No. 18-801

IN THE

Supreme Court of the United States

LAURA PETER, DEPUTY DIRECTOR,
PATENT AND TRADEMARK OFFICE,
Petitioner,

v.

NANTKWEST, INC.,
Respondent.

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

BRIEF FOR AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF AFFIRMANCE

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INTEREST OF AMICUS CURIAE

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interpretation of the law as it relates to intellectual property issues.

SUMMARY OF THE ARGUMENT

In *Kappos* v. *Hyatt*, 566 U.S. 431 (2012), *aff'g* 625 F.3d 1320 (Fed. Cir. 2010), this Court recognized the important right provided by 35 U.S.C. § 145. That statute permits a patent applicant to develop a full evidentiary record on district court review of a decision by the Patent Trial & Appeal Board (the "PTAB") of the U.S. Patent & Trademark Office ("PTO") denying patent protection. In exchange, the statute requires the applicant-appellant to pay "[a]ll the expenses of the proceedings." 35 U.S.C. § 145.

For more than a century after Section 145 was enacted, the meaning of "expenses" in that phrase was undisputed: private litigants, the PTO, and courts all interpreted it to require payment only for the Government's out-of-pocket expenses, including printing costs, counsel's deposition travel costs, court reporter fees, and certain expert witness fees.[2] No one, until recently, has ever taken the position that it included attorneys' fees. In fact, when Congress amended Section 145 in other respects in 2011, it did nothing to cast doubt on that longstanding, unanimous view.

Then, in 2013, the PTO unilaterally departed from the longstanding consensus that the term "expenses," as used in the statute, excludes attorneys' fees from what "shall be paid by the applicant." *See* 35 U.S.C. § 145; Brief For The Petitioner (filed May 17, 2019)

[2] This Court held last March that, absent express authority, courts may not award litigation expenses that are not specified in the general "costs" statutes at 28 U.S.C. §§ 1821 and 1920. *Rimini St., Inc. v. Oracle USA, Inc.*, 139 S.Ct. 873, 877-78 (2019).

("Pet'r Br.") 7. Disavowing its prior position, the PTO began asserting that an applicant challenging a PTAB decision under Section 145 must *also* pay *pro rata* for PTO attorney and staff time, even if the applicant's challenge is successful. The PTO applied this new reading in patent cases (including the instant civil action for review of an adverse PTAB decision) and in cases arising under a similar statute addressing trademark-related review of PTO decisions. *See Booking.com B.V.* v. *U.S. Patent & Trademark Office*, 915 F.3d 171 (4th Cir. 2019), *as amended* (Feb. 27, 2019), *petition for cert. docketed*, No. 18-1309; *see also Shammas* v. *Focarino,* 784 F.3d 219 (4th Cir. 2015) (awarding *pro rata* PTO attorney and staff time for review of a Trademark Trial & Appeal Board decision)).

This Court should reject the PTO's new interpretation as an affront to the American Rule. Under that rule, "[e]ach litigant pays his own attorneys' fees, win or lose, unless a statute or contract provides otherwise." *Hardt* v. *Reliance Std. Life Ins. Co.*, 560 U.S. 242, 252-53 (2010) (citation omitted); *accord Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714, 717 (1967) (American Rule is an intentional divergence from the English Rule that loser pays); *see Alyeska Pipeline Serv. Co.* v. *Wilderness Soc'y*, 421 U.S. 240, 249-50 (1975) (citing cases from 1796, 1852, 1872, 1873, 1879, 1967, and 1974). As the U.S. Court of Appeals for the Federal Circuit recognized, the principal policy underlying the American Rule is society's desire to avoid burdening a litigant's exercise of First Amendment rights by imposing, as a penalty for invoking judicial review, the opposing party's attorneys' fees. Pet. App. 4a-5a. Because the rule—

and that policy—are "entitled to the respect of the court, till [the rule] is changed, or modified, by statute," *Arcambel* v. *Wiseman*, 3 U.S. (3 Dall.) 306, 306 (1796), the Court has departed from them only where a statute reflects an "*explicit*" grant of authority from Congress to do so. *Baker Botts L.L.P.* v. *ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) (emphasis supplied) (quoting *Buckhannon Bd. & Care Home, Inc.* v. *W. Va. Dep't of Health & Human Res.*, 532 U.S. 598, 602 (2001)). Section 145 contains no explicit authorization to shift attorneys' fees, and the Government's view should be rejected for that reason alone.

