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Is an Appeal Time Well-Spent? For Patents, That Depends...

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In *Sawstop Holding LLC v. Vidal* the Federal Circuit confirmed what many practitioners suspected— the Patent and Trademark Office will only award a patent term adjustment to offset a delay caused by appellate review of a patent prosecution if the appeal *results* in allowable claims ready for issuance.

Prosecution of a patent application can stall for any number of reasons, including challenging examiners, lack of bright-line rules, and funding. Appeals to the Patent Trial and Appeal Board (the "Board") and the federal courts are often effective tools for resolving sticky issues and moving an application towards allowance. While 35 U.S.C. § 134 provides the right to appeal an application that has been twice rejected, the decision to elevate a rejection for further review should not be taken lightly. Haphazardly appealing an application may lead to more pain than the appeal is worth. Careful consideration and weighing of the goals and risks of an appeal are essential. Failure to secure an allowance can result in preclusion from pursuing similar claims in later applications, and a lengthier prosecution record opens the risks associated with a more extensive prosecution history.

Notably, even if an appeal is successful, the appellate process can take years to reach a conclusion. Congress intended to compensate for the delays caused by patent prosecutions, and specifically for appellate review of an application, when the U.S. transitioned from a seventeen-year patent term from the date of issuance to a twenty-year patent term from the first non-provisional filing date under the Uruguay Round Agreement Act ("URAA"). There are three types of patent term adjustments ("PTAs") enumerated in 35 U.S.C. § 154:

- 154(b)(1)(A) –compensates a patentee for instances when the PTO fails to act within specified periods ("A Delay");
- 154(b)(1)(B) –compensates a patentee for instances when a patent does not issue within three years of filing ("B Delay"); and

- 154(b)(1)(C) –compensates a patentee for time spent appealing a rejection and securing an allowance (“C Delay”).

As illustrated by *Sawstop Holding LLC v. Vidal*, inventors and applicants cannot assume that they will be fully compensated for the time they invest in the appeal process. *Sawstop* involved two patents under separate district court appeals – the ’476 patent and the ’796 patent. Prior to issuance of the ’476 patent, Sawstop faced an obviousness rejection and appealed to the Board. While the Board did not agree with the Examiner’s rejection, it affirmed on a new ground. Sawstop reopened prosecution to deal with the new obviousness rejection and eventually secured issuance of the ’476 patent. However, the PTO did not award any C Delay in connection with the ’476 patent.

For the ’796 patent, Sawstop faced an anticipation rejection for pending claims 1-3, 5-9, and 19 and a provisional obviousness-type double patenting (“ODP”) rejection for claim 1. Sawstop appealed all the rejections and succeeded in obtaining a reversal of the rejections other than those directed to claim 1. Sawstop appealed the anticipation rejection of claim 1—but not the ODP reject*Sawstop Holding LLC v. Vida*ion—and eventually won a reversal. On remand the Board gave Sawstop an ultimatum to address the ODP rejection: file a terminal disclaimer or cancel claim 1 and rewrite claim 2 as an independent claim. Sawstop took the second option and secured issuance of the ’796 patent. The PTO awarded C Delay for the Board appeal that reversed the rejection of claim 2, 3, 5-9, and 19, but did not award a C Delay for the delay involved in appealing the anticipation rejection to the district court.

On Sawstop’s appeal of both C Delay denials, the Federal Circuit affirmed. It held that Sawstop was not entitled to C Delay for the delay in issuances due to the respective appeal processes. In so doing, it focused on the language of 35 U.S.C. § 154(b)(1)(C):

Guarantee of adjustments for delays due to derivation proceedings, secrecy orders, and appeals . . . if the issue of an original patent is delayed due to . . . (iii) appellate review by the Patent Trial and Appeal Board or by a Federal court in a case in which the patent was issued under a decision in the review reversing an adverse determination of patentability, the term of the patent shall be extended 1 day for each day of the pendency of the proceeding, order, or review, as the case may be.

The PTO argued—and the Federal Circuit agreed—that this provision allowed for the awarding of a C delay only if the appeal put the claims in condition for allowance. Sawstop's reading, that a C delay provision could apply when an adverse determination of patentability is overcome on appeal regardless of substantive amendments made after the appeal to secure allowance, would read out the phrase "in which the patent was issued under a decision in the review reversing an adverse determination of patentability" in § 154(b)(1)(C). According to the Federal Circuit, any outstanding rejections, new rejections, or reopening of prosecution by filing a request for continued examination, mean that the delay due to the appeal does not inure to the patentee.

The take away from *Sawstop* is that applicants who wish to increase their chances of obtaining a C Delay should narrow the issues in their prosecution (including by amending their claims if necessary) *before* filing the Notice of Appeal. Additionally, since the value of a patent is not constant over its life, hopeful applicants may want to evaluate whether the appeal process is truly worth the time and cost; if they are not awarded a C delay, then a successful appeal may only result in a pyrrhic victory.

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