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**D E C I S I O N**  
**of 15 June 2000**

**Case Number:** J 0011/98 - 3.1.1

**Application Number:** 92914088.7

**Publication Number:** 0746754

**IPC:** G01N 21/05

**Language of the proceedings:** EN

**Title of invention:**  
Cuvette for automated testing machine

**Applicant:**  
Prisma Systems Corporation

**Opponent:**  
-

**Headword:**  
Financial difficulties

**Relevant legal provisions:**  
EPC Art. 86(2), 122(1), (2), (3)  
EPC R. 90(1)(b)

**Keyword:**  
"Chapter 11 "Reorganization" Title 11 US Code Bankruptcy -  
financial difficulties - Interruption of proceedings - no -  
re-establishment - no - no inability to pay"

**Decisions cited:**  
J 0022/88, J 0016/93, J 0009/94, J 0010/94, J 0026/95

**Catchword:**  
-



Europäisches  
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European  
Patent Office

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Beschwerdekammern

Boards of Appeal

Chambres de recours

**Case Number:** J 0011/98 - 3.1.1

**D E C I S I O N**  
**of the Legal Board of Appeal 3.1.1**  
**of 15 June 2000**

**Appellant:** Prisma Systems Corporation  
1721 Black River Boulevard,  
Rome,  
New York, 13440 (US)

**Representative:** Crawford, Andrew Birkby  
A.A. Thornton & Co.  
235 High Holborn  
London WC1V 7LE (GB)

**Decision under appeal:** Decision of the Examining Division of the  
European Patent Office posted 6 February 1998  
refusing a request for re-establishment of  
European application No. 92 914 088.7.

**Composition of the Board:**

**Chairman:** M. K. S. Aúz Castro  
**Members:** M. B. Günzel  
S. C. Perryman

## Summary of Facts and Submissions

- I. Application No. 92 914 088.7 was filed on 9 June 1992 as PCT application No. PCT/US 92/04882. In the regional phase before the EPO the fifth renewal fee fell due on 30 June 1996. It was not paid. On 31 January 1997 the Examining Division issued a communication under Rule 69(1) EPC noting that the application was deemed to be withdrawn under Article 86(3) EPC.
  
- II. With letter dated 28 February 1997 a newly appointed representative requested re-establishment into the time limit for paying the fifth renewal fee. The fifth renewal fee, the additional fee and the fee for re-establishment were paid. The reason given for the request for re-establishment was that the previously appointed representative, who, as one of the services performed by him had paid the third and fourth renewal fee on behalf of the applicant, had, in violation of his professional duties, omitted to inform the applicant that non-payment of the fee would result in a deemed withdrawal of the application. The newly appointed representative, moreover, requested the European Patent Office to recognise that proceedings were interrupted under Rule 90(1)(a) or (b) EPC. No further reasons were given for this submission.
  
- III. With letter dated 5 August 1997 the applicant was informed by the Examining Division that the renewal fee for the sixth year had fallen due on 30 June 1997 and could still be validly paid together with the additional fee within sixth months from the due date.
  
- IV. The applicant repeated its request to issue an appealable decision. The sixth renewal fee was not paid.

- V. On 10 October 1997 the Legal Division decided that the proceedings in respect of the present European patent application were not to be interrupted under Rule 90(1) EPC, as none of the conditions of Rule 90(1)(a) or (b) EPC for an interruption to have taken place was met.
- VI. With its decision dated 6 February 1998 the Examining Division, after having heard the applicant, refused the applicant's request for re-establishment into the time-limit for paying the fifth renewal fee, declared the application to be deemed withdrawn as from 3 January 1997 and ordered refund of all fees paid to the EPO after this date with the exception of the fee for re-establishment paid. The reason given for the refusal of the request for re-establishment was that it had not been shown that the previous professional representative had observed all due care required by the circumstances. Moreover, as the applicant had not paid the sixth renewal fee, in the meantime a second loss of rights had occurred.
- VII. With letter dated 7 April 1998, received on 9 April 1998, the appellant appealed the decision of the Examining Division. In a further letter dated and received on 8 April 1998 it expressed the view that the sixth renewal fee had not fallen due because the application was already deemed withdrawn at that time for failure to pay the fifth renewal fee. As a precautionary measure the appellant requested re-establishment into the time-limit for payment of the sixth renewal fee, paid this fee and the additional fee thereto, as well as a fee for re-establishment.