Moreover, the PTO's view would make Section 145 an anomaly even among fee-shifting statutes. In the Government's view, Section 145 uses attorneys' fees as a cudgel to *penalize* litigants, no matter the merits of their claims, for seeking district-court review under Section 145 instead of resting on the more limited PTAB record[3] in a direct appeal to the Federal Circuit under 35 U.S.C. §§ 141 and 144. Although numerous exceptions to the American Rule exist, those exceptions are not designed to cut back on the American Rule's core policy by discouraging litigation. Rather, the exceptions are aimed at enabling parties who initiate potentially meritorious litigation to

[3] For instance, as noted in *Hyatt*, "the PTO generally does not accept oral testimony." 566 U.S. at 435. Accordingly, in most instances, the district court record will be more complete than the administrative record considered by PTAB. *See id.* at 444, 446; *see also* Pet'r Br. 3-4. Before the PTO, an applicant does not have the ability to require an unwilling party to provide evidence; in a Section 145 proceeding in district court, witnesses can be compelled to appear. Similarly, the district court can assess the reliability and veracity of the testimony and evidence submitted, while PTAB's ability to do so on an administrative record is much more limited.

recover attorneys' fees, encouraging rights-vindicating suits. The Government's interpretation therefore would make this unique among the exceptions; it makes a Section 145 civil action a significant obstacle in front of the courthouse doors, rendering the statute not merely "unusual," as the government concedes (Pet'r Br. 16), but unprecedented. *See infra* pp. 10-24.

In fact, the Government's interpretation, if adopted, would be unprecedented in another respect as well. In the Government's view, even *successful* Section 145 action applicants must pay the Government's attorneys' fees. AIPLA is aware of no area of the law—and the Government identifies none[4]—in which a *losing* defendant or appellee has been authorized to collect attorneys' fees from its successful opponent. *See Ruckelshaus* v. *Sierra Club*, 463 U.S. 680, 693 (1983) ("[E]stablished principles requir[e] that a fee claimant attain some success on the merits before it may receive an award of fees."). In that respect as well, the Government's view would render Section 145 a radical departure from longstanding American practice.

In light of those considerations, the Government's argument that the phrase "all * * * expenses" could,

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[4] *See* Pet. App. 26a ("[W]e are aware of no statute that requires a private litigant to pay the government's attorneys' fees without regard to the party's success in the litigation."). The only area that the Government identifies that comes even close to providing a loser with attorneys' fees is the vaccine compensation statute at issue in *Sebelius* v. *Cloer*, 569 U.S. 369 (2013). That statute, as discussed *infra* pp. 14-15, expressly requires that *the Government pay* the attorneys' fees of a *losing applicant*, and as such Congress's exception is fully supportive of the American Rule and its underlying policies.

in a vacuum, be construed also to encompass attorneys' fees is beside the point. *Cf.* Pet'r Br. 14, 18-24. What matters is that the phrase neither clearly nor expressly requires the departure from longstanding practice—a departure that the Government now advocates. And because the American Rule's history, PTO's longstanding views, and Congress's approval of the exclusion of attorneys' fees from "expenses" that governed prior to 2013 all support a reading that excludes attorneys' fees, the departure the Government proposes should be rejected. The court of appeals' understanding, under which Section 145 authorizes the shifting of *costs* (which is common in American litigation), but *not fees*, is the only one that accords with the history of and the general policy common to the American Rule and its exceptions. The Court should therefore affirm.

ARGUMENT

I. THE AMERICAN RULE EXISTS TO ENCOURAGE THE VINDICATION OF RIGHTS THROUGH ADVERSARIAL LITIGATION.

1. The American Rule is an intentional divergence from the English rule, under which the winning litigant is generally entitled to recoup attorneys' fees from the loser. *Fleischmann Distilling*, 386 U.S. at 717. The divergence "took root in colonial America and matured during the nineteenth century," as "attorneys freed themselves from legislative constraints on fees." John F. Vargo, *The American Rule on Attorney Fee Allocation: The Injured Person's Access to Justice*, 42 Am. U. L. Rev. 1567, 1575 (1993). As fees came to be set by agreement, rather than by statutory fee schedules, the practice of requiring one

opponent to reimburse the other came to be seen as unfair and impractical. *See, e.g.*, *infra* p. 8.

