Case No. 16-1794

In the

United States Court of Appeals

for the

Federal Circuit

NANTKWEST, INC.,

Plaintiff-Appellee,

v.

JOSEPH MATAL,
Performing the Functions and Duties of the Deputy Under Secretary of Commerce for Intellectual Property and Director, U.S. Patent and Trademark Office,

Defendant-Appellant.

Appeal from a Decision of the United States District Court for the Eastern District of Virginia, No. 1:13-cv-01566-GBL-TCB · Honorable Gerald Bruce Lee, U.S. District Judge

EN BANC BRIEF OF PLAINTIFF-APPELLEE NANTKWEST, INC.

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CERTIFICATE OF INTEREST

Counsel for Plaintiff-Appellee NantKwest, Inc. certifies as follows:

1. The full name of every party or amicus represented by us is:

   NantKwest, Inc., formerly CoNKwest, Inc.

2. The name of the real party in interest represented by us is:

   None.

3. All parent corporations and any public companies that own 10 percent or more of the stock of the parties represented by us are:

   None.

4. The names of all law firms and the partners or associates that appeared for the parties now represented by us in the trial court or are expected to appear in this Court are:

   IRELL & MANELLA LLP
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5. The title and number of any case known to us to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal are:

The Court decided another appeal in this case. *NantKwest, Inc. v. Lee*, 686 F. App'x 864 (Fed. Cir. 2017). The Court has also stayed the appeal in *Realvirt v. Matal*, No. 17-1159, pending resolution of this appeal. *See Realvirt*, D.I. 55. NantKwest is not aware of any other pending or related cases within the meaning of Federal Circuit Rule 47.5(b).

Dated: January 16, 2017 /s/ *Morgan Chu*

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STATEMENT OF RELATED CASE

When this appeal was docketed, NantKwest, Inc.'s ("NantKwest") appeal of the district court's decision granting the United States Patent and Trademark Office's (the "PTO") motion for summary judgment was pending before this Court. Appeal No. 15-2095. This Court has since issued its opinion in that case. See *NantKwest, Inc. v. Lee*, 686 Fed. App'x 864 (Fed. Cir. May 3, 2017). Additionally, the Court has stayed the appeal in *Realvirt v. Matal*, No. 17-1159, pending resolution of this case. See *Realvirt*, D.I. 55. NantKwest is not aware of any other pending or related cases within the meaning of Federal Circuit Rule 47.5(b).

INTRODUCTION

This is an appeal from a civil action pursuant to 35 U.S.C. § 145 that NantKwest commenced against the PTO. Section 145 permits a dissatisfied patent applicant whose application has been denied by the Patent Trial and Appeal Board (the "PTAB") to have his application adjudicated *de novo* in the United States District Court for the Eastern District of Virginia. *Kappos v. Hyatt*, 566 U.S. 431, 434 & n.1 (2012). To obtain this benefit, the dissatisfied applicant must pay a price: "All the expenses of the proceedings shall be paid by the applicant." 35 U.S.C. § 145.

For over 170 years,[1] the PTO ***never*** interpreted this language—in § 145, a related trademark provision, or their predecessor statutes—to encompass its attorneys' fees. In 2013, the PTO reversed course. For the first time, it sought and was awarded attorneys' fees as a component of its "expenses" pursuant to § 145's trademark analog, 15 U.S.C. § 1071(b)(3). *Shammas v. Focarino*, 990 F. Supp. 2d 587, 594 (E.D. Va. 2014). A divided Fourth Circuit affirmed. *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), *cert. denied sub nom. Shammas v. Hirshfeld*, 136 S. Ct. 1376 (2016).

The *Shammas* majority held that the American Rule's presumption that each party bear its own attorneys' fees does not apply to statutes that, like § 1071(b)(3)

[1] This includes the over 145 years since PTO officers were required to have legal knowledge. FCBA.Br.4-8.

and § 145, award attorneys' fees without regard to whether the benefitting party has substantively prevailed. But, as the Supreme Court made clear two months later in *Baker Botts LLP v. ASARCO LLC*, 135 S. Ct. 2158 (2015), this premise is incorrect. The American Rule applies ***whenever*** a litigant seeks to recover attorneys' fees. *Id.* at 2165-66.

The American Rule—described by the Supreme Court as "[o]ur basic point of reference when considering the award of attorney's fees"—is a presumption that "[e]ach litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise." *Id*. at 2164. Per the American Rule, absent a "specific and explicit provision[]" to the contrary, no statute will be interpreted to permit fee-shifting. *Id.* (quotation marks omitted).

Because § 145 does not contain "specific and explicit provisions for the allowance of attorneys' fees" demonstrating a clear Congressional intent to deviate from the American Rule's presumption, *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 260 (1975), the district court correctly determined that the PTO was "not entitled to attorneys' fees because the American Rule specifically forbids it." Appx003. The panel was wrong to conclude otherwise, and the district court should be affirmed.

STATEMENT OF THE FACTS AND CASE

I. 35 U.S.C. § 145

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

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

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

> involved in the decision of the Patent Trial and Appeal Board, as the facts in the case may appear and such adjudication shall authorize the Director to issue such patent on compliance with the requirements of law. ***All the expenses of the proceedings shall be paid by the applicant***.

35 U.S.C. § 145 (emphasis added). Accordingly, an applicant who proceeds under § 145 must shoulder his own expenses and fees, in addition the PTO's "expenses of the proceedings."

In the 170 years that § 145 and its predecessors have been in force, the courts have identified specific, covered "expenses," including printing expenses,[2] counsel's deposition travel expenses,[3] court reporter fees,[4] and money paid to necessary expert witnesses.[5] And, courts have done so despite the recognition that such expenses may be "harsh" on patent applicants. *Cook*, 208 F.2d at 530.

However, before this case, no court had ever awarded the PTO attorneys' fees pursuant to § 145. In fact, in those 170 years, the PTO has never even sought such fees. And in those years, Congress has never seen fit to amend § 145 or its predecessors to specifically or explicitly provide for the recovery of attorneys'

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

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

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

[5] *Id.* at *1-2.

fees, including in 2011, when it required the PTO to operate as a user-funded agency.[6]

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

On December 20, 2013, NantKwest filed suit in the Eastern District of Virginia seeking a judgment that NantKwest was entitled to a patent for the invention claimed in three rejected claims of U.S. Patent Application Serial No. 10/008,955 (the "'955 application"). Appx024-033. On February 19, 2014, the PTO answered and asserted that it was entitled to its "reasonable expenses, including those related to compensation paid for attorneys' and paralegals' time, incurred in defending this action, regardless of whether the final decision is in plaintiff's favor." Appx036.

The proceedings that followed were, contrary to the PTO's characterization, far from extensive. PTO.EnBanc.Br.9-10. The district court's scheduling order was entered on December 1, 2014, nearly a year after this case was filed. Appx014 (Dkt. No. 9). Under this scheduling order, as modified, the parties conducted six months of limited fact and expert discovery, including only three depositions. Appx015 (Dkt. No. 18); *see also* Appx056-057, Appx075, Appx080. Additionally,

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

the parties filed a limited number of motions *in limine*. Appx016-017 (Dkt. Nos. 33, 35, 38, and 39).

On May 11, 2015, the PTO filed a motion for summary judgment that the '955 application's claims would have been obvious. Appx017 (Dkt. No. 44). Four months later, on September 2, 2015, the district court granted the PTO's motion and denied the parties' motions *in limine* as moot. Appx021 (Dkt. No. 76). On the same day, the Clerk of the district court entered judgment in the PTO's favor. *Id.* (Dkt. No. 77). On September 24, 2015, NantKwest timely filed a Notice of Appeal of the district court's summary judgment decision. *Id*. (Dkt. No. 82). This Court has since heard argument in that case and affirmed. *NantKwest, Inc v. Lee*, 686 Fed. App'x 864 (Fed. Cir. 2017).

III. The District Court Rejects The PTO's Motion For Attorneys' Fees

Following entry of judgment, the PTO filed a motion seeking $111,696.39 in "expenses of the proceedings" pursuant to § 145, including $78,592.50 in attorneys' fees. Appx021 (Dkt. No. 78). These fees were calculated based on "a proportional share of the salaries" of the PTO attorneys and paralegal assigned to this matter. Appx083 (citation and quotation marks omitted).[7]

[7] The panel and PTO state that NantKwest did not dispute the amount of expenses for which the PTO sought reimbursement. *NantKwest*, 860 F.3d at 1354 n.1; PTO.EnBanc.Br.11 n.4. This is not the case. Before the district court, NantKwest argued that the PTO failed to present the requisite "'clearly documented and well-justified' support for its request for 1,022 hours of fees."

On February 5, 2016, the district court denied the PTO's "Motion for Expenses regarding the [PTO's] attorney fees" and granted the PTO's "Motion for Expenses relating to [the PTO's] expert witness." Appx001. The district court concluded that the PTO was "not entitled to attorneys' fees because the American Rule specifically forbids it." Appx003. The court noted that, "[u]nder the 'American Rule,' parties are responsible for their own attorneys' fees" unless a statute "requires another party to pay [his adversary's] attorney's fees in specific and explicit provisions." Appx002; *see also* Appx003-004 ("In other words, absent explicit statutory authority, to the contrary," courts must not award attorneys' fees.) (quotation marks omitted).

