

ABANDONMENT, DEATH AND RESURRECTION OF PATENTS AND PATENT APPLICATIONS IN CANADA

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1. Introduction

In order to obtain patent protection for an invention, a patent application describing and claiming the invention must first of all be filed in the Patent Office of the desired territory. The application undergoes examination and, if the invention meets the criteria of patentability, a corresponding patent should be granted to give the patentee its monopoly right.

Once a patent application is filed, it must be kept in good standing to preserve the prospect of obtaining patent protection for the invention. Likewise, once a patent is granted it must be kept in good standing to be enforceable.

In Canada, to keep an application or a patent in good standing, an applicant or patentee is obliged to perform certain actions. An applicant is required to pay maintenance fees, request examination, reply to Office Actions and provide forms or certified documents within the time limits prescribed by the *Patent Act*¹ and the *Patent Rules*². A patent must have its maintenance fees paid within certain time limits. When an action is not taken before a given deadline, an application or a patent falls out of good standing and the rights to the invention may be irremediably lost.

In general, the onus of complying with the requirements of the *Patent Act* and *Rules* in this regard is placed on the shoulders of applicants and patentees. This has the purpose of forcing applicants and patentees to pursue their interests and maintain their rights in a timely fashion as well as clearing “deadwood” applications and patents from the intellectual property landscape. Just as clearing real deadwood opens up a mountain path for intrepid nature goers, eliminating patents and applications allows entrepreneurs and companies greater freedom and surety in their commercial endeavours. Clearing deadwood applications and patents also lessens the administrative and financial burden on the Patent Office, which is already over-laden with a substantial build-up of applications and patents.

The *Patent Act* and *Rules* also provide, under certain circumstances, remedial procedures when an application or a patent falls temporarily out of good standing. Some territories have statutory provisions to allow the restoration of patent rights where certain criteria are met. Relatively speaking, the Canadian *Patent Act* and *Rules*, provide strict guidelines and consequences for applications and patents that fall out of good standing.

¹ R.S.C. 1985, c. P-4; hereinafter the Act.

² S.O.R.S./96-423; hereinafter the Rules

2. Out of good standing – definitions

Each territory has its own lexicon for describing an application or a patent that has fallen out of good standing. The qualifiers “abandoned”, “reinstated”, “dead”, “lapsed”, “expired”, should therefore be understood on a territory-by-territory basis.

In Canada, the *Patent Act* and *Rules* provide some statutory definitions, while the Canadian Intellectual Property Office (CIPO) uses these terms in specific ways.

2.1 “Abandoned” applications

Section 73 of the *Patent Act* pertains to the abandonment and reinstatement of patent applications. Abandonment pertains to applications rather than to patents.

Subsections 73(1) and (2) prescribe the reasons for which an application shall be deemed abandoned:

“(1) An application for a patent shall be deemed abandoned if the applicant does not

- (a) reply in good faith to any requisition made by an examiner in connection with an examination, within six months after the requisition is made or within any shorter period established by the Commissioner;*
- (b) comply with a notice pursuant to subsection 27(6)*
- (c) pay the fees payable under section 27.1, within the time provided by the regulations;*
- (d) make a request for examination or pay the prescribed fee under subsection 35(1) within the time provided by the regulations;*
- (e) comply with a notice given under subsection 35(2); or*
- (f) pay the prescribed fees stated to be payable in a notice of allowance of patent within six months after the date of the notice.*

(2) An application shall also be deemed to be abandoned in any other circumstances that are prescribed.”

Subsections 27(6) and 35(2) respectively allow CIPO to send a notice requiring that the applicant complete its application or request examination within a specified time limit.

In addition, section 97 of the *Patent Rules* elaborates on subsection 73(2) of the Act:

“For the purpose of subsection 73(2) of the Act, an application is deemed to be abandoned if the applicant does not reply in good faith to any requisition of the Commissioner referred to in section 23, 25 or 94 within the time provided in that section.”

Sections 23, 25 and 94 of the *Patent Rules*, allow CIPO to request the appointment of a patent agent, compliance with the *Act* or *Rules* and completion of an application, respectively.

In practice, an application becomes abandoned for *each* failure to act and thus an application may be abandoned for multiple reasons if an applicant, for example, does not request examination and does not pay a maintenance fee. More regarding “multiple abandonments” will be discussed below in section 2.2.1.

It is very important to note that an applicant does not immediately forfeit all rights to his invention on the date of abandonment. As will be explained below, there is a twelve month window for the applicant to reinstate its application. An abandoned application therefore goes through a period of limbo, a kind of patent-purgatory during which it is no longer in good standing but may be reinstated.

As an aside, sections 148(1) and 151 to 153(4) pertain to abandonment for applications filed in the period beginning on October 1, 1989 and ending on September 30, 1996, but will not be discussed in detail in this paper.

