
United States Court of Appeals
for the
Federal Circuit

NANTKWEST, INC.,

Plaintiff-Appellee,

– v. –

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

Defendant-Appellant.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
CASE NO. 1:13-CV-1566, JUDGE GERALD BRUCE LEE

***EN BANC* BRIEF OF THE ASSOCIATION OF AMICUS COUNSEL,
REALVIRT, LLC, ISSHIKI & CO., AND HIRAIDE & TAKAHASHI AS
AMICI CURIAE IN SUPPORT OF PLAINTIFF-APPELLEE
NANTKWEST, INC.**

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CERTIFICATE OF INTEREST

Pursuant to Fed. Cir. R. 29 and 47.4, counsel-of-record for the amici curiae herein certifies the following:

1. The full names of the amici curiae represented by me in the instant pending appeal are indicated on the front cover of this brief.
2. The names of the real party or parties in interest represented by me in the instant pending appeal in this action: N/A.
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the parties represented by me: N/A.
4. The names of all law firms, and the partners and associates thereof, that appeared for any amicus curiae now represented by me on this brief, who appeared in the trial court, or are expected to appear in this Court:

Eaton & Van Winkle LLP - Charles E. Miller, Esq.
Kelly L. Morron, Esq.
Foley & Lardner LLP – Jonathan E. Moskin, Esq.
The Rando Law Firm P.C. – Robert J. Rando, Esq.
SACK IP Law P.C. – Alan M. Sack, Esq.
Ditthavong & Steiner, P.C. – Patrick R. Delaney, Esq.

5. The title and number of any case known to me 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 instant pending appeal: Realvirt, LLC has a pending appeal to this Court, arising under the same issues regarding attorney fees and 35 U.S.C. § 145, that is expected to be directly affected by the Court's decision in this case. *See Realvirt, LLC v. Joseph Matal, No. 17-1159.*

Dated: January 23, 2018

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I.
STATEMENT OF AMICI CURIAE

The Association of Amicus Counsel ("AAC") is an independent, unincorporated non-profit organization of lawyers of diverse affiliations and law practices, who are committed to serving the public interest, and who, by training, scholarship, experience, and discernment in their respective areas of the law, are possessed of the requisite proficiency in preparing and submitting amici curiae briefs that are helpful to courts and other tribunals. Briefs are submitted by the AAC in support of individuals and entities both domestic and foreign, or in support of neither as may be appropriate. Such individuals and entities include those who feel called upon to participate in the judicial process by having their voices heard in cases of controversy, including precedent-setting litigations whose issues of contention and outcomes will affect the interests of the public, including their own, and of others similarly situated. The AAC broadly focuses on advancing the science of jurisprudence through the submission of briefs in cases of importance in order to legitimately advocate, promote, and assist in the correct judicial development of the law in the time-honored tradition of "friends of the court."

Realvirt, LLC ("Realvirt") is a limited liability corporation, incorporated in the Commonwealth of Massachusetts, and engaged in

developing software and related intellectual property for computer network switching devices. Realvirt has a pending appeal to this Court, arising under the same issues regarding attorney fees and 35 U.S.C. § 145, that is expected to be directly affected by the Court's decision in this case. *See, Realvirt, LLC v. Joseph Matal, No. 17-1159*. Realvirt has no financial stake in any of the parties to this litigation or in the result of this case. Realvirt's only interest is in seeking correct and consistent interpretation of the law as it relates to intellectual property issues.

Isshiki & Co. is a Japanese law firm founded in Tokyo in 1976 and whose practice areas include international intellectual property and dispute resolution matters for a diverse clientele many of whom and are actively involved in protecting patentable inventions in a full range of technologies in the United States. Neither Isshiki & Co. nor to its knowledge do any of its clients or affiliates have a financial stake in any of the parties to this litigation or in the result of this case. As one of the named amici curiae herein, Isshiki & Co.'s interest in the present controversy, like that of many other firms outside the United States, is in seeking correct and consistent interpretation of the law as it relates to intellectual property issues of concern to itself and its clients.

