

# The Limited Monopoly™

## Basic Maintenance - Keeping Patents in Force After Issue

by John Hammond PE and Robert Gunderman PE

### Three Fees, Please.

When a United States patent issues, the financial investment needed to obtain the patent is complete. However, further payments are required in order to maintain the patent in force over its full term of twenty years from the filing date of the patent application. 35 USC 41(b), enacted December 12, 1980, requires payment of maintenance fees in the USPTO at 3½, 7½, and 11½ years from the date of grant of the patent.

Currently, the maintenance fees due at the three intervals are \$980, \$2480, and \$4110. The Patent Office will accept a late maintenance fee payment up to six months after the fee deadline, provided that a surcharge of \$130 is paid. All fees are reduced by half for “small entities,” i.e., small businesses as defined by certain rules<sup>1</sup> of the Small Business Administration.

The purpose of requiring maintenance fees is twofold. Obviously, the fees are a major source of revenue which funds the operation of the Patent Office. The second purpose is to provide an incentive for patent holders to relinquish the “limited monopoly” of a patent, and to allow the invention claimed in the patent to transfer to the public domain. If any maintenance fee is not paid by the end of its six-month grace period, the patent expires, and a notice of the expiration is published by the Patent Office. As a practical matter, any patent that is not producing income for the patent owner by product sales, royalties, or litigation is a candidate for expiration through non-payment of a maintenance fee, particularly at the 7½, and 11½ year points where the fees are much greater. It is quite common for a company to allow the “non-performing” patents in its portfolio to expire and pass to the public domain before the end of the twenty year term.

### Revival permitted.

As the bumper sticker says, “Stuff Happens<sup>2</sup>,” and sometimes it happens to an issued patent when a maintenance fee is not paid on time. In this case, the patent owner (or the agent of record responsible for making payments) soon receives a notification from the Patent Office that the patent has expired due to non-payment of a maintenance fee. If the patent is a money-maker, this can be quite unpleasant.

Fortunately for patent owners, the Patent Office allows for “revival” of an expired patent. If the non-payment of the maintenance fee was unintentional, the patent owner may revive the patent by filing a petition and paying a fee (currently \$1640), provided that the filing and payment are made within 24 months of the patent expiration. If the patent owner can provide a showing that the delay in payment was unavoidable, the patent may be revived by

*“If you own an issued patent, you must be fully aware of the requirement for payment of periodic maintenance fees in the Patent Office to keep the patent in force.”*

petition and payment of a lesser fee (currently \$700).

### But “Bait and Revive” not permitted.

However, a revived patent may not carry the full “rights to exclude” that it formerly held. Look at it this way. Suppose you are aware of a particular patent held by your competitor, Bokshed, Inc. You would like to offer a competing product, but given the patent, you are unable to do so. You monitor the status of Bokshed’s patent closely with fingers crossed,



and watch as the six month grace period for payment of a maintenance fee ends without payment. The Patent Office publishes the expiration in the Official Gazette. Halleluia! The green light is on. You buy tooling, set up production, launch a marketing campaign, and start selling the formerly patented product.

A few months later, you learn that Bokshed has revived its patent as described above, and it is back in force. Oh no! Can you be sued now for infringement? Not necessarily. Because of the lapse in the patent, per 35 USC 41(c)(2), you now have “intervening rights.” You invested your money and went into production with the good faith understanding that the patent was no longer in force, and your right to make, use, and/or sell the patented invention cannot be rescinded retroactively. A court may further extend your rights from the patent revival date forward. Additionally, even if you have not yet launched the product, if you can show the court that you have made “substantial preparations” to do so, you may be granted the intervening rights to proceed.

The intervening rights statute protects your good faith effort, and also provides teeth

in preventing Bokshed from practicing “bait and revive.” If Bokshed were to attempt the unethical (and illegal) practice of allowing its patent to expire, lurking in the shadows waiting for competitors to enter the market, and then reviving and asserting the patent, it would not succeed. Your intervening rights would trump any such attempt.

### Mind your portfolio.

If you or your company has been granted a patent, at the time when it issues, ironclad provisions should be put in place for notification of maintenance fee due dates, and payment of these fees if the patent is to be maintained in force. You may contract with your patent practitioner, or a third party “annuity” service provider for such notification and fee payment services. (In either case, get the commitment in writing.)

Alternatively, you may take responsibility for tracking and payment of your own maintenance fees. If you take the do-it-yourself approach, you should a.) change the correspondence address on record in the Patent Office to your address, and b.) docket the maintenance fee deadlines in a calendar program such as Outlook, and redundantly in at least one other paper or computer-based calendar, with at least two specific individuals responsible for monitoring the deadlines. That way, the dreaded “Notice of Patent Expiration” won’t someday show up in your mail.

1. 13 CFR§101-105.
2. Or something to that effect.

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Photo note: Old barn near Mendon Ponds Park, collapsed – from lack of maintenance.

