

TWO CERTAINTIES IN CANADA: DEATH AND THE OBLIGATION TO CORRECTLY PAY YOUR PATENT MAINTENANCE FEES

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The Federal Court of Canada has recently rejected a request for judicial review in appeal of a decision by the Commissioner of Patents that had declared a patent owned by the pharmaceutical company F. Hoffman-La Roche AG (hereafter "Hoffman-La Roche") lapsed for cause of non-payment of the regulatory maintenance fees within the time limits. *F. Hoffman-La Roche AG v. Canada (Commissioner of Patents)* (2003 C.F. 1381 (November 25, 2003, Justice O'Reilly)) illustrates how strictly Canadian courts have applied the law which unfortunately leaves little opening for a party to correct an error or a default in the payment of a patent maintenance fee. This tendency of the Courts can be highlighted when put in contrast with American case law which is more favorable towards a faulty party in a similar situation. However, this clemency is only possible because the U.S. statute on patents is more flexible and is drafted so as to allow the correction of faulty payments in many specific cases where a party acts in good faith.

Hoffman-La Roche was the owner of Canadian patent number 1,291,429 issued initially in 1991. In 1995, Hoffman-La Roche submitted to the Commissioner of Patents a request for re-issuance of this patent. Accordingly, in 1998, this request was accepted and the patent was reissued with a new number (1,340,121).

However, Hoffman-La Roche incorrectly considered that its reissued patent had a status similar to that of a new patent. Section 46 of the *Patent Act* creates an obligation for the patent owner to pay periodical fees. In the case of a new patent issued with regards to an application filed before October 1, 1989, no fees are payable on the first anniversary of issuance of the patent. Consequently, the first fee becomes due on the second anniversary and has

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to be paid each following year. The *Rules* provide fee increases on the fifth, tenth and fifteenth anniversaries of the issuance of the patent. In the case of a reissued patent, the payment of the fees is computed from the date of issuance of the original patent and not from the date of the re-issuance of the patent, such as claimed by Hoffman-La Roche. If a fee is not paid within the prescribed time limit, the owner of a patent benefits from a one year grace period to honour its late payment, to which the Office will add a surtax. Furthermore, in such a situation, the Patent Office usually informs the patent owner of the non-payment of the fees and sends a notice to this effect. Unfortunately, in Hoffman-La Roche's case, the notice was not sent within the time limit which would have allowed it to correct its missed payment. More precisely, the Commissioner of Patents waited two years after the date on which the first payment was due to inform Hoffman-La Roche that its patent had lapsed for cause of non-payment of the annual fees. Thus, Hoffman-La Roche and the Commissioner of Patents had both erred in this case.

The Court did not find any ambiguity in the *Patent Act* which would have made it possible to interpret its provisions in favour of Hoffman-La Roche, allowing it to correct its missed payment. In the absence of any flexibility in the interpretation of the Act, Hoffman-La Roche tried to overcome this strict interpretation of the Court by proposing the application of certain common law principles. Thus, Hoffman-La Roche submitted as arguments the principles of natural justice, equity, legitimate confidence and estoppel, but they were all rejected by the Court. The Court held that the Commissioner of Patents does not have any obligation to send notices informing patent owners of their non-payment of annual maintenance fees. The law is clear on this issue, and the Court cannot circumvent its application.

The situation is different under U.S. law: A party can restore its patent within the two years following the six month grace period if it can prove that the delay was involuntary, or at any time following the grace period if it can show that the delay was inevitable (see 35 U.S.C. § 41 (c) (1)). The burden of proof to restore the patent increases with time, in accordance with the presumed date of abandonment of the patent. After two years, it is not sufficient for the party who has not abandoned its patent intentionally to prove its good faith. It must prove that appropriate measures were taken by it to ensure the payment of the fees before the expiration of the time limit.

The following example is similar to the *Hoffman-La Roche* case and demonstrates how a U.S. Court came to a different conclusion under similar circumstances because U.S. law is more flexible towards a party who has omitted to pay its patent maintenance fees. The Court's decision in *Laerdal Medical Corp. v. Ambu Inc.* 4 USPC (2d) 1140 (February 14, 1995, U.S.D.C. Maryland) dealt with litigation between two companies related to the

infringement of a medical instrument. In this case, the patent owner's representatives made an administrative error which caused the first payment of the re-issued patent to be incorrectly indexed for 1990. This incorrect due date had been calculated from the date of the re-issuance of the patent and not from date of issuance of the original patent. Following the reception of the late payment, the Patent Office of the United States refused to cash the payment, stating that the patent had lapsed. After submitting two petitions, the Patent Office eventually reinstated the patent. The Court then refused Ambu Inc.'s request to revise the Patent Office's decision.

Therefore, even though the patent owner had less favourable arguments in the *Laerdal* case than in the *Hoffman-La Roche* case to justify its non-payment, the patent in the U.S. case was reinstated. Such an interpretation of involuntary and inevitable delays does not exist in Canadian Law. Consequently, Canadian Courts are obliged to interpret the *Patent Act* strictly. Unfortunately, even though we sympathize with Hoffman-La Roche's situation, we believe that it will have great difficulty in convincing Canadian Courts to decide in its favour without a legislative amendment. Nevertheless, Hoffman-La Roche has decided to appeal the Federal Court of Canada's decision. Further developments in this case will be closely followed...

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