Republic of the Philippines
Court of Appeals
Manila

SPECIAL FIFTH DIVISION

SEKISUI ENVIRONMENT CO., LTD., *Petitioner,*	**CA- G.R.** ***SP No. 132968***
	Members:
- versus -	**ABDULWAHID, H.S.,** *Chairperson,* **BARZA, R.F.,** *and* [*]**LAGUILLES, Z.T.G.,** ***JJ.*****:**
THE DIRECTOR GENERAL OF THE INTELLECTUAL PROPERTY OFFICE, *Respondent.*	*Promulgated:* *December 11, 2014*

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D E C I S I O N

ABDULWAHID, ***J.*****:**

In this *Petition for Review* under Rule 43 of the 1997 Rules of Civil Procedure, petitioner Sekisui Environment Co., Ltd., seeks to annul and set aside the *Decision*[1] dated November 13, 2013 rendered by respondent Director General of the Intellectual Property Office (IPO) in Appeal No. 1-2012-0002 (Application No. 1-2003-000174), dismissing petitioner's appeal and affirming the denial of the *Petition for Revival* by the

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* Vice ***J.*** R.A. Cruz, who is on leave, per Office Order No. 510-14-RSF dated December 5, 2014.

1 Rollo, pp. 30-32.

Director of Patents.

Petitioner Sekisui Environment Co., Ltd. is a corporation organized under the laws of Japan with address at 26-30, Enoki-cho, Suita-shi, Osaka 564-0053 Japan.[2] On April 15, 2003, petitioner became the assignee of the patent application over the Rotating Biological Contactor-Type Sewage Treatment Equipment and Rotating Biological Contactor-type Sewage Treatment Equipment Unit.[3]

On July 21, 2006, after examining the application, the patent examiner issued official action Paper No. 12 rejecting claim 1-8 for lacking novelty, to wit:[4]

> Claim 1-8 are rejected for lacking novelty over the above cited reference. It appears that present subject application has already been published by a foreign patent office prior to the filing here in the Philippines. Under Rules 203 and 204 of the Rules and Regulations on Inventions, said disclosure, which corresponds to the subject application, has prejudiced the applicant on the ground of lack of novelty.
>
> In view thereof, the grant of patent is precluded from taking its course because it has failed to attain the required novelty.

On November 15, 2006, the patent examiner issued a *Notice of Withdrawn Application*[5] after noting that petitioner's reply dated September 20, 2006 was not responsive to official action Paper No. 12 and did not address the rejection raised by the examiner-in-charge. Petitioner was thereby given a period of four (4) months, or up to March 15, 2007, within which to file a motion to revive application in order to show that its failure

2 *Id*. at 11.
3 *Id*. at 43-46.
4 *Id*. at 52-1.
5 *Id*. at 53.

to prosecute was due to fraud, accident, mistake or excusable negligence.

On March 15, 2007, petitioner, through its counsel Romulo Mabanta Buenaventura Sayoc & De Los Angeles, filed a petition for revival of withdrawn application[6] and attached therewith a supplement[7] to its reply to official action Paper No. 12.

On August 31, 2010, the patent examiner sent out official action Paper No. 16, denying the petition for revival for petitioner's failure to pay the required fee within the reglementary period.[8]

On June 28, 2012, the Director of Patents denied[9] petitioner's appeal,[10] prompting petitioner to elevate the matter to the Office of the Director General.

On November 13, 2013, respondent Director General in the assailed *Decision* dismissed petitioner's appeal, the dispositive portion thereof stating, thus:[11]

> **WHEREFORE**, premises considered, the appeal is hereby DISMISSED. Let a copy of this Decision and the records of this case be furnished to the Director of the Bureau of Patents and the library of the Documentation, Information and Technology Transfer Bureau for information, guidance, and records purposes.
>
> SO ORDERED.

Aggrieved, petitioner interposed the instant appeal,

6 *Id*. at 54.
7 *Id*. at 55-57.
8 *Id*. at 58.
9 *Id*. at 71-73.
10 *Id*. at 78-83.
11 *Id*. at 32.

raising a single assignment of error for consideration of this Court:[12]

> **WHETHER OR NOT RESPONDENT ERRED IN IGNORING THE PRINCIPLE AND POLICY THAT INTELLECTUAL PROPERTY RULES OF PRACTICE, PARTICULARLY THE BELATED PAYMENT OF FEES, SHOULD BE CONSTRUED LIBERALLY.**

Petitioner points to Rules 1103 and 1104 of the Implementing Rules and Regulations on Inventions to show that IP Rules as a whole follow a liberal approach. The said Rules read, as follows:[13]

> Rule 1103. *Nonpayment of Annual Fees*. If any annual fee is not paid within the prescribed time, the application shall be deemed withdrawn or the patent considered lapsed from the day following the expiration of the period within which the annual fees were due. A notice that the application is deemed withdrawn or the lapse of a patent for non-payment of any annual fee shall be published in the IPO Gazette and the lapse shall be recorded in the appropriate register of the Office.
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> Rule 1104. *Grace Period*. A grace period of six (6) months from the due date shall be granted for the payment of the annual fee, upon payment of the prescribed surcharge for delayed payment.