The repudiation of fee schedules and abandonment of the English rule reflected American democratic-libertarian traditions. As Dean Pound observed, American conceptions of individualism led to a system in which "questions of the highest social import" came to be tried "as mere private controversies between John Doe and Richard Roe." *See* Roscoe Pound, *The Spirit of the Common Law* 13-14 (1921). In such a system, "[l]itigation was seen as a 'fair fight[,]' with the outcome dependent upon the individual initiative of the parties as much as the relative strengths of their legal positions." Phyllis A. Monroe, *Financial Barriers to Litigation: Attorney Fees and the Problem of Legal Access*, 46 Alb. L. Rev. 148, 153 (1981) (quoting Pound, *supra*, at 13-14).

That view came to "negat[e] the idea that the losing party was necessarily the wrongdoer" and undermined the rationale for requiring the loser to shoulder the costs of the strategies that had been employed to defeat him. Monroe, *supra*, at 153. In an influential speech to the Senate just before Congress codified the American Rule, Senator Bradbury emphasized the individualized nature of litigation strategy, arguing that fee shifting had become "a matter of serious complaint," since "in some cases [the reimbursable] costs have been swelled to an amount exceedingly oppressive to suitors, and altogether disproportionate to the magnitude and importance of the causes in which they are taxed, or the labor bestowed." Cong. Globe, 32d Cong., 2d Sess. 207 (1853), *quoted in Alyeska Pipeline Serv.*, 421 U.S. at 251 n.24. Thus, the move away from fee-shifting reflected, in part, an American view that litigants

should be free to spend as much as they deem appropriate, but that their opponents should neither have to foot that bill nor be concerned that their adversary's spending will unduly raise the amount in dispute (thereby chilling those of lesser means from opposing deep-pocketed opponents).

Senator Bradbury's speech also reflects a second, perhaps "more important," theme in the development of the American Rule: encouraging rights-vindicating litigation. *See* Monroe, *supra,* at 153. From the Republic's early days, that encouragement was necessary to foster a society in which private disputes were settled peacefully and with respect for law. *See, e.g.*, Calvin A. Kuenzel, *The Attorney's Fee: Why Not a Cost of Litigation*, 49 Iowa L. Rev. 75, 81 (1963) (arguing that American Rule furthered the "new government['s]" interest in "the creation of a willingness in its citizenry to submit to the system designed and established for the resolution of their disputes"). But the encouragement also reflected the "unique American concern that an individual's basic rights never be diminished," and an associated belief that "[u]nfettered access to the courts was * * * an essential element in the protection of such rights." Monroe*, supra*, at 153.

Because it was assumed that "litigants would more willingly assume their own costs than risk liability for an opponent's legal fees," the American Rule encouraged resort to the courts, especially by "the poor litigant who could least afford incurring liability for an opponent's costs." Monroe*, supra*, at 154. Thus, "to the extent the American Rule reduced the financial risks of litigation, it served the democratic goal of maximized legal access." *Ibid.*

2. The Court often has venerated the American Rule and emphasized its role in encouraging rights-vindicating litigation, and for more than two hundred years has repudiated the English rule as standing "in opposition to * * * the general practice of the United States." *Baker Botts*, 135 S. Ct. at 2169 (quoting *Arcambel*, 3 U.S. at 306). In 1967, rejecting a claim that there was an implied right to attorneys' fees in trademark actions, the Court explained the impetus for the American Rule as follows:

> [S]ince litigation is at best uncertain one should not be penalized for merely defending or prosecuting a lawsuit, and * * * the poor might be unjustly discouraged from instituting actions to vindicate their rights if the penalty for losing included the fees of their opponents' counsel.

Fleischmann Distilling, 386 U.S. at 718 (summarizing arguments made "[i]n support of the American rule"); *see* Pet. App. 4a ("The rationale supporting the American Rule is rooted in fair access to the legal system * * *."). In so observing, the Court echoed an earlier concurrence by Justice Goldberg, which noted "[i]t has not been [an] accident that the American litigant must bear his own cost of counsel and other trial expense save for minimal court costs, but a deliberate choice to ensure that access to the courts be not effectively denied those of moderate means." *Farmer* v. *Arabian Am. Oil Co.*, 379 U.S. 227, 237 (1964) (Goldberg J., concurring).

The Court's statements find ample support in Congress's actions concerning attorneys' fees. As the Court recognized in *Alyeska Pipeline Service*, Congress's 1853 codification of the American Rule was motivated in part by a concern "that losing litigants

were being unfairly saddled with exorbitant fees for the victor's attorneys." 421 U.S. at 251. The concern led to "a far-reaching Act * * * limit[ing] allowances for attorney's fees that were to be charged to * * * losing parties." *Id.* at 252. Indeed, under the 1853 fee bill, the only compensation recoverable by a winning litigant is a docket fee ranging from five to twenty dollars. *See* Act of Feb. 26, 1853, ch. 80, 10 Stat. 161 (codified as amended at 28 U.S.C. §§ 1920, 1923(a) (1988)). And because the 1853 fee bill has not been repealed or materially modified to this day, it continues to set the limit for fee recoveries in the absence of statutory or judicial exception. Vargo, *supra*, at 1578.