In its analysis, the district court correctly recognized that the American Rule's presumption "does not require a statute to specifically state 'attorneys' fees' in order for attorneys' fees to be one of the statute's contemplated 'expenses.'" Appx004. "Instead, the statute must, in keeping with the 'specific and explicit' standard, clearly indicate that it requires a party to pay attorneys' fees." *Id.* (citing *Baker Botts*, 135 S. Ct. at 2158). Because "[t]he language of § 145 neither

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Appx138 (quoting *Sandvik Aktiebolag*, 1991 WL 25774, at *2); *see also id.* ("[T]he USPTO has not satisfied its burden to show, with supporting documentation, that its requested expenses and attorney's fees are both related to this proceeding and reasonable in amount."). The district court had no occasion to address this argument because it correctly found that the American Rule barred the PTO's request for attorneys' fees entirely. *See* Appx010.

specifically nor expressly requires plaintiffs to pay their opponent's attorneys' fees," the district court concluded, "[s]ection 145 does not justify a deviation from the American Rule." *Id.* The district court therefore denied the PTO's motion insofar as it sought attorneys' fees, and instead—consistent with the PTO's interpretation of § 145 throughout its "entire two-hundred-year existence"—awarded as "[a]ll the expenses" the "*collection* of the expenses used, commonly understood to encompass [] printing, travel, and reasonable expert witness expenses." *Id.* (emphasis in original).

IV. The Panel's Opinion

A. Majority

The PTO appealed, and a divided panel of this Court reversed, holding that § 145 authorized an award of the "pro-rata share of the attorneys' fees the USPTO incurred to defend applicant's appeal." *Nantkwest*, 860 F.3d at 1360.

The panel expressed "substantial doubts" that § 145 implicates the American Rule, but "assum[ed] the Rule applies," and held that "the expenses at issue here include the USPTO's attorneys' fees." *Id.* at 1355. The panel explained that "[c]ourts uniformly recognize an exception to [the American Rule], however: when the statute itself specifically and explicitly authorizes an award of fees." *Id.* at 1356 (citations and quotation marks omitted). And in purported "agreement with two other circuits," the panel concluded "that 'expenses' here includes attorneys'

fees." *Id.* (citing *Shammas*, 784 F.3d at 222-23; *United States v. 110-118 Riverside Tenants Corp*., 886 F.2d 514, 520 (2d Cir. 1989)).

The panel looked to modern "definitions and explanations that standard legal dictionaries and treatises provide for the term 'expense'"—for example, "expenditure[s] of money, time, *labor* or resources to accomplish a result"—to "support this conclusion." *Id.* at 1356 (emphasis in original). The panel also looked to the Supreme Court's dicta in *Taniguchi v. Kan Pacific Saipan, Ltd.*, 566 U.S. 560 (2012), regarding the "distinction between 'expenses' and 'costs,'" which it found to "comport[] with the[se] modern definitions." *NantKwest*, 860 F.3d at 1356-57.

That "Congress on occasion employed the term 'expenses' to authorize attorneys' fees *in addition to* expenses in other" statutes was not "sufficient to dislodge" the "ordinary meaning as defined in dictionaries and the Supreme Court's interpretation of ['expenses']." *Id.* 1357-58 (emphasis in original). Instead the panel found that "these examples demonstrate that Congress will not confine itself to a single word or phrase when referencing attorneys' fees." *Id.* at 1358. And the panel rejected what it characterized as "Nant[K]west's narrow view" that "a statute could not meet the American Rule's heightened demands without using the precise words 'attorneys' fees' or some equivalent" because "[t]he Supreme

Court … has provided other suitable alternatives without using any of these words." *Id.* at 1358.

Beyond holding that § 145's "expenses" permitted an award of attorneys' fees, the panel rejected NantKwest's argument that the PTO's attorneys' fees are not expenses "of the proceedings." *Id.* at 1359. While acknowledging that the PTO's attorneys would be paid salaries regardless of whether NantKwest initiated its § 145 action, the panel refused to subscribe to an interpretation of § 145 that would "ignor[e] the vast majority of the expenses the USPTO incurred as the proximate cause of Nant[K]west's appeal." *Id.* at 1360.

B. Dissent

Judge Stoll dissented. In contrast to the majority's "substantial doubts," Judge Stoll found that "Supreme Court precedent makes clear that the American Rule marks the starting point for any analysis that shifts fees from one litigant to another." *Id.* at 1360 (Stoll, J., dissenting). "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' …." *Id.* at 1361. This does not mean that the statute must reference "attorneys' fees." *Id.* But absent such express authority, "the statute must 'otherwise evince[] an intent to provide for such fees.'" *Id.* (quoting *Key Tronic Corp. v. United States*, 511 U.S. 809, 815 (1994)).

As § 145 provides no "express authority" to award attorneys' fees, Judge Stoll performed a "searching review" of "the ordinary meaning of 'expenses' [and] § 145's legislative history," but found no authorization for an award of attorneys' fees. *Id.* "The phrase 'attorneys' fees' is not mentioned, and Congress's use of 'expenses' is not the type of 'specific and explicit' language that permits the award of attorneys' fees." *Id.* (citations omitted).

Judge Stoll found the "omission of 'attorneys' fees' from § 145 [] particularly telling" as "[w]hen Congress wanted to make attorneys' fees available in a patent litigation, it knew how to do so"—and had done so elsewhere in the Patent Act. *Id.* at 1361-62. "The omission" in § 145 evidenced a "deliberate decision not to authorize such awards." *Id.* at 1362 (quotation marks omitted).

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

Congress's reference to both "expenses" and "attorneys' fees" in other statutory provisions—including, provisions permitting recovery by salaried, government attorneys. *Id*. at 1363-64. This ambiguity was particularly fatal given that, "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." *Id.* at 1364-65. "In these atypical circumstances" Judge Stoll found that "Congress's intent to award the PTO attorneys' fees in every case should have been ***more clear***." *Id.* at 1365 (emphasis added).

Judge Stoll noted "[t]he maintenance of a robust American Rule also finds support in public policy." *Id.* Specifically, the "high and uncertain costs" the PTO may seek as attorneys' fees "will likely deter applicants, particularly solo inventors and other smaller entities, from pursuing review under § 145," especially when that litigation would now almost always include an assessment of reasonableness of the PTO's attorneys' fees. *Id.* at 1365-66. Further, Judge Stoll found the majority's reliance on *Hyatt* and its reference to "the heavy economic burden" associated with § 145 actions to be misplaced, as *Hyatt* was decided before the PTO had ever sought to recover attorneys' fees under § 145. *Id.* at 1366. Indeed, the "expenses" traditionally sought by the PTO—expert fees, court reporter fees, deposition travel expenses, and printing expenses—can themselves "be significant and pose a 'heavy economic burden' in district court litigation." *Id.*

Judge Stoll also found the majority's reliance on *Shammas* and *110-118 Riverside* to be misplaced. Unlike the majority, the Fourth Circuit in *Shammas* did ***not*** apply the American Rule; accordingly, "[s]imply reaching the same result [did] not make the majority's opinion consistent with *Shammas*." *Id.* And *110-118 Riverside* was inapposite. *Id.* at 1366-67. *110-118 Riverside* was "a case where a private party performed the legal obligations of the government and was made whole for its efforts" and did "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.'" *Id*. at 1367.

Further, Judge Stoll found that the panel's modern dictionary definitions "shed no light on the ordinary meaning of 'expenses' more than 175 years ago." *Id.* Finally, Judge Stoll rejected the majority's argument "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." *Id.* Instead, these statutes "compel the opposite conclusion": "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." *Id.*

C. Sua Sponte Rehearing En Banc

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

SUMMARY OF THE ARGUMENT

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

Section 145 contains no such specific and explicit language. Only "expenses" are compensable under § 145. "Fees" are never mentioned, let alone "attorneys' fees" or any other equivalent that would suggest that such fees are recoupable. Nor does the language or legislative history of § 145 otherwise demonstrate clear Congressional intent to deviate from the American Rule.

Indeed, in the nearly two-centuries that applicants have been entitled by statute to file civil actions pursuant to § 145 and its predecessors, the PTO has

never before been awarded, or (prior to this case) even sought, attorneys' fees under that provision. And despite the PTO's centuries-long failure to seek attorneys' fees pursuant to § 145 and its predecessors, and despite multiple amendments to the Patent Act during this time, Congress has never amended § 145 to specifically or explicitly provide for attorneys' fees.

ARGUMENT

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

The American Rule precludes the award of attorneys' fees that the PTO now seeks pursuant to the ambiguous "expenses" language in § 145.[8] That rule states that "[e]ach litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise." *Baker Botts*, 135 S. Ct. at 2164 (quotation marks omitted). Recognized for over two-hundred years, the American Rule provides the "basic point of reference when considering the award of attorney's fees." *Hardt*, 560 U.S. at 252-53 (quotation marks omitted). Indeed, even if "redistributing litigation costs" may be sensible as a matter of policy, the American Rule makes clear that "it is not for [the courts] to invade the legislature's province by"

[8] Additionally, "[i]t is a well-established principle of statutory construction" that the common law "ought not to be deemed repealed, unless the language of a statute be clear and explicit for this purpose." *Norfolk Redev. & Housing Auth. v. Chesapeake & Potomac Tele. Co. of Va.*, 464 U.S. 30, 35 (1983) (quotation marks omitted). Accordingly, no statute may permit fee-shifting absent clear and explicit language providing for the same. *See generally* D.I. 73 (AIPLA.Br.).

awarding fees where the legislature authorized none. *Alyeska Pipeline*, 421 U.S. at 271.