2.2 “Reinstated” applications

Subsection 73(3) provides the statutory basis for reinstating a patent application. It reads:

“(3) An application deemed to be abandoned under this section shall be reinstated if the applicant

- (a) makes a request for reinstatement to the Commissioner within the prescribed period;*
- (b) takes the action that should have been taken in order to avoid abandonment; and*
- (c) pays the prescribed fee before the expiration of the prescribed period.”*

The “prescribed fee” (currently a reinstatement fee of \$200.00) and the “prescribed period” are defined in section 98 of the *Patent Rules*, which reads:

“98. In order for an application deemed to be abandoned under section 73 of the Act to be reinstated, the applicant shall, in respect of each failure to take action referred to in subsection 73(1) of the Act or section 97, make a request for reinstatement to the Commissioner, take the action that should have been taken in order to avoid the deemed abandonment and pay the fee set out in item 7 of Schedule II, before the expiry of the twelve-month period after the date on which the application is deemed to be abandoned as a result of that failure.”

It is clear that an applicant has twelve months to reinstate an abandoned application. It is also possible to request an extension of the reinstatement period by paying a fee, according to subsection 26(1) of the *Rules*, but only if the fee is paid *before* the twelve month period expires.

2.2.1 Multiple abandonments

One point of interest is that section 98 of the *Rules* prescribes that the reinstatement shall be made in respect of “*each*” failure to take action. From this statutory basis, CIPO has taken the position that applications shall be “multiply abandoned” if there is more than one failure to take action.

CIPO’s Manual of Patent Office Practice (MOPOP)³ gives an example of a multiple abandonment, in section 20.08:

“For example, an application may become abandoned on two grounds if applicant fails to respond to an examiner’s requisition within the six month time limit and also fails to pay a maintenance fee that falls due during the time when the application was abandoned; for that application to be reinstated, the applicant must request reinstatement, respond to the examiner’s requisition, submit the maintenance fee and submit two reinstatement fees within twelve months of the abandonment for failing to respond to the examiner’s requisition. If the applicant attempts to reinstate without paying the maintenance fee and the second reinstatement fee, the application will remain abandoned (for failure to pay the maintenance fee) but the time limit for reinstatement will be extended to the end of the twelve-month period from the date the maintenance fee was due.”

In this example, the application is abandoned for reasons (a) and (c) as separately stipulated in subsection 73(1) of the *Act*. It is nevertheless a matter of debate as to what exactly constitutes a separate “failure to take action” in terms of section 98 and the corresponding requirements for reinstatement.

One example of this debate concerns “multiple abandonments” relating to a single Office Action emitted by an examiner. For the past few years, patent agents have noted Office Actions containing two requisitions:

- (i) a requisition according to subsection 30(2) of the *Rules* asking the applicant to amend the application within six months; and

³ CANADIAN INTELLECTUAL PROPERTY OFFICE, Manual of Patent Office Practice (Ottawa, Industry Canada, 1998), Updated : April 2006.

(ii) a requisition according to section 29 of the *Rules* asking the applicant to supply certain information on existing corresponding applications or patents filed in other territories, usually in Europe and the United States.

Both of these requisitions fall under the single subsection 73(1)(a) of the *Act*, but are at the same time based in two separate sections 30(2) and 29 of the *Rules*. By treating such requisitions separately, CIPO seems to be giving section 98 of the *Rules* a certain interpretation. CIPO seems to interpret “each failure to take action” as each non-response to a requisition based in a separate subsection of the *Rules*. Accordingly, CIPO seems to interpret that section 98 requires a separate reinstatement for each requisition made by the examiner that is based on a separate subsection of the *Rules*.

It is yet to be seen, however, how a court would interpret section 98 of the *Rules* in this regard. An argument could be made that since an examiner’s requisitions in a single Office Action fall under the single subsection 73(1)(a), the applicant should be required to adequately reply to the Office Action avoid a *single* abandonment.

In a report dated April 23, 2004, addressed to the Commissioner of Patents, the Intellectual Property Institute of Canada (IPIC) let its position on “multiple abandonments” be known. IPIC asserted that the position taken by the CIPO is “*contrary to a literal and purposive construction of Sections 73(1) and 73(2) of the Patent Act, Rule 98 of the Patent Rules and the practice of the Office and Patent Agents for decades*” (p.1).

IPIC argued that the wording of section 98 of the *Rules* prescribes that an application is abandoned if only one requisition is not responded to and *not* that an application is abandoned multiply for each requisition in an Office Action not responded to. They advanced that the expression “each failure to take action” of section 98 refers to separate subsections (a) through (f) of article 73(1).

IPIC also presented various other points including the prohibitive costs of multiple reinstatement fees and the discouragement of small and foreign inventors from continuing prosecution of patent applications due to costly and complicated maintenance requirements.

IPIC further argued that the position of CIPO is inconsistent with Canadian patent prosecution practice in Canada. In the 1989, 1996 and 1998 versions of the MOPOP, it is stated that to reinstate a patent application, the applicant must request reinstatement, take the action that should have been taken and pay the required fee (see section 15.04.01 in 1989 and 20.08 in 1996 and 1998). The current version of the MOPOP specifies that an application may become abandoned for more than one failure to act, but it is silent as to whether an applicant must reinstate the application for each requisition made by an Examiner in a single Office Action that is not replied to by an applicant.

