

Intellectual Property Institute of Canada
Institut de la propriété intellectuelle du Canada

Intellectual Property Institute of Canada (IPIC) Submission on Submissions on the Due Care Reinstatement Standard

Submission to the Canadian
Intellectual Property Office

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INTRODUCTION AND OVERVIEW

The Intellectual Property Institute of Canada (IPIC) submits this position paper in view of the Canadian Intellectual Property Office's (CIPO) expressed openness to discussing reform of Canada's "due care" standard for reinstating patents and patent applications, and the more general need to review the state of this issue in Canada. IPIC greatly appreciates the work that CIPO has done on this topic to date, and looks forward to working in collaboration with CIPO and other government departments on this issue over the coming months.

IPIC's position is quite simple: several years of experience has revealed **significant problems with the current due care standard**.

First, the current standard has proven **extremely difficult to meet**, and the overwhelming majority of all due care reinstatement requests are **rejected**.[1] This is true even in circumstances that are relatively sympathetic or commonplace in the agency profession.

Secondly, the effects of a *failed* reinstatement request are severe and **disproportionate to the harm.** When a reinstatement request fails the affected patent rights are permanently dead. In contrast, the underlying "offence" is the generally minor harm of a missed fee payment of only several hundred dollars. This outcome is difficult to reconcile with principles of proportionality. A relatively minor administrative omission can result in the permanent loss of patent rights that may be of substantial value.

Thirdly, **patent rights can be lost even when the *rights holder* does nothing wrong**. There are numerous examples where a rights holder was wholly innocent and often was unaware of the maintenance fee deadline. Nevertheless, the mistakes of a third party (including an agent[2]) resulted in the patent rights being lost. Examples include cases where the third-party agent committed fraud,[3] was suffering from undiagnosed Alzheimer's,[4] or suffered a serious injury that impeded effective communication.[5]

In IPIC's view, the mistakes of a third-party (whether a registered patent agent, a maintenance fee service provider, or another) **<u>should not</u>** result in an innocent rights holder being punished without any possible recourse. Rights holders routinely (and out of necessity due to the complexity of the maintenance fee rules) put their trust into the hands of one or more agents to handle activities related to their patents and applications, including the payment of maintenance fees. These rights holders have little choice but to trust those third parties to properly track deadlines, communicate notices from CIPO, and seek timely instructions. Instead of a legal standard connected to the *intentions* of the rights holder with respect to maintenance fees, the current due care regime treats each person in the payment

[1] CIPO's own data suggests the rejection rate is approximately 80%.
[2] This could include a regulated patent agent or an agent at common-law, such as a third party solely responsible for paying maintenance fees.
[3] See due care request regarding patent no. 2,803,473
[4] See due care request regarding patent no. 2,788,878
[5] See due care request regarding patent no. 2,686,455

process as a link in a chain, and if **any single one of those links fails**, the entire chain breaks and the patent rights are lost.

Fourth, Canada's approach **differs from that adopted by several major patent jurisdictions**. Some countries have long had more forgiving standards that are linked to the *intentions* of the rights holder. For instance, the United States has a long history of reinstating patent rights, including for missed maintenance fees, based on a standard of "unintentionality", and adopted an even more forgiving approach when it implemented the PLT treaty in 2013. In virtually all cases in the U.S., if the rights holder did not *intentionally fail to pay the fees*, the patent can be reinstated. Perhaps even more tellingly, other countries have experimented with implementing a due care standard similar to Canada's current regime, then later determined that the due care standard was too harsh and moved to a lower standard.

For example, the **United Kingdom** changed from the higher standard of "reasonable care" to "unintentional" in 2005. Cases like O/357/07 were illustrative[6], where patent rights were lost even though the patentee had <u>always intended to renew</u> their rights:

> "…it had been **Mr. Mitchell's <u>intention</u> to renew all the patents** in the family together, but he misread the reminder letters and schedules…. He took it that the final deadline for renewing all the patents, including the EP (UK) patent, was 31 May 2005. He did not appreciate the significance of the 15th of May 2005 date and as such, **<u>he made a mistake</u>**."

More recently, **Japan** changed from the higher "due care" standard to an "unintentional standard" in 2023. Like Canada, Japan had implemented a due care standard for restoring a patent after a missing maintenance fee within the 6-month late payment deadline. Also, like Canada, the result was that *almost all requests* to restore a patent were rejected. Government officials in Japan soon acknowledged that inadvertent human error is a reality and sometimes leads to missing the late payment deadline. They noted that Japan had acceded to the PLT to make the regime more user-friendly, and it did not look good that their accession to the PLT did not produce any tangible results. Japan ultimately determined that the unintentional standard struck a better balance between the patentee and the public

Fifth, the existence of third-party rights is an effective mechanism for protecting the public. In particular, well-intentioned concerns have been expressed that changing to an "unintentional" standard would fail to protect the public, who may choose to practice inventions after the associated patent rights have lapsed for non-payment of maintenance fees. While true, this concern overstates the risks. Notably, years of experience in the United States, United Kingdom and Japan does not suggest that an unintentional standard has resulted in widespread abuse or strategic non-payment of maintenance fees.

Concerns about third party rights might also be addressed by requiring heightened levels of scrutiny after an extended period of time. For instance, while the United States generally accepts at face value petitions for revival based on the unintentional standard, the USPTO increased the petition fee and requires a detailed explanation in regards to the delay when the petition is filed **<u>more than 1 year after</u>**

[6] https://www.ipo.gov.uk/patent/p-decisionmaking/p-challenge/p-challenge-decision-results/o35707.pdf

the relevant deadline: "The USPTO continues to accept applicant certifications in routine cases, but views longer delays as inherently raising doubt about intent."[7] The USPTO also has discretion to request information in all cases where it has concerns.

Furthermore, while third party rights are an important theoretical issue, the experience of our members suggests that the actual likelihood of this event occurring is typically quite low, and there is little evidence to suggest that this is a widespread problem. Moreover, third-party rights are available under the modern *Patent Act* and serve as an effective shield even in the unlikely event that such a situation were to arise.

Lastly, the current system may actually undermine confidence in the Canadian patent system and discourage investment in obtaining and maintaining patent protection in Canada. A patent system functions best when rights holders can reasonably rely on their rights being determined on their substantive merits in a predictable and transparent manner. A regime in which valuable patent rights can be permanently extinguished because of a single administrative error by an agent or other party risks undermining confidence in the patent system and discouraging investment in innovation in Canada.

IPIC shares the government's stated goal of when it introduced the modern due care regime of implementing a standard that leads to the right behavior by patentees and applicants, mitigates abuse, fairly implements the Patent Law Treaty (PLT), and otherwise balances the rights of the patentee/applicant and the public. **IPIC respectfully submits that this balance is currently off and that reform is needed.** The restoration of patent rights should be linked to the intentions of the rights holders, and rights should not be lost where those rights holders put their faith in others who let them down.

IPIC recommends the following path forward:

1. **Main Recommendation:** Replace the due care standard with an "unintentional" standard through amendments to the *Patent Act* and/or *Patent Rules*. The unintentional standard is currently used in other PLT contexts in Canada and is otherwise consistent with the Canadian Delegation's stated position at WIPO. Further, it aligns with the approach of other major international patent offices, including those that have experimented with due care in the past.

2. **Second Recommendation:** Alternatively, if replacing the standard is not achievable, extend the late payment window by right from six months to a longer period of time, such as twelve months. Anecdotally, IPIC members believe that most errors are discovered within one year of the missed deadline. A quantitative analysis of the due care submissions made to date could help confirm this. This would substantially mitigate the problem without requiring the government to change the current due care standard.

[7] See commentary here: https://www.finnegan.com/en/insights/blogs/prosecution-first/uspto-tightens-unintentional-delay-petitions-1-year-time-period-now-triggers-heightened-scrutiny.html

3. **<u>Third Recommendation</u>:** If legislative amendments are not forthcoming, CIPO could take one of more of the following actions:

    a. send additional late maintenance fee notices to the previous maintenance fee payor and the applicant (as well as to the agent). This would ensure that innocent rights holders are not prejudiced by issues in communication with their agents;

    b. adopt a presumptive acceptance model under which explanations connected to a request for due care are generally accepted at face value, subject to CIPO retaining discretion to request further information in appropriate cases. This would leave disputes over the threshold of due care to be examined in subsequent enforcement proceedings. This could optionally be tied to a particular time window, like the USPTO. For instance, within one year of a missed deadline the petition would automatically be accepted, while for later petitions detailed facts must be provided; and

    c. soften the interpretation of "reasonably prudent applicant" to reflect business realities, including recognizing, for example, that continued reliance on previously reliable email communication, or an otherwise reputable firm's accidental misunderstanding of instructions, can still be "reasonably prudent."

