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**Datasheet for the decision
of 6 June 2012**

Case Number: J 0006/11 - 3.1.01

Application Number: 04751511.9

Publication Number: 1668968

IPC: H05K 5/03

Language of the proceedings: EN

Title of invention:

Compact electronic component system and method

Applicant:

Verari Systems, Inc.

Headword:

-

Relevant legal provisions:

EPC Art. 122, 112, 86, 114(2)

RPBA Art. 12(4)

EPC R. 51, 136, 126

Keyword:

"Re-establishment of rights"

"Proof of all due care(no)"

"Admissibility of new evidence(no)"

Decisions cited:

T 0034/90, T 0025/91, T 0506/91, T 0324/90, T 0122/84

Catchword:



Case Number: J 0006/11 - 3.1.01

D E C I S I O N
of the Legal Board of Appeal 3.1.01
of 6 June 2012

Appellant: Verari Systems, Inc.
9449 Carroll Park Drive
San Diego, CA 92121 (US)

Representative: Office Freylinger
P.O. Box 48
L-8001 Strassen (LU)

Decision under appeal: Decision of the Receiving Section of the
European Patent Office of 20 October 2010.

Composition of the Board:

Chairman: C. Heath
Members: D. T. Keeling
R. Cramer

Summary of Facts and Submissions

- I. The appeal is directed against a decision of the Receiving Section refusing the appellant's application for re-establishment of rights under Article 122 EPC. The loss of rights in question occurred when the appellant failed to pay a renewal fee under Article 86 EPC within the applicable time limits.
- II. The appellant (Verari Systems, Inc.) is a US corporation. It is the holder of European patent application No. 04751511.9, which is based on international application No. PCT/US04/14145 with an international filing date of 7 May 2004.
- III. On 2 July 2009 the Receiving Section informed the appellant that the renewal fee for the 6th year (EUR 900) fell due on 31 May 2009 by virtue of Rule 51(1) EPC. Noting that the renewal fee had not been paid by the due date, the Receiving Section pointed out that the fee could still be validly paid up to the last day of the sixth calendar month following the due date, provided that the additional fee (50% of the renewal fee) was paid at the same time (Rule 51(2) EPC). The appellant was informed that if the renewal fee and the additional fee were not paid in due time the European patent application would be deemed to be withdrawn under Article 86(1) EPC.
- IV. By registered letter dated 25 January 2010 and entitled "Noting of loss of rights pursuant to Rule 112(1) EPC", the Receiving Section informed the appellant that European patent application No 04751511.9 was deemed to be withdrawn under Article 86(1) EPC since the renewal

fee and additional fee had not been paid in due time. The letter mentioned the possibility of applying for re-establishment of rights under Article 122 EPC, provided that the time limits and other requirements of Rule 136(1) and (2) EPC were met.

- V. In a letter faxed to the EPO on 30 March 2010 the appellant requested re-establishment of rights in European patent application No. 04751511.9 under Article 122 EPC. The appellant's representative stated that upon receipt of the letter of 25 January 2010 noting the loss of rights he had immediately sent it to his client, who wished to revive the patent application. The justification for the request for re-establishment of rights was explained in the following terms:

"Verari Systems, Inc. went through some economic challenges last year, and during these challenges a reduction in the workforce was made. The personnel responsible for direct management of payment of foreign patent maintenance fees was let go, and despite the existence of multiple calendars which identified the necessary due dates, the individual that was assigned to take over that responsibility failed to accurately track the due dates for maintenance fees. Maintenance fees went unpaid, and patent filings lapsed. It was never the intent of Verari Systems, Inc. to allow the lapse of any foreign patent matters, and the lapse of the above-referenced patent application was entirely unintentional.

During the first quarter of this year, Verari technologies, Inc. purchased all of Verari Systems, Inc.'s assets, both physical and

intellectual property. During the transition period of the sale Verari Systems, Inc. overlooked the payments for patent renewals. Since the finalization of the sale 16th January 2010 Verari Technologies, Inc. has been working diligently to identify all patents and bring them back into current standing."

VI. By letter of 12 May 2010 the Receiving Section informed the appellant that it was not convinced, on the basis of the information contained in the request for re-establishment of rights, that the appellant and its representative had taken all due care. The Receiving Section requested the following:

- More detailed information about the economic challenges the appellant went through;
- A detailed explanation regarding the working procedures for payment of renewal fees both before and after the reduction in the workforce was made;
- A statement from "the individual who was assigned to take over responsibility for the payment of maintenance fees";
- A copy of the "multiple calendars" which are used to identify the due dates.

