EJ0026.95-990880021

DECISIONS OF THE BOARD OF APPEAL

Decision of the Legal Board of Appeal dated 13 October 1998

J 26/95

(Language of the proceedings)

Composition of the board:

Chairman: J.-C. Saisset
Members: M. B. Günzel
S. C. Perryman

Applicant: VPL Research, Inc.

Headword: Bankruptcy/VPL

Article: 72, 122(1), 122(2), 122(3) EPC
Rule: 20(1), (3), 90(1)(b) EPC

Keyword: "Change of party - no" - "Rule 90(1)(b) interruption - no - Chapter 11 Reorganization US Bankruptcy Code" - "Re-establishment - two time limits missed - two requests and fees due - all due care - denied"

Headnote

I. Assessing whether there are documents satisfying the European Patent Office that a transfer has taken place in accordance with Rule 20(1) and (3) EPC and making the entry in the register is the responsibility of the relevant department of first instance. Accordingly, in appeal proceedings, substitution of another party for the *original applicant, is possible only once the relevant department of first instance has made the entry or where there is clear-cut evidence of a transfer (point 2).*

II. In the absence of specific circumstances having been shown in the case under consideration, proceedings against the applicant under Chapter 11 "Reorganization" of Title 11 - Bankruptcy - of the United States Code do not interrupt proceedings before the European Patent Office within the meaning of Rule 90(1)b) EPC (point 4.4).

III. Where time limits expiring independently of one another have been missed by the applicant, each resulting in the application being deemed withdrawn, a request for re-establishment has to be filed in respect of each unobserved time limit. In accordance with Article 122(3), second sentence, EPC, a fee for re-establishment has to be paid in respect of each request. It is irrelevant whether the requests for re-establishment are filed in the same letter or in different letters and whether they are based on the same or different grounds (point 5.2).

Summary of facts and submissions

I. International patent application PCT/US 88/00926 (EP 88 903 612.5) filed on 23 March 1988 on behalf of the Applicant VPL RESEARCH INC.(US), entered the regional phase before the EPO.

II. On 10 July 1992 the Examining Division issued a communication pursuant to Article 96(2) and Rule 51(2) EPC inviting the Applicant to file its observations within a period of four months. At the request of the Applicant the period was extended by two months.

III. The Applicant did not reply to the communication. In a communication dated 18 February 1993 it was informed that the European patent application was deemed to have been withdrawn pursuant to Article 96(3) EPC.

IV. In a communication dated 6 May 1993 the Applicant's attention was drawn to Article 86(2) and (3) EPC. The renewal fee for the sixth year, which was due on 31 March 1993, was not paid.

V. On 1 December 1993 the Applicant requested re-establishment. On the same day the reply to the communication of the Examining Division was filed, the renewal fee plus additional fee and one fee for re-establishment of rights were paid. Reimbursement of the additional fee was requested.

VI. The Applicant submitted that only one fee was due from it in connection with its requests for re-establishment in respect of both time limits missed. The time limits had not been complied with because the Applicant had experienced serious financial difficulties which led to the Applicant being put under Chapter 11 of the US Bankruptcy Code on 15 March 1993. Efforts to reduce staff costs and the financial difficulties resulted in a temporary disorganisation of the management personnel involved. While continuing its activity in an attempt to save the company, the Applicant was unable to pay its creditors or its patent application expenses until the US Bankruptcy Court approved a loan to the Applicant from a third party on 1 October 1993. The Applicant filed a copy of the "Final order authorizing debtor to obtain secured post-petition financing pursuant to 11 U.S.C. § 364(c) with administrative priority" issued by the United States Bankruptcy Court, Northern District of California, dated 1 October 1993. The Applicant argued that it had taken all due care required by the circumstances within the meaning of Article 122 EPC because it had chosen registered representatives and had made every effort to raise the funds necessary for further prosecution of its patent applications.

