



UPDATE Intellectual Property and Trade Secrets Litigation

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Federal Circuit Extends Patent Term in Certain Cases

Practical Implications for Patent Holders

The Federal Circuit recently issued an opinion, [Novartis AG v. Lee, Nos. 2013-1160 & 2013-1179 \(2014\)](#), that may extend the term of certain patents, namely those whose time to issue exceeds three years when there is continued examination. The following update provides some basic background on patent terms as well as the new case and its practical implications for patent holders.

PATENT TERMS AND PATENT TERM ADJUSTMENT

A patent's life, or term, is 20 years, measured from the date the patent applicant filed the patent application. Once the 20-year clock is up, the patent expires. Because the clock begins to run at the time of application, the time the U.S. Patent and Trademark Office (PTO) spends examining the patent is lost to the patent applicant, whose rights under the patent laws to exclude others from practicing the claimed invention are unenforceable before the patent issues. Even worse, the time examining a patent can be very lengthy, running several years in many cases.

The Patent Term Adjustment (PTA), however, provides a mechanism whereby delays of greater than three years can be recaptured by the patentee. Under the PTA, every day that the PTO spends after three years from the application date examining the patent is added to the term of the patent. So, for example, if the PTO took four years to examine a patent, that is, four years passed between the application date and the issue date, the patent term would be adjusted to 21 years.

EXCEPTIONS TO THE PTA FOR PATENT APPLICANTS REQUESTING CONTINUED EXAMINATION

One key exception to the PTA is when the patent applicant requests that the PTO conduct "continued examination," or further examination, of a patent application after the PTO has issued a final rejection. In such cases, the time spent in continued examination is not added to the patent term. The theory is that because the delay was due to the request from the applicant, not a result of the PTO taking too long to examine the patent, the patent term should not be extended. And it has long been PTO policy that, once the applicant makes a request for continued examination (RCE), the entire time spent in the RCE process, including between the time when the Notice of Allowance is sent to the patent applicant and when the patent issues, does not extend a patent's term.

THE FEDERAL CIRCUIT'S DECISION

In a recent unanimous panel decision, the United States Court of Appeals for the Federal Circuit effectively extended the patent term of patents fitting this profile, namely those whose time to issue exceeds three years when there is continued examination, by ruling that the time between when the PTO sends the Notice of Allowance to the patent applicant and the issue date does, in fact, extend the patent term day for day. The court's *Novartis* decision overturned the PTO's interpretation of this exception to the PTA. The *Novartis* case will extend the life of many patents for up to several months.

In *Novartis*, the court ruled that the key factor is whether delays in issuing a patent "are attributable to the PTO." The court noted that in a case without a patent applicant's request for continued examination, that is, a case where the patent issues before a final rejection, any time spent between allowance and issue is added to the patent term (assuming the time from application to issue exceeds three years) because that time is clearly attributable to the PTO. The PTO's rule, however, does not add the time between allowance and issue to the patent term in a case where the applicant has requested continued

examination. In rejecting the PTO's rule, the court held that "allowance-to-issue time is not to be distinguished according to whether there is a continued examination in prosecution. Either way such time is plainly attributable to the PTO."

The court explained further that the time between allowance and issue is not examination time; therefore, the exception to the PTA for a patent applicant's request for continued examination should not apply to this period. In fact, the Notices of Allowance themselves in this case stated that "THE APPLICATION... HAS BEEN EXAMINED AND IS ALLOWED FOR ISSUANCE AS A PATENT. PROSECUTION ON THE MERITS IS CLOSED." Thus, while the RCE time is excluded from the PTA, once the Notice of Allowance is sent, the delay from that time until issue is added to the patent term.

BROAD IMPLICATIONS FOR PATENT HOLDERS

This case has wide application because about one-third of all patent applications involve a request for continued examination, and many exceed the three-year period that creates PTA extensions to patent terms. Also, the average time between allowance and issue is about four months, with some allowance-to-issue periods as long as seven months.

The PTO generally only allows challenges to the PTA for two months, and patentees generally can only sue the PTO for a recalculation of the PTA within six months. Holders of recently issued patents should have prosecution counsel review their patents to see if the new PTA rule applies and, if so, request adjustment. Patent holders may receive a significant, several-month-long increase in the term of their patent.

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