

Patent Term Adjustment: The New USPTO Rules

Law360, New York (September 12, 2012, 1:06 PM ET) -- The United States Patent and Trademark Office recently published revised patent term adjustment (PTA) regulations that bring the regulations more closely in line with the controlling statute and will modify the amount of PTA that will be awarded to many patents. See Revision of Patent Term Adjustment Provisions Relating to Appellate Review, 77 Fed. Reg. 49354 (Aug. 16, 2012).

The principles embodied in 35 USC § 154(b), the PTA statute, are generally logical and fair. If the USPTO delays in issuing a patent, then the term of the patent will be extended by the number of days of USPTO delay. If the applicant delays, then the amount of PTA granted will be reduced by the number of days on which the applicant failed to exercise the required diligence.

There are three categories of USPTO delay:

“A Delay” is awarded when the USPTO fails to respond promptly to an applicant submission;

“B Delay” is awarded when the USPTO fails to issue a patent within three years from the filing of an application; and

“C Delay” is awarded for delays resulting from interferences, secrecy orders and successful appeals.

The revised PTA regulations change the manner in which time encompassed by B Delay and C Delay is calculated and also introduce a new source of applicant delay.

B Delay

35 USC § 154(b)(1)(B) provides for extension of the term of a patent for failure of the USPTO to issue a patent within three years of the filing date of an application. However, not all time after the three year pendency date is necessarily counted as B Delay. The statute excludes several time periods from B Delay, one of which is “any time consumed by appellate review by the Board of Patent Appeals and Interferences” (another B Delay exclusion, which was not the subject of the recent rulemaking, is “any time consumed by continued examination”).

The USPTO promulgated original 37 CFR § 1.703(b)(4) 12 years ago, soon after enactment of the PTA provisions of 35 USC § 154(b). The rule provided the details of how to measure the statutory “appellate review” exclusion from B Delay, specifying that the period to be excluded begins upon the filing of a notice of appeal to the Board of Patent Appeals and Interferences and ends on the date of the last decision by the board or by a federal court, or the date of a new office action or notice of allowance if the appeal did not result in a decision by the board.

One effect of original 37 CFR § 1.703(b)(4) was that, by starting the B Delay exclusion upon the filing of a notice of appeal, it excluded time prior to the board obtaining jurisdiction over an application and mandated a B Delay exclusion even if a case never made it to the board after the filing of a notice of appeal. Having the B Delay exclusion begin before jurisdiction passes to the board worked to the disadvantage of many applicants. According to the USPTO’s remarks in the publication of the revised rules, the purpose of the current revision is “to better reflect the period of appellate review.” The USPTO has been successful in this goal.

Under the newly revised 37 CFR § 1.703(b)(4), the period to be excluded from B Delay begins on the date on which jurisdiction over the application passes to the board^[1] and ends on the later of the date that jurisdiction by the board ends or the date of the last decision by a federal court. This revision will increase the PTA that will be awarded to many patents, most notably those in which an applicant receives a notice of allowance or a new office action subsequent to the filing of a notice of appeal (e.g., filed in conjunction with any of a response to final office action, a request for pre-appeal brief review, or an appeal brief).

Under the original rule, no PTA is awarded from the date on which the notice of appeal is filed until the date on which a notice of allowance or a new office action is mailed. This constituted a significant PTA exclusion for deserving applicants whose submissions were sufficient to have the application allowed or at least have prosecution reopened. Under revised 37 CFR § 1.703(b)(4), PTA will be awarded under these circumstances for all of that time so long as the application has been pending for at least three years and no request for continued examination had been filed previously.

C Delay

35 USC § 154(b)(1)(C)(iii) provides for extension of the term of a patent if issuance of the patent was delayed due to successful “appellate review by the Board of Patent Appeals and Interferences or by a Federal court.” When read in conjunction with the B Delay exclusion for appellate review, the statutory intent is clear: applicants will be awarded PTA for the time in which an application undergoes appellate review only if the applicant is successful in the appellate review.

Original 37 CFR § 1.703(e), like its counterpart B Delay provision 37 CFR § 1.703(b)(4), provides the details of how to measure the statutory “appellate review” for C Delay. The original rule specifies that the C Delay period begins upon the filing of a notice of appeal to Board of Patent Appeals and Interferences (i.e., the same point at which the B Delay clock stops under original 37 CFR § 1.703(b)(4)) and ends on the date of a final decision in favor of the applicant by the board or a federal court.

Under revised 37 CFR § 1.703(e), the C Delay period begins on the date on which jurisdiction over the application passes to the board (i.e., the same point at which the B Delay clock stops under revised 37 CFR § 1.703(b)(4)) and ends on the date of a final decision in favor of the applicant by the board or a federal court. This rule revision has the potential to decrease (as compared to application of the original rule) the PTA that will be awarded to some patents that have undergone successful appellate review.

