



Paper No. 24

STEPHEN H LIEBERSTEIN  
ST ONGE STEWARD JOHNSTON & REENS LLC  
986 BEDFORD STREET  
STAMFORD CONNECTICUT 06905-5619

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In re Patent No.5,723,453  
issue Date: March 3, 1998  
Application No. 08/557,726  
Filed: November 13, 1995  
Inventor: Phykitt

: **OFFICE OF PETITIONS**  
: **ON PETITION**  
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This is a decision on the petition under 37 CFR 1.378(e) filed June 17, 2004, to accept the delayed payment of the maintenance fee for the above-identified patent. This is also a decision on the petition filed July 30, 2004, under 37 CFR 1.183 seeking waiver of the requirements of 37 CFR 1.181 so that a personal interview can be held.

The petition under 37 CFR 1.378(e) is **DENIED**.

The petition under 37 CFR 1.183 to waive the rules is **DENIED**.

BACKGROUND

The above-identified patent issued March 3, 1998. Accordingly the first maintenance fee was due September 3, 2001, and could have been paid from March 3, 2001, through September 3, 2001, or, with a surcharge, from September 4, 2001, through March 3, 2002. As the maintenance fee was not timely payed, this patent expired by operation of law at midnight on its fourth anniversary date: March 3, 2002.

A petition to reinstate the above-identified patent by way of acceptance of the unintentionally delayed payment of the maintenance fee under the provisions of 37 CFR 1.378(c) was filed June 19, 2003. The petition was filed on behalf of the trustee of the bankruptcy estate, Mr. Joseph Callaway ("Callaway"), of the named inventor (case No. 98-05663-8-JRL, E.D. N.C.), and was granted in the decision of June 26, 2003.

However, the USPTO received a communication filed September 25, 2003, which raised a question as to whether the delay herein was unintentional.

Accordingly, a show cause order was mailed January 27, 2004, which invited within a period of two months a further explanation, with supporting documentation, of the facts and circumstances concerning the delay in payment of the maintenance fee.

Two replies to the show cause order were filed March 26, 2004. One reply was filed on behalf of the named inventor by registered practitioner Steven Hultquist, and includes arguments along with documents which are contended to show, *inter alia*, that even while the instant patent was declared "abandoned" by the estate, the trustee in bankruptcy had earlier recommended to the lienholder bank that it not pay or incur further costs, and as such, the delay in payment of

the maintenance fee was intentional.<sup>1</sup> The other reply was filed by petitioner Mr. Joseph N. Callaway (Callaway), who asserts that in his capacity as the trustee in bankruptcy of the estate containing the 3 Phykitt patents, he lacked the requisite discretion, control, or empowerment to decide to use the funds of the bankruptcy estate to pay the maintenance fees, and this other reply likewise contains showings pertaining to the provisions of the bankruptcy code, and petition-related documents.

The corrected decision of April 15, 2004, considered the entire showings of record, vacated the decision of June 26, 2003, and dismissed the petition under 37 CFR 1.378(c).

A renewed petition was filed June 17, 2004, along with an additional declaration by Mr. Callaway. Also filed the same date was a petition under 37 CFR 1.183 to waive the rules and accord the trustee an interview.

On July 30, 2004, a query was received regarding the status of the petition seeking waiver.

On August 31, 2004, a decision declining the request for waiver of the rule so as to accord an interview was mailed. The decision noted that under the rule, an interview concerning a petition was granted only when such was considered necessary by the Director, not the petitioner. The decision further noted the USPTO had a well-established policy of deciding petitions solely on the basis of the written record. The decision, however, afforded petitioner additional time to submit, in writing, any arguments or evidence that would have been presented during the interview.

A further communication was filed by counsel for petitioner on September 28, 2004. While the communication again requested an interview and contended, in essence, that refusal of the interview would deny petitioner "due process," no further arguments or evidence that would have been supplied during the requested interview were identified and submitted.

#### STATUTE AND REGULATION

35 U.S.C. § 41(c)(1) provides that:

The Director may accept the payment of any maintenance fee required by subsection (b) of this section which is made within twenty-four months after the six-month grace period if the delay is shown to the satisfaction of the Director to have been unintentional, or at any time after the six-month grace period if the delay is shown to the satisfaction of the Director to have been unavoidable. The Director may require the payment of a surcharge as a condition of accepting payment of any maintenance fee after the six-month grace period. If the Director accepts payment of a maintenance fee after the six-month grace period, the patent shall be considered as not having expired at the end of the grace period.

37 CFR 1.378(a) provides that:

The Director may accept the payment of any maintenance fee due on a patent after expiration of the patent if, upon petition, the delay in payment of the maintenance fee is shown to the satisfaction of the Director to have been unavoidable (paragraph (b) of this section) or unintentional (paragraph (c) of this section) and if the surcharge required by § 1.20(i) is paid as a condition of accepting payment of the maintenance fee. If the Director accepts payment of the maintenance fee upon petition, the patent shall be considered as not having expired, but will be subject to the conditions set forth in 35 U.S.C. 41(c)(2).

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<sup>1</sup> The distinction between the meaning of "abandonment" as used in bankruptcy proceedings and abandonment (or, more properly here, expiration) as used in intellectual property proceedings is recognized, but is immaterial as the instant patent had expired prior to the declaration of its abandonment to the estate.