In addition, on March 9, 2007, IPIC published another paper entitled “*The Key Role of the IP Office – Recommendations for CIPO’s Strategic Plan*” (hereinafter called “IPIC 2007 Strategic Plan”) in which they made some recommendations on the topic of relief for unintentional or unavoidable abandonments. More regarding IPIC’s relief recommendations will be discussed below in section 2.6.

2.2.2 Notice of Abandonment

It is the general practice of the CIPO to send a “Notice of Abandonment” if an application falls out of good standing.

The MOPOP currently states that:

“a notice of abandonment will normally be sent by the Office when an application is deemed abandoned. However, although a notice of abandonment (notice that the patent is about to lapse) has been sent in a particular case, in should not be assumed that it will be sent in every case. Such notices are sent as a courtesy only and the Patent Office takes no responsibility for failure to send a notice in a particular situation. If an application is deemed abandoned for more than one failure to act, additional will be sent for each failure during the time period within which the applicant can reinstate the application.” (MOPOP 20.07, author’s underline)

Normally, if an applicant receives a Notice of Abandonment, it can decide to reinstate the application within the time limit. A significant problem arises, however, when the Notice goes astray and the applicant is unaware of the bad status of its application. Such situations often lead to the unintentional expiry of the twelve month time limit for reinstatement.

2.2.3 Practical uses of abandonment procedures

An interesting aspect of “abandonment” in Canadian practice is that it is sometimes used for performing practical tasks. For instance, according to subsection 73(4) of the *Act*, if an applicant wishes to amend an application after allowance but before the final fee has been paid, it may let the application fall abandoned (for failure to pay the final fee) and upon reinstatement submit the final fee, the reinstatement fee and an amendment, to thereby continue prosecution.

Subsection 73(4) of the *Act* reads:

“73(4) An application that has been abandoned pursuant to paragraph (1)(f) and reinstated is subject to amendment and further examination.”

Temporary abandonment may be used to give an applicant additional time to make decisions and take action. However, abandonment should be treated as an “extension tool” only insofar as the applicant keeps close track of when and how reinstatement must occur. Though abandonment of an application provides a healthy extension window for decision making, extreme care should be taken in reinstating the application. A botched reinstatement, even if performed in good faith, has catastrophic consequences, for failure to reinstate an abandoned application within the twelve month window results in the death of the application.

2.3 “Dead” applications

This striking term is not found in the *Patent Act* or *Rules*, but is rather employed by CIPO in relation to patent applications that were deemed to be abandoned and were not reinstated within the prescribed time period. A “dead” application may also be referred to as “irrevocably abandoned”. The “Administrative Status” table on CIPO’s website refers to such applications as being “dead”.

It is extremely difficult to reinstate or otherwise resurrect dead applications. CIPO has repeatedly stated that it lacks authority to reinstate applications once it deems them to be dead and Canadian courts have decided that the *Patent Act* and *Rules* are clear and unforgiving when the time for reinstating an application has been exceeded.

The repercussions of missing the reinstatement deadline are therefore catastrophic and seemingly allow little recourse. More regarding specific cases where applications died beyond reinstatement are discussed below in section 3.

2.4 “Expired” patents

This term relates to issued patents that have been properly maintained but have run their course. Section 44 of the Act says, for an application filed on or after October 1, 1989, “*the term limited for the duration of the patent is twenty years from the filing date*”, which is to say that the patent “expires” twenty years from its filing date. According to subsection 45(1), a patent expires seventeen years from its issue date if it was filed before October 1, 1989.

There are also provisions in the *Act* stipulating that the term of a patent is the longer of twenty years from the filing date and seventeen years from issuance, if the application was filed before October 1, 1989 and the patent was still in force on July 12, 2001⁴.

⁴ See subsection 45(2) of the Act.

The monopoly right conferred by a patent eventually “expires” and the invention thereafter becomes part of the public domain. It may also be noted that the “Administrative Status” table on CIPO’s website refers to such patents as being “expired”.

2.5 “Lapsed” patents

This term is referred to in the title of subsection 46(2) of the Act, which reads:

“Lapse of term if maintenance fees not paid
46(2) Where the fees payable under subsection (1) are not paid within the time provided by the regulations, the term limited for the duration of the patent shall be deemed to have expired at the end of that time.”

As stated in section 20.09 of the MOPOP, a lapsed patent is one which no longer gives any patent rights to the patentee because the required maintenance fees were not paid in time.

More regarding this is discussed in relation to specific cases in section 4.

2.6 “Resurrection” of dead applications or lapsed patents

“Resurrection”, as discussed in this paper, should be understood to mean bringing a dead application or a lapsed patent back into good standing. This term has been used to reinforce the notion that recovering such lost patent rights is extremely difficult. Canadian courts have used other terms – “reincarnation”, “resuscitation” – to refer to this difficult procedure.

One major obstacle to resurrection is that CIPO has no discretion to take into account unintentional or unavoidable mishaps resulting in a dead application or a lapsed patent.

Various Canadian courts have considered the question of resurrecting an application or patent when the death or lapse occurred unintentionally or by mistake but, as will be seen, the circumstances in these cases did not enable the Courts to justify resurrection.

