
United States Court of Appeals
for the
Federal Circuit

NANTKWEST, INC.,

Plaintiff-Appellee,

– v. –

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

Defendant-Appellant.

ON 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

**BRIEF OF INTERNATIONAL TRADEMARK ASSOCIATION
AS *AMICUS CURIAE* IN SUPPORT OF PLAINTIFF-
APPELLEE IN REHEARING *EN BANC***

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT
NANTKWEST, INC. v. **JOSEPH MATAL**

Case No. 2016-1794

CERTIFICATE OF INTEREST

Counsel for the:

(petitioner) (appellant) (respondent) (appellee) (amicus) (name of party)

certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
The International Trademark Association	The party named above in (1) is the real party in interest.	None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court **(and who have not or will not enter an appearance in this case)** are:

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5. The title and number of any case known to counsel 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. *See Fed. Cir. R. 47.4(a)(5) and 47.5(b).* (The parties should attach continuation pages as necessary).

None.

1/23/2018

Date

/s Anthony J. Dreyer

Signature of counsel

Anthony J. Dreyer

Printed name of counsel

Please Note: All questions must be answered

cc: _____

Reset Fields

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**IDENTITY OF *AMICUS CURIAE*, ITS INTEREST,
AND SOURCE OF AUTHORITY TO FILE¹**

Founded in 1878, *amicus curiae* The International Trademark Association (“INTA”) is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of trade and commerce. INTA has more than 7,000 member organizations and 31,000 individual members in more than 190 countries. Its members include trademark and brand owners, as well as law firms and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their trademarks. All INTA members share the goal of promoting an understanding of the essential role that trademarks play in fostering effective commerce, fair competition, and informed decision-making by consumers.

INTA was founded in part to encourage the enactment of federal trademark legislation following invalidation on constitutional grounds of the United States’ first trademark act. Since then, INTA has been instrumental in making

¹ In accordance with Rule 29(a)(4)(E) of the Federal Rules of Appellate Procedure, *amicus curiae* states that this brief was authored solely by INTA and its counsel, and no part of this brief was authored by counsel to a party. No party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members, and its counsel made such a monetary contribution to its preparation or submission.

recommendations and providing assistance to legislators in connection with major trademark and related legislation, and has participated as *amicus curiae* in numerous cases in courts across the country involving significant Lanham Act issues.² Moreover, INTA's members frequently participate in litigation in courts and in administrative proceedings before the United States Patent and Trademark Office ("PTO") and Trademark Trial and Appeal Board ("TTAB") with respect to actions brought under the Lanham Act, and therefore are interested in the development of clear, consistent, and equitable principles of trademark law.

² Recent Supreme Court and Circuit Court cases in which INTA has filed *amicus* briefs include, without limitation: *Matal v. Tam*, 137 S. Ct. 1744 (2017); *NantKwest, Inc. v. Matal*, 860 F.3d 1352, *vacated on grant of reh'g en banc*, 869 F.3d 1327 (Fed. Cir. 2017); *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), *cert. denied*, 136 S. Ct. 1376 (2016); *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014); *POM Wonderful LLC v. Coca-Cola Co.*, 134 S. Ct. 2228 (2014); *Already, LLC v. Nike, Inc.*, 568 U.S. 85 (2013); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *Ferring Pharm., Inc. v. Watson Pharm., Inc.*, 765 F.3d 205 (3d Cir. 2014); *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206 (2d Cir. 2012); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012); and *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011).

