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Federal Circuit Patent Bulletin: *Nantkwest, Inc. v. Matal*

June 27, 2017

"[35 U.S.C.] § 145 authorizes an award of the USPTO's attorneys' fees [regardless of the outcome]."

On June, 23, 2017, in *Nantkwest, Inc. v. Matal*, the U.S. Court of Appeals for the Federal Circuit (Prost,* Dyk, Stoll) reversed district court's award to the U.S. Patent and Trademark Office of $33,103.89 in expert fees, but not $78,592.50 in attorney fees, after a summary judgment in a 35 U.S.C. § 145 action that U.S. patent application Serial No. 10/008,955, which related to cancer treatment using natural killer (NK) cells, was unpatentable for obviousness. The Federal Circuit stated:

Under 35 U.S.C. § 145, [a]n applicant dissatisfied with the decision of the [PTAB] . . . 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 . . . . All the expenses of the proceedings shall be paid by the applicant. . . . "To deter applicants from exactly the type of procedural gaming that concerns the Director, Congress imposed on the applicant the heavy economic burden of paying '[a]ll the expenses of the proceedings' regardless of the outcome." Put another way, Congress intended that all applicants unconditionally assume this financial burden when seeking review directly in district court-whether they win, or lose. . . . Congress drafted this provision without requiring any degree of success on the merits (much less a prevailing party) as a necessary precedent for shifting this "heavy economic burden" onto the applicant.

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Before determining whether § 145 authorizes an award of the USPTO's attorneys' fees, we first address the government's argument that the American Rule does not apply to these proceedings. Like the Fourth Circuit, we have substantial doubts that this provision even implicates this Rule. [W]e conclude that even under this Rule, the expenses at issue here include the USPTO's attorneys' fees.

Under the American Rule, "the prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser." Courts uniformly recognize an exception to this general proposition, however: when the statute itself "specific[ally]" and "explicit[ly]" authorizes an award of fees, the prevailing party may be entitled to collect its fees.

The definitions and explanations that standard legal dictionaries and treatises provide for the term "expense" support this conclusion. Wright & Miller on Federal Practice and Procedure, for example, defines this term as "includ[ing] all the expenditures actually made by a litigant in connection with the action," including "attorney's fees." Similarly, Black's Law Dictionary defines "expenses" as "expenditure[s] of money, time, labor, or resources to accomplish a result." . . . The law neither confines Congress to the use of any particular term or phrase to satisfy the American Rule's specificity requirement nor requires that Congress employ the words, "compensation," "fee," or "attorney" to meet it. The term "expenses," like "litigation costs," is another example where Congress authorized fee awards without including the words "fees" or "compensation" in the statute. Nantkwest and the dissent simply demand too much.

Our conclusion that this term authorizes the USPTO's fee award is particularly important here in the context of § 145's all expenses provision. This unique provision requires that applicants uniformly name the Director as defendant to their suits. In representing the USPTO's interests, the Director relies on personnel from the Office of the Solicitor. These attorneys-the Solicitor, his deputy, and associates-and supporting paralegals receive fixed salaries as compensation for their government work. As salaried employees, they do not bill individual hours for their work, nor do they collect fees from those whom they represent. In this context, we characterize the overhead associated with their work more precisely as an "expense" to the government than a "fee." Under the dissent and Nantkwest's view, Congress must use the word "fee" instead for the USPTO to receive remuneration. We do not view the American Rule so narrowly. To conclude otherwise, our interpretation would force Congress into the untenable position of selecting a word that must be applied in an unconventional and imprecise manner in the context of these unique proceedings. Given the Supreme Court's construction of "expenses," the guidance dictionary and treatises provide on this term, and the context in which Congress applied it, we conclude that the term "expenses" includes the USPTO's attorneys' fees under § 145. . . .

It cannot be credibly disputed that the USPTO dedicated time and resources of its attorneys to the defense of this litigation when it could have otherwise applied those resources to other matters. Without acknowledging these concerns, Nantkwest essentially endorses a rule that would theoretically permit an award if the USPTO retained outside counsel to defend its interests but not if it elected to proceed on its own. Logically, the meaning of "of the proceedings" cannot turn on the type of attorneys retained to defend the government's interests.