In addition, other interested organisations such as IPIC have made certain comments and suggestions that some measure of relief should be provided for such catastrophic yet accidental errors. In the IPIC 2007 Strategic Plan, IPIC suggests that resurrection could include a requirement for an affidavit explaining how an error arose and the timely steps taken to remedy it, coupled with a substantial fee. IPIC

believes that this would provide the needed level of relief while discouraging abuse and not posing an undue administrative load on CIPO.

3. Attempted resurrection of dead applications

There have been some hard-fought and creative attempts to resurrect dead patent applications.

A recent decision by the Canadian Federal Court of Appeals in *Dutch Industries Ltd. v. Canada (The Commissioner of Patents)*⁵, (referred to hereafter as “Dutch Industries”) shook up some presuppositions regarding the consequences of improper payment of patent fees in Canada and underlined the notion of strict adherence to the *Act* rather than deference to the normal practice of CIPO. Dutch Industries provides an appropriate backdrop to the issue of abandonment in relation to patent validity and CIPO’s limited legal authority.

3.1 Dutch Industries

In Canada, a reduction in the patent fees payable to CIPO is offered to applicants who qualify as a “Small Entity”, which is presently defined in section 2 of the *Patent Act* as a company having less than 50 employees or a University.

It had been the practice of many applicants and patent owners to pay patent fees in accordance with the growth or reduction of their company. In addition, applicants and owners often made so-called “top up” payments when they had made a fee payment at the small entity rate but subsequently wished to correct that payment to the large entity. Moreover, it was the regular practice of CIPO to accept these “top up” payments.

In Dutch Industries, the Court ruled that entity size is determined only once, at the moment the patent system is first “engaged”. The Court also ruled that CIPO lacked the legal authority to accept any “top up” payments. Consequently, the Court determined that the failure to pay the sufficient amount of fees is tantamount to non-payment of those fees and can result in the irremediable lapse of a patent or the death of an application.

As this decision set out a precedent potentially invalidating thousands of Canadian patents and applications on a technicality, Bill C-29 quickly came into force February 2006, to amend the *Patent Act* by introducing a new section 78.6, which made it possible to make “corrective payments” of official fees.

⁵ [2003] 4 F.C. 67 (F.C.A.); hereinafter Dutch Industries

Section 78.6 appears to have provided patent holders a one-time-only window, which spanned from February 1, 2006, to February 1, 2007, to ensure that their patents and applications are in good standing for having paid sufficient fees. As will be seen below in section 3.3, section 78.6 of the *Act* does not allow a patent holder to retroactively pay fees that were missed entirely; rather, it permits corrective payments of fees that were paid on time but mistakenly at the small entity rate.

Bill C-29, by means of section 78.6 of the *Act*, thus enabled “statutory resurrection” of applications and patents that would have otherwise been considered dead or lapsed. However, the statutory window for performing such legislative resurrection having closed, patent holders wishing to resurrect their applications or patents may find themselves with no clear basis, statutory or otherwise, for recuperating their rights.

3.2 *Eiba v. The Attorney General of Canada*⁶

The applicant Mr. Eiba, a resident of Germany, had filed a national phase PCT application in Canada.

Annual maintenance fees pursuant to section 27.1 of the *Patent Act* were payable to CIPPO and a request for examination of the application had to be filed within seven years of the international filing date pursuant to subsection 64(2) of the *Rules*. Between 1997 and 2001, the required annuities were paid, but for the year ending on January 27, 2002, the annuity was not paid. In addition, the request for examination was not filed within the prescribed time limit.

Consequently, the application was deemed abandoned on two grounds: firstly, for failure to pay a yearly maintenance fee pursuant to paragraph 73(1)(c) of the *Act* and secondly, for failure to request examination and pay the prescribed fees, pursuant to paragraph 73(1)(d) of the *Act*. For each abandonment, there was a twelve-month reinstatement period available pursuant to subsection 73(3) of the *Act*.

The applicant argued that he submitted *two* requests for reinstatement, addressing the respective grounds of the deemed abandonment. However, the Commissioner apparently received only one request for reinstatement regarding the request for examination. After processing this single reinstatement, the Commissioner sent the applicant an "Acknowledgement of Request for Examination" notice, stating that the request for examination and prescribed fee had been received, and that examination “will take place in due course”. There was nothing in that notice to indicate the status of the application and it appears from the evidence that the applicant's patent agents assumed from this notice that the application was in good standing.

⁶ 2004 FC 250.

The applicant's patent agents continued to pay the maintenance fees that were due for the application, believing that the application was properly reinstated. In mid-March 2003, CIPO set out in writing its refusal of the 2003 annuity on the grounds that the payments for reinstatement and maintenance for 2002 had not been received and that the application was deemed irrevocably abandoned. CIPO refused to accept any further annuity payments, maintaining that the application was dead.

The applicant claimed that the two reinstatement submissions were handed over to the patent firm's file room, but there was no evidence that the submissions were thereafter entrusted for delivery to CIPO, nor was there any evidence that the firm took any active steps to ascertain whether the submissions were in fact delivered or that the related fees were paid. CIPO clearly had received the submission pertaining to paragraph 73(1)(d) of the Patent Act, but there was no record of the second submission.

