

Recent Limitations On Patent Term Adjustment For 'A' Delay

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The U.S. Patent and Trademark Office compensates patent applicants for delay in processing applications by issuing patent term adjustment that can lengthen the life of a patent based on finding of the existence of so-called “A” and “B” types of delay. The scope of permissible “A” delay by the USPTO was set forth in the Patent Term Guarantee Act of 1999 to “compensate patent applicants for certain reductions in patent term that are not the fault of the applicant.”[1] Recently, however, in *Pfizer Inc. v. Lee*, [2] the Court of Appeals for the Federal Circuit nullified any A delay consequent to correction of patent office error if that correction was prompted by the applicant. In effect, the applicant is put “at fault” for errors made by the patent office. This holding, along with two recent decisions by the U.S. District Court for the District of Columbia, seriously limits the statutory “[g]uarantee of prompt patent and trademark office responses.” [3]



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Background

The Uruguay Round Agreements Act, [4] enacted on June 8, 1995, established a term for United States patents of 20 years from the earliest priority claim. [5] Delays at the U.S. Patent and Trademark Office due to interference or derivation proceedings, secrecy orders or appellate review ultimately decided in favor of the applicant, resulted in patent term extension that extended patent term beyond the 20-year expiration date to the extent any such delays did not overlap.

The list of administrative delays that could affect patent term was expanded under Title III of the American Inventors Protection Act of 1999, [6] also known as the Patent Term Guarantee Act. Patent Term Adjustment is provided where the guarantees of prompt PTO responses and of no more than three-year application pendency are not met.

PTA is provided for failure by the patent office to issue a first rejection, objection or requirement (collectively an “action”) by the patent office under 35 U.S.C. § 132 beyond 14 months from the date of filing a patent application, and for delay in issuing an action or a notice of allowance more than four months after reply by a patent applicant to a previous action. These delays, enacted under 35 U.S.C. § 154(b)(1)(A), are collectively known as “A” delay. PTA is also provided under the 1999 act whereby the pendency of a patent application exceeds three years from its filing date. Delay by the patent office beyond this three-year period is set forth under 35 U.S.C. § 154(b)(1)(B) and is known as “B” delay.

PTA accrued by A delay and B delay is reduced under 35 U.S.C. § 154(b)(2)(C) by periods of time during

which the applicant “failed to engage in reasonable efforts to conclude prosecution of the application,” including “periods of time in excess of 3 months that are taken to respond to a notice from the Office making any rejection, objection, argument, or other request ... mailed to the applicant.”

According to a report by the Committee on the Judiciary to whom the bill was referred, the purpose of amending patent term extension under the 1999 act was to “compensate patent applicants for certain reductions in patent term that are not the fault of the applicant,” as a consequence of “administrative delays caused by the PTO that were beyond the control of the applicant.”[7] As further stated by the committee, “[o]nly those who purposely manipulate the system to delay the issuance of their patents will be penalized under Title III, a result that the Committee believes entirely appropriate.”[8] However, recent decisions at the patent office and the courts are eroding the guarantee of compensation of patent term adjustment to patent applicants for patent office delay that was the premise for the 1999 act.

Pfizer v. Lee

Most recently, the Court of Appeals for the Federal Circuit in *Pfizer Inc. v. Lee*[9] held that the period of time extending between issuance of a first action and a second, corrected action does not count as A delay unless the corrected action is issued by the examiner sua sponte, “without explanation and without prompting from the applicants.”[10]

In *Pfizer*, the patent office issued a restriction requirement as a first action in a patent application more than 14 months after its filing date. The restriction requirement divided the claimed subject matter among eight groups, but failed to specify to which group or groups certain claims belonged. The applicant brought this omission to the examiner’s attention, whereupon the examiner withdrew the restriction requirement and substituted it with a corrected restriction requirement. Both the patent office and the U.S. District Court for Eastern District of Virginia denied patentees an award of A delay for the period of time extending between the dates of the first and corrected, second restriction requirements. The Federal Circuit affirmed the denial, stating that the applicant’s challenge to the restriction requirement and subsequent exchanges with the examiner were “part of the typical ‘back and forth’ process of patent prosecution,” and, therefore, were outside the “underlying ‘purpose of PTA,’” which was to “compensate patent applicants for certain reductions in patent term that are not the fault of the applicant.”[11]

