



Paper No. 15

Marcus P. Dolce
695 Kenmoor SE
PO Box 2567
Grand Rapids, MI 49501

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APR 08 2003

**OFFICE OF PETITIONS
ON PETITION**

In re Patent of Stewart et al. :
Patent No. 5,080,410 :
Application No. 07/688,234 :
Filed: April 22, 1991 :
Issued: January 14, 1992 :
Attorney Docket No. PRI05 A-344 :

This is a decision on the renewed petition under 37 CFR § 1.378(e), filed December 9, 2002, to reinstate the above-identified patent.

The petition is **DENIED**.¹

Since this patent will not be reinstated, maintenance fees and surcharges submitted by petitioner will be scheduled for a refund. The \$130 fee for requesting reconsideration is not refundable. Therefore the Office will credit \$2,720 to petitioner's deposit account.

Background

The patent issued January 14, 1992. The 7.5 year maintenance fee could have been paid from January 14, 1999 through July 14, 1999, or with a surcharge during the period from July 15, 1999 to January 14, 2000. Petitioner did not do so. Accordingly, the patent expired January 15, 2000.

A petition under 35 USC 41(c)(1) and 37 CFR 1.378(b) was filed June 11, 2002, and was dismissed in the decision of October 1, 2002.

Applicable Statutes and Regulation

35 U.S.C. § 41(b) states in pertinent part that, "Unless payment of the applicable maintenance fee is received . . . on or before the date the fee is due or within a grace period of six months thereafter, the patent shall expire as of the end of such grace period."

35 U.S.C. § 41(c)(1) states that, "The Commissioner may accept the payment of any maintenance fee . . . after the six month grace period **if the delay is shown to the satisfaction of the Commissioner to have been unavoidable.**" (emphasis added)

¹ This decision may be viewed as a final agency action within the meaning of 5 USC § 704 for purposes of seeking judicial review. See MPEP 1002.02.

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

A showing that . . . reasonable care was taken to ensure that the maintenance fee would be paid timely and that the petition was filed promptly after the patentee . . . 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.

Opinion

Petitioner must establish that petitioner treated the patent the same as a reasonable and prudent person would treat his or her most important business.

The general standard applied by the Office requires petitioner to establish that petitioner treated the patent the same as a reasonable and prudent person would treat his or her most important business.² However, "The question of whether an applicant's delay in prosecuting an application was unavoidable [will] be decided on a case-by-case basis, taking all of the facts and circumstances into account."³ The statute requires a "showing" by petitioner. Therefore, petitioner has the burden of proof. The decision will be based solely on the written, administrative record in existence. It is not enough that the delay was unavoidable; petitioner must prove that the delay was unavoidable. A petition will not be granted if petitioner provides insufficient evidence to "show" that the delay was unavoidable.

Petitioner is responsible for instituting a reliable docketing system to remind him or her when maintenance fees become due.

A reasonable and prudent person would implement a reliable and trustworthy tracking system to keep track of the relevant dates or would obligate another to take such steps.⁴

² The Commissioner is responsible for determining the standard for unavoidable delay and for applying that standard. 35 U.S.C. 41(c)(1) states, "The Commissioner may accept the payment of any maintenance fee ... at any time ... if the delay is shown to the satisfaction of the Commissioner to have been unavoidable." (emphasis added).

³ Smith v. Mossinghoff, 671 F.2d 533, 538, 213 U.S.P.Q. (BNA) 977 (1982).

⁴ 37 CFR 1.378(b)(3) precludes acceptance of a late maintenance fee for a patent unless a petitioner can demonstrate that steps were in place to monitor the maintenance fee. The Federal Circuit has specifically upheld the validity of this properly promulgated regulation. Ray v. Lehman, 55 F.3d 606, 609; 34 U.S.P.Q.2d (BNA) 1786 (Fed. Cir. 1995). In Ray v. Lehman, petitioner claimed that he had not known of the existence of maintenance fees and therefore had no steps in place to pay such fees. The petitioner therefore argued that the PTO's regulations requiring such steps created too heavy a burden. The court stated, "Ray also takes issue with the PTO's regulation, 37 C.F.R. § 1.378(b)(3), supra, arguing that it 'creates a burden that goes well beyond what is reasonably prudent.' We disagree. The PTO's regulation merely sets forth how one is to prove that he was reasonably prudent, i.e., by showing what steps he took to ensure that the maintenance fee would be timely paid, and the steps taken in seeking to reinstate the patent. We do not see these as requirements additional to proving unavoidable delay, but as the very elements of unavoidable delay." Id.

