

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 OF INTELLECTUAL PROPERTY
OWNERS ASSOCIATION AS *AMICUS CURIAE*
IN SUPPORT OF RESPONDENT**

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INTEREST OF THE *AMICUS CURIAE*

Amicus curiae Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology that own or are interested in intellectual property rights.¹ IPO was founded in 1972, and its membership now includes about 200 companies and 12,000 individuals who are involved in the association either through their companies or as inventors, authors, executives, law firms, or attorney members.

IPO regularly represents the interests of its members before Congress and the United States Patent and Trademark Office (“USPTO”); and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The members of IPO’s Board of Directors approved the filing of this brief and are listed in the Appendix.²

Many of IPO’s members—individual inventors as well as corporations large and small—obtain patents in the normal course of their businesses. If the USPTO rejects their patent applications, 35 U.S.C. § 145 authorizes them to seek *de novo* review in district court. These district-court proceedings are generally the only way applicants can introduce live testimony,

¹ No party’s counsel authored this brief in whole or part; no party or party’s counsel contributed money intended to fund the preparation or submissions of the brief; and no person other than *amicus*, its members, or counsel contributed money intended to fund the preparation or submission of the brief. Counsel for all parties have consented to the filing of this brief.

² IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

because the USPTO's appeal boards generally do not hear live testimony. Adopting the petitioner's view would expose individual inventors and corporations to uncertain and potentially crushing attorneys' fees, which would be a particularly daunting burden on individual inventors and small entities.

STATEMENT

The process for prosecuting a patent or trademark application is as follows.

1. Examiner review: The process begins when an applicant files an application for a patent or trademark. *See* 35 U.S.C. § 111(a) (patents); 15 U.S.C. § 1051 (trademarks). An examiner reviews the application and can issue a rejection. *See* 37 C.F.R. § 1.104(c) (patents); 37 C.F.R. § 2.61(a) (trademarks). For patents, examiner rejections may be directed to failures to adhere to certain formal requirements for patent applications, e.g., 35 U.S.C. § 112. More frequently, these rejections are issued because the examiner believes that the invention is not new, 35 U.S.C. § 102, or "nonobvious" to a person of skill in the art. 35 U.S.C. § 103. Applications to register trademarks can be rejected for any number of reasons—the most common being that the mark is "likely . . . to cause confusion." 15 U.S.C. § 1052(d).

Typically, the applicant responds and tries to overcome the rejection. *See* 37 C.F.R. § 1.111 (patents); 37 C.F.R. § 2.62 (trademarks). The examiner can then issue a "final rejection." *See* 37 C.F.R. § 1.113 (patents); 37 C.F.R. § 2.63(b) (trademarks).

The applicant has a right to conduct a live interview with the examiner. 37 C.F.R. § 1.133 (patents); Trademark Manual of Examining Procedure § 709

(trademarks). The USPTO strongly encourages inventors to use this opportunity. Live discussions with the examiners, it explains, are “often indispensable.” Manual of Patent Examining Procedure (“MPEP”) § 713; PTO, *Interview Best Practices*,

https://www.uspto.gov/sites/default/files/patents/law/exam/interview_best_practices.pdf.

2. Board review: An applicant can appeal the examiner’s final rejection to the Patent Trial and Appeal Board, 35 U.S.C. § 134(a), or the Trademark Trial and Appeal Board, 15 U.S.C. § 1070. These appeal boards “generally do not accept oral testimony.” *Kappos v. Hyatt*, 566 U.S. 431, 435 (2012).

3. Federal court review: If the Board upholds the examiner’s rejection, the applicant has two options. *One*, the applicant can appeal directly to the U.S. Court of Appeals for the Federal Circuit. 35 U.S.C. § 141(a) (patents); 15 U.S.C. § 1071(a) (trademarks). The Federal Circuit decides the appeal on the closed written record from the Board. 35 U.S.C. § 144 (patents); 15 U.S.C. § 1071(a)(4) (trademarks).

Two, the applicant may bring a civil action against the USPTO in the U.S. District Court for the Eastern District of Virginia. 35 U.S.C. § 145 (patents); 15 U.S.C. § 1071(b) (trademarks). In this kind of civil action, the applicant can introduce new evidence. *See Dickinson v. Zurko*, 527 U.S. 150, 164 (1999). The trade-off is that the applicant must pay “[a]ll the expenses of the proceeding.” 35 U.S.C. § 145 (patents); 15 U.S.C. § 1071(b)(3) (trademarks). In the trademark context, the statute is explicit that the applicant pays “whether the final decision is in favor of such party or not.” 15 U.S.C. § 1071(b)(3). Although the Patent Act

is no longer explicit on this point, courts have concluded that a patent applicant similarly must pay these expenses of the proceeding “regardless of the outcome.” *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc), *aff’d and remanded*, 566 U.S. 431 (2012).

4. History of federal-court review: The two paths for review have existed since 1839. *See* Act of Mar. 3, 1839 (“1839 Act”), ch. 88, 5 Stat. 354–55. Even then, the applicant could choose to seek review “on the evidence produced before the [USPTO],” with no expense shifting, *id.* at 355 § 11, or it could introduce new evidence in a suit in equity but pay “the whole of the expenses of the proceeding.” *Id.* at 354 § 10; *see Butterworth v. United States*, 112 U.S. 50, 61 (1884).

