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TECHNOLOGY LAW UPDATE

A report of the latest Federal Circuit updates brought to you by Preston Gates.

Ferguson Beauregard/Logic Controls, Div. of Dover Res., Inc. v. Mega Sys., LLC

Nos. 02-1380, -1427 (Fed. Cir. Dec. 4, 2003).

“The PTO has the authority to accept payment of maintenance fees up to twenty-four months following the six month grace period ‘if the delay is shown to the satisfaction of the Director to have been unintentional.’”

On December 4, 2003, the Federal Circuit, *inter alia*, vacated and remanded the district court’s judgment following a bench trial that Mega did not infringe U.S. Patent No. 5,146,991, which related to control systems used in the production of petroleum products from a well. The Federal Circuit also affirmed the district court’s ruling that it lacked jurisdiction to consider whether Mega’s U.S. Patent No. 4,921,048 had been improperly revived at the PTO after it lapsed for failure to timely pay maintenance fees. On this latter issue, the Federal Circuit stated:

Ferguson finally argues that the district court committed legal error in declining to consider Ferguson’s claim that Mega engaged in inequitable conduct when it successfully revived the ‘048 patent after it lapsed for failure to pay maintenance fees. Maintenance fees are required to be paid at 3 ½ years, 7 ½ years, and 11 ½ years, each with a six month grace period, after the grant of a patent to keep the patent in force. The PTO has the authority to accept payment of maintenance fees up to twenty-four months following the six month grace period “if the delay is shown to the satisfaction of the Director to have been unintentional.”

The ‘048 patent issued on May 1, 1990—with the 7 ½ year maintenance fee thus coming due on November 1, 1997, or within the following six month grace period. The maintenance fee was not timely paid, and the ‘048 patent lapsed accordingly. On August 9, 1999, a petition to revive the ‘048 patent was filed, in which it was asserted that the delayed payment of the maintenance fee was unintentional. The PTO granted the petition on or around September 7, 1999, but noted “[i]t is not apparent whether the person signing the statement of unintentional delay was in a position to have firsthand or direct knowledge of the facts and circumstances of the delay at issue.” The PTO further stated that “[n]evertheless, such statement is being treated as having been made as the result of a reasonable inquiry into the facts and circumstances of such delay,” and requiring that “[i]n the event that such an inquiry has not been made, petitioner must make such an inquiry.”

In the district court, Ferguson did not allege inequitable conduct, but merely asserted that the revival of the ‘048 patent was improper. In particular, Ferguson argued that the petitioner did not have firsthand knowledge of the facts and circumstances surrounding the late payment, and further, that no inquiry was made. Ferguson also asserted that the late payment was not unintentional.

The district court noted that Ferguson had not pled inequitable conduct, and concluded that it had no authority to take action based on the allegedly “improper” revival of the ‘048 patent. The district court’s determination that it had no authority to take action in this case is essentially a conclusion that Ferguson has failed to state a claim upon which relief may be granted. . . . Ferguson argues that the district court should have entertained the “improper revival” claim by inferring inequitable conduct. However, in contrast to the willfulness claim discussed above, inequitable conduct, while a broader concept than fraud, must be pled with particularity. Despite the dicta provided by the district court that “such a conclusion [of inequitable conduct] would be relatively easy based on the present record.” We affirm the district court’s decision declining to address the alleged inequitable conduct issue because it was not properly raised.