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In re Patent No. 4,371,306
Issue Date: February 1, 1983
Application No. 06/237,441
Filed: February 23, 1981
Inventor: Fred T. Smith

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ON PETITION

This is a decision on the petition, filed May 19, 1997, and supplemented August 8, 1997, under 37 CFR 1.378(e) requesting reconsideration of a prior decision which refused to accept under 1.378(b) the delayed payment of a maintenance fee for the above-identified patent.

This is also decision on the petitions under 37 CFR 1.182 filed March 19, 1997, and on June 12, 1997, by a third party, opposing any request for reinstatement of the above-identified patent.

This is also a decision on the petition under 37 CFR 1.182 filed August 8, 1997, by patent holder seeking to expunge third party submissions and to close the record to further third party submissions.

The petition under 37 CFR 1.378(e) to accept the delayed payment of the maintenance fee is **DENIED**.

The petitions under 37 CFR 1.182 by the third party are granted only to the extent that the petitions have been made of record.

The petition under 37 CFR 1.182 by patent holder to expunge and close the record to third party submissions is dismissed.

BACKGROUND

The patent issued February 1, 1983. The first and second maintenance fees were timely paid. The third maintenance fee could have been paid from February 1, 1994, through August 1, 1994, or with a surcharge during the period from August 2, 1994, through February 1, 1995. Accordingly, the patent expired

February 2, 1995 for failure to timely submit the third maintenance fee.

A petition to accept the delayed payment of the third maintenance fee under 37 CFR 1.378(b) was filed on March 13, 1997, and was dismissed in a decision mailed March 17, 1997.

A petition under 37 CFR 1.182 was filed March 12, 1997, by a third party, opposing reinstatement of the patent, and was granted in the decision of March 17, 1997 to the extent that the statements therein were made of record.

A supplemental petition under 37 CFR 1.182 was filed March 19, 1997, and on June 12, 1997 by the third party, in opposition to reinstatement of the patent.

The instant petition under 37 CFR 1.378(e) was filed on May 19, 1997.

On August 8, 1997, patent holder filed a petition under 37 CFR 1.182 requesting that current and future third party petitions be removed from the record, which petition also contained exhibits relevant to the petition under 37 CFR 1.378.

STATUTE AND REGULATION

35 USC 41(c)(1) states that:

"The Commissioner may accept the payment of any maintenance fee required by subsection (b) of this section... after the six-month grace period if the delay is shown to the satisfaction of the Commissioner to have been unavoidable."

37 CFR 1.378(b)(3) states that any petition to accept delayed payment of a maintenance fee must include:

"A showing that the delay was unavoidable since reasonable care was taken to ensure that the maintenance fee would be paid timely and that the petition was filed promptly after the patentee was notified of, or otherwise became aware of, the expiration of the patent. The showing must enumerate the steps taken to ensure timely payment of the maintenance fee, the date, and the manner in which patentee became aware of the expiration of the patent, and the steps taken to file the petition promptly."

OPINION

With respect to the issues pertaining to the third party petitions:

Petitioner (patent holder) contends that the third party submissions are a "wrongful insinuation" into an *ex parte* proceeding and relies upon, *inter alia*, Ex Parte Chambers et al., 20 USPQ 1470 (Comm'r Pat. 1991), as support for returning the third party papers. Nevertheless, Chambers involved a reexamination proceeding, wherein the relevant statutes and regulations expressly prohibit consideration (and retention) of further third party submissions beyond an early point in the proceeding, a fact situation not present here. Petitioner's reliance on In re Dubno, 12 USPQ2d 1153 (Comm'r Pat. 1989) is likewise misplaced. The return, without consideration, of the third party petition papers which opposed a patent term extension request was therein maintained in light of "the intent of the statutes and regulations to make patent term extension essentially an *ex parte* proceeding." Id. at 1155.