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1. CASE STUDY: A CANADIAN INNOVATOR'S UNFORTUNATE STORY

A now infamous Canadian story helps set the backdrop for the scope of the due care issue in Canada.

In 2006, Mr. Robert Taillefer of Gatineau, Quebec, won the canal ice-maintenance contract for the Rideau Canal. At that time, no one had invented a machine suitable for flooding the canal, and so Taillefer and co-inventor Sylvain Fredette built their own: the "Froster".[8] They applied for a Canadian patent in 2010, which granted on January 19, 2016, as Canadian Patent No. 2,690,767.

As is well known, annual maintenance fees must be paid to maintain Canadian patents and pending applications. As has been explained, these fees are appropriately levied by CIPO to "*discourage the proliferation of deadwood patents and patent applications by requiring patentees and patent applicants, at least on an annual basis, to take steps to keep them in good standing*."[9]

Taillefer hired a Canadian patent agent to pay the annual maintenance fees on his patent. The agent successfully corresponded with Taillefer by email for several years. In particular, each year the agent emailed Taillefer a reminder, and, upon receiving Taillefer's explicit instructions, the agent paid the maintenance fee.

Ahead of the January 20th, 2020 maintenance fee deadline, the agent sent the usual emails to Taillefer requesting instructions to pay the maintenance fee. The maintenance fee amount due was only $125.

These emails went unanswered.

In the absence of instructions, the agent did not pay the maintenance fee.

The agent subsequently received (and emailed to Taillefer) a notice from CIPO setting a late payment deadline of July 21st, 2020. The new total due would have been $275, including the maintenance fee and late payment fee. Taillefer did not reply to this additional email from the agent either.

On October 29th, 2020, Taillefer discovered the agent's emails in his email "junk folder". Email communication between the agent and Taillefer had worked flawlessly for years. Now, for some unknown reason, the emails from the agent were being treated as spam by the email provider. Upon discovering the emails, Taillefer promptly instructed the agent to pay the maintenance fee.[10]

Had these events occurred just over a year earlier (i.e., prior to October 30th, 2019), all would have been well. The old *Patent Rules* in effect in 2019 allowed for a grace period of twelve months following the

[8] Facts taken from the Macleans' article How the Rideau Canal got its best ice ever - Macleans.ca.

[9] *Dutch Industries Ltd v Canada (Commissioner of Patents) (CA)*, 2003 FCA 121 at para 30.

[10] The sequence of events in this paragraph is from *Taillefer v. Canada (Attorney General)* 2024 FC 259 and the request for reinstatement filed by the agent on November 16, 2020.

initial deadline to pay the outstanding maintenance fee by right, with an additional fee for late payment.[11] Taillefer discovered the email "junk folder" issue nine months after the deadline, well within the old 12-month grace period.

However, under the present regime, **meeting due care was now required**. This new regime meant that Taillefer no longer had the ability to rectify the situation *as of right*. Instead, Taillefer was subject to an administrative proceeding that took over two years to determine whether the failure to pay the $275 (including the maintenance and late fee) occurred in spite of due care.[12]

Following a long investigation, the Commissioner held that **due care was not taken**. The Commissioner explained that "*to show due care, it is expected to take 'all possible actions', considering the circumstances of the case*". The request was refused, meaning that the expiry of the patent could not be reversed. The $275 maintenance and late fee were not accepted. Instead, the patent was deemed "dead", a permanent loss of rights for Taillefer.

It is worth pausing at this moment to contrast **who** made a mistake against **who** was punished for that mistake. It is reasonable to accept that the *agent* could have (and likely ought to have) done more (including for example calling Taillefer). Conversely, it is unclear what Taillefer did wrong at all. Like most rights holders in Canada, Mr. Taillefer put his faith and trust in an agent to track deadlines, send notices, and seek timely instructions. He also had no reason to believe that his email systems were not functioning properly given that he had historically always received emails from his agent. In that sense, the situation was completely out of Mr. Taillefer's control. However, it was not the agent who was punished for the mistake; rather it is Taillefer whose patent rights were extinguished.

Mr. Taillefer subsequently submitted an application for judicial review to the Federal Court, which was dismissed two years later.[13]

Mr. Taillefer then appealed this decision to the Federal Court of Appeal, which was also dismissed.[14] The Federal Court of Appeal stated succinctly, at paragraph [11]:

> "At the hearing, counsel for the Appellant submitted that in circumstances where email communications between the Appellant and the Agent had occurred **flawlessly for eight years**, a breakdown in communications was unforeseeable and that the Commissioner's finding of a lack of due care amounted to imposing on the Appellant and Agent a standard of perfection. On a fair reading of the Commissioner's reasons, we are of the view that the Commissioner determined that, in the absence of a backup system, including alternative communications methods, the unfortunate circumstances experienced by the Appellant were **an accident waiting to happen**." (emphasis added)

[11] Rule 100 and Schedule II Item 31 of the *Patent Rules* as they read prior to Oct 30, 2019, available here.

[12] The request for reinstatement and explanation was filed by the agent on November 16, 2020, and the final decision was issued by the Commissioner on December 20, 2022.

[13] *Taillefer v. Canada (Attorney General)*, 2024 FC 259.

[14] *Taillefer v. Canada (Attorney General)*, 2025 FCA 28.

Importantly, *neither* the Commissioner nor the Courts suggested that Mr. Taillefer had even intended to abandon his patent rights. This distinction between intentional abandonment and inadvertent administrative error lies at the heart of the present policy debate on this issue.

With the dismissal of the appeal, more than four years of uncertainty on the part of third parties and Mr. Taillefer came to an end. The conclusion with respect to the status of Mr. Taillefer's patent was clear. **Because of the failure to pay the modest fees of $275 owing by the late payment deadline, Mr. Taillefer's invention could be copied and exploited by anyone in Canada.**

The investment Mr. Taillefer made in developing, patenting, and maintaining the invention was substantially diminished because the patent rights were lost. From Mr. Taillefer's perspective, this outcome no doubt created the impression that the patent system did not adequately protect an inventor who had always intended to maintain his patent rights.

Now, it is entirely possible to agree with the findings of the Commissioner that more should have been done, and with the Court of Appeal that this was an accident waiting to happen, and still be unsettled by the outcome. Mr. Taillefer is not a large, sophisticated multinational with hundreds of patents under his care and control. As the Federal Court noted, his portfolio consisted of only two patents.[15] He is not a patent agent or a lawyer, and his primary job is not tracking deadlines for maintenance fees or otherwise. Even if it is conceded that the agent ought to have done more to communicate with Mr. Taillefer, and that Mr. Taillefer perhaps should have checked his email more closely, it seems unfair that the consequence of this miscommunication is that Mr. Taillefer's invention may now be freely copied despite his continued intention to maintain patent protection.

This is the death of a patent right that is disproportionate to the non-payment of a fee of less than $300.

Moreover, had this fact pattern occurred in the United Kingdom, even under the United Kingdom's older and now abandoned due care regime, Mr. Taillefer might have been fine. For example, in the *Frazier* decision in the UK, in analogous circumstances it was held that the *rights holder* had exercised due care and should not be punished:

> *"[i]n Frazer's Patent, [1981] RPC 53, it was held that a "reasonable lone patentee" who had put their patent affairs in the hands of their solicitor had exercised due care, and the failure of the solicitor to pay renewal fees was a circumstance beyond the proprietor's control; for a person in this situation the normal rule that a principal stands in the shoes of their agent did not apply."* [16]

The facts of Mr. Taillefer's fate may have been newsworthy,[17] but the outcome of a lost patent or patent

[15] *Supra* note 7, at para. [8[

[16] See for example the discussion of Frazer's Patent [1981] RPC 53: https://www.gov.uk/guidance/manual-of-patent-practice-mopp/section-28-restoration-of-lapsed-patents

[17] *e.g.* National Post "How inventors of famed Frosters that groom Rideau Canal skating rink lost patent due to junk mail", February 7, 2025. Available here.

application under the due care standard has impacted hundreds[18] of patent rights since introduced as part of the ratification of the PLT. This long list includes notable examples where the third-party agent committed fraud,[19] was suffering from undiagnosed Alzheimer's,[20] or suffered a serious injury that impeded effective communication,[21] as well as other troubling examples in list in **Appendix "A"**

In light of these many examples where patent rights have been permanently lost as a disproportionate consequence for Canadian innovators, the due care standard is now ripe for reconsideration. IPIC appreciates the opportunity to engage with CIPO and other government stakeholders to review this issue.

