

## REPORT

## USPTO REVISES PATENT TERM ADJUSTMENT RULES

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Effective September 17, 2012, the U.S. Patent and Trademark Office (USPTO) is revising its rules of practice to (1) indicate that, for the purpose of calculating patent term adjustment (PTA), the period of appellate review begins when a Reply Brief is filed or due, rather than the date on which a Notice of Appeal is filed, and (2) provide applicants with three months from the date of the Notice of Appeal to file a compliant Appeal Brief to avoid a reduction of PTA for Applicant Delay.<sup>1</sup>

### I. Background

Under the PTA provisions of 35 U.S.C. §154(b), an applicant is entitled to PTA to compensate for the following categories of USPTO delay:

"A" delay accrues when the USPTO fails to take certain actions during the examination and issue process within specified time frames;

"B" delay accrues if the USPTO fails to issue a patent within three years of the actual U.S. filing date of the application, subject to certain enumerated exceptions; and

"C" delay accrues when an application is subject to an interference, secrecy order, or successful appellate review.

The extension of patent term provided to compensate for these delays will be reduced by the amount of Applicant Delay, if any.

PTA for B delay is equal to the number of days in excess of three years from the actual U.S. filing date that the USPTO delayed issuing the patent, excluding, *inter alia*, any time consumed by appellate review by the Board<sup>2</sup> or by a federal court. If the appellate review results in a Board or federal court decision reversing an adverse determination of patentability (a "successful appeal"), the patent is entitled to PTA equal to the number of days of the appellate review period due to C delay.

The current USPTO rules provide that, for the purpose of calculating B delay and C delay, the appellate review period begins the date on which a Notice of Appeal is filed. Because B delay does not accrue during the appellate review

<sup>2</sup> The USPTO is revising all of its rules to change the name "Board of Patent Appeals and Interferences" to "Patent Trial and Appeal Board" pursuant to the America Invents Act (AIA). This change is effective for all of the rules on September 16, 2012, except for Rules 1.703(b)(4) and 1.703(e), which are being further revised as discussed in this Special Report. The revisions to Rules 1.703(b)(4) and 1.703(e) take effect on September 17, 2012. In this Special Report, the term "Board" refers to either the Board of Patent Appeals and Interferences or the Patent Trial and Appeals Board.

<sup>1</sup> Although in a vacuum the term "patent term adjustment" suggests positive and negative adjustments to the patent term, the PTA provisions cannot result in a net reduction of the term of a patent.

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period, and C delay does not accrue during the appellate review period unless there is a Board or federal court decision reversing an adverse determination of patentability, no PTA was awarded in situations where prosecution was reopened before there was actual "appellate review" by the Board. For instance, a Pre-Appeal Brief Request for Review or an Appeal Brief sometimes causes the Examiner to reopen prosecution. Under the current rules, no PTA is awarded in such situations because the appellate review period begins on the date of filing the Notice of Appeal. Thus, no B delay is attributable to the period from the filing of the Notice of Appeal to the reopening of prosecution. In addition, no C delay is awarded because an Examiner's decision to reopen prosecution is not considered a "decision in the review reversing an adverse determination of patentability."

## **II. The Rule Changes And Their Effects**

### **A. The Period Of Appellate Review**

Rules 1.703(b)(4) and 1.703(e) are amended to provide that the period of appellate review begins on the earlier of the date of filing of the Reply Brief or the expiration of the time period for filing a Reply Brief. These rules currently define this period as beginning on the date on which a Notice of Appeal was filed.

These changes affect how PTA is calculated for patents issuing from applications in which a Notice of Appeal had been filed.

On one hand, the rule changes reduce the amount of PTA awarded for C delay due to a successful appeal by beginning the appellate review period at the time the Reply Brief is due or filed, instead of when a Notice of Appeal is filed.