Petitioner has failed to adequately indicate that the statutes and regulations, or precedents, compel, under the facts of this case, the return of the third party petitions currently of record. Rather, attention is drawn to Centigram Communications Corp. v. Lehman, 862 F.Supp. 113, 117, 32 USPQ2d 1346, 1349 (E.D. Va. 1994), *appeal dismissed*, 47 F.3d 1180 (Fed. Cir. 1995), wherein the PTO considered (albeit denied) a third party's (Centigram) petition under 37 CFR 1.182, filed in opposition to patent holder's (VMX) petition for reinstatement of the patent under 37 CFR 1.378. Accordingly, patent holder's petition is dismissed to the extent that the third party submissions are being retained in the record.

With respect to the petition under 37 CFR 1.378(e):

Petitioner requests that the decision of March 17, 1997, be reconsidered, given that (a) Dan W. Burns (Burns), a consultant to petitioner, was responsible for all activities concerning the above-identified patent, including payment of the maintenance fees, (b) Burns and Ellsworth Roston (Roston), the attorney of record, had a system in place to handle maintenance fee docketing and payment, which system had successfully paid the first and second maintenance fees, (c) Roston informed Burns as to the need for payment of the third maintenance fee, but (d) Burns, supposedly without authorization, instructed Roston not to pay the third maintenance fee. Petitioner urges that reasonable and prudent steps were taken by petitioner to ensure timely payment of the maintenance fee, but were unsuccessful in this instance due to the single, aforementioned unauthorized act.

Petitioner asserts that petitioner never intended to allow this patent to expire and was not informed by Burns or Roston that the third maintenance fee had not been paid, and that petitioner acted promptly after learning of the non-payment.

Petitioner has not carried his burden of proof to establish to the satisfaction of the Commissioner that the delay was unavoidable.

A late maintenance fee is considered under the same standard as that for reviving an abandoned application under 35 USC 133 because 35 USC 41(c)(1) uses the identical language, i.e., "unavoidable" delay. Ray v. Lehman, 55 F.3d 606, 608-09, 34 USPQ2d 1786, 1787 (Fed. Cir. 1995) (quoting In re Patent No. 4,409,763, 7 USPQ2d 1798, 1800 (Comm'r Pat. 1988)). Decisions on reviving abandoned applications have adopted the reasonably prudent person standard in determining if the delay was unavoidable. Ex parte Pratt, 1887 Dec. Comm'r Pat. 31, 32-33 (Comm'r Pat. 1887) (the term "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"); In re Mattullath, 38 App. D.C. 497, 514-15 (D.C. Cir. 1912); Ex parte Henrich, 1913 Dec. Comm'r Pat. 139, 141 (Comm'r Pat. 1913). In addition, decisions on revival are made on a "case-by-case basis, taking all the facts and circumstances into account." Smith v. Mossinghoff, 671 F.2d 533, 538, 213 USPQ 977, 982 (D.C. Cir. 1982). Finally, a petition to revive an application as unavoidably abandoned cannot be granted where a petitioner has failed to meet his or her burden of establishing the cause of the unavoidable delay. Haines v. Quigg, 673 F. Supp. 314, 5 USPQ2d 1130 (N.D. Ind. 1987).

While petitioner contends that pursuant to petitioner's interpretation(s) of the Burns employment agreement, and the license(s) in effect, Burns was not authorized to act in any manner inconsistent with the aforementioned documents, the showing of record is that petitioner acquiesced to the business arrangement(s) in effect, including the fact that Burns was at all times petitioner's sole contact point for instructing, or not instructing, Roston to pay (or not pay) the maintenance fee(s). Further, the showing of record does not extend to any document establishing that Burns was under contract to pay the third maintenance fee, or that if Burns instructed Roston not to pay the third maintenance fee, then Burns acted contrary to any agreement in force. Further in this regard, there is no documented showing that petitioner had engaged any party, much less Burns or Roston, to monitor and pay the maintenance fee. Still further in this regard, there is no showing that petitioner had any steps in place to pay the maintenance fee. There is no documented showing of record that Burns had to receive prior approval from anyone at Dover for any business decisions made by

