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OFFICE OF PETITIONS

In re Patent No. 5,551,158 :
Issue Date: September 3, 1996 :
Application No. 08/256,490 : ON PETITION
Filed: September 6, 1994 :
Attorney Docket No. 0120-68.1 :

This is a decision on the petition filed December 23, 2005 under 37 CFR 1.378(e), requesting reconsideration of a prior decision which refused to accept under § 1.378(b) the delayed payment of a maintenance fee for the above-identified patent.

The request to accept the delayed payment of the maintenance fee under 37 CFR 1.378(b) is DENIED.¹

BACKGROUND

The patent issued September 3, 1996. Accordingly, the first maintenance fee due could have been paid during the period from September 3, 1999 through March 3, 2000, or with a surcharge during the period from March 4, 2000 through September 3, 2000. This patent expired at midnight on September 3, 2000, for failure to timely submit the maintenance fee and by operation of law. See 35 USC § 41(b). If the first maintenance fee had been paid, a second maintenance fee could have been paid during the period from September 3, 2003 through March 3, 2004, or with a surcharged by midnight on September 3, 2004.

A petition under 37 CFR 1.378(b) to accept late payment of the first maintenance fee was filed August 25, 2005. Petitioner (Demodulation, Incorporated ("Demodulation")) asserted that the delay in payment was unavoidable due to Petitioner's lack of control over the timeliness of the payments. The Petitioner further explained his understanding that the former assignee (RSO Corporation N.V. ("RSO")), who owned the above-identified patent at its date of expiry, was having financial and health problems and prevented RSO from timely paying the maintenance fees when they fell due.

The petition was dismissed in the decision of October 25, 2005. The decision held that, *inter alia*, the record failed to disclose adequate steps were taken by RSO (the owner of the above-identified patent at the date of expiry) to schedule or pay the maintenance fees when they fell due, and, that in the event that Petitioner can demonstrate that the steps were taken by RSO to ensure

¹ This decision may be viewed as a final agency action within the meaning of 5 U.S.C. § 704 for purposes of seeking judicial review. See MPEP 1002.02. No further consideration or reconsideration of this matter will be given. See 37 CFR 1.378(e).

timely payment of the maintenance fees, Petitioner has not shown to the satisfaction of the Director that the entire delay in timely paying the maintenance fees was unavoidable based on financial or health difficulties.

The instant petition was filed December 23, 2005.

STATUTE AND REGULATION

35 U.S.C. § 41(b) states in pertinent part that:

The Director 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, \$900.²
- (2) 7 years and 6 months after grant, \$2,300.
- (3) 11 years and 6 months after grant, \$3,800.

Unless payment of the applicable maintenance fee is received in the United States Patent and Trademark Office on or before the date the fee is due or within a grace period of 6 months thereafter, the patent will 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 required by subsection (b) of this section... after the six-month grace period if the delay is shown to the satisfaction of the Commissioner to have been unavoidable.

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

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

OPINION

The Commissioner may accept late payment of the maintenance fee if the delay is shown to the satisfaction of the Commissioner to have been "unavoidable"; 35 USC 41(c)(1).

² Maintenance fees in effect as of the date the first petition were filed on August 25, 2005. The fees are subject to an annual adjustment on October 1. See 35 U.S.C § 41(f). The fees are reduced by fifty (50) percent for, as here, a small entity. See 35 U.S.C. § 41(h)(1).

Petitioner (Demodulation, Incorporated), who became successor in title after the first and second maintenance fees fell due, requests reconsideration, asserting that the delay was unavoidable due to the former owner's (RSO's) financial difficulties at the time the maintenance fees fell due. Petitioner asserts, once the patent was acquired by Demodulation and its expired status was determined, the petition to accept the unavoidably delayed payment of maintenance fees was promptly filed.

Petitioner has not met his burden of proving to the satisfaction of the Commissioner that the entire delay in payment of the maintenance fees was unavoidable within the meaning of 35 U.S.C. 41(c)(1) and 37 CFR 1.378(b)(3).