This is not to say that attorneys' fee awards are altogether prohibited. Rather, the effect of the American Rule is to require Congress to draft "specific and explicit provisions for the allowance of attorneys' fees." *Baker Botts*, 135 S. Ct. at 2164. And historically, Congress has had no difficulty doing just that. Using phrases such as "attorneys' fees," "reasonable compensation for actual, necessary services rendered by the … attorney," and "reasonable expenses incurred … including a reasonable attorney's fee," Congress has repeatedly provided the requisite specificity to authorize attorneys' fee awards despite the American Rule's presumption.[9] But Congress did not do so here.

Contrary to the panel's holding, § 145 contains no such "specific and explicit" language. While "[a]ll the expenses of the proceedings" could plausibly be interpreted to encompass attorneys' fees, whether in the form of PTO legal employee salaries or otherwise, the language does not require such a

[9] *See, e.g.*, 18 U.S.C. § 2707(b)(3) (providing for "a reasonable attorney's fee and other litigation costs reasonably incurred"); 11 U.S.C. § 330(a)(1)(A) (providing for "reasonable compensation for actual, necessary services rendered by the … attorney"); 42 U.S.C. § 247d-6d(e)(9) (providing for recovery of "reasonable expenses incurred as a direct result of the filing of the pleading, motion, or other paper …, including a reasonable attorney's fee").

reading.[10] That Congress prefaced "expenses" with "[a]ll" does nothing to eliminate that ambiguity.

A. The Language Of § 145 Does Not Authorize Attorneys' Fees

When it desires to do so, Congress has had no difficulty drafting statutes that permit the recovery of attorneys' fees. *See, e.g.*, 35 U.S.C. § 285. This is true even when it is the government seeking fees for its salaried employees. *See, e.g.*, 42 U.S.C. § 7413(d)(5)(B) (permitting the government to recover "the United States enforcement expenses, including but not limited to attorneys fees"). Congress has not done so here.

1. The Term "Expenses" Does Not Specifically Or Explicitly Include Attorneys' Fees

Both the panel and the PTO argue that § 145 authorizes fee shifting because "the ordinary meaning" of "expenses" is sufficiently broad to encompass attorneys' fees. *NantKwest*, 860 F.3d at 1357-58 ("As noted above, the ordinary meaning [of expenses] as defined in dictionaries" supports the argument that "expenses" is a specific and explicit reference to attorneys' fees); PTO.EnBanc.Br.38 (arguing that "expenses" satisfies the American Rule because it "is a broad [sic] and includes attorney's fees under any ordinary reading of the

[10] A statute is a "fee-shifting statute[]" regardless of whether the fees sought are in the form of actual salary expenses or attorney time at market or judicially-established hourly rates. *See Wisconsin v. Hotline Indus., Inc*., 236 F.3d 363, 367 (7th Cir. 2000) ("Only a few fee-shifting statutes explicitly limit recoveries to actual outlays.").

term"). That a statute is susceptible to an interpretation does not mean that that statute specifically and explicitly mandates that interpretation—as required to overcome the American Rule's presumption.

Despite the panel's suggestion to the contrary, no circuit court has held that the term "expenses" or the phrase "expenses of the proceedings" is sufficient to overcome the American Rule—including, the Second Circuit in *110-118 Riverside Tenants* or Fourth Circuit in *Shammas*. *NantKwest*, 860 F.3d at 1356 (citing *110-118 Riverside Tenants* and *Shammas*).[11]

In *110-118 Riverside Tenants*, the Second Circuit found that an apartment corporation was entitled to recover the expenses it incurred in foreclosing a lien that the government was responsible for foreclosing. 886 F.2d at 520. These expenses included attorneys' fees, and reimbursement was required as a matter of fairness. *See id.* at 521. *110-118 Riverside Tenants* "does not involve the interpretation of a statute in the context of an adversarial litigation to determine whether Congress specifically and explicitly provided for the recovery of

[11] At least one circuit court determined that the term "expenses" is too ambiguous to support an award of attorneys' fees. *York Research Corp. v. Landgarten*, 927 F.2d 119, 123 (2d Cir. 1991) (finding phrase "any and all … expenses" ambiguous with respect to whether attorneys' fees were included).

attorneys' fees by one party against the other based on its use of the word 'expenses.'" *Nantkwest*, 860 F.3d at 1367 (Stoll, J., dissenting).[12]

In *Shammas,* after erroneously concluding that the American Rule did not apply to § 1071(b)(3), the Fourth Circuit did not require a "specific" or "explicit" authorization for attorneys' fees, but instead interpreted § 1071(b)(3) by "giving the phrase 'all the expenses of the proceeding' its ordinary meaning ***without regard to the American Rule***." *Shammas*, 784 F.3d at 224 (emphasis added); *see also NantKwest*, 860 F.3d at 1366 (Stoll, J., dissenting) ("Only after dispatching with the strong presumption against fee shifting embodied in the American Rule—a rule that the majority here assumes is applicable—was the *Shammas* court able to interpret the ordinary meaning of 'expenses' to cover attorneys' fees."). Because

[12] The panel majority states that "[t]he court in *Riverside* relied on the statutory language of [26 U.S.C. § 6342] 'expenses of the [foreclosure] proceedings' when awarding the Apartment Corporation its attorneys' fees." *NantKwest*, 860 F3d at 1356 n.4. But these "attorneys' fees" were not "attorneys' fees" in the traditional sense. Section 6342 simply allows the government to recover "the expenses of the proceeding." The apartment corporation was only entitled to recover "attorneys' fees" because the corporation used attorneys in foreclosing the lien. *See 110-118 Riverside Tenants*, 886 F.2d at 520 ("The attorneys' fees incurred by the Corporation for selling the shares for the Government are in the same category as expenses of foreclosure and sale proceedings which the Government would have been required to incur."). "***These fees are not attorneys' fees of a third party or of the Apartment Corporation in foreclosing its claim***. They are, in reality, attorneys' fees and expenses which would be charged to the Government if it had foreclosed its own lien and sold the shares of stock." *Id.* (emphasis added).

the ordinary meaning of "expenses" was sufficiently broad to encompass attorneys' fees, the Fourth Circuit held that § 1071(b)(3) authorized the same.

The panel (and the PTO) proffers this same interpretation—specifically, that "expenses" ***can*** be read to encompass attorneys' fees. *NantKwest*, 860 F.3d at 1356-58; PTO.EnBanc.Br.16-17, 38-39. But the conclusion in *Shammas* depends on the American Rule ***not*** applying. *Shammas*, 784 F.3d at 223-24. And the panel here assumed (correctly) that the American Rule ***does*** apply to § 145. *NantKwest*, 860 F.3d at 1355. Because the American Rule applies, it is not enough that the plain and ordinary meaning of "expenses" is sufficiently broad to encompass attorneys' fees. Only language that specifically or explicitly signals Congressional intent to award attorneys' fees will do.

None of the PTO's or panel's plain and ordinary definitions of "expenses" evidence such intent. Finding dictionary definitions for "expenses" that might plausibly include attorneys' fees is not sufficient to overcome the presumption of the American Rule. *Baker Botts*, 135 S. Ct. at 2168 ("The open-ended phrase 'reasonable compensation,' standing alone, is not the sort of 'specific and explicit provisio[n]' that Congress must provide in order to alter [the American Rule].") (quoting *Alyeska Pipeline*, 421 U.S. at 260).[13]

[13] Further, the definitions relied on by the panel do not reflect the meaning of "expenses" in 1836 or 1839—the years when Congress introduced that word into the Patent Act and § 145's predecessor, respectively. "'[U]nless otherwise defined,

In addition to modern dictionary definitions, the panel (and the PTO) relies on dicta from *Taniguchi* to support its interpretation of "expenses." *NantKwest*, 860 F.3d at 1357; PTO.EnBanc.Br.38-39. In *Taniguchi*, the Supreme Court declined to interpret "costs" to include costs for document translation. 566 U.S. at 572. The Supreme Court reasoned that "[a]lthough 'costs' has an everyday meaning synonymous with 'expenses,'" taxable costs are limited to "relatively minor, incidental expenses" and "are a fraction of the nontaxable expenses borne by litigants for attorneys, experts, consultants, and investigators." *Id*. at 573. The Supreme Court did not "interpret[] a statutory provision containing the word 'expenses' to include attorneys' fees." *NantKwest*, 860 F.3d at 1366 n.5 (Stoll, J., dissenting).[14]

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words will be interpreted as taking their ordinary, contemporary, common meaning at the time Congress enacted the statute." *NantKwest*, 860 F.3d at 1362-63 (Stoll, J., dissenting) (quotations and alterations omitted) (citing *Amoco Prod. Co. v. S. Ute Indian Tribe*, 526 U.S. 865, 873-74 (1999)). And the explanation set forth in Wright & Miller, a treatise, is not even a definition. *See Telecare Corp. v. Leavitt*, 409 F.3d 1345, 1353 (Fed. Cir. 2005) ("[T]he Supreme Court has held that plain meaning of a statute is to be ascertained using standard dictionaries in effect at the time of the statute's enactment.").