Thus, in the eyes of both the Court and Congress, and as reflected by its historical pedigree, the American Rule exists to encourage plaintiffs seeking redress in the courthouse. And it accomplishes that goal by assuring those who initiate litigation that, even if they lose, they will owe only their own lawyers' fees.

II. EXCEPTIONS TO THE AMERICAN RULE DO NOT BURDEN RIGHTS-VINDICATING LITIGATION, THEY ENCOURAGE IT.

Exceptions to the American Rule do not undermine the policy the Rule reflects. Rather, Congress's exceptions are designed to *further pursue* that policy by *further encouraging* rights-vindicating litigation. The Government's newfound interpretation of Section 145 would mark an unprecedented departure from that practice.

A. Exceptions Exist To Encourage—Not Penalize—Rights-Vindicating Litigation.

Exceptions to the American Rule have been enacted by Congress to further encourage resort to the courts. Those exceptions vary in operation and by subject matter, but they all undermine, rather than reinforce, the Government's contention that Congress enacted Section 145 to discourage meritorious litigation through the use of fee shifting. *Cf.* Pet'r Br. 39-42.

1. One important set of exceptions to the American Rule involves diffusing the costs of legal work among its beneficiaries. An early example is the "common fund" theory, *see, e.g.*, *Trustees* v. *Greenough*, 105 U.S. 527, 533 (1881), whereby "a party who had created or preserved a fund was entitled to recoup part of the legal expenses of doing so from the fund's beneficiaries by paying his lawyer out of the fund." *See* John Leubsdorf, *Toward a History of the American Rule on Attorney Fee Recovery*, 47 L. & Contemp. Probs. 9, 24 (1984). The impetus for the exception is that a lawyer who creates or preserves a fund serves the fund and its beneficiaries as much as a nominal client, therefore recovering fees from them is "like recovery of customary fees by a lawyer from his own client, not like recovery from an opposing party." *Ibid.* (citing *Trustees*, 105 U.S. at 535). Thus, to the extent it marks a departure from the American Rule, the common-fund theory encourages court access and the productive, efficient use of legal work by spreading the costs of that work among its beneficiaries.

These principles are also reflected in other, more modern exceptions:

- During the 1930s, commentators justified the derivative suit as a mechanism of spreading

the costs of ferreting out corporate wrongdoing among the beneficiaries of such oversight. *See, e.g.*, George D. Hornstein, *The Counsel Fee in Stockholder's Derivative Suits*, 39 Colum. L. Rev. 784, 786 (1939) (observing that it is "perfectly consistent" with the American Rule to hold that "when a party institutes litigation for the benefit of a class of which he is a member, *i.e.*, salvages assets which others will share, the fund or property should be charged with the necessary expenses incurred in the litigation").

- In more recent years, payment of class-action lawyers' fees from funds common to the class has become routine. *E.g.*, Leubsdorf, *supra*, at 29 (as "ways to promote the enforcement of the law through mass litigation") (citing Harry Kalven, Jr. & Maurice Rosenfeld, *The Contemporary Function of the Class Suit*, 8 U. Chi. L. Rev. 684, 715-16 (1941)).

Each exception furthers the basic policy of the American Rule: encouraging legal access by dispersing the costs of obtaining legal services among those who will benefit from them. In that manner, the exceptions eliminate what might otherwise serve as a hindrance on the vindication of important group-based rights. Thus, these exceptions to the American Rule encourage, rather than discourage, access to justice.