In dissent, Judge Pauline Newman of the Federal Circuit stated that, in effect, the panel majority was holding the patentees “at fault in seeking a corrected official action, and thus must suffer denial of the statutory term adjustment for the additional delay.”[12] Further, Judge Newman found that the “give-and-take process” characterizing “patent prosecution” should not be determined by whether or not it was the applicant or the examiner who recognized an error in an action taken by the patent office.[13] According to Judge Newman, the patent applicant made “no error” and should not be penalized for a failure of the patent office that delayed prosecution, contrary to the intent of the 1999 act.[14]

Case Law Development and a Dilemma for Applicants

The holding in *Pfizer* is only the latest in a series of decisions that restrict the availability of A delay by the patent office as a consequence of actions taken by the patent applicant. For example, in *UMass. v. Kappos*[15] the applicant filed a response to a first restriction requirement and, thereafter, contacted the examiner who, without withdrawing the first action, issued a second restriction requirement. The U.S. District Court for the District of Columbia held that, “as a matter of law,” successfully convincing an

examiner to change a ruling contained in an Office action does not render the Office action “a nullity for purposes of calculating A Delay under section 154(b)(1)(A),” even if the examiner had classified that change in ruling as a “vacatur.”[16] Further, the court held that, because the statute is silent on this issue, “the A delay clock stops ticking when the first Office action is issued, regardless of what transpires thereafter.”[17]

The absolute tenor of the district court's decision appeared to be significantly attenuated the following year in *Janssen Pharmaceutica NV v. Rea*,[18] when the same court awarded A delay because the patent office “rescinded and replaced” an action before the applicant submitted a response. As stated in the decision by the patent office on remand from the district court in *Janssen*:

Upon further reconsideration, the USPTO concludes that the specific facts of this case constitute the rare occurrence in which it is appropriate for the USPTO to treat an Office action as a non-event for the purposes of calculating USPTO delay... . The record reveals that the mailing of the Restriction Requirement on July 16, 2007, was not part of the give-and-take process between the Office and an applicant that is typical during the normal course of patent examination.[19]

In *Pfizer*, the Federal Circuit has now further circumscribed *UMass v. Kappos* by stating that the “give-and-take process between the Office and an applicant that is typical during the normal course of patent examination” is triggered by the applicant simply raising an error by the office action to the attention of the examiner. By doing so, any patent term adjustment for A delay between the issuance of a first action and a subsequent, replacement action is forfeited, regardless of whether the examiner considers the first action to be withdrawn. In effect, the patent applicant suffers a shortened patent term for being at “fault” by notifying the patent office of the patent office’s own error, at least according to Judge Newman.[20]

These holdings in *UMass*, *Janssen* and *Pfizer* create a dilemma for patent applicants upon recognition of an error made by the patent office. The applicant can respond to the action by making a best guess as to what was intended by the examiner. However, as pointed out by Judge Newman, by doing so, the applicant runs the risk of abandonment of the application if the reply is considered incomplete.[21] Alternatively, the applicant can notify the examiner of the error. In either case, however, the applicant will forfeit the possibility of PTA for A delay beyond the date of the office action containing the error. A third choice would be to wait to see if the examiner will sua sponte rescind the first action and issue a corrected second action with the hope of guaranteeing A delay. None of these options would appear to be consistent with fostering the prudence normally expected of an experienced patent prosecutor of notifying the patent office upon recognition of such an error.

Lack of Parity With Patent Office Rules

Moreover, the holdings in these recent cases lack parity with rules promulgated by the patent office that reduce patent term adjustment consequent to actions by the applicant. Specifically, 37 CFR § 1.704(c)(7) reduces A delay by the interval extending from when an applicant files a reply having an omission to the date on which a reply correcting the omission is filed. Similarly, 37 CFR § 1.704(c)(8) reduces A delay by the length of time extending from an applicant’s submission of a reply to an office action to the date of submission of a supplemental reply or other paper, unless that supplemental reply or other paper is requested by the examiner. In both cases, the applicant is penalized with loss of term for omissions or subsequent filings by the applicant. However, *Pfizer* holds that applicants will also be penalized for supplemental actions to correct omissions by the examiner if those actions are prompted by the applicant. In other words, actions by the applicant to correct an omission or error can only limit PTA to which the applicant may be entitled, even if that omission or error is by the patent office, and even if the examiner formally withdraws the action containing that omission or error.

