

Attorney Fees in Civil Actions Against the Director under 35 U.S.C. 145
– A review of *Iancu v. NantKwest* Set for October 7, 2019 Argument
Before the U.S. Supreme Court.
by Adrian Lee

Patent applicants may seek judicial review of adverse decisions of the United States Patent and Trademark Office (USPTO) in one of two ways. One option is to timely appeal directly to the Federal Circuit under 35 U.S.C. 141, which is “taken on the record before the [USPTO]”. See 35 U.S.C. 144. Alternatively, the applicant may timely bring a civil action against the Director of the USPTO in the Eastern District of Virginia under 35 U.S.C. 145, in which case discovery may be performed, and new evidence presented. See *Kappos v. Hyatt*, 566 U.S. 431, 444 (2012). If the applicant introduces new evidence, “the district court must make *de novo* factual findings that take account of both the new evidence and the administrative record before the PTO.” *Id.* at 446. Thus, Section 145 litigation can be a valuable option for appeal.

However, in Section 145 litigation, the statute specifies that “[a]ll the expenses of the proceeding shall be paid by the applicant.” This applies “regardless of the outcome” of the Section 145 litigation.” *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc), aff’d, 566 U.S. 431 (2012). Do these recoverable “expenses” include all of the personnel expenses the USPTO incurs when its employees, including attorneys, defend the USPTO in Section 145 litigation? If so, then there is a potential exception to the American Rule that gives a presumption that each litigant pays his own attorney fees. The Federal Circuit, sitting *en banc*, held that the term “expenses” in Section 145 does not encompass the USPTO’s attorney fees. The United States Supreme Court has now granted the USPTO’s petition to take up this question in *Iancu v. NantKwest* (Case No. 18-801).

The USPTO provides a statutory interpretation argument that the term “expenses” does indeed encompass USPTO employee expenses under the ordinary meaning of the term “expenses” (especially as that term was understood when the statutory predecessor of Section 145 was enacted in 1839), and that a holding to the contrary is inconsistent with Section 145’s history and purpose. The USPTO also argues that Section 145 does not implicate the American Rule because Section 145 allows recovery of expenses regardless of the outcome of the litigation. The USPTO also argues policy – stating “Section 145 gives disappointed patent applicants a unusual opportunity to challenge an agency decision based

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on additional evidence that the agency had no opportunity to consider. Section 145 ameliorates the potential burdens on the agency that attend that approach, however, by protecting the USPTO from the financial impact of discovery, motion practice, and trial.” See *Petition for Writ*, page 12.

NantKwest responds that the American Rule “applies whenever a litigant seeks to recover attorneys’ fee” (citing to *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2165-66 (2015)) and only “specific and explicit provisions for the allowance of attorneys’ fees under selected statutes” (citing to *Alyeska Pipeline Serv. Co. v. Wilderness Soc’y*, 421 U.S. 240, 260 (1975) establishing a clear Congressional intent to deviate from the American Rule can displace this time-honored presumption.). See *Brief in Opposition*, page 1. NantKwest argues that the general recitation “[a]ll expenses of the proceedings” in Section 145 is insufficient to rebut the American Rule’s presumption. Furthermore, NantKwest rebuts the history and purpose argument by stating that in the nearly two centuries since Congress introduced Section 145’s predecessor, the USPTO has never before been awarded or even sought, attorneys’ fees under Section 145, nor has Congress amended the statute to more explicitly include attorneys’ fees. See *Id.*

On July 22, 2019, eight amicus briefs were filed, all opposing the USPTO’s position. For instance, the American Bar Association argued, *inter alia*, that the USPTO’s proposed interpretation of Section 145 would erect an insurmountable roadblock to justice for many patent applicants, and that the presumption established by the American Rule has not been rebutted by the language of Section 145. Briefs were also filed by the American Intellectual Property Law Association (AIPLA), the Intellectual Property Owners, the International Trademark Association, IEEE-USA, amongst others. The case is set for argument on Monday, October 7, 2019.