VII. By decision dated 24 April 1995 the Examining Division rejected the Applicant's requests for re-establishment, having previously given its preliminary opinion in a communication. In its decision it pointed out that it essentially considered that when two different time limits were missed in the same application, the possible remedy of re-establishment had to be considered separately in respect of each unobserved time limit and therefore two fees for re-establishment of rights were to be paid. In this respect no distinction could be made as to whether the failure to comply with the second time limit was due to the same or to different circumstances. Thus, the request for re-establishment was admissible only in respect of one of the two losses of right. Moreover, even if the request was admissible in respect of both losses of rights, it was not allowable. Decision J 22/88 (OJ EPO 1990, 244), where the Legal Board of Appeal had held that unavoidable financial difficulties which result in a failure to observe a time limit for payment of fees may constitute a ground for granting re-establishment of rights, was based on exceptional circumstances which were not fulfilled in the present case. On the contrary, the Applicant having admitted that during the period in question the company was somehow disorganised and without money, it followed that the failure to reply to the Examining Division's communication as well as the failure to pay the renewal fee resulted not only from financial difficulties but also from lack of due care on the part of the Applicant.

VIII. On 16 June 1995 the Appellant filed an appeal against this decision. In the Grounds of Appeal the Appellant essentially reiterated the arguments brought forward before the Examining Division. In particular, it emphasised again that it was not literally stated and not within the spirit of Article 122 EPC that two requests for re-establishment based on the same grounds should be prosecuted separately. Therefore, only one fee was due in the present case. The Appellant requested that the decision be cancelled, that the request for re-establishment of rights filed on 1 December 1993 be granted and that oral proceedings be held in the event that the Legal Board of Appeal intended to reject the appeal.

IX. In a communication sent with the summons to oral proceedings the Board gave its preliminary evaluation of a number of issues. It explained that it tended to share the view of the Examining Division that, in the event of two time limits having been missed, legally independent requests for re-establishment had to be filed and therefore a fee for re-establishment had to be paid for each of these requests. With regard to the substance of the Appellant's requests it was essentially pointed out that the fact that the Appellant had been put under Chapter 11 "Reorganization" and not under Chapter 7 "Liquidation" of the US Bankruptcy Code indicated that by the time the procedural acts in the present application were due the financial situation of the Appellant was not such that he had no money available in absolute terms for paying the annual fees and the expenses of the attorney's response to the communication of the Examining Division. Instead it seemed to have been more a question of business preferences, of a choice made by the Appellant as to which expenses were to be paid and that those for the continuation of the present application were not yet to be paid.

X. In response the Appellant additionally submitted that no second re-establishment fee was payable because the time limit in respect of the sixth year renewal fee had not expired since owing to the US Code Chapter 11 bankruptcy of the Appellant, which commenced on 15 March 1993, proceedings were interrupted prior to this renewal fee falling due. The fact that US law provided for different classes of bankruptcy proceedings did not mean that only one of these would fall under Rule 90(1)(b) EPC. The fact that the Appellant was still trading when subject to bankruptcy proceedings was not directly relevant. If the Board concluded that two independent time limits had been missed requiring two fees for re-establishment to have been paid, in the absence of any previous case law or publicised EPO views on the matter, it would be unfair to apply such new construction on the present Appellant. As a precautionary measure a second fee for re-establishment was paid. The Appellant's previous submission that due to the financial difficulties experienced the company had been somehow disorganised only referred to the point in time when the time limit for reply to the communication had not yet expired and was only made to explain why the communication had not been replied to in the non-extended term. At the point in time when the response to the examiner's communication was due the Appellant already had a considerable debt position in relation to its US representatives, which was too large to be paid off with working capital. The US attorneys were not prepared to undertake any further work until all the Appellant's outstanding invoices had been settled.

The Appellant also requested that the transfer of ownership of the present application to Sun Microsystems, Inc. be recorded.

In case the Board was inclined to take the view that two fees for re-establishment were due, referral of that point of law to the Enlarged Board of Appeal was requested.

XI. Oral proceedings were held on 13 October 1998. In these the Appellant further explained its arguments submitted in writing with respect to the questions of the number of fees due for its requests for re-establishment, interruption of proceedings under Rule 90(1)(b) EPC and all due care having been taken.

As main request the Appellant repeated its requests filed in writing that the decision under appeal be set aside and the Applicant be reinstated in respect of the time limit for answering the communication of 10 July 1992 from the EPO and the time limit for paying the renewal fee for the sixth year.

The request to refer the following question of law to the Enlarged Board of Appeal was filed as an auxiliary request, in the event that the Board were to deny the admissibility of its requests for re-establishment: "Under what circumstances, if any, is an application under Article 122 EPC in respect of two or more non-observed time limits admissible when only one fee for re-establishment of rights has been paid?"

