Cassels

The New Due Care Roadmap: How to Avoid Deemed Expiry or Abandonment of Your Patent and Design Rights

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The start of 2025 has come with two new decisions at the Federal Court (the FC) and Federal Court of Appeal (the FCA), increasing clarity on the due care standard for reinstating patents and patent applications that were deemed expired from unpaid fees.[1] A third decision contrasts the strict approach that applies to industrial design registrations, which are not subject to the due care standard for potential reinstatement.

The *Patent Act* provides for deemed expiry for patents and deemed abandonment for patent applications when prescribed fees are not paid on time.[2] However, the *Patent Act* also allows for potential reinstatement of patents and patent applications where the patentee or applicant makes a request to the Commissioner stating the reasons for the failure to pay the fees and paying the necessary fees. The patent or patent application will be reinstated only if the Commissioner determines that the failure occurred in spite of "due care" having been taken.

In contrast, the *Industrial Design Act* deems a registration to have expired upon non-payment of prescribed fees, with no ability to request reinstatement, even if due care was taken.[3] The *Industrial Design Act* grants discretion to the Federal Court to rectify entries to the Register of Industrial Designs.[4]

Taillefer v. Canada (AG)

In *Taillefer v. Canada (AG)*[5] (*Taillefer*), Taillefer appealed the FC's decision dismissing his application for judicial review of the Commissioner's decision to reject the reinstatement of his patent (the 767 Patent).

Since 2012, Taillefer had used a third-party agent to pay the maintenance fees for the 767 Patent through an arranged process in which the agent would e-mail Taillefer of the renewal deadline and require Taillefer's written instructions to pay the maintenance fee. From 2019 to 2020, the agent sent eight e-mails to Taillefer requesting instructions to pay the maintenance fee for the 767 Patent, which were delivered to his junk folder. Upon receiving no response, the agent did not pay the maintenance fee, and the six-month grace period expired. Taillefer discovered the emails three months after the notice period lapsed. Consequently, the 767 Patent was deemed expired.

When Taillefer requested for the patent to be reinstated, the Commissioner decided that he had not met the due care standard as he had failed to take reasonable steps to develop alternative methods to mitigate the

risks posed by a breakdown in the email communications.[6] The FC reviewed and upheld the Commissioner's decision as reasonable, as there was no reasonable basis to satisfy the due care requirement.[7]

On appeal, the FCA agreed with the FC's decision and stated (1) it was reasonable for the Commissioner to find that due care would have required the agent to find another method of communication given the circumstances and (2) it was reasonable for the Commissioner to find Taillefer was responsible for ensuring that his system to monitor fees remained effective.[8] The FCA dismissed Taillefer's appeal, stating the Commissioner was correct in determining that the unfortunate miscommunication that led to the deemed expiry of the 767 Patent was an accident waiting to happen.[9]

Matco Tools Corporation v. Canada (AG)

In *Matco Tools Corporation v. Canada (AG)*[10] (*Matco Tools*), the FC dealt with the issue of unpaid maintenance fees for a patent application (the 194 Application) due to email miscommunications. In 2021, Matco Tools Corporation (Matco) switched to a different third-party agent, who became responsible for paying all fees under the authorization of Matco's Vice President of Intellectual Property. When the third-party agents were migrating data in this file transition, an importing error occurred for the 194 Application. In their e-mail detailing the data migration report, the third-party agent did not flag this error to Matco, and the Vice President did not open the report within the e-mail which showed the 194 Application was not imported. As a result, the maintenance fees were not paid. Compounding the problem, Matco did not receive the notice from the Commissioner as its US Counsel did not report this notice to Matco's Canadian Agent and thus Matco did not pay the fees within the six-month grace period. The 194 Application was deemed abandoned in August 2022.

Matco sought reinstatement from the Commissioner, who ruled the 194 Application was not to be reinstated and was deemed abandoned under section 73 of the *Patent Act.* The Commissioner stated that the due care standard requires an examination of the actions of all parties involved in the maintenance and prosecution of the patent, which includes the applicant, patent agents, and other representatives involved in managing maintenance fee payments.[11]

On an application from Matco to set aside this decision, the FC held that the due care standard in *Taillefer* for patents was equally applicable to patent applications.[12] The FC found that the Commissioner overlooked the initial cause of the failure to pay the maintenance fees: the data migration error. The Court labeled this at the "proximate cause" and stated that this must be the starting point in the due care analysis because *but for* the data migration error, the maintenance fees would have been paid.[13]

The FC articulated a multi-step inquiry:

1. What caused the failure to pay the 194 Application maintenance fee (i.e., the Proximate Cause)?
2. Was due care taken by either or both of the Applicant and its representative to avoid the Proximate Cause?
3. If not, was due care taken afterward to ameliorate the effect of the Proximate Cause prior to the Application being deemed abandoned?[14]

The FC stated that there is a shared responsibility, that applies at the outset of the relationship, between applicants and agents to act with due care and a heightened obligation to forward and respond to key communications.[15] The FC held that the Commissioner failed to appropriately apply the due care standard in its analysis, which did not consider (1) whether the email regarding the data migration error was clear enough to alert Matco that non-imported cases would not be paid, (2) whether the third-party agent exercised due care in following up on the data migration email, and (3) whether Matco, through its Vice President of Intellectual Property, exercised due care in reviewing the data migration error email. The FC ultimately allowed Matco's application, set aside the decision, and returned the issue to the Commissioner's office for redetermination.