2. Beginning in the second half of the nineteenth century, Congress recognized that litigants might be more likely to pursue socially desirable litigation if the attorneys' fees burden were placed elsewhere. It therefore passed three statutes that foreshadowed a wave of exceptions to the American Rule: the voting

rights legislation of 1870, Interstate Commerce Act of 1887, and Sherman Act of 1890. Under each, successful plaintiffs could recover attorneys' fees in addition to costs, liquidated damages, or actual (*i.e.*, ordinary) or treble damages. Leubsdorf, *supra*, at 25 (citing Act of May 31, 1870, §§ 2, 3, 16 Stat. 140, 140-41, *repealed by* Act of Feb. 8, 1894, 28 Stat. 36; Act of Feb. 4, 1887, § 8, 24 Stat. 379, 382; Sherman Antitrust Act, § 7, 26 Stat. 209, 210 (1890)). During the same period numerous states enacted similar provisions. *Ibid.* Because these fee-shifting provisions sought to encourage plaintiffs filing suit as flagbearers for social policy, they were "usually one-way: the successful plaintiff recovered a realistic fee, but the successful defendant did not." *Ibid.*

By the 1960s, "the accumulation of federal fee statutes turned into a deluge which radically transformed the financing of much federal litigation." Leubsdorf, *supra*, at 30. Congress included fee-shifting provisions in "[v]irtually all the major civil rights and environmental statutes" it passed in that period. *Ibid.* (citing 20 U.S.C. § 1617 (1982) (school desegregation); 42 U.S.C. § 7607(f) (1981) (Clean Air Act); 42 U.S.C. § 2000e(5)(k) (1976) (employment discrimination)). In later years, unsatisfied with statute-by-statute implementation, Congress "enact[ed] provisions that swept whole areas of litigation into the fee award system." *Ibid.* (citing Civil Rights Attorney's Fee Awards Act of 1976, Pub. L. No. 94-559, 90 Stat. 2641 (1976); Equal Access to Justice Act, Pub. L. No. 96-481, 94 Stat. 2321 (1980)).

This legislation was meant to endorse "a policy of social reform through litigation – especially through litigation that does not yield plaintiffs a financial reward from which a contingent fee may be paid."

Leubsdorf, *supra*, at 30 (citing *NAACP* v. *Button*, 371 U.S. 415 (1963); Owen M. Fiss, *The Civil Rights Injunction* (1978)). Consistent with that purpose, modern courts "have read fee statutes broadly, and * * * drawn from them an underlying rationale that civil rights fee statutes *should encourage enforcement by 'private attorneys general'*." Leubsdorf, *supra*, at 30 (emphasis added). In order to encourage "private attorneys general," courts granted fees to "virtually all prevailing plaintiffs [under the statutes] while denying them to virtually all prevailing defendants." *Ibid.* (citing *Christiansburg Garment Co.* v. *EEOC*, 434 U.S. 412, 420-22 (1978); *Newman* v. *Piggie Park Enters., Inc.*, 390 U.S. 400 (1968)); *see also ibid.* (noting that neither the legislatures nor the courts have "shown the slightest sign of replacing the American [R]ule with the English rule," and have instead continued to apply fee-shifting statutes according to a "one-sided" approach, "holding out the prospect of fees to one class of litigants (usually plaintiffs) while denying it to the other").

Congress has thus authorized fee shifting for *successful* litigants—generally plaintiffs—in a variety of areas.

3. No similar history exists with respect to merits-indifferent fee shifting such as the Government urges here. To the contrary, the parties in this litigation have identified only one instance of merits-indifferent shifting of attorneys' fees—and it is contrary to the Government's position.

The National Childhood Vaccine Injury Act of 1986 ("NCVIA") allows individuals claiming vaccine-related injuries to seek compensation from the Government in the Court of Federal Claims. *See* 42 U.S.C. § 300aa-11. The statute "unambiguously

authorizes the payment of attorney's fees even to unsuccessful litigants," Pet'r Br. 37, by permitting discretionary awards including " * * * (A) reasonable attorneys' fees, and (B) other costs, incurred in any proceeding on such petition," 42 U.S.C. § 300aa-15(e)(1), for petitions "brought in good faith" with "a reasonable basis," *Cloer*, 569 U.S. at 373-74 (quoting *id.*). In other words, in *the only circumstance* in which Congress authorized payment by a winning litigant of its losing opponent's attorneys' fees, it did so to *subsidize* litigation, *i.e.* encourage judicial review, by requiring that *the Government* pay the fees of private-party plaintiffs who sued it, the Government's fees are not included in this statute.

B. Congress Has Never Used Fee Shifting To Discourage The Good-Faith Pursuit Of Potentially Meritorious Claims.

In the rare instances Congress has employed fee shifting to *discourage* litigation-related conduct, it has done so only in ways that pose no threat to the policy underlying the American Rule.

