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Reviving Lapsed Patents: Differences Across Jurisdictions and Suggestions for Harmonization

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This article surveys the legal standard for reinstating lapsed patents in the United States and abandoned applications and lapsed patents in Europe. In the U.S., lapsed patents can be reinstated during the first two years after an "unintentional" nonpayment of a maintenance fee for an issued patent, with a short statement that the error was unintentional and with the payment of a fee. After the first two years, it becomes much more challenging to reinstate a lapsed patent by meeting the "unavoidable" standard.

In contrast, in the European Patent Office ("EPO"), a pending application or granted patent is reinstated within one year of the relevant due date, if the patentee/applicant shows that "all due care" required by the circumstances has been taken. Under this standard, reestablishment of rights in the EPO is not possible more than one year after the expiry of the time limit that was not observed. As we will discuss below, the "all due care" standard has been held to require a substantial showing regarding the reason for the error, but under certain circumstances may provide a more balanced response to errors in the patent system.

Patentees, their attorneys, and annuity payment vendors are unlikely to totally eliminate the chance of an accidental mistake ever occurring that could result in the lapse of an issued patent. Many bodies of law, in recognition of these realities, have attempted to articulate legal standards that encourage an appropriate and reasonable amount of caution without requiring overly burdensome measures that do not substantially reduce the chance of an error.

This attempt at balance can be seen in the rules and laws for reviving lapsed patents. Fees, variously known as annuities, renewal fees, and maintenance fees, must be paid according to set time frames to continue the life of a patent or application and are due only after issuance in the U.S., but during

both pendency and the post-grant period in Europe. The fees serve important purposes, including the funding of patent office operations and encouraging early dedication to the public when an invention is not commercially valuable to the patentee. Unfairness can result when legally earned rights from an otherwise valid patent—which may under some circumstances be valuable to the economic viability of a business and the jobs it provides—are irretrievably lost due to an unintentional oversight. Accordingly, many jurisdictions, including the United States and the European Patent Convention, have passed laws and implemented rules allowing for revival of patents and applications that have lapsed due to failure to timely pay maintenance and renewal fees.

These laws and rules differ in significant ways, however, and their application may vary from case to case, and from their underlying purpose. These differences and possibilities for harmonization are the subject of this article. In Europe, delay in fee payment (beyond a six-month grace period, which may be set by the EPO in cases such as payment of an insufficient amount) may be remedied where the patentee or applicant shows that "all due care" required by the circumstances has been taken; under EPC Article 122, this request for reestablishment is required to be made within one year after the expiry of the time limit that was not observed. Under the "all due care" standard, the EPO expects the parties to follow the standard of care that a reasonably competent patentee or legal representative would employ in all relevant circumstances. The EPO has held that this standard may be found when noncompliance resulted from either (1) exceptional circumstances or (2) an isolated error within a normally satisfactory monitoring system.

Under U.S. Patent and Trademark Office regulations, maintenance fees may be paid up to six months after their due date if accompanied by a surcharge. Furthermore, a petition accompanied by a statement that the delay was unintentional, together with an additional surcharge, generally suffices to revive an expired patent within two years following the initial six-month grace period, although additional information may be required where there is a question whether the delay was unintentional. Beyond this two-year period, in addition to a petition and surcharge, one must provide a showing that the delay was unavoidable if reasonable care was taken to ensure timely payment of the maintenance fee. The USPTO has held that the showing must cover not only the steps taken to ensure timely payment, but also how and when expiration became known and what steps were taken to promptly file the petition. Under the unavoidable standard, the delay is evaluated by reviewing the actions of the person(s) involved and asking if that delay occurred even though the person(s) acted in accordance with the standard of a reasonably prudent person. Courts have held that "[t] he word 'unavoidable' . . . is applicable to ordinary human affairs, and requires no more or greater care or diligence than is generally used and observed by prudent and careful men in relation to their most important business."

While the U.S. standard of "unavoidable delay," requiring reasonable care to have been taken, may initially sound similar to the European standard requiring "all due care required by the circumstances," in practice, the application of the U.S. unavoidable standard can be more strict and potentially more arbitrary. However, the difference in time frames and the availability of revival within the two-year period for unintentional delay means that the U.S. system for reviving lapsed

patents can be more lenient in such situations. The difference in standards across jurisdictions can lead to inconsistent patent coverage after an error that affects multiple jurisdictions, and inefficiencies, such as having to follow different procedures and/or provide different evidence.

The European Standard

The EPO Board of Appeal's decisions J 0002/98 and J 0024/92 provide illustrative examples of the European standard in action.

In J 0002/98, decided on November 27, 2002, the EPO Board explained what, in its view, would qualify for "exceptional" circumstances of a medical nature allowing for late payment of a renewal fee. In this case, the applicant's representative missed a renewal fee and failed to respond to an EPO communication indicating that a payment had not been made. The representative appeared to have a number of health issues, including stomach pains and underlying mental illness. During the proceedings, the applicant presented limited evidence that the representative was having health problems and a medical certificate was provided stating that the representative appeared depressed and apathetic. Additional evidence showed that he had dismissed his secretary due to financial difficulties, and was thus monitoring the office on his own.

