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ON PETITION

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In re Patent of Stoy et al. :
Patent No. 4,943,618 :
Application No. 07/135,070 :
Filed: December 18, 1987 :
Issued: July 24, 1990 :
Attorney Docket No. 018 US :

This is a decision on the renewed petition under 37 CFR § 1.378(b), filed September 18, 2001, to reinstate the above-identified patent.

The petition is **DENIED**.[1]

Background

The patent issued July 24, 1990. The 7.5 year maintenance fee could have been paid from July 24, 1997 through January 24, 1998, or with a surcharge during the period from January 25, 1998, to July 24, 1998. Petitioner did not do so. Accordingly, the patent expired July 25, 1998.

A petition under 35 USC 41(c)(1) and 37 CFR 1.378(b) was filed July 6, 2001, and was dismissed in the decision of July 18, 2001.

Statute and Regulation

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

> "The Commissioner shall charge the following fees for maintaining in force all patents based on applications filed on or after December 1, 1980:
> (1) 3 years and 6 months after grant, $850.[2]
> (2) 7 years and 6 months after grant, $1,950.
> (3) 11 years and 6 months after grant, $2,990.
> 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 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 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.** (emphasis added)

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[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. The terms of 37 CFR 1.378(e) *do not apply* to this decision.

[2] Maintenance fees in effect as of the date the first petition was filed. The fees may be subject to an annual adjustment on October 1 of each year, see 35 USC 41(f), and are reduced by 50% for small entities, see 35 USC 41(h)(1).

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

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 presently 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.[3] However, "The question of whether an applicant's delay in prosecuting an application

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[3] 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).

"In the specialized field of patent law, ... the Commissioner of Patent and Trademarks is primarily responsible for the application and enforcement of the various narrow and technical statutory and regulatory provisions. His interpretation of those provisions is entitled to considerable deference." Rydeen v. Quigg, 748 F.Supp. 900, 904, 16 U.S.P.Q.2d (BNA)1876 (D.D.C. 1990), aff'd without opinion (Rule 36), 937 F.2d 623 (Fed. Cir. 1991) (citing Morganroth v. Quigg, 885 F.2d 843, 848, 12 U.S.P.Q.2d (BNA) 1125 (Fed. Cir. 1989); Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1425, 7 U.S.P.Q.2d (BNA) 1152 (Fed. Cir. 1988) ("an agency' interpretation of a statute it administers is entitled to deference"); see also Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837, 844, 81 L. Ed. 694, 104 S. Ct. 2778 (1984) ("if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute.")).

"The critical phrase 'unless it be shown to the satisfaction of the Commissioner that such delay was unavoidable' has remained unchanged since first enacted in 1861." Smith v. Mossinghoff, 671 F.2d 533, 538, 213 U.S.P.Q. (BNA) 977 (D.C. Cir. 1982). The court in In re Mattullath, accepted the standard which had been proposed by Commissioner Hall which "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 (1912) (quoting Ex parte Pratt, 1887 Dec. Comm'r Pat. 31, 32-33 (1887)).

The current Office's interpretation of the word "unavoidable" takes into consideration Congressional intent. In 1992, Congress enacted legislation concerning the reinstatement of patents for failure to timely pay the maintenance fee.

Before 1992, in order to reinstate a patent, one had to demonstrate that the entire delay in making the payment and filing the petition to reinstate was unavoidable. Congress recognized how difficult the standard was to meet.

The unavoidable standard was described by Congressional representatives as "inflexible", "extremely hard to meet", and "too stringent." "[The unavoidable] standard has been found to be extremely hard to meet. Some patent owners have lost their patent rights due to this inflexible standard." 138 CONG. REC. S16613, 16614 (September 30, 1992) (statement of Rep. DeConcini). "Mr. Brooks from the Committee of the Judiciary, submitted the following[:] ... The 'unavoidable' standard has proved to be too stringent in many cases. Many patentees have been deprived of their patent rights for failure to pay the maintenance fees for reasons that may have been unintentional yet not unavoidable." H.R. REP. NO. 993, 102d Cong., 2nd Sess., 2 (1992), reprinted in 1992 U.S.C.C.A.N. 1623, 1623-1624. "The unavoidable standard has proved to be too stringent in many cases." 138 CONG. REC. H1115 (October 3, 1992) (statement of Rep. Hughes). In addition, the result of the application of the unavoidable standard can be "harsh" and result in "tragedy." "[An employee of a law firm said to me] 'Mr. McCollum, are you aware of all the problems that small patent holders have with regard to these maintenance fees? ... They don't get the notices, either move or

was unavoidable [will] be decided on a case-by-case basis, taking all of the facts and circumstances into account."[4]

A reasonable and prudent individual would institute a reliable docketing system to remind him or her when maintenance fees become due

A reasonable and prudent person, in relation to his most important business, would not rely on memory to remind him 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. The individual would also take steps to ensure that the patent information was correctly entered into the tracking system.

