

# PTO Must Make Up for Lost Time: District Court Requires Longer Patent-Term Extensions

By Kimberly Seluga

Since every additional day that a patent lives on can be extremely profitable to the patent owner, it is not surprising that a law providing for the extension of patent terms has drawn close attention. A patentee can now expect the PTO to extend the life of certain patents, particularly where the patent issued more than three years after the filing date.

Federal law requires that the PTO grant patent term adjustments to patentees based on PTO delay during the prosecution process. Any patentee who disagrees with the PTO's adjustment determination may request reconsideration to the PTO within two months of the patent issue date and has the further option of appealing to the United States District Court for the District of Columbia within 180 days of the patent issue date.<sup>1</sup> See 37 C.F.R. § 1.705(d); 35 U.S.C. §154(b)(4)(A).

Such an appeal, by two pharmaceutical companies, was the subject of a recent decision that may have enhanced the longevity of many pending and recently issued patents. In *Wyeth v. Dudas*, the United States District Court for the District of Columbia ruled that the PTO misconstrued the patent term adjustment statute, thus entitling Wyeth and Elan Pharma International Ltd. to longer patent terms. As a result of the court's fresh interpretation of the patent term adjustment statute, the average life expectancy of a patent may have increased.

Patent term extensions were essentially born of the method by which patent terms are calculated. Since a

patent ordinarily has a limited life that spans 20 years from the filing date, Congress, in acknowledgment of the seemingly inevitable delays that occur during patent prosecution, provided several "patent term guarantees." See 35 U.S.C. § 154(b).

In particular, Congress guarantees "prompt Patent and Trademark Office responses," whereby if issuance of a patent is delayed due to failure of the PTO to provide notifications to the patentee at the various enumerated statutory deadlines,<sup>2</sup> "the term of the patent shall be extended 1 day for each day after the end of the period specified . . . until the action described in such clause is taken." 35 U.S.C. § 154(b)(1)(A). Such delays on the part of the PTO are referred to as "A delays."

Congress further guarantees that if the PTO fails to issue a patent within three years after the filing date, "the term of the patent shall be extended 1 day for each day after the end of that 3-year period until the patent is issued." 35 U.S.C. § 154(b)(1)(B). These delays are referred to as "B delays," and can be recovered whether caused by the PTO or the applicant.<sup>3</sup>

Because combining A and B delays could in some cases result in a windfall to patentees by way of double counting, Congress limited these patent term adjustments to the actual number of days of delay. Specifically, the statute provides, "[t]o the extent that periods of delay attributable to grounds specified in paragraph (1) overlap, the period of any adjustment granted under this subsection

<sup>1</sup> From the date of the notice of allowance to the date of issue fee payment, a patent applicant may request reconsideration of the patent term adjustment by way of an application for patent term adjustment under 37 C.F.R. § 1.705(b). Note that under 37 C.F.R. § 1.705(d), any request for reconsideration that raises issues that were raised, or could have been raised, in an application for patent term adjustment under section (b) are dismissed by the PTO as untimely.

<sup>2</sup> 35 U.S.C. §§ 154(b)(1)(A)(i)-(iv) provide the particular statutory deadlines which, if not met by the PTO, entitle an applicant to a patent term extension. For example, failure of the PTO to issue a first office action within 14 months of the filing date results in an extra day of extension until the office action is issued.

<sup>3</sup> Certain types of delay, such as an applicant's request for continued examination, do not count toward B delay, however. 35 U.S.C. §§ 154(b)(1)(B)(i)-(iii). In addition, any period of time during which the applicant failed to engage in reasonable efforts to prosecute the application is deducted from the total patent term adjustment. 35 U.S.C. § 154(a)(2)(C).

shall not exceed the actual number of days the issuance of the patent was delayed.” 35 U.S.C. § 154(b)(2)(A).<sup>4</sup>

The dispute in *Wyeth* focused on this last provision and on what it means for “periods of delay” to “overlap.” The PTO argued that B delay begins on the filing date rather than at the end of the 3-year period, maintaining its official position that “the entire period during which the application was pending before the Office . . . and not just the period beginning three years after the actual filing date of the application, is the period of delay . . . in determining whether periods of delay overlap . . .” 69 Fed. Reg. 34283 (June 21, 2004) (explaining 37 C.F.R. § 1.703(f)).

Under the PTO’s interpretation, B delay virtually always overlaps with A delay for purposes of applying the no-overlap limitation.<sup>5</sup> For example, if the PTO (1) issued a first office action one year after the deadline for doing so, (2) issued the patent one year after the deadline for doing so after payment of the issuance fee, and (3) issued the patent six years after the filing date, the PTO would grant a three-year adjustment. The court summarized the PTO’s interpretation as allowing A or B delay, whichever is greater, but not both.