During the time period in question, the representative was found by the Board to have made mistakes in other applications, but was able to function effectively in some matters. Therefore, the Board concluded that the representative's acts were not caused by an isolated incident within an otherwise functioning system, nor were the representative's difficulties uniform enough to conclude that he had been completely incapacitated. Yet the fees were missed because of the representative's health condition, which, according to the Board, resulted in an inability to manage his responsibilities for reasons beyond his control. Therefore, the Board made this decision because the errors were not due to isolated acts of carelessness, but to his health condition. As we will contrast below with a recent U.S. decision, the Board made this decision based only on very limited medical evidence.

In reinstating this application, the Board cautioned that this action should only be taken in cases where the applicant was not aware of the unreliability of the representative. In this case, the applicant had given the representative instructions to file the fee due and the representative had confirmed receipt of those instructions by a reply facsimile. As a result, the Board did not hold the applicant responsible for the nonpayment of the fee.

In J 0024/92, decided on March 16, 1995, the Board concluded that the applicant had a satisfactory system in which an isolated mistake occurred and that exceptional circumstances led to the nonpayment of the annuity fee. In this case, the applicant had arranged for an annuity vendor to take over payment of its renewal fees, and had generated a listing of cases to be added to the vendor account, sent the list to U.S. counsel and asked them to cross-check it. Unfortunately, the present case and a second case were omitted from that listing. At the same time, the applicant's U.S. representative was also in the process of bringing future annuity fee payments in-house. This resulted in additional correspondence for the renewal department at the U.S. representative's office.

Once the fee was initially missed, the reminder that the fee could be paid with a surcharge was sent from the European counsel to the U.S. representative. While the European counsel had a record of having sent this reminder, neither the U.S. representative nor the applicant had any record of having received it.

The Board concluded that the fee could be paid late because the applicant had a reliable system for the payment of maintenance fees and it requested that the U.S. firm cross-check its list. Additionally, the Board concluded that exceptional circumstances occurred when both the applicant and the U.S. representative reorganized their systems at the same time.

The U.S. Standard

A review of decisions regarding "unavoidable delay" in the U.S. suggests that under such circumstances the USPTO requires a greater burden to meet this standard than does its European counterpart. U.S. Patent No. RE38,216 (the '216 patent), assigned to Warrior Sports, Inc. ("Warrior"), expired for nonpayment of the second maintenance fee. Warrior learned of the expiration of the '216 patent as a result of a related lawsuit. Warrior petitioned for acceptance of an unavoidably delayed maintenance fee payment on the basis that a properly functioning docketing system and a well-established procedure for processing docket items had been in place, and an assistant whose previous work had been competent and reliable had assured the responsible attorney that the maintenance fee had been paid. However, unknown to the attorney until after he became aware of the expiration of the '216 patent, the assistant had a terminal illness, eventually identified as HIV/AIDS, at the time of the missed fee payment. The mistake by the assistant in stating that the maintenance fee had been paid was characterized in the initial petition as either an inadvertent mistake or a consequence of her illness.

The USPTO initially held that the showing of unavoidability was inadequate for failing to establish that maintenance fee payment was a clerical error in a duty reasonably expected to be performed by the assistant. The USPTO took the position that the maintenance fee must have been accompanied by a transmittal signed by a registered practitioner; based on this premise, there was no evidence to establish that no attorney action was involved other than instructing the assistant to pay the maintenance fee. The USPTO also stated that based on the later knowledge of the assistant's medical condition (which knowledge was obtained only after he found out about the expiration of the '216 patent), the assistant's work should have been reviewed, which could have allowed an earlier recognition of the expiration of the '216 patent.

In a petition for reconsideration, Warrior submitted evidence to show that electronic payment of maintenance fees was a clerical function with no way to provide a practitioner signature, and that the assistant's illness while she was employed was unknown to everyone, even her immediate family. The assistant died several months after she left the firm due to what was described as a "brain infection," but no information was provided to the firm suggesting that she had been ill during her employment. In a supplemental declaration, the attorney who had supervised the assistant indicated that the details of the assistant's illness had not been discussed in an attempt to protect her privacy,

but providing the information could be discussed if the USPTO Petitions Attorney needed more specific information. In addition, evidence in the form of a declaration and docket printouts were provided to show that the industry standard software Patent Management System, by Computer Packages Inc., was in place at the time of the missed fee payment.

The USPTO again denied the petition for insufficient evidence of unavoidable delay, stating that the argument that the failure to pay was a clerical error could not be supported by the party responsible (i.e., the deceased assistant), nor could the responsible party explain what steps were in place for ensuring timely payment and why action to make the payment was not taken. Furthermore, the USPTO held that it had not been established that there was a business routine in place that could be reasonably relied upon to avoid errors in performance of the clerical function (despite the declaration and docket printouts provided). The decision stated that no further reconsideration or review would be undertaken.

