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## USPTO Proposes Mandatory Examination Delay for Foreign Priority Applications

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The United States Patent and Trademark Office (USPTO) has proposed a new initiative aimed at providing applicants with greater control over when their applications are examined: see 75 Fed Reg 107, 31763 (June 4, 2010). However, the proposed initiative imposes a severe burden on applications with priority to a foreign-filed application. The new initiative creates the following four categories for patent applications.

### Categories for Patent Applications

#### I. Prioritized Examination

The first category, called Track I in the proposal, provides a “prioritized examination” method designed to substantially decrease the time required from application filing to patent issuance. Applicants whose business plans require patents quickly, for example, may benefit from more timely examination results. The USPTO’s goal is to provide a first office action within 4 months and a final disposition within 12 months. The prioritized examination applications would be placed in a queue with accelerated examination applications, patent prosecution highway applications, and other applications advanced out-of-turn.

Unlike the current accelerated examination procedure, a pre-examination search and an examination support document would not be required. Instead, a request to enter prioritized examination and the payment of a “cost recovery fee” is all that would be required under the proposal. Currently, no small entity discount is permitted under the USPTO’s statutory authority. Should Congress enable the USPTO to set its own fees, it is anticipated that reduced fees may be available for individuals and small business applicants.

The USPTO is also considering limiting the number of claims for applications under prioritized examination to a maximum of thirty total claims and up to four independent claims. Additionally, to accommodate the decreased application time, the USPTO is considering publication of prioritized applications shortly after any request for prioritized examination is granted.

#### II. Traditional Examination

The second category, called Track II in the proposal, provides for “traditional timing”. Applications in this category would be treated the same as conventional applications under the existing rules. No additional requests or fees would be required for placement in this

track. Applicants in this category may request prioritized examination (i.e. Track I) at any time.

### III. Delayed Examination

The third category, called Track III in the proposal, provides for delayed examination. Applicants who must file a patent application before a statutory bar date but who may lack current funding or whose business plan requires patents to be obtained slowly, for example, may benefit from a delay in examination.

In this category, an applicant may request a delay in examination of the application up to 30 months from the filing date of the application or the filing date of any relied-upon provisional application. The application would remain in the 30-month queue until a request for examination is filed and the examination fee and surcharge is paid. If no request for examination is made within the 30-month window, the application would become abandoned. Once the request and fees are paid, the application may then proceed to Track II. However, an additional delay is expected as the application is placed on the Track II queue based on the examination request date and not the actual filing date.

The USPTO is also proposing negative patent term adjustment (PTA) for Track III applications. Patent term adjustment refers to the extension of the term of a patent if the USPTO delays the examination of a patent application. Patent term adjustment is based on a complicated set of rules indicating when the applicant may accrue positive patent term adjustment or have the patent term adjustment reduced due to applicant delays. For Track III, the USPTO may implement a rule to offset any accrued patent term adjustment when the applicant requests examination after the aggregate average period to issue a first office action on the merits.

### IV. No Examination

The fourth category, so called “worksharing”, includes applications filed in the USPTO based on a prior foreign-filed application. Under the proposed rules, all foreign priority applications are not initially eligible to participate in any of the above-listed three tracks, including traditional examination under Track II. Such prior foreign-filed applications would only be taken up for examination after the USPTO receives:

- (a) A copy of any search report from the original filing office;
- (b) A copy of the first office action from the original filing office; and
- (c) A reply, if needed, overcoming any rejections or objections listed in the first office action.

The new USPTO rules apparently will have a detrimental effect on foreign priority applications. Under the proposed rules, foreign priority applications will not be placed in any US examination queue until the application is first examined by the original filing office. Such a rule may considerably delay the time required to receive a US patent, since the application must first be

taken up for examination in the original filing office before it is even placed on the examination queue at the USPTO.

Further, foreign priority applications may incur additional negative patent term adjustment. In particular, negative patent term adjustment would be incurred for the period between the aggregate average period to issue a first office action by the USPTO and the filing date of the required documents. Thus, any delay by the foreign office in issuing an action which is greater than the average period to issue an office action by the USPTO would cause a reduction in the application’s PTA. This negative patent term adjustment is something which the applicant of a foreign priority application cannot prevent and it is, therefore, difficult to see how the applicant failed to engage in reasonable efforts to conclude prosecution, as defined in the statute.