Although this case deals specifically with patents and federal court review of Patent Trial and Appeal Board (“PTAB”) decisions, INTA has a substantial interest in this matter as it relates directly to the Fourth Circuit’s opinion in *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), upholding the grant of attorneys’ fees to the PTO as part of the “expenses” of a district court proceeding. *See id.* at 222-27. The provision shifting expenses of the PTO in Section 21(b)(3) of the Lanham Act, 15 U.S.C. § 1071(b)(3), substantially tracks Section 145 of the Patent Act. *See* 35 U.S.C. § 145. Moreover, INTA’s position in *Shammas* regarding the proper interpretation of 15 U.S.C. § 1071(b)(3) is identical to the conclusion the district court reached regarding the proper interpretation of 35 U.S.C. § 145. *Compare* Corrected Brief for Amicus Curiae The International Trademark Association in Support of Appellant at 10-24, *Shammas v. Focarino*, 284 F.3d 219 (4th Cir. 2015) (No. 14-1191), 2014 WL 2605810, at *10-24, *with* *NanKwest, Inc. v. Lee*, 162 F. Supp. 3d. 540, 542-46 (E.D. Va. 2016), *rev’d sub nom. NantKwest, Inc. v. Matal*, 860 F.3d 1352, *vacated on grant of reh’g en banc*, 869 F.3d 1327 (Fed. Cir. 2017). Accordingly, this Court’s decision is of particular interest to INTA and its members, because its interpretation of 35 U.S.C. § 145 will have implications for courts’ future interpretations of the parallel Lanham Act provision. Thus, INTA has an interest in this Court affirming the decision below.

All parties to this litigation have consented to the filing of this *amicus* brief.

SUMMARY OF ARGUMENT

Few principles are more deeply entrenched in the American judicial system than the principle that litigants ordinarily bear their own attorneys' fees. Time after time, this "American Rule" has been reaffirmed by the Supreme Court and this Court, which have unequivocally held that awards of attorneys' fees are only available where Congress has *clearly and explicitly* authorized them. *See, e.g., Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598, 602 (2001); *Bywaters v. United States*, 670 F.3d 1221, 1226-27 (Fed. Cir. 2012). The Supreme Court has also held that the American Rule applies to *all* statutes, and thus it also applies to Section 145 of the Patent Act. *See Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252-53 (2010).

Section 145 of the Patent Act, which provides for the payment of the PTO's "expenses" by parties bringing a civil action in federal district court to obtain review of a PTAB determination, 35 U.S.C. § 145, makes no such clear or explicit authorization of "attorney's fees." This alone is sufficient to affirm the conclusion of the district court – and the dissent – that "attorney's fees" are not included within the awardable "expenses" under Section 145. *See NanKwest*, 162 F. Supp. 3d at 542-45; *NantKwest*, 860 F.3d at 1361-66 (Stoll, J., dissenting).

Yet, even beyond the lack of any reference to attorneys' fees in the text of Section 145 itself, there are other indications that Congress intended *not* to award

attorneys' fees under that section. The legislative history of Section 145, dating back to the 1836 Patent Act, does not support Congressional intent for "expenses" to include attorneys' fees. Furthermore, as the dissent noted, Congress routinely modifies the term "expenses" to make the availability of attorneys' fees clear, including in the Patent Act. *See NantKwest*, 860 F.3d at 1361-62 (Stoll, J., dissenting). But it did not do so in Section 145, and it is not for the courts to award attorneys' fees against the presumption of the American Rule where Congressional intent is, at best, ambiguous. *See id.* at 1364.

Moreover, as a policy matter, interpreting "expenses" to include the PTO's attorneys' fees would create a chilling effect on applicants' ability to pursue an important procedural avenue by imposing a prohibitive cost—one that only applicants with significant resources could afford. Such a result is anathema to the principles undergirding U.S. intellectual property rights. Perhaps even worse, it effectively writes out of existence a critical mechanism of review expressly permitted under Section 145, *i.e.*, the ability to initiate an action in district court and benefit from the discovery process (rather than pursuing an appeal to this Court where further development of the record is not available under the relevant statute).

Thus, the majority incorrectly interpreted the American Rule's application to Section 145 and this Court should adopt the dissent's position that the statute's provision for "expenses" does not include attorneys' fees.

