circuit judges in regular active service who are not recused or disqualified.

(3) The parties are requested to file new briefs. The briefs should address the following issue:

Did the panel in *NantKwest, Inc. v. Matal*, 860 F.3d 1352 (Fed. Cir. 2017) correctly determine that 35 U.S.C. § 145's "[a]ll the expenses of the proceedings" provision authorizes an award of the United States Patent and Trademark Office's attorneys' fees?

(4) An original and thirty copies of the new en banc briefs shall be filed, and two copies of each en banc brief shall be served on opposing counsel. Appellant's en banc brief is due 45 days from the date of this order. Appellee's en banc response brief is due within 30 days of service of appellant's en banc brief, and the reply brief within 15 days of service of the response brief. Briefs shall adhere to the type-volume limitations set forth in Federal Rule of Appellate Procedure 32 and Federal Circuit Rule 32.

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(5) Briefing should be strictly limited to the issue set forth above.

(6) In addition, the parties are directed to file with the court thirty paper copies of their original briefs and any appendix within 17 days from the date of this Order.

(7) Briefs of amici curiae will be entertained, and any such amicus briefs may be filed without consent and leave of court but otherwise must comply with Federal Rule of Appellate Procedure 29 and Federal Circuit Rule 29.

(8) This appeal will be heard en banc on the basis of the original briefs, the supplemental briefs ordered herein, and oral argument.

(9) Oral argument will be held at a time and date to be announced later.

FOR THE COURT

August 31, 2017

Date

/s/ Peter R. Marksteiner  
Peter R. Marksteiner  
Clerk of Court

**United States Court of Appeals  
for the Federal Circuit**

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**NANTKWEST, INC.,**  
*Plaintiff-Appellee*

v.

**ANDREI IANCU, UNDER SECRETARY OF  
COMMERCE FOR INTELLECTUAL PROPERTY  
AND DIRECTOR OF THE UNITED STATES  
PATENT AND TRADEMARK OFFICE,**  
*Defendant-Appellant*

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2016-1794

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Appeal from the United States District Court for the  
Eastern District of Virginia in No. 1:13-cv-01566-GBL-  
TCB, Judge Gerald Bruce Lee.

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Decided: July 27, 2018

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Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, HUGHES, and STOLL, *Circuit Judges*.\*

Opinion for the court filed by *Circuit Judge* STOLL, in which *Circuit Judges* NEWMAN, LOURIE, MOORE, O'MALLEY, WALLACH, and TARANTO join.

Dissenting opinion filed by *Chief Judge* PROST, in which *Circuit Judges* DYK, REYNA, and HUGHES join.

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\* Circuit Judge Chen did not participate.

STOLL, *Circuit Judge*.

When the United States Patent and Trademark Office's Patent Trial and Appeal Board ("Board") affirms an examiner's rejection of a patent application, § 145 of the Patent Act permits the disappointed applicant to challenge the Board's decision in district court. Applicants who invoke § 145 are required by statute to pay "[a]ll the expenses of the proceedings" incurred by the U.S. Patent and Trademark Office ("PTO") in defending the Board's decision, regardless of the outcome. Historically, the agency relied on this provision to recover sums it spent on travel and printing and, more recently, expert witnesses. Now, 170 years after Congress introduced § 145's predecessor, the agency argues that § 145 also compels applicants to pay its attorneys' fees. We hold that it does not, for the American Rule prohibits courts from shifting attorneys' fees from one party to another absent a "specific and explicit" directive from Congress. The phrase "[a]ll the expenses of the proceedings" falls short of this stringent standard. Accordingly, we affirm the district court's judgment.

I

A

The Patent Act gives applicants two mutually exclusive options for judicial review of an adverse Board decision. First, the applicant may appeal directly to this court. 35 U.S.C. § 141. Second, the applicant may file a civil action against the Director of the PTO in the United States District Court for the Eastern District of Virginia. 35 U.S.C. § 145. We, in turn, have jurisdiction over subsequent appeals from the district court under 28 U.S.C. § 1295(a)(1).

Section 141 provides standard judicial review of an agency decision under the Administrative Procedure Act. We review the Board's legal determinations *de novo*,

*Honeywell Int'l Inc. v. Mexichem Amanco Holding S.A. DE C.V.*, 865 F.3d 1348, 1353 (Fed. Cir. 2017), and we “set aside the PTO’s factual findings only if they are ‘unsupported by substantial evidence,’” *Kappos v. Hyatt*, 566 U.S. 431, 435 (2012) (quoting *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999)). Importantly, appellate review in § 141 proceedings is confined to the record before the PTO. 35 U.S.C. § 144.

Section 145, by contrast, authorizes a more expansive challenge to the Board’s decision and is generally more time consuming. For example, patent applicants can conduct discovery and introduce new evidence. And once an applicant submits new evidence on a disputed factual question, “the district court must make a *de novo* finding.” *Hyatt*, 566 U.S. at 434–35 (“This opportunity . . . is significant, not the least because the PTO generally does not accept oral testimony.”). The parties may also engage in motion practice, and the proceeding can culminate in a full-blown trial. Congress set the price for engaging the PTO in this type of litigation: “All the expenses of the proceedings shall be paid by the applicant.” 35 U.S.C. § 145. Thus, an applicant who proceeds under § 145 must shoulder not only his own significant expenses and fees, but also the PTO’s “expenses of the proceedings.”

Congress introduced § 145’s predecessor in 1839,<sup>1</sup> and over the years, the PTO has relied on these “expenses” provisions to recover PTO attorneys’ travel expenses to attend depositions, *see Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931), printing expenses, *cf. Cook v. Watson*,

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<sup>1</sup> The original language from 1839 required an applicant to pay “the whole of the expenses of the proceeding . . . whether the final decision shall be in his favor or otherwise.” Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 353, 354. Neither party argues that subsequent revisions to § 145 impact our analysis.

208 F.2d 529, 530 (D.C. Cir. 1953), court reporter fees, and reasonable fees for expert witnesses, *see Sandvik Aktiebolag v. Samuels*, CIV. A. No. 89-3127-LFO, 1991 WL 25774, at \*1 (D.D.C. Feb. 7, 1991). For more than 170 years, however, the PTO never sought—and no court ever awarded—attorneys’ fees under § 145 or its predecessor.

## B

As its name suggests, the American Rule is a “bedrock principle” of this country’s jurisprudence. *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 253 (2010). It provides that, in the United States, “[e]ach litigant pays his own attorney’s fees, win or lose.” *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) (quoting *Hardt*, 560 U.S. at 253). The American Rule may only be displaced by an express grant from Congress. *Id.* And it serves as the “basic point of reference” whenever a court “consider[s] the award of attorney’s fees.” *Id.* (quoting *Hardt*, 560 U.S. at 252–53).

The rationale supporting the American Rule is rooted in fair access to the legal system, as well as the difficulty of litigating the fee question:

[S]ince litigation is at best uncertain one should not be penalized for merely defending or prosecuting a lawsuit, and . . . the poor might be unjustly discouraged from instituting actions to vindicate their rights if the penalty for losing included the fees of their opponents’ counsel. Also, the time, expense, and difficulties of proof inherent in litigating the question of what constitutes reasonable attorney’s fees would pose substantial burdens for judicial administration.

*Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 718 (1967) (citations omitted). In the context of this case, the American Rule preserves access to

district courts for small businesses and individual inventors seeking to avail themselves of § 145's benefits.

The American Rule traces its origins back to at least the late 1700s. In *Arcambel v. Wiseman*, the circuit court included \$1,600 in counsel's fees as part of the damages. 3 U.S. (3 Dall.) 306, 306 (1796). The assessment of attorneys' fees, the Supreme Court concluded, could not be allowed because 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." *Id.* "[O]ur courts have generally resisted any movement" toward the English system—which permits the award of attorneys' fees to successful parties in litigation—ever since.<sup>2</sup> *Fleischmann*, 386 U.S. at 717; see *Runyon v. McCrary*, 427 U.S. 160, 185 (1976) ("[T]he law of the United States . . . has always been that absent explicit congressional authorization, attorneys' fees are not a recoverable cost of litigation.").

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<sup>2</sup> The Supreme Court has carved out several equitable exceptions to further the interests of justice. See *F. D. Rich Co. v. U.S. for Use of Indus. Lumber Co.*, 417 U.S. 116, 129 (1974) (acknowledging availability of attorneys' fees where party "has acted in bad faith, vexatiously, wantonly, or for oppressive reasons"); *Toledo Scale Co. v. Computing Scale Co.*, 261 U.S. 399, 426–28 (1923) (allowing attorneys' fees as part of penalty for willful disobedience of court order); *Trustees v. Greenough*, 105 U.S. 527, 532–33, 537 (1882) (permitting party recovering fund for the benefit of himself and others to seek attorneys' fees from the fund itself or directly from other parties who enjoyed the benefit); see generally *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 257–59 (1975). None of these exceptions are implicated here.

Only Congress “has the power and judgment to pick and choose among its statutes and to allow attorneys’ fees under some, but not others.” *Alyeska Pipeline*, 421 U.S. at 263. Congress has not “extended any roving authority to the Judiciary to allow counsel fees as costs or otherwise whenever the courts might deem them warranted.” *Id.* at 260. Thus, the Supreme Court has held that the American Rule presumptively applies and any statutory deviations from it must be “specific and explicit.” *Id.* at 260–62, 269.

According to the Supreme Court, one “good example of the clarity . . . required to deviate from the American Rule” can be found in the Equal Access to Justice Act’s attorneys’ fees provision. *Baker Botts*, 135 S. Ct. at 2164. That provision commands courts to “award to a prevailing party other than the United States *fees and other expenses* . . . incurred by that party in any civil action,” so long as certain conditions are met. *Id.* at 2164 (emphasis added) (quoting 28 U.S.C. § 2412(d)(1)(A)). As the Supreme Court explained, “there could be little dispute that this provision—which mentions ‘fees,’ a ‘prevailing party,’ and a ‘civil action’—is a ‘fee-shifting statut[e]’ that trumps the American Rule.” *Id.* (alteration in original).

Not all fee-shifting statutes follow this template though. For example, the Supreme Court has a separate line of precedent “addressing statutory deviations from the American Rule that do not limit attorney’s fees awards to the ‘prevailing party.’” *Hardt*, 560 U.S. at 254. In *Hardt*, the Court analyzed whether Congress deviated from the American Rule when it passed a statute providing that a “court in its discretion may allow a reasonable attorney’s fee and costs of action to either party.” *Id.* at 251–52 (quoting 29 U.S.C. § 1132(g)(1)). The same is true in *Ruckelshaus v. Sierra Club*, where the Court examined a provision of the Clean Air Act allowing a court to “award costs of litigation (including reasonable attorney and expert witness fees) whenever it determines

that such an award is appropriate.” 463 U.S. 680, 682–83 (1983) (emphasis omitted) (quoting 42 U.S.C. § 7607(f)).