There is little pre-1900 data on which path applicants chose. *See* Pasquale J. Federico, *Evolution of Patent Office Appeals Part II*, 22(11) J. PAT. OFF. SOC’Y 920, 940 (1940) (“*Evolution of PTO Appeals II*”). However, between 1886 and 1927 it made little sense for applicants to seek district court review, because the Supreme Court for the District of Columbia (the predecessor of today’s D.C. Circuit) ruled in 1886 that an applicant could not seek district-court review of a rejection until it first brought an on-the-record appeal to the court of appeals. *Kirk v. Comm’r of Patents*, No. 9996, 1886 WL 15875 (D.C. Oct. 18, 1886), *cited in Evolution of PTO Appeals II*, 22 J. PAT. OFF. at 939–41. This made seeking district court review “most farcical” because an applicant would be asking the district court to overturn its own reviewing court. *Evolution of PTO Appeals II*, 22 J. PAT. OFF. at 940. Not surprisingly, few applicants even tried. *Id.* at 939–41. Congress fixed this anomaly in 1927 by requiring

applicants to bring suits in equity straight from the USPTO without first bringing an appeal. Act of March 2, 1927 (“1927 Act”), ch. 273, 44 Stat. 1335, 1336 (69th Cong.).

After the 1927 Act, the number of suits for district-court review jumped to about 90 per year. *Evolution of PTO Appeals II*, 22 J. PAT. OFF. at 941. By 1940, almost as many applicants were seeking district-court review as direct appeals to the Court of Customs and Patent Appeals (the Federal Circuit’s predecessor). *See id.* at 941, 948; Edwin Thomas, *Recent Suits Against the Commissioner Under R.S. 4915*, 22 J. PAT. OFF. SOC’Y 616, 616–17 (1940) (describing a yearly average of about 95 district-court cases and about 120 appeals). Over the years, the popularity of district-court review has been steadily decreasing,³ and “the vast majority of applicants pursue an on-the-record appeal.” *Nantkwest, Inc. v. Iancu*, 898 F.3d 1177, 1197 (Fed. Cir. 2018) (en banc) (citations omitted).

³ The Westlaw database does not include all cases where applicants sought district-court review. Nevertheless, the data in Westlaw is representative of the trends. Per Westlaw, in 1940, there were 36 requests for district-court review; 10 in 1950; 16 in 1960; 0 in 1970; 2 in 1980; 2 in 1990; 0 in 2000; and 0 in 2010. The data was obtained by searching for cases naming the head of the PTO as a party in cases before the district court for D.C. (where such cases were brought until 2011) and then excluding cases that did not involve review of a rejection or that were duplicative of another case. Perhaps this reflected the public’s belief that the Court of Customs and Patent Appeals was more favorable to patentees than the regional circuits, where appeals of district-court-review cases went. *Cf.* Harold H. Bruff, *Specialized Courts in Administrative Law*, 43 Admin. L. Rev. 329, 334 (1991).

SUMMARY OF THE ARGUMENT

In the U.S., the longstanding presumption is that each side pays its own attorneys' fees—a presumption called the “American Rule.” Here, the government asserts that 35 U.S.C. § 145 and 15 U.S.C. § 1071(b) avoid the American Rule because, unlike most fee-shifting statutes, they do not limit fees to the prevailing party. Rather, according to the government, the American Rule has no place because these statutes award the government its attorneys' fees even when it loses. The government is wrong: That is all the more reason to apply the American Rule, not a reason to avoid it. This Court's precedent confirms that proposition.

The American Rule is a “strong background” presumption, *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533 (1994), applicable to all cases where fee-shifting is sought. Because the American Rule applies, the government is entitled to attorneys' fees only if a statute explicitly and unambiguously provides for them. Neither section 145 (patents) nor section 1071(b) (trademarks) does. These provisions instead grant the government “all expenses of the proceeding,” which is the English translation of the Latin “*Expensæ Litis*”—a term that courts and legislators would have understood in 1839, when this language first appeared in the Patent Act. This Latin term of art refers to “generally allowed” costs of court proceedings that do not include attorneys' fees.

Irrespective of the phrase's technical meaning, “expenses of the proceeding” comes nowhere close to providing the explicit statutory authority necessary to overcome the American Rule's presumption. The word “expenses” would be too ambiguous to do so on its own.

There are many instances—in statutes and legal opinions, both old and new—where “expenses” does not include attorneys’ fees. To be sure, some statutes and legal opinions do include attorneys’ fees within the general category of “expenses.” But, unlike here, they do so explicitly, as the American Rule requires.

The rest of the contextual statutory language is likewise of no help to the government. The government attorneys’ pro-rated salaries are not expenses “of the proceeding,” but expenses *of the USPTO*—the government pays the attorneys the same salary whether they work on a civil action in district court, a Federal Circuit appeal, a different task, or nothing at all. This is unlike the government’s expenditures for, say, hiring an outside expert, where the government would not have spent the money but-for the proceeding.

History confirms this reading. The USPTO has been authorized and required to collect all the “expenses of the proceeding” since 1839. It first argued that “expenses of the proceeding” included attorneys’ fees 174 years later, in 2013. The agency’s centuries-long practice is powerful confirmation that its new interpretation is incorrect, and provides it no statutory authorization to attorneys’ fees.