The submissions of the appellant can be summarised as follows:

As the appellant had been placed under Chapter 11 "Reorganization" of Title 11 "Bankruptcy" of the US Code following a corresponding petition filed on 22 August 1995 the proceedings had been interrupted at the relevant times under Rule 90 EPC. In 1995 and 1996 the appellant had more expenses than income and at the end of 1996 the unpaid expenses exceeded the cash assets by more than 5.5 million Dollars. On 25 February 1997 the Creditors' Committee filed a motion petitioning to convert the Chapter 11 bankruptcy proceedings to Chapter 7, which was done 9 May 1997. Thus, at the relevant times in 1996 the appellant had also been in unavoidable financial difficulties within the meaning of decisions J 22/88 and J 9/89, which at least justified re-establishment. While at the time concerned a limited amount of funding was being raised this was not even sufficient to cover the payroll of the company.

The then appointed European representative did indeed send reminders concerning the need to pay the fifth renewal fee and was not unwilling to accept further instructions regarding the payment of said fee on condition that the appellant's outstanding debts were settled, at least part of which dated from before the commencement of the Chapter 11 proceedings. Although under paragraph 4 of the Code of Professional Conduct the representative was required to take the necessary steps to protect the applicant's interests, which in these circumstances had meant paying the fifth renewal fee on a credit basis, the representative did not do so.

The appellant itself was legally barred from settling the outstanding debts which dated from before the commencement of the Chapter 11 proceedings with its representative. In February 1997 the funds necessary to initiate the request for re-establishment of rights

were made available, because, in view of the imminent conversion of the Chapter 11 bankruptcy proceedings to a Chapter 7 case, the need to protect the assets of the company as much as possible so as to maximise the funds generated by the liquidation became apparent.

VIII. The appellant requested that it be re-established into its rights or alternatively that proceedings be declared to have been interrupted at the relevant times.

### **Reasons for the Decision**

#### **1. *Interruption of proceedings***

According to Rule 90(1)(b) EPC proceedings before the European Patent Office shall be interrupted in the event of the applicant for a European patent, as a result of some action taken against his property, being prevented by legal reasons from continuing the proceedings before the European Patent Office.

1.1 The appellant has submitted that due to it having been placed under Chapter 11 "Reorganization" proceedings of Title 11 "Bankruptcy" of the US Code, which were later converted to Chapter 7 "Liquidation" bankruptcy proceedings, proceedings were interrupted within the meaning of Rule 90 (1)(b) EPC when the fifth annual fee was due. The Board shares the appellant's view that this submission constitutes a fresh ground and a new case for interruption as compared with the facts on which the request refused by the Legal Division was based, and that it can therefore be considered by the Board.

1.2 As the Board has set out in detail in decision J 26/95, OJ EPO 1999, 668, (Headnote II and points 4. et seq. of the Reasons), to which reference is made, 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 US Code are as such not to be qualified as proceedings preventing the applicant for **legal** reasons from continuing the proceedings within the meaning of Rule 90 EPC, because in Chapter 11 "Reorganization" cases it is the debtor himself who continues to act for his business, even if in this he may be subject to certain restrictions. The debtor is therefore not legally prevented from continuing the proceedings before the EPO, for this see in particular point 4.4 of the Reasons of said decision.

No such special circumstances have been substantiated in the present case, which could be compared to the exceptional case underlying unpublished decisions J 9 and 10/94, in which it was regarded as being analogous to a case of legal impossibility because 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 where he was thus placed in a situation where it was factually and legally impossible for him to continue the procedure before the EPO, because he was devoid of any financial means whatsoever with which to pay the required actions, see decision J 26/95, point 4.5 of the reasons. In the present case the appellant has not shown that it was in such a situation when the fifth renewal fee fell due and during the period in which the renewal fee could still have been validly paid together with an additional fee, i.e. up until the end of 1996. It has not shown that in this period it was devoid of any financial means with which

to make any payment and that it was thus barred from paying in absolute terms as was the case in the facts underlying decisions J 9 and 10/94. The fact that the appellant may have had considerable debts at that time and even that it may not have been able to cover all of its expenses is not sufficient. Moreover, no proof of any kind has been furnished that at the end of 1996 the financial situation of the appellant actually was such that it could not even cover the payroll of the company, as the appellant has submitted. On the contrary, according to the appellant's own submission, in February 1997 funds were made available for paying the fifth renewal fee and requesting re-establishment, because at that time the need had become apparent to protect the assets of the company as much as possible. The appellant was thus actually able to pay even at a point in time when it submits the Chapter 11 "Reorganization" bankruptcy was about to be converted into a Chapter 7 "Liquidation" bankruptcy and when thus its financial situation was likely to have worsened as compared with the prior phase of Chapter 11 proceedings. This shows that the decision not to pay the fifth renewal fee, was not, at the point in time when it was due, the result of an absolute inability to pay, but was the result of how business priorities were set at that time. The appellant's submissions are therefore not conclusive and the proceedings cannot be regarded as having been interrupted when the fifth renewal fee was due.

