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Federal Circuit Creates Opportunity for Patent Owners to Increase Patent Term

Thousands of U.S. patents are likely to have been issued with improperly shortened patent terms, according to a recent decision by the U.S. Court of Appeals for the Federal Circuit.

In *Wyeth v. Kappos*, No. 2009-1120 (Fed. Cir. Jan. 7, 2010), the Federal Circuit held that the United States Patent and Trademark Office ("USPTO") has been incorrectly calculating patent term adjustment ("PTA") under the Patent Statute. The PTA provisions of the Patent Statute provide for a lengthened patent term based on patent prosecution delay by the USPTO for a variety of specific reasons. Two of the types of patent prosecution delay are (i) failure to issue a first action within 14 months of filing and (ii) failure to conclude examination within three years of filing.

The USPTO's determination of PTA counted either the delay in issuing a first office action or the delay in issuing the patent, but not both, ostensibly to avoid double-counting the period of delay. The Federal Circuit's decision found the USPTO's practice inconsistent with the PTA statute.

The *Wyeth* decision will impact a significant percentage of patents for which PTA was assessed because many patents were subjected to both types of delay during prosecution. However, although many patent owners are now entitled to longer patent terms as the result of the *Wyeth* decision, the USPTO has no procedure in place to automatically correct its flawed calculations in recently allowed and issued patents. Moreover, the USPTO's current procedures for allowing applicants and patent owners to request PTA corrections are subject to restrictive time limitations.

Since there is no indication that the USPTO will automatically correct PTA calculation errors, patent applicants and owners should promptly review the PTA calculations on their recently allowed and issued patents and file requests for reconsideration when necessary to preserve their rights. Unless the owners of these patents act quickly, they may risk forfeiting valuable patent term.

Patent Term Adjustment

Under 35 U.S.C. § 154(a), a patent's term is 20 years from its earliest effective filing date. Because a patent's term begins on the filing date, rather than upon issuance, some of the term is consumed by prosecution. Indeed, a prolonged prosecution could remove years from a patent's effective life, through no fault of the patentee. Section 154 provides for adjustments

of patent term to replace some of the time lost to prosecution delay.

Section 154(b)(1) provides three such adjustments to patent term. The first is a one-day extension of patent term for every day that issuance is delayed due to the USPTO failure to comply with certain statutory deadlines, such as 14 months for a first office action and four months to issue a patent after the issue fee is paid. *See* 35 U.S.C. § 154(b)(1)(A)(i)-(iv); *see also* 37 C.F.R. § 1.702 (a). These delays are called "A delays" or "A periods." The second adjustment is a one-day term extension for every day it takes the patent to issue after three years from the filing date. *See* 35 U.S.C. § 154(b)(1)(B); *see also* 37 C.F.R. § 1.702(b). The period that begins after the three-year window has closed is referred to as the "B delay" or the "B period." The third adjustment is a one-day term extension for every day of delay caused by an interference, a secrecy order or an appeal. *See* 35 U.S.C. § 154(b)(1)(C); *see also* 37 C.F.R. § 1.702(c)-(e). These delays are called "C delays" or "C periods."

The Federal Circuit's decision in *Wyeth v. Kappos*

The *Wyeth* decision involved "A" and "B" delays. Under the statute, if "A delays" and "B delays" overlap, "the period of adjustment granted … shall not exceed the actual number of days the issuance of the patent was delayed." 35 U.S.C. § 154(b)(2)(A). The purpose of this section is to prevent "double-counting" of periods of delay. According to the USPTO's interpretation of this section, however, any "A delay" overlaps with any "B delay," and thus an applicant can get credit for only an "A delay" *or* a "B delay," whichever is larger, but never for both. The Federal Circuit rejected the USPTO's approach and held that periods of "A delay" and "B delay" "overlap" *only* if they occur on the same day. Therefore, if an "A delay" and a "B delay" occur on different days, then a patentee may obtain an extension of A + B days.