ARGUMENT

I. THE AMERICAN RULE APPLIES WITH FULL FORCE IN THIS CASE

The American Rule’s presumption that litigants pay their own attorneys’ fees applies, and it is not overcome by 35 U.S.C. § 145 (patents) or 15 U.S.C. § 1071(b) (trademarks).

A. The American Rule Is That “Each Litigant Pays His Own Attorney’s Fees, *Win or Lose*”

The American Rule is simple: “Each litigant pays his own attorney’s fees, win or lose, unless a statute or contract provides otherwise.” *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) (quoting *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252–53 (2010)). As *Baker Botts, id.*, notes, the American Rule is a “bedrock principle” of American law, tracing roots to at least the eighteenth century *Arcambel v. Wiseman* decision, 3 Dall. 306 (1796). Because “Congress legislates against the strong background of the American Rule,” *Fogerty*, 510 U.S. at 533, we begin with the applicability of the American Rule and then consider the statutory provisions in light of that presumption.

B. Under This Court’s Precedent, the American Rule Is More Strongly Implicated If Attorneys’ Fees Are To Be Imposed Against a *Winning* Party

Section 145 and section 1071(b) both shift expenses “regardless of the outcome,” *Hyatt*, 625 F.3d at 1337. Where, as here, a statute is urged to shift the costs of legal representation regardless of outcome, the “strong” presumption of the American Rule applies even more forcefully.

Ruckelshaus v. Sierra Club, 463 U.S. 680 (1983), directly addresses this question. The Sierra Club and the Environmental Defense Fund (the “Environmental Groups”) challenged revised EPA emission standards for coal-burning power plants, but the D.C. Circuit upheld them. *Sierra Club v. Costle*, 657 F.2d 298, 310, 312–13 (D.C. Cir. 1981). Although the government prevailed, the D.C. Circuit granted

the Environmental Groups attorneys' fees pursuant to a statute that allowed courts to award "attorney . . . fees" where "appropriate." *Sierra Club v. Gorsuch*, 672 F.2d 33, 34 (D.C. Cir. 1982) (quoting 42 U.S.C. § 7607(f)). This Court granted the government's petition for certiorari. *See Ruckelshaus*, 463 U.S. at 682. In its brief to this Court, the government explained that it was unaware of "any previous case . . . in which attorneys' fees were awarded to a party that did not succeed in any way," and "it seems most unlikely that such a radical departure from the American Rule against fee-shifting could have passed Congress with nary a mention, let alone a clear exposition of Congress' intent." Brief for Petitioner, *Ruckelshaus v. Sierra Club*, 463 U.S. 680 (1983) (No. 82-242), 1982 U.S. S. Ct. Briefs LEXIS 920, at *24, *25.

This Court agreed. "[R]equiring a [completely successful] defendant" to pay the loser's attorney's fees "would be a radical departure from long-standing fee-shifting principles adhered to in a wide range of contexts." *Ruckelshaus*, 463 U.S. at 683. Under the American Rule, "even the *prevailing* litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the *loser*." *Id.* at 684 (citations omitted; emphases in original). Of the many fee-shifting provisions embedded in federal statutes, "the consistent rule is that complete failure will not justify shifting fees from the losing party to the winning party." *Id.* Even English courts, which do shift fees, "have never gone so far as to force a vindicated defendant to pay the plaintiff's legal expenses." *Id.* at 684–85. This "consistent, established" and "uniform" rule makes "intuitive" sense: "ordinary conceptions of just returns reject the idea that a party who wrongly

charges someone with violations of the law should be able to force that defendant to pay the costs of the wholly unsuccessful suit against it.” *Id.* at 685. Unless required by the statutory language, this Court would not read such counterintuitive fee-shifting into a statute. *See id.* *Ruckelshaus* thus saw no basis for such a “radical departure” from established practice and reversed. *Id.* at 693–94.

Here, the government seeks just such a “radical departure” without any clear textual support in the statute. The government’s interpretation would yield a result unprecedented in statute and case law—giving the government agency the right to attorneys’ fees for defending its own employees’ asserted errors.

C. From a Policy-Perspective the American Rule Is More Strongly Implicated If Attorneys’ Fees Can Be Imposed Against a *Winning* Party

As *Ruckelshaus* recognizes, what the government asks for here—attorneys’ fees even when it loses—is counter-“intuitive” and in no way “just.” *Ruckelshaus*, 463 U.S. at 685. Every explanation for the American Rule applies at least as strongly, if not more so, where a *prevailing* party is asked to pay the losing side’s fees.

1. Discouraging the poor from vindicating rights: One justification for the American Rule is that “the poor might be unjustly discouraged from instituting actions to vindicate their rights” if they had to pay the other party’s attorneys’ fees when they lost. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 718 (1967). Some believe this is the “primary justification” for the American Rule. *Sally-Mike Properties v. Yokum*, 365 S.E.2d 246, 249–50 (W. Va. 1986).

This rationale would apply even more strongly if a winning party were required to pay the fees. If it is wrong to discourage a poor litigant from bringing an ultimately losing lawsuit, it is wrong to discourage a poor litigant from bringing a meritorious lawsuit. The imbalance is particularly acute when the patent or trademark applicant squaring off against the government is an individual or small corporate entity, and would make district court review effectively available only to the wealthiest applicants.