A reasonable and prudent person would not rely on maintenance fee reminders from the Office for two reasons. First, the Office has indicated that such reminders are a mere courtesy and has reserved the right to discontinue such reminders at any time. Second, such reminders may be lost in the mail. A reasonable and prudent person, in regard to his most important business, would not rely solely on reminders that the Office may or may not send which may or may not be lost in the mail.

Petitioner is bound by its attorneys' conduct.

The reliance on an attorney to notify the patentee of relevant legal requirements such as maintenance fees does not, per se, constitute "unavoidable" delay. While the Office is not passing judgement on counsel's behavior, petitioner is reminded that the Patent and Trademark Office must rely on the actions or inactions of duly authorized and voluntarily chosen representatives of the applicant, and petitioner is bound by the consequences of those actions or inactions. *If the former attorney made any errors, petitioner is bound by such errors.*⁵

If [the] attorney somehow breach[es] his duty of care to plaintiff, then plaintiff may have certain other remedies available to him against his attorney. He cannot, however, ask the court to overlook [the attorney's] action or inaction with regard to the patent application. He hired the [attorney] to represent him. **[The attorney's] actions must be imputed to him.**⁶

Supreme Court precedent holds:

There is certainly no merit to the contention that dismissal of petitioner's claim because of his counsel's unexcused conduct imposes an unjust penalty on the client. Petitioner voluntarily chose this attorney as his representative in the action, and he cannot now avoid the consequences of the acts or omissions of this freely selected agent. Any other notion would be wholly inconsistent with our system of representative litigation, in which each party is deemed bound by the acts of his lawyer-agent and is considered to have 'notice of all facts, notice of which can be charged upon the attorney.'⁷

The Seventh Circuit has stated,

The other assumption is that, if the complaints failed in their application through the negligence of their attorney, the delay would be unavoidable, which is wholly unwarranted in the law. It is of the very nature of negligence that it should not be unavoidable, otherwise it would not be actionable. The negligence of the attorney would be the negligence of the [client]. The purpose of the statute was to put an end to

⁵ See California Med. Products v. Technol Med. Products, 921 F. Supp. 1219, 1259 (D. Del. 1995) (citing Smith v. Diamond, 209 U.S.P.Q. 1091, 1093 (D.D.C. 1981) (citing Link v. Walbush Railroad Co., 370 U.S. 626, 8 L. Ed. 2d 734, 82 S. Ct. 1386 (1962))).

A petitioner is responsible for a former attorney's conduct except in some cases of intentional misconduct rather than negligence. Petitioner has failed to prove any intentional misconduct. Petitioner has failed to establish that the attorney knew the fee was due but intentionally failed to notify petitioner, that the attorney intentionally misrepresented the status of the patent when called by petitioner, that the attorney misappropriated funds, or that the attorney intentionally acted dishonestly in any other fashion.

⁶ Haines v. Quigg, 673 F. Supp. 314, 317, 5 U.S.P.Q.2d (BNA) 1130 (N.D. Ind.) (emphasis added) (citing Link v. Walbush Railroad Co., 370 U.S. 626, 8 L. Ed. 2d 734, 82 S. Ct. 1386 (1962) ("Petitioner voluntarily chose his attorney as his representative in the action and he cannot now avoid the consequences of the acts or omissions of this freely selected agent ... Each party is deemed bound by the acts of his lawyer-agent and is considered to have 'notice of all facts, notice of which can be charged upon the attorney.'" (emphasis added)); Inryco, Inc. v. Metropolitan Engineering Co., Inc., 708 F.2d 1225, 1233 (7th Cir. 1983) ("Courts hesitate to punish a client for its lawyers gross negligence, especially when the lawyer affirmatively misled the client" but "if the client freely chooses counsel, it should be bound to counsel's actions."); see also Wei v. State of Hawaii, 763 F. 2d 370, 372 (9th Cir. 1985); LeBlanc v. I.N.S., 715 F.2d 685, 694 (1st Cir. 1983)). See also Smith v. Diamond, 209 U.S.P.Q. (BNA) 1091 (D. D.C. 1981).

