UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
ASSISTANT SECRETARY AND COMMISSIONER OF
PATENTS AND TRADEMARKS
Washington, D.C. 20231

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In re Master Data Center

DECISION DENYING
REQUEST FOR REFUND

This is a decision on the petition under 37 CFR 1.181 and 1.183, filed May 7, 1999, requesting that the Commissioner waive the requirements of 37 CFR 1.366(b) and refund the difference between the maintenance fees paid and in effect on October 30, 1998 and the maintenance fees in effect on November 10, 1998 for a number of U.S. patents ("subject patents").[1]

The petition to refund the difference between the maintenance fees paid and in effect on October 30, 1998 and the maintenance fees in effect on November 10, 1998 for the subject patents is **DENIED**.

BACKGROUND

Section 10101 of the Omnibus Budget Reconciliation Act of 1990 imposed a sixty-nine percent surcharge (the "OBRA surcharge") on patent fees set pursuant to 35 U.S.C. § 41(a) and (b). See

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[1] Petitioner specifically requests a refund of $104,210 for 288 U.S. patents (269 non-small entity and 19 small entity) for which the first maintenance fee was paid on October 30, 1998, 196 U.S. patents (181 non-small entity and 15 small entity) for which the second maintenance fee was paid on October 30, 1998, and 147 U.S. patents (140 non-small entity and 7 small entity) for which the third maintenance fee was paid on October 30, 1998. See petition of May 7, 1999, appendix 1. The difference between the maintenance fees in effect on October 30, 1998 and the maintenance fees in effect on November 10, 1998 is $110 ($55 small entity) for the first maintenance fee ($1050 less $940), $200 ($100 small entity) for the second maintenance fee ($2100 less $1900), and $250 ($125 small entity) for the third maintenance fee ($3160 less $2910).

Pub. L. No. 101-508, § 10101, 104 Stat. 1388 (1990). The Patent and Trademark Office (PTO) published a notice in the Federal Register on November 8, 1990 advising the public of this change to the patent fees. See Patent Fees; Notice, 55 Fed. Reg. 46951 (November 8, 1990). The PTO published an interim rule in the Federal Register on November 26, 1990 conforming the patent fees specified in the rules of practice to the patent fee amounts provided for in Pub. L. No. 101-508. See Patent Fees; Interim Rule Notice, 55 Fed. Reg. 49040 (November 26, 1990). The "OBRA surcharge" provisions of Pub. L. No. 101-508 were subsequently modified in the Patent and Trademark Office Authorization Act of 1991, Pub. L. No. 102-204, § 2(b), 105 Stat. 1636 (1991), and the Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, § 8001, 107 Stat. 312 (1993). The authority for a surcharge on patent fees was scheduled to expire at the end of fiscal year 1998.

The United States Patent and Trademark Office Reauthorization Act, Fiscal Year 1999, H.R. 3723, was introduced in the 105th Congress on April 23, 1998. See H.R. 3723, 105th Cong., 2nd Sess. (1998). This bill (if enacted) would re-set patent fees under 35 U.S.C. § 41(a) and (b) at a level lower than fiscal year 1998 rates. The United States Patent and Trademark Office Reauthorization Act, Fiscal Year 1999, was passed by the House of Representatives (House) on May 12, 1998.

Anticipating that Congress might not act to re-set patent fees by the end of fiscal year 1998, the PTO published a final rule in the Federal Register on July 24, 1998 re-setting certain patent fees to the levels in 35 U.S.C. § 41(a) and (b), as adjusted for previous years' annual CPI fluctuations pursuant to 35 U.S.C. § 41(f). See Revision of Patent Fees for Fiscal Year 1999; Final Rule Notice, 63 Fed. Reg. 39731, 39731 (July 24, 1998). This final rule notice indicated that legislation was introduced in the 105th Congress (namely H.R. 3723 and H.R. 3989, 105th Cong., 2nd Sess. (1998)) that (if enacted) would affect patent fees, and that the patent fees published in such final rule notice would not take effect if such legislation were enacted. See id.

