



UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
ASSISTANT SECRETARY AND COMMISSIONER OF
PATENTS AND TRADEMARKS
Washington, D.C. 20231

Paper No. 26

MICHAEL D. SCHUMANN
MERCHANT, GOULD, SMITH, EDELL,
WELTER & SCHMIDT, P.A.
3100 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MN 55402

COPY MAILED

JUL 30 1998

In re Patent No. 4,395,031	:	SPECIAL PROGRAMS OFFICE
Issue Date: July 26, 1983	:	DAC FOR PATENTS
Application No. 06/300,304	:	ON PETITION
Filed: September 8, 1981	:	
Inventor: Damie C. Gruber et al.	:	

This is a decision on the petition, filed November 21, 1997, 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 is **Denied**.

BACKGROUND

The patent issued July 26, 1983. The first maintenance fee was timely paid. The second maintenance fee could have been paid during the period from July 26, 1990 through January 28, 1991 (January 26, 1991 being a Saturday), or with a surcharge during the period from January 29, 1991 through July 27, 1991. As no payment was timely received, this patent expired at midnight on July 26, 1991.

A first petition to accept late payment of the maintenance fee under 37 CFR § 1.378(b) was filed on February 21, 1997 on behalf of the assignee, R.R. Donnelley & Sons Company (Donnelley). Petitioner (Donnelley) asserted that the delay in payment of the second maintenance fee was unavoidable due to the failure of Diane K. Ruzin (Ruzin), Annuities Coordinator at the law firm of Merchant & Gould, to follow the procedures of Merchant & Gould. The petition was dismissed in the decision of September 24, 1997 on the ground that the record was unclear as to (1) who was responsible for payment of the maintenance fee, and (2) what steps were in place, by that party, to ensure that the maintenance fee would be timely paid. Even assuming that Donnelley was the responsible party, the decision found that the record lacked a showing that Donnelley took any steps with regard

to maintenance fee scheduling or payment.

The instant petition requesting reconsideration of the previous decision was filed November 21, 1997.

STATUTE AND REGULATION

35 USC § 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 1.366(a) states that:

"The patentee may pay maintenance fees and any necessary surcharges, or any person or organization may pay maintenance fees and any necessary surcharges on behalf of a patentee. Authorization by the patentee need not be filed in the Patent and Trademark Office to pay maintenance fees and any necessary surcharges on behalf of the patentee."

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).

Petitioner requests reconsideration of the decision of September 24, 1997 in that notwithstanding the assignment of the instant patent to Donnelley (1) the Webb Company (Webb) is asserted to have maintained an equitable interest in this patent by reason of

its right to share in royalties derived from licensing of the patent, (2) Webb took reasonable steps to ensure payment of the second maintenance fee by way of Webb's previous engagement of Merchant & Gould to pay the first maintenance fee, (3) Quebecor Inc. (Quebecor), through its acquisition of the printing division of Webb and pursuant to a royalty sharing relationship between Webb and Donnelley, was the party responsible for payment of the maintenance fee, and (4) due to an unforeseeable error on the part of the normally reliable Ruzin of Merchant & Gould, Ruzin failed to notify Quebecor of the second maintenance fee payment falling due, and, as such, Donnelley took reasonable care in relying upon the efforts of Merchant & Gould by way of Webb and Quebecor.

Petitioner has not carried its burden of proof to establish to the satisfaction of the Commissioner that the delay was unavoidable.

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 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, 514-15 (D.C. Cir. 1912); Ex parte Henrich, 1913 Dec. Comm'r Pat. 139, 141 (Comm'r Pat. 1913). 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, 5 USPQ2d 1130 (N.D. Ind. 1987).

That Donnelley may have been unaware of the need for maintenance fee payments, does not constitute "unavoidable" delay. See Patent No. 4,409,763, supra, aff'd, 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). See also "Final Rules for Patent Maintenance Fees," 49 Fed. Reg. 34716, 34722-23 (Aug. 31, 1984), reprinted in 1046 Off. Gaz. Pat. Office 28, 34 (September 25, 1984). Under the statutes and regulations, the Office has no duty to notify patentee of the requirement to

pay maintenance fees or to notify patentee when the maintenance fee is due. While the Office mails maintenance fee reminders strictly as a courtesy, it is solely the responsibility of the patentee to ensure that the maintenance fee is timely paid to prevent expiration of the patent. The failure to receive the Reminder does not relieve the patentee of the obligation to timely pay the maintenance fee, nor will it constitute unavoidable delay if the patentee seeks reinstatement under the regulation. Rydeen, Id. Moreover, a patentee who is required by 35 USC 41(c)(1) to pay a maintenance fee within 3 years and six months of the patent grant, or face expiration of the patent, is not entitled to any notice beyond that provided by publication of the statute. Id. at 900, 16 USPQ2d at 1876.