2. Penalizing parties for litigating: A related justification for the American Rule is that “one should not be penalized for merely defending or prosecuting a lawsuit.” *Fleischmann*, 386 U.S. at 718. If it turns out that the litigant was wrong, the decision to litigate is justified by the “at best uncertain” nature of litigation. *Id.*

This argument too would apply more strongly if the winning party were required to pay the losing party’s fees. Although litigation results are uncertain, “it is at least more probable that the losing party was in the wrong.” Arthur L. Goodhart, *Costs*, 38 YALE L.J. 849, 877 (1929). In any event, a prevailing party should not be penalized for defending or prosecuting a meritorious lawsuit.

3. Difficulty assessing reasonable attorneys’ fees: Another justification for the American Rule is that “the time, expense, and difficulties of proof inherent in litigating the question of what constitutes reasonable attorney’s fees would pose substantial burdens for judicial administration.” *Fleischmann*, 386 U.S. at 718.

Those burdens exist under every statute that awards attorneys’ fees, which is one reason courts

insist on clear congressional intent to impose such burdens on parties and the courts. Here, the government proposes an especially complicated way of determining attorneys' fees—a “pro rata share of the employees' salaries.” Pet.Br. 7. Trying to apportion the pro rata outlay for an employee is even more complicated than paying reasonable attorneys' fees based on hourly time entries maintained in the ordinary course of law practice. A proper pro rata allocation could include not just salaries but also pro rata “benefits for the attorneys, support services, equipment, office space, attorney recruitment, attorney training and continuing education, and administrative overhead.” *Raney v. Fed. Bureau of Prisons*, 222 F.3d 927, 934 (Fed. Cir. 2000) (en banc). Courts should not enter such a morass unless Congress explicitly instructs them to do so.

4. Encouraging settlement: Other courts have suggested that “requiring each party to be responsible for their own legal fees promotes settlement.” *Cracker Barrel Old Country Store, Inc. v. Epperson*, 284 S.W.3d 303, 308–09 (Tenn. 2009) (citations omitted). The economics behind this claim boil down to the fact that shifting fees, in violation of the American Rule, causes settlement offers to “fall[] more than the expected value of trial declines.” A. Mitchell Polinsky & Daniel L. Rubinfeld, *Does the English Rule Discourage Low-Probability-of-Prevailing Plaintiffs?*, 27 J. LEGAL STUD. 519, 529 (1998).

Be that as it may, awarding one side attorneys' fees win or lose would certainly discourage settlement—an imbalance made more unfair here by the fact that the government would always obtain its fees. Accordingly, the government would always be motivated to

continue litigating, even if it expected to lose, because it would be reimbursed for its lawyers' fees irrespective of outcome.

5. Distrust of attorneys: Some scholars suggest that the American Rule's presumption against fee-shifting provisions was born out of an aversion to lawyers, who were viewed as "characters of disrepute." *Reynolds v. First Alabama Bank of Montgomery, N.A.*, 471 So. 2d 1238, 1242 (Ala. 1985) (citing Goodhart, *Costs*, 38 YALE L.J. at 873 (itself citing CHARLES WARREN, A HISTORY OF THE AMERICAN BAR 4 (1913) ("WARREN HISTORY"))) (some citations omitted). The common perception was that some lawyers "stirred up litigation for the sake of the petty court fees" and were not trying to achieve justice. WARREN HISTORY at 5. This is an accusation more applicable to lawyers who lose than to lawyers who win, and provides yet another reason that there should be a stronger presumption against awarding attorneys' fees to a *losing* party.

The distrust of lawyers was also partially grounded in Americans' distaste for the British government's "Attorneys-General and Solicitors-General," who pushed through "the King's prerogatives." WARREN HISTORY at 7. On this reasoning, the American Rule should be at its acme when the government seeks fees for its own attorneys.

D. The Government Is Wrong To Abandon the American Rule

The government's primary argument is that the American Rule's strong presumption should not apply even where one side receives attorneys' fees regardless of whether it prevails. *See* Pet.Brief 33–36. As demonstrated above, that is inconsistent with *Baker Botts*, *Ruckelshaus*, and the numerous policy

articulated justifications for the American Rule. *See supra* at 7-13. The government hints at several other reasons for avoiding or deviating from the presumption of the American Rule. All of them fail.

First, the government argues that if this Court does not shift attorneys' fees, the fees "attributable to section 145 proceedings will ultimately be borne by other fee-paying users of the agency's services." Pet.Br. 28. That is just as true in every case where someone litigates against the USPTO—including in section 141 appeals where USPTO must pay its own attorneys' fees. Pet.Br. 4. It would be illogical to treat government attorneys in section 145 proceedings differently. Congress's approach, on the other hand is perfectly logical. The government is responsible for paying its attorneys, whether they work on civil actions in district court or Federal Circuit appeals, but the applicant is responsible for paying for the new expenses created by the civil action—like the government's expenditure for outside experts.

Second, the government claims that having an applicant pay the USPTO's attorneys' fees "is a counterpart to the requirement that all applicants pay fees for examination." Pet.Br. 35. But the fees for standard prosecution are fixed based on the USPTO's "estimate[]" of costs. P.L. 112-29; 125 Stat. 319 § 10(a)(2). Congress has not authorized the Director to wait until a proceeding is over before deciding how much to charge each applicant. Applicants should know how much they will be required to pay when applying for a patent.

Third, the government argues that its interpretation of the statutes is "reinforced by the manner in which the USPTO calculates its personnel

expenses”—i.e., that the government is seeking only prorated salaries. Pet.Br. 36. The statute either does or does not shift attorneys’ fees. The government cannot change the statute’s meaning based on how much it asks for in fees.