And while the American Rule sets a high bar for shifting attorneys’ fees, it does not impose a magic words requirement so long as Congress’s intent is “specific and explicit.” See *Summit Valley Indus., Inc. v. Local 112, United Bhd. of Carpenters*, 456 U.S. 717, 721–22 (1982). As the Supreme Court acknowledged in *Key Tronic Corp. v. United States*, “[t]he absence of [a] specific reference to attorney’s fees is not dispositive if the statute otherwise evinces an intent to provide for such fees.” 511 U.S. 809, 815 (1994); see *Baker Botts*, 135 S. Ct. at 2165 (discussing statute providing for “reasonable compensation for actual, necessary services rendered by” various “professional person[s],” including “attorney[s]” (emphasis omitted) (quoting 11 U.S.C. § 330(a)(1)(A))).

## II

This brings us to the procedural background of the current case. In 2001, Dr. Hans Klingemann filed a patent application directed to a method for treating cancer using natural killer cells. Dr. Klingemann’s application was eventually assigned to NantKwest, Inc. The examiner rejected the application as obvious in 2010, and the Board affirmed the rejection in 2013.

Pursuant to § 145, NantKwest challenged the Board’s decision by filing a complaint against the Director of the PTO in the U.S. District Court for the Eastern District of Virginia. Discovery ensued and the PTO moved for summary judgment that the application’s claims would have been obvious. The district court granted the PTO’s motion, and we affirmed. See *NantKwest, Inc. v. Lee*, 686 F. App’x 864, 865 (Fed. Cir. 2017). After prevailing on the merits, the PTO filed a motion for reimbursement of the “expenses of the proceedings” under § 145. The \$111,696.39 sum sought by the PTO included \$78,592.50 in attorneys’ fees—calculated based on the pro rata sala-



ries of the two PTO attorneys and one paralegal who worked on the case—and \$33,103.89 in expert witness fees.

The district court denied the PTO’s motion with respect to attorneys’ fees, citing the American Rule. *Nan[tK]west, Inc. v. Lee*, 162 F. Supp. 3d 540, 542–43 (E.D. Va. 2016). In the court’s view, “Congress’s reference to ‘all . . . the expenses’ merely points to a *collection* of the expenses used, commonly understood to encompass . . . printing, travel, and reasonable expert witness expenses.” *Id.* at 543. The district court noted that “[i]n § 145 Congress neither used the phrase ‘attorneys’ fees’ nor ‘fees’ nor any alternative phrase demonstrating a clear reference to attorneys’ fees.” *Id.* at 545. It then concluded that the “ambiguity regarding the exact reach of the term ‘expenses’ means § 145 does not meet the Supreme Court’s *Baker Botts* standard and therefore, cannot deviate from the American Rule.” *Id.*

The PTO appealed the denial of its motion to recover attorneys’ fees, and a divided panel of this court reversed the district court’s judgment. The majority relied on the Fourth Circuit’s opinion in *Shammas v. Focarino*, which interpreted a nearly identical provision of the Lanham Act, 15 U.S.C. § 1071(b)(3). 784 F.3d 219, 223–24 (4th Cir. 2015). There, the Fourth Circuit held that the American Rule only applies to statutes that refer to a “prevailing party.” *Id.* at 223. Referring to this language, the majority here voiced “substantial doubts” that § 145 implicates the American Rule because it imposes the PTO’s expenses on applicants without referring to a “prevailing party.” *NantKwest, Inc. v. Matal*, 860 F.3d 1352, 1355 (Fed. Cir. 2017). Nevertheless, the majority assumed the American Rule applied for purposes of its analysis and concluded that the word “expenses” “specific[ally]” and “explicit[ly]” authorizes an award of fees.” *Id.* at 1356 (alterations in original) (quoting *Alyeska Pipeline*, 421 U.S. at 260). For support, the majority

relied on dictionaries defining “expenses” as “expenditure[s] of money, time, *labor*, or resources to accomplish a result,” *id.* (alteration in original) (quoting *Black’s Law Dictionary* 698 (10th ed. 2014)), and a statement from *Taniguchi v. Kan Pacific Saipan, Ltd.*, distinguishing “taxable costs” from “nontaxable expenses,” *id.* at 1357 (quoting 566 U.S. 560, 573 (2012)). Finally, the majority rejected NantKwest’s contention that pro-rata salaries of the PTO’s employees were not “expenses of the proceedings.” *Id.* at 1359.<sup>3</sup>

Our court voted *sua sponte* to hear the appeal en banc and vacated the panel’s judgment. *NantKwest, Inc. v. Matal*, 869 F.3d 1327 (Fed. Cir. 2017). We requested briefing on a single question: whether the panel “correctly determine[d] that 35 U.S.C. § 145’s [a]ll the expenses of the proceedings’ provision authorizes an award of the [PTO’s] attorneys’ fees.” *Id.* at 1327. In addition to the parties’ briefs and argument, we received seven amicus briefs, none of which support the PTO’s position. We now affirm the judgment of the district court.

### III

We review *de novo* a district court’s interpretation of a statute. *Boston Sci. Scimed, Inc. v. Medtronic Vascular*,

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<sup>3</sup> Following issuance of this Court’s *NantKwest* decision, the PTO requested and received attorneys’ fees in at least one § 145 action. *See, e.g., Realvirt, LLC v. Lee*, 220 F. Supp. 3d 695, 704 (E.D. Va. 2016) (awarding more than \$48,000 in attorneys’ fees in § 145 action). The PTO also convinced a district court to impose a \$40,000 bond on a pro se plaintiff who filed suit under § 145. *Taylor v. Lee*, No. 1:15-CV-1607, 2016 WL 9308420, at \*2 (E.D. Va. July 12, 2016) (requiring payment of bond before permitting § 145 action to proceed, but noting uncertainty surrounding applicant’s finances).

*Inc.*, 497 F.3d 1293, 1296 (Fed. Cir. 2007). Unless otherwise defined, words in a statute “will be interpreted as taking their ordinary, contemporary, common meaning.” *Summit Valley*, 456 U.S. at 722 (quoting *Perrin v. United States*, 444 U.S. 37, 42 (1979)).

According to the PTO, the American Rule does not govern our interpretation of § 145. Even if it does, the PTO and the dissent aver that the statutory text suffices to displace this long-standing, common-law rule. We disagree on both counts and address each issue in turn.

#### A

At the outset, we hold that the American Rule applies to § 145. As noted, the American Rule provides that each litigant bears its own attorneys’ fees, win or lose, and a statute must use “specific and explicit” language to depart from this rule. The Supreme Court in *Baker Botts* emphasized that the American Rule is the starting point whenever a party seeks to shift fees from one side to the other in adversarial litigation. 135 S. Ct. at 2164 (explaining that “when considering the award of attorney’s fees,” the American Rule constitutes the “basic point of reference” (quoting *Hardt*, 560 U.S. at 252–53)). Because the PTO contends that § 145 should be construed to shift its attorneys’ fees to the patent applicants bringing suit, the American Rule necessarily applies. Accordingly, we must be able to discern from § 145’s text a “specific and explicit” congressional directive to make an award of attorneys’ fees available. *Alyeska Pipeline*, 421 U.S. at 260.

We are not persuaded by the PTO’s contrary arguments for why the American Rule should not apply to litigation under § 145. The PTO begins by relying on the Fourth Circuit’s *Shammas* opinion for the proposition that the American Rule only governs the interpretation of statutes that shift fees from a prevailing party to a losing party. Because § 145 imposes “[a]ll the expenses” on the

applicant, win or lose, the PTO asserts it is not a fee-shifting statute that falls within the American Rule's ambit. We disagree. Given the primary purpose of the American Rule—protection of access to courts—the PTO's alleged distinction makes little sense. We submit that the policy behind the American Rule would be even more strongly implicated where attorneys' fees would be imposed on a winning plaintiff.

In *Shammas*, a divided panel of the Fourth Circuit awarded attorneys' fees to the PTO under 15 U.S.C. § 1071(b)(3)—the trademark analogue to § 145—which also refers to “all the expenses of the proceeding.” The *Shammas* court reached this decision only by first holding that the American Rule does not apply to § 1071(b)(3). 784 F.3d at 223. Based on a narrow interpretation of the Supreme Court's statement in *Alyeska Pipeline*, the Fourth Circuit held that “the American Rule provides only that *‘the prevailing party may not recover attorneys' fees' from the losing party.*” *Id.* (quoting *Alyeska Pipeline*, 421 U.S. at 245). The Fourth Circuit also relied on the Supreme Court's observation in *Ruckelshaus* that “virtually every one of the more than 150 existing federal fee-shifting provisions *predicates fee awards on some success by the claimant*” to conclude that a statute mandating fees without regard to a party's success is not a fee-shifting statute governed by the American Rule. *Id.* (quoting *Ruckelshaus*, 463 U.S. at 684).

We respectfully submit that *Shammas*'s holding cannot be squared with the Supreme Court's line of non-prevailing party precedent applying the American Rule. Although *Alyeska Pipeline* does refer to the American Rule in the context of a “prevailing party,” the rule is not so limited. Rather, the Supreme Court has consistently applied the rule broadly to any statute that allows fee shifting to either party, win or lose. For example, the Supreme Court in *Hardt* evaluated a request for attorneys' fees under 29 U.S.C. § 1132(g)(1), which grants

courts authority to award “reasonable attorney’s fee[s] . . . to either party” at the court’s “discretion.” 560 U.S. at 251–52. The Supreme Court held that “a fee claimant need not be a ‘prevailing party’ to be eligible for an attorney’s fees award under § 1132(g)(1)” because the statutory text contained no such limitation. *Id.* at 252. But the absence of a “prevailing party” requirement did not render the American Rule inapplicable to the fee-shifting inquiry. Instead, the Court “interpret[ed] § 1132(g)(1) in light of [its] precedents addressing statutory deviations from the American Rule that do not limit attorney’s fees awards to the ‘prevailing party.’” *Id.* at 254.

Our decision is in keeping with *Ruckelshaus*, relied on by the Fourth Circuit in *Shammas*. While the Court in *Ruckelshaus* acknowledged that the vast majority of fee-shifting provisions impose a “success” requirement, the Court made clear that its absence does not render the American Rule inapplicable. Instead, the Court applied the American Rule even though the district court awarded fees to a “party that achieved no success on the merits” based on a statute that authorized “reasonable attorney . . . fees[] whenever [the court] determines that such an award is appropriate.” *Ruckelshaus*, 463 U.S. at 682–85 (emphasis omitted) (quoting 42 U.S.C. § 7607(f)). Accordingly, we think that the Fourth Circuit’s reliance on *Ruckelshaus* to support its view that the American Rule does not apply to statutes lacking a success requirement is misplaced.