A late maintenance fee is considered under the same standard as that for reviving an abandoned application under 35 USC 133 because 35 USC 41(c)(1) uses the identical language, i.e. "unavoidable delay". Ray v. Lehman, 55 F.3d 606, 608-09, 34 USPQ2d 1786, 1787 (Fed. Cir. 1995)(quoting In re Patent No. 4,409,763, 7 USPQ2d 1798, 1800 (Comm'r Pat. 1988)). Decisions on reviving abandoned applications have adopted the "reasonably prudent person" standard in determining if the delay in responding to an Office action was unavoidable. Ex parte Pratt, 1887 Dec. Comm'r Pat. 31, 32-33 (Comm'r Pat. 1887)(the term "unavoidable" "is applicable to ordinary human affairs, and requires no more or greater care or diligence than is generally used and observed by prudent and careful men in relation to their most important business"); In re Mattullath, 38 App. D.C. 497, 514-515 (D.C. Cir. 1912); and Ex parte Henrich, 1913 Dec. Comm'r Pat. 139, 141. In addition, decisions on revival are made on a "case-by-case basis, taking all the facts and circumstances into account." Smith v. Mossinghoff, 671 F.2d 533, 538, 213 USPQ 977, 982 (D.C. Cir. 1982). Finally, a petition to revive an application as unavoidably abandoned cannot be granted where a petitioner has failed to meet his or her burden of establishing the cause of the unavoidable delay. Haines v. Quigg, 673 F. Supp. 314, 316-17, 5 USPQ2d 1130, 1131-32 (N.D. Ind. 1987).

35 U.S.C. § 41(c)(1) does not require an affirmative finding that the delay was avoidable, but only an explanation as to why the petitioner has failed to carry his or her burden to establish that the delay was unavoidable. 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). Petitioner is reminded that it is the patentee's burden under the statutes and regulations to make a showing to the satisfaction of the Commissioner that the delay in payment of a maintenance fee is unavoidable. See Rydeen v. Quigg, 748 F. Supp. 900, 16 USPQ2d 1876 (D.D.C. 1990), aff'd 937 F.2d 623 (Fed. Cir. 1991)(table), cert. denied, 502 U.S. 1075 (1992); Ray v. Lehman, supra.

As 35 USC § 41(b) requires the payment of fees at specified intervals to maintain a patent in force, rather than some response to a specific action by the Office under 35 USC § 133, a reasonably prudent person in the exercise of due care and diligence would have taken steps to ensure the timely payment of such maintenance fees. Ray, 55 F.3d at 609, 34 USPQ2d at 1788. That is, an adequate showing that the delay in payment of the maintenance fee at issue was "unavoidable" within the meaning of 35 U.S.C. § 41(c) and 37 CFR 1.378(b)(3) requires a showing of the steps taken by the responsible party to ensure the timely payment of the maintenance fee for this patent. Id.

The patent holder is ultimately responsible for payment of the maintenance fee. Thus, the focus must be on the rights of the parties as of the time of expiration, so as to ascertain the responsible person. See Kim v. Quigg, 718 F.Supp. 1280, 1284, 12 USPQ2d 1604, 1607 (E.D. Va. 1989). Office records indicate that RSO became the successor in title of the above-identified patent on August 18, 1994 and owned the rights to the above-identified patent when the first maintenance fee fell due on March 3, 2000, as well as some six months later when this patent expired by operation of law at midnight on September 3, 2000. RSO was also the owner of the rights of the above-identified patent when the second maintenance fee would have fell due on March 3, 2004, as well as six months later on September 3, 2004. As RSO owned the entire interest in the patent at the time of expiration, it is the actions or inactions of RSO, as the responsible party, that are material. Id.