On the other hand, the rule changes potentially increase the PTA awarded for B delay for applications in which a Notice of Appeal was filed, because the period of time between the

filing of the Notice of Appeal and the earlier of (a) the date of filing of the Reply Brief, (b) the expiration date of the time period for filing a Reply Brief, and (c) the date of an action by the Examiner or applicant that terminates the appeal (e.g., issuance of a Notice or Allowance or reopening of prosecution by the Examiner or the applicant) would no longer be deducted from the B delay calculation.

These changes are applicable to any application in which a Notice of Allowance is issued on or after September 17, 2012, and any patent issuing thereon. The USPTO will also apply these changes to the following PTA reconsideration proceedings that are initiated on or after September 17, 2012, and that are:

- (1) initiated pursuant to a remand from a timely filed civil action in federal court;
- (2) initiated pursuant to a timely filed request for reconsideration of the PTA indicated in the patent, in which the patentee argues that the changes discussed above are applicable to the patentee's patent; and
- (3) initiated pursuant to a request for reconsideration that seeks reconsideration of the USPTO's decision regarding PTA under the USPTO's former interpretation of the appellate review language, if that request is filed within two months of the date of the decision for which reconsideration is requested.

### **B. Applicant Delays**

Applicant delays reduce any PTA arising from USPTO delays. Rule 1.704(c), which sets forth various actions that the USPTO considers Applicant Delay, is amended to add that the failure to file a compliant Appeal Brief within three months from the date on which a Notice of Appeal was filed constitutes Applicant Delay. As a result, the amount of PTA, if any, will be reduced by the number of days beginning on the day after the date that is three months from the

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date on which a Notice of Appeal was filed and ending on the date a compliant Appeal Brief or Request for Continued Examination (RCE) was filed.<sup>3</sup> The current rules do not provide for a reduction in PTA for failure to file an Appeal Brief or RCE within some prescribed time period after the filing of a Notice of Appeal. This allows applicants to obtain several months of PTA by delaying filing the Appeal Brief up to seven months after they filed the Notice of Appeal, if the appeal is successful.

The USPTO rulemaking commentary indicates that if the USPTO reopens prosecution more than three months after the filing of the Notice of Appeal, but prior to applicant's submission of a compliant Appeal Brief, the USPTO would not find any Applicant Delay under revised Rule 1.704(c). This may occur, for example, when an Examiner delays consideration of a Response to Final Rejection.

The filing of an Amendment or an Information Disclosure Statement (IDS) after a Notice of Appeal is filed will be treated as Applicant Delay under Rule 1.704(c)(8), except for IDSs that contain a proper 30-day certification under Rule 1.704(d). Please see our December 21, 2011 Special Report "USPTO Emphasizes Importance Of Office Action Submissions, And Revises IDS Patent Term Adjustment Accordingly" for more information regarding 30-day certification under Rule 1.704(d).

This change is applicable only to applications in which a Notice of Appeal is filed on or after September 17, 2012.

### III. Analysis

As indicated above, the changes to how B delay and C delay are calculated are applicable to

any application in which a Notice of Allowance is issued on or after September 17, 2012, and any patent issuing thereon. For applications in which the Notice of Allowance was issued prior to September 17, 2012, the USPTO indicates that it will apply these rule changes if a PTA reconsideration proceeding is timely initiated.

#### A. Patents That May Be Eligible For Reconsideration Of PTA

Some patents issuing from applications in which a Notice of Appeal was filed would be entitled to more PTA under the revised rules than under the current rules, some patents would be entitled to the same amount of PTA, and some patents would be entitled to less PTA. Although each case warrants separate consideration, in cases involving a successful appeal, the PTA would likely be the same or less under the revised rules than the current rules, because the amount of C delay would be reduced, which may or may not be offset by additional B delay, but never by an amount greater than the amount of C delay lost. Cases not involving a successful appeal are more likely to be entitled to more PTA under the revised rules because there would be no C delay attributable to the appeal under the current rules or the revised rules, but there may be additional B delay PTA under the revised rules.

