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The Sky Is Not Falling: The Effects of Term Adjustment under the American Inventors Protection Act on Patent Prosecution

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Abstract: Mr. Slate's article considers the likely effects of the patent term adjustment provisions of the American Inventors Protection Act. Contrary to popular expectations, Mr. Slate argues that the Act's term adjustment provisions will have little practical effect on most practitioners' work.

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¶1 The patent term adjustment provisions of the American Inventors Protection Act of 1999 (AIPA) have produced much terror among patent practitioners. The AIPA provides for a compensatory extension of patent term due to delays in the examination process. Such delays may result from a variety of events including the failure of the U.S. Patent and Trademark Office (PTO) to take certain actions within certain relative or absolute time periods. The AIPA, however, provides for a reduction in the term extension when the applicant fails to take certain actions within specified time periods, typically shorter than the applicable statutory or shortened statutory periods for taking such actions. Due, in all likelihood, to sloppy drafting, the AIPA provides such reduction even when the applicant's failure to act expeditiously contributed to neither a delay in patent issuance, nor the inability of the PTO to meet a deadline.

¶2 Many practitioners have expressed dismay at the practice implications of the AIPA's term adjustment provisions. Some assert that a need for compliance with the shorter time periods will significantly impact their practices. I disagree. In this note I argue that the term adjustment provisions of the AIPA are not revolutionary in presenting practitioners with considerations of how prosecution may affect patent term. Furthermore, the benefits of adherence to extension-friendly deadlines under the AIPA are largely speculative.

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I.

¶13 For the overwhelming majority of practitioners and applicants, the AIPA's term adjustment provisions will have little practical effect. The relationship between actions taken in patent prosecution and the resulting patent term is nothing new with the AIPA. Prior to the General Agreement on Tariffs and Trade (GATT), practitioners and applicants had significant ability to extend the patent term (seventeen years from issuance) by intentionally protracting prosecution. Nevertheless, very few pre-GATT practitioners routinely counseled clients on the ability to extend the patent term, either mildly or to the level of launching a so-called submarine patent. Furthermore, many post-GATT practitioners routinely fail to counsel their clients regarding what was and remains the only sure way to obtain a patent term extension: filing a provisional patent application and then waiting a full year to file a nonprovisional patent application with priority claim under 35 U.S.C. §119(e).

¶14 Term extension under the AIPA is speculative. When any action is taken, it is likely that it will not yet be known whether the application will be entitled to a term extension. Accordingly, speculative adherence to the strict extension-friendly deadlines may prove useful only in a small number of the cases in which it is practiced. In the remaining cases, the extraordinary efforts involved in adherence to the strict deadlines will produce no term extension benefit. Further underscoring this speculative nature, most U.S. patents are allowed to lapse for failure to pay a maintenance fee, thereby rendering the issue of term extension moot.

¶15 Nevertheless, in some situations even the speculative benefits of term extension may outweigh the costs of complying with the strict deadlines. This will be the case when an invention is anticipated to be in use twenty years in the future and the invention is of such a fundamental or landmark nature that it will not have been designed around by the end of the patent term. The invention of a new class of drugs is an example. However, in cases where patent term maximization is appropriate, such maximization does not merely involve expediting prosecution. As noted above, one key aspect of term maximization involves the use of provisional applications. If maximization of patent term extension under the AIPA is of paramount concern, the timing of actions is critical since taking some actions too promptly may cause a loss of term extension. For example, if a term extension results from an application pendency of more than three years, and if the applicant had responded to an Office Action in a prompt two weeks rather than the required three months, two-and-a-half months of extension would have been lost. Accordingly, maximization of term extension under

the AIPA may involve not simply meeting the strict deadlines, but just barely meeting the strict deadlines.

II.

¶16 This discussion has principally concerned the end of the patent term and term maximization associated with deferring the end of the patent term. An early commencement of the patent term may be appropriate in some cases. These cases may involve inventions with short life spans and for which term extension under the AIPA is, therefore, irrelevant. Strategies for providing early commencement of the patent term are myriad and are beyond the scope of this note. The benefits of early commencement may have been somewhat reduced by the eighteen-month publication provisions of the AIPA (also beyond the scope of this note). Nevertheless, in some circumstances, practitioners may be forced to balance interests of early patent term commencement against maximized term extension under the AIPA.

¶17 With the foregoing in mind, I believe the practice implications of the AIPA term adjustment provisions are twofold: a need to appropriately inform clients of the term adjustment provisions; and a need to develop appropriate strategies for prosecuting those patent applications for which the client and practitioner have determined that term extension under the AIPA should be maximized.

¶18 As to client notification, practitioners should consider putting appropriate information about patent term in engagement letters and the like. One example of such language would be the following:

In the U.S., the term of a patent commences at the time the patent issues, after the PTO has examined and allowed the underlying patent application. Subject to the payment of periodic maintenance fees required to prevent the patent from lapsing, the patent term normally ends twenty years from the filing date of the earliest nonprovisional patent application on which the patent is based. In certain situations, the patent term may be extended beyond that twenty-year period due to various delays in the examination of the patent application. However, the available extension is reduced when the applicant fails to meet a series of fairly short deadlines in taking various actions required of the applicant during prosecution. These deadlines may be shorter than the actual deadlines for taking the various actions. The firm believes that for most patent applications it is not efficient to undertake extraordinary efforts to meet the demanding deadlines because: (1) it is speculative as to whether

any patent will be entitled to an extension even when the applicant has met the various demanding deadlines; (2) for many inventions, the small extension (likely a few months to a year or two) occurring twenty years down the road may be of questionable value; and (3) complying with the demanding deadlines may pose significant burdens on both the applicant and its attorney.

There are, however, some situations in which the mere possibility of obtaining a term extension is important and merits the efforts of the applicant and its attorneys to maximize the possible extension. This would be the case for an invention which is expected to remain commercially significant after twenty years and not to have been superseded by subsequent technological developments. Some patents for drugs may fall in this area. More generally, patents of a very fundamental nature may also merit such efforts. If you believe any particular invention for which you seek patent protection falls into this category, please inform us so that we can discuss appropriate strategies.

¶9 As to extension-friendly strategies, when practitioners encounter particular cases for which maximization of term extension is appropriate, steps should be taken to track and meet the appropriate deadlines and to track the components of the ultimate term adjustment. This may involve flagging the relevant applications in one's docketing system and configuring the docketing system to calculate term adjustment so that the PTO's term adjustment calculations can be verified. The PTO's running list of applicant and PTO delays will be available through the Patent Application Information Retrieval (PAIR) system. I also expect that major vendors of commercial docketing software packages will incorporate extension calculation functions into their systems.

III.

¶10 This discussion has been a necessarily cursory exploration of a few aspects of the term adjustment provisions of the AIPA. Prosecution of particular applications are likely to involve factors and detailed provisions of the AIPA beyond those explored and should be handled within the competence of the practitioner. If you have comments or questions please contact William Slate at wslate@wiggin.com.