37 CFR 1.378(c) provides that:

- (c) Any petition to accept an unintentionally delayed payment of a maintenance fee filed under paragraph (a) of this section must be filed within twenty-four months after the six-month grace period provided in § 1.362(e) and must include:
- (1) The required maintenance fee set forth in § 1.20 (e)-(g);
  - (2) The surcharge set forth in §1.20(i)(2); and
  - (3) A statement that the delay in payment of the maintenance fee was unintentional.

#### OPINION

#### WITH RESPECT TO THE PETITION FOR WAIVER

There is no requirement in the patent statute that a decision on a petitionable matter be determined on the record after an agency hearing. 37 CFR 1.181(e) provides that, for a petitionable matter, an oral hearing will only be permitted when the Director—not the petitioner—considers it necessary.

In order for grant of a petition under 37 CFR 1.183 to waive this provision, petitioner must show (1) that this is an extraordinary situation where (2) justice requires waiver of the rules. In re Sivertz, 227 U.S.P.Q. 255, 256 (Comm'r Pat. 1985). Petitioner has not shown that either condition exists in this case such that an interview is warranted. Petitioner is reminded that pursuant to 37 CFR 1.2, all business before the USPTO is to be transacted in writing. Thus, any oral arguments made by petitioner during an interview would not have any force and effect unless and until they were reduced to writing and made of record. It is noted that 37 CFR 1.378(e) is explicit in limiting the finite resources of the USPTO to consideration, and reconsideration, of a written petition for reinstatement, and petitioner has already been afforded much more consideration than that herein. In this regard, petitioner has already been accorded more than two opportunities to present written information to the USPTO on this matter so as to provide an administrative record on which to base the ultimate decision: the first petition filed June 19, 2003; the reply filed March 9, 2004, to the show cause order of January 27, 2004; the instant renewed petition discussed in more detail *infra*, and the communication filed September 28, 2004. Petitioner seeks the interview to clarify for the USPTO differences in the meaning of terms as used in bankruptcy law and patent law. However, as bankruptcy law and patent law have not been shown to be in conflict in this matter, petitioner has not adequately shown why an oral hearing is necessary to expound on bankruptcy law.

It is patent, not bankruptcy, law, see 35 U.S.C. § 41(b), that governs the expiry of a patent, and, it is patent, not bankruptcy, law, see 35 U.S.C. § 41(c), that governs the reinstatement *vel non* of this or any other expired patent. The application and enforcement of the narrow, technical statutory and regulatory provisions concerning patent law is within the special expertise of the USPTO, and, as such, is entitled to considerable deference. See e.g., Rydeen v. Quigg, 748 F.Supp. 900 (D.D.C. 1990), *aff'd* 937 F.2d 623 (Fed. Cir. 1991) (table), *cert. denied*, 502 U.S. 1075 (1992)(affirming refusal of USPTO to accept on petition under 37 CFR 1.378 the delayed maintenance fee); In re Sullivan, 362 F.3d. 1324 (Fed. Cir. 2004).

The decision of the USPTO can only be made on the written administrative record. See 37 CFR 1.2. Petitioner has been afforded more opportunities than actually permitted under the rules to augment the written administrative record and further, petitioner has the opportunity to appeal from this final agency action, which reasonably affords petitioner administrative due process under the Fifth Amendment. See Hannah v. Larche, 363 U.S. 420, 440 (1960) ("requirements of due process frequently vary with the type of proceeding involved"). Furthermore, any judicial review of this final agency action would be made on the written administrative record before the USPTO. Camp v. Pitts, 411 U.S. 138 (1973); Citizens to Preserve Overland Park v. Volpe, 401 U.S. 402 (1971); Rydeen v. Quigg, *supra* (USPTO refusal to accept, on petition under 37 CFR 1.378, a delayed maintenance fee is judicially reviewed under the arbitrary and capricious standard of 5 U.S.C. § 706(2)(A) on the written administrative record before the USPTO); R.R. Donnelley & Sons Co. v. Dickinson, 423 F.Supp2d 426 (DC NIII 2000)(same). Accordingly, the request for waiver of the rules to accord petitioner a personal interview is **denied**.



WITH RESPECT TO THE PETITION UNDER 37 CFR 1.378(c)

Petitioner requests reconsideration in that rather than petitioner having made an individual and subjective determination that the Phykitt bankruptcy estate patents were not worth maintaining in force or reinstating at an earlier date, the non-payment of the maintenance fees was dictated by the objective legal process and methodology set forth in the bankruptcy code. Petitioner further asserts that his operation within and under proper bankruptcy considerations left him without the discretion or authority to allocate estate resources to payment of the maintenance fees.

Petitioner has failed to carry his burden of proof to establish to the satisfaction of the Director that the entire delay in payment of the maintenance fee for the above-identified patent was unintentional within the meaning of 35 U.S.C. § 41(c) and 37 CFR 1.378(c).