Wyeth disagreed with the PTO’s stingy interpretation, arguing that, under the plain meaning of the statute, A and B delays overlap only if they occur on the same calendar days, and B delay does not begin running until three years after the filing date. Thus, in light of the high likelihood of A delay during the first three years of pendency, Wyeth’s reading of the statute suggested that the PTO has been routinely depriving patentees of potentially significant extensions to their patent terms. In the example from the preceding paragraph, the delayed office action and patent issuance would result in a four-year extension of the patent term.

The court ruled that the PTO’s interpretation of the statute “cannot be squared with the language of § 154(b)(1)(B).” The court agreed with Wyeth that “[t]he only way that periods of time can ‘overlap’ is if they occur on the same day,” and “‘B delay’ begins when the

PTO has failed to issue a patent within three years, not before.”

Under the court’s ruling, a patentee whose patent did not issue within three years should now receive a patent term adjustment for not only the time period between year three and the issue date (B delay), but also for any administrative PTO delay (A delay) that occurred during the first three years of pendency.<sup>6</sup>

The court astutely posited that Congress must have deliberately guaranteed both efficient PTO administration and a maximum 3-year pendency, since the statutory assurances are stated separately. The opinion concluded that “[i]f the outcome commanded by that text is an unintended result, the problem is for Congress to remedy, not the agency.” Accordingly, the court ordered the PTO to recalculate the patent term adjustments pursuant to the court’s interpretation of the statute.

Since Wyeth’s triumph, several other patentees have claimed similar miscalculations in their patent term adjustments. In an effort to quell the impending flood of appeals and resulting recalculations of patent term adjustments, the PTO appealed the *Wyeth* ruling on November 28, 2008 to the Court of Appeals for the District of Columbia.

If the decision is affirmed, it would certainly be a great victory for patentees. Even relatively minor increases in the length of a patent term could translate into major revenues. Moreover, because B delay would no longer render nearly all A delay irrelevant, the decision would provide the PTO with a further incentive to process patent applications as efficiently as possible.

The *Wyeth* court did not address (and the appeals court may leave open) the issue of which patentees will be eligible to obtain a recalculated patent term adjustment. While patent applicants, and those patentees still within the 180-day window from the issue date of their patent, would be able to benefit from the ruling, it is questionable whether patentees outside the 180-day window have any recourse for obtaining an adjustment consistent with the court’s opinion.

<sup>4</sup> Although not relevant to the *Wyeth* case, 35 U.S.C. § 154(b)(2)(A), in addition to limiting A and B delay, also limits C delay, which provides for patent term extensions based on delays due to interference proceedings, secrecy orders, and appeals. 35 U.S.C. § 154(b)(1)(C).

<sup>5</sup> In the PTO’s official explanation of its interpretation of the statute, it defended against the argument that B delay always overlaps with A delay by providing a rather convoluted example which assumed no A delay during the first three years and also assumed the occurrence after year three of one of the activities excluded for purposes of B delay. *See* 69 Fed. Reg. 34283, 34284. Although this example demonstrated that B delay does not always overlap with A delay (i.e., there is at least one scenario in which both A and B delay would be counted in an extension), the chance of such a scenario arising seems remote. Apparently recognizing this, the court altogether ignored the possibility.

<sup>6</sup> Note that in most cases any A delay occurring after the 3-year mark would not be added to the adjustment calculation because it would overlap with the B period. Such A delay would not overlap with the B period (and would be counted in the adjustment), however, if, for example, one of the exceptions outlined in 35 U.S.C. §§ 154(b)(1)(B)(i)-(iii) applied during that time.

Because term recalculation of the thousands of patents that may be affected by this change would cause logistical nightmares at the PTO, we can expect the PTO to put up an aggressive fight against the court's ruling and its potentially retroactive effect. Patent applicants and owners (or at least their attorneys) will no doubt await the appeal decision and the PTO's reaction in suspense.

In the meantime, owners of pending applications and recently issued patents that have or had been pending at the PTO for more than three years would do well to explore their options. If they were granted a patent term adjustment, they should investigate whether that adjustment was unduly shortened by the PTO's misinterpretation of the statute and consider taking action to preserve the right to recalculation based on the *Wyeth* decision.

In particular, patent applicants who have received a term adjustment in a notice of allowance but who have not yet paid the issue fee should consider filing an application for patent term adjustment, requesting reconsideration by the PTO pursuant to 37 C.F.R. § 1.705(b).

Owners of patents issued within the last two months should consider filing a request for reconsideration of the patent term adjustment with the PTO pursuant to 37 C.F.R. § 1.705(d) and/or filing a civil action in the District Court for the District of Columbia pursuant to 35 U.S.C. § 154(b)(4)(A). Patentees so situated are able to pursue one or both of these options since their patents were issued within the eligible timeframe for both PTO reconsideration and appeal to the district court.

Those owners whose patents issued between two months and 180 days ago should similarly consider filing civil actions to preserve their right to recalculation. These patentees, however, could not request reconsideration by the PTO since their patents have matured beyond the eligibility period.

While pursuit of these avenues would incur short-term legal expense, the potential result of an extended patent term may well be worth it. ✧