Before the court, the applicant argued three main points: (i) that CIPO created a legitimate expectation that the application was in good standing; (ii) that CIPO declined to exercise its discretionary jurisdiction by not investigating whether the lost reinstatement submission was CIPO's fault; and (iii) that the death of this application failed to advance the object of the *Patent Act* since abandonment provisions are meant to eliminate deadwood patent applications when the applicant has lost interest in its application.

Regarding point (i), the applicant argued that he had a "legitimate expectation" that certain procedures and "usual practices" of CIPO would be followed. In that sense, since CIPO sent a notice stating that examination "will take place in due course", thereby arguably inviting the inference that the application was in good standing, the applicant expected that the two submissions had been received and processed.

Regarding point (ii), the applicant argued that CIPO's refusal to review whether it was wholly or partially at fault in the loss of the second submission is contrary to natural justice.

Regarding point (iii), the applicant submitted an affidavit evidence showing that it was not intended for the application to go abandoned.

The respondent (The Attorney General of Canada) indicated that there is a mandatory requirement to pay fees at particular times, a mandatory consequence for failure to pay, and neither the Commissioner nor the Court has jurisdiction to modify, set aside or ignore these provisions. The respondent noted that the applicant did not present any direct evidence that the documentation and payment for the reinstatement were in fact transmitted and received by CIPO.

The Court started by determining if a judicial review was available in the present case, basing its decision largely on *F. Hoffmann-La Roche AG v. Canada (Commissioner of Patents)*, which is discussed below in section 4.1.

The court then assessed whether the doctrine of legitimate expectations would be applicable reflecting procedural fairness in this case. The Court decided that the notice of “Acknowledgement of Request for Examination” does *not* create a legitimate expectation that an application is fully reinstated. The Court stated that the *Patent Act* is clear where the applicant must be held responsible for not allowing his application to become irrevocably abandoned. The Court also noted that if this argument were accepted for the present case, then a positive obligation would be placed on CIPO to inform applicants, on its own initiative, of any deficiency in the materials filed in the reinstatement process.

The court also noted that it was clear that the reinstatement steps taken by the applicant’s patent agent “were not completed and the agents did not ensure that the requests for reinstatement on both grounds had in fact been made to the Commissioner” but rather relied on CIPO’s informal practice, to their detriment.

3.3 *Wicks v. Canada (The Commissioner of Patents)*⁷

Mr. Harry Wicks was the applicant for six patent applications in Canada. Only one of the applications will be discussed as it is largely representative of the facts in this case. The applicant filed application ‘102 at the large entity rate, but subsequently paid various annuities at the small entity rate. The applicant failed to pay the 7th annuity and CIPO issued a Notice of Abandonment. The statutory twelve-month period for reinstatement elapsed, but the applicant continued to submit payment of annuities with late fees. CIPO continued to inform the applicant that the application was dead and no annuities were payable in its respect.

The applicant’s arguments, which the court called “innovative and intriguing”, are based in an interpretation of subsection 78.6(1) of the *Act*. The applicant asserted that this subsection allows the “reincarnation” of dead patent applications. In sum, the applicant argued that because the ‘102 application was filed as a large entity, it “died” when the applicant paid the small entity annuities, which ought to have been paid at the large entity rate. Relying on the retroactive effect of subsection 78.6(1) as decided in *Johnson & Johnson Inc. v. Arterial Cascular Engineering Canada Inc.*⁸ the applicant argued that the application could be reinstated for its insufficient payments and its missed payments.

⁷ 2007 FC 222

⁸ (2006), 351 N.R. 87 (F.C.A.),

The court rejected this argument, stating that subsection 78.6 does not permit a remedy for non-payment of fees, and that the applicant cannot benefit from it.

4. Attempted resurrections of lapsed patents

There have also been various attempts to resurrect lapsed patents.

4.1 *Hoffman-La Roche v. Canada (The Commissioner of Patents)*

This case was first ruled on by the Federal Court, whose decision was subsequently affirmed by the Federal Court of Appeal.

4.1.1 Federal Court⁹

Judge O'Reilly of the Federal Court considered this case and rendered his decision November 25, 2003.

This case involved a judicial review in which the applicant, Hoffmann-La Roche, sought to preserve a re-issued patent which had lapsed for non-payment of the annual maintenance fees. Hoffmann-La Roche acknowledged that it failed, through innocent error, to pay its annual fees on the re-issued patent.

Subsection 46(2) of the *Patent Act* requires the patent holders to pay annual maintenance fees and if the required fee is not paid on time, the patent holder can still make a payment up until one year after the due date, along with a late fee. Usually, CIPO notifies patent holders if they have missed a due date.

In this case, both Hoffmann-La Roche and CIPO made a variety of errors in docketing the patent and in communication with each other. Hoffmann-La Roche wrongly classified the re-issued patent as a *new* patent, and therefore believed that no fee was due on the first anniversary of the “new” patent. In reality, however, it was a *re-issued* patent and a fee was therefore due on the patent's eighth anniversary.

CIPO normally sends out a notice when patent holders miss a deadline. In this case, when CIPO communicated with Hoffmann-La Roche, almost all of those communications contained errors. In the end, Hoffmann-La Roche was notified that the reissue patent was not in good standing *after* the irremediable lapse of the patent.

