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Your Money or Your Patent Term: PTO Proposes Options for Prioritized or Delayed Examination



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In its continuing efforts to address the backlog of unexamined applications, the PTO has announced that it is considering an initiative that would create three tracks for patent examination: (I) "prioritized," (II) "traditional," and (III) "delayed." See 75 Fed. Reg. 107, 31763 (June 4, 2010). The initiative also will sidetrack applications with a priority claim to a foreign application.

While it is difficult to analyze a proposal that is so short on details, it is important that applicants identify the various costs associated with each examination

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track and use the public comment period, which extends through Aug. 20, to require the PTO to address these important issues before the proposed initiative is adopted.

The Proposed Initiative

Track I: Track I would provide "prioritized" examination, with a targeted time to first office action of four months, and a targeted time to "final disposition" of 12 months from being granted prioritized status. An applicant could move its application to prioritized Track I by making a request and paying a "cost recovery fee."

As currently contemplated, the fee would be set to cover the costs of "provid[ing] the resources necessary" to permit prioritized examination of Track I applications without delaying the aggregate pendency of Track II applications. This fee could be "substantial," as the costs would have to pay for "hiring and training a sufficient number of new employees" to process and examine prioritized applications.

Track I applicants will not be required to conduct a pre-examination search or analysis, but are encouraged to "[a]cquire a good knowledge of the state of the prior art." Track I applications will be placed in a prioritized queue with other prioritized applications, such as accelerated examination applications and patent prosecution highway applications.

Track II: Track II would provide "traditional" examination, with Track II applications being examined in turn based on filing date. An applicant that does nothing will have its application placed on traditional Track II.

Track II applications could be moved to prioritized Track I by filing a request and fee at any time before or during prosecution.

Track III: Track II would provide “delayed” examination of up to 30 months slower than Track II. An applicant interested in delaying examination (and postponing payment of examination fees) could place its application on delayed Track III by filing a request (when filing the application or with a reply to a notice to file missing parts) that the application not be placed in the examination queue for up to 30 months from its priority date.

This delayed option is only available to applications that do not claim priority to a foreign application or a non-provisional U.S. application. Delayed applications still would be subject to 18-month publication, and must be promptly placed in condition for publication.

Once an applicant requests examination of a Track III application (and pays the examination fee), the application will be placed in the examination queue based on the request for examination date (not based on its filing date). Track III applications could be moved to prioritized Track I by filing a request and fee at any time.

If an applicant fails to request examination (and pay the examination fee) within 30 months from the priority date, the Track III application will be deemed abandoned.

Sidetracked Applications: An applicant with an application “based on a prior foreign-filed application” will have its application placed on hold until examination in the foreign application begins.

The applicant will have to file in the U.S. application a copy of any search report and the first office action from the foreign application, as well as “an appropriate reply to the foreign office action” as it may apply to the U.S. application. Sidetracked applications could be moved to prioritized Track I by filing a request and fee once those documents have been filed.

Identification of Likely Costs

The High Costs of Track I: The PTO warns that the cost recovery fee for Track I will be “substantial,” but does not reveal its estimate of what this fee will be.

While the PTO wants to set the fee high enough to cover its costs, it must not set the fee so high as to undermine the usefulness of Track I. If the fee is too high, few applicants will opt for Track I, and it will not serve the goal of reducing application pendency.

That, said, it is possible that many applicants would be willing to pay thousands of dollars for prioritized examination. For example, applicants may be willing to pay as much for prioritized examination as they would spend preparing an accelerated examination application (including the examination support document), or even more because Track I does not raise the inequitable conduct concerns surrounding the examination support documents required for accelerated examination.

Thus, the PTO may have considerable leeway in setting this fee without undermining the success of this option. Indeed, if the fee is set too low, Track I would backfire if too many applicants take this option and the queue for prioritized examination becomes too long.

The PTO is considering other limitations on Track I applications that may add to their costs. For example, the PTO may limit the number of claims to four independent claims and 30 total claims. For applicants offended by the defunct “Claims and Continuations Rules,” this restriction may make Track I unattractive.

The PTO also may limit the use of extensions of time in Track I applications, forcing applicants to conduct prosecution in an expedited manner, and thus sharing the burden of prioritized examination. Perhaps more significantly, the publication of Track I applications could be accelerated to occur shortly after a request for prioritized examination is granted, even if that is before the traditional 18-month publication date.

Thus, applicants who want to avoid early publication of their inventions may not opt for Track I, or may put off filing a Track I request until the application is published. If the PTO is able to make good on its promise to complete examination of Track I applications within 12 months, postponing a request to enter Track I until after 18-month publication still could achieve expedited examination as compared to Track II applications, given the current average pendency of 30-48 months.

The Hidden Costs of Track II: Track II is described as the status quo, but applicants who opt for Track II (or don’t opt for Track I or Track III) will pay the price of delayed examination.

Although the PTO is trying to craft this initiative so as not to further delay examination of Track II applications, there is a risk that the PTO will be overwhelmed with Track I requests before it has adequate resources in place. Faced with delaying examination of applications that paid a substantial fee for prioritized examination or further delaying examination of applications that already are waiting an average of 20 to 30 months for examination, the PTO may be tempted to permit the traditional applications to continue to simmer on the back burner.