Our understanding is likewise confirmed by numerous other cases that applied the American Rule to a variety of statutes that did not mention a “prevailing party.” The Supreme Court applied the American Rule to a bankruptcy statute allowing “reasonable compensation for actual, necessary services rendered by the trustee . . . or attorney.” *Baker Botts*, 135 S. Ct. at 2165 (emphasis omitted). An environmental statute permitting the recovery of any

“necessary costs of response,” including “enforcement activities” was also analyzed by the Court under the American Rule. *Key Tronic*, 511 U.S. at 813, 819. So too with a statute authorizing an injured person to “recover the damages by him sustained and the cost of the suit.” *Summit Valley*, 456 U.S. at 722. The Court likewise held that the American Rule governed an attorneys’ fees request under a statute authorizing the recovery of “sums justly due.” *F. D. Rich Co.*, 417 U.S. at 128, 130–31.

The PTO also cites the Supreme Court’s decision in *Sebelius v. Cloer*, which interpreted a statute requiring the payment of attorneys’ fees regardless of the party’s litigation success without expressly discussing the American Rule. 569 U.S. 369 (2013). This, the PTO argues, shows that the American Rule does not apply to statutes that do not refer to a “prevailing party.” At issue in *Cloer* was the National Childhood Vaccine Injury Act of 1986 (“NCVIA”). The statute creates an “unusual scheme for compensating attorneys who work on NCVIA petitions”: it requires courts to award “reasonable attorneys’ fees” for a successful petition, and it grants courts discretion to make the same award for an unsuccessful petition “brought in good faith [with] a reasonable basis for the claim.” *Id.* at 373–74 & n.1 (quoting 42 U.S.C. § 300aa-15(e)(1)). Therefore, Congress specifically and explicitly authorized the award of attorneys’ fees. The only question for the Court was whether attorneys’ fees could be recovered for untimely petitions.

The Court answered this question in the affirmative, but its analysis does not undercut the American Rule’s applicability to § 145. First, the Court rejected the government’s argument that an untimely petition was ineligible for fees because it was never “filed” within the meaning of the statute. *Id.* at 377–79. The Court then turned to the government’s argument that common-law principles, including the American Rule, barred the award of attorneys’ fees for untimely petitions. Citing the page

of the government’s brief discussing the American Rule, the Court held that the “presumption favoring the retention of long-established and familiar [common-law] principles,” i.e., the American Rule, must “give way” to the unambiguous statutory language. *Id.* at 380–81 (alteration in original) (quoting Brief for the Petitioner at 32, *Sebelius v. Cloer*, 569 U.S. 369 (2013) (No. 12-236), 2013 WL 75285, \*32). *Cloer* thus stands for the unremarkable principle that a statute providing for the award of “attorneys’ fees” can displace the American Rule.

Given the Supreme Court’s line of non-prevailing party precedent and the inapposite nature of *Cloer*, we see no reason why the American Rule would not apply to § 145. As the Supreme Court has explained, the American Rule simply provides that each litigant bears its own attorney fees. *Hardt*, 560 U.S. at 253. The PTO’s reading of § 145 requires the opposite. Accordingly, § 145 should not escape the heightened standard required for congressional departure from this bedrock principle.

## B

Having concluded that the American Rule applies, we now ask whether § 145 displaces it. The Supreme Court has explained that when, as here, a statutory provision “does not expressly provide for the recovery of attorney’s fees . . . we are not presented with a situation where Congress has made ‘specific and explicit provisions for the allowance of’ such fees.” *Summit Valley*, 456 U.S. at 722 (quoting *Alyeska Pipeline*, 421 U.S. at 260 & n.33); see also *Key Tronic*, 511 U.S. at 815. But “[t]he absence of [a] specific reference to attorney’s fees is not dispositive if the statute otherwise evinces an intent to provide for such fees.” *Key Tronic*, 511 U.S. at 815. Congress can convey this intent through the ordinary meaning of the statutory term alleged to shift attorneys’ fees—here, “[a]ll the expenses of the proceedings”—although the ordinary meaning must supply a “specific and explicit” directive to

depart from the American Rule. *See Summit Valley*, 456 U.S. at 722–23; *see also id.* at 721, 726 (declining to deviate from American Rule after finding no “express statutory authorization” in statute’s text to support contention that “damages” includes attorneys’ fees); *Key Tronic*, 511 U.S. at 819 (requiring “explicit statutory authority” to depart from American Rule).

In our view, § 145’s statement that “[a]ll the expenses of the proceedings shall be paid by the applicant” lacks the “specific and explicit” congressional authorization required to displace the American Rule. Section 145 contains no reference to attorneys’ fees, “reasonable compensation for actual, necessary services rendered by the . . . attorney,” *Baker Botts*, 135 S. Ct. at 2165 (emphasis omitted), PTO attorney salaries, or any other equally clear language. To satisfy the Supreme Court’s strict standard, the PTO must show that “[a]ll the expenses of the proceedings” specifically and explicitly includes attorneys’ fees. But this phrase is at best ambiguous as to attorneys’ fees. As explained below, the cases and definitions relied on by the PTO demonstrate that, at most, this language is merely capable of implicitly covering attorneys’ fees. The American Rule and the “specific and explicit” requirement demand more than language that merely *can be* and *is sometimes used* broadly to implicitly cover attorneys’ fees. Moreover, other statutory provisions enacted by Congress demonstrate that ordinarily, a statutory right to “expenses” does not include an implicit authorization to award attorneys’ fees. This is further demonstrated by both contemporaneous and current court cases and other statutory provisions in the Patent Act.

We begin our analysis with contemporaneous definitions and usages of “expenses.” In 1839, when Congress introduced the “whole of the expenses” language in § 145’s predecessor, Act of Mar. 3, 1839, § 10, 5 Stat. at 354, the ordinary meaning of “expenses” did not implicitly encompass attorneys’ fees. The PTO only cites one dictionary



from this time period, which defined “expense” as “[a] laying out or expending; the disbursing of money, or the employment and consumption, as of time or labor.” Appellant Br. 17 (quoting Noah Webster, *American Dictionary of the English Language* (1st ed. 1828)). Other 1830s dictionaries defined “expense” as “cost; charges; money expended,” J.E. Worcester, *A Comprehensive Pronouncing and Explanatory Dictionary of the English Language, with Pronouncing Vocabularies of Classical and Scripture Proper Names* 117 (1830), and as “the disbursing of money,” “[m]oney expended,” “cost,” and “[t]hat which is used, employed, laid out, or consumed,” Noah Webster et al., *An American Dictionary of the English Language* 319 (Joseph Worcester ed., 1830). These vague definitions, however, do not establish that a statutory right to “expenses” includes “an implicit authorization to award attorney’s fees.” *Summit Valley*, 456 U.S. at 722.

More compelling than the dictionary definitions, though, is Congress’s usage of the terms “expenses” and “attorneys’ fees” in other statutes. These statutes demonstrate Congress’s understanding that the ordinary meaning of “expenses” does not include attorneys’ fees. Similar to the Supreme Court’s analysis in *West Virginia University Hospitals, Inc. v. Casey*, we think the “record of statutory usage” convincingly demonstrates that attorneys’ fees and expenses are regarded as separate elements unless specifically identified otherwise. 499 U.S. 83, 88 (1991) (reviewing statutes using terms “attorney’s fees” and “expert fees” to understand whether reference to “attorney’s fees” would necessarily shift expert fees as well).

Indeed, Congress has drafted numerous statutes authorizing the award of both “expenses” and “attorneys’ fees.” This first category of statutes list expenses and attorneys’ fees as separate items of recovery. *See, e.g.*, 11 U.S.C. § 363(n) (authorizing trustee to recover “any costs, attorneys’ fees, or expenses incurred” in certain

situations); 12 U.S.C. § 1464(d)(1)(B)(vii) (“[C]ourt . . . may allow to any such party reasonable expenses and attorneys’ fees.”); 12 U.S.C. § 1786(p) (“[C]ourt . . . may allow to any such party such reasonable expenses and attorneys’ fees as it deems just and proper . . .”); 25 U.S.C. § 1401(a) (discussing “payment of attorney fees and litigation expenses”); 26 U.S.C. § 6673(a)(2)(A) (allowing recovery of “excess costs, expenses, and attorneys’ fees” against attorney who vexatiously multiplied proceedings); 15 U.S.C. § 77z-1(a)(6) (discussing “[t]otal attorneys’ fees and expenses” that can be awarded by court); 31 U.S.C. § 3730(d)(1) (“Any such person shall also receive an amount for reasonable expenses which the court finds to have been necessarily incurred, plus reasonable attorneys’ fees and costs.”); 38 U.S.C. § 4323(h)(2) (“[T]he court may award any such person who prevails in such action or proceeding reasonable attorney fees, expert witness fees, and other litigation expenses.”); Act of Dec. 23, 1930, ch. 23, § 4, 46 Stat. 1033, 1034 (granting Court of Claims jurisdiction to “determine a reasonable fee . . . to be paid the attorney or attorneys employed as herein provided, together with all necessary and proper expenses”); Act of Mar. 23, 1932, ch. 90, § 7, 47 Stat. 70, 72 (requiring adequate security to cover “all reasonable costs (together with a reasonable attorney’s fee) and expense” before permitting issuance of temporary restraining order or temporary injunction). It is hard to imagine that the ordinary meaning of “expenses” specifically and explicitly includes “attorneys’ fees” given the volume of statutory provisions that treat expenses and attorneys’ fees as separate items.<sup>4</sup> If “expenses” includes

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<sup>4</sup> The dissent questions the import of these statutes because they post-date the enactment of § 145’s predecessor. Dissent Op. 6–7 n.1. But Congress distinguished between attorneys’ fees and expenses during the mid-1800s too, *see, e.g.*, S.J. Res. 25, 40th Cong. § 1, 15 Stat.

attorneys' fees, then many "statutes referring to the two separately become an inexplicable exercise in redundancy." *W. Va. Univ.*, 499 U.S. at 92.