2. Re-establishment into the time limit for payment of the fifth renewal fee with surcharge under Article 86(2) EPC.



According to Article 122(1) EPC the applicant for a European patent, who in spite of all due care having been taken, was unable to observe a time limit vis-à-vis the European Patent Office which has the direct consequence of causing a loss of a right, shall, upon application, have his rights re-established.

- 2.1 According to Article 122(2) EPC the application must be filed within two months from the removal of the cause of non-compliance with the time limit. On the basis of the appellant's submission that it was unable to pay the fifth renewal fee, when it fell due and during the period in which payment could still be made together with a surcharge, i.e. until 30 December 1996, and that it was only able to raise the necessary funds in February 1997, when due to the imminent conversion of the Chapter 11 "Reorganization" bankruptcy proceedings into Chapter 7 "Liquidation" proceedings the need became apparent to protect the assets of the company as much as possible, the request for re-establishment has been filed on 28 February 1997 within two months from removal of the cause of non compliance with the time limit.

The necessary acts required under Article 122(2) and (3) EPC, i.e. payment of the fifth renewal fee with surcharge, of the fee for re-establishment and the submission of a statement of grounds for the application, have also been performed on that date. The appellant's request for re-establishment is therefore admissible.

- 2.2 It is, however, not well-founded. The appellant has not shown that it was unable to observe the time limit in spite of all due care required by the circumstances having been taken.

- 2.3 According to established jurisprudence, where a representative has been appointed, both the representative and the applicant have to exercise all due care in order to observe the time-limits during the patent granting procedures, (see in this respect Case Law of the Boards Appeal, 3rd edition 1998, page 291 et seq., points 9.3 and 9.4).
- 2.4 As has been explained above in point 1.2 in relation to the question of interruption of proceedings in the present case the appellant has not shown that it was unable to observe the time limit because it was devoid of any money with which to pay, in absolute terms. Only the latter situation has been accepted by the Board in the exceptional case underlying unpublished decision J 22/88, cited by the appellant, to constitute a ground for re-establishment, if it has been proved and provided every effort has been made to raise the necessary funds, (for this see also J 26/95, point 6.1 of the Reasons, and the further decisions cited therein). Thus, the fact that in the present case non-payment of the fifth renewal fee within the applicable time limit appears as a result of business priorities rather than as the consequence of an absolute inability to pay also means that the submissions of the appellant in this respect cannot justify re-establishment either.
- 2.5 As regards the appellant's submission that the then appointed European professional representative had violated his professional duties by not paying the fifth renewal fee on a credit basis in order to avoid detriment arising from a deemed withdrawal of the application, in the absence of an express agreement to that effect the Board doubts that the professional duties of a representative should extend so far as to oblige the representative to advance monies on behalf of his client, for this see also decision J 16/93, unpublished, point 4.3.3 of the Reasons. However, even

if this were so, in view of the established jurisprudence referred to in 2.3 above, that both the applicant and the representative have to exercise all due care in order to observe the time limit, this would not justify re-establishment. It is irrelevant in this context whether or not the applicant was obliged to appoint a representative.

3. The appellant's application for re-establishment has thus rightly been refused by the Examining Division. As the application is deemed to have been withdrawn for failure to pay the fifth renewal fee, the application for re-establishment into the time limit for paying the sixth renewal fee with surcharge, made on 8 April 1998, and the payment of the corresponding fee for re-establishment are without effect. The fee for re-establishment paid on 8 April 1998 has therefore to be refunded.

### Order

#### For these reasons it is decided that:

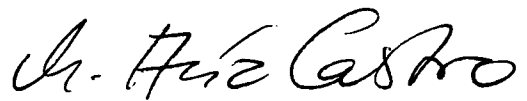
1. The appeal is dismissed.
2. Refund of the fee for re-establishment paid on 8 April 1998 is ordered.

The Registrar:

The Chairman:



M. Beer



M. Aúz Castro