Warrior sued the USPTO under the Administrative Procedures Act; following a status conference, a stipulated order of dismissal was issued in which the parties agreed that Warrior would file a third petition, for supervisory review of the denial of the petition to accept the late maintenance fee payment, and the USPTO would expedite its review. The contents of the status conference are unavailable, but it seems likely in view of the USPTO's subsequent actions that it felt some pressure to retreat from its position. In the third petition, Warrior provided the assistant's death certificate listing HIV as the cause of death and evidence including an expert declaration showing that HIV infection can cause neurological symptoms, including dementia and memory loss. Declarations from the previous petition for reconsideration were resubmitted as evidence that a fully functional docketing procedure was in place to provide checks and balances for clients' patents. This petition was granted, with the USPTO stating that the delay in paying the fee had been shown to be unavoidable.

The various USPTO decisions on the petitions relating to the reinstatement of the '216 patent do not appear consistent, nor do the earlier decisions express any compassion for a clerical error of an obviously ill employee. The first decision was based on the unsupportable premise that a practitioner's signature was required, alleging incorrectly that maintenance fee payment was not a clerical function. The second decision required a statement from the deceased assistant providing a reason for the error (not very likely) and also dismissed the evidence that a proper docketing system was in place. Only in the third decision, perhaps made under some pressure from litigation, did the USPTO finally accept the previously insufficient evidence regarding docketing procedures along with medical evidence suggesting dementia and memory loss in place of a statement by the deceased assistant.

In another case, the USPTO's actions in denying a petition for late payment of maintenance fees under the unavoidable standard were contrary to its acceptance of unavoidably delayed payment of fees for U.S. Patent Nos. 6,000,448 (the '448 patent) and 6,160,836 (the '836 patent)[2]; in those cases, nonpayment of fees resulted from disappearances and/or suspensions of the patentees' attorneys. In *SprinGuard*, the patentee obtained summary judgment reversing the USPTO's denial of petitions to

accept unavoidably delayed payment, with the court explaining that the USPTO's denial was arbitrary and capricious given its acceptance of unavoidably delayed payments for the '448 and '836 patents.

Discussion and Suggestions for Harmonization

The U.S. requirement, for showing unavoidable delay since reasonable care was taken to ensure that the due date would be met, may seem similar on paper to the European Patent Office requirement, for showing that failure to meet the due date resulted from an isolated procedural mistake in an otherwise satisfactory system. Both require evidence related to the particular events concerning the patent or application at issue. However, it seems from the cases discussed above that more is generally needed, in practice, to meet the U.S. standard than to meet the European requirement. For example, in each of the U.S. cases discussed above, circumstances beyond the patentee's control rendered maintenance fee payment impossible; someone entrusted with paying the fee was prevented from doing so, due to illness or unexplained disappearance.

The authors of this article note that harmonization of standards for reviving lapsed patents and applications could provide greater consistency in patent coverage across jurisdictions, more efficiencies in reinstating rights when a mistake affects multiple jurisdictions, and increased uniformity in recognizing that applicants should have rights reinstated for certain types of mistakes. Depending on the subject matter of the patent and other circumstances, loss of protection in one jurisdiction might have consequences worldwide if the subject matter can be practiced in a sufficiently remote manner, as may be the case for process claims (depending on the circumstances). It would also reduce inefficient use of resources by allowing patentees to pursue revival of accidentally lapsed patents in a coordinated way instead of having to file requests or petitions de novo in each jurisdiction.

In practice, neither the USPTO nor the EPO adequately addresses reinstatement of rights due to truly inadvertent administrative errors that occur despite corporations' and law firms' use of excellent systems for maintaining intellectual property rights. The European standard does not allow any reinstatement in Europe after a one-year period. The U.S. standard has adopted a sometimes unworkable definition of what errors are "unavoidable" and can be too harsh and unforgiving. The authors urge both jurisdictions to consider adopting a fairness standard that can forgive mistakes that occur despite the corporation's or law firm's use of excellent systems in place. Specifically, the authors encourage adoption of either a one- or two-year period for reinstatement under the "unintentional" standard, and then a second period for reinstatement under a standard similar to the European "all due care" standard. For this standard, we recommend maintaining the requirement to show that a system was in place that can normally be relied upon to ensure timely filings, and that the failure to pay was an isolated incident or was due to exceptional circumstances, as is the case in the one-year period after expiration allowed by Europe. We feel that this standard strikes an appropriate balance between encouraging responsible behavior and avoiding unfair penalties to those who suffer unforeseeable failures, while avoiding the harshness and unpredictability that has sometimes arisen in practice with the standard applied by the USPTO.

Endnotes

[1] *See In re Mattullath*, 38 App. D.C. 497, 514 (D.C. Cir. 1912).

[2] *SprinGuard Technology Group Inc. v. United States Patent and Trademark Office*, No. 08-CV-12119, Order (D. Mass. Jan. 21, 2010).