



# **lanca v. NantKwest, Inc.**

## **USPTO Expenses And Attorneys' Fees Under Section 145**

David P. Goldberg  
Amster, Rothstein & Ebenstein LLP  
May 2, 2019

# Controlling Statutory Language

## ■ 35 U.S.C. § 145

- An applicant dissatisfied with the decision of the Patent Trial and Appeal Board in an appeal under section 134(a) may, unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Director in the United States District Court for the Eastern District of Virginia if commenced within such time after such decision, not less than sixty days, as the Director appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Patent Trial and Appeal Board, as the facts in the case may appear, and such adjudication shall authorize the Director to issue such patent on compliance with the requirements of law. **All the expenses of the proceedings shall be paid by the applicant.**

# NantKwest Patent Application - U.S. Patent App. No.: 10/008,955

- Title: Natural killer cell lines and methods of use
  - Now U.S. Patent No. 10,138,462
  - Directed toward a method of treating cancer by administering natural killer cells
- USPTO rejected claims as obvious in view of the prior art
  - NantKwest appeals decision to the District Court
- District Court affirms USPTO obviousness finding
  - (Sept. 2, 2015)

# USPTO Seeks Expenses Including Attorneys' Fees

- USPTO Arguments:
  - “All the expenses” covers everything, including the USPTO attorneys fees
    - 35 U.S.C. § 145 – “**All the expenses** of the proceedings shall be paid by the applicant.”
  - USPTO personnel expenses are “expenses of the proceedings” under the plain language of 35 U.S.C. § 145
  - Congress intended plaintiffs, not the USPTO or taxpayers, to bear the expenses of optional District Court Proceedings seeking de novo adjudication
  - USPTO relies on the 4<sup>th</sup> Circuit’s ruling with respect to analogous language in the Lanham Act in *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015)

# NantKwest Opposes USPTO Interpretation

- NantKwest Argues:
  - Shifting attorneys' fees absent a “specific and explicit” directive from Congress contravenes the American Rule
  - 35 U.S.C. § 145 does not “specifically and explicitly” authorize attorneys' fees, thus the American Rule is not precluded
  - “Expenses” does not “specifically or explicitly” include attorneys' fees
  - Congress has “specifically and explicitly” authorized attorneys' fees elsewhere in the Patent Act, using different language than “all the expenses”

# Eastern District of Virginia Decision – February 5, 2016

- District Court Awards:
  - Expenses relating to expert fees
- District Court Denies:
  - “Personnel [USPTO legal staff] expenses”
  - Reasoning:
    - Contrary to the American Rule
    - Not bound by *Shammas v. Focarino*
    - *Shammas v. Focarino* was erroneously decided

# Federal Circuit Panel Decision (2-1) – June 23, 2017

- Majority (Judges Prost and Dyk)
  - Overturned District Court Decision
  - Follows *Shammas v. Focarino*
- Dissent (Judge Stoll)
  - USPTO's interpretation of 35 U.S.C. § 145 violates the American Rule
  - 35 U.S.C. § 145 provides no express authority to award attorneys' fees
  - "When Congress want[s] to make attorneys' fees available in a patent litigation, it kn[ows] how to do so." *NantKwest, Inc. v. Matal*, 860 F.3d 1352, 1361-62 (Fed. Cir. 2017).
- Decision is vacated and *sua sponte* rehearing *en banc* is ordered on August 31, 2017

# Federal Circuit *En Banc* Order (7-4) – July 27, 2018

- Reverses panel decision and reinstates District Court judgment
  - USPTO seeks to reverse course after 170 years
    - 35 U.S.C. § 145 has been historically used to recover travel, printing, and expert witness related expenses
  - The American Rule prohibits courts from shifting attorneys' fees absent a “specific and explicit” directive from Congress
    - “All the expenses” falls short of the aforementioned stringent standard



# Federal Circuit *En Banc* Order (7-4) – July 27, 2018

- Dissent (Judges Prost, Dyk, Reyna, and Hughes)
  - “All expenses” means “all” and not “some” of the expenses
  - Historically “expenses has shown up elsewhere in the Patent Act referring to the salaries of PTO officers and clerks, thus the phrase should be construed broadly
  - Agencies are free to change their policies with reasonable explanation
  - Majority opinion creates circuit split with *Shammas v. Focarino*

# Petition for Writ of Certiorari

- Cert was granted March 4, 2019 on the issue:
  - “Whether the phrase ‘[a]ll the expenses’ of the proceedings in 35 U.S.C. § 145 encompasses the personnel expenses the USPTO incurs when its employees, including attorneys, defend the agency in Section 145 litigation.”
- Current Extended Deadlines as per Order of April 3, 2019
  - Petitioner’s Brief Due May 17, 2019
  - Amicus Briefs in Support of Petitioner or No Party due by May 24, 2019
  - Respondent’s Brief due by July 15, 2019
  - Amicus Briefs in Support of Respondent due by July 22, 2019

# THANK YOU!

**David P. Goldberg**  
**Amster, Rothstein & Ebenstein LLP**  
**90 Park Ave.**  
**New York, NY 10016**  
**(212) 336-8000**  
**[dgoldberg@arelaw.com](mailto:dgoldberg@arelaw.com)**