Hiraide & Takahashi is a general practice Japanese law firm founded in 2010 in Tokyo and whose practice areas include patent, trademark, copyright, and other forms of intellectual property. A number of the Firm's clients look to Hiraide & Takahashi for guidance in understanding intellectual property laws including the patent laws of the United States, and their relationship to corresponding laws and procedures in other countries. Neither Hiraide & Takahashi nor to its knowledge do any of its clients or affiliates have a financial stake in any of the parties to this litigation or in the outcome of this case. As one of the named amici curiae herein, Hiraide & Takahashi's interest in the present controversy, like that of many other firms outside the United States, is in seeking correct and consistent interpretation of the law as it relates to intellectual property issues of concern to itself and its clients.

The herein-identified amici curiae submit this brief pursuant to the August 31, 2017 *en banc* Order of this Court *sua sponte* vacating the Court's June 23, 2017 split-panel decision, and reinstating for *en banc* hearing on new briefings of the parties, the PTO's appeal of the district court's February 5, 2015 decision, and inviting amici curiae participation. This brief, submitted in accordance with Fed. R. App. P. 29(a), supports reaffirmance of that portion of the district-court decision in favor of NantKwest, Inc.

Based on the terms of the Order, the parties' consent and leave of the Court to file this brief are not required.

With regard to the inquiries raised by Fed. R. App. P. 29(c)(5), counsel herein represent that they have authored the entirety of this brief, and that no entities other than the amici curiae herein or their counsel have made any monetary contribution to its preparation or submission.

II. **BACKGROUND FACTS AND PROCEDURAL HISTORY**

A. NantKwest Lost In The PTO On The Issue Of Patentability.

In 1997, European immunologist Dr. Hans D. Klingemann filed an initial patent application in the U.S. Patent and Trademark Office ("PTO") to protect his invention on a method of treating cancer in mammals involving the use of NK-92 cells to recognize and destroy cancer cells in vivo as described and claimed in his subsequent patent application filed in 2001 which he assigned to present plaintiff-appellee NantKwest, Inc. ("NantKwest"), a California corporation. In October 2013, the PTO Patent Trial and Appeal Board ("PTAB") affirmed part of the examiner's December 2010 obviousness rejection of NantKwest's application.

B. The PTO Prevailed On The Merits In NantKwest, Inc.’s Civil Action Under 35 U.S.C. § 145 But The District Court Properly Rejected The PTO’s Request For Attorney Fees.

In December 2013, following the PTAB’s adverse ruling on NantKwest’s patent application, NantKwest sued the PTO in district court (Case No. 1:13-cv-1566) for de novo review under 35 U.S.C. § 145 to consider new evidence presented by plaintiff NantKwest, in support of patentability. On September 2, 2015, the court (Gerald Bruce Lee, J.) entered summary judgment in favor of the PTO that the evidence in the administrative record, even with plaintiff’s new evidence, failed to overcome the obviousness rejection. 162 F. Supp. 3d 540 (E.D. Va. 2016) NantKwest appealed the district court’s summary judgment to the Federal Circuit (Docket No. 15-2095) which affirmed it in a non-precedential decision on May 3, 2017.

On September 16, 2015, the PTO’s attorneys in the U.S. Department of Justice (“DOJ”) moved the district court for an award of the PTO’s “expenses and attorney fees” (emphasis supplied) incurred in defending the civil action, totaling \$111,656.39 to be paid by NantKwest under the “all expenses of the proceedings shall be paid by the applicant” provision of Section 145. *Id.*

