

DURA LEX, SED LEX RULE APPLIED BY FEDERAL COURT IN LAPSED PATENT CASE

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A cascade of administrative errors apparently caused one of F. Hoffmann-La Roche AG's ("Hoffmann-La Roche") patents to lapse. By its application for judicial review, Hoffmann-La Roche tried to preserve its patent, claiming that the Commissioner of Patents had duties towards patent holders, which were not fulfilled in this case. In his decision, Mr. Justice O'Reilly saw no such duties and rejected Hoffmann-La Roche's application (*F. Hoffmann-La Roche AG v. Commissioner of Patents*, 2003 FC 1381 (November 25, 2003, O'Reilly J.)).

Pharmaceutical giant Hoffmann-La Roche was the holder of Canadian Patent number 1,291,492 issued back in 1991. In 1995, Hoffmann-La Roche applied to the Commissioner of Patents to have that patent re-issued: This was achieved in 1998 and the Commissioner assigned the re-issued patent number 1,340,121.

In 2002, Hoffmann-La Roche was advised that its re-issued patent had lapsed for failure by it to pay the correct amount in annual maintenance fees. Hoffmann-La Roche admitted "innocent error" in letting its patent lapse and asked the Federal Court to preserve its patent.

Hoffmann-La Roche's predicament highlights the existence of different tariffs of maintenance fees for new patents and re-issued patents. Though the amount of maintenance fees are all relatively modest, use of the wrong tariff when calculating the maintenance fees owed can lead to erroneous amounts being paid (or no amount being paid at all!) with disastrous consequences.

In its decision, the Court writes that the *Patent Act*, R.S.C. 1985, c. P-4 requires patent holders to pay annual maintenance fees: For a new patent held by a large entity, no payment is required the first year, then \$100 each year beginning on the second, and continuing through the fifth anniversary of the patent. The patent holder must then pay \$150 each year after that. Further

fee increases occur on the patent's tenth anniversary. However, if the patent is re-issued, the patent holder must continue to pay the required fee on the anniversary of the original patent. It must be noted that if a patent holder misses a deadline to pay a required fee, he can still make a payment up until one year after the due date, along with a \$200 late fee.

In the case of Hoffmman-La Roche's re-issued patent, a series of errors were made both by the Commissioner of Patents and Hoffmann-La Roche: According to the Court's summary of events, "Hoffmann-La Roche wrongly classified the re-issued patent as a new patent. Accordingly, it believed that no fee was due on the first anniversary of the "new" patent. In reality, however, because it was a re-issued patent, a fee of \$150 was due on the original patent's eighth anniversary, which was October 29, 1999. Hoffmann-La Roche, thinking that it was the patent's first year, paid nothing in 1999, but then paid what would have been the normal \$100 annual fee for a new patent in 2000 and 2001. This meant that Hoffmann-La Roche missed entirely one payment of \$150, which was due in October 1999. Further, instead of making that payment and paying the prescribed late fee the next year, it only paid the \$100 fee that would have been required in the second year of a new patent. Again, consistent with its mistaken classification of the patent, it paid another \$100 in 2001. By then, however, the Commissioner's office had detected the error and took steps to inform Hoffmann-La Roche that the patent was cancelled." The mistake made by Hoffmann-La Roche regarding the classification of its patent was also made by the Commissioner of Patents who appeared also to have treated the re-issued patent as a new patent. Its records were not set straight until well after Hoffmann-La Roche's deadline for its maintenance fees and its late fees had both passed.

In discussing the various issues raised by Hoffmann-La Roche in support of its application, the Court took note of the purpose of maintenance fees under the *Patent Act*; reference was made to the Supreme Court of Canada decision in *Free World Trust v. Électro-Santé Inc.* (2000) 2 S.C.R. 1024, at para. 13: "Patent protection rests on the concept of a bargain between the inventor and the public. In return for disclosure of the invention to the public, the inventor acquires for a limited time the exclusive right to exploit it". In exchange for the exclusive right to exploit their invention, patent holders have a duty to pay maintenance fees to keep a patent in good standing. This responsibility falls squarely on the shoulders of the patent holder. On this point, the *Patent Act* is clear as its provisions relating to the duration of patents are expressly subject to the terms of the provisions relating to maintenance fees.

In rejecting Hoffmann-La Roche's application, the Court ruled that the Commissioner does not have the duty to allow patent holders to be notified and heard before they are found to be in default regarding the payment of

their maintenance fees. Ensuring that the appropriate amount of maintenance fees are paid in a timely fashion is the responsibility of the patent holder; even if the Commissioner of Patents makes his own mistakes in the classification of a patent, and does not warn a patent holder before its patent is cancelled, this does not lessen or diminish the patent holder's own obligations.

Among other arguments, Hoffmann-La Roche argued that the Court had the authority to provide relief from the strict provisions of the *Patent Act* regarding maintenance fees on the grounds of equity. Though it is true that the Court can grant equitable relief to prevent the forfeiture of property under a private contract such as a lease, Justice O'Reilly considered that the situation is entirely different when forfeiture results from a clear provision of a statute: If the Court were to extend the time for paying the maintenance fees, which are clearly spelt out under the statute, it would be substituting its own deadline for that enacted by Parliament. Under the circumstances, the clear provisions of the Law were inescapable and the Court could not "save" Hoffmann-La Roche's patent.

This case is a reminder for patent holders that they must take the appropriate steps to ensure that the strict provisions of the *Patent Act* regarding maintenance fees are followed, failing which patent holders may face "catastrophic" consequences with no relief other than the Court's sympathy.

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Published under the title *Court Cannot Reinstate Patent That Lapsed for Failure to Pay Fees* (2004), 18-2 WIPR 3-4. Publication 142.157.

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