⁷ Link v. Walbush Railroad Co., 370 U.S. 626, 633-634, 8 L. Ed. 2d 734, 82 S. Ct. 1386 (1962).

such pleas, and there would be no limit to a renewal of these applications if every application, however remote, could be considered under the plea of negligence of attorneys, by whom their business is generally conducted.⁸

The United States Court of Appeals for the Federal Circuit has stated,

If we were to hold that an attorney's negligence constitutes good cause for failing to meet a PTO requirement, the PTO's rules could become meaningless. Parties could regularly allege attorney negligence in order to avoid an unmet requirement.⁹

Application of the unavoidable standard to the present facts

Facts:

The patent issued to Chrysler Corporation on January 14, 1992.

An interference proceeding involving the instant patent was settled on August 23, 1993.

The original petition states, "Under the terms of the Settlement agreement, Chrysler Corporation and Shape Corporation became joint owners of the patent and Shape Corporation undertook the obligation to pay the maintenance fees." Petitioner has not supplied any documentary evidence to establish that Shape, rather than Chrysler, was the party legally obligated to pay maintenance fees for the patent.

The record contains no evidence that Shape took any steps to ensure due dates for maintenance fees would be timely paid.

Chrysler's law firm submitted a copy of assignments to Shape by three of the six inventors to the Patent Office to be recorded. Chrysler's law firm asked the Patent Office to return the recorded assignment to Shape's law firm.

Shape's law firm received a copy of the recorded assignment on December 20, 1993. The first petition states, "Once the Notice of Recordation was received, [Shape's law firm] had authority to act on [the instant patent]." The first petition states,

At this time, Lloyd Heneveld would have directed Rebecca J. Patin to prepare a set up sheet. . . . However, during the months of January and February of 1994, Lloyd A. Heneveld, the only attorney representing Shape Corporation with knowledge that this case should have been entered into [Shape's law firm's] maintenance fee docketing system, suffered at least one life threatening cardiovascular event. In order to sustain Mr. Heneveld's life, he underwent open-heart surgery. Mr. Heneveld was hospitalized for several weeks before he began a long and strenuous course of rehabilitation therapy.

A file was not created by Shape's law firm and the patent was not entered into the firm's docketing system.

On July 3, 1995, Chrysler paid the 3.5 year maintenance fee.

⁸ Lay v. Indianapolis Brush & Broom Mfg. Co., 120 F. 831, 836 (1903).

⁹ Huston v. Ladner, 973 F.2d 1564, 1567, 23 U.S.P.Q.2D (BNA) 1910 (Fed. Cir. 1992).

The 7.5 year maintenance fee could have been paid from January 14, 1999 through July 14, 1999, or with a surcharge during the period from July 15, 1999 to January 14, 2000. Petitioner did not do so. Accordingly, the patent expired January 15, 2000.

Mr. Heneveld passed away during the year 2000.

On April 8, 2002, petitioner discovered the patent was expired. A petition under 37 CFR 1.378(b) was filed on June 11, 2002.

Analysis:

Petitioner has failed to prove that the entire delay in the submission of the 7.5 year fee was unavoidable.

Shape's conduct:

The petition states that Shape assumed the obligation to pay maintenance fees per the settlement agreement of August 23, 1993. A declaration has not been submitted by Shape and evidence has not been presented to prove that Shape understood that it was obligated to pay fees. In fact, Chrysler, and not Shape, paid the 3.5 year maintenance fee. Petitioner has chosen not to submit a copy of the settlement agreement which allegedly obligates Shape to pay maintenance fees. Although unproven, the remainder of this decision will assume that the agreement did in fact obligate Shape to pay fees.