By starting the C Delay clock at a later time, the overall C Delay period will be reduced because it will not include the time between the date on which a notice of appeal is filed and the date on which jurisdiction over the application passes to the board (a period which is usually at least several months in length). This reduction in C Delay will be offset by a newly gained B Delay (under the revised rules) so long as the application has been pending for at least three years and no request for continued examination had been filed previously.

In such circumstances, the total PTA awarded as a result of successful appellate review will not change under the revised rules. However, if B Delay is not awarded during the period between the filing of a notice of appeal and jurisdiction over the application passing to the board, then less PTA will be awarded under revised 37 CFR § 1.703 than would have been the case under the original rules.

Applicant Delay

The period of adjustment of the term of a patent resulting from USPTO delay is “reduced by a period equal to the period of time during which the applicant failed to engage in reasonable efforts to conclude prosecution of the application.” 35 USC § 154(b)(2)(C)(i). The USPTO has been given the statutory direction to “prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.” 35 USC § 154(b)(2)(C)(iii).

The USPTO promulgated original 37 CFR § 1.704(c) under the authority provided by the above statutory provision. Although original 37 CFR § 1.704(c) identified many events as constituting applicant delay, the regulation did not assess applicant delay for taking extensions of time to file an appeal brief after the filing of a notice of appeal. The absence of such a regulation meant that an applicant could take up to a five month extension of time before filing an appeal brief (i.e., filing an appeal brief seven months after a notice of appeal) without being assessed applicant delay.

Under the original regulations, such extensions of time gave an applicant no PTA advantage with respect to B Delay, since the original 37 CFR § 1.703(b)(4) caused the B Delay clock to be turned off as soon as the notice of appeal was filed (which meant that taking extensions would not lengthen the B Delay time). However, the extensions allowed for the lengthening of the C Delay period if the appeal was ultimately successful, since the C Delay period under original 37 CFR § 1.703(e) began upon the filing of the notice of appeal.

Under new 37 CFR § 1.704(c)(11), applicant delay will be assessed if an appeal brief or a request for continued examination is filed more than three months after the filing of a notice of appeal. As a result, applicants can gain no PTA advantage by taking extensions greater than one month (i.e., three months from the date of the notice of appeal) to file an appeal brief or a request for continued examination.

Implementation of the Rules

For implementation purposes, the USPTO has treated the new applicant delay rule separately from the revised B and C Delay rules.

The new applicant delay penalty provided by 37 CFR § 1.704(c)(11) will be applied only in those instances in which a notice of appeal is filed on or after Sept. 17, 2012. If a notice of appeal is filed before that date, the original rules will apply and there will continue to be no applicant delay for taking extensions to file an appeal brief (or a request for continued examination). If an applicant wishes to avoid having this new penalty applied against his/her application, the only means of doing so is to file a notice of appeal before Sept. 17, 2012.

The implementation of the revisions to 37 CFR § 1.703 is more complex. For applications allowed on or after Sept. 17, 2012, the revised rule will be applied. For applications allowed before Sept. 17, 2012, the old 37 CFR § 1.703 will presumptively be applied. However, an applicant may be able to have the revised rule applied to an application allowed before Sept. 17, 2012.

This would be desirable for a patent that will see its PTA increase under the application of the revised rule (e.g., where a notice of allowance or a new office action was mailed after the filing of a notice of appeal). Conversely, it would be undesirable to apply the revised rule to a patent that underwent a successful appeal and would receive a greater PTA award under the original version of 37 CFR § 1.703.

The key to a successful request to have the revised 37 CFR § 1.703 applied to an application allowed before Sept. 17, 2012, is that the request be filed timely according to the timeliness provisions of existing USPTO regulations. This means that an application for PTA must be filed within two months after patent issuance and, if denied, a request for reconsideration filed under 37 CFR § 1.181 within two months of the denial. For timely filed civil actions that requested the changes embodied in the revised rules, a motion for remand may be filed with the court to have the new rules applied. The USPTO has not provided a mechanism to have the revised rules applied retroactively in the absence of meeting these timeliness requirements.

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*Note: Fish & Richardson represented the plaintiff in a civil action challenging 37 CFR § 1.703(b)(4). See *Japan Tobacco v. Kappos*, No. 1:10-cv-01023 (D.D.C. filed Jun. 17, 2010).*

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[1] According to the recent revision of 37 CFR § 41.35(a), jurisdiction passes to the Board upon the filing of a reply brief or the expiration of the time in which to file such a reply brief, whichever is earlier. See Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 76 Fed. Reg. 72269 (November 22, 2011).