LEGAL BACKGROUND

A. Dual Mechanism for Review of PTAB Decisions

Like the Lanham Act's provisions regarding TTAB determination of the registrability of a trademark, the Patent Act provides a party disputing a PTAB determination with two procedural options. The first option, set forth in 35 U.S.C. §§ 141-144, is an appeal to this Court, which is taken solely "on the record before the Patent and Trademark Office." 35 U.S.C. § 144. The second option, set forth in Section 145 and the option pursued by NantKwest here, is to file a civil action in the United States District Court for the Eastern District of Virginia against the Director of the PTO. *See* 35 U.S.C. § 145. In cases brought under Section 145, the PTO record may be supplemented through additional discovery. However, the pursuit of additional discovery comes with a cost, and Section 145 mandates that "[a]ll the *expenses* of the proceeding shall be paid by the applicant." *Id.* (emphasis added). But like the Lanham Act, the Patent Act does not expressly define "expenses of the proceedings."

B. Procedural History

NantKwest filed a Section 145 civil action in the Eastern District of Virginia seeking review of the PTAB's decision rejecting patent claims for a method of

treating cancer by administering natural killer cells.³ Following additional discovery, including expert discovery, the district court granted summary judgment in favor of the PTO, which NantKwest also appealed, and which this Court has affirmed. *See NantKwest, Inc. v. Lee*, 686 F. App'x 864, 865 (Fed. Cir. 2017).

Upon entry of the judgment, the PTO filed a motion seeking “expenses of the proceeding” pursuant to Section 145. Included in that request were “personnel expenses” of the PTO attorneys and paralegals staffed on the case, calculated by prorating each employee’s yearly salary based on the number of hours actually devoted to the district court proceeding.

The district court denied the PTO’s motion in part, specifically declining that portion of the request that was identified as attorneys’ fees. *See NantKwest*, 162 F. Supp. 3d at 541. The court noted that pursuant to the Supreme Court’s recent decision in *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158 (2015), the “American Rule,” which requires litigants to pay their own attorneys’ fees, may only be overridden by statutory language evidencing a specific and explicit congressional intent to shift attorneys’ fees to another party. *See NantKwest*, 162 F.

³ INTA takes no position with respect to the merits of the PTAB’s determination denying NantKwest’s application or NantKwest’s appeal thereof to the district court.

Supp. 3d at 542. The court held that the statutory language of Section 145 did not constitute such a specific and explicit provision. *See id.* at 542-43.

The district court also explicitly rejected the Fourth Circuit's majority conclusion in *Shammas v. Focarino*, 584 F.3d 219 (4th Cir. 2015), that the American Rule applies only in the context of shifting fees to the prevailing party. The court held that the *Shammas* court's "prevailing party" standard was "erroneous" and in direct conflict with *Baker Botts*. *See NantKwest*, 162 F. Supp. 3d at 545-46. Observing that neither the *Shammas* court nor the PTO had cited any Supreme Court authority affirmatively stating that the American Rule only applied in the context of prevailing parties, *see id.* at 546, and that no court since has followed *Shammas*'s rationale, the district court concluded that *Shammas* was incorrectly decided and the language of Section 145 did not demonstrate Congress' specific and explicit authorization for attorneys' fees. *See id.*

The PTO subsequently filed an appeal to this Court, seeking reversal of the district court's determination that "personnel expenses" are not included in the "expenses" provision of Section 145. *See NantKwest*, 860 F.3d at 1360. The majority of the panel reversed the district court's decision, finding that attorneys' fees are included in the term "expenses" in Section 145. The majority aligned itself with the Fourth Circuit's majority in *Shammas*, and with the Second Circuit, which held that attorneys' fees are "expenses" under Section 6342 of the Internal

Revenue Code. *See id.* at 1356. The dissent argued that Section 145 did not provide the necessary explicit and specific language to overcome the American Rule’s presumption against fee-shifting. *See id.* at 1361 (Stoll, J., Dissenting). The dissent also argued that it was unable to glean any Congressional intent to shift attorneys’ fees based on the legislative history of Section 145 or the plain meaning of the term “expenses.” *See id.* at 1362-65. This Court *sua sponte* vacated the panel opinion and ordered an *en banc* hearing on the sole issue of whether the panel correctly determined that Section 145 authorizes an award of the PTO’s attorneys’ fees. *See NantKwest, Inc. v. Matal*, 869 F.3d 1327, 1327 (Fed. Cir. 2017) (en banc) (per curiam).

