

Attorneys May Be Expensive, But Are Their Fees “Expenses”?

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On March 4, 2019, the Supreme Court agreed to hear *Iancu v. NantKwest, Inc.*, which will determine whether unsuccessful applicants before the United States Patent and Trademark Office who elect to challenge adverse decisions before the district court must—win or lose—pay the PTO’s attorney’s fees.

Unsuccessful patent and trademark applicants are free to challenge the PTO’s decisions. If the PTO denies a patent application, an applicant can either appeal directly to the Federal Circuit, or the applicant can bring an action in district court. The latter option—which is less commonly used—allows the applicant to present additional evidence. If the applicant elects to appeal to the district court,

however, 35 U.S.C. § 145 requires the applicant to pay “[a]ll the expenses of the proceedings.” Trademark applicants can pursue similar recourse under the Lanham Act, which also includes an “all the expenses of the proceedings” provision under 15 U.S.C. § 1071(b)(3). Crucially, whatever is encompassed within “expenses” is paid regardless of outcome—*i.e.*, even a successful challenge puts the applicant on the hook for expenses.

The hundred thousand dollar question is whether the PTO’s attorney’s fees are “expenses” under both statutes. In 2018, a divided Federal Circuit ruled *en banc* in *NantKwest, Inc. v. Iancu* that the reference in § 145 to “[a]ll the expenses of the proceedings” does not encompass attorney’s fees, and affirmed the district court’s order denying the PTO’s motion seeking \$78,592.50 in attorney’s fees. In contrast, in 2015 a divided Fourth Circuit in *Shammas v. Focarino*, interpreting § 1071(b)(3), ruled that attorney’s fees are “expenses.”

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Notably, although an “[a]ll the expenses of the proceedings” provision has existed in some form since 1839, the PTO itself did not interpret it to cover attorney’s fees until 2013. In light of this history, the PTO’s position that it is entitled to its attorney’s fees even when the applicant successfully prevails at the district court is sure to raise eyebrows. The Supreme Court must now decide whether the PTO’s interpretation is sound.