[14] Even if it had, this interpretation could not simply be imported to § 145. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 522-24 (1994) (rejecting efforts to interpret 17 U.S.C. § 505's reference to "a reasonable attorney's fee … as part of the costs" consistently with interpretations of "a reasonable attorney's fee as part of the costs" under 42 U.S.C. § 2000e-5(k) because "[t]he goals and objectives of the Acts" differed, and their similar language needed to be interpreted differently).

Similarly, the PTO relies on *Arlington Central School District Board of Education v. Murphy*, 548 U.S. 291 (2006). PTO.EnBanc.Br.39. In *Arlington*, the Supreme Court found that the Disabilities Education Act, which authorizes a court to "award reasonable attorneys' fees as part of the costs" to prevailing parents, did not authorize prevailing parents to recover expert witness fees. 548 U.S. at 293-94. The Supreme Court reasoned that "'costs' is a term of art that generally does not include expert fees" and that "[t]he use of this term of art, rather than a term such as 'expenses,' strongly suggests that [this provision] was not meant to be an open-ended provision that makes participating States liable for all expenses incurred…—for example, travel and lodging expenses or lost wages due to time taken off from work." *Id.* at 297 (citations and quotation marks omitted). Again, the Supreme Court did not interpret a statutory provision containing the word "expenses" to include attorneys' fees—the statute at issue explicitly included "attorneys' fees."

That "expenses" is generally broader than "costs," does not mean that "expenses" is somehow sufficiently specific and explicit to overcome the presumption of the American Rule. Without clear language authorizing the award of attorneys' fees, the word "expenses," like "costs," cannot be read to authorize an award of those fees. *See Lewis v. Pension Benefit Guar. Corp.*, 197 F. Supp. 3d 16, 29 (D.D.C. 2016) (language "all or a portion of the costs and

expenses incurred in connection with such action" in 29 U.S.C. § 1303(f) "does not authorize the recovery of attorney's fees"); *Stephens v. US Airways Grp.*, 555 F. Supp. 2d 112, 121-22 (D.D.C. 2008), *aff'd in part sub nom. Stephens v. U.S. Airways Grp., Inc.*, 644 F.3d 437 (D.C. Cir. 2011) ("A prevailing party in a suit against PBGC may receive a discretionary award of the 'costs and expenses incurred in connection with such action,'" but section "1303(f) does not provide for attorneys' fees."); *Fleischmann Distilling Corp. v. Maier Brewing Co*., 386 U.S. 714, 719-21 (1967) (holding that Lanham Act provision authorizing award of "costs of the action" in infringement suit did not authorize award of attorneys' fees).

The panel complains that "under Nant[K]west's narrow view, a statute could not meet the American Rule's heightened demands without using the precise words 'attorneys' fees' or some equivalent." *NantKwest*, 860 F.3d at 1358. None of NantKwest, the dissent, or the district court ever suggested that only the phrase "attorneys' fees" may overcome the American Rule's presumption. NantKwest.Panel.Br.30-31; *NantKwest*, 860 F.3d at 1365 n.3 (Stoll, J., dissenting) ("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."); Appx.004 ("This deviation from the American Rule does not require a statue to specifically state 'attorneys' fees' ….").

Congress *can* displace the American Rule without using the phrase "attorneys' fees." For example, in *Baker Botts* the phrase "reasonable compensation for actual, necessary services rendered by the … attorney" was sufficient to overcome the American Rule. *Baker Botts*, 135 S. Ct. at 2165. But "[t]he open-ended phrase 'reasonable compensation,' standing alone, is not the sort of 'specific and explicit provisio[n]' that Congress must provide in order to alter [the American Rule]." *Id.* at 2168 (quoting *Alyeska Pipeline*, 421 U.S. at 260). The broad phrase "all expenses," like the open-ended phrase "reasonable compensation," is not sufficiently specific, by itself, to overcome the American Rule. *See id*.

The panel relies on "litigation costs" as an example of statutory language that is as broad as "expenses" yet still satisfies the American Rule. *NantKwest*, 860 F.3d at 1358. But the Supreme Court's statement that departures from the American Rule have been recognized in provisions usually containing language "authoriz[ing] 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,'" *Baker Botts*, 135 S. Ct. at 2164, does not equate to a "conclusion" that the term "litigation costs" on its own is sufficient to overcome the American Rule. The statute at issue is *Baker Botts* did not even refer to "litigation costs." *Baker Botts*, 135 S. Ct. at 2163. And ***none*** of the statutes addressed in the cases cited by

Baker Botts or the panel provides for an award of attorneys' fees based solely on the phrase "litigation costs." Instead, each instance of "litigation costs" or "costs of litigation" is accompanied by a reference to "attorney(s)" and "fee(s)." *See, e.g.*, 16 U.S.C. § 1540(g)(4) (cited by *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 682 n.1 (1983)) (providing for "costs of litigation (including reasonable attorney and expert witness fees) to any party"); 18 U.S.C. § 2707(c) (cited by *Hardt*, 560 U.S. at 253 n.5) (providing for "a reasonable attorney's fee and other litigation costs reasonably incurred"); 42 U.S.C. § 2000aa-6(f) (cited by *Hardt*, 560 U.S. at 253 n.7) (providing for "such reasonable attorneys' fees and other litigation costs reasonably incurred"); *see also* 42 U.S.C. § 12205 (cited by *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Hum. Resources*, 532 U.S. 598, 601 (2001)) (providing for "a reasonable attorney's fee, including litigation expenses, and costs"). If anything, these statutes support the point the panel resists: when Congress intends to authorize an award of attorneys' fees, it does so clearly and explicitly.

2. When Allowing Attorneys' Fees In Addition To Or As A Component Of "Expenses," Congress Uses Specific And Explicit Language

When Congress actually intends to authorize attorneys' fees in addition to or as a component of "expenses," it modifies that term to provide both clarity and specificity. For example, Congress has authorized attorneys' fees ***in addition to***

"expenses." *See, e.g.*, 11 U.S.C. § 363(n) (authorizing recovery of "any costs, attorneys' fees, or expenses incurred"); 12 U.S.C. § 1464(d)(1)(B)(vii) (at the court's discretion, obligating federal savings associations to pay "reasonable expenses and attorneys' fees" in enforcement actions); 26 U.S.C. § 6673(a)(2)(A) (requiring lawyers who cause excessive costs to pay "excess costs, expenses, and attorneys' fees"); 31 U.S.C. § 3730(d)(1) (authorizing, in false claims suits, "reasonable expenses which the court finds to have been actually incurred, plus reasonable attorneys' fees and costs"); 15 U.S.C. § 6309(d) (authorizing the award of "reasonable attorneys fees and expenses"); 28 U.S.C. § 1875(d)(2) (referring to "attorney fees and expenses incurred"); *Shammas*, 784 F.3d at 228 (King, J., dissenting). Likewise, when Congress desires to award attorneys' fees in addition to "litigation costs," it provides explicit and specific clarification. *See, e.g.*, 5 U.S.C. § 552b(i) (providing for "reasonable attorney fees and other litigation costs"); 42 U.S.C. § 2000aa-6(f) (providing for "attorneys' fees and other litigation costs"); *see also* 12 U.S.C. § 2607(d)(5) (providing for the "costs of the action together with reasonable attorneys fees").

Congress has also authorized fees ***as a component of*** "expenses." *See, e.g.*, 12 U.S.C. § 5009(a)(1)(B) (holding party at fault liable for "interest and expenses (including costs and reasonable attorney's fees and other expenses of representation)"); 5 U.S.C. § 504(a)(1) (authorizing recovery of "fees and other

expenses," including "reasonable attorney or agent fees"); *Shammas*, 784 F.3d at 228-29 (King, J., dissenting). Similarly, when Congress desires to award attorneys' fees as a component of litigation costs, it says as much. *See, e.g.*, 30 U.S.C. § 1427(c) (permitting an award of the "costs of litigation, including reasonable attorney and expert witness fees"); 42 U.S.C. § 300j-8(d) (permitting an award of the "costs of litigation (including reasonable attorney and expert witness fees)").[15]

Confronted with these and other statutes, the panel noted that "[r]oughly fifty percent of those statutes cited do not support [NantKwest's] view because they treat attorneys' fees as part of expenses." *NantKwest*, 860 F.3d at 1357 n.6. But all of the cited statues support NantKwest's "view": given the variety of ways in which Congress has drafted attorneys' fees statutes that mention "expenses," it would be inappropriate to divine any specific or explicit meaning from that word

[15] The panel notes that "neither the dissent nor Nant[K]west 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." *Nantkwest*, 860 F.3d at 1357 n.6. But the American Rule applies regardless of whether the statute was enacted before or after the Supreme Court emphasized the "specific and explicit" requirement in *Alyeska Pipeline*. *See Crawford Fitting Co. v. J.T. Gibbons, Inc*., 482 U.S. 437, 444-45 (1987) (noting that "Congress responded to our decision in *Alyeska* by broadening the availability of attorney's fees in the federal courts" and refusing to award fees "absent explicit statutory or contractual authorization"). Regardless, many of these statutes were enacted before *Alyeska Pipeline*. *See, e.g.*, 12 U.S.C. § 1464(d)(8) (1970) (providing for "reasonable expenses and attorneys' fees"); 15 U.S.C. § 1117 (1970) (providing for "reasonable attorney fees").

absent clarifying context or language. *Nantkwest*, 860 F.3d at 1367 (Stoll, J., dissenting); *see also Marek v. Chesny*, 473 U.S. 1, 20 (1985) ("When particular provisions of the Federal Rules are *intended* to encompass attorney's fees, they do so *explicitly*. Eleven different provisions of the Rules authorize a court to award attorney's fees as 'expenses' in particular circumstances, demonstrating that the drafters knew the difference, and intended a difference, between 'costs,' 'expenses,' and 'attorney's fees.'") (Brennan, J., dissenting) (emphasis in original). These examples demonstrate that the meaning Congress intends when it uses the term "expenses" (or "litigation costs") alone is variable and often unclear. But when Congress actually intends to authorize attorneys' fees, it can and does say so with precision.