Reasons for the decision

1. The appeal complies with Articles 106 to 108 EPC, and is therefore admissible.

2. The present decision relates to VPL RESEARCH INC. as the Appellant. At the date of the oral proceedings before the Board the requested transfer of the application to Sun Microsystems Inc. had not been entered in the Register.

Pursuant to Article 60(3) EPC for the purposes of proceedings before the European Patent Office, the applicant shall be deemed to be entitled to exercise the right to the European patent. Thus, it is the applicant entered in the register who is the party to the proceedings. According to Rule 20(3) EPC a transfer, registration of which has been requested, shall have effect vis-à-vis the European Patent Office when documents have been produced satisfying the European Patent Office that the transfer has taken place. In the individual case under consideration the question as to whether this requirement is fulfilled may require interpretation of the law and of the documents produced. This is in principle in the first place the task of the department of first instance that is responsible for entries in the register. For this reason, Rule 20(3) EPC can only be applied in clear-cut cases, i.e. in such cases as do not raise any doubt as regards interpretation of the law or of the documents produced, to the effect that a person requested to be registered as the new applicant is given the status of a party to the proceedings although he is not actually the registered applicant.

Accordingly, in appeal proceedings substitution of another party for the original applicant is possible only once the relevant department of first instance has made the entry or where there is clear-cut evidence of a transfer.

According to Article 72 EPC an assignment of the European patent application shall be made in writing and shall require the signature of the parties to the contract. Such signatures are not present on the copies of assignments submitted by the Appellant's representative. Both assignments, the assignment from VPL Research to VPL Newco and the subsequent assignment from VPL Newco to Sun Microsystems, only bear the signature of the respective assignors. With a view to simplifying the procedure for registering a transfer, Rule 20 EPC was amended with effect from 1 June 1995. In particular, as regards transfers by way of assignment the reference to Article 72 EPC has been deleted. Rule 20 EPC inter alia now requires as a condition for registering the transfer that the EPO is satisfied that the transfer has taken place. What this must mean, in view of Article 72 EPC, in the case of transfer of the application by assignment might require interpretation.

Moreover, the first assignment submitted in the present case does not explicitly mention the present European application. The assignments might therefore also require interpretation with regard to the question of whether the present European application is covered by them.

Accordingly the appeal must proceed in the name of the original Applicant and Appellant.

3. As the Appellant did not reply until 1 December 1993 to the communication of the Examining Division dated 10 July 1992 the time limit set, which had been extended to six months, had not been observed. Pursuant to Article 96(3) EPC the application is deemed to have been withdrawn as of 21 January 1993. The Examining Division's communication dated 18 February 1993 was correct.

The request for re-establishment filed on 1 December 1993 has been filed within two months of the removal of the cause of non-compliance within the meaning of Article 122(2), first sentence, EPC: the Appellant has primarily submitted that the reason for the non-observance of the time limit was that it did not have the necessary funds for further prosecution of the application and that this was financially only possible for it after the US Bankruptcy Court had authorised the Appellant to accept a loan on 1 October 1993. This reasoning suffices in the context of Article 122(2), first sentence, EPC. Whether the Appellant was really unable to perform the omitted act is to be decided under Article 122(1) EPC. The omitted act, the reply to the communication, was completed on 1 December 1993. Sufficient facts and reasons for the request to be admissible within the meaning of Article 122(3) EPC have been given. One fee for re-establishment was also paid in time.

4. As regards the legal consequences of the non-payment of the sixth renewal fee the Appellant has primarily submitted that the fee was not due on 31 March 1993, because, owing to the US Code Chapter 11 bankruptcy of the Appellant, proceedings before the EPO were interrupted from 15 March 1993. The Appellant referred to Rule 90(1)(b) EPC. Pursuant to said rule, proceedings before the European Patent Office shall be interrupted in the event of the applicant, as a result of some action taken against his property, being prevented by legal reasons from continuing the proceedings before the EPO.

4.1 It is apparent from the filed order of the Bankruptcy Court of the Northern District of California dated 1 October 1993 that the Appellant was placed under Chapter 11 of the US Bankruptcy Code. The date of 15 March 1993 , although not apparent from that order, can also be accepted in favour of the Appellant.