Fourth, the government notes that the USPTO prevailed in this case. Pet.Br. 10, 26. But the government seeks a construction of sections 145 and 1071(b) that would award it attorneys’ fees even when it loses. *See, e.g., Booking.com B.V. v. PTO*, 915 F.3d 171 (4th Cir. 2019), *cert. pending* No. 18-1309.

Fifth, the government seeks support from the fact that this Court in *Sebelius v. Cloer*, 569 U.S. 369 (2013), did not mention the American Rule. Pet.Br. 37. Inferences drawn from a court’s silence are always questionable. *See Steel Co. v. Citizens for a Better Env’t*, 523 U.S. 83, 91 (1998). This inference is demonstrably incorrect. The *Sebelius* Court was addressing (and rejecting) the government’s argument that the word “filed” should be interpreted in an unusual manner “for fees purposes, and only for fees purposes,” 569 U.S. at 379, which the government explicitly grounded in the “American Rule[s]” distaste for shifting attorneys’ fees. Br. for Petitioner at 32, *Sebelius*, 569 U.S. 369 (2013) (No. 12-236), 2013 WL 75285, at *32–33. This Court rejected the government’s argument because the statute was “unambiguous” and “clear,” *Sebelius*, 569 U.S. at 380, which is the standard for overcoming the American Rule’s presumption. *See Oates v. Oates*, 866 F.2d 203, 208 (6th Cir. 1989). That *Sebelius* did not invoke the “American Rule” is of no consequence.

Sixth, and finally, the government suggests that shifting fees will protect the USPTO “from abusive

patent-prosecution tactics” where an applicant might “withhold evidence during agency examinations” so that it can raise it for the first time in district court proceedings and receive *de novo* review. Pet.Br. 28. But inventors seek district-court review relying solely on the record below—*see, e.g., Johnson v. Rea*, No. 1:12-cv-440, 2013 WL 1499052, at *2 (E.D. Va. Apr. 9, 2013)—and the government is not limiting its request for fees to these cases where the applicant introduce new evidence. Moreover, the suggested construction is unnecessary to deter “abusive” tactics: District courts retain the “well-acknowledged’ inherent power”—consistent with the American Rule—“to levy sanctions in response to abusive litigation practices.” *Roadway Exp., Inc. v. Piper*, 447 U.S. 752, 765 (1980) (quoting *Link v. Wabash R. Co.*, 370 U.S. 626, 632 (1962)).

The government’s premise of such “abusive” practices is unsupported evidence that applicants withhold their best evidence during prosecution for the purpose of raising it for the first time in district court. It seems farfetched that applicants would do so. If an applicant prevails before the USPTO, the government may not thereafter challenge its own agency’s decision in federal court. And there is no guarantee that the applicant would succeed in federal court, even with hypothetically withheld evidence added to the record. Civil actions are far more expensive than regular prosecution: applicants must pay for their own experts and attorneys in addition to the government’s “expenses of the proceeding.” As discussed in detail at pp. 26-28, below, applicants most often use district court actions to introduce oral testimony, which the USPTO boards “generally d[o] not accept.” *Kappos*, 566 U.S. at 435; Pet.Br.25.

II. THE STATUTES DO NOT PROVIDE “EXPLICIT STATUTORY AUTHORITY” FOR DEVIATING FROM THE AMERICAN RULE

A. Only “Explicit Statutory Authority” Can Overcome the American Rule’s Presumption

The American Rule is only overcome by “explicit statutory authority,” which means “specific and explicit provisions for the allowance of attorneys’ fees.” *Baker Botts*, 135 S. Ct. at 2164 (citations omitted). Neither section 145 nor section 1071(b) contains such “specific and explicit” statutory authority.

B. “Expenses Of The Proceeding” Is A Term Of Art That Does Not Include Attorneys’ Fees

Congress enacted the predecessor to section 145 in the 1839 Act. *See* p.4, above. Then, as now, the statute shifted all “expenses of the proceeding.” 5 Stat. at 355 § 10; 35 U.S.C. § 145 (2012). “[E]xpenses of the proceeding” does not include, explicitly or by construction, attorneys’ fees.

“Expenses of the proceeding” is a translation of the Latin phrase “*Expensæ Litis*” (literally, “expenses of the litigation”). Dictionaries contemporaneous with the original statute demonstrate that this was a well-understood legal phrase and did not include attorneys’ fees. James Whishaw, for example, defined “*Expensæ Litis*” as the “costs of suit allowed a plaintiff or defendant recovering in his action.” JAMES WHISHAW, A NEW LAW DICTIONARY 14 (1829). John Bouvier and Black’s dictionaries similarly define “*Expensæ Litis*” as “generally allowed” costs. JOHN BOUVIER, I LAW DICTIONARY ADAPTED TO THE CONSTITUTION AND LAWS OF THE UNITED STATES OF AMERICA 564 (1875); BLACK’S LAW DICTIONARY 461 (1st ed. 1891). Again,

“generally allowed” costs did not then, and do not now, include attorneys’ fees.