The Receiving Section also pointed out, with regard to the admissibility of the request for re-establishment of rights, that "the removal of the cause of non-compliance with the period" within the meaning of Rule 136(1) EPC was, according to the case law of the Boards of Appeal, a question of fact and normally occurred on the date on which the responsible person was made aware of the fact that a time limit had not been observed. The Receiving Section therefore asked

for a statement when the responsible person was made aware that the time limit for paying the renewal fee had been missed. The appellant was invited to reply to the letter of 12 May 2010 within two months.

- VII. On 20 October 2010 the Receiving Section issued the decision under appeal. The decision, which noted that the appellant had failed to reply to the letter of 12 May 2010, rejected the request for re-establishment of rights and declared that the European patent application was deemed to have been withdrawn with effect from 1 December 2009.
- VIII. In the decision under appeal the Receiving Section stated that it was unable to establish the admissibility of the request for re-establishment of rights since the appellant had failed to respond to its request for information as to when the responsible person had been made aware that the time limit had been missed. Even if the request for re-establishment of rights was admissible, the Receiving Section expressed doubts as to the merits of the request. As a result of the appellant's failure to reply to the Receiving Section's letter of 12 May 2010 it was impossible to establish whether this was a case of exceptional circumstances or an isolated mistake within a normally satisfactory system. The requirement of all due care, within the meaning of Article 122(1) EPC, could not therefore be considered to have been met.
- IX. On 15 December 2010 the appellant filed a notice of appeal (dated 14 December 2010) against the decision of the Receiving Section. The appellant requested the cancellation of the decision and the granting of its

request for re-establishment of rights. It also requested oral proceedings, should the Board intend to confirm the decision under appeal. A written statement setting out the grounds of appeal was filed on 28 February 2011.

X. The statement setting out the grounds of appeal reproduced - more or less verbatim - the arguments contained in the request for re-establishment of rights (see paragraph V above). In addition, the appellant provided the following items of documentary evidence:

- Copies of the correspondence between the appellant (together with Verari Technologies, Inc.) and the appellant's representative;
- A signed declaration by US patent attorney Mr Gary Eastman, who had been engaged by the appellant at the relevant time;
- A signed declaration by Mr Christopher Witt, formerly Chief Financial Officer of the appellant;
- A signed declaration by Ms Christine Cacciatore, formerly employed in the accounting department of the appellant.

XI. On 14 November 2011 the Board of Appeal sent a communication to the appellant, under Article 15(1) of the Rules of Procedure of the Boards of Appeal (RPBA), setting out the Board's provisional view in the following terms:

In the first place, the Board pointed out that there were doubts about the admissibility of the request for re-establishment of rights since it was not clear that the appellant had complied with the two-month time limit laid down in Rule 136(1) EPC. The Receiving

Section had taken the view that the "removal of the cause of non-compliance" occurred when the appellant had been made aware of the loss of rights resulting from the failure to pay the renewal fee, i.e. when the appellant had actually received the letter of 25 January 2010, not when the letter was deemed to have been received under Rule 126(1) EPC. Since the appellant had failed to respond to the request for information as to when the letter was received it was impossible to determine whether the two-month time limit had been complied with.

Secondly, the Board stated that there were doubts about the merits of the request for re-establishment of rights. Re-establishment of rights could only be granted if the applicant showed that "all due care required by the circumstances" was taken (Article 122(1) EPC). The request for re-establishment must "state the grounds on which it is based and ... set out the facts on which it relies" (Rule 136(2) EPC). In this respect the request submitted to the Receiving Section on 30 March 2010 was clearly inadequate. The appellant referred to economic challenges and a reduction in the workforce, and stated that despite the existence of multiple calendars the person who had been given responsibility for paying renewal fees failed to make the necessary payment. No supporting evidence was filed. The Receiving Section's request for further information and specific items of evidence went unanswered. The decision under appeal appeared therefore to have been correct, since the Receiving Section could hardly decide otherwise in the circumstances. Therefore the appeal would have little prospect of success unless the Board decided to admit

the evidence that the appellant had submitted with its grounds of appeal to explain the economic difficulties that had caused the loss of rights.

Thirdly, the Board pointed out that the appellant did not have an automatic right to submit new evidence with the grounds of appeal. In general the Board had a discretionary power to admit new evidence under Article 114(2) EPC in conjunction with Article 12(4) of the Rules of Procedure of the Boards of Appeal (RPBA). In the present case this discretionary power might be limited by the case law concerning substantiation of an application for re-establishment of rights. The Board drew the appellant's attention to the decisions cited in section VI. E. 3.4 of "Case Law of the Boards of Appeal of the EPO", 6th edition, 2010, p. 501.