4.2 With regard to US bankruptcy law the following can be derived from the publication in the Internet by the American Bankruptcy Institute (third edition, http://www.abiworld.org/media/chapter11.html and http://www.gmshlaw.com/news/litigation/bankruptcies.htm1) submitted by the Appellant and from the publication of provisions of and an overview to the US Bankruptcy Code in the Internet (http://www.law.cornell. edu/topics/bankruptcy.html).

Under the US Bankruptcy Code there are different types of bankruptcy proceedings which are designated by the Chapter of the Bankruptcy Code in which their specific provisions are located. The two basic types of bankruptcy proceedings are, on the one hand, "Liquidation" under Chapter 7 which is aimed at resolving the debtor's debts through the division of his assets among his creditors and in which the debtor turns over all of his non-exempt assets to a court-appointed trustee. The other type of proceedings are the proceedings under Chapter 11, "Reorganization", which allow the debtor to stay in business, in control of his assets and continue to operate as a "debtor in possession" using revenue that continues to be generated to resolve his debts so as to allow him to use his future earnings to pay off his creditors (see http://www.law.cornell.edu/topics/bankruptcy.html, "Overview"). This type of bankruptcy is often chosen by corporations with substantial assets (http://www.gmshlaw.com/news/litigation/bankruptcies.html, in answer to the question "What happens in a Chapter 11 bankruptcy?"). The appointment of a trustee occurs only in a small percentage of Chapter 11 cases, where cause has been established. The "debtor-in-possession" continues to operate his business and performs many of the functions that a trustee performs in cases under other chapters of the Bankruptcy Code. In that case the debtor is supervised by the Court and by the U.S. Trustee to whom he has to report (http://www.abiworld.org/media/chapter11.html).

§ 1107 of Chapter 11 reads: "Subject to any limitations on a trustee serving in a case under this chapter, and to such limitations or conditions as the court prescribes, a debtor in possession shall have all the rights, other than..., and powers, and shall perform all the functions and duties, except the duties specified in ..., of a trustee serving in a case under this chapter".

4.3 As can be derived from the legislative history of Rule 90 EPC it is not the name or formal qualification of an action against property that is decisive for the question of whether it interrupts proceedings under Rule 90(1)(b) EPC. It is also not decisive whether the action serves the purpose of satisfying all of the debtor's creditors. The decisive criterion for interruption is whether the action against the property is such as to make it legally impossible for the applicant to continue with proceedings.

The first working document on this matter ("Document de travail concernant le règlement d'application de la Convention relative à un droit européen des brevets, 5 mars 1963", 2821/IV/63-F) had provided in this respect that proceedings are interrupted when bankruptcy proceedings or any other judicial proceedings for the purpose of satisfying all the holders of debt claims on the debtor's estate have been opened against the applicant. This wording was subsequently objected to as being too broad. Certain delegations feared that drafting this provision in such broad terms would have the effect of causing delays which would adversely affect the resumption of proceedings (Minutes of the 3rd meeting of Working Party I Sub-Committee on "Implementing Regulations", Luxembourg, 20 to 23 October 1970, page 24). It was, moreover, stated by the United Kingdom delegation that certain non-judicial proceedings known under British law should also be covered by the provision in question. The Working Party then agreed that this provision should be amended in such a manner that it would adopt as the criterion only the truly decisive factor, namely the legal impossibility for the applicant to continue with proceedings as a result of some action taken against his property (Minutes of the 10th meeting of Working Party I, held in Luxembourg from 22 to 26 November 1971, BR/144/71, pages 40 to 41). Subsequently paragraph (b) of then Article 92 received its present wording (See DRAFT IMPLEMENTING REGULATIONS TO THE CONVENTION ESTABLISHING A EUROPEAN SYSTEM FOR THE GRANT OF PATENTS, BR/200/72, page 103).