2. CONSEQUENCES OF IMPLEMENTING THE PATENT LAW TREATY

Prior to October 30, 2019, the Canadian *Patent Act* and *Patent Rules* allowed for the patent applicant or patentee to correct a missed maintenance fee payment **as a matter of right** if it was corrected no more than 12 months after the missed deadline.[14] This procedure was simple and certain:

i) for a **pending application**, a request for reinstatement needed to be submitted along with payment of the missed maintenance fee and reinstatement fee;

ii) for a **granted patent** just payment of the missed maintenance fee and additional fee needed to be submitted.

The rights holder had 12 months to rectify the missed payment in each and every case.

The amendments to the *Patent Act* and *Patent Rules* that came into force on October 30, 2019 fundamentally changed the entire framework and introduced the current "due care" regime.

First, the amendments introduced a notice requirement. The amendments provided that an applicant/patentee now had (in theory) both i) explicit notice of the missed deadline, and ii) theoretically up to 18 months (instead of 12 months) to possibly rectify a missed maintenance fee payment.

In practice, the system has been much more complicated. In particular, there were two primary results of these amendments:

[18] Based on the number of final Commissioner's Decisions as published here: Determinations related to due care.

[19] See due care request regarding patent no. 2,803,473
[20] See due care request regarding patent no. 2,788,878
[21] See due care request regarding patent no. 2,686,455

(i) Adoption of the Due Care Reinstatement Standard

The PLT requires the Patent Office to notify the applicant/patentee that the original payment deadline has been missed and to set forth, in the notice, a late payment deadline to rectify the missed payment.

According to Rule 6 of the Regulations under the PLT, the late payment deadline must be at least two months. If that late payment deadline is also missed, Article 12 of the PLT requires that reinstatement of rights shall be available to the applicant/patentee. The reinstatement can be by right,[22] or an "unintentional" standard may be applied by the Patent Office. **Alternatively, the Patent Office is permitted to apply a more stringent "due care" standard.**

Importantly, the PLT did not require Canada to adopt the due care standard. Canada therefore retained discretion to implement a less stringent restoration mechanism, including an unintentional standard or reinstatement as of right. Thus, while **it was open for the government to adopt the unintentional standard**, Canada instead chose the more stringent "due care" standard.

As per the amended *Patent Act* and *Patent Rules* that came into force on October 30, 2019, under this "due care" standard, if the late payment deadline in the notice was not met, reinstatement would be available within a (typically) 12-month period thereafter **if and only if** the failure to meet the late payment deadline "*occurred in spite of the due care required by the circumstances having been taken*."

Experience since 2019 has demonstrated that the Canadian due care regime has operated in a manner that is significantly stricter than many stakeholders anticipated. As discussed in this paper, IPIC believes that Canada's experience mirrors that of jurisdictions such as Japan and the United Kingdom, both of which ultimately moved away from similarly strict restoration standards.

Moreover, the pre-2019 framework provided certainty to applicants, patentees, agents, and third parties alike. Whether a missed payment would be accepted did not depend on a subjective assessment of the surrounding facts; it depended solely on whether the payment was made within the prescribed period. As a result, disputes concerning reinstatement were relatively rare, outcomes were predictable, and applicants, patentees, agents and third parties all benefited from greater certainty.

To that end, IPIC believes that the Government of Canada should follow the approach taken by Japan and the United Kingdom by replacing the "due care" standard with the "unintentional" standard.

(ii) The Protection of Third-Party Rights

Rights are afforded to third parties who, when patent rights are uncertain, take actions in good faith which would otherwise constitute an infringement.

[22] A Patent Office is allowed to be more generous than the maximum the Patent Office can require under the PLT. See the WIPO Summary of the Patent Law Treaty, available here.

To that end, another result of the PLT amendments was that there was now effectively an *extra six months of uncertainty* for third parties. During the 18-month period, a third party would not know whether the applicant/patentee is abandoning the patent right or paying late. To address this concern, third parties received additional protections under these amendments.

In particular, it was an expressed desire of the Government of Canada to balance the interests of the applicant/patentee against those of third parties wishing to obtain finality and certainty in the scope of patent rights. As stated by the Government of Canada in 2018:[23]

> "Amendments to the Patent Act and Rules required for compliance with the Patent Law Treaty (PLT) will introduce a series of new safety nets for applicants and patentees. These safety nets include increased time limits to remedy certain deficiencies such as, for example, a missed maintenance fee payment. Increases in these time limits are likely to cause increased uncertainty for third parties; therefore, new balancing provisions are being introduced to mitigate the impact of potentially longer periods of market uncertainty."

As such, **the amendments now protect third parties against infringement proceedings when they start using or make serious and effective preparations to use a patented invention** more than six months after the missed maintenance fee deadline, up until the day the missed maintenance fee payment is rectified, e.g. through the Commissioner finding that due care was met.[24]

Because third-party rights now arise following a missed maintenance fee payment, the public already receives significant protection against prejudice caused by delayed restoration of patent rights. **This reduces the need for an exceptionally demanding reinstatement standard as an additional safeguard.** Accordingly, the question is no longer whether safeguards exist to protect third parties but whether the current due care standard remains necessary in light of those safeguards.

3. THE PRACTICAL CHALLENGES OF DUE CARE

In view of the foregoing discussion, it is evident that the due care standard, as implemented in Canada, presents several significant challenges for patent applicants and patentees. The following section examines these problems in detail.

(i) Uncertainty for Applicants/Patentees

Applicants/patentees now have two substantive limitations with both the due care reinstatement standard and third-party rights.

First, the current due care standard creates significant uncertainty to applicants/patentees as to their ability to reinstate patents and applications when maintenance fee payments are missed. CIPO has

[23] Consultation document – Third party rights and due care, Government of Canada, available here.
[24] Section 55.11 of the *Patent Act*, and Section 128 of the *Patent Rules*.

established administrative proceedings for receiving requests to reinstate and for evaluating the requests under the due care standard. Discretion is required to evaluate the circumstances of each request to reinstate. The difference between "exercising" and "not exercising" due care falls within a spectrum, rather than a bright line.

CIPO had previously indicated in their guidance document that "*the due care standard may be considered a high standard to meet*"[25] (emphasis added). In practice, however, administration of the standard has been severe and punishing to innocent rights holders in fact patterns that often seem unfair and could not have realistically been anticipated in advance.

Uncertainty also results from the complexity of due care proceedings. Detailed submissions including affidavits must be submitted and considered. An informal survey of a small number of Canadian IP firms, both large and small, revealed that the average cost in legal fees for the applicant/patentee in relation to the due care proceedings can be in excess of $15,000 CAD, which is grossly disproportionate to the underlying cost of the maintenance fees. This reflects the complexity of the submissions.

Moreover, the length of time it takes CIPO to conduct a due care proceeding, which is often many, many months, is indicative of the human capital required by the Government of Canada. The result then is a lose-lose-lose situation: high costs for the applicant/patentee with little hope of rectifying accidental missteps, high costs for CIPO to administer, and longer uncertainty for third parties left wondering whether the due care reinstatement will be successful.

Second, from a third-party rights perspective, the applicant/patentee experiences a further challenge. If the original maintenance fee payment deadline is missed, a third party is exempted for infringement for activities taken in good faith more than six months after the missed deadline, up until the missed maintenance fee payment is rectified. This can be a long, long period of time while the CIPO and perhaps the courts wrestle with the facts of each case. For example, in Mr. Taillefer's case (discussed above), it took 25 months for the Commissioner to determine whether to allow for rectification of the unintentional missed payment, and **Appendix "B"** illustrates, using drawings published by the Government of Canada,[26] the "before" and "after" effects of the new standard, with Mr. Taillefer's facts superimposed for context.

(ii) Uncertainty for Third Parties

Administration of the due care proceedings has also resulted in the opposite of the intended balancing provisions for third parties. As mentioned previously, due care and third-party rights were meant as *"balancing provisions…introduced to mitigate the impact of potentially longer periods of market uncertainty*".[27] Instead, the introduction of a due care standard has increased market uncertainty for the

[25] Quoted from the "Due Care" Observations from the Canadian Patent Office, available here.
[26] Drawings taken from Consultation document – Third party rights and due care, Government of Canada, available here.
[27] Quote taken from earlier in this paper. Original from the Government of Canada Consultation document – Third party rights and due care, available here.

public and third parties.

Prior to the PLT, if the maintenance fee was missed, the applicant/patentee had 12 months by right to rectify the payment, or else patent rights were irrevocably lost. This resulted in a maximum of 12 months of uncertainty to third parties during which time the third party was left wondering whether the applicant/patentee would pay late (by right) to maintain the patent rights or let the patent rights lapse.

Now, with due care proceedings, the uncertainty for third parties drags on potentially for years. The third party first must wait for CIPO to conduct the due care proceeding and render a decision and during this time, there is little certainty for the third parties. This is contrary to the stated intentions of the Government of Canada, and in practice, the current regime may prolong uncertainty beyond the period that existed prior to October 30, 2019.