On February 5, 2016, Judge Lee granted that portion of the DOJ's motion for reimbursement of the PTO's expenditures for expert witnesses in the amount of \$33,103.89. *Id.* However, he denied the rest of the motion insofar as it sought reimbursement of the PTO's "personnel expenses" in the amount of \$78,592.50 attributable pro rata to the salaries of the PTO's in-house attorneys and paralegals who were "diverted" from other matters to work on the instant case. In refusing to award these personnel expenses, Judge Lee recognized that they were tantamount to attorney fees and as such, under the American Rule, were not recoverable as a matter of law because Section 145 does not specifically and explicitly authorize the award of such fees, citing *Alyeska Pipeline Svc. Co. v. Wilderness Soc'y*, 421 U.S. 240, 247-50 (1975). In so holding, he expressly disagreed with the earlier Fourth Circuit panel decision in *Shammas v. Focarino*, 784 F.3d 219, n.1 (4th Cir. 2015) construing the term "expenses" in the counterpart provision in 15 U.S.C. § 1071(b)(3) enabling civil actions by aggrieved trademark applicants ("Without more, these hardly justify deviating from the American Rule's bedrock principle." *NantKwest, Inc. v. Matal*, 162 F. Supp. 3d at 544). At the same time, Judge Lee noted that *Shammas* did not control his decision on the case before him, because here the Federal Circuit has exclusive appellate jurisdiction.

C. This Court’s Incorrect June 23, 2017 Panel Decision Was Properly Vacated and the PTO’s Appeal Was Reinstated For *En Banc* Hearing On the Issue Presented

On April 1, 2016 the PTO appealed to this Court from the district court’s denial of the motion for reimbursement of the PTO’s attorney fees *qua* “personnel expenses” incurred in defending the civil action. Following the February 9, 2017 hearing on oral argument, this Court in its June 23, 2017 split-panel decision reversed the district court’s refusal to include reimbursement of the PTO’s attorney fees attributed to the salaries of its in-house legal staff. *NantKwest, Inc. v. Matal*, 860 F.3d 1352 (Fed Cir. 2017).

On August 31, 2017, this Court *sua sponte* in an *en banc* Order, vacated the June 23, 2017 panel decision (which the amici curiae herein argue was incorrectly decided), reinstated the PTO’s appeal, and requested new briefings addressing the following question to be decided:

“Did the panel in *NantKwest, Inc. v. Matal* . . . correctly determine that 35 U.S.C. § 145’s “all expenses of the proceedings” provision authorizes an award of the United States Patent and Trademark Office’s attorneys’ fees?”

NantKwest, Inc. v. Matal, 869 F.3d 1327 (Fed. Cir. 2017) (*en banc*.)

III.
SUMMARY OF ARGUMENT

Thousands of businesses and individuals have applied to the PTO for patents under the 1952 Patent Act, 35 U.S.C. §§ 1 et seq. (reenacted in amended form in 2011 as the America Invents Act (“AIA”)).

A vital component of the prosecution of patent applications is the availability, under the U.S. Administrative Procedure Act and relevant statutes in the AIA, of Article III court review of PTO refusals to grant them. The right of applicants to avail themselves of de novo judicial review of adverse PTO decisions that are based on incomplete evidence is especially important. To develop an evidentiary record upon which an objective “fresh pair of eyes” can decide the merits of rejected applications with optimal accuracy and objectivity, such reviews are performed by adjudication in civil actions in U.S. district court against the PTO under 35 U.S.C. § 145. Therefore, this statute can be critical because it enables the submission of evidence relevant to patentability that was not presented previously.

The PTO has over the years in various ways sought to curtail the right of aggrieved patent applicants to petition the judiciary for redress of their grievances through adversarial trial and adjudication. In the present case, the PTO’s expansive new interpretation of the expense-shifting provision of Section 145 to include attorney fees would impose an additional financial

burden (beyond the already burdensome expense-shifting aspect) that would have a further chilling effect on judicial challenges by applicants. This interpretation raises acute concern over the PTO's attempt to broaden the meaning of the mandatory expense-shifting provision in Section 145. The PTO has taken the controversial position that the scope of the term "all expenses" in Section 145 should be construed in every instance to include attorney fees attributable to the PTO's allocated in-house counsel and paralegal salaries, lumped together under the rubric of "personnel" costs. In doing so, the PTO has deviated to a position diametrically opposite from the long-established common-law doctrine in this country known as the "American Rule" that each side in a litigation must bear its own attorney fees absent a clear, unequivocal statutory expression to the contrary – which Section 145 does not provide. If the PTO's position were allowed to prevail in this case, it would contravene the plain language, purpose, and intent of Section 145 and set a precedent that would erect an insurmountable financial barrier in many instances to the pursuit of rights under Section 145 by patent applicants – especially individual inventors and those having limited financial resources.