Application of the unavoidable standard to the present facts

As stated before, the question of unavoidable delay will be decided on a case-by-case basis, taking all of the facts and circumstances into account. The statute requires a "showing" by petitioner. Therefore, petitioner has the burden of proof. 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 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.

History:

The July 6, 2001 petition established the following facts:

1. Ms. Shelly Mann was previously in charge of the docketing of the instant patent,
2. Ms. Michele Coda is presently in charge of the docketing system,
3. On April 24, 1994, Ms. Coda paid the 3.5 year maintenance fee amount of $465 and a surcharge of $65. Ms. Coda paid the amount due for the 3.5 maintenance fee and NOT the amount due for a 7.5 year maintenance fee,
4. Ms. Coda recorded the payment as a payment made for the 7.5 year fee,
5. When the 7.5 year fee became due, Ms. Coda did not pay the fee because the file record erroneously indicated that it had already been paid, and
6. The petition states, "due to the unknown miscalculations by Ms. Mann, Ms. Coda was under the mistaken belief that the April 24, 1994 maintenance fee payment was for a 7½-year maintenance fee, and not a 3½-year maintenance fee."[5]

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whatever, and really didn't intend to not make those fees, but the standards are so high they cannot overcome it when they come in here.' It is an unavoidable standard; of course they could have technically avoided it and therefore they have lost their patent. I think that is a tragedy. I looked into this and consequently that is the origin of where this bill came from. ... I do agree with the comments made by [Rep. Hughes] that the standard of 'unavoidable' was just too high, 'unintentional' is much better." 138 CONG. REC. H1115 (October 3, 1992) (statement of Rep. McCollum). The unavoidable standard is "too stringent. Some patent owners have lost their patent rights due to circumstances that do not warrant this harsh result, but that could not be considered 'unavoidable' under current law." 138 CONG. REC. E1688 (June 4, 1992) (extension of remarks of Rep. McCollum).

Congress could have passed legislation making the unavoidable standard easier to meet. They did not. Instead, Congress created the "unintentional" standard whereby one only has to establish that one intended to make a payment, but did not. However, Congress made the determination that one would only be able to file an "unintentional" petition within 24 months of the last day of the six month grace period. If one is past this time period, one must satisfy the "extremely hard to meet" "unavoidable" standard.

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

[5] Page 3.

The July 18, 2001 decision requested the following information:

1. A clear explanation of how Ms. Mann's actions contributed to the error,
2. An explanation why, even though Ms. Coda paid the amount due for the 3.5 year fee, she recorded it as the 7.5 year fee,
3. Copies of any related documentation, such as copies of Ms. Mann's improper calculation,
4. A showing that there was in place a business routine for performing the docketing that could reasonably be relied upon to avoid errors in its performance,
5. Ms. Coda and Ms. Mann were sufficiently trained and experienced that reliance upon them represented the exercise of due care,
6. Information regarding the supervision of Ms. Mann's and Ms. Coda's work,
7. Examples of other work functions carried out by Ms. Mann and Ms. Coda,
8. Checks in place to ensure that the docketing was properly done.

The July 18, 2001 decision stated,

> *After a decision on the petition for reconsideration, no further reconsideration or review of the matter will be undertaken by the Commissioner*. Therefore, it is extremely important that petitioner supply **any** and **all** relevant information and documentation with his request for reconsideration. The Commissioner's decision will be based solely on the administrative record in existence. Petitioner should remember that 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 instant petition establishes that Ms. Coda made the payment for the 3.5 year maintenance fee but when she entered the payment into the docketing system, she entered it as the 7.5 year fee because an entry had already been made for the 3.5 year fee. The petition states, "Michelle Coda had, at the time the maintenance fee was due in this matter and for all times thereafter to the present time, an organized, formal docketing system with a computerized docketing list of all maintenance fee due dates, by file and by date, and a separate case sheet notebook entered by hand."

Analysis:

The patent expired because an improper entry had been made stating that the 3.5 year fee had been paid and because Ms. Coda paid the amount due for the 3.5 year fee but improperly recorded that she had paid the 7.5 year fee. In essence, the employees of petitioner erred resulting in the expiration of the patent.

Petitioner has not proven that reliance upon Ms. Coda and Ms. Mann to properly docket and maintain the docketing system was reasonable and prudent. Petitioner has failed to establish that either employee was sufficiently trained or qualified such that reliance on the employee was reasonable and prudent. Petitioner has failed to discuss the supervision provided to the employees and to discuss the checks in place to ensure that the docketing system was properly administered.

The decision is 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 has failed to provide evidence sufficient to show that the delay was unavoidable.

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). Therefore, the petition is **denied**.

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

Since this patent will not be reinstated, the maintenance fee and surcharge submitted by petitioner is refundable. The $130 fee for requesting reconsideration is not refundable. In view thereof, petitioner may request a refund of $1,545 ($975 + $700 - $130) by writing to the Office of Finance, Refund Section. A copy of this decision should accompany petitioner's request.

The patent file is being forwarded to Files Repository.

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

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