A second category of statutes define expenses to include attorneys' fees, but they do so explicitly. These statutes demonstrate that "expenses" does not necessarily include attorneys' fees, else there would be no need to so define "expenses." See, e.g., 12 U.S.C. § 5005(b)(2)(B) (providing that, in absence of breach of warranty, amount of indemnity shall be sum of "interest and expenses (including costs and reasonable attorney's fees and other expenses of representation)"); 10 U.S.C. § 2409(c)(1)(C) (permitting agency head to require that contractor pay "an amount equal to the aggregate amount of all costs and expenses (including attorneys' fees and expert witnesses' fees)" in connection with complaint regarding a reprisal); 15 U.S.C. § 2310(d)(2) (permitting recovery of "a sum equal to the aggregate amount of cost and expenses (including attorneys' fees based on actual time expended)"); 28 U.S.C. § 1447(c) ("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."); 29 U.S.C. § 1370(e)(1) ("[T]he court in its discretion may award all or a portion of the costs and expenses incurred in connection with such action, including reasonable attorney's fees . . ."); 30 U.S.C. § 938(c) (allowing successful miner to recover "a sum equal to the aggregate amount of all costs and expenses (including the attorney's fees)"); 33 U.S.C. § 1367(c) ("[A] sum equal to the aggregate amount of all costs and expenses (including

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26, 26 (1867) (discussing payment to "agent or attorney [of] his lawful fees and expenses"). In any event, neither the PTO nor the dissent suggests that Congress's understanding in this regard changed between 1839 and the passage of the above-cited statutes.

the attorney's fees) . . . shall be assessed . . . ."); 41 U.S.C. § 4705(d)(1)(C) (noting that head of agency may "[o]rder the contractor to pay the complainant an amount equal to the aggregate amount of all costs and expenses (including attorneys' fees and expert witnesses' fees) that the complainant reasonably incurred"); 42 U.S.C. § 247d-6d(e)(9) (permitting party to recover "reasonable expenses incurred . . . including a reasonable attorney's fee"); 2 U.S.C. § 396 ("The committee may allow any party reimbursement from the applicable accounts of the House of Representatives of his reasonable expenses of the contested election case, including reasonable attorneys fees . . . .").

Collectively, these statutes encompass diverse categories of legislation and demonstrate that Congress understood the "ordinary, contemporary, common meaning" of "expenses" as being something other than "attorneys' fees" unless expressly specified. See *Summit Valley*, 456 U.S. at 722 (quoting *Perrin*, 444 U.S. at 42). Statutes awarding both expenses and attorneys' fees suggest that Congress viewed them as distinct tools in its toolbox of recovery items that can be shifted at its discretion to accomplish a policy objective. If "expenses" necessarily included "attorneys' fees," the numerous statutes providing for both would have superfluous words and, as a general rule, courts should "avoid an interpretation of a statute that 'renders some words altogether redundant.'" See *United States v. Alaska*, 521 U.S. 1, 59 (1997) (quoting *Gustafson v. Alloyd Co.*, 513 U.S. 561, 574 (1995)). Likewise, Congress would have no reason to permit the recovery of "expenses"—and then specify whether it included "attorneys' fees"—if the former always encompassed the latter. To us, the logical implication of Congress's prior usage is that "attorneys' fees" are not even ordinarily, let alone necessarily, included in "expenses" absent an express expansion of "expenses" to include "attorneys' fees." At best, whether "expenses" includes "attorneys' fees" is

ambiguous.<sup>5</sup> But ambiguity cannot satisfy the exacting standard erected by the American Rule for shifting attorneys' fees.

In considering whether the ordinary meaning of a particular statutory provision shifted attorneys' fees, the Supreme Court in *Key Tronic* found it persuasive that Congress included express provisions for fee awards in related statutes without including a similar provision in the statute at issue. 511 U.S. at 817–18. So too here.<sup>6</sup>

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<sup>5</sup> We note that § 145 is not discretionary; it requires that “[a]ll the expenses of the proceedings *shall* be paid by the applicant.” 35 U.S.C. § 145 (emphasis added). To the extent the phrase “expenses” unambiguously includes attorneys' fees, it is unclear why it took the PTO more than 170 years to appreciate the statute's alleged clarity and seek the attorneys' fees that are statutorily mandated under its interpretation. The dissent excuses the PTO's failure to pursue fees in earlier proceedings, citing “dramatic[]” changes in the patent landscape, Dissent Op. 18, but this does nothing to soften the statute's mandatory directive.

<sup>6</sup> The dissent cites *Key Tronic* as an example of the Supreme Court favorably citing the Eighth Circuit's conclusion that a statute's reference to “necessary costs of response” and “enforcement activities” constituted a “sufficient degree of explicitness” to permit the award of attorneys' fees. Dissent Op. 15 (quoting *Key Tronic*, 511 U.S. at 815). But the Supreme Court analyzed the same statutory language as the Eighth Circuit and held that it cannot support an award of attorneys' fees: “To conclude that a provision that only impliedly authorizes suit nonetheless provides for attorney's fees with the clarity required by *Alyeska* would be unusual if not unprecedented.” *Key Tronic*, 511 U.S. at 818. This decision was informed in part by the presence of “two express

The existence of several Patent Act provisions awarding “attorneys’ fees” demonstrates Congress’s use of “specific and explicit” language in the Patent Act to shift fees when it so desired. For example, § 285 states: “The court in exceptional cases may award reasonable *attorney fees* to the prevailing party.” 35 U.S.C. § 285 (emphasis added). Other provisions of the Patent Act recognize the availability of attorneys’ fees by cross-referencing § 285. *See, e.g.*, 35 U.S.C. § 271(e)(4) (noting “that a court may award *attorney fees* under section 285” as part of remedy for infringement under § 271(e)(2) (emphasis added)); 35 U.S.C. § 273(f) (listing circumstances where “the court shall find the case exceptional for the purpose of awarding *attorney fees* under section 285” (emphasis added)). Finally, § 297(b)(1) permits customers who have been defrauded by an invention promoter to recover “reasonable costs and *attorneys’ fees*” in addition to damages. 35 U.S.C. § 297(b)(1) (emphasis added).

Congress elected in § 145 to provide for the recovery of the PTO’s “expenses,” not its “attorneys’ fees.” When “Congress includes particular language in one section of a statute but omits it in 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)). Here, Congress did not award “attorneys’ fees” under § 145 but did make them available under other sections of the Patent Act. We presume this was intentional, *id.*, and thus the omission of “attorneys’ fees” from § 145 “strongly suggest[s] a deliberate decision not to authorize such awards.” *See Key Tronic*, 511 U.S. at 819

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provisions for fee awards” in a related statute, which the Court understood to “strongly suggest a deliberate decision not to authorize such awards” here. *Id.* at 818–19.

(declining to award fees under provision that did not refer to “attorneys’ fees,” in part because two other provisions in related statute contained express authority to shift fees).<sup>7</sup> We are dubious of the dissent’s attempt to distinguish § 285 from § 145 on the ground that § 145 does not “arise[] in traditional patent litigation.” Dissent Op. 8. To the contrary, § 145 is titled “Civil action to obtain patent,” and it provides “remedy by civil action against the Director in the United States District Court for the Eastern District of Virginia.” § 145. This statutory language clearly gives rise to “patent litigation” between the disappointed patent applicant and the Director of the PTO.

We have also considered judicial usage of “expenses.” See *W. Va. Univ.*, 499 U.S. at 92–93 (looking to contemporaneous court decisions to determine whether expert fees

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<sup>7</sup> The patent laws have been amended on numerous occasions since Congress enacted § 145’s predecessor in 1839. If the PTO’s decision not to seek fees during this time contradicted Congress’s intent, Congress could have revised the statute to make its intent more clear. For example, Congress amended the law in 1946 to permit the “award [of] reasonable *attorney’s fees* to the prevailing party” in infringement actions. Act of Aug. 1, 1946, ch. 726, 60 Stat. 778, 778 (emphasis added) (creating predecessor to § 285). Congress could have included similar language in § 145, but it did not. “When Congress amends one statutory provision but not another, it is presumed to have acted intentionally.” *Gross v. FBL Fin. Servs., Inc.*, 557 U.S. 167, 174 (2009). Although *Gross* drew this inference based on Congress’s decision to amend a provision in one statute but not amend a similar provision in another statute, we think the inference carries equal force with respect to two provisions within the same statutory scheme.

were shifted as element of attorneys' fees). Many courts and litigants in the 1800s referred to "expenses" and "attorneys' fees" as distinct items. *See, e.g., Morris v. Way*, 16 Ohio 469, 472 (1847) (referring to statement of accounts listing "attorney's fees and expenses"); *Hayden v. Sample*, 10 Mo. 215, 221 (1846) (noting defendant's request that jury be instructed to ignore evidence of "the expenses incurred . . . and the fees paid counsel and attorneys"); *Anderson v. Farns*, 7 Blackf. 343, 343 (Ind. 1845) (citing party's request for indemnity from all "penalties, costs, damages, attorney's fees, and expenses"); *State v. Williams*, 13 Ohio 495, 499 (1844) (providing that trustees had authority to settle "the expense of prosecuting suits, attorney's fees, etc."); *Bishop v. Day*, 13 Vt. 81, 83 (1841) (discussing contract containing indemnity from "any costs, lawyers' fees, and expenses"); *Hickman v. Quinn*, 14 Tenn. 96, 107 n.1 (1834) (explaining that defendants deducted "their expenses, attorney's fees, etc." from amount voluntarily given to plaintiff); *see also* Br. of Amici Curiae Intellectual Prop. Owners Ass'n 8 (collecting cases).

This distinction remains evident in recent legal opinions. For example, one court recognized that "[t]he terms 'costs' or 'expenses' when used in a statute do not ordinarily include attorney's fees." *Ark. Dep't of Human Servs., Div. of Econ. & Med. Servs. v. Kistler*, 320 Ark. 501, 509 (1995); *see also Tracy v. T & B Constr. Co.*, 182 N.W.2d 320, 322 (S.D. 1970) ("Ordinarily the terms 'costs' and 'expenses' as used in a statute are not understood to include attorney's fees."); *McAdam v. Dean Witter Reynolds, Inc.*, 896 F.2d 750, 776 (3d Cir. 1990) ("[W]e can not find the vague reference in § 4-207(3) to 'expenses' [to be a] sufficient basis on which to predicate such an award [of attorneys' fees]."); *Lewis v. Pension Benefit Guar. Corp.*, 197 F. Supp. 3d 16, 29 (D.D.C. 2016) (finding no authority to shift attorneys' fees under 29 U.S.C. § 1303(f), subsection (3) of which permits court to "award all or a portion of



the costs and expenses incurred in connection with such action”).

Finally, we emphasize that the PTO’s interpretation of § 145 would have a patent applicant pay the government’s attorneys’ fees even when the patent applicant succeeds. Other than what we believe to be an incorrect interpretation of the trademark analogue in *Shammas*, we are aware of no statute that requires a private litigant to pay the government’s attorneys’ fees without regard to the party’s success in the litigation. Indeed, the PTO could not identify any statute that shifts the salaries of an agency’s attorneys onto the party bringing suit to challenge the agency’s decision. *See* Oral Arg. at 26:53–27:09, [http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2016-1794\\_382018.mp3](http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2016-1794_382018.mp3); *see also* Br. of Amici Curiae Am. Bar Ass’n 5 (“Congress has never enacted a fee-shifting provision that shifts only the government’s fees onto private parties, much less a provision that does so even if the government loses the litigation.”). Thus, adopting the PTO’s interpretation would create a particularly unusual divergence from the American Rule. Had Congress intended to produce such an anomalous result, we believe “it would have said so in far plainer language than that employed here.” *Ruckelshaus*, 463 U.S. at 694.