The Director may accept the payment of any maintenance fee required by 35 U.S.C. § 41(b) which is made within twenty-four months after the six-month grace period if the delay is shown to the satisfaction of the Director to have been unintentional. See 35 U.S.C. § 41(c)(1); 37 CFR 1.378(a); *Centigram Communication Corp. v. Lehman*, 862 F.Supp. 113, 118, 32 USPQ2d 1346, 1350 (E.D. Va. 1994), *appeal dismissed*, 47 F.3d 1180 (Fed. Cir. 1995). The Congressional intent as expressed in the clear language of the statute ("may") is that USPTO acceptance of a delayed maintenance fee is discretionary, and contingent upon a showing satisfactory to the Director, that the delay was "unintentional." *Centigram* at 116, 32 USPQ2d at 1348. Of particular relevance to this case, the USPTO has held since the inception of reinstatement of expired patents under the unintentional standard of 35 U.S.C. 41(c) which is promulgated by 37 CFR 1.378(c), that the *entire delay* in payment of the maintenance fee must have been unintentional. See 58 F.R. 44277 at 44278-79 (Aug. 20, 1993);<sup>2</sup>

A person seeking reinstatement of an expired patent should not make a statement that the delay in payment of the maintenance fee was unintentional **unless the entire delay, including the delay from the date it was discovered that the maintenance fee was not paid timely up until the maintenance fee was actually paid, was unintentional. For example, a statement that the delay in payment of the maintenance fee was unintentional would not be proper when patentee becomes aware of an unintentional failure to timely pay the maintenance fee and then intentionally delays filing a petition for reinstatement of the patent under § 1.378** (emphasis added).

The "unavoidable" standard in 35 U.S.C. § 41(c)(1) is identical to the "unavoidable" standard in 35 U.S.C. § 133 for reviving an abandoned application because 35 U.S.C. § 41(c)(1) uses the same language (*i.e.*, "unavoidable" delay). See *Ray v. Lehman*, 55 F.3d 606, 608-09, 34 USPQ2d 1786, 1787 (Fed. Cir. 1995) (citing *In re Patent No. 4,409,763*, 7 USPQ2d 1798, 1800 (Comm'r Pat. 1988), *aff'd*, *Rydeen v. Quigg*, 748 F. Supp. 900, 16 USPQ2d 1876 (D.D.C. 1990)). Likewise, the "unintentional" standard in 35 U.S.C. § 41(c)(1) is the same as the "unintentionally" standard in 35 U.S.C. § 41(a)(7) because 35 U.S.C. § 41(c)(1) uses the same word ("unintentional"), albeit in a different part of speech (*i.e.*, the adjective "unintentional" rather than the adverb "unintentionally"). With regard to the "unintentional" delay standard:

Where the applicant deliberately permits an application to become abandoned (*e.g.*, due to a conclusion that the claims are unpatentable, that a rejection in an Office action cannot be overcome, or that the invention lacks sufficient

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<sup>2</sup> The USPTO requires that the entire period of the delay be at least unintentional as a prerequisite to revival of an abandoned application to prevent abuse and injury to the public. See H.R. Rep. No. 542, 97th Cong., 2d Sess. 7 (1982), *reprinted in* 1982 U.S.C.C.A.N. 771 ("[i]n order to prevent abuse and injury to the public the Commissioner... could require applicants to act promptly after becoming aware of the abandonment"). Applying this same requirement as a prerequisite to the reinstatement of an expired patent likewise prevents abuse and injury to the public



commercial value to justify continued prosecution), the abandonment of such application is considered to be a deliberately chosen course of action, and the resulting delay cannot be considered as "unintentional" within the meaning of [37 CFR] 1.137(b). . . . An intentional delay resulting from a deliberate course of action chosen by the applicant is not affected by: (1) the correctness of the applicant's (or applicant's representative's) decision to abandon the application or not to seek or persist in seeking revival of the application; (2) the correctness or propriety of a rejection, or other objection, requirement, or decision by the Office; or (3) the discovery of new information or evidence, or other change in circumstances subsequent to the abandonment or decision not to seek or persist in seeking revival.

See Changes to Patent Practice and Procedure; Final Rule Notice, 62 Fed. Reg. 53131, 53158-59 (October 10, 1997), 1203 Off. Gaz. Pat. Office 63, 86 (October 21, 1997)(discussing the meaning of "unintentional" delay in the context of the revival of an abandoned application). As explained in 2590, the USPTO applies the same unintentional delay standard to revival of an abandoned application, or reinstatement of an expired patent.<sup>3</sup>

35 U.S.C. § 41(c)(1) authorizes the Commissioner to accept a delayed maintenance fee payment "if the delay is shown to the satisfaction of the Commissioner to have been unintentional." 35 U.S.C. § 41(c)(1) does not require an affirmative finding that the delay was intentional, but only an explanation as to why the petitioner has failed to carry his or her burden to establish that the delay was unintentional. Cf. Commissariat A. L'Energie Atomique v. Watson, 274 F.2d 594, 597, 124 USPQ 126, 128 (D.C. Cir. 1960)(35 U.S.C. § 133 does not require the Commissioner to affirmatively find that the delay was avoidable, but only to explain why the applicant's petition was unavailing); see also In re Application of G, 11 USPQ2d 1378, 1380 (Comm'r Pat. 1989) (petition under 37 CFR 1.137(b) denied because the applicant failed to carry the burden of proof to establish that the delay was unintentional).

