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# USPTO's 'Peculiar' Fee Rule Hurts Inventors, IP Attys Say

By **Bill Donahue**

*Law360 (June 26, 2019, 2:35 PM EDT)* -- A prominent group of intellectual property attorneys is urging the U.S. Supreme Court to strike down the U.S. Patent and Trademark Office's controversial policy of seeking attorney fees regardless of the outcome of a case, warning it will "penalize emerging inventors."

The amicus brief, filed Monday by the New York Intellectual Property Law Association, came three months after the justices granted certiorari in Iancu v. NantKwest, a case that will decide whether the policy runs afoul of the so-called American Rule that litigants must typically pay their own legal fees.

In the brief, the NYIPLA sharply criticized the USPTO's fee rule as "a rather peculiar circumstance where the government is seeking to recoup the salaries of its staff attorneys and paralegals from an adversary." And the new rule, the group warned the justices, will have a "chilling effect" on patent applicants.

"Allowing the [USPTO]'s interpretation … to stand would penalize parties for merely commencing a lawsuit to such a degree that many parties of limited means simply could not have their statutorily granted day in court," the group wrote. "This would particularly penalize emerging inventors and entrepreneurs seeking to file innovative patents."

The NYIPLA is the latest outside group to criticize the USPTO's policy. The American Bar Association and other IP-focused bar associations have also urged courts to overturn the rule.

The controversy is rooted in language in both the Patent Act and the Lanham Act that says unsuccessful applicants who file a so-called de novo appeal to a district court — as opposed to a more streamlined record appeal directly to the Federal Circuit — must pay "all expenses of the proceeding."

But for decades, the USPTO interpreted that language to mean relatively minor expenses, like travel costs and expert fees. That changed in 2013, when the agency started seeking the substantially larger attorney fees.

The USPTO says the change was justified to pay for a more expensive type of case, but critics say the policy violates the American Rule, a doctrine that says litigants must pay their own expenses unless Congress expressly says otherwise. Critics say the "all expenses" language is not that kind of explicit authorization.

On Monday, the NYIPLA echoed that argument — pointing to the USPTO's own longstanding approach.

“The [USPTO] itself has for over one hundred and seventy years taken the position that “expenses” do not include attorneys’ fees,” the group wrote. “PTO did not even attempt to obtain reimbursement for attorneys’ fees under this definition until 2013.”

The case before the justices is being litigated by a drugmaker called NantKwest, which filed a de novo appeal to a district court after the USPTO denied the company a patent for a cancer drug. The company was later forced to reimburse the USPTO’s attorney fees.

NantKwest won a ruling at the Federal Circuit striking down the policy, prompting the USPTO to take the case to the Supreme Court. The justices agreed to hear the case in March, and the agency filed its opening brief in May.

NantKwest’s brief is due in July, and oral arguments will be held this fall.

The NYIPLA, which represents more than 1000 intellectual property attorneys who practice in the Second Circuit, is represented by Charles Robert Macedo of Amster Rothstein & Ebenstein LLP.

NantKwest is represented by Morgan Chu, Lauren Nicole Drake, Gary N. Frischling, Alan J. Heinrich and John Long of Irell & Manella LLP.

The USPTO is represented by Jaynie Randall Lilley and Mark R. Freeman of the U.S. Department of Justice and in-house by Thomas L. Casagrande, Thomas W. Krause and Scott Weidenfeller.

The case is Iancu v. NantKwest, case number 18-801, in the U.S. Supreme Court.

--Editing by Abbie Sarfo.