### Reaction to the Proposal

Some proponents have insisted that the delay in examination for foreign priority applications may benefit US companies. For example, US companies that file first in the US may have a time-to-patent advantage over foreign companies that first file in their home country. However, there is a concern that if the USPTO were to implement the delay in examination for foreign priority applications, foreign patent offices would retaliate by implementing a similar strategy for US applications. Indeed, both the Japan Patent Office and Korea Intellectual Property Office have expressed concerns over the USPTO’s proposal to postpone examination of foreign priority applicants.

Some opponents of the proposal have argued that the delay in examination for foreign priority applications violates the Trade-Related Aspects of Intellectual Property (TRIPS) which applies to all WTO members. In part, TRIPS provides that each country will treat its nationals and nationals of member countries equally. Specifically, Part I, Article 3 begins “Each Member shall accord to the nationals of other Members treatment no less favourably than that it accords to its own nationals with regard to the protection of intellectual property.” Opponents argue that since it is implicit in the agreement that patent applicants would likely first file in their home country, the USPTO’s foreign priority delay would, therefore, treat foreign nationals less favorably than US nationals.

However, nothing in the proposal would prohibit foreign nationals from filing first in the US. Thus, the current proposal does not directly violate the TRIPS agreement. Nevertheless, opponents argue that the current proposal runs contrary to the spirit of the agreement for treating foreign nationals equally with US nationals and may call into question the very nature of the multilateral treaty.

If the rules go into effect as is, one possible strategy for foreign applicants may be to first file a US provisional application at the same time as the foreign application and then file a US non-provisional application which claims priority to the US provisional application instead

of the foreign application. The US provisional application may even be filed in a non-English language, and a verified English-language translation may be filed later, once a decision is made to file a regular, non-provisional US patent application. With this strategy, however, additional costs would be incurred for filing the provisional patent application and for its later translation.

In a “file first in the US” scenario, any reduction in patent application backlog is likely only temporary. The wave of foreign patent office search reports will eventually be submitted to the USPTO and the corresponding patent applications placed on the USPTO examiner’s docket for examination. Additionally, as discussed above, many of the foreign applicants may likely decide to file first in the US. In such a situation, the patent application backlog may again increase without some of the other examination assisting methods, such as the patent prosecution highway, that allows foreign applications to be fast-tracked in the USPTO.

Even if foreign applicants do not file first in the US, it is arguably questionable as to how much “worksharing” will benefit the patent backlog. There may be some initial delay as foreign priority applications would be shelved, however, once the initial foreign search report arrives, the applications would be taken up for examination. Furthermore, there is no guarantee of the accuracy and pertinence of the foreign search reports, and it is likely that the USPTO Examiners will conduct their own searches.

Under the current proposal, applicants under the “worksharing” track would be required to submit a reply overcoming any rejections or objections listed in the first foreign office action. The submitted reply, initially intended for the foreign patent office, may now introduce additional prosecution history estoppel. Perhaps these arguments intended for a foreign patent office

may be used in the future to construe the claims in the counterpart US application.

Some basic questions still exist regarding this proposal, such as whether this proposal will apply to a PCT application that claims priority to a first foreign-filed application and whether the foreign search reports require an English-language translation before submission to the USPTO.

## Next Steps

The current proposal is still in the preliminary stages. A public meeting was held on July 20, 2010, and written comments regarding this proposal were requested to be submitted to the USPTO prior to August 20, 2010. Comments can be located at <http://www.uspto.gov/patents/law/comments/threetracks.jsp>.

The USPTO has generally received negative reactions to its “worksharing” proposal for mandatory delay of prior foreign-filed applications. The Director of the USPTO, David Kappos, has acknowledged the negative reactions and has indicated that both the “worksharing” and the optional delay examination under the Track III parts of the proposal will be reworked. Mr Kappos is anticipating the announcement of the final plan in the near future.

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