Burns. Specifically, there is no documented showing that Burns required Dover's prior approval for the business decision to pay (or not pay), the maintenance fee(s), or that Burns, much less Roston, was to specifically inform Dover that the maintenance fee had been paid (or not paid). Rather, it appears that petitioner chose to remain, or acquiesced in remaining, outside of bills received from Roston, uninformed of successful (or unsuccessful) maintenance fee payments. Moreover, at all times, according to Patent and Trademark Office (Office) records, Dover and Burns have permitted the "fee address" for receiving Office communications pertaining to maintenance fee payment, or notice of patent expiration, to be that of Roston. Thus, petitioner chose, or permitted itself, to remain unaware of any Office communications pertaining to maintenance fees, such as a maintenance fee reminder, and more importantly, any notice of patent expiration. That is, petitioner chose, or permitted itself, to be "out of the loop." While the "no-notice" aspect of the arrangement(s) in effect may have worked to petitioner's benefit (and convenience) when the first and second maintenance fees were timely paid, petitioner acquiesced to the arrangement(s), and cannot now be heard to complain when the aforementioned arrangement(s), coupled with petitioner's lack of diligence, have worked to petitioner's apparent detriment.

Petitioner contends that Burns instructed Roston not to pay the third maintenance fee, although the evidence of record consists of docket sheets provided by Roston having notations thereon. Copies of Burns' response(s) to notices from Roston's office, according to petitioner, were not retained. The record also indicates that Burns himself has no recollection concerning the third maintenance fee payment and is unable to locate any copies of correspondence concerning the maintenance fee payment. Nevertheless, both Roston (Roston declaration filed March 13, 1997, ¶ 10 and exhibit 3B) and Burns (Burns declaration filed May 20, 1997, ¶ 16) agree that Roston had a procedure in effect that required specific written input from Burns (or anyone else) before a maintenance fee would be paid, or not paid. As such, it is more likely than not, as petitioner contends, that Burns instructed Roston to withhold payment of the third maintenance fee for this patent.

However, as petitioner has made no showing as to any contract regarding the metes and bounds of Burn's responsibility, and authority, regarding maintenance fee payments, then petitioner has failed to advance any showing as to why petitioner is not bound by the delay resulting from Burns' action. Specifically, while petitioner chose to rely upon Burns/Roston, such reliance *per se* does not provide petitioner with a showing of unavoidable delay within the meaning of 37 CFR 1.378(b) and 35 USC 41(c). See California Medical Products v. Technol Med. Prod., 921 F.Supp. 1219, 1259 (D.Del. 1995). Rather, such reliance merely

shifts the focus of the inquiry from petitioner to whether Burns/Roston acted reasonably and prudently. Id. Nevertheless, petitioner is bound by any errors that may have been committed by Burns/Roston. California, Id.

The showing of record, therefore, is that the delay resulting in the expiration of this patent is due to an intentional decision made by Burns to not continue this patent in force, instead permitting the expiration of the patent by deliberately withholding, via Roston, the maintenance fee. A delay caused by this deliberate decision of Burns not to take those actions indicated as necessary within a given time period cannot be viewed as constituting an "unavoidable delay" or an "unintentional delay" within the meaning of 35 U.S.C. §41(c)(1) and 37 CFR 1.378(b). See In re Application of G, 11 USPQ2d 1378, 1380 (Comm'r Pat. 1989). Such intentional action or inaction precludes a finding of unintentional, much less unavoidable, delay, even if such action or inaction was performed in error by petitioner's agent-representative. See In re Maldaque, 10 USPQ2d 1477, 1478 (Comm'r Pat. 1988); California, Id. The showing of record is that, notwithstanding that petitioner's putative representative(s) had actual notice of the deadline for payment of the maintenance fee with sufficient time remaining to take appropriate action, the deadline nevertheless expired, which further militates away from a finding of unavoidable delay. See California at 1260.