A continuing appropriation was enacted on September 25, 1998 that maintained patent fees at their fiscal year 1998 rates until October 9, 1998. See Pub. L. No. 105-240, § 117, 112 Stat. 1566 (1998).[2] This legislation superseded the final rule notice published on July 24, 1998, and the PTO published a notice to that effect in the Federal Register on October 1, 1998. See Revision of Patent Fees for Fiscal Year 1999; Final Rule Notice; Delay of Effective Date, 63 Fed. Reg. 52609 (October 1, 1998). Five additional continuing appropriations were enacted in October of 1998 that maintained patent fees at their fiscal year 1998 rates until October 21, 1998. See Pub. L. No. 105-273, 112 Stat. 2418 (1998); Pub. L. No. 105-260, 112 Stat. 1919 (1998);

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[2] This continuing appropriation also authorized the PTO to recognize partial payments and set a time period within which unpaid amounts must be paid. See 112 Stat. at 1570.

Pub. L. No. 105-257, 112 Stat 1901 (1998); Pub. L. No. 105-254, 112 Stat. 1888 (1998); and Pub. L. No. 105-249, 112 Stat. 1868 (1998).

The United States Patent and Trademark Office Reauthorization Act, Fiscal Year 1999, was passed by the Senate on October 14, 1998.

The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, was presented to the President and signed into law by the President on October 21, 1998 ("Appropriations Act"). See Pub. L. No. 105-277, 112 Stat. 2681 (1998). The Appropriations Act maintained patent fees at the fiscal year 1998 rates .

Petitioner (Master Data Center) paid a maintenance fee for each of the subject patents on October 30, 1998.

The United States Patent and Trademark Office Reauthorization Act, Fiscal Year 1999, was presented to the President on November 2, 1998, and was signed into law by the President on November 10, 1998 ("Reauthorization Act"). See Pub. L. No. 105-358, 112 Stat. 3271 (1998). The PTO published a final rule in the Federal Register on December 8, 1998, *inter alia*, conforming the patent fees specified in the rules of practice to the patent fee amounts provided for in the Reauthorization Act. See Revision of Patent Fees for Fiscal Year 1999; Final Rule Notice, 63 Fed. Reg. 67578 (December 8, 1998).

On January 26, 1999, petitioner filed a request for refund of the difference between the maintenance fees paid and in effect on October 30, 1998 and the maintenance fees in effect on November 10, 1998 for the subject patents. The request for refund of January 26, 1999 was refused by the Office of Finance in a letter dated February 26, 1999, in which petitioner was advised that any request for review of a decision by the Office of Finance must be by way of a petition signed by a person registered to practice before the PTO, or the applicant or patentee.

On February 17, 1999 and March 26, 1999, petitioner filed letters again requesting a refund of the difference between the maintenance fees paid and in effect on October 30, 1998 and the maintenance fees in effect on November 10, 1998 for the subject patents, and petitioner was again advised in a letter dated April 6, 1999 that any request for review of a decision by the Office of Finance must be by way of a petition signed by a person registered to practice before the PTO, or the applicant or patentee.

STATUTE AND REGULATION

35 U.S.C. § 41(b) provides that:

> The Commissioner shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:
> (1) 3 years and 6 months after grant, $650 [$1,050] ($940)[3].
> (2) 7 years and 6 months after grant, $1,310 [$2,100]($1,900).
> (3) 11 years and 6 months after grant, $1,980 [$3,160]($2,910).
> Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such 6-month grace period the late payment of the applicable maintenance fee. No fee will be established for maintaining a design or plant patent in force.

35 U.S.C. § 42(d) provides that:

> The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.

37 CFR 1.26(a) provides that

> Any fee paid by actual mistake or in excess of that required will be refunded, but a mere change of purpose after the payment of money, as when a party desires to withdraw an application, an appeal, or a request for oral hearing, will not entitle a party to demand such a return. Amounts of twenty-five dollars or less will not be returned unless specifically requested within a reasonable time, nor will the payer be notified of such amount; amounts over twenty-five dollars may be returned by check or, if requested, by credit to a deposit account.

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[3] The fees indicated in brackets are the maintenance fees in effect on October 30, 1998. See 37 CFR 1.20(e) through (g)(1998). The fees indicated in parentheses are the maintenance fees in effect on November 10, 1998. See 35 U.S.C. § 41(b), as amended by Pub. L. No. 105-358. Patent fees under 35 U.S.C. § 41(a) and (b) are reduced by fifty percent for small entities. See 35 U.S.C. § 41(h).