The petition fails to state any steps taken by Shape to ensure the fees would be timely paid. The prior decision stated, "When did Shape obligate the law firm to monitor maintenance fee due dates?" The question remains unanswered.

The petition fails to establish that Shape, upon assuming the obligation to pay fees, ever contacted the law firm to instruct them to pay such fees or to provide Shape with notice of due dates. The petitions seem to imply that the law firm became obligated once it became aware that Shape owned a partial interest in a patent. However, Shape did not provide such notice to the law firm. Instead, the firm received notice due to Chrysler recording an assignment on Shape's behalf. A reasonable and prudent party, treating the patent the same as his or her most important business, would contact the law firm directly if the party wished to employ the law firm to monitor maintenance fee due dates for the patent. The current record fails to prove that Shape ever contacted the law firm and fails to prove that the law firm was ever legally obligated to pay maintenance fees for the patent.

Even if Shape, and not Chrysler via the Office, had given notice to the law firm that Shape was a joint owner of the patent, such notice would have been insufficient. Shape was responsible for making the law firm aware that it had joint ownership and responsible for obligating the law firm to monitor due dates for maintenance fees. Notice that Shape was a joint owner is not necessarily notice that Shape is the joint owner responsible for payment of maintenance fees. The petition has failed to establish that Shape informed the law firm that Shape was responsible for paying maintenance fees and has failed to prove that Shape obligated the law firm to monitor due dates for the patent.

If the law firm was obligated by Shape, why did Shape fail to monitor the attorney's performance under the alleged contract, or diligently inquire of the law firm, or anyone else, including the PTO, into the status of the patent and maintenance fee payment? Such inaction does not reflect the due care and diligence employed by a prudent and careful person with respect to their most important business, and as such, cannot demonstrate that the delay was unavoidable delay. Rather, a prudent person takes diligent action to ensure that contracted services are timely performed as specified. Note further in this regard that the record fails to present any invoice(s).

for services rendered with respect to tracking the maintenance fee payment, much less for the payment itself. The record lacks any showing that the attorney ever represented to petitioner that the maintenance fee had been paid, much less that petitioner ever paid the law firm for services rendered with respect to the maintenance fee payment. There is no showing from Shape's records that Shape, upon discovering that the law firm had not yet presented petitioner with an itemized bill for payment of the fee, diligently inquired of the law firm as to why that allegedly contracted service had not been timely discharged. The record fails to prove that Shape ever contacted the law firm regarding the patent between August 23, 1993, and April 8, 2002. It should be noted that the law firm, while reviewing another patent, discovered the expiration of the instant patent. The expiration of the patent was not discovered due to an inquiry by Shape into the status of the instant patent.

The above analysis should not be construed as a determination that Shape failed to treat the patent the same as a reasonable and prudent person would treat his or her most important business. Instead, the Office has determined that the record fails to prove that Shape treated the patent the same as a reasonable and prudent person would treat his or her most important business. As stated in the previous decision,

The statute requires a "showing" by petitioner. Therefore, petitioner has the burden of proof. The decision will be based solely on the written, administrative record in existence. It is not enough that the delay was unavoidable; petitioner must prove that the delay was unavoidable. A petition will not be granted if petitioner provides insufficient evidence to "show" that the delay was unavoidable.

The law firm's conduct:

Heneveld was an attorney who participated in the interference between Chrysler and Shape. Was Heneveld aware of the contents of the August 23, 1993, settlement agreement? Was Heneveld aware that Shape was obligated to pay fees? If yes, why did Heneveld not immediately take steps to docket the patent? Was Heneveld aware that the settlement agreement gave joint ownership of the patent to Shape? If yes, why did Heneveld not immediately take steps to docket the patent? It should be noted that the Notice of Recordation received in December simply informed Heneveld that Shape held an ownership interest, but the settlement agreement would have provided Heneveld with the same information.