When the issue of reinstatement is addressed, the focus must be on the rights of the parties at the time of expiration. See Kim v. Quigg, 718 F.Supp. 1280, 1284, 12 USPQ2d 1604, 1607 (E.D. Va. 1989). It is the actions or inactions of the responsible party that are material. Id. As noted in MPEP 711.03(c)II(E), the question herein is whether the entire delay on the part of the party having the right or authority to pay the fee or not pay the fee, *i.e.*, the responsible party, was unintentional. At the time of expiry on September 9, 2001, control of the patent had passed to the trustee of the bankruptcy estate, *i.e.*, petitioner.<sup>4</sup> At the time of expiry, the showing of record is now that the bankruptcy estate had sufficient funds to have maintained this patent in force, or reinstated this patent if expired. Compare statement of Mr. Callaway, in the letter dated April 16, 2003, supplied with the petition filed June 19, 2003, with the statement in the Callaway decl. filed March 26, 2004 at ¶¶ 6,8. Likewise, upon petitioner's receipt of Mr. Hultquist's letters dated on and after September 7, 2001, petitioner was aware that while this

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<sup>3</sup> Because the USPTO regulations are published in the *Federal Register* as required by the Federal Register Act, 44 U.S.C. §1505 (formerly 44 U.S.C. §§5, 7), they are binding, even in the absence of actual knowledge. See, e.g., Federal Crop Ins. Corp. v. Merrill, 332 U.S. 380, 385 (1947); Timber Access Industries Co. Inc. v. United States, 553 F.2d 1250, 1255 (Ct. Cl. 1977); Andrews v. Knowlton, 509 F.2d 898, 905 (2d Cir. 1975), *cert. denied*, 423 U.S. 873 (1975); In re Pacific Far East Line, Inc., 314 F.Supp. 1339, 1348 (N.D. Cal. 1970), *aff'd*, 472 F.2d 1382 (9th Cir. 1973). Furthermore, it is well settled that "all persons are charged with knowledge of the provisions of the statutes and must take note of the procedure adopted by them." Rydeen v. Quigg, 748 F. Supp. 900 at 907, 16 USPQ2d 1876, at 1881 (D.D.C. 1990), *aff'd* 937 F.2d 623 (Fed. Cir. 1991)(table), *cert. denied*, 502 U.S. 1075 (1992)(quoting North Laramie Land Co. v. Hoffman, 268 U.S. 276, 285 (1925)).

<sup>4</sup> According to court papers adduced herein, the above-noted Phykitt Chapter 7 petition for bankruptcy was filed on or about September 21, 1998; the instant patent was among the assets of the bankruptcy estate on that date; and Mr. Callaway was the appointed trustee. See also Callaway decl. filed March 26, 2004 ¶¶ 2-4.



patent was about to expire, for non payment of the maintenance fee, the fee could still be submitted, even in fact, after expiry (along with a post expiration surcharge) and the patent reinstated on petition. See March 26, 2004, Callaway decl. ¶¶ 6,8. Petitioner's letter to Mr. Hultquist dated March 4, 2002, shows that no later than March 4, 2002, petitioner was on notice that the instant patent had expired. However, petitioner had conspicuously not taken any action to forestall expiry, and conspicuously did not take any action toward reinstatement, or even inform the court of the approaching expiry of an asset of the estate requiring administration to preserve its current status, or thereafter, the expiry of this asset of the estate, which had only become property of the estate after the expenditure of funds by the trustee to secure these assets by litigation in the first instance. Furthermore, petitioner admittedly did not make a motion and seek permission of the court to divert estate funds for maintenance or reinstatement; petitioner alone made the determination that no such motion would be made and that no reinstatement would be sought. Indeed, petitioner had the option of avoiding the finding and conclusion that the delay was not unintentional by seeking clarification from the bankruptcy court, or even the USPTO, before any maintenance fee was deliberately withheld by petitioner, or any effort at a reinstatement petition was deliberately deferred by petitioner, or any other parties were specifically counseled by petitioner to take no action towards maintenance or reinstatement. Thus, the delay from this time onward cannot be considered to be unintentional, and any subsequent acts cannot change the nature of this delay. Rather, the delay in payment of the maintenance fee herein results from a course of conduct that was purposefully chosen by the responsible person, as opposed to a delay resulting from inadvertence or neglect of the responsible person, and, as such, the delay does not qualify as unintentional delay. Indeed the delay resulting from the actions or inactions of the responsible person in this case is entirely inconsistent with a determination that such was unintentional delay.

While consideration of the aforementioned Callaway and concurrently filed Humrickhouse declarations reveals there are attendant bankruptcy code considerations when a bankruptcy trustee contemplates allocation (or diversion) of funds to an asset in the bankruptcy estate, the singular fact remains that the value of any asset to the estate—and the creditors—is a major, if not the overriding, factor in determining whether estate funds will be diverted to that asset. The trustee in bankruptcy was again made aware upon his receipt of the January 23, 2002, letter from Hultquist, that the instant patent had expired September 9, 2001, but could, nevertheless, be reinstated. However, any reasonable characterization of the delay resulting from the treatment of this patent subsequent to the trustee's receipt of Hultquist's two aforementioned letters militates away from a finding that the entire delay in payment of the maintenance fee was unintentional.