Nineteenth-century court cases contemporaneous with the enactment of the statutes similarly confirm that “*Expensæ Litis*” did not include attorneys’ fees or compensation for a party’s own time. This Court in *Day v. Woodworth* explained that “all the law allows as *expensa litis*” is the “legal taxed costs”—not “counsel-fees.” *Day*, 54 U.S. 363, 372 (1851). Riding circuit, Justice Grier made this same point in several other cases both before and after *Day*. See *Parker v. Bigler*, 18 F. Cas. 1115, 1115 (C.C.W.D. Pa. 1857); *Stimpson v. The Railroads*, 23 F. Cas. 103, 104 (3d Cir. 1847). Additionally, the Massachusetts Supreme Judicial Court explained that “*Expensa litis*” does not include “money expended on account of the party himself, or for his own time.” *Lindsay v. Larned*, 17 Mass. 190, 195 (1821).

The government’s request for attorneys’ fees is a request for “counsel fees” and for money expended “for [its] own time.” Such fees are not included within the understanding of *expensæ litis*—i.e., the “expenses of the proceeding” authorized by sections 145 and 1071(b).

C. “Expenses Of The Proceeding” Is At Best Ambiguous As To Attorneys’ Fees

Even if “expenses of the proceeding” was not a longstanding term of art, it would be at best ambiguous as to attorneys’ fees and would not overcome the presumption created by the American Rule.

a. **“Expenses,” Standing Alone, Is Ambiguous**

Congress, courts, and dictionaries all confirm that “expenses” is a word that sometimes includes attorneys’ fees, and sometimes does not.

1. Congress: Congress knows how to specifically and explicitly provide for attorneys’ fees. As the Federal Circuit catalogued, Congress often allows both “expenses” and “attorneys’ fees,” but when it does, it does so separately and expressly. *Nantkwest*, 898 F.3d at 1188–89 (citing statutes). Sometimes Congress lists “attorneys’ fees” and “expenses” as separate items of recovery. *Id.* at 1188 (citing statutes). For example, 31 U.S.C. § 3730(d)(1) awards qui tam plaintiffs “reasonable expenses . . . plus reasonable attorneys’ fees.”

Other times, Congress describes “attorneys’ fees” as “included” in “expenses”—but still lists them separately. *Nantkwest*, 898 F.3d at 1189 (citing numerous statutes and cases). For example, the provision that certain fiscal agents should be reimbursed for national-defense spending—provides that the agents shall receive “all expenses . . . including, notwithstanding any other provision of law, attorneys’ fees and expenses of litigation.” 50 U.S.C. § 4531(b)(4). That language is clear. It expressly includes “attorneys’ fees”—and does not rely on the introductory “all expenses” language to do that work. That is because Congress recognizes that awarding “expenses”—or even “all expenses”—does not, without more, shift attorneys’ fees, particularly in the context of a statute that treats “attorneys’ fees” and “expenses of litigation” as distinct categories of “expenses.”

The government responds that statutes that “award ‘reasonable expenses, including attorneys’ fees,’ assume that the term ‘expenses’ encompasses those fees.” Pet.Br. 40. The government is correct that such statutes show that the word “expenses”—in the abstract, devoid of context—is broad enough that it could include attorneys’ fees. But the fact that Congress regularly goes out of its way to expressly “include” attorneys’ fees as an element of “expenses” demonstrates that the term “expenses,” on its own, does not. Lest there be any doubt, Congress also sometimes includes “attorneys’ fees” as an explicit category of recoverable “costs,” *Marek v. Chesny*, 473 U.S. 1, 44–48 (1985) (Brennan, J., dissenting) (cataloguing 63 statutes), even though (as the government admits) the term “costs” does not include “attorneys’ fees.” Pet.Br. 20–21.

The government’s attempt to brush off statutes that list “attorneys’ fees” and “expenses” as just having “[s]ome redundancy,” Pet.Br. 41, are even more flawed. It is illogical to assume that numerous statutes have unnecessary “redundancy.” Moreover, the government’s logic does not work for a statute like 31 U.S.C. § 3730(d)(1), which provides “reasonable expenses . . . plus reasonable attorneys’ fees.” The word “plus” shows that “attorneys’ fees” are something “added” to “expenses.” See MERRIAM WEBSTER, <https://www.merriam-webster.com/dictionary/plus>.

What the government calls “redundancy” is not redundancy at all. Rather, the express inclusion of attorneys’ fees within these “cost” and “expense” statutes is necessary, in light of the American Rule, to make a clear statement that attorneys’ fees are in fact recoverable “costs” or “expenses.” Absent Congress’s

explicit inclusion of attorneys' fees in these laws, the litigation-focused context of these statutes would be properly construed to not include attorneys' fees, because of the strong background presumption of the American Rule. This is particularly true here, where the government is seeking to interpret a statute that does *not* mention the term "attorneys' fees" as awarding attorneys' fees—and requesting a "radical departure" from the American Rule that would go further than even English courts have been willing by allowing fees to a losing party. *Ruckelshaus*, 463 U.S. at 683.

2. Courts: As the Federal Circuit's opinion demonstrated, both now and in the first half of the nineteenth century, courts distinguished between "expenses" and "attorneys' fees." *See Nantkwest*, 898 F.3d at 1191 (collecting cases). The government cites other courts that, in ordinary parlance and not construing statutes, use the term "expenses" in a way that includes attorneys' fees. *See* Pet.Br. 20–21. Here too, the inconsistency proves that "expenses" is at best an ambiguous term when it appears alone, without the specific addition of "attorneys' fees."