(iii) Challenges Caused by Third-Party Service Providers in Maintenance Fees

Because the PLT indicates in Article 7 that "*a maintenance fee may be paid by any person,"* the 2019 amendments removed the requirement for the appointed Canadian patent agent to pay the maintenance fee on a pending application.[28] This created a system where the Canadian patent agent often handles examination while a separate third party annuity service—often a high-volume provider outside Canada—pays the fees directly on the applicant's instructions.

Critically, however, when an annuity service misses a payment, CIPO does not send the notice setting the late-payment deadline to the annuity service. Instead, the notice is sent only to the Canadian patent agent.

This Canadian patent agent often has no responsibility for the deadline and often has no direct communication with *either* the annuity service or the rights holder. This is particularly true where foreign counsel serves as an intermediary.

The notice from CIPO must then pass through a chain before it arrives at the rights holder: from CIPO to the Canadian agent, then to foreign counsel, then to the applicant (and if applicable then to the annuity service). This creates significant risk of miscommunication or diluted messaging, especially during transitions in patent ownership or counsel. As discussed above, each link in the chain is a potential point of failure, and the failure of one link causes the entire chain to fail and rights to be irrevocably lost.

Adding to this risk is the business reality that the parties involved in the chain often change. Patent rights are assigned, licensed, subject to bankruptcy proceedings, etc., resulting in changes in owners. The same is true of the agents involved. Even where best efforts are made to update records, it is commonplace for there to be challenges and at least delays in communication lines between the old and the new agents. Importantly, these arrangements are not unusual or indicative of poor docketing practices, but

[28] Subsection 36(2) of the *Patent Rules* indicates that any person authorized by an applicant can pay the maintenance fee on a pending application.

rather, they reflect standard commercial practices used by sophisticated patent owners around the world.

New counsel might also take over from old counsel for other reasons, e.g. due to consolidation of work, requests for proposals (RFPs), or for performance reasons. During such transitions, miscommunications and delays are possible, and indeed common, even when all parties involved are making every effort to ensure smooth transitions. Typically, all the links in the chain are acting in good faith, and none is usually a so-called "bad actor" who actively conceals the importance of any notice and causes the applicant to lose patent rights.

(iv) CASE STUDY: The Matco Tools Framework is Commonplace

Canada (AG) v. Matco Tools Corporation[29] is an illustrative example of what can go wrong through accidental miscommunication. In this case, the patent applicant ("**Matco**") was a sophisticated commercial enterprise using professional service providers. Matco hired a U.S. law firm for IP services, while explicitly instructing the U.S. law firm

> "*…to take no further action in these matters with regard to payment of annuities and maintenance fees*".[30]

The U.S. law firm in turn hired a Canadian law firm to act as the Canadian patent agent for Matco. The Canadian patent agent was <u>also told that they were not responsible for maintenance fees</u>.

Underpinning Matco's instructions was the fact that Matco had independently hired and instructed an annuity service (CPI) to attend to the maintenance fee payments. In June 2021, Matco then transferred maintenance fee payment services from CPI to another annuity service, Dennemeyer.

Unfortunately, a data migration error caused Dennemeyer to miss a $100 maintenance fee due January 8, 2022.

CIPO sent a notice setting a late payment deadline of July 8, 2022, to pay $250 ($100 fee plus $150 late fee). As is standard practice, CIPO sent this notice <u>only</u> to the Canadian patent agent, who forwarded it to the U.S. law firm.

However, the U.S. law firm did not forward the notice to Matco, relying on Matco's prior instructions not to take any action regarding maintenance fees.

The late payment deadline passed, and the issue was only discovered in early August 2022, at which

[29] 2025 FCA 156.

[30] Quote and fact pattern described herein is taken from the Federal Court decision *Matco Tools Corporation v. Canada (Attorney General)* 2025 FC 118.

point the Canadian patent agent was instructed to take action to reinstate.

Like Mr. Taillefer's case, had the *Matco* situation occurred prior to October 30, 2019, the missed payment could have been rectified as of right. In particular, as discussed earlier, the *Patent Rules* prior to October 30, 2019, allowed for a grace of 12 months following the deadline to pay the outstanding maintenance fee by right. In *Matco,* the error was discovered seven months after the original missed deadline, which was well within the older 12-month grace period.

Instead, Matco was subject to an administrative proceeding in front of CIPO that lasted 12 months[31] to determine whether the failure to pay the maintenance fee and late fee occurred in spite of due care. The Commissioner ultimately concluded that due care was not taken, and the $250 maintenance and late fee was not accepted. Instead, the patent was 'dead', a fatal loss of rights for Matco.

Matco successfully appealed to the Federal Court.[32] However, the Federal Court of Appeal set aside the judgment of the Federal Court and restored the Commissioner's decision in September 2025, over three and half years after the maintenance fee was originally due.[33]

Importantly, the framework adopted in Matco was not unusual. The use of foreign counsel, local patent agents, and specialized annuity-payment providers is commonplace in international patent practice. The communications chain criticized in Matco therefore reflects ordinary industry practice rather than an exceptional set of circumstances. Rights holders routinely use multiple agents and a third-party annuity service as part of the business reality of patent agency practice in Canada.

Moreover, rights holders will undoubtedly continue to instruct agents not to take responsibility for maintenance fees and hiring dedicated annuity services to reduce costs even if this creates multi-party chains vulnerable to miscommunication. In particular, communication in this framework is routinely done by email, and is subject to the technological challenges and errors that can arise.

Patent agents can and must practice diligently and according to their professional code, but expectations and the operating framework must be commercially reasonable, practical, and realistic.

(v) Inconsistent and Non-Holistic Application of Due Care Standard

More broadly, the application of the due care standard can be inconsistent and lacks a holistic approach.

Particularly, the current proceedings established by CIPO can be prone to subjectivity, resulting in inconsistencies in the analysis between decisions. For example, comparing Canadian Patent No. 2,818,869 and 2,818,873, the reasons provided by the Patentee are the same, while CIPO's

[31] The request for reinstatement and explanation was filed by the agent on December 13, 2022, and the final decision was issued by the Commissioner on December 6, 2023.
[32] *Matco Tools Corporation v. Canada (Attorney General)* 2025 FC 118.
[33] *Canada (Attorney General) v. Matco Tools Corporation* 2025 FCA 156.

analysis/commentary in the refusal letter is not.[34]

The difference between fatal loss of rights and rectifying a missed payment hinges on a proceeding that is inherently a hindsight analysis. For example, in *Matco*, why didn't the U.S. law firm ignore the explicit instructions of their client and forward the notice? In *Taillefer*, why didn't the Canadian patent agent follow up on unacknowledged emails, even though email had worked flawlessly for years?

By no means are decision makers of due care petitions adopting a terse mentality—much thought surely goes into these decisions and all factors are weighed. But the outcome remains harsh: if the fact pattern does not meet the stringent due care standard, the rights holder suffers fatal loss of patent rights, regardless of how much of a role the rights holder played in the error.

Adding further difficulty is the lack of holistic evaluation. The *Patent Act* directs the Commissioner to apply due care analysis only **to the failure to pay** by the late payment deadline set in the notice. In *Matco*, it would make no difference whether the original deadline was missed inadvertently or deliberately delayed for pecuniary reasons. Rather, what mattered was solely the facts surrounding failure to pay $250 by the late payment deadline. As stated succinctly by the FCA in paragraph [52]:

> "it was entirely reasonable for the Commissioner to state that the data migration error was not relevant. The Commissioner was properly concerned with measures that were taken, or could have been taken, to avoid the deemed abandonment after the deadline for paying the maintenance fee had passed. Here, the Commissioner was principally concerned with the failure to forward the Notice to Matco."

This narrow focus on the final missed deadline, rather than the chain of events leading to it, therefore leaves patent applicants/holders vulnerable to losing their rights based on isolated procedural failures. As a result, the due care analysis may give decisive weight to **a single breakdown in communication** while assigning little weight to years of otherwise diligent conduct by the rights holder and its representatives and **ignoring the true intention of all parties, including rights holders and agents, to do the right thing**.

[34] To demonstrate, compare the "Analysis" section of CIPO's intention-to-refuse letter dated July 28, 2021, in CA 2,818,873, to the "Analysis" section of CIPO's intention-to-refuse letter dated July 14, 2021, in CA 2,818,869.

4. LACK OF PROPORTIONALITY IN THE DUE CARE FRAMEWORK

When the due care regime was introduced in 2019, the Canadian *Patent Act* and *Patent Rules* did not provide specific direction on how the due care standard should be interpreted and administered.

According to the language of the *Act*, the Commissioner was required to determine whether the failure to pay a relatively modest maintenance/late fee by a certain date "*occurred in spite of the due care required by the circumstances having been taken*". It fell on the Commissioner to establish a standard of due care that gave life to the balance that the statute intended.