Calculating Patent Term Adjustment Under *Wyeth*

Wyeth directly affects those cases having both "A delays" (i.e., administrative delays) and "B delays" (i.e., pendency exceeding three years). In such cases, one must determine whether any "A" and "B" periods "overlap," i.e., occur on the *same day*. Any overlapping delays are counted only once for purposes of PTA. For example, if an "A delay" occurs after the application has been pending for three years (i.e., during the "B period"), then it must be subtracted from the calculation of PTA. Moreover, any delay owing to the applicant (e.g., extensions of time) must also be subtracted. *See* 35 USC 154(b)(2)(C)(i-iii); *see also* 37 C.F.R. § 1.704. Therefore, PTA under *Wyeth* should be calculated as follows:

PTA = (A delay + B delay + C delay) – Overlap of A and B **–** Applicant's delay

This number can then be compared with the PTA calculated by the USPTO. The USPTO calculates PTA in the "Determination of Patent Term Adjustment Under 35 U.S.C. § 154(b)," which accompanies a Notice of Allowance. The PTA is also listed on the face of an issued patent. If the PTA calculation according to *Wyeth* is greater than the PTA determined by the USPTO, an applicant should consider requesting reconsideration of the PTA determination.

Correcting USPTO Errors in PTA

There are two administrative procedures in the USPTO and one statutory procedure involving District Court appeal for challenging erroneous PTA calculations. All three procedures must be filed in a timely fashion to avoid dismissal.

1. *Prior to Paying Issue Fee: Application for PTA Under 37 C.F.R. § 1.705(b)*

Under 37 C.F.R. § 1.705(b), an Applicant may request reconsideration of the PTA in the Notice of Allowance by applying for patent term adjustment. The applicant must file the application for PTA **no later than the payment of the issue fee**. *See* 37 C.F.R. § 1.705(b).

A Rule 705(b) request must include a $200 fee and a statement of facts specifying: (i) the correct patent term and the basis for the adjustment; (ii) the relevant dates for which adjustment is sought and the adjustment to which the patent is entitled; (iii) whether the patent is subject to a terminal disclaimer and any expiration date specified in the terminal disclaimer; and (iv) (a) any circumstances during the prosecution of the application resulting in the patent that constitute a failure to engage in reasonable efforts to conclude processing or examination of such application as set forth in § 1.704; or (b) that there were no circumstances constituting a failure to engage in reasonable efforts to conclude processing or examination of such application as set forth in § 1.704.

A request under this section should be filed when the USPTO improperly calculates "A" delays. In our experience, the USPTO considers requests premature when the "B delay" continues to accumulate until the issue date of the patent. While this is often the case, there may be situations in which the "B delay" does not continue to accumulate. Therefore, we recommend reviewing the USPTO's PTA calculations before payment of the issue fee.

2. *Within Two Months of Issue Date: Request for Reconsideration of PTA Under 37 C.F.R. § 1.705(d)*

Under 37 C.F.R. § 1.705(d), a patentee may request reconsideration of the USPTO's PTA determination **within two months after the grant of a patent**, unless the request "raises issues that were raised, or could have been raised," in a Rule 705(b) request. 37 C.F.R. § 1.705(d). As noted above, because the USPTO routinely considers 705(b) requests premature, requests seeking review of PTA in view of *Wyeth* will often need to be made by way of 705(d) after the patent issues.

A Rule 705(d) request "must comply with the requirements of paragraphs (b)(1) and (b)(2) of this section." Therefore, the applicant must pay a $200 fee and provide a statement of facts as discussed above.

3. *District Court Review with 180 Days of Grant*

When a party is dissatisfied with the USPTO decision under 705(d), the applicant may appeal to district court within 180 days of patent granting under 35 U.S.C. § 154(b)(4)(A). Dozens of patent owners have already filed Section 154 actions requesting reconsideration in view of *Wyeth*. These cases were stayed, pending the outcome of *Wyeth*.

4. Implications of *Wyeth* Decision on Future PTA Challenges

The Federal Circuit decision in *Wyeth* found that the Patent Office interpretation of the PTA statute was entitled to no deference "[b]ecause the language of the statute itself controls this case and sets an unambiguous rule for overlapping extensions." *Wyeth*, slip op. at 13. *Wyeth* therefore may pave the way for future challenges to the manner in which the USPTO performs PTA calculations.

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