The Supreme Court’s reluctance to endorse statutory interpretations that would create sweeping departures from the American Rule furthers our conclusion. For example, even in statutes where Congress has granted courts broad leeway to shift “attorneys’ fees,” the Supreme Court has restricted the availability of those awards. *See, e.g., Hardt*, 560 U.S. at 251–52, 255 (requiring “some degree of success on the merits” to recover attorneys’ fees even though statute permits “court in its *discretion* [to] allow a reasonable attorney’s fee and costs of action to *either party*” (emphases added)); *Ruckelshaus*, 463 U.S. at 682–83, 694 (requiring “some degree of success on the merits” before shifting attorneys’ fees even though statute

allows court to “award costs of litigation (including reasonable attorney and expert witness fees) whenever it determines that such an award is *appropriate*” (emphasis added)); *Baker Botts*, 135 S. Ct. at 2165 (permitting recovery of attorneys’ fees for work done during bankruptcy proceeding, but not in fee-defense litigation, under statute allowing “reasonable compensation for actual, necessary services rendered by the trustee . . . or attorney” (emphasis omitted)).

And the Court often rejects fee-shifting requests under the American Rule where Congress employs vague statutory language that might, to a layperson, seem broad enough to cover attorneys’ fees as well as other items. *See, e.g., Summit Valley*, 456 U.S. at 722, 726 (declining to shift attorneys’ fees under statute permitting recovery of “the damages by him sustained and the cost of the suit”); *F. D. Rich Co.*, 417 U.S. at 128, 130–31 (declining to award attorneys’ fees pursuant to statute authorizing recovery of “sums justly due”); *Fleischmann*, 386 U.S. at 720 (declining to award attorneys’ fees under statute giving courts authority to award “costs of the action”); *Key Tronic*, 511 U.S. at 813, 819 (declining to shift attorneys’ fees pursuant to statute making responsible parties liable for “any . . . necessary costs of response,” including “enforcement activities”). Using these cases as a barometer, we cannot conclude that a statute awarding “[a]ll the expenses,” with nothing more, effects such an extreme departure from the American Rule.

#### IV

The PTO and the dissent resist our conclusion that § 145 does not displace the American Rule. They both begin—as we do—with the meaning of “expenses.” To support an expansive reading of “expenses” that includes attorney fees, the PTO and the dissent cite the Supreme Court’s statement in *Taniguchi* that “[t]axable costs are a fraction of the nontaxable *expenses borne by litigants for*

*attorneys, experts, consultants, and investigators.*” 566 U.S. at 573 (emphasis added); *see generally* Appellant Br. 38–39; Dissent Op. 6. We acknowledge that the word “expenses” is broad and, like “costs” or “litigation costs,” is sometimes used in judicial opinions to refer to a variety of burdens incurred by a litigant, including attorneys’ fees. But the Supreme Court has never interpreted the phrase “expenses” or “all the expenses” to authorize a departure from the American Rule. Indeed, *Taniguchi* only analyzed “whether [the phrase] ‘compensation of interpreters’ covers the cost of translating documents.” *Id.* at 562.

In a similar vein, the PTO relies on a single sentence from *Arlington Central School District Board of Education v. Murphy*, 548 U.S. 291 (2006). *See* Appellant Br. 39. There, the Individuals with Disabilities Education Act (“IDEA”) permitted courts, in their discretion, to award “reasonable attorneys’ fees as part of the costs” to the prevailing party. *Arlington Central*, 548 U.S. at 297 (quoting 20 U.S.C. § 1415(i)(3)(B)). Respondents asserted that “costs” should be interpreted to cover all the costs of an IDEA proceeding, including expert fees. The Court rejected respondents’ argument, noting that the statute’s “use of this term of art [‘costs’], rather than a term such as ‘expenses,’ strongly suggests that § 1415(i)(3)(B) was not meant to be an open-ended provision that makes participating States liable for all expenses incurred.” *Id.* The PTO seizes on this language, but it omits the end of the sentence, which provides examples of the “open-ended . . . expenses” envisioned by the Court: “travel and lodging expenses or lost wages due to time taken off from work.” *Id.* Absent from the list is a reference to attorneys’ fees. Thus, *Arlington Central* does not address the interpretation of a statute containing the word “expenses” in light of the American Rule. Nor does it stand for the proposition that the ordinary meaning of “expenses” is broad enough to include “attorneys’ fees.”

The PTO likewise insists that a single sentence in *Baker Botts* suggests that a statutory reference to “litigation costs” alone would suffice to shift attorneys’ fees. Appellant Br. 39 (quoting 135 S. Ct. at 2164). Specifically, the Court in *Baker Botts* stated: “We have recognized departures from the American Rule” and these departures “tend to authorize the award of ‘a reasonable attorney’s fee,’ ‘fees,’ or ‘litigation costs,’ and usually refer to a ‘prevailing party.’” *Id.* But none of the cited statutes—either in *Baker Botts* itself or in the cases *Baker Botts* cites—contain a stand-alone reference to “litigation costs.” See Appellee Br. 24–25. Rather, each of the statutes expressly provides for the award of attorneys’ fees in addition to, or as part of, the litigation costs. We therefore do not read *Baker Botts* to stand for the proposition that the phrase “litigation costs,” by itself, can displace the American Rule.<sup>8</sup>

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<sup>8</sup> *Alyeska Pipeline* also cited numerous statutory examples of “specific and explicit provisions for the allowance of attorneys’ fees.” 421 U.S. at 260–62 & n.33–35. Again, every cited statute referred to either “fees,” “attorneys’ fees,” or “reasonable compensation for services rendered” by an “attorney.” See *id.* The same holds true for the 2008 Congressional Research Service Report in which Congress compiled the text of several hundred other fee-shifting provisions. Each of these statutes referred to “attorneys’ fees,” “fees,” “compensation for . . . attorney[s],” “fees for attorneys,” “compensation for representation . . . equivalent to that provided for court-appointed representation,” “fees of counsel,” “legal fees,” or “compensation” for “foreign counsel.” Henry Cohen, Cong. Research Serv., *Awards of Attorneys’ Fees by Federal Courts and Federal Agencies* 64–114 (2008), available at <https://fas.org/sgp/crs/misc/94-970.pdf>. Notably, § 145 was not included in the statutory compilation.

The PTO and dissent next accuse us of transforming a statute requiring the payment of “[a]ll the expenses” to one demanding reimbursement for only “some” of the expenses. Appellant Br. 41; *see* Dissent Op. 9–10. Both emphasize the modifier “[a]ll” in arguing that Congress intended § 145 to be fully remedial. But the word “all” sheds no light on the breadth of “expenses” vis-à-vis attorneys’ fees—the crux of the dispute—and serves only to clarify that, whatever the “expenses” are, all of them must be paid by the applicant. In addition, at least one statute expressly identifies “attorneys’ fees” as one of an enumerated list of “all expenses” recoverable, further supporting the notion that the phrase “all expenses” does not carry the weight afforded to it by the PTO and the dissent. *See* 50 U.S.C. § 4531(b)(4) (permitting recovery of “all expenses and losses incurred . . . including . . . attorneys’ fees and expenses of litigation”). Finally, we note that, even if “attorney’s fees are necessary to achieve *full* compensation [for the PTO’s involvement in a § 145 action], this justification alone is not sufficient to create an exception to the American Rule in the absence of express congressional authority.” *Summit Valley*, 456 U.S. at 724 (emphasis added). The argument by the PTO is “nothing more than a ‘restate[ment] of one of the oft-repeated criticisms of the American Rule.’” *Id.* at 725 (alteration in original) (quoting *F. D. Rich Co.*, 417 U.S. at 128).

The dissent next invokes “legislative history and the purpose of § 145” for displacing the American Rule. Dissent Op. 10–13. At the outset, we question the role of legislative history in this context where the very point of the “specific and explicit” standard is to demand clarity in the statute’s text. *See Baker Botts*, 135 S. Ct. at 2164 (“We have recognized departures from the American Rule only in ‘specific and explicit provisions for the allowance of attorneys’ fees under selected statutes.’” (quoting *Alyeska Pipeline*, 421 U.S. at 260)); *cf. Conroy v. Aniskoff*,

507 U.S. 511, 519 (1993) (Scalia, J., concurring) (“The law as it passed is the will of the majority of both houses, *and the only mode in which that will is spoken is in the act itself . . .*” (emphasis in original) (quoting *Aldridge v. Williams*, 44 U.S. (3 How.) 9, 24 (1844))). Where the textual indications are unclear, we are skeptical of what legislative history and policy could add to satisfy this standard. But even if we set these concerns aside, the dissent’s legislative history fails to advance its interpretation of § 145.

The dissent points to an expense reimbursement provision in the 1870 amendments to the patent laws, which it notes is similar to the language employed by Congress in § 145’s predecessor. Dissent Op. 11. Initial versions of the House bill limited the reimbursement by using the word “costs” and capping it at \$25. *See* H.R. 1714, 41st Cong. § 52 (as passed by House, Apr. 25, 1870). The Senate, however, changed “costs” to “expenses” and removed the \$25 cap. *See* H.R. 1714, 41st Cong. § 52 (as amended by Senate, May 31, 1870). The enacted version reflects the Senate amendments, *see* Act of July 8, 1870, ch. 230, § 52, 16 Stat. 198, 205, which according to the dissent, “demonstrates—or at least strongly suggests—that Congress specifically intended that ‘expenses’ be broader than ‘costs.’” Dissent Op. 12. We do not contest that “expenses” is broader than “costs.” But the breadth of expenses relative to costs has no relevance here. Our task is to determine whether “expenses” includes attorneys’ fees, and the dissent’s legislative history is silent on this crucial point.

The PTO and the dissent also direct our attention to § 9 of the 1836 patent statute—a budgetary provision that uses the word “expenses.” Appellant Br. 27–28; Dissent Op. 4. Section 9 requires that money paid by patent applicants into the Treasury be used “for the payment of the salaries of the officers and clerks herein provided for, and all other expenses of the Patent Office.” Act of July 4,

1836, ch. 357, § 9, 5 Stat. 117, 121. In the dissent’s view, this establishes that Congress “understood salaries to be within the scope of ‘expenses.’” Dissent Op. 4. But as the dissent recognizes, context is important when interpreting a statute. Dissent Op. 7. Here, § 9 is an accounting provision that earmarks money the PTO receives to cover various “expenses of the Patent Office”; it does not address how “expenses of the proceedings” are to be allocated in the context of adversarial litigation involving the PTO. Moreover, it is doubtful (or at least uncertain) whether any of the salaries of the particular “officers and clerks *herein provided for*” under § 9 included the salaries of PTO attorneys and paralegals who engaged in litigation on the agency’s behalf. § 9, 5 Stat. at 121 (emphasis added); *see id.* §§ 1–2, 5 Stat. at 117–18 (creating roles for Commissioner of Patents, Chief Clerk of Patent Office, an examining clerk, and two “other” clerks). Accordingly, § 9 at most supports the idea that “expenses” *can be* broad enough to cover salaries of some PTO employees in an unrelated context. But, even then, Congress felt it necessary to expressly enumerate “salaries of the officers and clerks” in addition to “all other expenses,” demonstrating again that the ordinary meaning of expenses does not include attorney salaries.