Thus far, the PTO's position in *NantKwest* has met with rejection because district court Judge Lee came to a different conclusion than did the

Fourth Circuit in *Shammas*. Judge Lee denied the PTO's post-judgment motion for reimbursement of similar PTO "personnel expenses" as being contrary to the doctrinal American Rule against "shifting" the burden of paying a party's attorney fees. Undeterred, the PTO, relying on *Shammas*, remains steadfast in its attempt to side-step the American Rule in order to administer a financial coup-de-grâce to the unbroken statutory right spanning most of this country's history — and the legitimate exercise thereof — to de novo judicial review of adverse PTO rulings in *ex parte* cases.

Now, the patent community awaits this Court's definitive *en banc* ruling that hopefully will correct the PTO's fundamentally flawed interpretation of the already onerous expense-shifting provision of Section 145. Such correction is needed to provide clear, uniform guidance on this important legal issue of vital concern to the proper administration of Congress' power to "promote the Progress of useful Arts." U.S. Const. art I, sec 8, cl 8. This guidance will restore long-settled understanding and expectations of appropriate expense-shifting and avoid uncertainties regarding the limits as well as the risks — direct and collateral — of applicants' statutory burden of having to pay "all the expenses" in Section 145 suits against the PTO.

What is ultimately at stake in *NantKwest* for those concerned with real-world intellectual property and who depend on the lawful benefits of U.S. patent rights? It is the prevention of an unprecedented and unjustifiable financial barrier against patent applicants' legitimate pursuit of those rights. Dire consequences will ensue if the PTO's position is allowed to prevail, enabling the imposition of draconian attorney-fee penalties against those who seek to challenge the PTO's errors by proper de novo review in district court to consider additional evidence instead of resorting to the option of deferential appellate review with no new evidence to consider, which is often futile. Just as there is a societal cost and destabilizing effect on the U.S. patent system when the PTO issues patents that should not have been granted, so too with erecting a potentially insurmountable financial impediment against de novo, substantive review of erroneous PTO rejections of applications for patents on inventions that deserve protection.

IV. **ARGUMENT**

A. The PTO's Aversion To Suit and Objective Review In District Court Inform The Present Controversy

A bureaucratic bias has long existed against the U.S. district court's de novo review power over PTO decision-making. Perhaps this bias is fueled by the tension between two co-equal branches of government over the

fact-finding and judgmental authority that each considers its rightful purview. This conflict notwithstanding, inventors and indeed the general public, benefit from the constitutional right to petition the government for redress of grievances unfettered by the threat of having to pay attorneys' fees assessed by the government as a tax on the lawful exercise that right.

Another source of PTO anti-section-145 bias may stem from the fact that the PTO's defense and appeal in Section 145 civil actions is provided, supervised, and conducted by the U.S. Attorney General's Office, 28 U.S.C. § 519, by salaried lawyers in the Department of Justice. 28 U.S.C. §§ 515-518, 1291, 1294(1), and 1295(a)(4)(6). Contradicting the PTO's position that attorney fee awards imposed in Section 145 civil actions could be useful toward funding – or as another way of looking at it, offsetting – its administrative cost of operations is the fact that the DOJ's legal services are usually provided *at no cost to, as well as beyond the control of the PTO*. Such civil actions are not favored by the PTO, compared to the PTO's role as an appellee under 35 U.S.C. § 141(a) / §§142-144, where it is represented solely by its own salaried in-house legal personnel and benefiting from the more favorable “substantial evidence” standard of Federal Circuit review.