This is also true where, as here, the statute at issue involves civil actions against the government. Pursuant to 28 U.S.C. § 2412 (the "Equal Access to Justice Act"), an eligible party who prevails in a civil action against the government may recover its costs and fees. Certain provisions of the Equal Access to Justice Act refer to expenses ***in addition to*** (and therefore different from) "fees … of attorneys." 28 U.S.C. § 2412(a)(1) (authorizing the award of costs "but not including the fees and expenses of attorneys"); 28 U.S.C. § 2412(b) (authorizing "reasonable fees and expenses of attorneys"); 28 U.S.C. § 2412(c)(2) (specifying the manner of payment for "fees and expenses of attorneys"). Other

provisions refer to the "fees" ***as a component of*** expenses. 28 U.S.C. § 2412(d)(1)(A), (B) (referring to "fees and other expenses"). The generic phrase "fees and other expenses" is then defined as specifically including "reasonable attorney fees." 28 U.S.C. § 2412(d)(2)(A). Again, while the meaning Congress intends when it uses the term "expenses" is inconsistent, Congress is explicit when it intends to authorize attorneys' fees.

3. Congress Has Specifically And Explicitly Authorized Attorneys' Fees Elsewhere In The Patent Act

Congress' provision for "attorneys' fees" elsewhere in the Patent Act further supports that "expenses" as used in § 145 excludes these fees. *Clay v. United States*, 537 U.S. 522, 528 (2003) ("When 'Congress includes particular language in one section of a statute but omits it in another section of the same Act,' we have recognized, 'it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.'") (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)); *cf. Baker Botts*, 135 S. Ct. at 2165-66 (refusing to award certain attorneys' fees based on broad language in 11 U.S.C. § 330(a)(1) where "other provisions of the Bankruptcy Code" expressly required paying the debtor's "reasonable attorneys' fees and costs"). Congress has used "attorneys' fees" throughout the Patent Act to overcome the American Rule's presumption. *See, e.g.*, 35 U.S.C. § 285 (authorizing in "exceptional cases," awards of "reasonable attorney fees"); 35 U.S.C. § 271(e)(4); 35 U.S.C. § 273(f); 35 U.S.C.

§ 296(b); 35 U.S.C. § 297(b)(1). "[T]he 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." *NantKwest,* 860 F.3d at 1361 (Stoll, J., dissenting).

The panel and PTO attempt to justify this omission on the basis that the hourly work performed by the PTO's attorneys more closely resembles "expenses" than attorneys' fees. *See NantKwest*, 860 F.3d at 1358-59 ("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.'"); PTO.EnBanc.Br.42-43. But even when Congress drafts statutes that can ***only*** benefit the government (including by reimbursing staff attorney salaries), it nevertheless employs specific and explicit language. *See* 42 U.S.C. § 7413(d)(5)(B) (awarding the United States its "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) (permitting the Attorney General to collect "attorneys fees and costs for collection proceedings").

Further, the panel asserts that "Congress's contrasting use of the term 'attorneys' fees' under 35 U.S.C. § 285" demonstrates that "Congress could have intended a broader compensation scheme under § 145 than § 285"—specifically,

the panel asserts that Congress chose to award all expenses in § 145 and only attorneys' fees in § 285. *Nantkwest*, 860 F.3d 1359 n.8. But even when Congress drafts statutes that award "all expenses," it (again) nevertheless includes a specific and explicit authorization for attorneys' fees. *See* 50 U.S.C. § 4531(b)(4) (authorizing reimbursement of "***all expenses*** …, including … ***attorneys' fees and expenses of litigation***") (emphasis added).

4. The Inclusion Of The Word "All" In "All The Expenses Of The Proceedings" Does Not Provide The Clarity That "Expenses" Lacks

The inclusion of the word "all" in the phrase "all the expenses of the proceedings" does not provide the clarity that "expenses" lacks. While this modifier makes clear that a § 145 plaintiff must bear all expenses, it does not specifically and explicitly provide that "expenses" include attorneys' fees. A catchall-phrase like "all" does not define what it catches. *See Flora v. United States*, 362 U.S. 145, 149 (1960) (noting that "'any sum,'" while a "catchall" phrase, does not "define what it catches"); *see also York Research Corp*, 927 F.2d at 123 (finding the phrase "any and ***all*** … ***expenses***" ambiguous with respect to whether attorneys' fees were included) (emphasis added); *Lewis*, 197 F. Supp. 3d at 29 (language "***all*** or a portion of the ***costs and expenses*** incurred in connection with such action" in 29 U.S.C. § 1303(f) "does not authorize the recovery of attorney's fees") (emphasis added).

5. "Expenses" Are Limited To "Expenses Of The Proceedings"

Section 145 does not provide for "expenses" *simpliciter*, but "expenses of the proceedings." 35 U.S.C. § 145. The PTO asserts that personnel expenses for the attorneys and paralegals that it assigned to the litigation "represent concrete expenditures by the agency—*i.e.*, resources otherwise available to the agency that were expended as a result of the litigation." PTO.EnBanc.Br.18. But the PTO provides no support for this *ipse dixit*. Indeed, the PTO has not shown that the particular personnel involved (and for which it seeks attorneys' fees) would have actually been employed on other matters, or received any lower compensation, had NantKwest never initiated this litigation. *See Hotline Industries*, 236 F.3d at 365 (noting the government incurs expenses for salaried employees "*if* the time and resources they devote to one case are not available for other work") (emphasis added).

NantKwest does not, as the panel suggests, "endorse[] 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." *Nantkwest*, 860 F.3d at 1360. Section 145 does not authorize attorneys' fees regardless of the type of attorneys retained.

The PTO's citations to *Raney v. Federal Bureau of Prisons*, 222 F.3d 927 (Fed. Cir. 2000) and *Wisconsin v. Hotline Industries, Inc.*, 236 F.3d 363 (7th

Cir. 2000) are misplaced. PTO.EnBanc.Br.18-19. The statutes at issue in *Raney* and *Hotline Industries* explicitly provided for the recovery of "attorneys' fees." Accordingly, preventing salaried employees from recovering their "attorney's fees" would have "indirectly penalize[d] the institution, be it public or private, for providing its own legal counsel throughout a case." *Hotline Industries*, 236 F.3d at 366. The same is not true here. Section 145 *only* applies to actions against the PTO. Accordingly, had Congress intended for the PTO to recover the salaries of its employees—whether those salaries are characterized as "fees" or "personnel expenses"—it would have explicitly allowed for such a recovery. It did not.

Nor does the "[t]he history of § 145 reinforce[] the conclusion that personnel expenses are 'expenses of the proceedings.'" PTO.EnBanc.Br.27-28. The PTO argues that the 1836 Patent Act evidences a Congressional understanding that "expenses" includes PTO personnel expenses. *Id.* at 28. It does not. The 1836 Patent Act required applicants to pay the "expenses <u>of the Patent Office</u>" and defined "expenses <u>of the Patent Office</u>" to include "the salaries of the officers and clerks herein provided for." Act of July 4, 1836, § 9, 5 Stat. 117, 121 (emphasis added). But the 1839 Patent Act does not refer to "expenses <u>of the Patent Office</u>." *See* Act of Mar. 3, 1839, § 10, 5 Stat. 353, 354 (emphasis added). Instead the 1839 Patent Act refers to "the whole of the expenses <u>of the proceeding</u>." *Id.* (emphasis added). Far from helping the PTO, this undermines its point.

Even assuming that "expenses of the Patent Office" is appropriately construed to include the salaries of PTO attorneys and paralegals, the 1839 Patent Act does not refer to "expenses of the Patent Office." And "expenses of the proceeding" in the 1839 Patent Act—unlike "expenses of the Patent Office" in the 1836 Act—is not defined to include the salaries of PTO attorneys and paralegals. The 1836 Patent Act only serves to highlight that if Congress had intended "expenses of the proceeding" to encompass attorneys' fees it would have been explicit. Congress made no such explicit provision for attorneys' fees, despite the fact that as early as 1796 Congress was legislating against the backdrop of the American Rule and its presumption that attorneys' fees could not be recouped absent explicit authorization. *See Arcambel v. Wiseman*, 3 U.S. 306, 306 (1796) ("We do not think that this charge [of attorneys' fees] ought to be allowed. The general practice of the United States is in oposition [sic] 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.").