ARGUMENT

I. THE MAJORITY INCORRECTLY DETERMINED THAT SECTION 145 AUTHORIZES AN AWARD OF THE PTO’S ATTORNEYS’ FEES

A. The American Rule Applies to Section 145

Any discussion of attorneys’ fees awards must begin with “the bedrock principle known as the American Rule: Each litigant pays his own attorney’s fees, win or lose, unless a statute or contract provides otherwise.” *Baker Botts*, 135 S. Ct. at 2164 (quoting *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 253 (2010)). The presumption that parties bear their own legal costs, win or lose, is not easily overcome, and as the Supreme Court has recently re-emphasized, “departures from the American Rule [are recognized] only in ‘*specific and explicit*

provisions for the allowance of attorneys’ fees under selected statutes.” *Id.* (emphasis added) (quoting *Alyeska Pipeline Serv. Co. v. Wilderness Soc’y*, 421 U.S. 240, 260 (1975)).

The majority incorrectly attempts to limit the American Rule by expressing doubts as to whether Section 145 implicates the Rule. In a narrow reading of the Supreme Court’s holding, the majority asserts that “*Baker Botts* . . . 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.” *NantKwest*, 860 F.3d at 1355.

To the contrary, as the dissent explains, “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). The Supreme Court’s discussion of the American Rule in *Hardt* provides the necessary guidance for courts to apply the presumption against fee-shifting to *all* statutes, not only those that would potentially award such fees to successful litigants.

In *Hardt*, the Court considered whether an award of attorneys’ fees pursuant to 29 U.S.C. § 1132(g)(1) was limited to an award to a prevailing party. *See Hardt*, 560 U.S. at 244-45, 250. The statute itself—unlike Section 145 in the current litigation—explicitly provided for an attorney’s fee award, but stated that “the court in its discretion may allow a reasonable attorney’s fee and costs of

action *to either party.*” 29 U.S.C. § 1132(g)(1) (emphasis added). The Court noted that its “‘prevailing party’ precedents . . . do not govern the availability of fees awards under § 1132(g)(1), because this provision does not limit the availability of attorney’s fees to the ‘prevailing party.’” *Hardt*, 560 U.S. at 253. 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 (emphasis added). Most notably, the Court found:

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) (citations omitted). In short, the Court made clear that the American Rule is hardly limited to “loser pays” statutes.

In light of the Court’s unambiguous language and recognition that the rule covers “various forms” of fee shifting, Section 145 undoubtedly implicates the American Rule. *Hardt* makes clear that the American Rule requires parties to bear their own fees absent some form of *explicit* statutory authorization to the contrary, irrespective of whether that explicit authorization applies to “prevailing parties” or otherwise. *See Hardt*, 560 U.S. at 252-54; *see also Hensley v. Eckerhart*, 461 U.S. 424, 443 n.2 (1983) (Brennan, J., concurring in part and dissenting in part) (noting

that “parties bear their own attorney’s fees *no matter what the outcome of a case,*” and thus a party’s status as a winner or loser does not in itself dictate the applicability of the American Rule (emphasis added); *Astrue v. Ratliff*, 560 U.S. 586, 591 (2010) (recognizing that “statutes that award attorney’s fees to a prevailing party are exceptions to the ‘American Rule’ that each *litigant* ‘bear [his] own attorney’s fees’” (alteration in original) (citation omitted)).