Furthermore, the Letters Patent contains a Maintenance Fee Notice that warns that the patent may be subject to maintenance fees if the application was filed on or after December 12, 1980. While the record is unclear if Donnelley ever read the Notice, after its acquisition of the instant patent, petitioner's failure to read the Notice does not vitiate the Notice, nor does the delay resulting from such failure to read the Notice establish unavoidable delay. Ray, 55 F.3d at 610, 34 USPQ2d at 1789. The mere publication of the statute was sufficient notice to petitioner. Rydeen, supra.

As 35 U.S.C. § 41(c) 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 U.S.C. § 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 to ensure the timely payment of the maintenance fees for this patent. Id. However, the showing of record fails to set forth any steps taken by Donnelley to pay the second maintenance fee. In the absence of a showing of any steps taken by Donnelley, 37 CFR 1.378(b)(3) precludes the acceptance of the maintenance fee.

In determining whether a delay in paying a maintenance fee was unavoidable, one looks to whether the party responsible for payment of the maintenance fee exercised the due care of a reasonably prudent person. Ray, 55 F.3d at 608-609, 34 USPQ2d at 1787. The party whose delay is relevant is the party in interest at the time action is needed to be taken. Kim, supra. As Donnelley was the party in interest when the second maintenance fee was payable and due, it was incumbent upon Donnelley to itself engage a third party to monitor and track the second maintenance fee payment, or itself undertake that obligation.

Moreover, reliance *per se* on a third party for tracking a maintenance fee does not provide a patent holder with a showing of unavoidable delay within the meaning of 37 CFR 1.378(b) and 35 USC 41(c). Rather, such reliance merely shifts the focus of the inquiry from petitioner to whether that third party acted reasonably and prudently.

The record fails to show that Donnelley, the assignee at the time the second maintenance fee was due, either had taken any steps itself, or had engaged another, to ensure payment of the maintenance fee for this patent. Petitioner seeks to avoid the consequences of its own inactions by contending that the party having responsibility for payment was Quebecor through Quebecor's acquisition of the printing division of Webb and further, to a royalty sharing relationship between Webb and Donnelley.

With regard to whether Donnelley acted reasonably and prudently in relying upon Quebecor to pay the second maintenance fee, it is evident from the assignment agreement executed by Webb that Webb gave up all legal rights to the patent when the patent was assigned to Donnelley. An assignment of the entire right, title, and interest, passes both legal and equitable title. See, *Wende v. Horine*, 191 F. 620, 621 (C.C.N.D. Ill. 1911). Webb, as the assignor of its entire interest, could not insist that the maintenance fee be paid by Donnelley, Quebecor, or any other party; Donnelley was free to deal with the patent as Donnelley willed. See *Garfield v. Western Electric Co.*, 298 F.659 (S.D.N.Y. 1924). Petitioner's contention that the royalty sharing provision of the assignment agreement created an equitable interest on the part of Webb, or Quebecor, is not well taken. Royalty sharing provisions of an assignment agreement to share in the profits of an invention simply do not create an equitable interest in a patent, once an assignment of the entire right, title, and interest has been executed. See *Kim v. Ouigg*, 718 F.Supp. 1280, 1284, 12 USPQ2d 1604, 1607 (E.D. Va. 1989). Rather, once an assignment has been made, an agreement to share in the profits of an invention does not modify or limit the absolute transfer of title. Id. Webb's "interest" was to the share of royalties provided for in the assignment agreement and not to any title in the patent itself. Id. When the issue of revival is addressed, the focus must be on the rights of the parties as of the time of abandonment. Id. Donnelley, as the assignee when the patent expired, and not Quebecor or Webb, was the responsible party.

The record does not show either that Webb's "interest" in the share of royalties provided for in the assignment agreement was acquired and retained by Quebecor, or that Quebecor realized at the time that it was being relied upon by Donnelley to pay the maintenance fees for this patent. Petitioner has failed to document or establish that either Webb or Quebecor was