⁹ 2003 FC1381

The Commissioner argued that subsection 46(2) of the *Patent Act* is clear, mandatory and final and there is no basis for judicial review due to its strict provisions. As for Hoffmann-La Roche, it argued that the *Patent Act* must be read in light of its purpose and context, as well as the common law principles of fairness, legitimate expectations, equity and estoppel.

One of the main questions at bar was to determine if a judicial review should be allowed. The Commissioner submitted that he had not made any “decision” or “order”, and that there was therefore no foundation for an application for judicial review. Referring to the *Pfizer Inc. v. Canada (Commissioner of Patents)*¹⁰ case, the Court determined that a judicial review is available in respect of any “decision, order, act or proceeding of a federal board, commission or other tribunal” encompassing the Commissioner's notice to Hoffmann-La Roche.

The next question was to decide if there was a legal basis for the Court to provide relief to the applicant, despite the apparently strict terms of the *Patent Act*. Hoffmann-La Roche raised a number of legal grounds, notwithstanding its failure to pay the required maintenance fees. Hoffmann-La Roche presented the following arguments and the Court addressed them as follows:

4.1.1.1 Fairness

Hoffmann-La Roche argued that the Commissioner had a duty to give it notice before he made a determination that it had failed to comply with subsection 46(1). Hoffmann-La Roche suggested that a notice is required as part of the Commissioner's duty to treat patent holders fairly. The Court refused this argument indicating that the usual purpose of a notice is to allow a person to make representations to the decision maker before an adverse determination is made against that person. In this case, however, the applicant wanted the Commissioner to be *obliged* to give patent holders notice as to the status of their maintenance fees. Such a requirement would be at odds with the clear legislative intent to place the burden of compliance squarely on patent holders. In other words, the Commissioner does not have the duty to notify patentees before their patent lapses because the *Patent Act* says that the patent lapses automatically when the deadline is missed.

4.1.1.2 Legitimate expectation

Hoffmann-La Roche submitted that CIPO has long provided notices to patent holders who miss the initial deadline for paying a maintenance fees. It argues that these circumstances give rise to a duty to provide notice according to the doctrine of

¹⁰ (1999), 1 C.P.R. (4th) 200 (F.C.T.D.)

legitimate expectations. This doctrine requires that the decision maker's conduct clearly suggests that affected persons will be given a chance to make submissions before a decision will be made. The Court was of the view that one of the necessary conditions of this doctrine was absent: "the Commissioner could not have conveyed the impression that a patent holder's interests would not be impinged without notice and an opportunity to make representations"¹¹. In other words, though Hoffmann-La Roche placed reliance on CIPO's general practice, this is not enough to create a corresponding duty on the part of the Commissioner. The Commissioner has a rather limited role in relation to maintenance fees.

4.1.1.3 Equity

Hoffmann-La Roche also argued that the Court has the authority to provide relief on grounds of equity and it may extend the time limit for payment of maintenance fees. The Court noted that it can grant equitable relief to prevent the forfeiture of property under a private contract such as a lease, but the situation is entirely different when the forfeiture results from a statutory rule. The Court explained that if it were to extend the time for paying the maintenance fees, it would be substituting the deadline enacted by Parliament with its own. The Court stated that the statute is clear and it does not have the power to relieve against statutory penalties.

4.1.1.4 Estoppel

Hoffmann-La Roche further submitted that the Commissioner should be prevented from declaring that its patent had lapsed because CIPO accepted a lesser amount. Hoffmann-La Roche submitted that the Commissioner only sends out notices when deadlines are missed, not when payments have been paid on time, and that the Commissioner's silence gave it an assurance of compliance on which it relied. The Court stated that where the governing statute is less strict, courts may recognize an estoppel. However, the Court concluded that there is no leeway in the *Patent Act*, quoting Lord Maugham in *Maritime Electric Co. v. General Diaries Ltd.*¹² "the obligation to obey positive law is more compelling than a duty not to cause injury by inadvertence".

Though the Court recognized that that the maintenance fee regime is complicated, the risk of innocent errors is great, and the failure to comply has "catastrophic" consequences, it found no legal basis on which to grant any relief to Hoffmann-La Roche.

¹¹ Hoffmann-La Roche v. Canada (Commissioner of Patents) 2000 FC 1381, at paragraph 37.

¹² [1937] 1 D.L.R. 609 (J.C.P.C.):

4.1.2 Federal Court of Appeal¹³

Judge Létourneau writing for the Court saw no error in the Federal Court's decision warranting intervention. The Court summed up the matter by saying that Hoffmann-La Roche wrongly interpreted that the Commissioner "made a decision" with respect to the fact that the maintenance fees had not been paid and that the patent lapsed, and that the Commissioner "simply informed the appellant that the fees had not been paid and drew its attention to the legal consequences that follow from subsection 46(2) of the Act". In other words, the rights of Hoffmann La-Roche were affected by the operation of the *Act* and the courts cannot resuscitate a patent that the *Act* clearly says has lapsed.

4.2 P.E. Fusion LLC vs. The Attorney General of Canada¹⁴

In this case, the Commissioner had refused to revive P. E. Fusion LLC's patent which had lapsed for failure to pay the required maintenance fees.