In *Rimini Street, Inc. v. Oracle USA, Inc.*, 139 S. Ct. 873 (2019), on which the government relies, the Court rejected an effort to expand recoverable costs, in a decision that demonstrates the need for a statute to specifically call out attorneys' fees in order to overcome the strong presumption of the American Rule. Despite the Copyright Act's authorization for district courts to award "full costs" to one party in a copyright dispute, this Court concluded, based on the "default rule" and "clear baseline" established by the federal costs statute, any expansion of recovery beyond "the six

categories specified in the general costs statute” must be supported by “express authority.” *Id.* at 877. Significantly, this Court noted that “some federal statutes go beyond” the federal costs statute “to expressly provide for the award of expert witness fees or attorney’s fees,” but the Copyright Act did not. *Id.* *Rimini Street’s* analysis applies with even greater force to this case, where the American Rule establishes not just a “default” or “baseline” but a “strong background presumption” against shifting attorneys’ fees. “[A]ll expenses of the proceeding” is certainly not “express authority” to expand expense recovery to include attorney’s fees.

3. Dictionaries: The government cites numerous general-purpose dictionaries and generic definitions that, it argues, show that “expenses,” in isolation, can include attorneys’ fees. *See* Pet.Br. 18, 23 (quoting numerous dictionaries).⁴ As the government itself notes, many of those same dictionaries give “costs”—which the government concedes does not include attorneys’ fees, Pet.Br. 20–21—as one potential definition for the term “expense.” But where, as here, words like “costs” and “expenses” have “different meanings attributable to [them],” any “interpretational difficulties” are resolved by drawing Congress’s meaning from statutory context. *Bailey v. United States*, 516 U.S. 137, 143 (1995). These dictionaries take no account of the litigation-based

⁴ Those dictionaries are: THE AMERICAN HERITAGE DICTIONARY OF THE ENGLISH LANGUAGE 624 (5th ed. 2016); WEBSTER’S NEW WORLD COLLEGE DICTIONARY 511 (5th ed. 2014); NEW OXFORD AMERICAN DICTIONARY 609 (3d ed. 2010); JOSEPH E. WORCESTER, DICTIONARY OF THE ENGLISH LANGUAGE 521 (1860); JAMES STORMONTH, ETYMOLOGICAL AND PRONOUNCING DICTIONARY OF THE ENGLISH LANGUAGE 194 (7th ed. 1882).

context of the term’s meaning in statutes that shift attorneys’ fees, where the American Rule’s presumption requires an explicit and clear statement that attorneys’ fees will be available.

b. Prorated Government Attorney Salaries Are Not “of the Proceeding”

Sections 145 and 1071(b) shift expenses “of the proceeding.” Prorated salaries of USPTO attorneys are not that. The government pays its attorneys the same salary whether the attorneys work on a civil action, a direct appeal, or nothing at all.

The government, like the Fourth Circuit in *Shammas*, notes that, in another statute, an early Congress described a fund for paying the “salaries” of USPTO employees and “other expenses.” Pet.Br. 22 (citing Act of July 4, 1836 (“1836 Act”), ch. 357, § 9, 5 Stat. 117, 121); *Shammas v. Focarino*, 784 F.3d 219, 226 (4th Cir. 2015). The government argues that this means that the word “expenses” in the 1839 predecessor to section 145 should also be understood to include salaries.

There is no basis for applying this presumption of consistent usage—rather than the “strong” presumption of the American Rule—across two statutes enacted by different Congresses for different purposes. As Scalia and Garner note, the presumption of consistent usage is “often disregarded” in the best of times. ANTONIN SCALIA AND BRYAN A. GARNER, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 171 (2012); *see id.* (noting that the word “state” in the Constitution has four different meanings) (citing 1 JOSEPH STORY, *COMMENTARIES ON THE CONSTITUTION OF THE UNITED STATES* § 454, at 323 (2d ed. 1858)). The doctrine is “persuasive” only if the two statutes were

“enacted at the same time, and dealt with the same subject.” *Id.* at 173. Here, neither requirement is met. The two statutes were enacted three years apart by different Congresses.

More importantly, though, the contexts of the two statutes are much different. The 1836 Act is an appropriations statute, where the American Rule plays no role in providing a background presumption. The 1839 Act, by contrast, is a litigation-specific statute addressing how to seek review of a USPTO rejection, which does squarely implicate the American Rule’s presumption. That an earlier appropriations statute and a later litigation-specific statute both use the word “expense” is too slender a reed to suggest that Congress sought to shift attorneys’ fees in the later one, particularly when such an inference would be contrary to the American Rule. Thus, as is so often the case, “the presumption of consistent usage readily yields to context.” *Util. Air Regulatory Grp. v. E.P.A.*, 573 U.S. 302, 320 (2014) (citations omitted).

D. For Nearly Two Centuries, “Expenses of the Proceeding” Was Interpreted as Not Including Attorneys’ Fees

As the government concedes, it has been authorized to collect all the “expenses of the proceeding” for district-court patent proceedings since 1839 and for trademark proceedings since 1946. Pet.Br. 5, 6. The statutes use the mandatory “shall” to order the government to collect “all the expenses.” 35 U.S.C. § 145; 15 U.S.C. § 1071(b)(3); *see NantKwest*, 898 F.3d at 1190 n.5 (“§ 145 is not discretionary”). Yet, the government did not seek attorneys’ fees until 2013. Pet.Br. 31. That is 174 years of consistent patent practice and 67 years of consistent trademark practice

of not seeking attorneys' fees, which are "often the single largest [outlay] that a litigant incurs." Pet.Br. 39. The government's long-held and consistent interpretations of sections 145 and 1071(b) is strong evidence that these provisions do not permit the government to collect attorneys' fees.