B. Neither The PTO, Nor Congress, Nor The Courts Have Ever Interpreted § 145 To Authorize Any Attorneys' Fees

After over 170 years, and absent a meaningful explanation for its drastic divergence from its own longstanding practice, the PTO seeks to place a significant new burden on applicants that pursue the congressionally provided remedy set forth in § 145. This Court should reject such an about-face. *Cf. Immersion Corp. v.*

HTC Corp., 826 F.3d 1357, 1359 (Fed. Cir. 2016) (refusing to adopt an interpretation inconsistent with "clearly articulated agency practice going back at least half a century, which has plausibly engendered large-scale reliance").

1. The PTO Has Never Before Interpreted § 145 To Authorize Any Attorneys' Fees

History belies the PTO's new attempt to stretch the ambiguous "expenses" language to include attorneys' fees. The PTO offers no explanation for ***why for over 170 years*** it failed to seek any attorneys' fees in these sorts of cases if, as it argues, the statutory "expenses" so clearly include such a recovery.[16] "That the PTO did not previously rely on this provision to seek attorneys' fees supports the understanding that it is far from clear whether '[a]ll the expenses of the proceedings' includes attorneys' fees." *Nantkwest*, 860 F.3d at 1363 (Stoll, J., dissenting).

[16] The Report of the Commissioner of Patents for the Year 1845 and the same for 1846 do not provide a contrary example. *See* Report of the Commissioner of Patents for the Year 1846, H. Doc. No. 29-52 (2d Sess. 1847). That report states that "[t]he expenses of the office during the year 1846 are as follows, viz.: … contingent expenses, including postage and fees paid to counsel in two equity [illegible] pending against the Commissioner. *Id.* at 1. These counsel were "employed" by the Commissioner. Report of the Commissioner of Patents for the Year 1845, H. Doc. No. 29-140, at 8 (1st Sess. 1846). But there is nothing in the Report to suggest that the "fees paid to counsel" were asserted against or billed to any patent applicants such that the American Rule would be implicated. Nor does this statement suggest that the PTO understood "expenses" in § 145's predecessor to include attorneys' fees. If it had, it (presumably) would have sought such fees during the nearly 170 years between that statement and this case. It did not.

Beyond failing to ***ever*** seek attorneys' fees pursuant to § 145, the PTO has on multiple occasions intimated that such fees were not recoverable. For example, in *Robertson v. Cooper*, the district court denied the PTO's recovery for the travel expenses of one of its lawyers to attend an out-of-state deposition. 46 F.2d 766, 769 (4th Cir. 1931). On appeal, the applicant argued that failing to limit "expenses" to "costs" would invite abuses, including attempts by the PTO to recover "parts of the salaries of the Patent Office solicitor, of the solicitor general, [and] of the Patent Office clerks." Appx417 (Br. for Appellee at 37, *Robertson v. Cooper*, No. 3066 (4th Cir. Oct. 14, 1930)). The applicant noted that such charges "might practically bankrupt an ordinary litigant." *Id.* In response, the PTO called items such as salaries for its personnel "so remote that they need not be seriously considered." Appx426 (Def.-Appellant's Reply to Pl.-Appellee's Br. at 10, *Robertson v. Cooper*, No. 3066 (4th Cir. Oct. 31, 1930)).

Similarly, in *Cook v. Watson*, the District of Columbia Circuit allowed the PTO to recover "printing expenses," specifically the cost of printing the PTO's appeal brief, as a component of "expenses" pursuant to a predecessor to § 145, R.S. § 4915. 208 F.2d 529, 530 (D.C. Cir. 1953) (per curiam). In its brief, the PTO characterized the "expenses incident to … trial in the District Court" as "relatively small" in comparison to "the much greater expenses of an appeal whenever the

applicant saw fit to take one." Appx393 (Br. for Appellee at 5, *Cook v. Watson*, No. 11,675 (D.C. Cir. Mar. 1953)).

"The Supreme Court has long recognized that a 'longstanding administrative construction,' at least one on which reliance has been placed, provides a powerful reason for interpreting a statute to support the construction." *Immersion Corp.*, 826 F.3d at 1364. The PTO should be held to its nearly two-century construction of "expenses."

2. Congress Has Never Interpreted § 145 To Authorize Any Attorneys' Fees

Even assuming (contrary to fact) that Congress intended that the PTO receive its attorneys' fees as "expenses" under § 145, there is no explanation for Congress' failure to clarify the statute to address the PTO's universal failure to ever obtain them. Instead, despite multiple amendments to the Patent Act, including the 2011 amendment to § 145 changing the venue for actions under that section,[17] Congress's formation of subcommittees to study "the general issue of attorneys' fees,"[18] and "broadening the availability of attorney's fees in the federal

[17] Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011); *see also Kappos*, 566 U.S. at 434 n.1; *see also* FCBA.Br.3-9.

[18] *See F. D. Rich Co. v. U. S. for Use of Indus. Lumber Co.*, 417 U.S. 116, 131 n.20 (1974).

courts" in response to the Supreme Court's *Alyeska Pipeline* decision,[19] Congress has never revised § 145 to specifically or explicitly provide for attorneys' fees.

"It is well established that when Congress revisits a statute giving rise to a longstanding administrative interpretation without pertinent change, the congressional failure to revise or repeal the agency's interpretation is persuasive evidence that the interpretation is the one intended by Congress." *CFTC v. Schor*, 478 U.S. 833, 846 (1986) (quotation marks omitted); *Immersion Corp.*, 826 F.3d at 1365 ("And the conclusion is reinforced by the fact that Congress has done nothing to disapprove of this clearly articulated position despite having amended section 120 several times since its first enactment in 1952."). If Congress disagreed with the PTO's long-held understanding that attorneys' fees were not recoverable as "expenses" pursuant to § 145, it would have addressed the issue. It did not. This Court should defer to Congress's decision. *Nantkwest*, 860 F.3d at 1362 (Stoll, J., dissenting) (citing *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.")).

3. District Courts Have Never Interpreted § 145 To Authorize Any Attorneys' Fees

District courts have similarly never interpreted § 145 as allowing the recovery of attorneys' fees. While courts have allowed the PTO to recover printing

[19] *Crawford Fitting*, 482 U.S. at 444.

expenses, counsel's deposition travel expenses, court reporter fees, and money paid to necessary expert witnesses, the PTO fails to cite a single prior decision interpreting "expenses" in § 145 to include "attorneys' fees."[20] To the contrary, at least one court has expressly excluded "attorneys fees" from the "expenses" recoverable under § 145. Appx171-172 (*Encyclopedia Britannica v. Dickinson*, No. 1:98cv00209(ESH), slip op. at 2 (D.D.C. Nov. 2, 2001) ("Pursuant to § 145, the defendant shall submit a statement of its reasonable expenses, not including attorneys fees, to the Court ….")).

C. Neither The Leahy-Smith America Invents Act Nor Other Policy Considerations Justify The PTO's About-Face

Finally, the PTO attempts to justify its divergence from its own longstanding practice because now "at Congress's direction" the PTO "operates entirely as a user-funded agency." PTO.EnBanc.Br.23-24 (citing the Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 10, 125 Stat. 284, 316 (2011) as requiring the PTO to operate as a revenue-neutral agency by setting fees to recover the "aggregate estimated costs" of operation). Accordingly, the PTO argues,

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[20] That NantKwest did not challenge the PTO's past practice of seeking expert witness fees does not "suggest[] that the language 'all the expenses' satisfies the American Rule with respect to witness expenses, yet not for personnel expenses." PTO.EnBanc.Br.40. NantKwest has never stated that § 145 satisfies the American Rule with respect to expert witness fees. But unlike attorneys' fees which the PTO has ***never*** previously sought, the PTO has historically sought and obtained its expert witness fees. *See, e.g.*, *Sandvik Aktiebolag*, 1991 WL 25774, at *1-2.

"NantKwest's position, therefore, amounts to a request that *other USPTO users* pay the personnel expenses incurred by the agency in response to NantKwest's complaint under § 145, rather than NantKwest itself." PTO.EnBanc.Br.24 (emphasis in original).

First, this justification ignores that in the face of the PTO ***never*** seeking attorneys' fees, Congress mandated that the PTO become an entirely user-funded agency ***without amending*** § 145 to authorize attorneys' fees.

Second, this justification ignores the fact that through the fee-setting provisions of the Leahy-Smith America Invents Act, Congress already provided the mechanism through which the PTO is to recover the attorneys' fees sought here. The Leahy-Smith Act authorizes the PTO to set its fees so as to recover "the aggregate estimated costs" of certain PTO operations. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 10, 125 Stat. 284, 316 (2011). Accordingly, in setting the fees charged to applicants, the entire cost of operating the PTO is to be taken into account. Congress has therefore already directed how the PTO is to recover the attorneys' fees sought here—through fees charged to applicants.[21]

[21] The PTO purportedly dislikes § 145 proceedings because "[a]n applicant's choice to proceed under § 145 [] diverts the agency's resources from the USPTO's principal mission of examining patent and trademark applications." PTO.EnBanc.Br.23. However, the PTO acknowledges that § 145 proceedings are, "in fact and necessarily, a part of the application for the patent." PTO.EnBanc.Br.34 (quotation marks omitted).