Furthermore, limiting application of the American Rule jurisprudence and analysis to “prevailing party” statutes is contrary to the policies underlying the rule. The Supreme Court has explained that “one of the primary justifications for the American Rule is that ‘one should not be *penalized* for merely defending or prosecuting a lawsuit.’” *Summit Valley Indus. Inc. v. Local 112, United Bhd. of Carpenters*, 456 U.S. 717, 724 (1982) (quoting *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 718 (1967)). But that is precisely the result that would occur if this court adopts the majority’s position. As the dissent recognizes, “[n]othing in § 145 confines the award of expenses to a prevailing party. Instead, it requires the applicant to pay ‘[a]ll expenses of the proceedings,’ which according to the majority means the applicant pays for the PTO’s attorneys’ fees in every Section 145 proceeding.” *NantKwest*, 860 F.3d at 1365 (Stoll, J., dissenting) (alteration in original). Thus, Section 145 would impose a significant penalty on patent applicants merely for asserting their rights under the statute. This “unusual

departure from the American Rule . . . would saddle even prevailing applicants with the PTO's attorneys' fees." *Id.* If Congress intends to create such a penalty, it may do so; but that is for Congress to do and to do so clearly and explicitly, not the courts.

B. Section 145 Lacks the Requisite Specific and Explicit Language to Award Attorneys' Fees

Because the American Rule plainly applies whenever fee-shifting is at issue, parties to a Section 145 litigation must bear their own legal fees “absent explicit statutory authority” to the contrary. *Baker Botts*, 135 S. Ct. at 2164 (citations omitted). Section 145 makes no mention whatsoever of attorneys' fees, instead referring only to payment “by the applicant” of “[a]ll the expenses of the proceedings.” 35 U.S.C. § 145. At best, whether attorneys' fees can be awarded is ambiguous. Accordingly, there is no “explicit” Congressional mandate to award attorneys' fees, and a court should not award them. *Cf. Dean v. United States*, 556 U.S. 568, 572 (2009) (explaining that courts should “ordinarily resist reading words or elements into a statute that do not appear on its face” (quoting *Bates v. United States*, 522 U.S. 23, 29 (1997))).

Furthermore, as noted by the dissent, Congress has explicitly provided for attorneys' fees in other statutes involving patent litigation, including sections of the Patent Act besides Section 145. *See NantKwest*, 860 F.3d at 1361-2 (Stoll, J., dissenting) (citing statutory provisions explicitly providing for attorneys' fees,

including 35 U.S.C. § 285 (“The court in exceptional cases may award reasonable *attorney fees* to the prevailing party.”); *see also* 35 U.S.C. § 271(e)(4) (“[A] court may award attorney fees under [35 U.S.C. §] 285.”); 35 U.S.C. § 273(f) (“[T]he court shall find [a] case [defended without a reasonable basis] exceptional for the purpose of awarding attorney fees under [35 U.S.C. §] 285.”). As the dissent observes, it is a basic canon 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.” *NantKwest*, 860 F.3d at 1362 (Stoll, J., dissenting) (alteration in original) (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)).

Appellant bears the burden of demonstrating that Congress spoke *explicitly* and *specifically* to overcome the presumption against fee-shifting. The majority argues that because the term “expenses” *can* encompass attorneys’ fees in some contexts, Appellant has met its burden. *See NantKwest*, 860 F.3d at 1357. However, Appellant has not carried its burden because it cannot clearly show that Congress *intended* for “expenses” to include attorneys’ fees. The majority contends that *NantKwest* and the dissent “demand too much” to satisfy the American Rule. *Id.* at 1358. Rather, *NantKwest* and the dissent simply argue that this court should follow Supreme Court precedent by requiring specific and

explicit language in 35 U.S.C. § 145 before awarding attorneys' fees.