contractually obligated to petitioner for payment of the maintenance fee in question. Absent a contractual obligation of Webb, petitioner has failed to demonstrate that any steps were taken by the owner to ensure payment. There is no evidence to show that Donnelley took any interest in maintaining this patent by way of payment of the maintenance fee, or even took notice of the fact that the first maintenance fee had been paid by Webb. There is no evidence to show that Donnelley, as a reasonably prudent person, took any measure to ensure that first Webb, and later Quebecor, understood its obligation in this matter and that it was being relied upon by Donnelley to attend to payment of the maintenance fees. Delay resulting from a lack of proper communication between a patentee and that patentee's representative(s) as to the responsibility for scheduling and payment of a maintenance fee does not constitute unavoidable delay within the meaning of 35 USC 41(c) and 37 CFR 1.378(b). See, In re Kim, 12 USPQ2d 1595 (Comm'r Pat. 1988). Specifically, delay resulting from a failure in communication between a patent holder and his representative regarding a maintenance fee payment is not unavoidable delay within the meaning of 35 USC 41(c) and 37 CFR 1.378(b). Ray, 55 F.3d at 610, 34 USPQ2d at 1789. That all parties failed to take adequate steps to ensure that each fully understood the other party's meaning, and thus, their own obligation in this matter, does not reflect the due care and diligence of prudent and careful persons with respect to their most important business within the meaning of Pratt, supra. It is further brought to petitioners' attention that the Office is not the proper forum for resolving a dispute between a patentee and that patentee's representative(s) regarding the scheduling and payment of maintenance fees. Ray, supra.

While Donnelley may have assumed that Webb, and later Quebecor, would take care of the payments, failure to provide any evidence that either Webb or Quebecor was engaged by Donnelley for payment of the maintenance fees mitigates against finding that Donnelley acted reasonably and prudently in relying upon first Webb, and later Quebecor, to pay the maintenance fees for this patent. The record fails to establish that patentee and either Webb or Quebecor took adequate steps to ensure timely payment of the maintenance fee as required by 37 CFR 1.378(b)(3). Since adequate steps were not taken by either party, 37 CFR 1.378(b) precludes acceptance of the delayed payment of the maintenance fee. Moreover, there is no need in this case to determine the obligation between either Webb or Quebecor and petitioner, since the record fails to show that either Webb, Quebecor, or petitioner, took adequate steps to ensure timely payment of the maintenance fee. See In re Patent No. 4,461,759, 16 USPQ2d 1883, 1884 (Comm'r Pat. 1990).

The record indicates that Merchant & Gould was engaged by the prior assignee, Webb, for handling the payment of the maintenance fees for this patent, but two years before the first maintenance fee was due, Webb assigned the patent to Donnelley. Nevertheless, John A. Carlson (Carlson), an employee of Webb, on or about July 6, 1987 authorized payment of the first maintenance fee through Merchant & Gould. The record indicates that Webb terminated the employment of Carlson on December 24, 1987. However, it is immaterial that the first maintenance fee was timely paid by Merchant & Gould, notwithstanding that Donnelley had not engaged Merchant & Gould. That is, while a patent remains in force, **any** person may pay a maintenance fee without the approval of the patent holder. See 37 CFR 1.366(a).

Webb Company, however, was subsequently divided into a publishing division, which was sold to Intertec Publishing (Intertec) in December 1988, and a printing division, which was acquired by Quebecor in February 1990. Petitioner asserts that Quebecor stood ready to authorize payment of the second maintenance fee, but Merchant & Gould failed to notify Quebecor that payment was due, due to the actions of Ms. Ruzin. This contention must fall of its own weight, as there is no showing that anyone at Donnelley had engaged Merchant & Gould to track the maintenance fee, or that Merchant & Gould was tracking the maintenance fee on behalf of Donnelley. Moreover, Merchant & Gould was not acting on behalf of Donnelley; rather, Merchant & Gould had been engaged by Webb, who had no further equitable or legal title in this patent. In the absence of a showing that Merchant & Gould had assumed the obligation of tracking the maintenance fee on behalf of Donnelley, then Donnelley must show the steps that Donnelley had in place to pay the maintenance fee. See In re Patent No. 4,409,763, 7 USPQ2d 1798, 1801 (Comm'r Pat. 1988). As such, petitioner has failed to establish that Ruzin was an agent or instrumentality of Donnelley within the meaning of Pratt supra. Thus, it is immaterial to the delay herein that Ruzin was a normally reliable employee of Merchant & Gould. It is likewise immaterial to the delay herein that Ruzin did not successfully contact Quebecor regarding the maintenance fee payment. That is, there is no adequate showing that Merchant & Gould had been engaged by Donnelley, or that Merchant & Gould had undertaken, on behalf of Donnelley, to track the second maintenance fee payment.

Moreover, even assuming, *arguendo*, that Merchant & Gould, and thus, Ruzin, had been engaged to track the maintenance fee payment by, or on behalf of, Donnelley, such would not support a finding of unavoidable delay. That is, the showing of record is that the cause of unavoidable delay was not Ruzin's failure to properly address the maintenance fee reminder to Webb. This is particularly so in that Quebecor, not Webb, is asserted by petitioner to have been the responsible party. Further, there is no showing that Quebecor (or anyone else) informed Merchant &