Thus, any delay caused by Burns' instruction to Roston not to pay the third maintenance fee is chargeable to petitioner. Id. at 1259. Moreover, even assuming that Roston erred either in mistakenly accepting (assuming such was a mistake) the instruction of Burns, or in mistakenly failing to inform petitioner in this matter prior to expiration of the patent (assuming such was a mistake), such is immaterial. Delay resulting from a failure of communication between a patent owner and his representative as to the responsibility for payment of a maintenance fee does not constitute unavoidable delay within the meaning of 35 USC 41(c) and 37 CFR 1.378(b). See Ray, 55 F.3d at 610, 34 USPQ2d at 1789. Furthermore, delay caused by the mistakes or negligence of a voluntarily chosen representative does not constitute unavoidable delay. Haines, Id.; Smith v. Diamond, 209 USPQ 1091 (D.D.C. 1981); Potter v. Dann, 201 USPQ 574 (D.D.C. 1978); Ex Parte Murray, 1891 Dec. Comm'r Pat. 130, 131 (Comm'r Pat. 1891), California, supra.

Assuming that Burns did not instruct Roston to forgo payment of the third maintenance fee, petitioner has not demonstrated that the delay in payment of the third maintenance fee was unavoidable. In this regard, since Roston did not remit the maintenance fee, regardless of whether the record establishes

that petitioner or Burns had engaged Roston, petitioner is bound by the mistakes or negligence of Roston. California, supra. The Patent and Trademark Office must rely on the actions or inactions of the duly authorized and voluntarily chosen agent-representative of petitioner, and petitioner is bound by the consequences of those actions or inactions. Link v. Wabash, 370 U.S. 626, 633-34 (1962).

Nevertheless, since petitioner asserts that Burns had been engaged to schedule and pay the third maintenance fee for this patent, then petitioner remains bound by the business decisions, actions, or inactions, of Burns, including the business decisions, actions, or inactions, which resulted in the lack of timely payment of the third maintenance fee for this patent. Cf. Winkler v. Ladd, 221 F.Supp 550, 552, 138 USPQ 666, 667 (D.D.C. 1963); California, supra.

Petitioner, citing Futures Technology Ltd. v Ouigg, 684 F.Supp. 430, 7 USPQ2d 1588 (E.D. Va. 1988), argues that in any event, the action of Burns should not be imputed to petitioner, in that a patent owner has a right to expect performance of a third party under contract. This argument must fall of its own weight as petitioner has also failed to document or establish that Burns was contractually obligated to petitioner for payment of the maintenance fee in question, within the meaning of Futures. Rather, petitioner asserts (but does not document) that Burns was petitioner's agent for payment of the third maintenance fee, in an apparent attempt to satisfy 37 CFR 1.378(b)(3). That is, petitioner must, *inter alia*, "enumerate the steps taken to ensure timely payment." Absent the asserted contractual obligation of Burns, however, petitioner has failed to demonstrate that any steps were taken in that Burns instructed Roston to withhold payment. It follows that petitioner is on the horns of a self-imposed dilemma: if in fact Burns was petitioner's agent for payment of the maintenance fee, then the delay resulting from Burns' deliberate act is chargeable to petitioner and cannot be demonstrated to be "unavoidable" delay, see California, supra; assuming that Burns/Roston was not petitioner's agent, then petitioner has failed to enumerate any other steps taken to ensure payment, which lack precludes a finding of unavoidable delay.

Further, there is no need in this case to determine the obligation between Burns and petitioner, since the record fails to show that either Burns or petitioner took adequate steps to ensure timely payment of the third maintenance fee. See In re Patent No. 4,461,759, 16 USPQ2d 1883, 1884 (Comm'r Pat. 1990). The Office is not the proper forum for resolving a dispute between a patent owner and his representative as to who bore the responsibility for paying a maintenance fee. See Ray, 55 F.3d at 610, 34 USPQ2d at 1789. In any event, delay resulting from a

failure of communication between a patent owner and his representative as to the responsibility for payment of a maintenance fee does not constitute unavoidable delay within the meaning of 35 USC 41(c) and 37 CFR 1.378(b). Id.