The term "attorneys' fees" is not required to meet the American Rule's specific and explicit language requirement. The majority argues that 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." *NantKwest*, 860 F.3d at 1358. On the contrary, *NantKwest* and the dissent argued – and the majority itself acknowledged – "that Congress will not confine itself to a single word or phrase when referencing attorneys' fees." *Id.* As the district court noted below, the Supreme Court found in *Baker Botts* that a statute had "successfully deviated from the American Rule . . . *even though the statute never used the term 'attorneys' fees.'*" *NantKwest*, 162 F. Supp. 3d at 543. The dissent accurately summarizes the proper approach to the specific and explicit language requirement: "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.'" *NantKwest*, 860 F.3d at 1361 (Stoll, J., dissenting) (quoting *Key Tronic Corp. v. United States*, 511 U.S. 809, 815 (1994)) (alteration in original).

C. Section 145 Lacks Congressional Intent to Authorize Attorneys' Fees

Given the American Rule and the lack of any reference to attorneys' fees in Section 145, attorneys' fees should not be awarded as "expenses of the proceeding." But even if this Court were to consider extrinsic materials, such as

the legislative history of the Patent Act or Congress' use of "expenses" in other statutes, it would not find the necessary Congressional intent for awarding attorneys' fees. *See Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 568 (2005) ("Extrinsic materials have a role in statutory interpretation . . . to the extent they shed a reliable light on the enacting Legislature's understanding of otherwise ambiguous terms.").

The legislative history of the Patent Act shows a lack of Congressional intent for the term "expenses" to include attorneys' fees.⁴ The majority discusses the Patent Act of 1836 in response to the dissent's reliance on Nineteenth Century dictionary definitions, arguing that it distinguished among the terms "expense," "cost," and "damage." But the majority's focus on differentiating between these terms is misguided. As Appellant noted in its brief, the 1836 Patent Act specifically stated that the "'expenses of the Patent Office' included the 'salaries of the officers and clerks herein provided for.'" Br. for Appellant at 27 (quoting Act of July 4, 1836 § 9, 5 Stat. 117, 121). Three years later, Congress adopted the Patent Act of 1839 and introduced a provision that served as the predecessor to the expense-shifting language of 35 U.S.C. § 145. Under this provision, a patent applicant could appeal the Commissioner of Patent's refusal to register a patent to

⁴ Similarly, there is no evidence of Congressional intent to include attorneys' fees in the parallel Lanham Act provision.

either predecessor courts of the Federal Circuit (on the limited record presented to the Commissioner) or to any court of equity, provided 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, 5 Stat. 353, 354. However, when Congress enacted the 1839 Act, it removed the language from the 1836 Act specifying that the “expenses” of the proceedings included the salaries of Patent Office employees.

This demonstrates that Congress was well-aware of the potential for including attorneys’ fees such as Patent Office salaries, and actively decided not to include those fees as part of the recoverable “expenses” under the statute. Furthermore, Congress was already legislating against the backdrop of the American Rule and would have included a reference to attorney’s fees if it desired to impose fee-shifting. *See Arcambel v. Wiseman*, 3 U.S. (3 Dall.) 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 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.”). This legislative history certainly does not show explicit intent to award attorneys’ fees under Section 145, and may actually demonstrate Congress’ specific desire to *remove* attorneys’ fees from the term “expenses” in the context of actions against the PTO.

Although the Patent Act provides better guidance in interpreting Congressional intent in drafting 35 U.S.C. § 145, the uses of “expenses” and “attorneys’ fees” in other statutes are also instructive. As the dissent notes, “the U.S. Code is replete with examples of Congress awarding ‘expenses’ and then separately clarifying that attorneys’ fees are also available.” *NantKwest*, 860 F.3d at 1363 (Stoll, J., dissenting) (citing, *inter alia*, 12 U.S.C. §§ 1464(d), 1786(p), 1447(c)); *see also* 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.”); 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.”). Congress easily could have specified in Section 145, as it has in numerous statutes, that “expenses” include attorneys’ fees. But the current language is not specific and explicit, and such ambiguity is certainly insufficient to prove Congressional intent to award attorneys’ fees. Further, the fact that the PTO has not relied on Section 145 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.” *NantKwest*, 860 F.3d at 1363; *see also Colonial Press Int’l, Inc. v. United States*, 788 F.3d 1350, 1357-58 (Fed. Cir. 2015)