1. There is a longstanding tradition of awarding fees to penalize bad faith litigation conduct, *see, e.g.*, Fed. R. Civ. P. 11(c)(2),[5] but that tradition has no bearing on the good-faith, potentially meritorious litigation the American Rule is designed to encourage. Fee-shifting to prevent bad faith litigation does not operate, as the Government's interpretation of Section

[5] Bad faith litigation conduct is illegitimate litigant behavior that abuses the judicial process. *See Cal. Motor Transp. Co.* v. *Trucking Unlimited*, 404 U.S. 508, 513 (1972); *see also, e.g.*, Leubsdorf, *supra*, at 29 ("The 'bad faith' doctrine" awards attorney fees "for the obvious purpose of deterring illegitimate behavior in the courtroom, and sometimes outside it.").

145 here would, to discourage the good-faith pursuit of legitimate, litigation-related objectives. *See, e.g.*, *Prof'l Real Estate Inv'rs, Inc.* v. *Columbia Pictures Indus., Inc.*, 508 U.S. 49, 65 (1993) (attorneys' fees inappropriate as long as litigation reflects an "objectively plausible effort to enforce rights").

2. The Patent Act shifts fees "in exceptional cases," but that too provides no precedent for fee-shifting to discourage legitimate litigation conduct. *See* 35 U.S.C. § 285 ("The court in exceptional cases may award reasonable attorney fees to the prevailing party."). An "exceptional" patent case is "one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014); *see Highmark Inc.* v. *Allcare Health Mgmt. Sys.*, 572 U.S. 559, 563 (2014) (same); *accord Halo Elecs., Inc.* v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016) (district courts should have discretion to award enhanced damages in "egregious cases of misconduct beyond typical infringement."). [6] Although Section 285 permits fee awards in a broader range of "exceptional cases" than are covered by the "bad faith" doctrine of Rule 11, it still does not discourage good-faith, potentially meritorious litigation.

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[6] In assessing whether a case is exceptional, courts must rely on factors akin to those that are appropriate for determining bad faith. *See Octane*, 572 U.S. at 554 & n.6 ("factors" to consider include "frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence").

3. Nor does the authority to charge *costs* against parties who engage in legitimate, litigation-related conduct provide any precedent for an award of *attorneys' fees* against such parties. It is well-understood (and has long been the case in American practice) that, unlike attorneys' fees, *costs* are routinely shifted among litigants. *See, e.g.*, James R. Maxeiner, *Cost & Fee Allocation in Civil Procedure*, 58 Am. J. Comp. L. 195, 195 (2010) ("Court costs in American civil procedure are allocated to the loser ('loser pays') as elsewhere the civilized world."). Thus, contrary to the Government's argument (*e.g.,* Pet'r Br. 24-29), Section 145's imposition of *costs* on meritorious plaintiffs is unremarkable, and therefore offers no evidence that Congress intended to take the further, extraordinary step of including *attorneys' fees* in the awarded "expenses" to discourage the vindication of rights in court.

III. THE GOVERNMENT CANNOT CARRY ITS BURDEN OF DEMONSTRATING THAT SECTION 145 AUTHORIZES LITIGATION-DISCOURAGING FEE AWARDS.

Because both the American Rule and its exceptions are designed to encourage, rather than discourage, the vindication of rights in court, the Government's interpretation of Section 145 would mark a substantial departure from historical practice. To prevail in its efforts for that departure, the Government must show an "explicit" Congressional exception. *Baker Botts*, 135 S. Ct. at 2164. The Government cannot meet that burden.

A. Section 145 Does Not Avoid The American Rule.

The Government seeks to characterize Section 145 as a *sui generis* provision that does not implicate the American Rule because it purportedly "operates not as a form of fee-shifting * * * but rather as 'an unconditional compensatory charge imposed on' all applicants who invoke Section 145." Pet'r Br. 33-38 (quoting *Shammas*, 784 F.3d at 221). But the Court has already rejected that distinction. In *Baker Botts*, the Court made clear that *any* provision that would "forc[e] one side to pay the other's attorney's fees" implicates the American Rule. 135 S. Ct. at 2169.

Contrary to the Government's position, the fact that the "Court did not mention the American Rule" in *Cloer* does not undermine the *Baker Botts* holding. *Cf.* Pet'r Br. 37. As the Government concedes, the statute at issue in *Cloer* (NCVIA) provides that the Government pay those fees "unambiguously," *ibid.*, thus rendering any analysis concerning the American Rule's "clear statement" requirement irrelevant. *See* Pet. App. 14a-15a (*Cloer* stands only "for the unremarkable principle that a statute providing for the award of 'attorney's fees' can displace the American Rule"). *Cloer* therefore provides no support for the Government's assertion that this Court did not mean what it said in *Baker Botts*.