The first petition states, "Once the Notice of Recordation was received, the [Shape's law firm] had authority to act on [the instant patent]." However, the law firm had the authority to docket the patent and to pay the maintenance fee at all times. Any party, and not just the owners, may pay a maintenance fee for a patent. Even if Shape's ability to pay the fee was in question, the law firm, at all times including prior to the settlement agreement, clearly had the authority to docket the fee and provide Shape notice when the fee became due so that Shape could either pay the fee or discuss payment options with Chrysler. The recordation of the assignment had no legal effect on Shape's ability to pay maintenance fees or docket due dates for such fees. The record fails to prove that, if the law firm was responsible for monitoring due dates, the law firm was reasonable in waiting for the assignment to be recorded rather than docketing the patent immediately after the settlement agreement was signed on August 23, 1993.

Assuming Heneveld was obligated to monitor due dates for Shape, the record fails to prove that Heneveld treated the patent the same as a reasonable and prudent person would treat his or her most important business. The record fails to establish that Heneveld ever informed Rebecca Patin to docket the patent. It is acknowledged that Heneveld experienced subsequent health problems. However, if Heneveld was responsible for docketing the patent once the assignment recordation was received, then at some date, either before the health problems or after, he would have had to review the recordation and could have informed Rebecca Patin at that time to docket the payment. It should be noted that Ms. Patin has not submitted a declaration or statement. Ms.

Patin has not discussed any instructions she received from Heneveld or the steps she took to ensure the patent would be docketed. Petitioner is reminded that petitioner bears the burden of proof. Therefore, petitioner has the burden of proving any relevant actions taken by Ms. Patin.

It should be noted that the record fails to prove Heneveld's understanding as to the law firm's and Shape's obligations regarding the patent. For example, Heneveld may have believed the law firm was not responsible for monitoring due dates and/or may have believed that Chrysler, and not Shape, was responsible for making maintenance fee payments. Heneveld may have intentionally chosen not to docket the patent.

The above analysis should not be construed as a determination that the law firm failed to treat the patent the same as a reasonable and prudent person would treat his or her most important business. Instead, the Office has determined that the record fails to prove that the law firm treated the patent the same as a reasonable and prudent person would treat his or her most important business. As stated in the previous decision,

The statute requires a "showing" by petitioner. Therefore, petitioner has the burden of proof. The decision will be based solely on the written, administrative record in existence. It is not enough that the delay was unavoidable; petitioner must prove that the delay was unavoidable. A petition will not be granted if petitioner provides insufficient evidence to "show" that the delay was unavoidable.

The Office acknowledges that Heneveld passed away during 2000. However, the unfortunate death will not shift the burden of proof from petitioner to the Office.

The Patent and Trademark Office's conduct:

Both petitions allege that Chrysler was misidentified by the Patent and Trademark Office as being the payee of record.

In order to establish that Shape should have been identified as the payee of record, petitioner would have to establish that a proper change of address or change of fee address was submitted to the Office. Shape has failed to establish that a change of address or fee address was ever submitted. Simply notifying the Office that Shape has a partial interest in the patent is not the equivalent of notifying the Office to send all future correspondence to Shape rather than the other joint owner of the patent. Therefore, any Maintenance Fee Reminders sent by the Office were mailed to the correct address.

Petitioner should note that the Office has no duty to notify a patentee of the requirement to pay maintenance fees or to notify patentee when a maintenance fee is due.¹⁰

¹⁰ "Congress expressly conditioned §§ 133 and 151 [of the United States Code] on a specific type of notice, while no such notice requirements are written into § 41(c) ... [T]he Commissioner's interpretation of 'unavoidable' and of the PTO's duty to provide reminder notices then, do not plainly contradict the statute. For this reason, we must accord deference to the Commissioner's no-timely-notice interpretation." Ray v. Comer, 1994 U.S. Dist. LEXIS 21478, 8-9 (1994), *aff'd on other grounds* Ray v. Lehman, 55 F.3d 606, 34 USPQ2d 1786 (Fed. Cir. 1995) (citing Rydeen v. Quigg, 748 F. Supp. 900, 905 (1990), Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837, 81 L. Ed. 2d 694, 104 S. Ct. 2778 (1984)). "The Court concludes as it did in Rydeen, that as a constitutional matter, 'plaintiff was not entitled to any notice beyond publication of the statute.'" Id. at 3 (citing Rydeen v. Quigg, 748 F. Supp. at 906, Texaco v. Short, 454 U.S. 516, 536, 70 L. Ed. 2d 738, 102 S. Ct. 781 (1982)).