Despite best intentions, six years of reflection points to this balance being off.

(i) Proportionality Standard

Proportionality is a legal principle in Canada that requires the government to use well-adapted means to achieve its goals. As applicable here, the Commissioner's actions should therefore be proportionate to its legitimate and important objectives.

Annual maintenance fee requirements are an administrative task primarily put into place to discourage the proliferation of 'deadwood' patents and patent applications by requiring applicants and patentees to take steps to keep them in good standing.[35] In *Dutch Industries*, the Federal Court of Appeal considered the proportionality, or the "fit", of consequences of inappropriate action. The Court determined that the "disproportionate consequence" of a strict statutory interpretation was inappropriate.[36]

In contrast, the strict way in which the language under the due care regime is being applied when determining whether a failure "occurred in spite of the due care required by the circumstances having been taken" leads to disproportionate consequences. The reasoning in *Dutch Industries* highlights the importance of ensuring that statutory interpretations do not produce consequences that are disproportionate to the underlying administrative error.

The administrative default at issue is typically the non-payment of a modest fee by a prescribed deadline. The consequence, however, is not merely financial. The consequence is the permanent loss of patent rights, including the loss of exclusivity that may have resulted from years of research, development, prosecution, and commercialization efforts. In practice, these failures commonly arise from ordinary human error, such as a miscommunication between an agent and client or a data-entry mistake. In many cases, the rights holder is entirely unaware of the circumstances leading to the missed payment.

If the Commissioner determines that "due care required by the circumstances" was not taken in relation to this misstep, the consequence is immense: the penalty is a fatal loss of patent rights. The invention can then be copied and exploited by anyone in Canada, and the investment made in obtaining and

[35] *Barton No-till Disk Inc. v Dutch Industries Ltd.*, 2003 FCA 121, ("*Dutch Industries*").
[36] *Dutch Industries*, para [43].

maintaining the patent by the rights holder is lost.

IPIC submits that it is incumbent on the Commissioner to administer a due care standard that is proportional to the consequences. Severe consequences should be reserved for correspondingly serious failures.

Instead, the case studies discussed herein, namely *Taillefer* and *Matco*, reveal that the administration of the due care standard results in consequences that far exceed any misstep.

For example, in the case of Mr. Taillefer, the "misstep" of the patent agent was arguably not following up with the client via an alternative communication means in the absence of a response to email, and when email worked reliably in the past. Notably, Mr. Taillefer was unaware of the communication issues. This "misstep" is disproportionate to Mr. Taillefer suffering a fatal loss of patent rights, such that Mr. Taillefer's invention can be forever copied and exploited by anyone in Canada.

Compare this, for example, to Rule 36 of the *Bankruptcy and Insolvency General Rules*. Rule 36 requires that trustees "carry out their functions with…due care".[37] In *Roy* v. *Poitras et al*.[38] the consequence of not exercising due care, which was part of the judicial review, was a seven-day suspension of the trustee's license, and **there was no substantive consequence to the parties involved in the bankruptcy**.

The stakes are at least as high, if not much higher, for patent applicants and patentees. If due care is determined not to be taken, the loss of rights is fatal. It is therefore incumbent on the Commissioner to interpret and apply the due care standard in a manner that reflects the seriousness of the consequences attached to the finding of non-compliance.

In other words, a bankruptcy trustee who fails to exercise due care may face professional consequences, whereas a rights holder whose *patent agent* fails to satisfy the due care standard may lose valuable substantive property rights entirely.

The consequence of a finding that due care was not exercised is among the most serious outcomes available under the Patent Act.

In practical terms, the decision may extinguish an asset that has taken years to develop and protect. Canada's leading case on judicial review *Vavilov*[39] touches on what is required of an administrative decision maker, such as the Commissioner, when a decision stands to severely impact an individual. The principles articulated in *Vavilov* therefore suggest that the Commissioner should grapple directly with the severity of that consequence when applying the due care standard. The focus is on robustly justifying the decision that is reached:

> "Where the impact of a decision on an individual's rights and interests is severe,

[37] See Rule 36 of the Bankruptcy and Insolvency General Rules, available here.
[38] 2006 FC 1386.
[39] *Canada (Minister of Citizenship and Immigration) v. Vavilov*, 2019 SCC 65.

> the reasons provided to that individual must reflect the stakes. The principle of responsive justification means that if a decision has particularly harsh consequences for the affected individual, the decision maker must explain why its decision best reflects the legislature's intention. This includes decisions with consequences that threaten an individual's life, liberty, dignity or livelihood."[40]

It is key for decision makers to avoid the appearance of arbitrariness, and it may be unreasonable for a decision maker to fail to grapple with the consequences of a severe or harsh outcome.[41]

The Commissioner is entrusted with a high degree of power and this creates a responsibility to ensure that the reasons for the decision demonstrate a consideration of the consequences and that those consequences are justified in light of the facts and law. However, this is absent in the Commissioner's decisions finding a lack of due care for missing the maintenance fee late payment deadline.

(ii) Reliance on PCT Guidance Is Misplaced

Beyond the disproportionate consequences discussed above, the interpretation of due care is further made problematic by its reliance on misplaced guidance. In trying to give life to the balance that the statute intended, the Commissioner adopted the PCT guidance relating to due care.[42]

However, this PCT guidance describes due care in a substantially different context, namely one in which the applicant has failed to file a PCT application within the Convention year and is trying to restore priority. Relying on this guidance is misplaced because restoration of priority and maintenance fee payments are substantively different, as summarized in the table in **Appendix "C"**.

As shown in **Appendix "C"**, with respect to the left-hand column (restoration of priority), for the equivalent proceeding in Canada the lower unintentional standard was adopted, with the higher "due care" standard being opposed "on the grounds that the 'unintentional' criterion was broader and therefore more applicant-friendly" (to quote the Canadian Delegation above).

If, hypothetically, a due care standard was instead applied for the restoration of priority proceeding in Canada, an analysis commensurate with the PCT Receiving Office Guidelines might arguably be understood. For maintenance fees, however, the system merely relates to payment of a fee, the outcome of a failed reinstatement request is higher (i.e., is always a fatal loss of rights), the maintenance fee payment system is not universally understood, third-party rights protect the public, and the business realities lend themselves to misunderstanding and accident.

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[40] See *Vavilov*, para. [133].
[41] *Ibid*., see para [134].

[42] As explained by CIPO in "Due Care" Observations from the Canadian Patent Office, available here, and also MOPOP 9.04.07.

Notably, when Canada considered restoration of priority rights, it adopted the more applicant-friendly unintentional standard. It is difficult to reconcile that choice with the adoption of a substantially stricter due care standard for maintenance fee payments, which are administrative acts that are often delegated to agents and service providers. The application of a stringent due care standard for maintenance fee payments is therefore misplaced.

As such, adopting the PCT Receiving Office Guidelines for the purposes of Canadian maintenance fees is incorrect. It does not give life to the balance between the public and the applicant/patentee that the statute intended, it does not reflect the principle of proportionality, and it is unfair given the business realities.

Put differently, the guidance that has now come to shape Canada's due care jurisprudence was developed for a fundamentally different problem. As a result, the resulting standard has become disconnected from the realities of maintenance fee administration and is disproportionate to the serious consequences attached to a failed reinstatement request.

5. COMPARATIVE INTERNATIONAL OUTLOOK: UNINTENTIONAL IS A COMMON STANDARD

In addition to the above, it is notable that the due care standard is not the common standard adopted in major patent offices around the world. Instead, Canada's regime is an outlier.

As discussed below, major offices including Japan, the United Kingdom, and the U.S. each adopt an unintentional standard, as do other patent offices including Australia, South Africa, and New Zealand.

Jurisdiction	Policy
Japan	Like Canada, Japan had *previously* implemented a due care standard for restoring a patent expired due to missing payment of the maintenance fee by the 6-month late payment deadline. **However, on April 1, 2023, Japan eliminated the due care standard and instead replaced it with an unintentional standard.** The reasons for making this change are instructive and relevant. After implementing the due care standard in Japan, the result was that almost all requests to restore a patent were rejected. Government officials reflected and made some important realizations. They realized that in practice inadvertent human error is a reality. Such human error is bound to occur in the sometimes-complex fact patterns leading to missing the late payment deadline.