37 CFR 1.366(b) and (g) provide that:

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> (b) A maintenance fee and any necessary surcharge submitted for a patent must be submitted in the amount due on the date the maintenance fee and any necessary surcharge are paid. A maintenance fee or surcharge may be paid in the manner set forth in § 1.23 or by an authorization to charge a deposit account established pursuant to § 1.25. Payment of a maintenance fee and any necessary surcharge or the authorization to charge a deposit account must be submitted within the periods set forth in § 1.362(d), (e), or (f). Any payment or authorization of maintenance fees and surcharges filed at any other time will not be accepted and will not serve as a payment of the maintenance fee except insofar as a delayed payment of the maintenance fee is accepted by the Commissioner in an expired patent pursuant to a petition filed under § 1.378. Any authorization to charge a deposit account must authorize the immediate charging of the maintenance fee and any necessary surcharge to the deposit account. Payment of less than the required amount, payment in a manner other than that set forth in § 1.23, or the filing of an authorization to charge a deposit account having insufficient funds will not constitute payment of a maintenance fee or surcharge on a patent. The procedures set forth in § 1.8 or § 1.10 may be utilized in paying maintenance fees and any necessary surcharges.
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> (g) Maintenance fees and surcharges relating thereto will not be refunded except in accordance with §§ 1.26 and 1.28(a).

DECISION

Petitioner argues that: (1) it pays maintenance fees once per month to reduce paperwork and check cashing burdens on the PTO; (2) it reasonably did not expect further action by the 105th Congress once the Appropriations Act was enacted; and (3) it expected the PTO to apply the Reauthorization Act retroactively to October 1, 1999 consistent with the PTO's retroactive application of the OBRA surcharge of Pub. L. No. 101-508. Petitioner requests a waiver of the provisions of 37 CFR 1.366, such that the maintenance fees paid on October 30, 1998 are considered due in the maintenance fee amounts in effect on November 10, 1998, and that petitioner be refunded the difference between the maintenance fee mounts in effect (and paid) on October 30, 1998 and the maintenance fee amounts in effect on November 10, 1998 for the subject patents.

The instant petition cannot be granted because: (1) 35 U.S.C. § 42(d) does authorize the Commissioner to refund any portion of the maintenance fees paid on October 30, 1998 for the

subject patents; and (2) the circumstances at issue do not constitute an extraordinary situation in which justice requires waiver of any requirement of the rules of practice.

Petitioner's argument that the PTO's retroactive (to November 5, 1990) application of the patent fee amounts provided for in Pub. L. No. 101-508 (the OBRA surcharge) is precedent for a retroactive (to October 1, 1998) application of the patent fee amounts provided in the Reauthorization Act fails to appreciate that, in each instance, the effective date of the patent fee amounts was provided for by law and was not within the Commissioner's discretion to determine. The patent fee amounts provided for in Pub. L. No. 101-508 (the OBRA surcharge) were effective on November 5, 1990 because Pub. L. No. 101-508 became effective on November 5, 1990. See In re Patecell, 19 USPQ2d 1390, 1391-92 (Comm'r Pat. 1991). Likewise, the patent fee amounts provided for in the Reauthorization Act were effective on November 10, 1998 because the Reauthorization Act became effective on November 10, 1998.

While § 5 of the Reauthorization Act expressly provides that the effective date of its amendments to the patent fees specified in 35 U.S.C. § 41(a) and (b) is October 1, 1998, this language in the Reauthorization Act is not dispositive. Under principles of statutory construction, the literal language of a statute is not controlling if it produces a result demonstrably inconsistent with clearly expressed Congressional intent. See Church of the Holy Trinity v. United States, 143 U.S. 457, 459 (1892). In the specific context of retroactive application: there is a strong presumption that a statute does not apply retroactively unless: (1) the words used are so clear, strong, and imperative that no other meaning can be annexed to them, or (2) the legislative intent cannot be otherwise satisfied. See United States Fidelity & Guaranty Co. v. United States ex rel. Struthers Wells, 209 U.S. 306, 314 (1908).