On the other hand, if the initiative is successful, Track II applications may enjoy earlier examination, as Track III applications and foreign-based applications are moved out of the Track II queue. However, such a benefit only would be possible if a significant number of applications from the same Tech Center, or even the same Art Unit, are delayed or sidetracked.

If most applications in the same Tech Center/Art Unit opt for the same type of examination, the main effect may be even more disparity across different technologies, rather than overall improvements in pendency.

Intentionally or not, the proposed initiative also signals that the PTO has no plans to reduce the time to examination unless applicants pay a hefty fee to opt into Track I. Thus, one hidden cost of the initiative is the PTO’s apparent resignation to a status quo of a 20-30 month waiting period for examination.

Applicants who believe that the PTO should focus its efforts on reducing application pendency across the board should raise this issue during the comment period.

The Likely Costs of Track III: Applicants who opt for Track III may do so to defer the costs of examination, but should be cognizant of other costs associated with this option. The most obvious cost is the cost of delayed examination itself, and the consequent delay in grant and resulting shorter effective patent term.

The significance of this cost will vary with the invention at issue. While it is generally held that “high technology” applicants want prompt examination and grant because their products have a short shelf-life, while “pharmaceutical” applicants want delayed examination and grant because of the delays associated with FDA approval, applicants will have to make this assessment on a case-by-case basis.

. As the PTO contemplates, “high technology” applicants may opt for Track III if the commercial viability of the invention at issue is in question, or if publication of the application will have sufficient defensive value.

A more hidden cost of Track III is the impact on Patent Term Adjustment (“PTA”). The PTO contemplates that it will “offset any positive PTA accrued” in a Track III application that goes beyond that which would have been accrued in Track II. For example, if “the aggregate average time” to a first office action is 20 months, and the applicant requests delayed examination for 30 months, the accrued PTA would be reduced by 10 months.

The PTO has not explained the basis for determining the aggregate average time to first office action. Will it be assessed by applications with the same filing date? Will it be assessed across all Track II applications? Across all Track II applications in the same Tech Center? The same Art Unit? Will applicants be able to determine the applicable “aggregate average time” when deciding how long to delay examination?

These are important details that must be clarified.

In any event, it is clear that the PTO contemplates that the delay in examination requested under Track III will result in a corresponding loss of effective patent term. Again, the significance of this cost will vary with the invention at issue, and whether the patent is expected to have value at the end of its 20-year term.

The Various Costs of a Foreign Priority Claim: Sidetracked applications may bear the most costs under the proposed initiative, and foreign applicants will have the fewest options and least control over the examination timeline. In particular, foreign-based applications will face delayed examination, potential loss of PTA, and increased prosecution burdens.

A foreign-based application will not be placed in any examination queue until the required documents from examination of the foreign application are filed. (The PTO should clarify whether foreign-based applications will be retroactively placed in queue based on their filing date, or will enter the queue at the end of the line on the date these documents are filed.)

For applications filed in countries with significant application backlogs, this could essentially double the time to examination, as the foreign applicant must first wait for examination in the original country before it is even placed in the queue for U.S. examination.

To add insult to injury, the PTO proposes to “offset positive PTA accrued” in a sidetracked application when the required documents are filed “after the aggregate average time” to first office action. As in the Track III example above, if the aggregate average time to a first office action is 20 months, and the required documents are not filed until 30 months after the filing date, the accrued PTA would be reduced by 10 months.

Thus, foreign applicants would be doubly penalized by examination delays in the foreign patent office, first by losing effective term in the original foreign patent, and then by losing patent term in the corresponding U.S. patent.

The PTO also solicits comments on whether PTA should be further limited when foreign applicants do not request accelerated examination in the original foreign patent office. This would mean that foreign prosecution strategies would have an unprecedented impact on U.S. patent term.

It is not clear why the PTO believes that such further limitations on PTA are necessary or appropriate, particularly in view of the PTA offset outlined above.

Foreign applicants will be burdened in prosecution by the requirement to file a reply to the foreign office action in the U.S. application, tailored to the U.S. claims and U.S. practice. For example, the foreign applicant will be expected to amend the U.S. claims and/or explain how the claims are patentable despite the issues raised in the foreign office action.

Thus, foreign applicants will be forced to address issues that may not even have been raised by a U.S. examiner, such as where a foreign patent office cites a reference that does not qualify as prior art in the United States or raises an issue that is not germane to U.S. patentability requirements.

The PTO proposes this treatment of foreign-based applications in order to promote its worksharing goals. The PTO believes that examination efficiency can be improved in foreign-based applications if U.S. examination is delayed until foreign examination commences, and if foreign applicants are required to preemptively address in the U.S. issues that were raised in foreign examination.

The PTO notes that the EPO and JPO already have mechanisms for prioritizing applications first filed in those countries. Still, this is a dramatic change to U.S. patent practice, and will force foreign applicants to consider whether the costs of a foreign priority claim outweigh the benefits, or should be avoided by filing a U.S. provisional application in parallel with the original foreign application.

Conclusion

While the PTO faces significant pressure to reduce the application backlog, it is applicants who directly bear the burden of unexamined applications.

The proposed initiative for addressing this problem does not come without a price, however. Applicants should take advantage of the opportunity to consider, evaluate, and comment on the proposed initiative, in order to shape a program that can effectively reduce the backlog for all applications and decrease application pendency without imposing excessive costs.