	They realized that Japan had acceded to the PLT to make the regime more user-friendly, and it did not look good that their accession to the PLT did not produce any tangible results. They realized that the unintentional standard strikes a better balance between the patentee and the public, while also still allowing the Japan Patent Office to collect fees and penalize the patentee monetarily for missing the deadline, even if they miss it by accident.[43] On April 1, 2023, the law was changed in Japan to replace the due care standard with the unintentional standard. The unintentional standard made better sense for Japan. It still prevented patentees from deliberately refraining from paying the maintenance fee and later trying to reverse course. It recognized that inadvertent errors occur and that there should not be a total loss of patent rights due to inadvertent error in relation to a relatively minor formality requirement (paying an annual fee).
United Kingdom (UK)	For a UK patent that lapsed for non-payment of a maintenance fee prior to January 1, 2005, the reinstatement standard was "reasonable care", which is analogous to due care. The "reasonable care" standard was viewed as too stringent. In particular, cases like O/357/07 were illustrative, where patent rights were lost even though the patentee had always intended to renew their rights: "…it had been Mr. Mitchell's intention to renew all the patents in the family together but he misread the reminder letters and schedules…. He took it that the final deadline for renewing all the patents, including the EP (UK) patent, was 31 May 2005. He did not appreciate the significance of the 15th May 2005 date and as such, he made a mistake." [44] As a result, it was replaced with the unintentional standard for any UK patent that lapsed for non-payment of a maintenance fee after January 1, 2005.
United States (U.S)	Prior to 2013, the United States applied an "unintentional" standard if the petition to revive was filed less than two years after the missed deadline. As such, a missed maintenance fee could always be corrected when unintentional as long as the fee was paid within two years.

[43] This explanation is from Mr. Soichi Okuyama, who was a member of the Japan Patent Attorneys Association (JPAA) and participated in discussions with officials of the Japan Patent Office during the years in which the Japan Patent Office first adopted the due care standard and then switched to the unintentional standard.

[44] https://www.ipo.gov.uk/patent/p-decisionmaking/p-challenge/p-challenge-decision-results/o35707.pdf

	Prior to 2013, the U.S. did have an "unavoidable" standard (the unavoidable standard being akin to due care) but importantly only applied the "unavoidable" standard for non-payment of a maintenance fee **if more than two years had passed** from the missed deadline However, in implementing the PLT in 2013, the U.S. adopted an even more forgiving approach, and decided apply one single "unintentional" in all cases, including for petitions to revive and petitions to restore the right of priority. The standard was unified to an unintentional standard. **The U.S. opted not to adopt the due care standard and instead repealed its own "unavoidable" standard to achieve this.** Moreover, the USPTO was of the view based on its experience with the "unavoidable" standard that evaluating petitions to revive based on due care would be more expensive to the Office than evaluating petitions to revive under the unintentional standard. The USPTO also does not apply a due care standard when acting as a receiving office under the Patent Cooperation Treaty.

These examples, including in particular the United Kingdom and Japan, show the value of starting down one path, realizing it is not the right fit, and changing course. Such was the case for Japan, the UK, and to a lesser extent the U.S (as the U.S. was always very forgiving).

Japan's experience is particularly instructive because it demonstrates that a sophisticated patent office can implement the due care standard, evaluate its practical effects, and ultimately conclude that a more forgiving standard better balances the interests of patentees and the public.

In IPIC's view, pivoting away from the due care standard is also the right course of action for Canada. If Canada eliminated the due care standard and adopted an alternative approach (e.g. an unintentional standard, as described below), they would be in good company.

Furthermore, even countries that are not signatories to the *Patent Law Treaty* – such as South Korea and China –provide for restoration of a lapsed patent on a lesser standard than due care.

For example, South Korea allows for restoration within three months for any reason with payment of penalty fees, or within twelve months from the end of the grace period if non-payment was due to reasons beyond the control of the patentee.[45]

[45] See https://www.epo.org/en/service-support/faq/searching-patents/asian-patent-information/korea/after-grant/can-lapsed-patent.

China allows for restoration of a patent after the grace period within two months of the date of receipt of a notification of lapse, provided that there is a "justifiable reason" the deadline was missed (which IPIC understands to allow for unintentional errors such as clerical errors or a misunderstanding of the deadline), or within two months of the impediment to payment being removed in the case of force majeure (to a maximum of two years from the missed deadline).[46]

Europe is an exception. Notably, the European Patent Office (EPO) applies a due care standard. However, the language used in the European Patent Convention (EPC) is stronger than that used in the Canadian *Patent Act*, which requires a higher standard to be applied by the EPO. Unlike in Canada, Article 122 of the EPC requires a showing of missing the deadline "*in spite of all due care required by the circumstances having been take*n". The "all" raises the bar and is commensurate with the standard applied by the EPO. This is different from Canada. Moreover, Europe is an exception, not the rule.

Viewed collectively, the international trend is clear. Major patent offices around the world have *either* adopted an unintentional standard, moved away from due care in favour of a less stringent standard, or otherwise provide mechanisms for restoration that are more forgiving than Canada's current regime.

Canada therefore stands increasingly apart from its international peers. The experiences of Japan, the United Kingdom, and the United States demonstrate that shifting from due care to an unintentional standard is not radical reform. Instead, it reflects an approach already adopted by many of the world's leading patent offices.

[46] https://www.epo.org/en/service-support/faq/searching-patents/asian-patent-information/china/after-grant/can-lapsed-patent

6. PATH FORWARD – RECOMMENDED SOLUTIONS

The following recommended solutions address the shortcomings of the due care standard and offer practical alternatives for reform.

(i) Proposed Solution No. 1: Unintentional Standard

One possible option is to adopt the unintentional standard, such as through legislative amendment of the *Patent Act* and/or *Patent Rules*.

(a) Understanding the Unintentional Standard

From the outset, the unintentional standard is not by right. The failure to meet the deadline needs to have been unintentional. If the applicant/patentee deliberately refrained from meeting the deadline, e.g. because of cost or business reasons, the standard is not met. Mr. Taillefer's fact pattern is an example of unintentionality. Mr. Taillefer did not deliberately refrain from meeting the deadline. The emails went to his junk folder unbeknownst to him and the agent.

The Government of Canada chose to implement the unintentional standard in other instances when amending the *Patent Act* and *Patent Rules* to ratify the PLT on October 30, 2019.[47] In these instances, the unintentional standard was viewed by the Canadian Government as striking the right balance between the interests of the applicant/patentee and those of third parties wishing to obtain finality and certainty in the scope of patent rights.

To that end, the unintentional standard is consistent with the position expressed by the Delegation of Canada in the Working Group on Reform of the Patent Cooperation Treaty, in which the Delegation of Canada opposed the due care standard in favour of the unintentional standard for restoring a priority claim "*on the grounds that the 'unintentional' criterion was broader and therefore more applicant-friendly*".[48]

The unintentional standard also better reflects the intention of the PLT as described by WIPO and the goals of implementing the PLT in Canada, as expressed in statements from the Government of Canada. For example, in the Proceedings of the Standing Senate Committee on National Finance on November 5, 2014, it is stated:

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[47] Paragraph 28.4(6)(b)(ii) of the *Patent Act* was amended to allow for restoration of priority if, amongst other requirements, "*the failure to file the pending application or the co-pending application, as the case may be, within 12 months after the filing date of the previously regularly filed application was unintentional*"; Similarly, subsection 154(3) of the Patent Rules was amended to allow for late national phase entry into Canada up to 12 months after the original deadline if, amongst other requirements, the applicant made "*a statement that the failure [to enter by the original deadline] was unintentional*".

[48] WIPO PCT Union WORKING GROUP ON REFORM OF THE PATENT COOPERATION TREATY (PCT), Fourth Session, Geneva, May 19 to 23, 2003. See the top of page 5. Available here.

> "The purpose of the amendments to the *Patent Act* and *Industrial Design Act* is to make our legislation compliant with the requirements of the Patent Law Treaty, which we refer to as PLT, and the *Geneva Act* of the Hague agreement. Both treaties deal strictly with administrative matters. They do not consider substantive issues related to either patent law or industrial design law. Both of these treaties are applicant-friendly treaties. They require fewer forms. They allow electronic use of filing documents. They require notifications by the patent office before actions are taken if an applicant misses deadlines, for example, and they provide for longer grace periods….When we talk about the benefits of ratifying the PLT, they are: the reduction of red tape, simplified filing requirements, reduced risk of errors and lost rights, and lower costs, as well….The change here is that before an application becomes abandoned, there is a notification system. They will be notified of a missed maintenance fee before their application is deemed abandoned.
>
> Eventually, what we want to do with that is to make sure that there are fewer people who miss their date and eventually be in a situation where the application is irrevocably abandoned and it's too late to do anything."[49] (emphasis added in underline)

With reference to the underlined portions above, the unintentional standard is:

- *Applicant-friendly:* It allows for restoration of rights when the deadline is missed by inadvertence, like in Mr. Taillefer's case.

- *Reduces red tape:* A lengthy due care proceeding with detailed submissions by the applicant and detailed reasons by CIPO is not required.

- *Reduces risk of lost rights by inadvertence:* The unintentional standard allows for a reinstatement of rights if the deadline is missed by inadvertence.