First: H.R. 3723 was passed by the House in May of 1998, with an effective date of October 1, 1998, over four months in the future. Thus, it was likely that the House expected that the bill would be enacted prior to October 1, 1998 (and not that it was to be enacted after October 1, 1998 with a retroactive application). While delays in the appropriations process resulted in the Senate not passing this bill until October 14, 1998, the Senate passed the bill without amendment to or comment on the bill. Thus, there is no indication that either house of Congress specifically intended H.R. 3723 to apply retroactively.

Second: Congress passed a continuing appropriation in September of 1998 and five continuing appropriations in October of 1998 (after the October 1, 1998 effective date stated in Pub. L. No. 105-358). Each of these continuing appropriations directed the PTO to charge the patent fee amounts in effect on September 30, 1998 through October 21, 1998. The passage of legislation in late September of 1998 and again in October of 1998 directing the PTO to charge patent fees at their fiscal year 1998 rates (rather than at the rates provided in the Reauthorization Act) through October 21, 1998 is inconsistent with a conclusion that Congress intended that patent fees be adjusted retroactively as of October 1, 1998.

Third: The fifth and seventh provisos of the PTO provision of the Appropriations Act directed the PTO to charge the patent fee amounts in effect on September 30, 1998 until the enactment of a statute reauthorizing the PTO. The seventh proviso of the PTO provision of the Appropriations Act also provided that upon the subsequent enactment of a new patent fee schedule the patent fee amounts provided for in the Authorization Act shall no longer have effect. The Appropriations Act and the Reauthorization Act taken together do not indicate any Congressional intent that, upon enactment of the Reauthorization Act, patent fees should be adjusted retroactively as of October 1, 1998, but only that the patent fees in effect on September 30, 1998 should remain in effect (as provided in the Appropriations Act) until enactment of the Reauthorization Act, and as of that point in time the patent fees provided for in the Appropriations Act "shall no longer have effect."

The circumstances surrounding the enactment of Pub. L. No. 105-358 reveals that its inclusion of an effective date earlier that its actual date of enactment is not the result of Congressional intent that it have retroactive effect, but is a technical error resulting from unexpected delays during the legislative process that was not corrected prior to enactment. Since the Reauthorization Act was signed by the President on November 10, 1998, the patent fees provided for in the Reauthorization Act became effective on November 10, 1998 by law. See United States v. Burr, 159 U.S. 78, 86 (1895).[4] The Commissioner has no authority to either apply the patent fees provided in Pub. L. No. 105-358 retroactively to October 1, 1998 (or any date earlier than November 10, 1998), or to delay their implementation after November 10, 1998.

The Commissioner has the authority to refund "any fee paid by mistake or any amount paid in excess of that required." See 35 U.S.C. § 42(d). The maintenance fee amounts provided in Pub. L. No. 105-358 apply only to maintenance fees paid on or after November 10, 1998. See Revision of Patent Fees for Fiscal Year 1999, 63 Fed. Reg. at 67578-79. That is, it is the date that the maintenance fee is paid, and not the date that the maintenance fee is due (with or without the surcharge under 37 CFR 1.20(h)), that is relevant in determining the applicable maintenance fee amount. See 37 CFR 1.366(b)("[a] maintenance fee and any necessary surcharge submitted for a patent must be submitted in the amount due on the date the maintenance fee and any

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[4] In Burr, custom duties legislation passed the House in February of 1894 with an effective date of June 1, 1894, but this legislation was not passed by the Senate until July 3, 1894, and not signed into law by the President until August 28, 1894 (after its effective date, which was extended to August 1, 1894). In that situation, the Supreme Court held that, in light of the circumstances surrounding its enactment, Congress did not intend for the statute to have retroactive effect, despite the fact that the statute indicated an effective date prior to its enactment date. See Burr, 159 U.S. at 83-86.

necessary surcharge are paid").[5] As the maintenance fees submitted on October 30, 1998 were paid in the amount in effect on October 30, 1998, the Office of Finance properly refused petitioner's request for a refund of a portion of the maintenance fees submitted on October 30, 1998 for the subject patents.

