

## International reports

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### Winner (or loser) pays USPTO fees

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13 Sep 2017

The US Patent and Trademark Office (USPTO) recently began making applicants who challenge agency rulings on trademarks and patents in district court pay the attorney fees and expenses of the agency, regardless of the case's outcome. This was supported by the Fourth Circuit Court of Appeals for trademarks in 2015, and more recently by a panel of the Court of Appeals for the Federal Circuit for patents in *Nantkwest, Inc v Matal* (June 23 2017). However, the Federal Circuit appears to be having second thoughts, as in August 2017 it vacated the *Nantkwest* panel decision of its own accord and ordered a rehearing by the full court.

When the USPTO has rejected a patent application, the applicant can appeal to the Federal Circuit, or file a new civil action against the USPTO in the US District Court for the Eastern District of Virginia under Section 145 of the Patent Act. The Federal Circuit appeal relies solely on the USPTO record and is therefore more streamlined than the district court route, which provides for discovery and the introduction of new evidence.

However, Section 145 also states: "All the expenses of the proceedings shall be paid by the applicant." US courts typically interpret 'expenses' to mean out-of-pocket costs. However, in 2013 the USPTO began arguing that 'expenses' included its attorney fees. Therefore, even if the district court holds that the USPTO wrongfully denied the applicant a patent, the applicant may still owe the USPTO a considerable amount in attorney fees.

*Nantkwest, Inc* sought a patent directed to a cancer treatment method. The USPTO rejected the claims based on obviousness and *Nantkwest* brought suit in the district court. The court granted summary judgment in favour of the USPTO and awarded the USPTO \$33,000 in expert fees, but denied its request for \$78,000 in attorney fees. The court pointed to the longstanding 'American Rule', whereby parties must pay their own attorney fees unless a statute or agreement provides otherwise.

On appeal, the Federal Circuit panel held in a two-to-one majority that 'expenses' included attorney fees, despite the "heavy burden" that this places on applicants even if they win. The dissent pointed to other sections in the Patent Act where Congress had chosen to expressly award attorney fees and argued that 'expenses' lacked the specificity required to overcome the American Rule.

The final determination of this issue will not affect patent applicants who choose to appeal to the Federal Circuit directly. However, an applicant considering whether to file a new action should consider whether to delay doing so until a final decision is rendered.

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