Over the years, the PTO has tried in various ways to impede, curtail, stifle, and indeed abolish altogether the right of aggrieved applicants to

petition the judiciary for redress of their grievances against the PTO through adversarial adjudication. The PTO's activities in this regard were manifested in:

- (i) attempts to eliminate de novo judicial review going back at least as early as the 1920s, see, *Hyatt v. Kappos*, 625 F.3d 1320, 1327 (Fed. Cir. 2010) (*en banc*), *aff'd*, 132 S.Ct. 1690 (2012);
- (ii) persuading the U.S. Supreme Court in *Dickinson v. Zurko*, 527 U.S. 150 (1999) to reject the Federal Circuit's "clear-error" standard of reviewing PTO fact-findings underlying the PTO's rulings in favor of the more deferential, less stringent court/agency "substantial-evidence", "arbitrary and capricious", "abuse of discretion" standard under the Administrative Procedures Act;
- (iii) substantive, and hence ultra vires rulemaking in 2002 – subsequently mooted by the PTO's successful lobbying during the run-up to the 2011 enactment of the AIA – aimed at eliminating de novo review in ex parte patent reexaminations in favor of Federal Circuit appellate review as the only recourse in such cases regardless of the patent owner's need to present evidence beyond the administrative record. See, AIA Section 6 (h)(2)(A) amending 35 U.S.C. § 306 by striking "145" and inserting "144"; and Charles E. Miller and Daniel P. Archibald, "Interpretive Agency-Rulemaking vs. Statutory District Court Review-Jurisdiction in Ex Parte Patent Reexaminations", 92(4) *J. Pat. & Trademark Off. Soc'y*, pp. 498-535 (Fall 2010);
- (iv) a failed attempt in *Hyatt v. Kappos*, 132 S. Ct. 1690, 1694 (2012), to persuade the U.S. Supreme Court to allow the exclusion of relevant evidence in Section 145 civil actions that could have been adduced and addressed during the administrative phase before the PTAB. The PTO's defeat may have provided much of the impetus for its current efforts at marginalizing Section 145. See, Charles E. Miller,

“Kappos v. Hyatt and the Endangered Right of De Novo Judicial Review of Administrative-Agency Decisions in the Wake of the America Invents Act”, 95 *J. Pat. & Trademark Off. Soc’y*, pp. 3-23 (2013); and

(v) a lobbying effort in 2013 to repeal Section 145 altogether under the guise of a “technical amendment” of the AIA. *See*, Section 9(a) of the so-called INNOVATION ACT which was formally introduced on October 13, 2013 by Rep. Bob Goodlatte (R-Va) as H.R. 3309 (113th Congress). Had it been enacted, such a repeal would have created exclusive Federal Circuit jurisdiction over adverse PTAB decisions on patent applications.

Against this background litany of prior efforts to avoid or discourage de novo judicial review of its decision-making, the PTO now seeks, through judicial lobbying, to impose a new tax on applicants as a financial deterrent against Section 145 civil actions that was never before overtly contemplated, namely, the inclusion of the salaries paid to the PTO’s in-house counsel and paralegal employees as part of “all the expenses” to be shifted under Section 145. As discussed below, the obvious impact of this remarkable impediment to de novo review would be to defenestrate the statute and thereby stifle PTO “stakeholders” access to justice through lawful resort to de novo court review. The chilling effect that attorney-fee obligations – as distinguished from costs – can have on private litigants was recognized by then president-to-be Barak Obama who, in a speech at Cambridge Dulles Library in September, 1995 observed: “You’ve got a

black plaintiff or a woman plaintiff on the other side who, if she can find a lawyer who's willing to take the case on a contingency, is still looking at \$40K, \$50K, \$100,000 in costs. *These aren't legal fees, just costs.* They get worn down (emphasis added)"

The PTO's interpretation of Section 145 has not escaped the attention of the IP community, as discussed in the *American Bar Association Intellectual Property Law Section Report to the ABA House of Delegates and Recommended ABA Resolution 108A*, approved February 8, 2016. The position of the ABA fully comports with that of NantKwest and the amici curiae herein.