It was also incumbent upon RSO to implement steps to schedule and pay the fee, or obligate another to make the payment. See California Medical Products v. Technol Med. Prod., 921 F.Supp. 1219, 1259 (D.Del. 1995). As the patent holder at the time of expiration, it was incumbent on RSO to have itself docketed this patent for payment of the maintenance fee in a reliable system as would be employed by a prudent and careful person with respect to its most important business, or to have engaged another for that purpose. See Id. Even where another has been relied upon to pay the maintenance fees, such asserted reliance per se does not provide a petitioner with a showing of unavoidable delay within the meaning of 37 CFR 1.378(b) and 35 USC 41(c). Id. Rather, such reliance merely shifts the focus of the inquiry from the petitioner to whether the obligated party acted reasonably and prudently. Id. Nevertheless, a petitioner is bound by any errors that may have been committed by the obligated party. Id. In the absence of a showing that RSO was engaged in tracking the maintenance fee due dates, and that party had in fact been tracking the due dates with a reliable tracking system such as would be used by prudent and careful mean in relation to their most important business, petitioner cannot reasonably show that the delay was unavoidable delay. In re Katrapat., 6 USPQ2d 1863, 1867-1868 (Comm'r Pat. 1988); California, supra.

The renewed petition states that RSO hired Mr. Jonas Gulliksson ("Gulliksson") of the law firm of Strom & Gulliksson AB to assist in procuring the above-identified patent. See Carl Tyren ("Tyren") Declaration at ¶ 2. While not stating Gulliksson was hired to track maintenance fees for the above-identified patent, Gulliksson and Tyren discuss that Gulliksson was tracking the fees. See Tyren Declaration at ¶ 3 and Gulliksson Declaration at ¶ 2. However, while the petitioner asserts that RSO had hired Strom & Gulliksson AB to docket this patent for payment in the law firm's docketing system, this does not provide petitioner with a showing of unavoidable delay. Rather, this merely shifts the inquiry from petitioner to whether RSO through its agents acted reasonably and prudently. Tyren and Gulliksson attest to the fact that Gulliksson informed RSO of maintenance fee payments "during the time period of September 3, 1999 to September 3, 2000" to ensure that the 3.5 year maintenance fee would be paid timely. See Tyren Declaration at ¶ 4 and Gulliksson Declaration at ¶ 3. Other statements about the instructions from RSO to Gulliksson indicate that the tracking system alerted RSO prematurely about the first maintenance fee payment³. The statements include that RSO through Tyren provided instructions⁴ to Gulliksson on September 15, 1998⁵ not to pay the first maintenance fee, nearly a year before the maintenance fee fell due. See Tyren Declaration at ¶ 5 and

³ By the law, the first maintenance fee may be paid between three years and three years and six months after grant or between three years and six months through the day of the fourth anniversary of the grant with surcharge. See 37 CFR 1.362(d)-(e).

⁴ Tyren's instructions were, "[n]o renewal – all costs should be stopped – slow death."

⁵ It is not clear from the record whether the date was incorrectly entered as 1998 rather than 1999.

Gulliksson Declaration at ¶ 4. Thus, the tracking system of Strom & Gulliksson appears to seek instruction from the patentee prematurely and does not provide the patentee the opportunity to make the decision at a time the fee is soon or actually due. Additionally with the exception of the statement that "Mr. Gulliksson utilized a reliable tracking system to watch over and track the due dates for maintenance fee payments of RSO patents, including the '158 patent, and notified RSO by registered mail concerning the due dates for making the maintenance fee payments[,]" the record does not include any documentary proof of the maintenance fee tracking system, the entry of the patent in the system and an explanation of how the system worked. See Tyren Declaration at ¶ 3. For these reasons, the Petitioner has not demonstrated the reliability of the tracking system set up by the law firm of Strom & Gulliksson AB as would be employed by a prudent and careful person with respect to its most important business.

Even if further evidence would demonstrate the reliability, the showing of record does not adequately establish that the entire delay in paying the maintenance fees was unavoidable within the meaning of 35 USC 1.378(b). A showing of unavoidable delay based upon financial problems must establish that the financial condition of the responsible party (i.e., RSO) during the entire period of delay was such as to excuse the delay. See Ex Parte Murray, 1891 Dec. Comm'r Pat. 130, 131 (1891). The renewed petition asserts that the RSO was unable to pay the first and second maintenance fees when they fell due because of financial difficulties. See Tyren Declaration at ¶ 4 (second occurrence). Tyren states that RSO lacked the financial means to make the maintenance fee payment "in the late months of calendar year 1999." See Tyren Declaration at ¶ 4 (second occurrence). The record, however, fails to disclose that RSO, but for the financial difficulties it was suffering, would have paid the first maintenance when it fell due in the period of September 3, 1999 through September 3, 2000.