Petitioner further appears to overlook that, under Futures, petitioner would also have had to establish that (1) petitioner diligently requested of its agent information pertaining to the status of the maintenance of this patent in force by way of scheduling and payment of the third maintenance fee, (2) petitioner was misinformed, upon each of such diligent queries, by its agent as to the true status of the payment and patent, (3) petitioner was thus "unavoidably" prevented from learning the true status of this patent, in time to prevent its expiration, as well as the earlier filing of a petition to reinstate, and (4) petitioner was monitoring the performance of its agent under a contract to pay the third maintenance fee. However, not one of the aforementioned factors of Futures as related to the facts of this case, has been demonstrated by petitioner. In this regard, petitioner was queried in the decision of March 17, 1997, (at 6):

"On what occasions did petitioner inquire of anyone as to whether the patent was going to be, or had been, maintained in force by way of the twelve year maintenance fee? What was the response(s)? Did anyone ever represent to petitioner that the third maintenance fee had been paid or that Burns and/or Roston had been instructed to pay the fee? If so, when? Was petitioner ever charged for any expenses itemized with respect to payment of the third maintenance fee for this patent? Copies of any documents pertaining to the above are required."

However, the instant petition fails to include any meaningful response to the above-noted inquiries. As such, petitioner's reliance upon Futures is misplaced.

The showing of record is that petitioner did not, from February 1, 1994, when the third maintenance fee could have first been paid, until learning of the patent expiration on February 14, 1997, make any inquiry of Burns, or counsel, or even the Patent and Trademark Office, as to whether the patent had successfully been maintained in force. The showing of record is that this patent (1) was a component of the licensing agreement with Heil, (2) as estimated by the Roubos memorandum dated January 4, 1993 (exhibit 5A, ¶ 1-2) directly or indirectly could lead to upwards of \$400,000 in yearly revenues and (3) on and after September 1993, was being asserted against a putative infringer(s), with the possibility for recovery of actual, much less, punitive, damages. The showing of record is also that petitioner apparently gave no thought to, much less took an active interest in, such a valuable property from the time of payment of the

second maintenance fee in March 1990 until February 14, 1997, a period of seven years. That is, petitioner did not make any inquiry of Burns, or counsel, or even the Patent and Trademark Office, as to whether the patent had successfully been maintained in force. It is brought to petitioner's attention that diligence on the part of petitioner is essential to establish unavoidable delay. See Douglas v. Manbeck, 1991 U.S. Dist. LEXIS 16404, 21 USPQ2d 1697, 1700 (E.D. Pa. 1991), aff'd, 975 F.2d 869, 24 USPQ2d 1318 (Fed. Cir. 1992) (applicant's lack of diligence over a two and one half year period in taking any further action with respect to his application, precluded a finding of unavoidable delay). However, the record lacks an adequate showing of petitioner's diligence in this matter during the one year period that the maintenance fee could have been paid, as well as for over two years after patent expiration, which would be necessary to support a finding of unavoidable delay. Id.

Assuming, *arguendo*, that petitioner is not bound by the alleged mistakes or negligence of Burns, diligence on the part of petitioner would still be essential to show unavoidable delay. See, Douglas, supra (applicant's lack of diligence over a two and one half year period overcame and superseded the negligence of his representative). However, petitioner's lack of activity with respect to this patent for a period of seven years does not warrant a finding that the delay caused or contributed to by Burns can reasonably be considered "unavoidable."