B. 35 U.S.C. § 145 Neither Requires Nor Permits The PTO's Expenditures For Attorney Services To Be Part Of "All The Expenses Of The Proceeding" That The Patent Applicant Must Always Pay

When construing a statutory provision, a court pays due regard to the statute's purpose as gleaned from the intendment of the words used in the text so long as they are plain and clear, not in violation of law, not inconsistent with public policy, and the disposition of the issue upon which the statute operates is not absurd. *Chevron U.S.A., Inc. v. Natural Resources Defense Council*, 467 U.S. 837, 842-43 (1984); *Middlesex County Sewerage Auth. v. Nat'l Sea Clammers Ass'n*, 453 U.S. 1, 15 (1981); *Morton v. Ruiz*, 415 U.S. 199, 231 (1974). Whether or not a word or term is clear and

unambiguous, it can only be construed properly in any given instance according to the context in which it appears, without blind adherence to dictionary definitions as might otherwise be ascribed to the term under normal usage. From this hermeneutical principle, the term “all the expenses” in Section 145 cannot merely by *ipso facto* argument be said to include either attorney fees invoiced to the other party or the other party’s non-out-of-pocket pro-rata expenditures for legal services of in-house legal personnel assigned to work on the case. To do so would ignore the context provided by the American Rule and in so doing deny a district court judge the common law discretion – separate and apart from mandatory expense shifting – as to whether an award of attorney fees in whole or in part would be appropriate in a given case.

The PTO argues that monies spent for attorney services are to be included in “expenses” because the “purpose” of the expense-shifting provision somehow has to do with funding the PTO’s overall operations by enabling it to recoup its costs incurred in defending the suit. But that is a dubious proposition based on historical circumstances that no longer apply; today it is for the *in terrorem* effect of discouraging the bringing of such civil actions in the first place. To divine any purpose in the absence of context, or in the absence of any clear indication in the text, begs the

ultimate question implicit in this Court’s August 31, 2017 *en banc* Order: Can the PTO’s expenses include attorney fees such as in the form of legal staff salaries?

Because of the long-standing American Rule, which sets the context, attorney fees could only be included as part of all the “expenses” to be shifted if Section 145 expressly so indicated. But, that is simply out of the question here because the statute does not unequivocally so provide. *See Marek v. Chesny*, 473 U.S. 1, 8-9 (1985); *Utility Automation 2000, Inc. v. Choctawhatchee Elec. Co-op, Inc.*, 298 F.3d 1238, 1246 (11th Cir. 2002). If Section 145 were interpreted to shift attorney fees as though they were expenses in the usual sense as advocated by the PTO, and if NantKwest, had prevailed on the merits of invention patentability, then it would be tantamount to requiring the prevailing party in a civil action to pay the losing side’s lawyers — a profoundly absurd consequence in the context of historic American practice.

In enacting Section 145, Congress did not write the expense-shifting provision in the last sentence with such unequivocal, specific, and “heightened clarity” (*Shammas*, 784 F.3d at 223), sufficient to justify the PTO’s unreasoned and unreasonable, expanded interpretation of the term “all expenses.” Faced with this fact, the PTO is attempting an end-run

around the American Rule by camouflaging the pro-rata salaries of its in-house legal counsel and paralegals who worked on the case by draping them with the phrase “in-house personnel.” However, it should be noted that in British courts, under the English rule (to which in a sense Section 145, as interpreted by the PTO, defaults when the PTO is the prevailing party), the salaries paid to a litigant’s in-house legal service personnel are not considered common litigation *expenses*, but instead are treated in the same way as outside counsel *fees*. As such, they are usually shifted in favor of the prevailing party. *Henderson v. Merthyr Tydfil Urban Council*, 1 QBD 434 (1900); *In re Eastwood*, Ch 112 (1975) (in-house lawyers are treated in essentially the same way as independent practitioners). This undermines the PTO’s position that its in-house legal staff salaries are expenditures akin to garden-variety “expenses” and as such can be charged as a tax against plaintiff-applicants under Section 145. But as indicated above, such salaries are no different for the purposes of Section 145 than invoiced fees of outside attorneys and as such cannot be shifted without violating the American Rule absent specific statutory authorization which simply does not exist in Section 145.