Here, the trustee determined that this patent was not of sufficient value to the estate—or the creditors—to warrant diversion of funds so as to reinstate this patent. See Callaway decl. ¶¶ 6-8. Further, the trustee made the determination that *he alone* would make—and could make—the determination as to the value of this patent to the estate, and as such, did not bring the matter to or before the bankruptcy court for determination or confirmation. See *Id.* ¶ 6, last sentence; ¶ 7 last sentence. Thus, the bankruptcy trustee *alone* made the "business decision" that the instant patent was not worth the expense of administration for the benefit creditors would likely get long prior to seeking the court-ordered abandonment of December 2002, as the patent expired in September 9, 2001. See observation of the court, Motion For Order in Aid of Consummation of Sale of Patent Rights, March 17, 2004 (at 12), Exhibit E of petitioner's submission, which indicated that petitioner made a "business decision" regarding the 3 Phykitt patents:

"I mean, the abandonment under bankruptcy law doesn't destroy the property...it just means the trustee has made a business decision that it's not worth the expense of administration for the benefit creditors would likely get."

As the court concluded in Newell Window Furnishings v. Springs Window Fashion Division Inc., 53 USPQ 2d 1302, 1322 (DC Nill 1999), when considering a defense based on 35 U.S.C. § 102(g) anticipation by the alleged prior invention of a Mr. Judkins (an independent inventor and industry consultant) who generally could not afford to file his patent applications, and usually deliberately delayed filing an application until he obtained financial backing for the invention therein:



"[t]he court is certainly willing to conclude that Mr. Judkins made a proper and sensible business decision to delay filing during this time. However, the court must conclude that these circumstances raise an inference of intent to abandon, suppress or conceal the T19 invention."

Thus, while petitioner may have made a prudent "business decision" in light of bankruptcy law, regulation(s), and practice, not to administer or expend any estate funds to maintain in force, or earlier reinstate, this or any of the other Phykitt patents, such does not forestall the conclusion that the delay herein resultant from petitioner's "business decision" is not unintentional delay within the meaning of 35 U.S.C. § 41(c)(1) and 37 CFR 1.378(c). Indeed, MPEP 711.03(c)II(C)(1) notes that:

A delay resulting from a deliberately chosen course of action on the part of the applicant does not become an "unintentional" delay within the meaning of 37 CFR 1.137(b) because:

- (A) the applicant does not consider the claims to be patentable over the references relied upon in an outstanding Office action;
- (B) the applicant does not consider the allowed or patentable claims to be of sufficient breadth or scope to justify the financial expense of obtaining a patent;
- (C) the applicant does not consider any patent to be of sufficient value to justify the financial expense of obtaining the patent;
- (D) the applicant does not consider any patent to be of sufficient value to maintain an interest in obtaining the patent; or
- (E) the applicant remains interested in eventually obtaining a patent, but simply seeks to defer patent fees and patent prosecution expenses.

Likewise, a change in circumstances that occurred subsequent to the abandonment of an application does not render "unintentional" the delay resulting from a previous deliberate decision to permit an application to be abandoned. These matters simply confuse the question of whether there was a deliberate decision not to continue the prosecution of an application with why there was a deliberate decision not to continue the prosecution of an application.

In examples (B) through (E) noted above, it is the deliberative determination or assessment, or "business decision" that the application or forthcoming patent is simply not then worth the expense of going forward, *i.e.*, the "expense of administration for the benefit creditors would likely get." One could conceivably assert that there was no intent to abandon the application but in each instance, as here, the delay nevertheless arose from a deliberately chosen course of action (or inaction) and as such, was not unintentional delay. It is immaterial to the analysis that here, the patent has issued; as can be seen by substituting "maintain" or "maintaining" for, respectively "obtain" or "obtaining" in the above examples (B) through (D). See MPEP 2580 (referring one for an explanation of the unintentional standard for reinstatement of expired patents to the section of the MPEP explaining the unintentional delay standard for revival of abandoned applications.)

The USPTO has long indicated that the delay resulting from a deliberative "business decision" to not take a required, timely action is a delay that precludes revival or reinstatement under the even less stringent standard of unintentional delay. The reason(s) *why* the bankruptcy trustee made the decisions to maintain in force or earlier seek reinstatement-- which includes any considerations imposed by the bankruptcy code-- is not to be confused with the fact that there was a deliberative decision that the value of the Phykitt patents was then insufficient to



allocate funds to maintain or reinstate the Phykitt patent.<sup>5</sup> See MPEP 711.03(c)II(C)(1) quoted above. As petitioner was clearly on notice of the need to pay the maintenance fee herein to forestall expiry, his total lack of any activity in this matter suggests that petitioner could not have had an intent to pay the fee so as to maintain this patent in force. Indeed, the circumstances and intent at or about the time of expiry are made manifest in petitioner's March 4, 2002, letter to Mr. Hultquist. Thus, for the above-identified patent, the record shows that both the delay in payment leading to expiry, and the delay in seeking reinstatement, were deliberate and were not due to simple inadvertence, accident, or neglect. That is, petitioner intended that this patent expire (even to the extent of instructing others to take no action to "reserve" this patent or not to throw good money after bad) and delayed seeking reinstatement of the instant patent until a third party showed interest in the inventions of all 3 Phykitt patents. In other words petitioner had even gone to the length of recommending to others, in writing, to take no action regarding these three patents or to incur any expenses with respect to these 3 patents. See petitioner's letter to Mr. Hultquist dated March 4, 2002, discusses in more detail *infra*. The actions and inactions of petitioner both prior to expiry and certainly on and after March 4, 2002, are inconsistent with a finding that the resultant delay was unintentional. Indeed the delay resulting from such deliberate actions or inactions is the antithesis of unintentional delay.