(using practical construction as a tool of statutory interpretation); *McLaren v. Fleischer*, 256 U.S. 477, 481 (1921) (“[T]he practical construction given to an act of Congress, fairly susceptible of different constructions, by those charged with the duty of executing it is entitled to great respect and, if acted upon for a number of years will not be disturbed except for cogent reasons”). If Congress’ intent were clear, it would not have taken the PTO this long to seek attorneys’ fees under the statute in just a single case.

D. Public Policy Does Not Support the Majority’s Interpretation

If this Court adopts the majority’s position, such a narrow interpretation of the American Rule would effectively eliminate the ability to pursue district court relief for many patent applicants. It would do so by imposing the significant and unpredictable cost of the PTO’s attorneys’ fees on any plaintiff who elects to supplement the limited PTAB record through a discovery process that is not available on direct review to this Court.⁵

By creating a review process that allows applicants to commence a plenary action in district court, Congress recognized that an applicant may need a district court’s broad jurisdiction and expansive discovery process in order to introduce facts outside the scope of the PTO and PTAB review process. Congress’

⁵ Likewise, rejected trademark registration applicants would be denied the same important district court option in light of the parallel Lanham Act provision.

imposition of a requirement for the applicant to pay “[a]ll the expenses of the proceedings” already creates some disincentive for pursuing an action in district court instead of this Court. 35 U.S.C. § 145. However, as the dissent explains, the “high and uncertain costs” of attorneys’ fees would “likely deter applicants, particularly solo inventors and other smaller entities.” *NantKwest*, 860 F.3d at 1365.

Thus, the Appellant’s proposed approach would create a chilling effect and introduce such a prohibitive expense that it would effectively remove district court review under 35 U.S.C. § 145 as a viable procedure for all but the wealthiest applicants.⁶ Such a result runs counter to the dual system of review of PTAB decisions as drafted by Congress. This Court should avoid any interpretation of Section 145 that allows for such a result.

⁶ The concern is underscored by *Booking.com B.V. v. Matal*, 1:16-cv-425 (LMB/IDO), 2017 WL 4853755 (E.D. Va. Oct. 26, 2017), *appeals filed*, Nos. 17-2458, 2459 (4th Cir. Dec. 28, 2017). Despite finding for Booking.com on its claims, the court, relying on *Shammas*, required Booking.com to pay significant attorneys’ fees to the PTO under the parallel Lanham Act provision. *Id.* at *10.

CONCLUSION

For the foregoing reasons, the Court should affirm the district court's order and hold that attorneys' and paralegals' fees are not included within the scope of "[a]ll the expenses of the proceedings" under Section 145 of the Patent Act.

January 23, 2018

Respectfully submitted,

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**United States Court of Appeals
for the Federal Circuit**
Nantkwest, Inc. v. Matal, 2016-1794

CERTIFICATE OF SERVICE

I, Robyn Cocho, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

On **January 23, 2018**, counsel has authorized me to electronically file the foregoing **Amicus Brief** with the Clerk of Court using the CM/ECF System, which will serve via e-mail notice of such filing to all counsel registered as CM/ECF users, including the following principal counsel for the parties:

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January 23, 2018

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CERTIFICATE OF COMPLIANCE WITH FED. R. APP. P. 29 AND 32

1. This memorandum complies with the type-volume limitation of Fed. R. App. P. 29(a)(5) and Fed. R. App. P. 32(a)(7)(B)(i) because it contains 4,925 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f).

2. This memorandum complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the typestyle requirements of Fed. R. App. P. 32(a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in 14-point Times New Roman.

Dated: January 23, 2018
New York, New York

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