Both the dissent and the PTO contend that it would not make sense for Congress to use the phrase “attorneys’ fees” in the context of § 145 actions because it is more accurate to classify the salaries of the PTO’s attorneys as personnel “expenses.” Appellant Br. 42; Dissent Op. 8. In light of other statutes providing for the government’s recoupment of *attorneys’ fees*, as opposed to personnel expenses, in enforcement actions, we do not find this argument convincing. *See, e.g.*, 42 U.S.C. § 7413(d)(5) (“Any person who fails to pay on a timely basis a civil penalty ordered or assessed under this section shall be required to pay . . . the United States enforcement expenses, including but not limited to attorneys fees and

costs incurred by the United States for collection proceedings . . . .”); 33 U.S.C. § 1319(g)(9) (similar). Indeed, aside from the trademark analogue at issue in *Shammas*, the PTO did not identify a single statute that awards to the government prorated portions of its attorneys’ salaries without using the phrase “attorneys’ fees.”

Finally, the PTO and the dissent paint § 145 actions as a scourge on other patent applicants. Appellant Br. 21–25; Dissent Op. 12, 17–18. They claim it is unfair to burden all applicants with the additional costs caused by those who voluntarily initiate § 145 proceedings. But this policy debate on the value of § 145 actions is best left for Congress. And, as various amici indicate, Congress already addressed the debate by rebuffing an attempt to repeal § 145. Br. of Amici Curiae Intellectual Prop. Owners Ass’n 21 n.3; Br. of Amici Curiae Ass’n of Amicus Counsel 14. In any event, the dissent’s concerns appear to us exaggerated. A back-of-the-envelope calculation elucidates the minuscule impact of these proceedings on the overall cost of a patent application. Although neither party could provide an exact tally of the § 145 proceedings, at the panel stage the PTO estimated that there were four to five of these proceedings in the last three years. See Oral Arg. at 19:19–20:10, <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2016-1794.mp3>. If we were to take a conservative estimate of ten § 145 actions per year (five times the rate estimated by the PTO) and assume that the PTO expended \$100,000 in attorneys’ fees defending each action (\$20,000 more than the amount the PTO incurred in this case), the total expense for fiscal year 2018 would be \$1 million. The PTO estimates that it will receive more than 627,000 patent applications during this same time period. See U.S. Patent and Trademark Office, *Fiscal Year 2018 Congressional Justification* 11 (2017), <https://www.uspto.gov/sites/default/files/documents/fy18pbr.pdf>. When spread amongst the 627,000+ applications,



the \$1 million price tag amounts to less than \$1.60 per application.

## V

The general rule in the United States is that each party pays for its own attorneys. To deviate from the status quo embodied in the American Rule, Congress must draft legislation—“specific and explicit” legislation—demonstrating its intent to make the award of attorneys’ fees available under that statute. Awarding “[a]ll the expenses” simply cannot supply the “specific and explicit” directive from Congress to shift attorneys’ fees, and nothing else in the statute evinces congressional intent to make them available. Other than *Shammas*’s interpretation of the trademark analogue, we are not aware of any statute requiring a private litigant to pay the government’s attorneys’ fees without regard to the party’s success in the litigation. We are unwilling to “invade the legislature’s province by redistributing litigation costs” in a way that would create such an anomalous statute here. See *Alyeska Pipeline*, 421 U.S. at 271. The judgment of the district court is affirmed.

## **AFFIRMED**

### COSTS

Costs to Appellee.

**United States Court of Appeals  
for the Federal Circuit**

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**NANTKWEST, INC.,**  
*Plaintiff-Appellee*

v.

**ANDREI IANCU, UNDER SECRETARY OF  
COMMERCE FOR INTELLECTUAL PROPERTY  
AND DIRECTOR OF THE UNITED STATES  
PATENT AND TRADEMARK OFFICE,**  
*Defendant-Appellant*

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2016-1794

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Appeal from the United States District Court for the Eastern District of Virginia in No. 1:13-cv-01566-GBL-TCB, Judge Gerald Bruce Lee.

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PROST, *Chief Judge*, dissenting, with whom DYK, REYNA, and HUGHES, *Circuit Judges*, join.

The question for the en banc court is whether 35 U.S.C. § 145, which provides that “[a]ll the expenses of the proceedings shall be paid by the applicant,” requires the applicant to pay *all* the expenses of the proceedings, including the PTO’s personnel expenses, or just *some* of the expenses. When Congress said, “[a]ll the expenses,” I believe it meant *all* the expenses. The Fourth Circuit agrees. *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), *cert. denied sub nom. Shammas v. Hirshfeld*, 136 S.

Ct. 1376 (2016). The majority opinion creates an unfortunate and unnecessary conflict between the circuits. I respectfully dissent.

## I

When electing to pursue its § 145 action, NantKwest, a disappointed patent applicant, had two options for judicial review of the Patent Trial and Appeal Board's decision. *See Kappos v. Hyatt*, 566 U.S. 431, 434 (2012). NantKwest could have “either: (1) appeal[ed] the decision directly to [this court], pursuant to § 141; or (2) file[d] a civil action against the Director of the PTO in the United States District Court for the [Eastern District of Virginia] pursuant to § 145.” *Id.* at 434 & n.1. Litigation in district court is expensive and time-consuming, much more so than direct appeals to this court limited to the administrative record. Section 145, unlike § 141, requires the applicant to pay “[a]ll the expenses of the proceedings,” 35 U.S.C. § 145, “regardless of the outcome,” *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc), *aff'd and remanded*, 566 U.S. 431 (2012). Section 145 actions are also uncommon. *Id.* (noting that “the vast majority of applicants pursue an on-the-record appeal [under § 141] instead of a § 145 action”).

In defending the § 145 proceedings initiated by NantKwest, the PTO incurred expenses for expert witnesses and personnel expenses—that is, the expense of diverting agency attorneys and paralegals from other matters to this § 145 action. The district court ordered NantKwest to reimburse the agency's expenses for its expert witness but not its personnel. The parties do not dispute that “[a]ll the expenses of the proceedings” includes the PTO's expert witness expenses. On appeal, the PTO seeks reimbursement under § 145 for personnel expenses it incurred.

## II

I start, as I must, with the language of the statute. *E.g.*, *United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 241 (1989). And its plain text provides our answer. *See SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018). When § 145 says “[a]ll the expenses of the proceedings shall be paid by the applicant” it means the applicant must pay *all* the expenses of the proceedings. “Absent persuasive indications to the contrary, we presume Congress says what it means and means what it says.” *Simmons v. Himmelreich*, 136 S. Ct. 1843, 1848 (2016). Here, neither the majority opinion nor NantKwest’s arguments give me any reason to doubt what I see as the plain-text result in this case. *Id.*

## A

Initially, I note that the PTO did not retain outside counsel to assist in defending this § 145 action. Instead, it used its salaried government lawyers. These lawyers incurred expenses because the time they devoted to this case was not available for other work. *See Wis. v. Hotline Indus., Inc.*, 236 F.3d 363, 365 (7th Cir. 2000) (“[S]alaried government lawyers, like in-house and non-profit counsel, do incur expenses if the time and resources they devote to one case are not available for other work.”). Additionally, the PTO is not seeking reimbursement for its lawyers’ time at market rate. Rather, the PTO seeks personnel expenses it *actually* incurred in these proceedings. *Compare* J.A. 83–84 (the PTO’s request for the actual expenses it incurred in this § 145 action by calculating a proportional share of its attorneys’ salaries (citing *Hotline Indus.*, 236 F.3d at 368)), *with, e.g.*, *Raney v. Fed. Bureau of Prisons*, 222 F.3d 927, 933 (Fed. Cir. 2000) (“[A] non-profit legal services organization is entitled to receive a prevailing market rate pursuant to a statute that authorizes the prevailing party to be awarded ‘a reasonable

attorney[s'] fee as part of the cost.” (citing *Blum v. Stenson*, 465 U.S. 886, 894–96 (1984)).

Thus, the question in this case is whether “[a]ll the expenses of the proceedings” includes the personnel expenses the PTO actually incurred for attorneys in defending these § 145 proceedings. I conclude that it does.

## B

To determine whether the phrase “[a]ll the expenses” includes the PTO’s personnel expenses, I first look to the meaning of “expenses.” Although the statute does not expressly define that term, the Patent Act of 1836 did use the term “expenses” in a provision discussing application fees. That provision, which was retained when Congress added the expense-reimbursement language in 1839, read in relevant part:

[T]he applicant shall pay into the Treasury of the United States, or into the Patent Office, or into any of the deposite banks to the credit of the Treasury . . . the sum of thirty dollars . . . . And the moneys received into the Treasury under this act shall constitute a fund for the payment of the *salaries of the officers and clerks herein provided for, and all other expenses of the Patent Office*, and to be called the patent fund.

Patent Act of 1836, ch. 357, § 9, 5 Stat. 117, 121 (emphasis added). Congress understood “salaries of the officers and clerks” as one kind of “expense.” To be sure, there is a difference between “expenses of the Patent Office” and “expenses of the proceedings,” but the point is that Congress, at the time it enacted the precursor to § 145, understood salaries to be within the scope of “expenses.”

When a term goes undefined in a statute, we give the term its ordinary meaning. *Taniguchi v. Kan Pac. Saimpan, Ltd.*, 566 U.S. 560, 566 (2012). The ordinary mean-

ing of “expenses” encompasses expenditures for personnel. Dictionaries in use when Congress enacted § 145’s precursor generally defined “expenses” as an expenditure of money, time, labor, or resources. For example, in 1830 “expense” was defined as “1. [a] laying out or expending; the disbursing of money, or *the employment and consumption, as of time or labor.*” Noah Webster, *An American Dictionary of the English Language* 319 (3d ed. 1830) (emphasis added). The majority points to other 1830s dictionary definitions, which defined “expense” as “cost; charges; money expended,” J.E. Worcester, *A Comprehensive Pronouncing and Explanatory Dictionary of the English Language, with Pronouncing Vocabularies of Classical and Scripture Proper Names* 117 (1830), and as “the disbursing of money,” “2. Money expended,” “cost,” and “3. That which is used, employed, laid out or consumed,” Noah Webster, *An American Dictionary of the English Language* 319 (3d ed. 1830). Based on these definitions, I agree with the government that the ordinary or common meaning of “expenses” includes personnel expenditures. It also includes out-of-pocket attorneys’ fees.