Petitioner has provided financial records for RSO between the years of 1999 and 2004 completed by Deloitte & Touche. For the year of 1999, the records indicate cash of \$1,365 in U.S. dollars under the categories of CURRENT ASSETS and STATEMENT OF CASH FLOWS. For the year of 2000, the records indicate cash of \$1,633 in U.S. dollars under the categories of CUREENT ASSETS and STATEMENT OF CASH FLOWS. These records demonstrate that, while RSO had small amounts of cash during the years of 1999 and 2000, there were adequate funds to pay the first maintenance fee due.⁶ However, Tyren instructed Gulliksson on September 15, 1998 not to pay the first maintenance fee. See Tyren Declaration at ¶ 5 and Gulliksson Declaration at ¶ 4. No further explanation regarding the cash on hand has been provided. This evidence does not support any contention that the delay in making the payment of the first maintenance fee was unavoidable.

Additionally while the records show that from 2001 through 2004 RSO had no cash flow, RSO has not provided financial records for 2005 until the above-identified patent was assigned to Demodulation on July 4, 2005. Since the financial problems of RSO in the entire period when RSO was experiencing financial difficulty between September 3, 2000 until the patent was assigned to Demodulation have not been provided, there is insufficient evidence of unavoidable delay to pay the maintenance fee due to RSO's financial problems throughout the entire period of time from when it first fell due until the filing of a grantable petition.

⁶ The first maintenance fee due was \$470 (through December 28, 1999) and \$415 (on December 29, 1999) or \$480 with surcharge, if paid during the six-month grace period.

It must also be noted that the delay resulting from the conscious, deliberative decision in 1998 to withhold action (or payment) by the party in interest (here, RSO) is a delay that is not considered unavoidable, and further, is a delay that is binding on any successor in title. See Kim v. Quigg, 718 F.Supp. 1280, 1284, 12 USPQ2d 1604, 1607 (E.D. Va. 1989); Winkler v. Ladd, 221 F.Supp 550, 552, 138 USPQ 666, 667 (D.D.C. 1963). Unfortunately for Demodulation, whether it as the successor in title acted diligently upon acquisition of its interest herein is immaterial to and does not overcome the delay resulting from the actions or inactions of RSO, the predecessor in title. Kim, Id.

The renewed petition does not include any further comments regarding unavoidable delay due to the former assignee's health difficulties. See the previous decision dated October 25, 2005 for a discussion regarding petitioner's failure to demonstrate with documentation that the responsible party's health problems unavoidably prevent RSO from making the maintenance fee payments when they fell due.

In conclusion, the financial records disclose that RSO had sufficient funds to pay the first maintenance fee when it fell due and has not carried its burden to establish the entire delay in paying the maintenance fees were unavoidable.

DECISION

The prior decision, which refused to accept the delayed payment of a maintenance fee for the above-identified patent under § 1.378(b), has been reconsidered. For reasons previously stated and given above, however, the delay in this case cannot be regarded as unavoidable within the meaning of 35 USC 41(c) and 37 CFR 1.378(b). As stated in 37 CFR 1.378(e), no further reconsideration or review of this matter will be undertaken.

Since this patent will not be reinstated, the maintenance fees (\$450 and \$1150) and surcharge (\$700) remitted by petitioner, totaling \$2300, will be refunded by Treasury check in due course. The \$400 fee under 37 CFR 1.17(f) for requesting reconsideration is not refundable.

The patent file is being returned to the Files Repository.

Telephone inquiries regarding this decision should be directed to Petitions Examiner Denise Pothier at (571) 272-4787.



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