C. No Valid Rationale Justifies Expense-Shifting Under Section 145 To Include Attorney Fees In Violation Of The American Rule Given The Absence Of Any Statutory Attorney-Fee - Shifting In Direct Appeals To The Federal Circuit

If an aggrieved applicant elects the other option for judicial recourse from an adverse PTO decision, namely, direct appellate review in the Federal Circuit under 35 U.S.C. § 141, then the applicant would not be required to reimburse the PTO for anything beyond the possible assessment and awarding of court costs under Fed. R. App. P. 39; 28 U.S.C. § 1920 unless the PTO prevailed and even then only under egregious circumstances, e.g., sanctionable behavior under 28 USC §1927.

It makes no sense that in direct appeals from the PTO to the Federal Circuit on a fixed administrative record, the PTO pays for its own counsel (its in-house solicitors' and paralegal salaries) while advocating that when sued in the district court in a de novo proceeding that includes newly-adduced evidence, the PTO need not pay for legal services provided by DOJ attorneys free of charge to the PTO. This inconsistency lacks any rational basis; if Congress intended to burden an applicant with paying the PTO's attorney fees in a district court action, Congress would have done so expressly. It is irrational to suppose that Congress would intend that the applicant should pay attorney fees in one avenue of review and not in the other.

D. The PTO's Interpretation Of The Expense-Shifting Provision Leads To The Absurd Result That The Winning Patent Applicant Must Always Pay the Loser's Lawyers

Construing Section 145 to include attorney fees as advocated by the PTO would also lead to the fundamental absurdity of requiring the successful party to pay for the losing party's lawyers as exemplified in cases where the aggrieved applicant prevails against the PTO in district court. This is procedurally nonsensical, illogical, and substantively unconscionable, and from a policy standpoint it would stand the American Rule on its head by erroneously accepting an ephemeral assertion by the administrative state urging attorney-fee shifting based solely on the unelaborated "all expenses" language of the statute that is unsupported by *any* legislative directive, let alone one that is clear and unequivocal. It is doubly contrary to policy because the prevailing patent applicant also overcame the substantial odds against a successful appeal.

If so construed, the language of Section 145 suffers an indefiniteness not addressed in the parties' briefs or by the courts to date in this or in any other case including *Shammas*. Thus, the district court in *NantKwest* focused its attention on the question of *what* "expenses" are included in the provision (i.e., whether the term includes attorney fees). The court was not asked nor did it consider *whose* "expenses" must be paid by the plaintiff

(other than those incurred by the PTO in the form of the pro-rated salaries of its legal staff) and in *which proceedings* other than the district court phase of the case. But as expansively interpreted by the PTO, the statute must also require the plaintiff to pay *all* the expenses – including the salaries of other entities involved in any follow-on proceedings. Such entities would include: (i) the district court itself (including the judges, the clerks, and other court employees as well as outside law firms, experts, and masters retained or appointed by it) (*see* 28 U.S.C. § 530C(b)(1)(C); Fed. R. Evid. 706; Fed. R. Civ. P. 53); (ii) any third-party intervenor appearing in the case (*see* Fed. R. Civ. P. 24); (iii) any private law firm or firms retained to assist the PTO in the defense of the action (*see* 5 U.S.C. § 3109); and (iv) the DOJ attorneys who worked on the case.

With respect to the category (iv) attorneys, for example, the present record is silent as to whether NantKwest should pay for the services of the DOJ attorneys involved in defending the case, which, as presently advised would normally not be billed to the PTO as a matter of DOJ custom.

Alternatively, even assuming such services were not invoiced to the PTO, the district court could, under color of the literal wording of the statute, order NantKwest to pay for them as well as pay for the expenditures made by the entities in categories (i), (ii), and (iii).

In regard to *whose* expenses are included in Section 145, under the PTO's interpretation, couldn't the district court order the plaintiff – even if it wins – to pay those third-party expenditures as a matter of course? To foreclose this absurd albeit strictly logical scenario, the Federal Circuit when considering and deciding the PTO's appeal, guided by the American Rule, should in turn guide the district court where motions for Section 145 expenses are brought and decided, by construing the language in question to mean *all the expenses of only the PTO in the civil action in only the district court proceeding, exclusive of the PTO's attorney fees qua personnel salaries*.

