

PATENTS ACT 1977

IN THE MATTER OF an application
by The University of Chicago for
the restoration of Patent No 1570684

DECISION

Patent No 1570684, dated 3 November 1976 and granted to The University of Chicago, lapsed on 3 November 1987 through failure to pay the renewal fee in respect of the 12th year of the patent by the due date or in the following six months allowed under section 25(4) upon payment of an additional fee. The application for restoration of the patent was filed on 3 November 1988 within the prescribed period.

The office having expressed the view that it was not satisfied that a prima facie case for restoration had been made out, the matter came before me at a hearing held on 1 May 1990 and resumed on 8 March 1991 after I had allowed an opportunity for further evidence to be filed. On each occasion the proprietor was represented by Mr D C Harrison of Mewburn Ellis, chartered patent agents, and Mr M C Wright appeared on behalf of the office.

Evidence in support of the application has been filed in the form of a statutory declaration by Marilyn Rippon, head of the Records Department of Mewburn Ellis; and affidavits from Steven Lazarus, President and Chief Executive of an organisation known as ARCH Development Corp ("ARCH"); Kevin Snapp, a US attorney engaged by ARCH; Janett Trubatch, an Associate Vice President for Research at The University of Chicago ("UC"); Cindi Schermerhorn, an employee of a US law firm ("Marshall"); and Maureen C Meinert, a US attorney who is an associate with Marshall.

From about February 1975, an organisation known as University Patents Inc ("UPI") was under contract with UC to handle a

number of patents owned by UC, it being the responsibility of UPI inter alia to pay the renewal fees on this particular patent. ARCH was formed in October 1986, as a result of a joint venture between UC and Argonne National Laboratories, and was eventually destined to take over responsibility for maintaining the patent from UPI.

On 16 June 1987, UPI wrote to UC asking to be re-imbursed for various payments made in respect of a number of non-US patents, including payment of a renewal fee and fine for late payment on 30 April 1987 for the patent in question. Quite clearly this renewal fee and fine were in respect of the 11th year renewal which fell due on 3 November 1986. This letter and the accompanying invoices were copied to Janett Trubatch on 19 June 1987, and she in turn copied them to Mr Lazarus at ARCH with a somewhat cryptic manuscript note, dated 24 June 1987, which leaves me in some doubt as to what, if anything, ARCH were supposed to do in respect of the invoices.

During July 1987 UPI and UC agreed that UC would assume responsibility for renewal of the patent. At that time, UC, UPI and ARCH were holding negotiations concerning the transfer of various rights and responsibilities from UPI to ARCH, and these negotiations were to continue until September 1988. On 23 July 1987 UPI wrote to Janett Trubatch informing her that UPI had elected to discontinue paying renewal fees on the patent, and listing the renewal date (3 November 1987) and fee for the patent, together with fees and dates for corresponding patents in other countries (collectively known as Winston's Dielectric patents). UPI also advised Janett Trubatch to make arrangements for Marshall to pay the fees. What Janett Trubatch actually did in response to this was to instruct an assistant to copy the letter to Mr Lazarus with a covering memo dated 30 July 1987 which, in the event, read essentially:

"I am enclosing a bill that we received for five of Winston's Dielectric patents. I will inform Marshall to

send all future bills to ARCH. A copy of that letter will be sent to your attention."

Mr Lazarus says that he interpreted the memo as informing ARCH of its responsibility to maintain the patent, but he does not say that he interpreted the memo as an instruction to pay the renewal fee due on 3 November 1987. In fact, at that particular time, ARCH believed that during the period of negotiations between ARCH and UPI, and thereafter, UPI would, as a service to ARCH, continue to pay any taxes which became due and would then bill ARCH for this service as well as for the taxes/annuities. Mr Lazarus then says that the memo was in turn given to Mr Snapp who served as ARCH's patent liaison. That is rather curious because Mr Snapp was not engaged by ARCH until December 1987. By that time of course the due date for payment of the renewal fee for the 12th year had already passed.

Mr Snapp is an attorney licenced to practice in law in the USA, but is not a patent attorney, and was engaged by ARCH on a part-time basis only. Although he says that he definitely understood that the patent was to be maintained by ARCH, he apparently also thought that UPI would continue to renew the patent for ARCH, and he further believed that UPI had already paid the fee in question. He did not understand and was not informed that the patent was in danger of lapsing. In accordance with his understanding of ARCH's responsibility and his mistaken belief, on 1 March 1988, he added a billing account for the patent (apparently to be effective for future renewals). It appears from Mr Snapp's affidavit that he gave some sort of restricted authorisation to Marshall to pay some fees, but this authorisation could not have included any authorisation or instruction to pay the renewal fee in question.

On 6 and 18 May 1988 Mr Snapp held telephone conversations with an attorney at UPI and was apparently told that UPI had paid the overdue non-US maintenance fees after having been

told by the University to do so, and expected to be re-imbursed. Whether this statement referred to the 11th year fee, or misleadingly re-inforced Mr Snapp's erroneous belief that the 12th year fee had been paid, is immaterial because the extended period for paying the 12th year fee had expired by then.

In parallel with these events the office had issued on 3 December 1987 the statutory reminder that renewal of the patent was overdue, in accordance with rule 39(4). This reminder was received by Mewburn Ellis who are registered as the UK address for service, and they forwarded the reminder to UPI on 10 December 1987. Unfortunately no-one had seen fit to notify Mewburn Ellis that UPI had moved to a different address in 1984, and a mail forwarding arrangement with the US Post Office had expired in 1985. The reminder was returned, unopened, to Mewburn Ellis on 29 December 1987. As a final resort Mewburn Ellis sent the reminder to the proprietor UC on 28 March 1988, but without addressing it to any named individual or department for they had also not been given any specific contact point at UC. It appears that the reminder did not reach Janett Trubatch or any other person responsible for patent matters at UC.