Although the PTO did not retain outside counsel in this case, the statute’s history suggests that Congress intended “expenses” to also include attorneys’ fees for the PTO’s retained outside counsel. At the time the expense-reimbursement provision appeared, proceedings in equity seem to have been quite rare. And when they occurred, it seems that the PTO incurred the expense of employing outside counsel. This conclusion is drawn from the Report of the Commissioner of Patents for the Year 1845, in which the Commissioner explained that “[t]wo suits in equity are now pending against the Commissioner in the circuit court for the district of Pennsylvania, in which, as it has not been necessary for me to attend, I have employed counsel.” REPORT OF THE COMMISSIONER OF

PATENTS FOR THE YEAR 1845, H. Doc. No. 29-140, at 8 (1st Sess. 1846).

The plain and ordinary meaning that the Supreme Court has ascribed to the word “expenses” comports with my reading of the dictionary definitions cited above. For example, the Court has recognized that “expenses” (as compared to taxable costs) contemplates the full range of expenditures a party must make in litigation (including attorneys). *Taniguchi*, 566 U.S. at 573 (“Taxable costs are a fraction of the nontaxable expenses borne by litigants for attorneys, experts, consultants, and investigators.”). In other words, the Supreme Court has told us that the plain and ordinary meaning of the word “expenses” in the litigation context includes those incurred for attorneys.

Although NantKwest and the majority do not deny that “expenses” is broad enough to cover the PTO’s personnel expenses, they contend that the term “is merely capable of implicitly covering attorneys’ fees” and “is at best ambiguous as to attorneys’ fees.” Majority Op. 17. As support, NantKwest and the majority rely on other federal statutes under various titles where Congress has employed the term “expenses” to authorize attorneys’ fees either in addition to expenses (e.g., “expenses *and* attorneys’ fees”), or as a component of them (e.g., “expenses *including* attorneys’ fees”).<sup>1</sup> The majority contends that

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<sup>1</sup> When the Supreme Court examines the “record of statutory usage” it focuses on contemporaneous statutes. *See W. Va. Univ. Hosps., Inc. v. Casey*, 499 U.S. 83, 88 (1991) (reviewing statutes enacted the same year as the statute at issue, and in one case a statute enacted “just over a week prior”); *see also id.* at 88–89 & n.4 (reviewing statutes enacted within a few years of the statute at issue). The majority acknowledges that its cited statutes were not enacted contemporaneously with Congress’s

“[t]hese statutes demonstrate Congress’s understanding that the ordinary meaning of ‘expenses’ does not include attorneys’ fees.” Majority Op. 18.

Certainly, “a definition [being] broad enough to encompass one sense of a word does not establish that the word is *ordinarily* understood in that sense.” *Taniguchi*, 566 U.S. at 568. But even if I were to agree with NantKwest and the majority’s characterization of what “expenses” *ordinarily* means, here the statutory context in which “expenses” appears indicates that it includes personnel expenditures for attorneys. *See id.* at 569 (observing that the context in which a word appears may override the word’s ordinary meaning). As noted, the word “expenses” showed up one other time in the Patent Act of 1836—where the Act expressly characterized the salaries of PTO officers and clerks as “expenses.” Patent Act of 1836, ch. 357, § 9, 5 Stat. 117, 121.

The majority addresses the statutory context by pointing to 35 U.S.C. § 285, which provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” The majority suggests that because this provision of the Patent Act specifically mentions attorneys’ fees, Congress must have intended to exclude them from “expenses” in § 145. Majority Op. 22–24. I disagree.

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enactment of § 145’s precursor, so it points to an 1867 statute that distinguishes between an individual attorney’s fees and his or her expenses. Majority Op. 19 n.4. This distinction hardly suggests that “[a]ll the expenses of the proceedings” does not include the PTO’s personnel expenses. Regardless, my point is that because statutory interpretation depends very much on context, I would not assign the same probative value to unrelated, later-enacted statutes as does the majority.



First, Congress intended a broader compensation scheme under § 145 than under § 285. Compare § 145 (“[a]ll the expenses of the proceedings”), with § 285 (“reasonable attorneys’ fees”). For example, NantKwest does not contest that the language of § 145 includes the PTO’s expert witness expenses. In § 285, Congress chose not to award all the expenses to the prevailing party, but only attorneys’ fees. Congress can certainly employ a broad word over other narrower alternatives if it so chooses.

Second, as salaried employees, the PTO’s attorneys do not bill individual hours for their work, nor do they collect fees from those whom they represent. In this context, the overhead associated with the PTO’s attorneys’ work is more aptly characterized as an “expense” to the PTO than a “fee.” Compare *Expense*, Black’s Law Dictionary (10th ed. 2014) (defining “expense” as “expenditure[s] of money, time, labor, or resources to accomplish a result”), with *Attorney’s fee*, Black’s Law Dictionary (10th ed. 2014) (defining “attorney’s fee” as “[t]he charge to a client for services performed for the client, such as an hourly fee, a flat fee, or a contingent fee”). I would not require Congress to mimic § 285 and use the phrase “attorneys’ fees” when, in this context, “expenses” is the more apt term.

Third, the § 145 and § 285 provisions are implicated in different settings. Section 285 arises in traditional patent litigation, and authorizes a district court to award attorneys’ fees to the prevailing party. See *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1752 (2014). In contrast, § 145 proceedings are, “in fact and necessarily, a part of the application for the patent.” *Gandy v. Marble*, 122 U.S. 432, 439 (1887). The “[a]ll the expenses” contemplated by § 145 are a direct counterpart to the application fees that are designed to reimburse the PTO’s examination expenses—application fees that, like the “[a]ll the expenses” of § 145, the applicant must pay regardless of whether it receives a patent. Congress’s use of different phrases therefore makes sense in these differ-

ent settings. And Congress's choice to depart from the model of a related statute is a choice we may not disregard.<sup>2</sup> *SAS Inst.*, 138 S. Ct. at 1355.

But I need not rely on the word “expenses” alone. Congress did not simply provide for “expenses of the proceedings” in § 145—it clarified that it was requiring the applicant to pay “[a]ll the expenses of the proceedings.”

The majority maintains that “the word ‘all’ sheds no light on the breadth of ‘expenses,’” and reasons that “all” “serves only to clarify that, whatever the ‘expenses’ are, all of them must be paid by the applicant.” Majority Op. 30. I disagree. Such an interpretation leaves little work for “all” to do; simply saying “the expenses” would seem to do just as well. While this latter, more limited phrasing

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<sup>2</sup> The majority proposes that Congress should have amended § 145 to include the “attorneys’ fees” language when it amended the Patent Act in 1946 to permit the “award [of] reasonable *attorney’s fees* to the prevailing party” in infringement actions (i.e., the precursor to § 285). Majority Op. 24 n.7 (quoting Patent Act of 1946, ch. 726, 60 Stat. 778, 778 (emphasis added)). In other words, the majority would require Congress to review and amend § 145, its already-clear expense-reimbursement statute, so as to make it extra clear. This just can’t be right. Especially not when, as I have detailed, the statutes are implicated in different settings and intentionally provide for compensation schemes of varying breadth. The majority seems to infer that because Congress added other statutory provisions (which arise in different circumstances), that it necessarily intended to *not* provide for the PTO’s personnel expenses in those provisions it did not amend. This inference is far too attenuated to have any persuasive force.

would still not explicate the breadth of “expenses,” neither would it, by itself, provide a basis for excluding anything properly regarded as an “expense.” In my view, Congress used the word “all” to broadly and comprehensively capture anything fairly regarded as an “expense,” resolving any lingering doubt in favor of inclusion. The majority acknowledges that the term “expenses” is capable of including attorneys’ fees and cites to several statutes that list attorneys’ fees as part of expenses. Majority Op. 20–21 (citing ten such statutes). In § 145, Congress’s use of the word “all” indicated its desire to broadly and comprehensively include *all* of the expenses as it commonly understood them, which includes the personnel expenses the PTO incurs in defending § 145 actions.

### C

Both the legislative history and the purpose of § 145 support my reading of the statutory text and context.

The majority questions the relevance of legislative history in interpreting fee statutes. Majority Op. 30–31. I note, however, that the Supreme Court has examined legislative history in cases implicating fee-shifting and the American Rule. *E.g.*, *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 686–91 (1983); *Summit Valley Indus., Inc. v. Local 112, United Bhd. of Carpenters & Joiners of Am.*, 456 U.S. 717, 723–24 (1982).

Consideration of the history of § 145 suggests that Congress intended “expenses” to capture broadly, not narrowly. As the parties have noted, the “expenses” provision arose (in slightly different form) in the 1839 Amendments to the Patent Act, which provided that an applicant bringing a proceeding in equity to contest an adverse decision of the Patent Office would be required to pay “the whole of the expenses of the proceeding . . . whether the final decision shall be in his favor or otherwise.” Patent Act of 1839, ch. 88, § 10, 5 Stat. 353, 354.

When Congress revised the Patent Act in 1870, it used expense-reimbursement language very similar to the language used in the previously enacted 1839 statute. Initial versions of the House bill sought to limit the reimbursement provision by using the word “costs” instead of “expenses” and by limiting any reimbursement to \$25. But these changes were rejected and the word “expenses” was retained. The version of the bill reported in the House and referred to the Senate read, in relevant part:

SEC. 52. And be it further enacted, That when the Commissioner of Patents is the only defendant in any such suit, *all costs shall be paid by the complainant*, and whole amount of costs taxed against the complainant shall not exceed the sum of twenty-five dollars . . . .

H.R. 1714, 41st Cong. § 52 (as referred to the S. Committee on Patents, Apr. 25, 1870) (emphasis added). The Senate made significant amendments to the bill, including changing Section 52 to use “expenses” rather than “costs” and by removing the \$25 cap. The version passed by the Senate read, in relevant part:

SEC. 52. And be it further enacted, That whenever a patent on application is refused, for any reason whatever, either by the Commissioner or by the supreme court of the District of Columbia upon appeal from the Commissioner, the applicant may have remedy by bill in equity; . . . . And in all cases where there is no opposing party a copy of the bill shall be served on the Commissioner, and *all the expenses of the proceeding shall be paid by the applicant, whether the final decision is in his favor or not.*

H.R. 1714, 41st Cong. § 52 (as amended by the Senate, May 31, 1870) (emphasis added). The House disagreed with the Senate amendments and asked for a conference. Ultimately, the House members dropped their objections

to the Senate amendments to § 52, and the enacted version reflected the Senate's version using the word "expenses." This demonstrates—or at least strongly suggests—that Congress specifically intended that "expenses" be broader than "costs."

The statute's purpose also confirms that Congress intended all of the expenses associated with § 145 proceedings to be borne by the applicants who elect them—not by taxpayers or other PTO users whose fees fund the agency's operations. Section 145 proceedings are an optional extension of the application process. *See Gandy*, 122 U.S. at 439–40 (referring to § 145's precursor as "in fact and necessarily, a part of the application for the patent" and "clearly a branch of the application for the patent"). And litigation in district court is expensive and time-consuming, much more so than the direct appeals limited to the administrative record also available to disappointed applicants. Proceedings under § 145 force the PTO and its employees to dedicate time and effort to conducting discovery, interviewing witnesses, filing and responding to motions, and addressing new evidence. PTO's En Banc Br. 22.