- *Lowers cost:* The applicant does not need to prepare submissions in a due care proceeding.

- *Reduces the risk of irrevocable loss of rights:* Because the unintentional standard is a lower standard to meet – while still protecting the public because it is not by right and third-party rights protect against infringement.

Contrary to this, it was the due care standard that was adopted for reinstatement of rights due to non-payment of maintenance fees, not the unintentional standard. The unintentional standard therefore addresses each of the concerns identified earlier in this paper. It reduces uncertainty for applicants, shortens periods of uncertainty for third parties, reflects the realities of modern patent administration, avoids disproportionate outcomes arising from isolated procedural failures, and aligns Canada with the approach adopted by many of its international peers.

[49] Transcript available here.

(b) Proposed Amendments to the *Patent Act* and *Patent Rules*

Amending the *Patent Act* may be hard to achieve, but if it were possible, our suggestion would be to advocate for replacement of the due care standard with the unintentional standard.

The *Patent Act* could be amended as follows:

> **46(5)(b)** the Commissioner determines that the failure was unintentional ~~occurred in spite of the due care required by the circumstances having been taken~~ and informs the patentee of this determination.
>
> **73(3)(b)** the Commissioner determines that the failure was unintentional ~~occurred in spite of the due care required by the circumstances having been taken~~ and informs the applicant of this determination.

Conversely, amending the *Patent Rules* may be easier to achieve than amending the *Patent Act*. For a pending patent application, the due care standard for maintenance fee payment could be eliminated through a small amendment to the *Patent Rules*, as follows:

> **135 (1)** Subparagraph 73(3)(a)(ii) and paragraph 73(3)(b) of the Act do not apply
>
> **(a)** in respect of a failure under paragraph 73(1)(a), (b)**, (c)** or (e) or subsection 73(2) of the Act; or
>
> **(b)** in respect of a failure under paragraph 73(1)(d) of the Act if, within six months after the applicable time prescribed by subsection 35(2) of the Act and in respect of that failure, the applicant makes a request for reinstatement to the Commissioner, takes the action that should have been taken in order to avoid the abandonment and pays the fee prescribed by section 134 of these Rules.

For a granted patent, it is possible to introduce a new rule that negates the due care requirement in the *Patent Act* for non-payment of a maintenance fee on a granted patent, e.g.:

> **Proposed New Section:**
>
> Subparagraph 46(5)(a)(ii) and paragraph 46(5)(b) of the Act do not apply in respect of a request, under subsection 46(5) of the Act, for the term to never have been deemed to have expired under subsection 46(4) of the Act.

(ii) Proposed Solution No. 2: Extending Late Payment Window

Alternatively, the due care standard could remain as is, but the late payment window may be extended by right from 6 months to some other period, such as 12 months. This would likely mitigate the problem without requiring the government to walk back on their application of due care.

A longer grace period would directly address the types of fact patterns seen in both Taillefer and Matco, where the payment failure was discovered well after the six-month period but within approximately one year of the original deadline.

Anecdotally, in most instances the error of non-payment seems to be discovered within one year of the missed deadline, as was the case in *Taillefer* and *Matco*. Next year's maintenance fee is coming due, so by then it is typically discovered if there was an error in the previous year's maintenance fee. For example, if one attempts to pay the maintenance fee on MyCIPO Patents, it should show the missed fee and late fee.

For example, to establish a 12-month late payment window by right on a pending patent application, the following amendment could be made to the *Patent Rules*:

> **135 (1)** Subparagraph 73(3)(a)(ii) and paragraph 73(3)(b) of the Act do not apply
>
> (a) in respect of a failure under paragraph 73(1)(a), (b) or (e) or subsection 73(2) of the Act; ~~or~~
>
> (b) in respect of a failure under paragraph 73(1)(d) of the Act if, within six months after the applicable time prescribed by subsection 35(2) of the Act and in respect of that failure, the applicant makes a request for reinstatement to the Commissioner, takes the action that should have been taken in order to avoid the abandonment and pays the fee prescribed by section 134 of these Rules; or
>
> (c) in respect of a failure under paragraph 73(1)(c) of the Act if, within one year after the applicable prescribed date referred to in paragraph 73(1)(c) of the Act, the applicant makes a request for reinstatement to the Commissioner, takes the action that should have been taken in order to avoid the abandonment and pays the fee prescribed by section 134 of these Rules.

To achieve the same on a granted patent, the following new rule could be added:

Proposed New Rule:

Subparagraph 46(5)(a)(ii) and paragraph 46(5)(b) of the Act do not apply if, within one year after the applicable prescribed date referred to in paragraph 46(2)(b) of the Act, the patentee makes a request, under subsection 46(5) of the Act, for the term to never have been deemed to have expired under subsection 46(4) of the Act and pays the prescribed fee, the late fee, and the additional prescribed fee prescribed by section 117 of these Rules.

(iii) Proposed Solution No. 3: Alternatives Without Legislative Change

If legislative reform to the *Patent Act* is not immediately feasible, the following administrative measures could mitigate the due care standard's harshest effects.

(a) Directed Late Notice

A first option is to have the "missed maintenance fee" late notice be sent by CIPO to the payor and/or applicant, in addition to the agent. It could be further specified that the late notice only has an effect if it was received by both parties. For example, if the agent received the notice, but the payor never received their copy from CIPO, the notice would need to be withdrawn and reissued. Implementing such a system would presumably require an amendment to the *Patent Rules*. One downfall is that it could result in a situation in which confusion is created by duplicate notices, but this should be relatively easy to manage.

This recommendation directly addresses the communication-chain risks identified earlier in Matco and similar cases.

(b) Eliminate Substantive Due Care Proceedings

If an amendment to both the *Patent Act* and *Patent Rules* is not forthcoming or possible, another idea is to adopt a presumptive acceptance model under which explanations connected to a request for due care are generally accepted at face value, subject to CIPO retaining discretion to request further information in appropriate cases. This would leave disputes over the threshold of due care to be examined in subsequent enforcement proceedings. This could optionally be tied to a particular time window, like the USPTO. For instance, within one year of a missed deadline the petition would automatically be accepted, while for later petitions detailed facts must be provided.

The applicant/patentee, within the applicable period, would still have to pay the reinstatement fee and submit an explanation as to how the deadline was missed in spite of the due care required by the circumstances having been taken. However, CIPO could accept the explanation at face value. It

is the applicant/patentee's risk. The issue would be litigated if the patent were ever enforced, as per Subsections 46(6) and 73(3.1) of the *Patent Act*.

(c) Expanding Scope of "Reasonably Prudent Applicant"

Still another avenue that could potentially be pursued is CIPO's administration of the due care standard. To determine what is and is not due care, CIPO relies on paragraph 166M of the PCT Receiving Office Guidelines. As argued earlier, reliance on this precedent is misplaced because this PCT guidance describes due care in a substantially different context in which the applicant has failed to file a PCT application within the Convention year and is trying to restore priority. Nonetheless, if we look to this PCT guidance, it is stated in paragraph 166J that due care will be met "*if the applicant has taken all measures which a reasonably prudent applicant would have taken*".[50]
There may be room here to expand what is encompassed by a "reasonably prudent applicant". For example, it should be "reasonably prudent" to continue to rely on email communication if that email communication worked flawlessly for years (which was the case in Taillefer). As another example, an accidental misunderstanding of instructions can still be "reasonably prudent" if the misunderstanding was by an otherwise reputable, established IP firm (which was the case in Matco where the U.S. law firm accidentally misunderstood the instructions). Reasonably prudent is not a standard of perfection or *force majeure*.

(iv) Preferred Solution: Adopt the Unintentional Standard

The preferred solution is legislative adoption of an unintentional standard for restoration following missed maintenance fee payments. Such a reform would better reflect the realities of modern patent practice, reduce unnecessary administrative burden, improve proportionality, align Canada with major international jurisdictions, and preserve protection for third parties through the existing third-party rights framework.

Importantly, adopting the unintentional standard would not leave the public unprotected. The third-party rights provisions introduced as part of the PLT implementation would continue to protect those who begin using the invention during the relevant period, thereby preserving the balance between patentees and the public.

However, if legislative reform is not immediately achievable, meaningful improvements can still be made through longer reinstatement periods, enhanced notice procedures, streamlined administration of due care requests, and a broader understanding of what constitutes a reasonably prudent applicant.

7. CONCLUSION

[50] Paragraph 166J of the PCT Receiving Office Guidelines, available here.

Almost seven years have passed since the amendments to the *Patent Act* and *Patent Rules* to ratify the PLT and establish the due care process in Canada for rectifying missed maintenance fee payments. Reflection and adjustments are natural and the experience has revealed significant problems with the current due care standard.