The official notification that the patent had ceased was issued by the office on 1 June 1988 in accordance with rule 42, and this apparently reached Mr Lazarus via Mewburn Ellis and the Administration Department or some other department of UC. Mr Lazarus does not appear to have recognised the significance of the notification because, as he puts it, "I in turn, turned this memo over to our patent counsel liaison Mr Snapp for the purpose that these taxes paid (sic)". Mr Snapp says that he did not receive the notification (there is some confusion in the evidence over the different US and UK practice of numbering dates), and that seems to me to be quite likely because Mr Snapp says that his patent-related work was taken over by in-house ARCH personnel, and he did not do any significant work for ARCH after about June 15.

Whatever happened to the notification, no-one at ARCH seems to have realised that the patent had ceased until about October 1988, shortly before the next renewal fee would have been due.

Having thus summarised the background facts and events associated with the lapsing of the patent, I now turn to consideration of whether or not the requirements of subsection (3) of section 28 have been met by the proprietor. Those requirements are that

- (a) the proprietor took reasonable care to see that any renewal fee was paid within the prescribed period or that that fee and any prescribed additional fee were paid within the six months immediately following the end of that period, and
- (b) those fees were not so paid because of circumstances beyond his control.

I accept that it was the intention of UC as proprietor of the patent to maintain the patent in force and to delegate responsibility for renewal of the patent for its 12th and subsequent years to ARCH. The two questions which I have to determine are (a) was the act of delegation of responsibility by UC to ARCH an act of reasonable care by the proprietor under the circumstances, and (b) were clear and unambiguous instructions given to ARCH by UC. In these respects I have to take the view that a proprietor is entitled to expect a competent person, appropriately selected, qualified and experienced, to carry out clear and unambiguous instructions.

Mr Harrison argued that UC, having been involved in setting up ARCH in the first place, must have considered ARCH to be reliable, and that the mistake by Mr Snapp in thinking that the renewal fee in question had already been paid, was a circumstance beyond their control. However, what concerns me here is whether or not the proprietor had reasonable grounds

for believing that ARCH at the time was an organisation having the requisite knowledge and resources to reliably maintain the patent, if necessary in conjunction with an outside agency, and had properly and fully instructed ARCH as to what their responsibilities were.

At the time the responsibility was passed, or was intended to be passed, over to ARCH the latter was still in the process of being set up as a fully operational concern and apparently consisted of no more than Mr Lazarus and one other employee. It seems to me that there was then no system in place at ARCH which would ensure that the renewal fee in question would be paid.

Even when Mr Snapp had arrived on the scene, ARCH were still trying to organise a system to keep track of patents, they would only act if they were made aware that action had to be taken, and they were not in a position to monitor the progress of older patents that ARCH had not been involved in prosecuting. Mr Snapp says that during the first six months of 1988 while he was with ARCH he did not set up in time a system which would track ARCH's obligations with respect to issued patents. There was also, according to Mr Snapp, some confusion (at ARCH) among persons who had been accustomed to dealing with the University as to who was responsible for patent matters.

UC were instrumental in establishing ARCH. As now constituted ARCH has a Board of Directors appointed by the President of UC, and the Chairman of the Board of Directors is also the Vice President of Research at UC. Mr Lazarus makes the point that UC re-delegated responsibility from an outside agency (UPI) to an organisation affiliated with UC (ARCH) - all the more reason, it seems to me, for UC to have detailed knowledge of the limited experience and resources of ARCH in July 1987. This close relationship between UC and ARCH should, if anything, have made it that much easier for UC to ensure that their instructions were passed on to the

appropriate people and were carried out.

The picture which emerges in my view is one of general confusion at ARCH rather than simply an isolated mistake by Mr Snapp, and it seems clear to me that this confusion arose from ARCH having responsibility for renewals thrust upon them when they were ill-prepared for it, and from ARCH being given insufficiently clear instruction and information by the proprietor.

In the light of all this, I do not see how UC can be said to have taken reasonable care in the delegation to ARCH of responsibility for the patent when and in the manner they did.

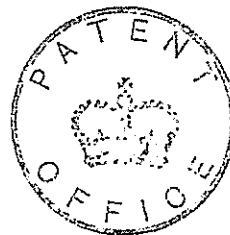
Finally and additionally, there was the failure by UC to ensure that Mewburn Ellis were notified of the change of responsibility from UPI to ARCH. This failure directly resulted in the official reminder being sent to the wrong organisation. Mr Harrison argued that this was irrelevant because Mr Snapp had already made the fatal error (of assuming that the fee had already been paid), UPI and ARCH were in contact with each other, and a proprietor is not required by section 28(3) to take reasonable care both during the initial period for payment and during the extended period.

I do not accept that the fate of the official reminder is irrelevant. The whole purpose of the reminders is to provide proprietors with a safeguard against failure of their arrangements for renewing their patents. It was, at least initially, considered desirable for UPI to receive any official reminder which was issued, and in my view, in the absence of any alternative, there was every reason why ARCH, or failing that Marshall or the proprietor UC, should receive any such reminder. I think this must be especially so bearing in mind the embryonic state of ARCH at the relevant time and the complete lack of experience there of being

involved in any sort of patent renewal system. Not only were Mewburn Ellis not notified that ARCH had, or should have, taken over the responsibility for renewing the patent, Mewburn Ellis had also not been given a named individual or departmental address at UC. The result was that the usefulness of the official reminder was effectively negated.

I am therefore not satisfied that the requirements of section 28(3) have been met and as a consequence I must refuse the application for restoration.

Dated this 2 day of APRIL 1991



K E PANCHEN

Superintending Examiner, acting for the Comptroller

THE PATENT OFFICE