4.4 It follows from the above that neither the fact that the US Code places Chapter 11 proceedings under the Title "Bankruptcy" nor the fact that these proceedings serve to reorganise the debtor's business with the aim of his creditors being satisfied is sufficient to regard such proceedings as proceedings within the meaning of Rule 90(1)(b) EPC. Being placed under Chapter 11 of the US Bankruptcy Code is indeed an action taken against the property of the debtor. It does not, however, constitute a case where, as a result of such action, it is impossible for the debtor to continue the proceedings before the EPO. On the contrary, as has been explained and as the Appellant itself submitted, it is the very nature of proceedings under Chapter 11 that it is the debtor who continues to act for his business, even if he is subject to certain restrictions due to his obligation to preserve the interests of his creditors and due to his supervision by a trustee, if any.

From the outset, Chapter 11 Bankruptcy proceedings are therefore not comparable to the cases which have been recognised in the case law of the Boards of Appeal as leading to interruption of proceedings, ie where parties have been placed under receivership under French law (J 7/83, OJ EPO 1984, 211) or been declared bankrupt under German Bankruptcy law (J 9/90 unpublished).

The Board, therefore, concludes that in the absence of specific circumstances having been shown in the case under consideration, proceedings against the applicant under Chapter 11 "Reorganization of Title 11 - Bankruptcy - of the United States Code do not interrupt proceedings before the European Patent Office within the meaning of Rule 90(1)(b) EPC.

4.5 No such special circumstances have been substantiated in the present case by the Appellant. The Appellant has not submitted that it was subject to particular restrictions making it impossible for it to continue proceedings before the EPO, nor even that a trustee was appointed by the time the missed acts ought to have been completed.

A situation which could be compared to the exceptional case underlying unpublished decisions J 9 and 10/94 has also not been substantiated. In these decisions (point 6) it was regarded as being analogous to a case of legal impossibility where the applicant, as a consequence of an action against his property, did not have at his disposal any remaining property by means of which he could have effected the required payment and he was thus, as a result of the action against his property, placed in a situation where it was factually and legally impossible for him to continue the procedure before the EPO. In such a case it has, however, to be examined whether the actions taken effectively made it impossible for the applicant to continue the proceedings. The Appellant has only asserted in general terms that at the point in time in question it had no cash left to pay the costs of a reply to the examination report and the sixth renewal fee. However, this does not as such show that the Appellant was devoid of any financial means, within the meaning of the cited decisions, with which to pay the actions required in the present application.

The Board therefore concludes that proceedings were not interrupted within the meaning of Rule 90(1)(b) EPC and that thus, the time limit for payment of the sixth renewal fee with surcharge expiring on 30 September 1993 also having been missed it was necessary for the Appellant to ask for re-establishment into this time limit.

5. Consequently, the issue of the number of re-establishment fees due arises.

5.1 In the event that two time limits expiring independently of one another have been missed, each resulting in the application being deemed withdrawn, a request for re-establishment has to be filed in respect of each unobserved time limit if the legal sanction of the application being deemed withdrawn is to be overcome. If this is done there are thus two requests for re-establishment which are legally independent of one another. This is clear for those cases in which such requests are filed separately, at different dates each with respect to the time limit concerned. However, as regards whether there are one or more requests in the legal sense it is irrelevant whether such requests are filed in the same letter or in different letters, and on the same or on different dates. Even if, as in the present case, they are filed in the same letter, that cannot change their nature of being legally independent of one another. Thus, where a letter contains a request for re-establishment in respect of the time limit for replying to a communication and the time limit for paying a renewal fee, legally separate requests for re-establishment in respect of each of the missed time limits have been filed. This is not a formalism going against the spirit of Article 122 EPC. Article 122 EPC is a legal remedy for a situation in which exceptional individual circumstances prevent the applicant from performing the required act in time. Where two different time limits have been missed in the course of the prosecution of an application it has to be shown for each of the time limits missed that the requirements of Article 122 EPC for re-establishment are fulfilled. In the case of independent time limits, in particular where they expire on different dates, the reasons for missing them and also the facts relevant to the examination of other requirements of Article 122 EPC, such as the date of removal of the cause of non-compliance mentioned by the Examining Division, may be quite different. The loss of rights can only be overcome if the applicant shows, in respect of both time limits, that all requirements of Article 122 EPC for the requests to be admissible and well-founded are met. Therefore the reasoning adopted by the Examining Division, namely that where two different time limits have been missed a request for re-establishment in respect of both time limits is considered to constitute legally separate requests for re-establishment in respect of each of the time limits missed, which have to be considered independently on their merits, is also the reasoning followed by the Board.