In any event, the Government's effort to avoid the American Rule here makes little sense on its own terms. To conceptualize Section 145 as an "unconditional expense-reimbursement requirement," as the Government does (Pet'r Br. 16), only highlights that the Government's interpretation of Section 145 serves to *damage* the American Rule even more than a success-based provision would. *Cf. supra* pp. 14-15

(discussing merits-indifferent, *plaintiff*-friendly fee shifting).[7] Whereas a success-based provision would burden only unsuccessful plaintiffs, an "unconditional" attorneys' fees requirement would burden *every* litigant who sought judicial review, even if successful.

Far from rendering the American Rule inapplicable, that characteristic presents an *a fortiori* case for application of a clear-statement requirement. *See, e.g.*, *Baker Botts*, 135 S. Ct. at 2164 ("explicit statutory authority" required before "deviat[ing]" from "long-established and familiar legal principles") (quotations and alterations omitted). The Court has made clear that merits-indifferent fee shifting reflects such an extreme departure from traditional practice that it will not be adopted in the absence of certainty that it is what Congress intended. *See Ruckelshaus*, 463 U.S. at 685 (noting that if the history of fee shifting in this Country reflects one "consistent, established rule," it is that "a successful party need not pay its unsuccessful adversary's fees"). Indeed, although there exists some, limited statutory precedent for *plaintiff*-friendly fee shifting without regard to the

[7] If the Government were correct that Section 145 was enacted to burden the good-faith pursuit of meritorious litigation by private parties, the statute would raise grave First Amendment concerns. *See, e.g.*, *Bill Johnson's Rests., Inc.* v. *N.L.R.B.*, 461 U.S. 731, 741 (1983) ("[T]he right of access to the courts is an aspect of the First Amendment right to petition the Government for redress of grievances."); *Boddie* v. *Connecticut*, 401 U.S. 371, 374 (1971) (holding that state-court fees that denied access to courts constituted undue burden on exercise of constitutional rights). *Cf. Prof'l Real Estate Inv'rs*, 508 U.S. at 56 (refusing, when interpreting the Sherman Act, to "impute to Congress an intent to invade the First Amendment right to petition") (quotation omitted).

underlying merits (and, even then, only where the entity paying is the Government), *cf. Cloer*, 569 U.S. 373-74, the Government has not pointed to any precedent in American history for a merits-agnostic, *defendant*-friendly provision. *Cf. supra* pp. 10-17 (discussing Congress's historical preference for employing fee shifting to favor plaintiffs). Skepticism that Section 145 refers to attorneys' fees is therefore all the more appropriate in light of the statute's indifference to the merits of any given case.

2. At its core, the Government's argument is that district court review of PTO decisions should be subject to a special rule, not the American Rule. As the Court has made clear, intellectual property litigation does not have its own rules; it is treated the same as other litigations.[8] The Government is not entitled to its own exception—its own special exemption from the American Rule—for review of PTO decisions, absent a clear and explicit Congressional mandate.

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[8] *See, e.g.*, *eBay Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 391-94 (2006) ("These familiar [injunction] principles apply with equal force to disputes arising under the Patent Act. * * * Nothing in the Patent Act indicates that Congress intended such a departure. * * * This approach is consistent with our treatment of injunctions under the Copyright Act. * * * And as in our decision today, this Court has consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed. * * * [S]uch discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards."); *see also Fleischmann Distilling*, 386 U.S. at 718-21 (in accord for trademark law).

B. The Government's Interpretation Of Section 145 Invades The Common Law And Therefore Requires A Clear Textual Authorization.

Setting aside the American Rule, the Government cannot deny that its interpretation of Section 145 invades the common law. As the Court has repeatedly emphasized, statutes will not be interpreted to invade the common law in the absence of explicit language. *See, e.g.*, *Samantar* v. *Yousuf*, 560 U.S. 305, 320 n.13 (2010) ("[W]e interpret the statute with the presumption that Congress intended to retain the substance of common law."); *Nken* v. *Holder*, 556 U.S. 418, 433 (2009); *United States* v. *Texas*, 507 U.S. 529, 534 (1993); *Norfolk Redevelopment & Hous. Auth.* v. *Chesapeake & Potomac Tel. Co. of Va.*, 464 U.S. 30, 35 (1983). Indeed, it was deviation from the common law—and not merely from the American Rule itself—that drove the outcome in *Baker Botts*. 135 S. Ct. at 2164 (clear-statement requirement applied because rule against fee shifting "has roots in our common law reaching back to at least the 18th century").