Poseidon, LLC v. Canada (Commissioner of Patents)

In *Poseidon, LLC v. Canada (Commissioner of Patents)*[16] (*Poseidon*), Poseidon, LLC (Poseidon) sought an order under section 22 of the *Industrial Design Act* to vary the Register of Industrial Designs to reinstate or add two of their industrial design registrations that were deemed expired due to unpaid maintenance fees.[17]

The FC held that it had jurisdiction to rectify an error in the Register of Industrial Designs that is made "without sufficient cause" if there is material new evidence that is "sufficiently substantial and significant" and "of probative value" (i.e., the FC could rectify the register if the "expired" notation was made "without sufficient cause" and there was material new evidence to support a "without sufficient cause" finding).[18]

The FC reviewed the affidavit evidence filed by Poseidon, which spoke to its intention to pay the maintenance fee and renew the designs. Poseidon had two designs that required a five-year maintenance fee to be paid by October 2020. Poseidon was represented by a law firm who transitioned their maintenance fee management to a third-party agent in August 2020. An employee of the law firm corresponded with the third-party agent regarding the designs' maintenance fees and incorrectly recorded the fees as completed. In October 2020, the third-party agent forwarded an invoice to the law firm noting a "rejected fee charge." The employee did not record the "rejected fee charge" and instead recorded the correspondence as an "annuity fee invoice," making it appear as though the fees had been paid. The maintenance fees were not paid by the required due date or during the six-month grace period. The designs were deemed expired in May 2021.

Upon discovery of the deemed expiry in June 2021, Poseidon argued that their third-party agent attempted

to pay the maintenance fees on the Canadian Intellectual Property Office's (CIPO) online platform and encountered failures with CIPO's system. Poseidon submitted that the third-party agent had attempted to send two facsimiles to CIPO regarding payment of the designs, which CIPO never received. The FC reviewed the three methods available by the CIPO to pay maintenance fees: physical delivery, online, and by facsimile. The FC noted that there was no attempt to use physical delivery, there was no actual evidence to support the argument that there was a failure in CIPO's online system, and the error of the facsimile transmission was not on CIPO, but on the Plaintiff.[19]

The FC held that it did not have jurisdiction to grant retroactive equitable relief to extend the time for the payment of fees to maintain an industrial design registration. The FC could not resuscitate Poseidon's industrial designs, which by operation of the statutory provisions of the *Industrial Design Act*, had expired.[20]

Key Takeaways

For patents and patent applications, the decisions in *Taillefer* and *Matco Tools* provide a good road map of how the "due care" standard will be applied, and what patent owners need to do to ensure (1) this kind of thing never happens to them, and (2) if it does, the kinds of systems to have in place if a mistake happens and a request for reinstatement needs to be made. Conversely, the decision in *Poseidon* confirms that for industrial designs, the strict regime still applies and exercising due care is not enough. Owners of industrial designs need to ensure their maintenance fees are paid on time or accept the consequences.

Ultimately, for both types of intellectual property, it is important to ensure all parties involved in the payment of maintenance fees, including patentees/applicants/registrants, law firms, agents, and others, implement robust tracking and communication systems to avoid inadvertent failures to pay fees. Mistakes happen, but having the right systems in place will mean that requests for reinstatement are few and far between.

For more information and guidance on patents, industrial designs and all of the issues discussed above, please contact our Intellectual Property Group.

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[1] Under Canadian intellectual property law, in order for a patent or industrial design to remain in effect in Canada, the prescribed maintenance fees must be paid before the prescribed due date (*Patent Act*, RSC 1985, c P-4, s 27.1; and *Industrial Design Act*, RSC 1985, c I-9, s 10(2)). In the event the maintenance fee is not paid by the due date, the Commissioner of Patents (the Commissioner) shall send notice to the applicant, allowing for a six-month grace period to pay the maintenance fee (*Patent Act*, RSC 1985, c P-4, s 27.1(3); and *Industrial Design Regulations,* SOR/2018-120, s 22(7)).

[2] Section 46 for patents; section 73 for patent applications.

[3] Section 10(3).

[4] *Industrial Design Act,* RSC 1985, c I-9, s 22.

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

[6] *Taillefer* at paras 3 and 8.

[7] *Taillefer* at para 4.

[8] *Taillefer* at para 10.

[9] *Taillefer* at para 11.

[10] *Matco Tools Corporation v. Canada (Attorney General)*, 2025 FC 118 *(Matco Tools).*

[11] *Matco Tools* at para 28.

[12] *Matco Tools* at para 37.

[13] *Matco Tools* at para 40.

[14] *Matco Tools* at paras 41-42.

[15] *Matco Tools* at para 43.

[16] *Poseidon, LLC v. Canada (Commissioner of Patents)*, 2025 FC 225 *(Poseidon).*

[17] Poseidon's designs were registered in 2015 and therefore the pre-2018 version of the *Industrial Design Act* applied.

[18] *Poseidon* at para 16.

[19] *Poseidon* at paras 27, 36, and 40.

[20] *Poseidon* at paras 46-47.

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.