5.2 This entails as a consequence, under Article 122(3) EPC, that a fee for re-establishment of rights has to be paid for each of these requests in order to avoid one of the requests being deemed not to have been filed pursuant to Article 122(3) EPC. The legal fiction provided for in Article 122(3) EPC that the request for re-establishment is not deemed to have been filed is an automatic and mandatory consequence of the omission to pay the corresponding fee for re-establishment for one of the requests filed. It is thus not within the power of the EPO to make the question of how many fees are due dependent on the kind of reasons which have been given and on the workload involved for the EPO in handling the individual case under consideration. As is the case for most of the fees levied by the EPO the due amount of the fee for re-establishment is fixed by law and is payable irrespective of the time and effort to be invested by the EPO in the individual case.

The Appellant has submitted that the finding of the Examining Division was based on an improper literal interpretation of the wording of Article 122 EPC to the effect that "a" in that provision meant "one". The Board observes that the view expressed above is not based on a literal interpretation of Article 122 EPC at all and that the same seems to be the case for the reasoning given by the Examining Division. The Board does not share the Appellant's view submitted in the oral proceedings that in decision J 22/88 (OJ EPO 1990, 244) the Legal Board of Appeal had accepted that only one fee was paid for re-establishment in respect of the time limits under Rule 104b(1) and Rule 85a EPC. As is apparent from point IV. of the Statement of Facts and

Submissions, the request for re-establishment in that case concerned the time limit under Rule 85a EPC for payment with a surcharge.

Therefore, the Board concludes that where time limits expiring independently of one another have been missed by the applicant, each resulting in the application being deemed withdrawn, a request for re-establishment has to be filed in respect of each unobserved time limit. In accordance with Article 122(3), second sentence, EPC, a fee for re-establishment has to be paid in respect of each request. It is irrelevant whether the requests for re-establishment are filed in the same letter or in different letters and whether they are based on the same or different grounds.

5.3 Since only one fee has been paid in the present case for the requests for re-establishment in respect of the time limit for replying to the communication of the Examining Division (Article 96(2) EPC), and for re-establishment in respect of the period of grace for paying the renewal fee for the sixth year (Article 86(2) EPC), the Examining Division was right in deciding that the application for re-establishment is deemed not to have been filed in respect of one of the time limits missed (Article 122(3) EPC). To which of the requests for re-establishment the fee paid is allocated is irrelevant. In any case, with regard to one of the time limits missed, the legal sanction that the application is deemed withdrawn is final.

6. Because, for the reasons given below, the Appellant's requests for re-establishment are also unfounded as to their substance, its argument that it would be unfair to apply such new construction to the present Appellant and its request to submit the question of the number of fees due to the Enlarged Board of Appeal are not decisive for the outcome of the present appeal and therefore do not need to be considered.

6.1 It has been accepted in the case law of the Legal Board of Appeal that financial hardship leading to the procedural default of failing to observe a time limit may constitute an adequate ground for re-establishment, at least where the financial hardship is of a transitory nature. Whether Article 122 EPC can also be relied on in cases of long-term financial hardship has been left open in earlier case law because all due care was denied in all cases (J 11/83, unpublished, points XII and 6; J 22/88, OJ EPO 1990, 244, J 9/90, unpublished).

However, as in any case of re-establishment, the Appellant has to show that the financial hardship was such that he was unable to make the required payment. For this, the mere assertion that the Appellant was in such a situation is not sufficient. The Appellant has to detail such facts as allow the Board to conclude that the Appellant's situation actually was so (J 11/83, points 4 and 5). Thus, in decision J 22/88, observance of all due care was acknowledged because the Appellant had shown that he had no money available in absolute terms for paying the due fee. By contrast, in decision J 11/83, all due care was denied because the applicant, while not paying the fees due for the application, had over years borrowed money which he had spent on other business expenses.

6.2 The Board has no doubt that the Appellant was in a situation of financial hardship when the time limits expired. The Appellant has, however, not shown that its financial difficulties were such as to render it unable to pay the costs of keeping the present application alive and that in this respect the Appellant took all due care required by the circumstances within the meaning of Article 122(1) EPC.