First, the current standard has proven extremely difficult to meet, with the overwhelming majority of all due care reinstatement requests rejected. This is true even in circumstances that are relatively sympathetic or commonplace.

Secondly, the effects of a failed reinstatement request are severe and disproportionate. The consequence is not merely the loss of an administrative privilege. Rather, a relatively minor administrative omission can permanently extinguish a valuable property right that may represent years of innovation, investment, prosecution effort and commercialization activity.

Thirdly, patent rights can be lost even when the rights holder does nothing wrong. In IPIC's view, the mistakes of a third-party should not result in an innocent rights holder being punished without any possible recourse. Rights holders routinely (and out of necessity) put their trust into the hands of one or more agents to handle activities related to their patents and applications. The current due care regime treats each person in the payment process as a link in a chain, and if any single one of those links fails, the entire chain breaks and the patent rights are lost. Rights holders should be able to access a system that protects their patent rights in the absence of intention to abandon a patent or application.

Fourth, Canada's approach differs from that adopted by several major patent jurisdictions, including the U.S., but notably Japan and the U.K., both of whom experimented with a "due care" regime before moving to a more forgiving "unintentional" standard.

Fifth, the existence of third-party rights is an effective mechanism for protecting the public and years of experience in the United States, United Kingdom and Japan do not suggest that an unintentional standard results in widespread abuse, strategic non-payment of maintenance fees, or meaningful harm to the public interest.

Lastly, the current system may actually undermine confidence in the Canadian patent system and discourage investment in obtaining and maintaining patent protection in Canada. A patent system functions best when rights holders can reasonably rely on their rights being determined on their substantive merits in a predictable and transparent manner. Valuable patent rights should <u>not</u> be permanently extinguished because of a single administrative error by an agent or other party.

IPIC shares the government's stated objective when introducing the modern due care regime: encouraging appropriate behaviour by applicants and patentees, deterring abuse, implementing the Patent Law Treaty fairly, and balancing the interests of rights holders and the public.

IPIC respectfully submits that experience has shown that the current balance has not been achieved. The restoration of patent rights should be linked to the intentions of the rights holder rather than isolated administrative mistakes.

A patent owner who intended to maintain its rights should not permanently lose those rights due to an inadvertent error by an agent, service provider, or other intermediary.

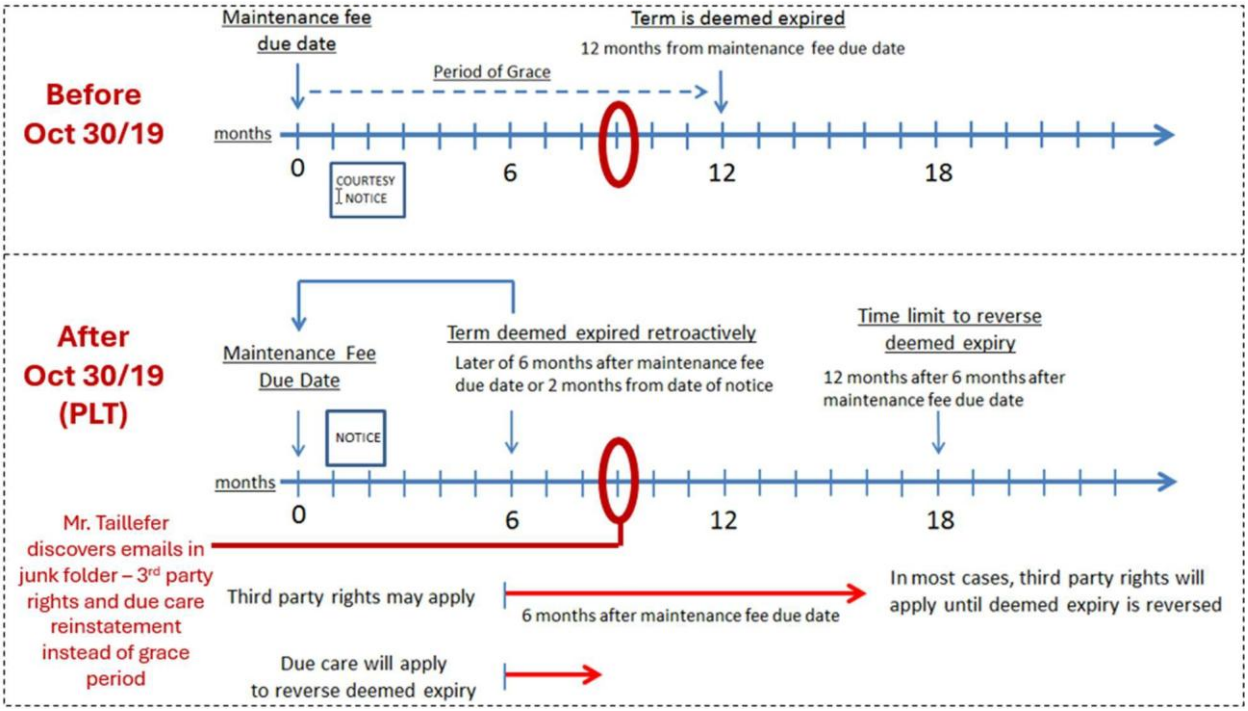
Reform is therefore warranted to ensure that Canada's patent system remains fair, predictable, proportionate, and aligned with both the realities of modern patent practice and the approaches adopted by many of Canada's international peers.

If you have any questions about the IPIC position, please don’t hesitate to contact our CEO Adam Kingsley (akingsley@ipic.ca; 613-234-0516) at your convenience.

APPENDIX "A" – Troubling Examples of Lost Rights Under Due Care

Canadian Patent	Description
Canadian Patent No. 2,788,878	The individual responsible for managing the maintenance fee payments unfortunately developed Alzheimer's. The Alzheimer's originally went undiagnosed. A late payment of the maintenance fee was missed in the circumstances. This was not satisfactory. The patent rights were irrevocably lost.
Canadian Patent No. 2,803,473	The Indian agent hired by the innovator to manage payment of maintenance fees worked in such a capacity and was in good standing. Then, unbeknownst to the innovator, the Indian agent began acting in a negligent and fraudulent manner, including misleading and fraudulently modifying invoices. He neglected to pay the maintenance fee. It did not matter that the innovator had the wool pulled over their eyes and tried to rectify the issue once discovered. The patent rights were irrevocably lost.
Canadian Patent No. 2,686,455	The sole person responsible was seriously injured leading up to a maintenance fee late payment deadline and could not communicate with anyone. This was not satisfactory because enough detail was not provided in relation to the period before the injury, even though the late payment deadline did not even fall during the period before the injury. The patent rights were irrevocably lost.
Canadian Patent No. 2,874,233	The Dean of the Faculty of Dentistry of the University of Montreal was responsible for instructing payment of the maintenance fees. When the COVID pandemic hit, it prevented students from attending in-person classes. However, dentistry classes require hands-on training and cannot be held online. This resulted in extraordinary burdens and challenges for the Dean, who could not switch to online classes like other faculties. During this intense time, he was inundated with emails and work demands. In the temporary circumstances of pivoting to address COVID and still graduate top tier Canadian dentists, a late payment deadline of a maintenance fee was accidentally missed. This was not satisfactory. The patent rights were irrevocably lost.

APPENDIX "B" – Old and New Maintenance Fee Regimes Applied to *Taillefer* Case



APPENDIX "C" – PCT Guidance on Restoration of Priority vs. Maintenance Fee Framework

Restoration of Priority (PCT Due Care Guidelines)	Maintenance Fee Payments
The 12-month deadline to be met, and the consequences of missing the deadline, is universally understood in essentially all countries around the world. Lack of knowledge or human error from misunderstandings should not exist.	Maintenance fee regimes vary greatly at a national level. For example, Canada's maintenance fee regime (and associated deadlines) is entirely unlike that of the United States. The deadlines and availability of grace to pay late vary country to country and are not universally understood.
A failed request to restore priority is not necessarily fatal – the PCT application remains a validly filed application entitled to the PCT international filing date. A one-year grace period may protect inventor-derived disclosures if priority is not restored.	A failed request to rectify the maintenance fee payment is a fatal loss of patent rights.
There are no safeguards for third parties if the request for restoration of priority is accepted.	Third-party rights are available to protect third parties six months after the missed payment deadline.
The agent responsible for docketing and meeting the deadline works closely with the applicant to prepare the application to meet the deadline. Miscommunication between the agents and applicants should not exist.	A third party adjacent to the agent and applicant is often responsible for payment, with the agent having no knowledge of the instructions relating to payment or non-payment of each maintenance fee. Accidental miscommunication is a reality.
Preparation and filing of a PCT application involve planning, preparation, and legal and technical analysis.	Maintenance fees are simply an annual fee that serve as a “deadwood” clearing mechanism. It is a purely administrative formality.