The showing of record, therefore, is that petitioner deliberately chose not to maintain this patent in force or immediately seek reinstatement, which is viewed as an act of deliberation, intentionally performed.<sup>6</sup> The 1992 amendment to 35 U.S.C. § 41(c) which provided for reinstatement of patents upon a showing satisfactory to the Director that the nonpayment of the maintenance fee was unintentional, likewise indicated there was more discretion in reinstating a patent under the unintentional standard than under the unavoidable standard, but did not otherwise change or redefine the meaning of unintentional as already understood and applied to the revival of abandoned applications. Cf. 138 Cong. Rec. E 168 et seq. (June 4,

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<sup>5</sup> The provisions of the bankruptcy code are not operative to change the nature of the delay herein, which delay must be unintentional as specified by and in the patent statute, the tenor of which delay must be shown to the satisfaction of the Director as a prerequisite of reinstatement. A patent owner such as a trustee in bankruptcy, or an independent inventor with a household budget, a businessman with a ledger, or a corporate executive with a balance sheet, are all hampered by the reality of limited funds, which places constraints as to how much can be spent and on what. These patent owners are all confronted by the need to make sound and prudent business decisions as to how to allocate their finite capital among their assets and expenses. When that limited capital is deliberately allocated elsewhere among other assets (e.g., other patents) and other expenses, on the grounds that the patent simply does not then justify the expenditure and is not allocated to the maintenance of a given patent in force, or the timely reinstatement of a given expired patent, that is simply a business decision, and the resultant delay cannot be said to be unintentional. Rather, the resultant delay cannot be said to be unintentional on the part of the trustee, the businessman, the independent inventor, the businessman or the executive. The specific reason(s) for the diverse allocation of capital will differ among the diverse patent owners, so "why" money was not allocated to either maintenance or reinstatement should not be confused with the nature of the delay resulting from the deliberate decision. It is further noted that the aforementioned deliberative "business decision" making by the bankruptcy trustee, the businessman, the independent inventor, the businessman, or the executive would bar reinstatement under the unintentional standard should the patent owner change his mind and now consider the patent sufficiently valuable to reinstate.

<sup>6</sup> The legislative history of Public Law 97-247, which created the unintentional delay standard of 35 U.S.C. § 41(a)(7) reveals that the purpose of the unintentional delay standard is to permit the Office to have more discretion than in 35 U.S.C. §§ 133 or 151 to revive abandoned applications in appropriate circumstances, but places a limit on this discretion, stating that "[u]nder this section a petition accompanied by either a fee of \$500 or a fee of \$50 would not be granted where the abandonment or the failure to pay the fee for issuing the patent was intentional as opposed to being unintentional or unavoidable." See H.R. Rep. No. 542, 97th Cong., 2d Sess. 6-7 (1982), *reprinted in* 1982 U.S.C.C.A.N. 770-71 (emphasis added).



1992)(statement of Rep. McCollum). That is, a delay caused by a deliberate decision 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), 37 CFR 1.378(b) and 37 CFR 1.378(c). See In re Application of G, 11 USPQ2d 1378, 1380 (Comm'r Pat. 1989). Where the responsible person permits an application to become or remain abandoned (e.g., due to a conclusion that the claims are unpatentable, that a rejection in an Office action cannot be overcome, or that the invention lacks sufficient commercial value to justify continued prosecution), or a patent to remain expired (for the same aforementioned reasons), the continued abandonment of such application or continued expiration of such patent is considered to be a deliberately chosen course of action, and the resulting delay cannot be considered as "unintentional" within the meaning of 37 CFR 1.137(b) or 37 CFR 1.378(c). In re Application of G, *Id.* An intentional course of action is not rendered unintentional when, upon reconsideration, the responsible person changes his or her mind as to the course of action that should have been taken. See In re Maldaque, 10 USPQ2d 1477, 1478 (Comm'r Pat. 1988).