The applicant, P. E. Fusion LLC, received the patent ownership from the original owner, Mr. George Rakes, and such record of ownership was registered with the Patent Office in late 2000. After many failed correspondences between the original owner, its law firm representative Reed Smith and the applicant, regarding the payment of maintenance fees, the applicant informed Reed Smith that all future correspondence was to be directed to it. Through some administrative miscommunications, the applicant sent a cheque to Reed Smith believing it was for the 10th annuity, but it was actually for an erroneously applied charge. Reed Smith was under the assumption that they were to remove the patent from their docket, therefore instructing their Canadian representative, Smart & Biggar, to remove the patent from their payment records.

Upon the expiry of the twelve month grace period to pay the missed annuity, the patent lapsed. After discovering what had occurred, the applicant's agents wrote to the Commissioner on two occasions requesting to make a "correction" in accordance with section 8 of the *Act*, which reads as follows:

"8. Clerical errors in any instrument of record in the Patent Office do not invalidate the instrument, but they may be corrected under the authority of the Commissioner."

The Commissioner refused to "correct" the patent, asserting that section 8 pertains only to a clerical error that had been inserted in an instrument of record in CIPO,

¹³ 2005 FCA 399.

¹⁴ 2004 FC 645.

and the *Patent Act* did not provide authority to revive a lapsed patent pursuant to a section 8 request.

There were two arguments at bar: to determine if the Commissioner erred, firstly in failing to apply section 8 of the *Patent Act*, and secondly in refusing to correct the error pursuant to any inherent jurisdiction.

Before the Court, the applicant argued that the “clerical error” originated from the erroneous charge applied by Reed Smith to the account of the original owner which resulted in a series of events leading the applicant to believe that the 10th maintenance fee had been paid and the patent was inadvertently allowed to lapse. The respondent (the Commissioner) submitted that section 8 is not intended to apply to situations where the clerical error occurred somewhere other than in the instrument of record held in CIPO and that the error in this case appeared to have been caused by the applicant's own, or its agents, internal management of its affairs. The Court pointed out that section 8 speaks of “clerical errors in any instrument of record in the Patent Office” and whether the applicant's inadvertent failure to submit the prescribed maintenance fees within the prescribed time frame was due to its or its agent's clerical error or otherwise is immaterial to the application of section 8.

The applicant submitted that the Commissioner failed to acknowledge an inherent jurisdiction to correct an error which is the result of a “genuine” mistake on the part of a patentee or its agent. The Commissioner argued that it has no express power or discretion to revive a lapsed patent where a patent has expired due to a misfortune in the payment of a maintenance fees. The Court did not accept the applicant's arguments and presented four points to support its decision:

- 1) The word “shall” in section 46(2) of the *Patent Act* and section 182 of the Rules presents a mandatory requirement and does not indicate that there is discretion on the part of the Commissioner.
- 2) Referring to the *Hoffmann-La Roche AG.* and *Eiba* cases, the Court reiterated that the Commissioner does not have the authority, pursuant to the *Patent Act* or *Rules*, to extend the deadline for payment of fees, to offer relief against the consequences of underpaying a maintenance fees, or to modify or waive requirements with regards to the mandatory payment of fees. In addition, the Court referred to an analogous Federal Court of Appeal trademark decision in *Auheuser-Busch, Inc. v. Carling O'Keefe Breweries of Canada Limited and Registrar of Trade Marks*¹⁵, where the Court held that the Registrar of Trademarks did not have an inherent power to grant certain relief when such authority could not be found through express statutory language or by necessary implication from the provisions of the statute.

¹⁵ [1983] 2 F.C. 71 (C.A.),

- 3) The Commissioner does not possess an inherent jurisdiction to waive or bend the rules in relation to the time limits for annual maintenance fees, or in relation to the consequences for failing to pay such fees within the time limits.
- 4) The proposition of finding inherent jurisdiction of the Commissioner to correct “genuine” mistakes is a concept fraught with difficulty. Parliament specifically omitted the inclusion of any relief provisions in the scheme of the payment of maintenance fees, beyond the allowable one year reinstatement period, and has not vested the Commissioner or the Court with any discretion to correct mistakes.

For these reasons, the Court did not find any basis to provide a remedy, while acknowledging that it was very unfortunate that a simple mistake resulted in the loss of the applicant's rights.

5. A brief look across the border: US practice

The United States patent system has a variety of different features when it comes to the good standing of applications and patents.

Firstly, there are no maintenance fees to be paid in respect of a pending application, though there are three maintenance fees for granted patents that must be paid at 3 ½, 7 ½ and 11 ½ years from the date of the patent.

Secondly, examination is not requested by the applicant but rather occurs automatically on a first-come-first-served basis from the filing date, unless an accelerated examination is requested and paid for.

Thirdly, the term “abandoned” does not have the same meaning in respect of a pending US application as it does in Canada. There are retroactive extensions of time for delays in responding to an Office Action, for instance, but if a non-extendable deadline is exceeded and the application becomes abandoned it can only be “revived” (the quasi-equivalent to “resurrected”) on certain grounds.

