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High Court of Justice of Madrid makes a rather harsh interpretation of the scope of "restitutio in integrum"

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On 3 June 2015, the High Court of Justice ("Tribunal Superior de Justicia") of Madrid handed down a judgment which has alerted everyone of the need to have robust systems in place to make sure that a deadline for paying renewal fees is not missed. The facts of the case may be briefly summarised as follows:

A Spanish company that failed to give instructions to its patent agents to pay the renewal fees for a patent application on time, filed an application for "*restitutio in integrum*" before the Spanish Patents and Trademark Office ("SPTO"). The application was based on a affidavit from an employee of the company, where he explained that although the company had an efficient and secure system for monitoring deadlines, a once-off, isolated error had been made on this occasion. The SPTO rejected the application on the grounds that the circumstances alleged did not fall within the scope of the "*restitutio in integrum*".

The applicant then filed an appeal before the High Court of Justice of Madrid, which summarised the arguments of the appeal as follows:

"*The company employee responsible for taking management decisions in relation to patents, Mr Rubén, who in conjunction with the company's administrative personnel, takes care of performing the necessary formalities in relation to patents in particular, such as ordering the payment of the corresponding fees and annual payments, which obviously includes the patent fee we are dealing with here, issued instructions that were subsequently relayed to X so that it could perform the task at the SPTO. In this way, the company has a system of management and monitoring of its Industrial Property assets that is efficient and secure and that, apart from individual exceptions such as the one addressed here, has never caused a problem.- **However, due to a once-off, completely isolated error in the otherwise precise, duly monitored* **modus operandi** ***established by the company, the instructions for X to proceed with payment of the fees necessary for the grant of this patent application were never relayed**. On this point we should refer to the affidavit attached as Annex I to our writ requesting* restitutio in integrum *dated 18 May 2012. This affidavit, which is included in the administrative file sent by the SPTO, was prepared and signed by Mr Rubén and explains how the error in the chain of command and the failure to relay the instructions occurred, leading to the loss of the rights. For its part, X, in the absence of instructions from the applicant, refrained from making payment, thus effectively abandoning the process, which was closed shortly*

afterwards.- However, when performing a routine check on 30 March 2012, Y realised that the process had been abandoned due to a failure to pay the patent fees, when its intention had never been to abandon the application. Y contacted X at that moment in order to clarify the situation and it was then that the error came to light together with the ensuing negative consequences."

In its judgment of 3 June 2015, the Court considered that the applicant had not proved the characteristics of the monitoring system and the nature of the error made. According to the Court, a declaration from the commercial director of the applicant was not sufficient evidence. The Court stated that accepting "*restitutio in integrum*" would require proving all the diligence required in the circumstances.

The Court added that:

"*In interpreting said rule, the Judgment handed down by Chamber 3 of the Supreme Court on 9 March 2000 stated that* **force majeure *can be considered to exist when extraordinary, abnormal circumstances arise, beyond the control of the party invoking it, the consequences of which are either impossible to foresee or, even if foreseeable, impossible to avoid, notwithstanding the exercise of due diligence in both cases. They are not just more or less accidental events, which are included in the everyday risk of all human activity but which do not involve the features indicated above, but rather truly exceptional circumstances.*** *Having seen the circumstances in this case, the only possible conclusion is that the non-payment was the result of negligence on the part of the interested party, who either lacked a valid monitoring system for payment of the corresponding fees, or failed to follow the corresponding protocol, or abandoned the corresponding process; all of these circumstances are far removed from the concept of a "prudent businessperson" which must preside over the activity of the entity in question*."

In conclusion, the teaching of this case is that companies should have robust systems in place to make sure they do not miss a deadline for paying renewal fees, as persuading a Court to accept "*restitutio in integrum*" will not be easy.

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