#### B. Initiating A PTA Reconsideration Proceeding

The options for initiating a PTA reconsideration proceeding, and the time periods in which to exercise those options, are limited. Although the USPTO provides a vehicle for requesting reconsideration of the amount of PTA identified on the Notice of Allowance (i.e., A and C delay-based PTA), this option is not available to request reconsideration of the USPTO's treatment of B delays, because the USPTO does not calculate the amount of B delay until it establishes the issue date of the patent. Therefore, it cannot be determined whether the amount of B

<sup>3</sup> This new provision is being adopted as Rule 1.704(c)(11). Previous Rule 1.704(c)(11) is being renumbered as Rule 1.704(c)(12).

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delay calculated by the USPTO is incorrect until the patent issues. Once the patent issues, the amount of PTA identified on the cover of the patent can be used to determine whether the B delay component was properly considered.

There are two options for challenging the amount of B delay PTA identified on the cover of a patent. The first option is to file with the USPTO a request for reconsideration of the PTA indicated in the patent, which must be filed within two months of the issue date of the patent. The second option is to file a civil action in the U.S. District Court for the Eastern District of Virginia within 180 days of the issue date of the patent. Neither of these deadlines is extendible.

Thus, there are three categories of patents/allowed patent applications that may qualify for reconsideration of the USPTO's PTA determination in view of the rule changes: (1) patents that are beyond two months but within 180 days of their issue date, (2) patents that are within two months of their issue date, and (3) patent applications that have received a Notice of Allowance but have not yet issued as a patent.

**1. Patents That Are Beyond Two Months But Within 180 Days Of The Issue Date Of The Patent**

The only option to have the amount of PTA reconsidered beyond two months of the issue date of the patent is by filing a civil action in the U.S. District Court for the Eastern District of Virginia within 180 days of the issue date of the patent. Because pursuing a civil action is costly, the amount of additional PTA gained by a successful challenge and the value of such additional PTA should be considered in determining whether to pursue a civil action.

**2. Patents That Are Within Two Months Of The Issue Date Of The Patent**

Within two months of the issue date of the patent, in addition to the option of filing a civil action as discussed above, a request for reconsideration of the PTA indicated in the patent may be filed with the USPTO. The filing fee for filing a request for reconsideration of the PTA is \$200, and the attorney fees are far lower than those involved in a civil action. Thus, if a timely decision can be obtained from the USPTO, this approach is much more cost-effective than filing a civil action. If the USPTO decision does not issue within the 180-day period for filing a civil action, a civil action could be filed at relatively low expense, and then dropped if the USPTO issues a favorable decision.

**3. Patent Applications That Have Received A Notice Of Allowance But Have Not Yet Issued As A Patent**

Even though the USPTO does not calculate the amount of B delay until the issue date of the patent is actually known, one can determine whether the patent is likely to be eligible for additional B delay PTA under the revised rules by the time the patent issues. Thus, these applications may be flagged as requiring careful scrutiny of the amount of PTA identified on the cover of the Letters Patent once it is received. This will provide the patentee with additional time to decide what action, if any, will be taken if the amount of PTA is incorrect, or could be increased upon reconsideration under the revised rules.

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#### IV. Recommendations

We recommend the following actions:

- (1) Identify any important patents that have issued within the last 180 days from applications in which a Notice of Appeal was filed but did not obtain a favorable final decision from the Board.
- (2) Determine for each such patent whether the PTA determination may be challenged by petition to the USPTO or if it would be necessary to file a civil action. Consider the amount and value of additional PTA that would be gained by a successful challenge to determine whether to pursue a challenge.
- (3) Review the amount of PTA identified on the cover of forthcoming patents issuing from applications in which a Notice of Appeal was filed, and in which a Notice of Allowance was issued before September 17, 2012, to determine whether the patent is eligible for additional B delay PTA under the revised rules.
- (4) Upon receipt of a Notice of Allowance issued before September 17, 2012, consider whether the patent term is likely to be eligible for additional B delay PTA under the revised rules, to provide time to determine what action, if any,

will be taken if the amount of PTA is incorrect, or could be increased upon reconsideration under the revised rules.

Please let us know if you have any questions regarding any of the topics discussed above, or if you have any questions regarding PTA determinations for a specific matter.

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