This justification in fact reveals what appears to be the PTO's true intention. "These high and uncertain costs will likely deter applicants, particularly solo inventors and other smaller entities, from pursuing review under § 145." *Nantkwest*, 860 F.3d at 1365-66 (Stoll, J., dissenting). Far from an "'unconditional compensatory charge imposed on a dissatisfied applicant who elects to engage" the PTO in *de novo* district court proceedings, *see* PTO.EnBanc.Br.31, the attorneys' fees sought here are meant to deter applicants (who have already paid application fees, etc.) from pursuing *de novo* review pursuant to § 145. Notably, the PTO does not appear to be concerned that "*other USPTO users* pay the personnel expenses incurred by the agency" when an applicant pursues an appeal to this Court under § 141—a *far* more common event. *See id.* at 24 (emphasis in original).

The panel and the PTO also cite to the need to deter applicant gamesmanship, discussed in *Hyatt*, as a justification for requiring applicants to pay the PTO's attorneys' fees. *NantKwest*, 860 F.3d at 1355; PTO.EnBanc.Br.24. *Hyatt*, however, was decided against a backdrop where, for 170 years, the PTO had only interpreted § 145 as permitting an award of expenses other than attorneys' fees; that is, the Court assumed that the non-attorney-fee "expenses" for which applicants were already responsible provided a sufficient deterrent effect. *See Hyatt*, 625 F.3d at 1337; *cf. Cook*, 208 F.2d at 530 (noting how requiring applicants to pay the PTO's expenses, sans attorneys' fees, was "harsh"). Indeed

the "expenses" traditionally sought by the PTO—expert fees, court reporter fees, deposition travel expenses, and printing expenses—can themselves "be significant and pose a 'heavy economic burden' in district court litigation." *NantKwest*, 860 F.3d at 1366 (Stoll, J., dissenting).

Even if § 145 (properly construed to exclude attorneys' fees) did not already function as a deterrent, it is not at all clear that there is anything to deter. When the Supreme Court considered the Director's arguments concerning gamesmanship in *Hyatt*, it found the hypothetical to be "unlikely," as "[a]n applicant who pursues such a strategy would be intentionally undermining his claims before the PTO on the speculative chance that he will gain some advantage in the § 145 proceeding by presenting new evidence to a district court judge." *Hyatt*, 566 U.S. at 445.

Regardless, no amount of purported financial hardship on patent applicants that do not pursue § 145 appeals or potential for gamesmanship can trump the American Rule. As the Supreme Court explained in *Baker Botts* when addressing analogous policy arguments concerning purported financial adversity to the bankruptcy bar, ***"Congress has not granted us 'roving authority … to allow counsel fees … whenever [we] might deem them warranted.'"*** *Baker Botts*, 135 S. Ct. at 2169 (emphasis added) (quoting *Alyeska Pipeline*, 421 U.S. at 260). Courts must "follow the text even if doing so will supposedly 'undercut a basic objective of the statute.'" *Id.* (quotation marks omitted).

Furthermore, policy considerations just as easily counsel rejecting the PTO's newfound theory for attorneys' fees. *See, e.g.*, *NantKwest*, 860 F.3d at 1365 (Stoll, J., dissenting) ("The maintenance of a robust American Rule also finds support in public policy."). An applicant who rightfully pursues a § 145 action will be unduly burdened and prevented from pursuing the avenues of review the statute expressly contemplates if it is forced to pay both its own attorneys' fees and expenses and the unpredictable attorneys' fees and expenses that the PTO elects to incur. This is precisely the problem the American Rule remedies.

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

As § 145 contains no "specific and explicit" language authorizing an award of attorneys' fees, the PTO attempts to sidestep the American Rule altogether. It argues that "the American Rule has no application to a statute," like § 145, "that does not shift attorney's fees from prevailing parties to losing parties." PTO.EnBanc.Br.30. In doing so, the PTO relies not on the panel—while it expressed "substantial doubts," the panel assumed that the American Rule applied, *NantKwest*, 860 F.3d at 1355—but instead relies on the Fourth Circuit's decision in *Shammas*. PTO.EnBanc.Br.30-31.

That decision is premised on the proposition that the American Rule is applicable only when a statute shifts fees to a prevailing party. *Shammas*, 784 F.3d at 223. But the Supreme Court's subsequent decision in *Baker Botts* makes clear

that the American Rule applies ***whenever*** a litigant seeks to have another pay his attorneys' fees. *Baker Botts*, 135 S. Ct. at 2164 (stating the rule as "[e]ach litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise"). Indeed, the American Rule is actually at its ***strongest*** when a statute is argued to shift fees regardless of who prevails. *Id*.

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

In 2013, for the first time, the PTO sought and was awarded attorneys' fees as a component of its "expenses" pursuant to § 145's trademark analog § 1071(b)(3). *Shammas v. Focarino*, 990 F. Supp. 2d 587, 594 (E.D. Va. 2014). That provision provides, in pertinent part:

> In any case where there is no adverse party, a copy of the complaint shall be served on the Director, and, unless the court finds the expenses to be unreasonable, ***all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not***.

15 U.S.C. § 1071(b)(3) (emphasis added). In a divided decision, the Fourth Circuit affirmed. *Shammas*, 784 F.3d at 221. The *Shammas* majority reasoned that the American Rule *did not apply* to § 1071(b)(3). *Id.* at 223. The Fourth Circuit held that "[t]he requirement that Congress speak with heightened clarity to overcome the presumption of the American Rule … applies only where the award of attorneys fees turns on whether a party seeking fees has prevailed to at least some

degree." *Id*. Because § 1071(b)(3) "mandates the payment of attorneys fees without regard to a party's success," the court reasoned, it "is not a fee-shifting statute that operates against the backdrop of the American Rule." *Id.*

This was error. The American Rule's settled presumption that parties shall bear their own legal fees applies to all potential fee-shifting statutes. The Supreme Court has never intimated otherwise.[22] Indeed, the Supreme Court has recognized that fee-shifting provisions "take various forms," including provisions that "do not limit attorney's fees awards to the 'prevailing party.'" *Hardt*, 560 U.S. at 253-54. Regardless of the form at issue, the American Rule's presumption applies. *Id.*

In fact, the Supreme Court rejected the PTO's "prevailing party" argument in *Hardt*. There, the Supreme Court evaluated a fee-shifting statute, 29 U.S.C. § 1132(g)(1), that unambiguously authorized the court, in its discretion, to award attorneys' fees to "either party." *Id.* at 251; *see also* 29 U.S.C. § 1132(g)(1) ("In any action under this subchapter … by a participant, beneficiary, or fiduciary, the court in its discretion may allow a reasonable attorney's fee and costs of action to

[22] *Buckhannon Bd. & Care Home*, 532 U.S. 598 (2001), *Rohm & Haas Co. v. Crystal Chem. Co.*, 736 F.2d 688 (Fed. Cir. 1984), and *Brickwood Contractors, Inc. v. United States*, 288 F.3d 1371 (Fed. Cir. 2002) do not hold that the American Rule only applies in the context of prevailing parties. These cases simply make the uncontroversial point that statutes departing from the American Rule typically award attorneys' fees to a prevailing party, and in certain instances, only in exceptional cases. *See also Baker Botts*, 135 S. Ct. at 2164 (noting that statutes recognized to depart from the American Rule "*usually* refer to a 'prevailing party'") (emphasis added).

either party."). At issue was "[w]hether § 1132(g)(1) limits the availability of attorney's fees to a 'prevailing party.'" *Hardt*, 560 U.S. at 251. The Supreme Court held that, under the plain language of the statute, "a fee claimant need not be a 'prevailing party' to be eligible for an attorney's fees award under § 1132(g)(1)." *Id.* at 252.

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

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

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

Were the PTO and Fourth Circuit correct that the American Rule has no relevance to a statute that, like § 145 and § 1132(g)(1), does not purport to condition an award of fees upon the party prevailing, the Supreme Court's American Rule analysis would have been entirely unnecessary. The Supreme Court had already found that "a fee claimant ***need not be a 'prevailing party'*** to be eligible for an attorney's fees award under § 1132(g)(1)." *Id.* at 252 (emphasis added).

Similarly, in *Hensley v. Eckerhart*, 461 U.S. 424 (1983), the Supreme Court distinguished "the 'American Rule,' under which the parties bear their own attorney's fees ***no matter what the outcome of a case***," with "the 'English Rule,' under which the losing party, whether plaintiff or defendant, ***pays the winner's fees***." *Id.* at 443 n.2 (emphasis added). The American Rule is a general presumption that does not depend on a party's status as a winner or loser.

The Supreme Court's language in both *Hardt* and *Hensley* is unambiguous. It is not the case that, as the *Shammas* majority erroneously concluded, "[t]he requirement that Congress speak with heightened clarity to overcome the presumption of the American Rule … applies only where the award of attorneys fees turns on whether a party seeking fees has prevailed to at least some degree." *Shammas*, 784 F.3d at 223.

In an attempt to create ambiguity where none exists, the PTO continues to argue that "when the Supreme Court recently addressed a statutory scheme that required the payment of attorney's fees regardless of a litigant's success, the Court did not even mention the American Rule." PTO.EnBanc.Br.37 (referring to *Sebelius v. Cloer*, 569 U.S. 369 (2013)).