Gould that Quebecor had now assumed the obligation for this patent on behalf of Donnelley, and supplied Merchant & Gould with a correspondence address for Quebecor. Rather, the showing of record is that Quebecor failed to keep Merchant & Gould apprised of a correspondence address for receiving communications regarding maintenance fee payments. Assuming, *arguendo*, that Quebecor had been properly appointed to conduct petitioner's matters subsequent to the assignment of this patent to Donnelley, including matters pertaining to the payment of the maintenance fee, then petitioner remains bound by the decisions, actions, or inactions, of Quebecor, including the decisions, actions, or inactions, which resulted in the lack of timely payment of the maintenance fees for this patent. See, Winkler v. Ladd, 221 F. Supp 550, 552, 138 USPQ 666, 667 (D.D.C. 1963). However, delay resulting from Quebecor's failure to keep Merchant & Gould apprised of a current correspondence address for receiving communications regarding maintenance fee payments is not unavoidable delay. Ray, 55 F.3d at 610, 34 USPQ2d at 1789. Quebecor's failure to provide Merchant & Gould with a current correspondence address does not excuse Quebecor's (or Donnelley's) failure to timely submit the second maintenance fee for this patent, nor does the delay resulting from Quebecor's failure to provide Merchant & Gould with a current address constitute unavoidable delay. Id.

Petitioner also urges that the inquiry into unavoidable delay should be extended beyond the conduct of the legal owner, Donnelley, to that of Quebecor, who, by virtue of a royalty sharing agreement, was obligated to pay the maintenance fee, and thereby to Quebecor's agent, Merchant & Gould, upon whom Quebecor was relying to handle the matter in proper fashion. This argument is likewise unpersuasive. Petitioner has failed to adduce any document, much less a contract, establishing that Quebecor had been engaged to pay the second maintenance fee by or on behalf of Donnelley, or that Quebecor, in turn, had engaged Merchant & Gould. Even assuming that such a document(s) existed, petitioner has also failed to demonstrate why petitioner's failure to diligently monitor Quebecor's performance under the putative contract can reasonably be considered to constitute unavoidable delay. See Futures Technology Ltd. v. Quigg, 684 F.Supp. 430, 7 USPQ2d 1588 (E.D. Va. 1988). That is, petitioner's failure to monitor Quebecor's performance under the alleged contract, or diligently inquire of Quebecor, or anyone else, into the status of the patent and maintenance fee payment, does not reflect the due care and diligence employed by a prudent and careful person with respect to their most important business. See Id. Rather, a prudent person takes diligent action to ensure that contracted services are timely performed as specified. Id. However, the record lacks any showing that petitioner was diligently monitoring Quebecor's performance, e.g., payment of the necessary fees to maintain this patent in

force, under the contract asserted to have been in effect between petitioner and Quebecor.

Even assuming, *arguendo*, that petitioner would not be bound by the mistakes or negligence of Quebecor, diligence on the part of petitioner would still be essential to show unavoidable delay. See, Douglas v. Manbeck, 21 USPQ2d 1697, 1699-1700 (E.D. Pa. 1991), *aff'd*, 975 F.2d 869, 24 USPQ2d 1318 (Fed. Cir. 1992) (applicant's lack of diligence over a two and one half year period in taking any action with respect to his application, precluded a finding of unavoidable delay). However, the record lacks an adequate showing of petitioner's diligence in this matter during the entire period extending from the year that the maintenance fee could have been paid, which started July 1990, until the filing of the first petition in February 1997, some seven years, which would be necessary to support a finding of unavoidable delay. Id. Specifically, diligence on the part of the owner is necessary to show unavoidable delay when that owner's agent(s) fails to take timely and proper steps with respect to a proceeding before the Patent and Trademark Office. Futures, 684 F.Supp. 430 at 431, 7 USPQ2d at 1589. However, Donnelley has not shown diligence with respect to any aspect of the payment of the second maintenance fee for this patent. Petitioner's lack of due diligence with respect to this patent, for a period of time of almost seven years, overcame and superseded any negligence by his representative(s). Douglas, supra; Haines v. Quigg, supra. The delay was not unavoidable, because had Donnelley exercised the due care of a reasonably prudent person, Donnelley would have been able to act to correct the situation in a timely fashion. Haines v. Quigg, supra; Douglas, supra.

CONCLUSION

The prior decision which refused to accept under § 1.378(b) the delayed payment of a maintenance fee for the above-identified patent has been reconsidered. For the above stated reasons, the delay in this case cannot be regarded as unavoidable within the meaning of 35 USC § 41(c)(1) and 37 CFR § 1.378(b).

Since this patent will not be reinstated, the maintenance fee and the surcharge fee submitted by petitioner have been refunded to counsel's deposit account.

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

Any telephone inquiry regarding this decision should be directed to John Chapman at (703) 305-9177, or in his absence, to Brian Hearn at (703) 305-1820.



Manuel Antonakas
Director, Office of Patent Policy Dissemination
Office of the Deputy Assistant Commissioner
for Patent Policy and Projects

ah