At common law, cost-shifting (other than for bad-faith litigation practices) was "not allowed." *Taniguchi* v. *Kan Pac. Saipan, Ltd.*, 566 U.S. 560, 564 (2012) (citing *Alyeska Pipeline Serv.*, 421 U.S. at 247-48); *see Empire State Ins. Co.* v. *Chafetz*, 302 F.2d 828, 830 (5th Cir. 1962) ("There was no common law right to attorneys' fees."); *Hyatt* v. *Shalala*, 6 F.3d 250, 254 (4th Cir. 1993) ("The common law allows awards of attorneys' fees in only a few exceptional cases, such as when the losing party has willfully disobeyed a court order or has acted in bad faith, vexatiously, wantonly, or for oppressive reasons."). It follows, therefore, that even if the Government were correct that merits-

indifferent fee shifting does not implicate the American Rule—an unsupportable position—the Government's interpretation of Section 145 still would invade the common law and require a clear statement from Congress. The Government does not address this well-established principle of statutory construction.

C. Section 145 Does Not Clearly Authorize Attorneys'-Fee Awards.

Because the Government's interpretation of Section 145 reflects a radical break from the American Rule and the common law, the question for the Court is whether Section 145 is susceptible to *only* that interpretation. *See, e.g.*, *Buckhannon Bd. & Care Home*, 532 U.S. at 602. It is not.

1. As the respondent explains, the phrase "expenses" can easily be (and, in fact, most naturally is) interpreted to refer only to litigation outlays that are traditionally the subject of cost-shifting. *See* Brief Of Respondent NantKwest, Inc. (filed July 15, 2019) ("Resp. Br.") 15-29. As the Court recently made clear, using an inclusive modifier (in this instance, "all") does not expand the noun's meaning. *See Rimini St.*, 139 S. Ct. at 878-79 (in phrase "full costs," "[t]he adjective 'full' * * * does not alter the meaning of the word 'costs.'"). As a straightforward textual matter, the statute is therefore easily susceptible to an interpretation that excludes attorneys' fees.

2. The PTO's own longstanding interpretation of the word "expenses" belies any claim that the statute clearly authorizes fee shifting. Until 2013, it was the PTO's view that the phrase "all * * * expenses" did not encompass attorneys' fees; now the PTO says it does. The existence of such conflicting interpretations

forecloses the Government from demonstrating that Section 145 *unambiguously* provides for attorneys' fees, as the Government must in order to prevail. *See Baker Botts*, 135 S. Ct. at 2164. *See generally, e.g.*, *Nat'l Cable & Telecomms. Ass'n* v. *Brand X Internet Servs.*, 545 U.S. 967, 982-83 (2005) (agency may only adopt interpretation of statute that conflicts with prior interpretation where statute is "ambiguous").

3. Congressional practice favors affirmance, as well. In the America Invents Act of 2011, Congress made substantive changes to Section 145's venue provisions for PTAB review, but kept the "expenses" language at issue here intact. That amendment took place two years *before* the PTO adopted its current position, and at a time when Congress knew the PTO interpreted "all * * * expenses" to exclude attorneys' fees. Since "Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it reenacts a statute without change * * * ," *Fogerty* v. *Fantasy, Inc.*, 510 U.S. 517, 527 (1994) (citations omitted), the pre-2013 treatment of Section 145 was validated by the 2011 Act.

4. In addition to shedding light on the policy underlying the exceptions to the American Rule, *see supra* pp. 10-17, the fee provision of 35 U.S.C. § 285 also demonstrates that "all * * * expenses" does not include attorney's fees. *See* Pet. App. 22a-23a; Resp. Br. 26-29. "Where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Russello* v. *United States*, 464 U.S. 16, 23 (1983) (citation and alteration omitted). As the court of

appeals noted, Section 285 contains precisely the sort of clear language this Court's precedents require before shifting of attorneys' fees will be authorized. *See* Pet. App. 23a (citing 35 U.S.C. §§ 271(e)(2), (4), 273(f), and 297(b)(1), and noting that, when provisions of the Patent Act other than Section 285 impose attorneys' fees, they do so by expressly referring to Section 285). Congress employed no such language in Section 145. Thus, Section 285 further emphasizes that the expenses provided for in Section 145 do not include attorneys' fees and *pro rata* staff expenditures.

CONCLUSION

For the foregoing reasons and those in the respondent's brief, the judgment should be affirmed.

Respectfully submitted,

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