Petitioner challenges this characterization and asserts that the trustee did not act intentionally and further queries why the USPTO does not accept the trustee's sworn statement that the delay was unintentional. Taking the latter issue first and as noted above, the standard for reinstatement is, by statute, that USPTO acceptance of a delayed maintenance fee is discretionary and contingent upon a showing satisfactory to the Director that the delay was "unintentional." As pointed out in 58 *F.R.* 44277 at 44278-79, a statement of unintentional delay may nevertheless have been improperly made. See also *e.g.*, In re Patent No. 4,383,790, (June 8, 1998); In re Patent No. 4,496,886, (July 6, 1998); In re Patent No. 4,757,541, (Sept. 13, 1999) (final agency actions refusing acceptance of the maintenance fee under the provisions of 35 U.S.C. § 41(c) and 37 CFR 1.378(c), notwithstanding the petitioners' assertions that the delay was unintentional).<sup>7</sup> Alternately, 37 CFR 1.378(c) requires that the statement of unintentional delay must be made in every petition filed under that section of the rule, but such does not trump the requirement in 35 U.S.C. § 41(c)(1) and 37 CFR 1.378(a) that the showing of unintentional delay must be made to the satisfaction of the Director. As such, the showing of record must militate away from any reasonable interpretation of the deliberate withholding of timely payment prior to expiry--and the petition for reinstatement-- by the trustee as "unintentional" within the meaning of 35 U.S.C. § 41(c)(1) and 37 CFR 1.1378(c). Such conclusion is reinforced by consideration of the trustee's subsequent successful motion before the court to have the three patents declared abandoned to the estate, as they were determined by the trustee to be of little or no value and a burden on the estate. While petitioner is concerned that the USPTO has improperly confused the meaning of the term abandonment (or more properly, expiry,) as applied to the 3 Phykitt patents, with the meaning of the term abandonment as applied to an asset of the estate in bankruptcy, the intentional delay with respect to the maintenance in force, and reinstatement, of the 3 Phykitt patents had started long before the December 10, 2002, formal abandonment of the 3 patents to the bankruptcy estate. Rather, the formal abandonment of the 3 patents to the estate was merely a continuation of the trustee's previous course of action (or inaction), and, as such, merely reinforces, but does not trigger, the conclusion that the delay herein is not unintentional within the meaning of 35 U.S.C. § 41(c)(1) and 37 CFR 1.378(c).

The subsequent appearance of a buyer that changed the trustee's business judgment as to the value of these patents to the estate and to the creditors, does not excuse the delay in payment of the fee herein, nor does such convert the trustee's deliberate withholding of the maintenance fee and the filing of the reinstatement petition to the trustee's unintentional delay in withholding payment of the maintenance fee and filing of the reinstatement petition. Rather, the appearance of a buyer--and the increase in value of the 3 patents-- is merely a change in circumstance that occurred subsequent to the expiration of this patent, and deliberate failure to earlier seek reinstatement, and such does not render "unintentional" the delay resulting from the previous deliberate decision to withhold the maintenance fee and the petition to reinstate

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<sup>7</sup> These decisions are posted on the USPTO FOIA reading room web page and may be viewed at <http://www.uspto.gov/web/offices/com/sol/foia/comm/maint/maint.htm>.



this patent. See MPEP 711.03(c)II(C)(1). Moreover, the trustee's deliberate delay in payment of the maintenance fee on petition is a delay that is binding on any successor(s) in title. See Winkler v. Ladd, 221 F.Supp 550, 552, 138 USPQ 666, 667 (D.D.C. 1963)(delay caused by a failure to act by or on behalf of the bankruptcy trustee at the time the action needs to be taken is binding on the successor in title); Kim v. Quigg, *supra*. Thus, it is immaterial to the nature of the delay herein that Soluprin may have acted with dispatch in this matter after it acquired, or sought to acquire, ownership rights. Kim, *Id.* Soluprin cannot undo the prior delay herein. *Id.* This is reasonable, else an intentional delay by, say, the patentee could be laundered simply by transfer of title to a third party who could truthfully assert that his delay was unintentional. However, and unfortunately for Soluprin, the test is not whether some of the delay was unintentional on the part of any party; rather, the entire delay herein must be shown to the satisfaction of the Director to be unintentional. It is further noted that while a determination can be made in good faith, albeit in error, that the further pursuance or maintenance, or reinstatement of a given application or patent is not then justifiable, the delay resulting from such a good faith error is nevertheless not considered unintentional delay. See In re Maldague, *supra*. Such intentional action or inaction precludes a finding of unintentional delay, even if such is due, in whole or in part, to a good faith error on petitioner's part. *Id.*

While petitioner maintains that he never made a "subjective" determination of the value of this patent, or formed an intent regarding the maintenance fees, or that his hands were "tied" by bankruptcy considerations, and that he did not act intentionally in that intent requires an understanding of the consequences, these arguments simply do not show to the satisfaction of the Director that the attendant delay in payment of the maintenance fee was unintentional within the meaning of 35 U.S.C. § 41(c) and 37 CFR 1.378(c). In any event, petitioner appears to have overlooked his letter dated March 4, 2002, addressed to counsel Hultquist. The course of conduct therein depicted clearly has resulted in a delay that was purposefully and deliberately chosen by the responsible person and, as such, the resultant delay in payment of the maintenance fees simply does not qualify as unintentional delay.

Petitioner's letter of March 4, 2002<sup>8</sup>, fails to support any contention that the responsible person intended to timely pay any maintenance fee for any of the Phykitt patents or intended to more timely seek reinstatement of any of the then expired Phykitt patents, but through inadvertence, or neglect, did not then present the maintenance fee or petition for reinstatement.<sup>9</sup> Rather, petitioner's letter of March 4, 2002, suggests the maintenance fees were deliberately deferred, and but for the subsequent, fortuitous appearance of a buyer, would never have been presented by petitioner. The letter reveals that petitioner sent a copy of Mr. Hultquist's letter of February 28, 2002, regarding reinstatement or maintenance in force of the 3 Phykitt patents to the bank that held a lien on those patents, along with petitioner's recommendation "that [the lienholder bank] not pay or incur further costs in this matter." Such a recommendation is inconsistent with any assertion that petitioner never "formed an intent" as the tenor of the recommendation was to "not pay or incur" further costs that would be required for the maintenance in force, or reinstatement of any of the estate's patents. This is further noteworthy in that while a patent is in force, pursuant to 37 CFR 1.366(a), any person may pay the funds to

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<sup>8</sup> See testimony of Mr. Hultquist (discussing and reading the contents of Mr. Callaway's letter of March 4, 2002, to Mr. Hultquist into the record), "Motion For Order in Aid of Consummation of Sale of Patent Rights," March 17, 2004 (at 10, and 25-6, respectively), Exhibit E of petitioner's submission filed June 17, 2004. A copy of the original document was also made of record by Mr. Hultquist in his submission filed March 9, 2004, Exhibit 2.