Finally, the Board observed that if the new evidence were admitted it would be necessary to decide whether, in the light of the financial difficulties described therein, the appellant could be said to have taken "all due care required by the circumstances" in accordance with Article 122(1) EPC.

XII. On 16 January 2012 the appellant submitted written observations in response to the Board's communication of 14 November 2011. The appellant argued in particular that the cause of non-compliance occurred, not when the appellant's representative received the notification of loss of rights, but when that notification came to the attention of the person within the appellant's organization who was responsible for paying the renewal fee. That event occurred no earlier than 5 February 2010. The appellant also provided more detailed

information and documentary evidence about the economic difficulties encountered by the appellant in 2009 and 2010.

XIII. Oral proceedings were held on 6 June 2012. The chairman outlined the main issues as perceived by the Board of Appeal and stated that the Board intended to consider in the first place whether the decision under appeal was correct in the light of the arguments and evidence available to the Receiving Section at the time when the decision was taken. The Board would then consider whether the further evidence submitted with the grounds of appeal and with the observations of 16 January 2012 should be admitted into the proceedings. If the Board were to conclude that the decision under appeal was correct at the time when it was taken and that the evidence filed with the grounds of appeal and at a later stage of the appeal proceedings should not be admitted, the appeal would have to be dismissed.

Reasons for the Decision

The question whether the decision under appeal was legally correct

1. The primary duty of the Board of Appeal is to give a judicial decision on the correctness of an earlier decision taken by one of the first-instance departments listed in Article 108(1) EPC (see e.g. T 34/90, OJ EPO 1992, 454, T 25/91 and T 506/91). Thus in the present case the Board must first of all decide whether the decision under appeal was legally correct on the basis of the information and evidence available to the

Receiving Section at the time when it adopted the decision on 20 October 2010.

2. The request for re-establishment of rights which the appellant submitted on 30 March 2010 was clearly inadequate for the purposes of Rule 136(2) EPC, which requires that the "request shall state the grounds on which it is based and shall set out the facts on which it relies". The appellant's request referred to certain economic challenges, the departure of personnel responsible for paying patent maintenance fees and the existence of multiple calendars. The appellant did not provide the sort of detailed information, backed up with evidence, that might have allowed the Receiving Section to conclude that the appellant had exercised "all due care required by the circumstances", as required by Article 122(1) EPC. In this respect it must be borne in mind that the burden of proving that the requirements for re-establishment have been met lies with the applicant for re-establishment. In fact in the present case it is questionable whether the information provided in the appellant's letter of 30 March 2010 was even sufficient to render the request for re-establishment of rights admissible, in the light of the case law of the Boards of Appeal. It has been held that a request which contains only general information and does not give specific details of the events that entailed the loss of rights should be rejected as inadmissible for want of substantiation (J 19/05).
3. In T 324/90 (OJ EPO 1993, 33) the Board of Appeal held that evidence proving the facts set out in the request for re-establishment of rights may be filed after the expiry of the two-month time limit laid down in

Article 122(2) EPC 1973 [now Rule 136(1) EPC]. In the present case the Receiving Section expressly drew the appellant's attention to the inadequacy of the information provided in the request for re-establishment filed on 30 March 2010. In its letter of 12 May 2010 (see paragraph VI in the Summary of Facts and Submissions above) the Receiving Section set out in considerable detail the sort of information and evidence that needed to be provided in order for the request to be considered properly substantiated. As was noted in the decision under appeal, the appellant failed to reply to that letter.

4. In view of the appellant's failure to substantiate the request for re-establishment of rights it is clear that the decision under appeal is the only decision that the Receiving Section could lawfully take. At the hearing on 6 June 2012 the appellant's representative observed that it was impossible to provide further evidence in response to the Receiving Section's invitation as a result of the economic difficulties encountered by the appellant. He conceded that the decision under appeal was correct on the basis of the available evidence.

The admissibility of the new evidence submitted during the appeal proceedings

5. The Board must next consider whether the decision under appeal, though legally correct at the time when it was adopted, may none the less be challenged on the basis of the new evidence which the appellant submitted with its grounds of appeal and with its written observations of 16 January 2012.