This lack of parity potentially is exacerbated if the examiner determines that a first action is to be rescinded and replaced with a subsequent action and then delays doing so. For example, in Pfizer the applicant contacted the examiner before expiry of the six-month statutory period for reply to the first action, and the examiner agreed to rescind the first action and issue a new action with a new due date for reply. In that instance, the examiner did so within two weeks from the date of contact by the applicant, but only after expiration of the six-months statutory period for reply.[22] If the examiner had not been so diligent, the delay suffered by the applicant could have been potentially indefinite, and the applicant would have had little recourse, especially if the application were considered to be intentionally abandoned.

The Net Effect on A Delay

The rules relating to A delay, therefore, appear skewed decidedly against the applicant, both in terms of how delay is calculated and in control over the length of delay. Under Pfizer, even diligent action by the applicant to alert the patent office of its own error can irrevocably limit patent term adjustment to which the applicant may otherwise be entitled.

Generally, it is not possible to capture all A delay following issuance of a faulty first action, unless the error is recognized and acted upon sua sponte by the examiner or by virtue of an ultimate decision that the action by the patent office does not, as a matter of law, constitute an “action” within the scope of 35 U.S.C. § 132. It would be folly for an applicant to take the alternative step of not responding to an action by the patent office under the presumption that the statutory prerequisites under 35 U.S.C. § 132 are not met. The only possibility applicants have to limit shortened term caused by patent office error is by identifying such errors and notifying the patent office as soon as possible after the action issues, or by replying as best as possible in view of the error and despite the risk of abandonment noted by Judge Newman. [23]

Conclusion

If an applicant receives an action from the patent office that appears deficient, the applicant should be able to feel free to contact the examiner for clarification or correction and, if necessary, to request substitution of the action with a new action resetting the date for reply without fear of losing PTA. Replacement of a faulty action by the patent office is, of course, at the examiner's discretion, but the applicant should not have to suffer a loss of patent term adjustment consequent either to an error committed by the patent office, or for having brought that error to the attention of the patent office. If the examiner decides to rescind an office action, A delay should be calculated as though the action never issued, regardless of whether the examiner's decision was prompted by the applicant.

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[1] H.R. Report No. 106-287 at 46 (1999).

[2] No. 2015-1265 (Fed. Cir. Jan. 22, 2016).

[3] 35 U.S.C. § 154 (b)(1)(A).

- [4] Pub. L. No. 103-465, 108 Stat. 4809 (1994) [hereinafter URAA].
- [5] A term of fourteen years for design patents was unchanged.
- [6] Pub. L. 106-113, Title III, 113 Stat. 1536 (1999) [hereinafter 1999 Act].
- [7] H.R. Rep. No. 106-287 at 46 (1999).
- [8] *Id.*
- [9] No. 2015-1265 (Fed. Cir. Jan. 22, 2016).
- [10] *Id.* at 16.
- [11] *Id.* (quoting *Univ. of Mass. v. Kappos*, 903 F.Supp. 2d 77, 86 (D.D.C. 2012) (citing H.R. Rep. No. 106-464, at 125 (1999)) (emphasis added).
- [12] *Id.* at 2 (Newman, J., dissenting).
- [13] *Id.* at 6 (Newman, J., dissenting).
- [14] *Id.* at 4.
- [15] 903 F. Supp. 2d 77 (D.D.C. 2012).
- [16] *Id.* at 86.
- [17] *Id.*
- [18] *Janssen Pharmaceutica, N.V. v. Rea*, 928 F. Supp. 2d 102 (D.D.C. 2013).
- [19] *In re: Patent No. 7,741,356, Breslin et al., Decision Upon Remand and Reconsideration of Patent Term Adjustment and Notice of Intent to Issue Certificate of Correction*, J.A. A2403. May 16, 2014.
- [20] *Pfizer* at 2 (Newman, J., dissenting).
- [21] *Pfizer*, at 2, Newman, J., dissenting.
- [22] The restriction requirement was issued on August 10, 2005. As a “requirement” made by the Patent Office under 35 U.S.C. § 132, the period for reply by the applicant is limited by 35 U.S.C. § 133 to six months from the date of the action by the Patent Office, or February 10, 2006. In this case, the applicants did not reply to the restriction requirement, but instead waited for the examiner to withdraw the restriction requirement as he had agreed to do. The examiner withdrew the first restriction requirement and issued a new restriction requirement on February 23, 2006, which was after expiration of the statutory period for reply to the first restriction requirement.
- [23] *Pfizer*, Slip op. at 2 (Newman, J., dissenting).
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