<sup>9</sup> Pkykitt U.S. Pat. No. 5,665,388, issued September 9, 1997, expired September 9, 2001, for failure to pay the first maintenance fee. Petitioner's attempts to reinstate that patent under 37 CFR 1.378(c) are essentially the same as the reinstatement history recounted above for this patent. Pkykitt U.S. Patent No. 5,687,841, issued November 18, 1997, expired November 18, 2001, for failure to pay the first maintenance fee. The petition for reinstatement of this patent under the more stringent, but not time-limited, standard of 37 CFR 1.378(b) filed February 6, 2004, was dismissed in the decision of April 13, 2004, and was not renewed by petitioner.



maintain a given patent in force and that person does not need the authorization of the patentee or any other party to remit the maintenance fee.<sup>10</sup> Likewise, after expiry, the rules of practice permit *e.g.*, a registered practitioner, of record *vel non*, or the patentee, the assignee, or a "party of interest" to file a petition seeking reinstatement. See 37 CFR 1.378(d). Thus, the letter indicates not only a conscious decision by the trustee that no estate funds under his control were to be allocated and expended to maintain or reinstate any of the 3 Phykitt patents, not only on his part, but the trustee was also instructing and advising others—including a lienholder bank that presumably had adequate funds available to protect its lien, not to undertake any action or expense that would have maintained, or reinstated, the 3 Phykitt patents.

Indeed, the aptness of this characterization is reinforced by consideration of the letter's subsequent assertion that such expenditure would be to "throw good money after bad at this point." It is not seen how one could make the recommendation that money already spent on the 3 Phykitt patents was "bad" money, and why one should not "throw good money" after such "bad" money, unless the patents were considered by the recommending person to be of little or no value. The letter further advises Mr. Hultquist that if there is a change in the foregoing, petitioner would so inform Mr. Hultquist, but in the interim, Mr. Hultquist was not "required" to pay the maintenance fee for U.S. 5,723,453 and "reserve" that patent (which latter term in quotes is construed as meaning "to maintain in force"). The contents of that letter are inconsistent with any finding or assertion that the delay, on and after September 9, 2001, and certainly on and after March 4, 2002, in payment of the maintenance fee prior to expiration of any of the 3 patents, or the delay in reinstatement of any of the 3 patents after expiry, was unintentional within the meaning of 35 U.S.C. 41(c) and 37 CFR 1.378(c).

Petitioner's subsequent representation to the bankruptcy court that these 3 now expired patents should be abandoned to the estate as burdensome or of inconsequential value and benefit to the estate was simply a continuance of, and consistent with, the trustee's prior assessment of these patents, and his deliberate delay in withholding the maintenance fees. Indeed, there is nothing in the record to show that but for the subsequent appearance of the buyer, there ever would have been any attempt to pay any maintenance fee and reinstate any of these 3 Phykitt patents by petitioner. However, as noted above, the subsequent appearance of a buyer was a change in circumstances subsequent to the decision to permit the patent to expire or not to seek reinstatement, and as such, this change in circumstances does not change the delay herein to unintentional delay. See Changes to Patent Practice and Procedure; Final Rule Notice, 62 Fed. Reg. 53131, 53158-59 (October 10, 1997), 1203 Off. Gaz. Pat. Office 63, 86 (October 21, 1997)(discussing the meaning of "unintentional" delay in the context of the revival of an abandoned application); MPEP 711.03(c)II(C)(1).

#### DECISION

Petitioner has failed to meet his burden of proving to the satisfaction of the Director the entire delay in submission of the maintenance fee herein was unintentional within the meaning of 35 U.S.C. § 41(c) and 37 CFR 1.378(c). Accordingly, the maintenance fee will not be accepted, this patent will not be reinstated, and this patent remains expired. The petition is **denied**.

The USPTO will not further consider or reconsider this matter. See 37 CFR 1.378(e).

This decision may be regarded as a final agency action within the meaning of 5 U.S.C. § 704 for purposes of seeking judicial review. See MPEP 1001.02.

The maintenance fee and surcharge have been credited to counsel's deposit account.

This patent file is being returned to the Files Repository.

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<sup>10</sup> It should be noted that pursuant to 35 U.S.C. § 100(d), the term "patentee" includes those who are successors in title to the original patentee.



Any inquiries concerning this decision may be directed to Petitions Examiner Brian Hearn at (571) 272-3217.

A handwritten signature in cursive script, appearing to read "Charles Pearson", with a long horizontal flourish extending to the right.

Charles Pearson  
Director, Office of Petitions  
Office of the Deputy Commissioner  
for Patent Examination Policy