The government offers two defenses for its recent decision to change course. *First*, it argues that it is responding to "Congress's recent requirement that the USPTO set its fees at the level necessary to cover its aggregate operating expenses." Pet.Br. 32. But that "recent requirement" actually suggests that the USPTO's "fees" for patent applications, trademark applications, etc., should be set to recoup the complete, "aggregate operating expenses" of the office, not by reinterpreting an old statute with an established meaning. Further, the government has always been *required* to collect expenses for proceedings under sections 145 and 1071(b). *See NantKwest*, 898 F.3d at 1190 n.5. Congress changed nothing meaningful to justify a new interpretation of these "expenses of the proceedings" statutes.

Second, the government argues that litigation today is complicated, whereas decades ago, district-court suits were "relatively simple." Pet.Br. 8–9 (quoting Karl B. Lutz, *Court Review of Decisions of the U.S. Patent Office*, 2 GEO. WASH. L. REV. 174, 175 (1934)). The government reads too much into Lutz's comment. In 1934 nearly half of the petitions for review of the USPTO were taken to district courts, p.5, *supra*; now, few are. This reduction would more than offset any added complications of the rare district-court review of a USPTO decision. Moreover, the remark is taken out of context. Lutz was describing district court, "single

applicant” review cases as simple “relative[]” to cases with more than one applicant. 2 GEO. WASH. L. REV. at 175. He says nothing to suggest that those cases were simple as compared to today’s cases.

Against this historical background, Congress has reenacted and amended these patent and trademark expense provisions numerous times without meaningful change. *See NantKwest*, 898 F.3d at 1180 n.1. This is a powerful indication that Congress—which last amended these provisions in 2011, *see* 125 Stat. 290, 316, 335 (2011)—was satisfied with the agencies’ historical understanding and application of the statutes, which did not include the award of the government’s attorneys’ fees. “Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change.” *Lorillard v. Pons*, 434 U.S. 575, 580 (1978).

III. PRESENTING LIVE TESTIMONY IN DISTRICT COURT IS A RIGHT, NOT A PRIVILEGE

Sections 145 and 1071(b) allow applicants to seek review of an adverse decision through a civil action in district court. “This opportunity to present new evidence is significant, not the least because the PTO generally does not accept oral testimony.” *Kappos*, 566 U.S. at 435.

The importance of *live* testimony to the judicial process is well recognized. “In almost every setting where important decisions turn on questions of fact, due process requires an opportunity to confront and cross-examine adverse witnesses.” *Goldberg v. Kelly*, 397 U.S. 254, 269 (1970). In the patent context, the USPTO explains that live discussions with examiners are “often indispensable” for prosecution. MPEP § 713;

PTO, *Interview Best Practices*, https://www.uspto.gov/sites/default/files/patents/law/exam/interview_best_practices.pdf. Yet the USPTO refuses to allow applicants to present such “often indispensable” oral testimony before its boards. That “often indispensable” testimony cannot be introduced in direct appeals to the Federal Circuit, which take place on the closed “record before the Patent and Trademark Office.” 35 U.S.C. § 144; 15 U.S.C. § 1071(a)(4) (similar provision for trademark appeals).

Given the importance of *live* testimony, the USPTO’s general reluctance to accept oral testimony would raise Constitutional concerns but for the possibility of introducing oral testimony through a civil action in district court. Allowing applicants to present oral evidence only on the condition that they pay the USPTO’s attorneys’ fees—regardless of outcome—would make these civil actions an unrealistic option for most applicants. In this case, for example, the government is asking for \$78,592.50 in attorneys and paralegals’ fees, which would nearly triple the applicant’s expenditure on the government’s fees. *See* Pet.Br. 10. In the few other reported patent cases, the government has likewise sought large sums. *See Realvirt, LLC v. Lee*, 220 F. Supp. 3d 704, 705 (E.D. Va. 2016) (\$48,454.62 in attorneys’ fees); *Taylor v. Matal*, No. 1:15-cv-1607, 2017 WL 5147147, at *5 (E.D. Va. Nov. 6, 2017) (\$80,827.92 in attorneys’ fees).

Giving applicants the “unrealistic option” of paying tens of thousands of dollars (or more) for the right to present live testimony is not the “Due Process” guaranteed by the Constitution. *Goldberg*, 397 U.S. at 269. Many of the USPTO’s constituents, including thousands of individual inventors, could not afford

these kinds of fees, so the government’s position would effectively prevent these inventors’ access to federal district courts and to oral testimony—even when an applicant was certain of winning.

The government responds, as did the Fourth Circuit, that presenting live testimony is a privilege. *See Shammis*, 784 F.3d at 225 (“Of course, if the dissatisfied applicant does not wish to pay the expenses of a *de novo* civil action, he may appeal the adverse decision of the PTO to the Federal Circuit.”); Pet.Br. 26. The suggestion that only those who can afford the other party’s attorneys’ fees are entitled to come to district court is not the American way.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Dated: July 22, 2019

Respectfully submitted,

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APPENDIX

**APPENDIX¹ — MEMBERS OF THE BOARD
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