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Step Right Up and Adjust Your Patent Term: Court Finds Improper PTO Calculations

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The U.S. Patent and Trademark Office ("PTO") has been improperly calculating patent term adjustment ("PTA") for some patents, specifically, in cases where prosecution of the underlying application involved the filing of a Request for Continued Examination ("RCE") more than three years after the original filing. This is the outcome in *Exelixis, Inc. v. Kappos*, No. 1:12cv96 (E.D. Va. Nov. 1, 2012). Although the PTO may appeal, the clock is now ticking on a day-by-day basis to request relief for PTA calculations on recently issued patents.

The *Exelixis* decision centers on the PTO's improper interpretation and application of subpart B of the PTA statute, 35 U.S.C. § 154(b)(1)(B). Section 154(b)(1)(B) provides:

> [I]f the issue of an original patent is delayed due to the failure of the United States Patent and Trademark Office to issue a patent within 3 years after the actual filing date of the application in the United States, not including —
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> > (i) any time consumed by continued examination of the application requested by the applicant under section 132(b);. . .
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> 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.

The total extension of the term of the patent is subject to reduction for any time "an applicant failed to engage in reasonable efforts to conclude prosecution of the application."[2] In essence, subpart B effectively guarantees that under most circumstances, absent delay by the applicant, prosecution of a patent application will conclude no later than three years from the filing date or an extended patent term will result. This three-year period is tolled, however, for time spent in continued examination of an application, including following the filing of an RCE.[3]

The question considered by the court in *Exelixis* is "[w]hether 35 U.S.C. § 154(b)(1)(B) requires that an applicant's PTA be reduced by the time attributable to an RCE, where . . . the RCE is filed *after* the expiration of [the statute's] guaranteed three year period."[4]

With regard to the *Exelixis* patent, the application was filed on January 15, 2008. The PTO issued a final rejection on March 9, 2011. Exelixis filed an RCE on April 11, 2011, more than three years after filing the application. The application was subsequently allowed, and the patent issued on August 2, 2011. In calculating the relevant PTA for

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[2] *35 U.S.C. § 154(b)(2)(C)(i) entitled "Reduction of period of adjustment."*

[3] *Id. §154(b)(1)(B)(i).*

[4] *Exelixis, No. 1:12cv96, 2012 U.S. Dist. LEXIS 157762, *1 (emphasis added).*

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the *Exelixis* patent, the PTO reduced the total term adjustment by the number of days between the filing of the RCE and the issue date of the patent.

Exelixis argued that this reduction was incorrect—that the relevant PTA should simply be the total number of days between the expiration of the guaranteed three-year prosecution period on January 15, 2011, and the issue date. The district court agreed, finding that while subpart B clearly states that the three-year window for prosecution is tolled by the filing of an RCE *prior to* the expiration of the period, the statute "neither addresses nor requires than 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."[5] Further, the statute does not include an RCE as a type of applicant delay that would subject the PTA to reduction. By reducing the PTA here, the court found that the PTO unfairly punished Exelixis for the use of a "valuable tool in the patent prosecution process."[6] The court therefore set aside the PTO's calculation of Exelixis's PTA as "not in accordance with law and in excess of [the PTO's] statutory . . . authority."[7]

Given the *Exelixis* decision, patent applicants and owners should consider a few important practice tips: (1) Applicants prosecuting applications should generally wait, if possible, until after the PTO's three-year examination window closes to file an RCE while maintaining the benefit of PTA; and (2) Owners of patents issued within the last 180 days should **immediately** evaluate their patents that involved an RCE to consider seeking a PTA correction, either via a request for reconsideration to the PTO[8] or a district court action.[9] Opportunities may also exist to correct PTA for older patents. Notably, the deadline to seek reconsideration of PTA calculation at the PTO for the most recent patents will expire around the same time as any appeal of the *Exelixis* decision by the PTO. Moreover, it may be that the *Exelixis* decision could be overturned if the PTO appeals. Nevertheless, for patents where even a few days of additional patent term are sufficiently valuable, the *Exelixis* decision presents a tremendous opportunity in those patents involving the right kind of RCE filing.

If you have questions about these issues, please contact us.

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[5] *Id.*

[6] *Id. at *6.*

[7] *Id. (internal quotations omitted).*

[8] *A patent owner may request reconsideration of the PTA within two months following the issue date. 37 C.F.R. § 1.705(d).*

[9] *A patent owner may file a district court action in the Eastern District of Virginia seeking correction of the PTA within 180 days following the issue date. 35 U.S.C. § 154(b)(4)(A).*

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