Indeed, even in 1838, Congress was aware that proceedings in equity were adding to the Patent Office's expenses—including labor expenses. H.R. Rep. No. 25-797, at 3 (1838) (discussing the 1839 Act). A letter from the Commissioner of Patents annexed to the House Report stated:

The judicial decisions on interfering applications, subsequent to the examination, on application, will, both in number and importance, exceed all the patent cases before the United States courts. On the first of January three cases were pending a hearing, valued at upwards of \$100,000 each. The evidence is voluminous, and the arguments often lengthy. *The subject of appeals is beginning*

*to add considerably to the labor of the office, and the litigated cases demand many long copies.*

*Id.* (emphasis added).

An applicant's choice to proceed under § 145 diverts the agency's resources from the PTO's principal mission of examining patent and trademark applications at the agency. The purpose of § 145's expense-reimbursement provision is to ensure that these expenses fall on the applicants who elect the more expensive district court proceedings over the standard appeal route.

### III

The majority concludes that the text of § 145 fails to provide the necessary congressional directive to overcome the American Rule's bar against shifting attorneys' fees. Under the American Rule, "the prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser." *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 247 (1975). Courts uniformly recognize an exception to this general proposition, however: when the statute itself "specific[ally]" and "explicit[ly]" authorizes an award of fees, the prevailing party may be entitled to collect its fees. *Alyeska*, 421 U.S. at 260.

I note that the Fourth Circuit reviewed 15 U.S.C. § 1071(b)(3), which contains language nearly identical to the relevant language in § 145, and concluded that the statute is "not a fee-shifting statute that operates against the backdrop of the American Rule" because it "mandates the payment of attorneys[] fees without regard to a party's success." *Shammas*, 784 F.3d at 223. While I assume that the American Rule applies here, I share the Fourth Circuit's doubt that the Rule applies in this context—i.e., where Congress has simply assigned payment responsibility to the applicant, consistent with the various

other application-related fees Congress has assigned to the applicant.

But even assuming the American Rule applies here, I still disagree with the majority's analysis. For example, the majority attempts to create ambiguity by focusing on the word "expenses" in a vacuum. But, as I've discussed, Congress did not simply provide that under § 145 an applicant pays "expenses." Nor did it say "may pay" or something that could be less than "all." Congress said that the applicant "shall" pay "[a]ll the expenses of the proceedings."

It is also well established that "[t]he absence of specific reference to attorney[s] fees is not dispositive if the statute otherwise evinces an intent to provide for such fees." *Key Tronic Corp. v. United States*, 511 U.S. 809, 815 (1994). Although the majority gives lip service to this principle, as a practical matter, it still seems to require a statute's use of the magic words "attorneys' fees" to meet the American Rule's heightened demands.<sup>3</sup> For example, the majority spends pages contrasting § 145 unfavorably with other statutes that explicitly mention attorneys' fees.

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<sup>3</sup> When asked during oral argument to propose other language that Congress could have employed to overcome the American Rule, NantKwest offered "including, without limitation, the time spent by lawyers working on the particular matter from the Solicitor's office . . . and outside counsel" or "persons providing lawyer services who are hired internally or externally by the Patent Office" as the only alternatives. Oral Argument No. 2016-1794 (Mar. 8, 2018) 40:45–41:23, 43:57–44:05, <http://www.cafc.uscourts.gov/oral-argument-recordings>. I do not believe the American Rule requires such labored descriptions, when "[a]ll the expenses of the proceedings" suffices in this context.

Majority Op. 18–24. It further cites a Congressional Research Service Report compiling the text of other fee-shifting statutes. The majority notes that each of these statutes recites either the magic words “attorneys’ fees,” or the (slightly) less magical “fees,” “fees for attorneys,” “compensation . . . for attorney[s],” “fees of counsel,” and the like. Majority Op. 29 n.8.

But again, the absence of “attorneys’ fees” is not dispositive. In making clear that “[t]he absence of specific reference to attorney[s]’ fees is not dispositive if the statute otherwise evinces an intent to provide for such fees,” the Supreme Court pointed to an Eighth Circuit decision, stating that “[t]he Eighth Circuit, for example, found ‘a sufficient degree of explicitness’ in [the Act’s] references to ‘necessary costs of response’ and ‘enforcement activities’ to warrant the award of attorney[s]’ fees and expenses.” *Key Tronic*, 511 U.S. at 815. The Court then contrasted these sufficiently explicit phrases with “[m]ere ‘generalized commands,’ . . . [which would] not suffice to authorize such fees.” *Id.* Surely, “[a]ll the expenses of the proceedings” is just as, if not more, explicit than “necessary costs of response” or “enforcement activities” in reference to personnel expenses.

In sum, contrary to the majority’s views, the language of § 145 evinces Congress’s “specific and explicit” intent to depart from the American Rule and to impose upon the applicant payment of all the expenses of the proceedings, including the PTO’s personnel expenses.

#### IV

The majority also references certain policy justifications for its interpretation of § 145. First, the majority cites the access-to-justice concern underlying the American Rule. Majority Op. 6. I am unconvinced that these disappointed applicants’ access to justice is lacking. Applicants have the option to forgo § 145 actions altogether and pursue appeals before this court under § 141—



a choice the overwhelming majority of applicants make. *See Hyatt*, 625 F.3d at 1337 (observing that “the vast majority of applicants pursue an on-the-record appeal [under § 141] instead of a § 145 action”). These disappointed applicants only reach the point of electing a § 145 action after an extended application examination process before the PTO. A patent examiner first determines whether the application satisfies the statutory prerequisites for granting a patent. *Kappos*, 566 U.S. at 434 (citing 35 U.S.C. § 131). If the examiner denies the application, the applicant may then file an administrative appeal with the PTO’s Patent Trial and Appeal Board. *See id.* If the Board also denies the application, only *then* is the disappointed applicant faced with electing between an appeal under § 141 or a § 145 action. *Id.*

Second, and relatedly, the majority expresses special solicitude for “small businesses and individual inventors,” Majority Op. 6–7, presumably because they may be less able to afford the PTO’s personnel expenses. This possibility is entirely speculative. And, even if it were always the case, it is of no moment. “Our unwillingness to soften the import of Congress’[s] chosen words even if we believe the words lead to a harsh outcome is longstanding.” *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2169 (2015) (quoting *Lamie v. United States Tr.*, 540 U.S. 526, 538 (2004)).

While I do not deny that the PTO’s personnel expenses may, in some cases, amount to substantial sums, it is important to view these amounts against those expenses that applicants must undisputedly pay if they elect a § 145 action. For example, the parties do not dispute that “[a]ll the expenses of the proceedings” includes the PTO’s expert witness expenses. In *Booking.com B.V. v. Matal*, aside from the \$51,472.53 in personnel expenses, the applicant was required to pay \$21,750 in expert witness expenses. No. 1:16-CV-425, 2017 WL 4853755, at \*4 n.3 (E.D. Va. Oct. 26, 2017). In *Realvirt, LLC v. Lee*, the

expert witness expenses amounted to *more* than the \$48,454.62 in PTO personnel expenses, costing the applicant \$50,160. 220 F. Supp. 3d 695, 704 (E.D. Va. 2016). Finally, in *Taylor v. Lee*, the court made it clear that the PTO's motion for the \$40,000 bond cited by the majority should be granted, *even if* the PTO's \$45,000 in personnel expenses were not included because the other anticipated expenses, including expert witness expenses, were reasonably expected to exceed \$40,000. No. 1:15-CV-1607, 2016 WL 9308420, at \*2 n.1 (E.D. Va. July 12, 2016).

Further, unless the applicant is proceeding pro se, it is of course quite likely that its own attorneys' fees would vastly exceed the PTO's personnel expenses.<sup>4</sup> Indeed, I wonder who the majority seeks to protect: the hypothetical applicant who would pay its own attorneys and the PTO's expert witness expenses, yet balk at the PTO's personnel expenses.

And while it may be true that the PTO's personnel expenses in some cases might amount to a significant sum for applicants who choose to proceed down the optional § 145 route, those expenses have to be paid by someone. As the PTO observes, at Congress's direction, the PTO now must operate entirely as a user-funded agency. PTO's En Banc Br. 23. All applicants pay a number of fees throughout the patent-examination process to cover the PTO's expenses of operation. *Id.* at 24. Thus, in asking this court to exclude personnel expenses from "[a]ll the expenses of the proceedings," NantKwest asks this

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<sup>4</sup> For example, in this case, the PTO's calculations indicated that its attorneys earned only \$78.55 per hour, yet the district court has authorized a range of rates for private attorneys between \$300 and \$600 per hour. J.A. 84 & n.7 (citing *Tech Sys., Inc. v. Pyles*, No. 1:12-CV-374, 2013 WL 4033650, at \*7 (E.D. Va. Aug. 6, 2013)).

court to require *other* PTO applicants to pay the PTO's personnel expenses incurred in response to its § 145 complaint, rather than NantKwest itself. This contravenes Congress's intent. The statutory language is clear: it is the applicant that voluntarily chooses a § 145 action, and not other PTO users, who must pay "[a]ll the expenses of the proceedings." Thus, the question of the equitable allocation of burdens is one that Congress has already addressed in the language of the statute. It is not this court's job to allocate those burdens differently based on our own policy preferences.

Finally, much is made of the fact that the PTO refrained from seeking reimbursement for its personnel expenses until recently, despite the provision's 170-year existence. Notably, however, while the PTO has historically refrained from seeking reimbursement of these expenses, it has never affirmatively disclaimed that authority. Given how dramatically the patent and litigation landscapes have changed since the provision was first enacted, it is hardly surprising that the PTO would have felt compelled in recent years to change its strategy. The PTO's past decisions to not seek reimbursement for its personnel expenses may be related to the fact that it is so rarely confronted by these cases. The PTO now points, however, to how § 145 proceedings have become more common and more expensive. PTO's En Banc Br. 30. Accordingly, the PTO has become increasingly reluctant to require other PTO users to subsidize the expenses of these optional proceedings, in light of Congress's mandate that the PTO fund itself exclusively through fees.

Even within the more rigorous administrative rule-making environment, "[a]gencies are free to change their existing policies as long as they provide a reasoned explanation for the change." *Encino Motorcars, LLC v. Navarro*, 136 S. Ct. 2117, 2125 (2016). Further, even where longstanding policies may have engendered reliance interests, an agency may still change its position as long

as it shows that there are good reasons for the new policy. *Id.* at 2126. The PTO has done so here.

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Because Congress meant all the expenses of the proceedings when it said “[a]ll the expenses of the proceedings,” I respectfully dissent.