

## *Lapsing of Patent for Failure to Pay Maintenance Fees Held Not to Invalidate Terminal Disclaimer*

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On March 17, 2011, the District of New Jersey (Judge Chesler) issued an important decision regarding the doctrine of obviousness-type double patenting (“OTDP”), holding that when a patent is terminally disclaimed to the expiration date of an earlier-expiring patent and the earlier patent lapses due to failure to pay maintenance fees, the terminal disclaimer may still be effective to obviate OTDP. A copy of that opinion can be found [here](#).

### **Background**

“Obviousness-type double patenting is a judicially created doctrine . . . that prevents the extension of the term of a patent . . . by prohibiting the issuance of claims in a second patent not patentably distinct from the claims of the first patent.” *Boehringer Ingelheim Int’l GmbH v. Barr Labs., Inc.*, 592 F.3d 1340, 1346 (Fed. Cir. 2010) (internal citations omitted). “The fundamental reason for the rule of obviousness-type double patenting is *to prevent unjustified timewise extension of the right to exclude* granted by a patent no matter how the extension is brought about.” *Id.* at 1347 (internal citations omitted) (emphasis in original). In general, a terminal disclaimer obviates a charge of OTDP by setting the expiration date of the later-expiring patent to match that of the earlier-expiring patent and requiring common ownership of the patents during their term. *In re Longi*, 759 F.2d 887, 894 (Fed. Cir. 1985).

The Federal Circuit has noted that “a patentee may file a [terminal] disclaimer after issuance of the challenged patent or during litigation, even after a finding that the challenged patent is invalid for obviousness-type double patenting.” *Boehringer*, 592 F.3d at 1347. However, there are various important limitations on when a terminal disclaimer can be filed. For example, the Federal Circuit has held that a terminal disclaimer was ineffective where it was filed after expiration of the underlying reference patent. *See id.* at 1348 (validity upheld, however, under 35 U.S.C. § 121).

The Federal Circuit has also held that if the earlier-issuing patent is statutorily disclaimed under 35 U.S.C. § 253, then a patentee cannot terminally disclaim a later-expiring patent to the statutorily disclaimed patent because a terminal disclaimer over a statutorily disclaimed patent sets the expiration date of the terminally disclaimed patent to the expiration date caused by the statutory disclaimer — resulting in the immediate expiration of the later-issuing patent. *Eli Lilly and Co. v. Barr Labs., Inc.*, 251 F.3d 955, 967 n.5 (Fed. Cir. 2001). In other words, terminally disclaiming to a patent that is statutorily disclaimed effectively kills the terminally disclaimed patent. This is similar to the holding of *Boehringer* discussed above that once the earlier patent actually expires, a terminal disclaimer is ineffective.

The Federal Circuit has not directly addressed the issue of terminally disclaiming to a patent that has already lapsed, or which lapses after the filing of the terminal disclaimer, due to nonpayment of maintenance fees. The Court has suggested — in *dicta* — that a lapse that occurs after the terminal disclaimer is filed should not impact the expiration date of a patent terminally disclaimed to the lapsed patent:

Beyond their shared expiration date, however, two disclaimed patents maintain significant attributes of individuality. For example, [the patentee] pays two sets of maintenance fees—one for each of the . . . patents. If [the patentee] does not pay the maintenance fee on one of the patents, that oversight would have no effect on the validity or enforceability of the other patent.

*Pharmacia Corp. v. Par Pharm., Inc.*, 417 F.3d 1369, 1374 (Fed. Cir. 2005) (internal citations omitted).

### The District of New Jersey's Recent Opinion

In *Hoffman-La Roche Inc. v. Orchid Chems. & Pharms. Ltd.*, No. 10-4540 (SRC)(MAS), the district court was faced with a situation where an unexpired patent was terminally disclaimed to a reference patent during prosecution and the patentee later let the reference patent lapse (in 2002) for failure to pay maintenance fees. Orchid sought judgment on the pleadings that the unexpired patent had actually expired in 2002 when the patentee failed to pay the maintenance fee on the now-lapsed reference patent. Judge Chesler rejected Orchid's attempt to have the unexpired patent declared expired as of 2002, reaching the same result as the *dicta* in *Pharmacia*. However, Judge Chesler based his decision not on the *dicta* in that decision or on other cases he cited as persuasive, but on the fact that the "rationale [for the existence of a terminal disclaimer] does not provide a justification for finding that a terminal disclaimer should execute when the linked patent expires for nonpayment of maintenance fees" because having the terminal disclaimer become effective under such circumstances "does nothing to effectuate the prohibition against double patenting." *Hoffman-La Roche*, slip op. at 6. Specifically, Judge Chesler held that "refusing to terminate the [unexpired] patent because the [lapsed] patent expired for nonpayment of fees does not permit double patenting to occur." *Id.*

Given the policies discussed above, Judge Chesler's opinion makes sense. However, patent owners should keep in mind that the Federal Circuit has not specifically decided the issue yet. The potential magnitude of harm could be enormous in a given case if the Federal Circuit were to extend *Lilly* and hold that a terminal disclaimer to a patent that has lapsed effectively ends the terminally disclaimed patent's remaining term. Thus, until the Federal Circuit issues a precedential ruling on this issue, the safest approach is to continue paying the maintenance fees on patents as to which important or potentially important patents are terminally disclaimed or may potentially be terminally disclaimed later such as during litigation.

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*If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:*

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