5.1 Petition requesting withdrawal of holding of abandonment

In the US, an applicant may contend under 37 CFR¹⁶ 1.181(a) that an application is not in fact abandoned. This may happen where there is a disagreement over sufficiency of reply, for example when the applicant failed to receive an Office

¹⁶ *Code of Federal Regulations*

Action, or timely mailed a reply to an Office Action. This may also happen where there is a disagreement as to controlling dates.

5.2 Petition for revival for failure to timely take action

37 CFR 1.137 provides for the revival of an abandoned application due to the failure to timely reply to an office requirement in a provisional application, prosecute a nonprovisional application, pay the issue fee for a design or utility application or pay an outstanding balance of the issue fee [see MPEP¹⁷ §711.03(c) (II)].

The basis for this Petition can be either that delay was “unavoidable” or “unintentional”.

5.2.1 Unavoidable

To petition for revival due to an unavoidable abandonment, e.g. a Post Office mistake, 37 CFR 1.137(a) requires the following from an applicant or patentee:

- 1) the required reply;
- 2) the fee for reviving the “unavoidable” delay (1.17(l)) (\$500/\$250);
- 3) a *showing* that the entire delay was unavoidable; and
- 4) a terminal disclaimer, if required under 1.137(d).

The “showing” required by the unavoidable basis needs to show that reasonable care was taken to ensure that the action was timely taken and that a petition was filed promptly after patentee became aware of the expiration of the patent. It must also enumerate the steps taken to ensure timely payment.

A Petition based on unavoidable delay is significantly less likely to be grantable based on its initial filing compared to one based on unintentional delay. The USPTO usually renders a number of interlocutory decisions dismissing such a Petition and requesting additional evidence until it is satisfied that a showing of unavoidable delay has been demonstrated, or concludes that the showing cannot be made (see MPEP§711.03(c)(II)(c)).

It is notable that the unavoidable basis has a lower official fee, but it will take longer to prepare and process, will require a greater burden of proof and is more uncertain in outcome.

5.2.2 Unintentional

¹⁷ Manual of Patent Examining Procedure.

To petition for revival due to an unintentional delay pursuant to 37 CFR 1.137(b) requires the following from an applicant or patentee:

- 1) the required reply;
- 2) the fee for reviving the “unintentional” delay (1.17(m)) (\$1500/\$750);
- 3) a *statement* that entire delay was unintentional; and
- 4) a terminal disclaimer, if required by 1.137(d).

A Petition based on unintentional delay requires a “statement” that the delay was unintentional, and thus demands a much lower burden of proof though higher official fees.

5.3 Petition for delayed payment of maintenance fee

Under 37 CFR 1.378, a patentee may reinstate a patent which was abandoned for a missed maintenance fee. There is a six-month grace period for paying maintenance fees with a surcharge. If this period is exceeded, a patentee may make an unavoidably or unintentionally delayed payment within twenty four months after the expiration of the six month grace period (see §1.378(c)). After that, a patentee must seek reinstatement on the basis of unavoidably delayed payment (see §1.378(b)).

In general, the statutory and jurisprudential guidelines for reviving American applications and patents are clear and comprehensive, especially when compared to the Canadian options.

6. Conclusions

As seen in sections 3 and 4 above, Canadian courts have found that the *Patent Act* and *Rules* place the burden of paying required fees squarely on the shoulders of the applicant and that missing a deadline has catastrophic consequences even if unintentional.

Affected patent holders have attempted to resurrect their patent rights by relying on sections 8 and 78.6 of the *Act* as well as on a variety of common law principles, albeit to no avail.

As for subsection 73(1)(a), which pertains to replying to requisitions made by an Examiner, one might ask what constitutes an adequate “reply” to avoid abandonment. Though the other subsections of 73(1) relate to a seemingly black-and-white fee regime, in which fees are either “paid” or “not paid”, it could be argued that subsection 73(1)(a) contains many more shades of grey. One might ask

whether the adequateness of a “reply” in subsection 73(1)(a) should be determined by a “reasonable examiner” test or by cursory administrative inspection.

For the meantime, applicants, patentees and their patent agents are strongly advised to keep meticulous records and take extreme care in their docketing systems. Relying on CIPO’s “regular” practice when risk of abandonment is at stake may not be advisable; one should rather err on the side of caution when completing applications, replying to requisitions and paying fees to CIPO. It also seems that legislative amendments would be necessary to give Canadian courts or CIPO clear discretion in resurrecting applications and patents.

The Canadian and American patent systems are also a case in point of the diverse procedures and degrees of flexibility for reviving patent rights in different territories. This represents an added set of hurdles for anyone implicated in multi-territorial intellectual property management. In fact, the level of vigilance required by an applicant or representative to ensure that an application is in good standing may vary from country to country. Knowing the ins and outs of reinstatement may not only enable an applicant to recover a valuable patent right that inadvertently falls out of good standing, but may also play an integral and determinant role in the day to day operations of patent law practitioners.

Science and technology aside, patent systems are complex. They are fraught with pitfalls and strict deadlines. The intricacies of the Canadian patent system in particular demand a high degree of care and attention to make sure that valuable patent applications and patents stay in good standing.

ROBIC + LAW
+ BUSINESS
+ SCIENCE
+ ART