Note further in this regard that according to the arrangement(s) asserted to have been in place between Burns, Roston, and petitioner, petitioner should have received Roston's bill for services rendered, and expenses, in paying the third maintenance fee. That is, for a period of three years commencing on or after February 1, 1994, petitioner apparently failed to notice that petitioner had not been billed for Roston's services in this matter, much less the maintenance fee.¹

Moreover, the showing of record lacks any indication that either Roston or Burns--or anyone else--misrepresented to petitioner the

¹ Petitioner apparently also failed to notice that petitioner had not been billed by Roston with respect to the twelve year maintenance fees for five other patents during that same period, and that two of the aforementioned six (Nos. 4,378,190 and 4,382,740) are also part of the Heil license (exhibit 4A at 2), the last of which expired May 14, 1995. Thus, in the fifteen month period beginning from February 1, 1994, and ending about May 14, 1995, petitioner was apparently not billed approximately \$18,000 for the twelve year maintenance fees for six U.S. patents which had fallen due, exclusive of any of Roston's fees for services rendered.

status of the third maintenance fee payment, or misrepresented to petitioner that this patent remained in force after February 1, 1995. If petitioner remained unaware of the lack of payment of the third maintenance fee, then such was due to petitioner's lack of reasonably prudent, due care and diligence. The showing of record is that, having paid two previous maintenance fees for this patent, petitioner was implicitly aware of the need to monitor and pay maintenance fees. Also in this regard, the letters patent contains a Notice that the patent is subject to maintenance fees if the application was filed on or after December 12, 1980. Ray, 55 F.3d at 610, 34 USPQ2d at 1789. Moreover, patentees who are required by 35 USC 41(c)(1) to pay a maintenance fee, or face expiration of the patent, are not entitled to any notice beyond that provided by publication of the statute. Rydeen v. Ouigg, 748 F. Supp. 900, 16 USPQ2d 1876 (D.D.C. 1990), *aff'd*, 937 F.2d 623 (Fed. Cir. 1991)(table). Rather, petitioner's lack of taking such prudent and diligent action(s) as monitoring Burns' performance under the asserted agreement, and monitoring Roston's billing (or lack thereof) with respect to the third maintenance fee, militates away from any reasonable conclusion that the ensuing delay in payment was unavoidable.

Thus, contrary to petitioner's assertions, the facts of this case simply do not correspond to the facts of Futures. In Futures, the plaintiff made diligent inquiry as to that agent's performance under the contract--which contractual obligation was *inter alia*, to prosecute the application. The showing of record is that, notwithstanding a lack of documentation to support petitioner's contention that Burns was under contract to pay the third maintenance fee, petitioner did not make diligent inquiry, of Burns or Roston--or anyone else--as to the scheduling and payment of the third maintenance fee and, furthermore, made no attempt to monitor Burns' performance with respect to maintenance fee payment under the asserted contract. The showing of record fails to establish that anyone ever misrepresented to petitioner the true status of the third maintenance fee payment, or that this patent remained in force, such that petitioner was "unavoidably" prevented from taking more timely action to remedy the situation, within the meaning of Futures. As such, the delay was not unavoidable, because had petitioner exercised the due care of a reasonably prudent person, petitioner would have been able to act to correct the situation in a more timely fashion. Douglas, supra.

Petitioner has not demonstrated that petitioner displayed the reasonable, due care and diligence that is generally used by careful and prudent men in conducting their most important business. That petitioner chose, or permitted itself, to remain ignorant of the circumstances regarding the maintenance fee payment, or of Burns' performance under the asserted agreement with regard to payment of the third maintenance fee, militates

against a finding that the delay in this case reasonably can be considered to have been unavoidable.

CONCLUSION

The prior decision which refused to accept under § 1.378(b) the delayed payment of a maintenance fee for the above-identified patent has been reconsidered. For the above stated reasons, however, the delay in this case cannot be regarded as unavoidable within the meaning of 35 USC 41 and 37 CFR 1.378(b).

Since this patent will not be reinstated, the maintenance fee and the surcharge fee submitted by petitioner have been refunded to counsel's deposit account.

As stated in 37 CFR 1.378(e), no further reconsideration or review of this matter will be undertaken.

Telephone inquiries regarding this decision should be directed to John Chapman at (703) 305-9285 or, in his absence, to Brian Hearn at (703) 305-1820.



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