From the above-described nature of Chapter 11 proceedings it follows that being placed under Chapter 11 does not indicate that a debtor is devoid of any funds in absolute terms. On the contrary it means that there is still some income available, eg for staff costs and equipment required by the company to enable it to continue production and trading, as provided in Chapter 11. This applies in particular where, as in the Appellant's case, normal operating costs of the business are likely to require substantial amounts of working capital. The Appellant has described its business as being a "start-up" company involved in a very high technological area of virtual reality implemented on computers with specific data input and display devices.

At the same time it has indicated the sum which would have been needed in the case of the present application to pay the attorneys' costs for a response to the communication and the sixth renewal fee to be "perhaps 2,000 to 4,000 Dollars". It thus appears likely that the sums of working capital which were spent on continuing the Appellant's business greatly exceeded the sum mentioned that was needed for keeping the present application alive. Accordingly, from the outset, when the actions in question relating to the present application were due, the Appellant's situation does not appear to have been such that it did not have the money to pay the attorney and the renewal fee in absolute terms. However the Appellant's business was continued and whatever financial expenses were paid together with the fact that they were not made for the continuation of the patent application, at least not at the time, therefore seems rather to have been a business choice made by the Appellant at the time the procedural acts were due. It was a question of deciding business priorities. Nothing to the contrary has been substantiated by the Appellant. Beyond submitting that it had been placed under Chapter 11, the Appellant has detailed no concrete facts concerning its financial situation, such as the amount of its operating costs in relation to its remaining working capital, which would allow the Board to conclude that the constraints on the Appellant in this respect were such that it was impossible for it to invest the sum of "perhaps 2 000 to 4 000" Dollars in the present application.

In the Board's opinion the Appellant's contention that because the Appellant's US attorneys were not prepared to undertake any further action on behalf of the Appellant until their outstanding invoices had been settled, and that the sum which would have been needed to keep the present application alive was not USD 2 000 to 4 000 but almost USD 26 000 when the response to the communication was due and almost USD 30 000 when the sixth renewal fee had to be paid, is not sufficiently supported by the facts and evidence submitted by the Appellant. These do not show that the US attorneys would actually have refused to undertake the necessary actions to keep the present application alive had the Appellant offered to pay the costs of such action. In the letter from the US attorney to the Appellant and to another European representative of the Appellant it is indeed said that the representatives were not prepared to undertake any further action on behalf of the Appellant until its account had been settled. This does not however mean that the attorneys would have refused further action had the Appellant offered immediate payment for such further work. According to the general rules of professional conduct the representative has a duty of care for the interests of the client he has agreed to represent for as long as he has not abandoned his mandate. Moreover, as the Appellant submitted in the oral proceedings, its US attorneys were significant creditors of the Appellant. Their outstanding invoices constituted about 10 % of the Appellant's debts. Thus the US attorneys could have had an interest of their own in keeping the present application alive. Admittedly the Appellant did not even consider paying the money needed to keep the present application alive. Following the US attorneys' letter of October 1992 it did not even ask whether the attorneys would be prepared to take the necessary steps to keep the present application alive, if it were to pay for these steps. It simply abandoned prosecuting the present application further until the time the loan was granted. Thus, while it can be accepted that the Appellant took all due care in reorganising its business and in trying to raise the necessary funds, the same has not been shown with respect to the present application.

7. The second fee for re-establishment has been paid as a precautionary measure on 18 September 1998, shortly before the oral proceedings before the Board, and long after expiry of the time limit for requesting re-establishment.

Under Article 122(2) and (3) EPC, for a request for re-establishment to be deemed to have been filed, the fee for re-establishment must also be paid within the applicable time limit. Where such payment is made thereafter it no longer has the effect of making such request valid. Thus, a payment made after the expiry of the time limit may be repaid (for cases of late payment of an appeal or opposition fee, which are comparable in so far, see J 21/80, OJ 1981, 101, point 4, and T 152/85, OJ 1987, 191, point 2).

This rule also applies in the present case. The situation would only have been different if the Board had considered the requests for re-establishment allowable as to substance and had accepted the late payment for reasons of good faith. As that is not the case the fee for re-establishment paid on 18 September 1998 must be repaid.

Order

For these reasons it is decided that:

1. The appeal is dismissed.

2. The fee for re-establishment paid on 18 September 1998 is to be repaid.