Sebelius involved the provision of the National Childhood Vaccine Injury Act that "provides that a court may award ***attorney's fees*** and costs 'incurred [by a claimant] in any proceeding on' an unsuccessful vaccine-injury 'petition filed under section 300aa-11,' if that petition 'was brought in good faith and there was a reasonable basis for the claim for which the petition was brought.'" *Id.* at 371 (emphasis added) (quoting 42 U.S.C. §§ 300aa-15(e)(1)). Attorneys' fees were explicitly and specifically "provided, not only for successful cases, but even for unsuccessful claims that are not frivolous." *Id.* at 374 (quotation marks omitted).

The Court analyzed "whether an *untimely* petition can garner an award of attorney's fees." *Id.* at 371-72 (emphasis added). While the Supreme Court did "not [] mention" the American Rule explicitly, *see* PTO.EnBanc.Br.37, the Supreme Court *did* consider the American Rule but found that the Vaccine Act's language—providing for "reasonable attorneys' fees and other costs incurred in any proceeding on [a] petition," *see id.* at 374—could support such an award. *Id.* at 380 (Our "'inquiry ceases [in a statutory construction case] if the statutory

language is unambiguous and the statutory scheme is coherent and consistent.' ***The text of the statute is clear***: like any other unsuccessful petition, an untimely petition brought in good faith and with a reasonable basis … is eligible for an award of attorney's fees.") (emphasis added) (citation omitted) (quoting *Barnhart v. Sigmon Coal Co.*, 534 U.S. 438, 450 (2002)). In light of this language, the Court rejected the Government's argument that "the 'presumption favoring the retention of long-established and familiar [common-law] principles'" prohibited an award. *Id.* (alteration in original) (quoting Br. for Pet'r at 32). As the Court stated, "[t]hese 'rules of thumb' give way when 'the words of a statute are unambiguous,' as they are here." *Id.* at 381 (quoting *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992)).

The "presumption favoring the retention of long-established and familiar common-law principles" that the Supreme Court found "g[ave] way" to the unambiguous and explicit language of the Vaccine Act was the American Rule:

> The extremely generous interpretation of the Vaccine Act's fee-shifting provision that respondent advances departs so far from background principles about who pays a litigant's attorneys' fees that it ***cannot be justified without a clearer statement*** than the Act can supply. … In certain respects, the Vaccine Act's remedial provisions do unambiguously deviate from prevailing legal practices. ***The very existence of a fee-shifting provision reflects a departure from the "American Rule," under which each party pays its own fees***, *e.g.*, *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 247 (1975), and the Vaccine Act is especially

> unusual because it permits an award of fees when a claimant does not succeed on the merits. See Pet. App. 18a (Bryson, J., dissenting) ("[I]t is almost unknown in American practice for a statute to provide that the prevailing party will pay the losing party's attorneys' fees."). Thus, even construed by the government and by the dissenting members of the en banc court of appeals, Section 300aa-15(e)(1) exposes the United States to much more expansive potential fee liability than does the typical federal fee-shifting statute. That fact counsels particular hesitation before reading Section 300aa-15(e)(1) to authorize fee awards in additional situations that the provision does not clearly cover.

Appx469-470 (Br. for Pet'r at 32-33 in *Sebelius v. Cloer*, No. 12-236 (S. Ct. Jan. 4, 2013) (emphasis added). While the Supreme Court did "not [] mention" the American Rule explicitly, PTO.EnBanc.Br.37, the Supreme Court did consider the American Rule, but found that the Vaccine Act "unambiguous[ly]" authorized the attorneys' fees sought. *Sebelius*, 569 U.S. at 381.

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

Before *Shammas*, the Supreme Court had made clear that a deviation from the American Rule's presumption against fee-shifting requires explicit statutory authorization, irrespective of whether that explicit authorization applies to "prevailing part[ies]" or otherwise. *Hardt*, 560 U.S. at 253-54; *Hensley*, 461 U.S. at 443 n.2. And *Sebelius* did nothing to change this. However, even if the PTO were correct that *Shammas* and *Sebelius* supported its position (they do not), the

Supreme Court has since made clear that the American Rule applies to statutes, like § 145, that do not reference prevailing parties.

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

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

11 U.S.C. § 330(a)(1) (emphasis added). Section § 330(a)(1) thus allows a bankruptcy court to award "reasonable compensation for actual, necessary services rendered by" attorneys that serve the debtor. *Id.*; *see* 11 U.S.C. § 327(a).[23] Like

[23] Notably, the Supreme Court did not consider whether the attorneys' fees sought were compensable as "reimbursement for actual, necessary expenses" pursuant to § 330(a)(1)(B). *See generally Baker Botts*, 135 S. Ct. 2158 (2015).

§ 145, this provision does not condition such awards upon success. *Baker Botts*, 135 S. Ct. at 2166 (declining to authorize attorneys' fees in part because doing so "would allow courts to pay professionals for arguing for fees they were found never to have been entitled to in the first place"); *see also NantKwest, Inc. v. Matal*, 860 F.3d at 1355 n.3 (noting that "the statute made no reference to prevailing parties").

There was no dispute that the language at issue in *Baker Botts* entitled attorneys *serving* the debtor to reasonable attorneys' fees incurred. *Baker Botts*, 135 S. Ct. at 2165 ("No one disputes that § 330(a)(1) authorizes an award of attorney's fees" for "'actual, necessary services rendered'" to an estate administrator). Rather, at issue was whether that language authorized courts to award attorneys' fees for work performed defending a fee application, i.e., for work performed *adverse* to the trustee. *Id*. at 2163.

The Supreme Court held that it did not. And it did so by analyzing the statute under the American Rule. *Id.* at 2164 (beginning its analysis by noting that "'[o]ur basic point of reference when considering the award of attorney's fees is the bedrock principle known as the American Rule: Each litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise.'") (*quoting Hardt*, 560 U.S. at 252-53). The Supreme Court reiterated that the American Rule's presumption against fee shifting could only be overcome by

"specific and explicit provisions for the allowance of attorneys' fees," *id.,* and held that statute's provision for "*reasonable compensation for actual, necessary services rendered by* the … attorney" to the trustee did not displace the American Rule's presumption because the statute "neither specifically nor explicitly authorizes the courts to shift the costs of adversarial litigation from one side to the other." *Id.* at 2165 (emphasis added). While the statute was sufficiently clear to permit an award for services rendered by attorneys to the estate, it did not permit an award for defending a fee *against* the estate. *Id*. That is, the Court held that the attorneys could not recover fee awards under § 330(a)(1)—a statute that, like § 145, does not precondition a fee award upon success—because the text was not sufficiently specific and explicit to overcome the American Rule.

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

litigation, let alone that it did so in such an unusual manner," the presumption against awarding attorneys' fees applied. *Id.* (emphasis added).

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

The PTO illogically asserts that "[s]ection 145 … involves exactly such an unusual scheme, and "[t]he American Rule has no bearing on such a scheme." PTO.EnBanc.Br.36. But the Supreme Court did not assert that shifting fees without regard to who prevails is an unusual scheme in the abstract, but rather that it is "a particularly unusual deviation ***from the American Rule***." *Baker Botts*, 135 S. Ct. at 2166 (emphasis added). In answering "whether [§ 330(a)(1)] also permitted a supplemental award of attorney's fees for defending the fee application itself against the estate's trustee" even if that fee defense was unsuccessful, PTO.EnBanc.Br.35, the Supreme Court *was* applying the American Rule. And because § 330(a)(1) did not specifically or explicitly provide for the recovery of

attorneys' fees in the context of adversarial litigation, the American Rule's presumption was not overcome. *Baker Botts*, 135 S. Ct. at 2165-66.

While the panel ultimately applied the American Rule, it registered "significant doubts" as to the rule's applicability and questioned NantKwest's reliance on *Baker Botts*. *NantKwest*, 860 F.3d at 1355 & n.3. According to the panel:

> *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.

Id. at 1355. This analysis, however, is circular. Whether a statute provides for fee shifting is what American Rule analysis illuminates; fee-shifting is not a precondition for applying the American Rule in the first place. And there is no meaningful difference between the panel's understanding that "a statute must meet [the American Rule's requirements] before a party may recover its fees," and NantKwest's argument that "the American Rule's specific and explicit requirements [apply] to *all* fee statutes." *Id.* at 1355. Both require a specific and explicit authorization to award attorneys' fees. Section 145 neither specifically nor explicitly authorizes such an award.

CONCLUSION

That for nearly two-centuries the PTO has never before even sought attorneys' fees under §145 (or its predecessors) confirms that it is far from clear that "[a]ll the expenses of the proceedings" authorizes an award of such fees. Because § 145 and its reference to "[a]ll the expenses of the proceedings" provides no specific or explicit authorization for an award of attorneys' fees, the PTO's recent efforts to recover the same should be denied. The district court's decision should be affirmed.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Morgan Chu, certify that on January 16, 2018, a copy of the **EN BANC BRIEF OF PLAINTIFF-APPELLEE NANTKWEST, INC.** was served upon the following in the manner indicated:

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CERTIFICATE OF COMPLIANCE WITH RULE 32(a)

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B). The brief contains 13,457 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in 14-point Times New Roman font.

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