6. There is case law to support the view that an applicant for re-establishment of rights who fails to substantiate his application adequately in the first-instance proceedings cannot make good that failure by submitting additional evidence with the grounds of appeal (J 18/98, paragraphs 3, 4 and 7). In that decision the Board held that facts pleaded for the first time in the grounds of appeal cannot be taken into consideration, on the ground that to act otherwise would be incompatible with the judicial nature of the Boards of Appeal.

7. While it is true that the primary function of the Boards of Appeal, as stated above in paragraph 1, is to give a judicial decision on the correctness of a first-instance decision of the Office, that does not necessarily mean that new evidence submitted for the first time on appeal is automatically inadmissible. A rigid rule excluding all new evidence on appeal might lead to injustice and unfairness in some cases and would not be compatible with the principles of procedural law generally recognized in the Contracting States (cf. Article 125 EPC).

8. The appellant does not have an absolute right to introduce new evidence with its statement of grounds of appeal. That is clear from the wording of Article 12(4) of the Rules of Procedure of the Boards of Appeal (RPBA), which refers to "the power of the Board to hold inadmissible facts, evidence or requests which could have been presented or were not admitted in the first instance proceedings". Article 12(4) RPBA must be read in the light of Article 114(2) EPC, which provides:

"The European Patent Office may disregard facts or evidence which are not submitted in due time by the parties concerned."

It is sometimes said that there is a contradiction between the Office's power to disregard late-filed evidence (Article 114(2) EPC) and its obligation to examine the facts of its own motion (Article 114(1) EPC) (see, for example, the discussion in "Case Law of the Boards of Appeal of the European Patent Office", 6th edition 2010, VII.C.1). There is, however, no such contradiction because the Office is not required to disregard late-filed evidence but merely given a discretionary power to disregard such evidence (see T 122/84, OJ EPO 1987, 177, paragraph 11, and the reference made therein to the *Travaux Préparatoires* to the EPC).

9. There is, moreover, a difference between evidence that is in the public domain and easily accessible (e.g. published patent applications) and evidence that is within the private sphere of the party concerned (e.g. information about the economic challenges facing the party and about the organization and working methods of its internal departments). The Office's duty to examine evidence of its own motion is more stringent in relation to evidence that is in the public domain, and the case for admitting such evidence when it is filed out of time by the parties is correspondingly stronger. The Office's duty to examine of its own motion evidence that is in the private sphere of the party concerned is obviously limited. Such evidence can only be taken into consideration by the Office if it is brought to the Office's notice by the party concerned. If evidence of

that type is not put forward in the proceedings before the first-instance department of the Office, it is difficult to see any compelling reason why the Board of Appeal should exercise its discretionary power under Article 114(2) EPC and Article 12(4) RPBA in such a way as to admit the evidence when it is filed with the grounds of appeal or *a fortiori* at a later stage of the appeal proceedings. That is particularly true when, as in the present case, the first-instance department has expressly drawn the appellant's attention to the need for supporting evidence, indicated precisely what type of evidence is needed and given the appellant an adequate time limit within which to file the evidence. In such a situation it was surely incumbent on the appellant, which had lost its rights through failing to pay a renewal fee by the original due date under Rule 51(1) EPC and through failing to pay that fee and the additional fee within the six-month period provided for in Rule 51(2) EPC, to make an effort to gather together the requested evidence and to file it within the prescribed time limit or at the very least, if that proved impossible, to request an extension of the time limit under Rule 132(2) EPC. Even a company in economic difficulties must show some degree of vigilance in protecting its patent rights and responding to a request for information and evidence from the Office. The appellant did not show that minimum level of vigilance and gave every impression that at that point it had lost interest in its European patent application.

10. A further point to bear in mind is that under Article 122(4) EPC re-establishment of rights is ruled out in respect of the time limit for requesting re-establishment of rights. If an applicant for re-

establishment of rights who completely failed to substantiate the application, as required by Rule 136(2) EPC within the two-month time limit laid down in Rule 136(1) EPC, were then allowed to file with his grounds of appeal the evidence that he could and should have filed with the application for re-establishment, the effect of that would be to deprive of all meaning the rule laid down in the first sentence of Article 122(4) EPC. The appeal proceedings would be used as a means of obtaining re-establishment in respect of the time limit for requesting re-establishment.

11. In the light of the above considerations the Board concludes that there are no grounds for exercising its discretionary power under Article 114(2) EPC and Article 12(4) RPBA in such a way as to admit the evidence filed for the first time with the grounds of appeal and with the written observations submitted on 16 January 2012.
12. Consequently the appeal must be dismissed.

Order

For these reasons it is decided that:

The appeal is dismissed.

The Registrar:

The Chairman:

C. Eickhoff

C. Heath