

Court Determines U.S. Patent and Trademark Office (USPTO) Is Undercalculating Patent Term Adjustments

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District court's decision could lead to a minimum of 17 years of post-issuance patent terms for most standard patents.

On November 1, Judge T. S. Ellis, III, of the U.S. District Court for the Eastern District of Virginia ruled in *Exelixis, Inc. v. Kappos*^[1] that the U.S. Patent and Trademark Office (USPTO) has been undercalculating patent term adjustments (PTAs) due to a misinterpretation of the "plain and unambiguous" language of the PTA statute, 35 U.S.C. § 154(b)(1)(B).

The court specifically determined that a request for continued examination (RCE) filed after the first three years of prosecution should not impact the amount of PTA provided. This may lead to the availability of additional PTA for many patents. Accordingly, all patent owners that could benefit from PTA should review their portfolios to evaluate the impact of this decision.

Background

In 1994, the PTA statute was enacted when patent terms were changed from 17 years from issuance to 20 years from filing in the Uruguay Round Agreements Act. The theory was that most patents should issue approximately three years after they are filed, and the PTA statute was created to extend the length of a patent term in the event that certain delays occurred in the processing of the application (e.g., interference delay, secrecy orders, and appellate review).

In 1999, Congress amended the PTA statute to include section 154(b), which is sometimes referred to as the **Patent Term Guarantee Act of 1999**. For example, 35 U.S.C. § 154(b)(1)(B) is titled "Guarantee of no more than 3-year application pendency."

However, many long-pending patents have been receiving significantly less than the promised 17-year term because the USPTO has not been granting additional terms where the delay resulted from the filing of RCEs, a common practice in such applications.

Exelixis Decision

The question presented to the Exelixis court was the following:

Whether 35 U.S.C. § 154(b)(1)(B) requires that an applicant's PTA be reduced by the time attributable to an RCE, where, as here, the RCE is filed after the expiration of [the American Inventors Protection Act of 1999's (AIPA's)] guaranteed three year period.

The court analyzed section 154 in its entirety and concluded that the exceptions to the three-year rule apply only to the original three-year time period and not to any time thereafter, such as an RCE filed after the initial three-year period. The court concluded the following:

[Section] 154's plain language neither addresses nor requires that an applicant's PTA be reduced by the time required to process an RCE that is filed after the expiration of the three year period.

The court further noted that this reading is "firmly supported by § 154(b)'s structure and purpose. The statute's purpose is to ensure that an applicant is provided with a PTA remedy for delays in examination and processing attributable to the [USPTO] and to reduce any PTA by delays attributable to the applicant." The court pointed out that the USPTO's current practice of subtracting the time, in essence, "punishes" the applicant even though the submission of an RCE is not considered one of the applicant delays listed in § 154(b)(2)(C), and the USPTO had stated that an RCE is "a valuable tool in the patent prosecution process."

Implications

For any patent issued in the last two months, a request for reconsideration can be filed at the USPTO for the length of term to be reviewed based on the *Exelixis* decision. For any patent that was issued in the last six months, the patent owner can challenge the patent term in district court.

It is anticipated that the USPTO will challenge this decision. It may do so on the grounds that the decision subverts the primary goal of the Uruguay Round Agreements Act to eliminate an incentive to keep an application pending for a long period of prosecution prior to issuance (i.e., submarine patents).

If the USPTO loses on appeal, it may provide an opportunity to submit recently issued patents for recalculation as it did following the *Wyeth v. Kappos*, 591 F.3d 1364 (Fed. Cir. 2010), decision.

In the meantime, especially for patents that have high value at the end of their term, patent owners should consider filing a request for reconsideration of PTA or a challenge of PTA in district court.

[1]. *Exelixis, Inc. v. Kappos*, No. 1:12cv96 (E.D. Va. Nov. 1, 2012), available [here](#).