The Patent Office, as a courtesy, tries to send maintenance fee reminders and notices of patent expiration to the address of record. However, the failure to receive the reminder notice, and the lack of knowledge of the requirement to pay the maintenance fee, will not shift the burden of monitoring the time for paying a maintenance fee from the patentee to the Office. See MPEP 2575,

A reasonable and prudent person, aware of the existence of maintenance fees, would not rely on Maintenance fee reminders or on memory to remind him or her when payments would fall due several years in the future. Instead, such an individual would implement a reliable and trustworthy tracking system to keep track of the relevant dates.¹¹ The individual would also take steps to ensure that the patent information was correctly entered into the tracking system.

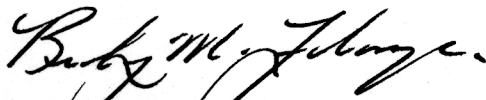
Decision

The prior decision which refused to accept under 37 CFR § 1.378(b) the delayed payment of a maintenance fee for the above-identified patent has been reconsidered. For the reasons herein and stated in the previous decision, the entire delay in this case cannot be regarded as unavoidable within the meaning of 35 USC § 41(c)(1) and 37 CFR § 1.378(b). Petitioner has failed to provide evidence sufficient to establish that the entire delay in the submission of the maintenance fee was unavoidable. Therefore, the petition is **denied**.

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

The patent file is being forwarded to Files Repository.

Telephone inquiries should be directed to Petitions Attorney Steven Brantley at (703) 306-5683.



Beverly M. Flanagan
Supervisory Petitions Examiner
Office of Petitions

2540, 2590. Petitioner does not have a right to personalized notice that this patent will expire if a certain maintenance fee is not paid, as the publication of the statute was sufficient notice. See Rydeen v. Quigg, 748 F. Supp. 900, 907 (1990). The ultimate responsibility for keeping track of maintenance fee due dates lies with the patentee, not the USPTO. Since the mailing of Notices by the Office is completely discretionary and not a requirement imposed by Congress, accepting an argument that failure to receive a Notice is unavoidable delay would result in all delays being unavoidable should the Office discontinue the policy. All petitions could allege non-receipt of the reminder, and therefore all petitions could be granted. This was clearly not the intent of Congress in the creation of the unavoidable standard.

¹¹ 37 CFR 1.378(b)(3) precludes acceptance of a late maintenance fee for a patent unless a petitioner can demonstrate that steps were in place to monitor the maintenance fee. The Federal Circuit has specifically upheld the validity of this properly promulgated regulation. Ray v. Lehman, 55 F.3d 606, 609; 34 U.S.P.Q.2d (BNA) 1786 (Fed. Cir. 1995). In Ray v. Lehman, petitioner claimed that he had not known of the existence of maintenance fees and therefore had no steps in place to pay such fees. The petitioner therefore argued that the PTO's regulations requiring such steps created too heavy a burden. The court stated, "Ray also takes issue with the PTO's regulation, 37 C.F.R. § 1.378(b)(3), supra, arguing that it 'creates a burden that goes well beyond what is reasonably prudent.' We disagree. The PTO's regulation merely sets forth how one is to prove that he was reasonably prudent, i.e., by showing what steps he took to ensure that the maintenance fee would be timely paid, and the steps taken in seeking to reinstate the patent. We do not see these as requirements additional to proving unavoidable delay, but as the very elements of unavoidable delay." Id.

A reasonable and prudent person would not rely on maintenance fee reminders from the Office for two reasons. First, the Office has indicated that such reminders are a mere courtesy and has reserved the right to discontinue such reminders at any time. Second, such reminders may be lost in the mail. A reasonable and prudent person, in regard to his most important business, would not rely solely on reminders that the Office may or may not send which may or may not be lost in the mail.