While petitioner invokes 37 CFR 1.183 to avoid the application of 37 CFR 1.366(b), this invocation is simply an improper attempt to end-run the requirements of the statute (35 U.S.C. § 42(d)). The maintenance fees paid on October 30, 1998 were not paid by mistake - *i.e.*, a first, second, or third maintenance fee was payable for each of the subject patents on October 30, 1998. No portion of the maintenance fees paid on October 30, 1998 was paid in an amount in excess of that required - *i.e.*, the maintenance fee amounts paid on October 30, 1998 were the first, second, and third maintenance fees then in effect. Since the maintenance fees paid on October 30, 1998 were neither paid by mistake nor paid in any amount in excess of that required, 35 U.S.C. § 42(d) does not authorize the Commissioner to *nunc pro tunc* charge the maintenance fees in effect on November 10, 1998 for maintenance fees paid on October 30, 1998 to refund a portion of those maintenance fees to petitioner.

Assuming, *arguendo*, that the Commissioner has the authority to *nunc pro tunc* charge the maintenance fees in effect on November 10, 1998 for maintenance fees paid on October 30, 1998, waiver of a requirement of the regulations pursuant to 37 CFR 1.183 is, by the terms of the rule, limited to: (1) an "extraordinary situation"; (2) in which "justice requires" the requested waiver. See Issidorides v. Ley, 4 USPQ2d 1861, 1961-62 (Comm'r Pat. 1987); and In re Sivertz, 227 USPQ 255, 256 (Comm'r Pat. 1985). This situation is not an "extraordinary situation" within the meaning of 37 CFR 1.183 because it is simply the foreseeable result of petitioner's decision to pay maintenance fees: (1) before they were required to be paid under 35 U.S.C. § 41(b) and 37 CFR 1.362: and (2) while legislation was pending that, if and when enacted, would reduce patent fees.

While the patent fee situation required day-to-day monitoring between October 1, 1998 and November 10, 1998, the PTO provided notice on its Web site: (1) of the patent fees in currently in effect; and (2) that the PTO was uncertain as to whether or when future changes would be made to patent fees. Thus, the public was on notice it was uncertain as to whether patent fees would remain constant or be reduced, as well as when any change to patent fees would occur. Therefore, any member of the public was on notice that a maintenance fee paid prior to the date

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[5] For example, if maintenance (or other) fee amounts increase between the date a maintenance fee is paid (assuming the fee is payable) and the date the maintenance fee is due (with or without a surcharge), the PTO does not require the patentee to pay the difference between the amount paid and the amount in effect on the date the maintenance fee is due.

such fee was required to be paid under 35 U.S.C. § 41(b) and 37 CFR 1.362 was paid at the risk of the patentee not being able to take advantage of a potential patent fee reduction.[6]

In addition, there was no basis for petitioner's assumption that no further patent fee legislation would be enacted in the 105th Congress. By October 30, 1998, the Reauthorization Act (H.R. 3723) was passed by both the House (May 12, 1998) and the Senate (October 14, 1998). The only further legislative action necessary to the Reauthorization Act either becoming law or not becoming law was its presentment to the President. That is, by October 30, 1998, the Reauthorization Act was passed by both houses of Congress and thus could become law without further consideration by either house of Congress. Thus, there was no basis for petitioner's expectation that, because of the limited number of days-in-session for the 105th Congress after enactment of the Appropriations Act, the Reauthorization Act would not be enacted.

While petitioner argues that it pays maintenance fees once per month to reduce paperwork and check cashing burdens on the PTO, the salient point remains that when (within the payment windows provided in 35 U.S.C. § 41(b) and 37 CFR 1.366) petitioner pays the maintenance fees for which it is responsible is solely within petitioner's control. That petitioner "gave up" on enactment of the Reauthorization Act (and its patent fee reduction) and paid the maintenance fees at the end of October of 1998 does not constitute an extraordinary situation in which justice requires that the PTO waive the requirements of the rules of practice and refund the difference between the maintenance fees in effect on October 30, 1998 and the maintenance fees in effect on November 10, 1998.

CONCLUSION

For the reasons stated above, the petition under 37 CFR 1.181 and 1.183 requesting that the Commissioner waive the requirements of 37 CFR 1.366(b) and refund a portion of maintenance fees submitted on October 30, 1998 for the subject patents is **DENIED**. This decision may be viewed as final agency action. See MPEP 1002.02(b).

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[6] There was no legislation pending before the 105th Congress that (if enacted) would have increased the patent fee amounts specified in 35 U.S.C. § 41(a) and (b).

Telephone inquiries with regard to this decision should be directed to Robert W. Bahr at (703) 305-9282.

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