If the PTO were to prevail in its erroneous contention that Section 145 is vague and open-ended with respect to “all expenses” and then exploit it to its logical conclusion, then the true nature and magnitude of the chilling effect on aggrieved-applicants' unreasonable, unforeseeable, and significant financial exposure in pursuing civil actions compared to direct appeals to the Federal Circuit is revealed in all its mischief. This Court should consider that failure to affirm the district court's decision will launch the U.S. patent system down a slippery slope leading to the ultimate elimination of district court review as a viable – and necessary – recourse against incorrect PTO administrative actions in *ex parte* matters.

Unless critically examined and rejected by this Court, the PTO's position will have disastrous consequences for the patent applicant community, and would do nothing to aid Congress in fostering the goals of the U.S. patent system. This Court now has an historic opportunity to interpret correctly the "all expenses" provision in Section 145.

E. The PTO's Interpretation Requiring Attorney-Fee-Shifting Even When It Loses Is At Odds With The Provisions And Offends The Purpose Of The Equal Access To Justice Act

Under the PTO's interpretation of "all expenses" to demand that an aggrieved plaintiff-patent applicant pay the defendant PTO's attorney fees would extract an exorbitant price from the applicant who seeks to exercise the right to introduce new evidence in a civil action as the only practical way of optimizing the chances of vindicating entitlement to a patent and the benefits it bestows. No party should be penalized in this way for merely prosecuting a lawsuit, but that is precisely the result the PTO seeks to accomplish.

The PTO's position conflicts with the provisions and purpose of the Equal Access to Justice Act ("EAJA") (*see* 28 U.S.C. § 2412) which is intended to protect private plaintiffs against being saddled with the burden having to pay the Government's attorney fees in civil actions when the

underlying enabling statute (like Section 145) not only does not expressly mandate such fee-shifting, but indeed, is understood to prohibit it.

Construing the expense-shifting language of Section 145 to include attorney fees as urged by the PTO is inimical in spirit to the provisions of the EAJA in 28 U.S.C. §§ 2412(a)(1), (b), and (d)(1)(A) governing the award to a prevailing party (defined in (d)(2)(B)) of the expenses, costs, and fees in “any civil action brought . . . against any agency or any official of the United States...” including (under (d)(2)(A)) “proceedings for judicial review of agency action....” The term “fees and other expenses” is defined in 28 U.S.C. § 2412 (d)(2)(A) to include “reasonable attorney fees . . . which are to be included in the award except as otherwise specifically provided by statute” (as stated in 28 U.S.C. § (a)(1) and (d)(1)(A)) or “unless expressly prohibited by statute” (as stated in 28 U.S.C. § 2412(b)). The language of Section 145 in accordance with the EAJA does not specifically provide for an attorney fee award to either the PTO or the plaintiff, and indeed prohibits it under the American Rule.

V.
CONCLUSION

Based on the foregoing reasons and authorities, the amici curiae herein urge this Court, guided by the established, time-honored American Rule apropos to this case, to (i) reject the PTO's definition of "expenses" in Section 145 to include attorney fees, and (ii) affirm the District Court's refusal to shift attorney fees incurred by the PTO in the form of pro-rated salaries of the PTO's in-house legal personnel.

Dated: January 23, 2018

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CERTIFICATE OF COMPLIANCE

This brief complies with the typeface requirements of Fed. R. App. P.32(a)(5)(A) and the type style requirements of Fed.R.App.P. 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in 14-point font of Times New Roman.

This brief also complies with the type-volume limitation of Fed.R.App.P. 29(a)(5) and 32(a)(7)(B)(i). It contains 5,418 words counted by the Microsoft Word 2010 function, excluding those parts exempted by Fed.R.App.P. 32(f) and Fed.Cir.R.32(b).

Dated: January 23, 2018

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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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