Petitioner maintains that the belated payment of its revival fee should receive the same liberal treatment accorded to the delayed payment of annual fees.

Furthermore, petitioner points out that the timely filing of its petition for revival expressed its interest to pursue its patent

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12 *Id*. at 15.
13 *Id*. at 16.

application, thus, the belated payment of the revival fee should not have been taken against it. Petitioner asserts that the IPO cashier was equally at fault when he/she failed to demand the payment of the revival fee when its messenger forgot to remit the fee together with the petition for revival. Such non-payment, petitioner insists, can be considered as due to accident or excusable negligence.[14]

The IPO, for its part, asserts that there is no justification for the liberal construction or interpretation of the IPO Rules as the payment of the revival fee within a four (4) month period is unequivocally stated in the Rules. The IPO Rules are clear that the petition for revival must be accompanied by the payment of the required fees.[15]

The IPO then goes on to warn that allowing the revival of petitioner's patent application despite the non-payment of revival fees within the time prescribed, will set a dangerous precedent in the processing of patent applications.[16]

The petition is meritorious.

The Supreme Court, in a number of cases, has repeatedly held that the failure to pay the appellate docket fee does not automatically result in the dismissal of an appeal, dismissal being discretionary on the part of the appellate court.[17] In *Camposagrado vs. Camposagrado*,[18] the Supreme Court elaborated that such discretionary power should be used in the exercise of the court's sound judgment in accordance with the tenets of justice and fair play with great deal of circumspection, considering all attendant circumstances and must be exercised

14 *Id*. at 16-17.
15 *Id*. at 145-146.
16 *Id*. at 147-148.
17 *Planters Products, Inc. vs. Fertiphil Corporation*, 426 SCRA 414, 420 (2004).
18 469 SCRA 602, 608 (2005).

wisely and ever prudently, never capriciously, with a view to substantial justice.

In *La Salette College v. Pilotin*,[19] it was emphasized that notwithstanding the mandatory nature of the requirement of payment of appellate docket fees, its strict application is qualified by the following: first, failure to pay those fees within the reglementary period allows only discretionary, not automatic, dismissal; second, such power should be used by the court in conjunction with its exercise of sound discretion in accordance with the tenets of justice and fair play, as well as with a great deal of circumspection in consideration of all attendant circumstances.

Villena vs. Rupisan[20] submits that while the rules of procedure in the matter of paying the docket fees must be followed, there are exceptions to the stringent requirement as to call for a relaxation of the application of the rules, such as: (1) most persuasive and weighty reasons; (2) to relieve a litigant from an injustice not commensurate with his failure to comply with the prescribed procedure; (3) **good faith of the defaulting party by immediately paying within a reasonable time from the time of the default**; (4) the existence of special or compelling circumstances; (5) the merits of the case; (6) a cause not entirely attributable to the fault or negligence of the party favored by the suspension of the rules; (7) a lack of any showing that the review sought is merely frivolous and dilatory; (8) the other party will not be unjustly prejudiced thereby; (9) fraud, accident, mistake or excusable negligence without appellant's fault; (10) peculiar legal and equitable circumstances attendant to each case; (11) in the name of substantial justice and fair play; (12) importance of the issues

19 G.R. No. 149227, December 11, 2003.
20 G.R. No. 167620, April 3, 2007 (emphasis supplied).

involved; and (13) exercise of sound discretion by the judge guided by all the attendant circumstances. Concomitant to a liberal interpretation of the rules of procedure should be an effort on the part of the party invoking liberality to adequately explain his failure to abide by the rules. Anyone seeking exemption from the application of the Rule has the burden of proving that exceptionally meritorious instances exist which warrant such departure.

In the case at bar, petitioner was a month and a half delayed in paying the revival fee for its petition for revival. The reason proffered was the messenger's negligence in failing to remit the payment upon the filing of the petition. However, when petitioner realized its mistake, it immediately sought to rectify it by tendering payment which was accepted by the IPO.

Respondent cited *Schuartz vs. Court of Appeals*[21] to support its denial of petitioner's appeal, yet a careful reading of the said decision shows that it is not applicable in the case at bar. In *Schuartz*, the petitions for revival were dismissed because of laches, as it took the petitioners' counsels more than six (6) months from the time they were issued the notice of abandonment to file the petitions for revival, to wit:

> Facts show that the patent attorneys appointed to follow up the applications for patent registration had been negligent in complying with the rules of practice prescribed by the Bureau of Patents. The firm had been notified about the abandonment as early as June 1987, but it was only after December 7, 1987, when their employees Bangkas and Rosas had been dismissed, that they came to know about it. This clearly showed that petitioners' counsel had been remiss in the handling of their clients' applications.

21 335 SCRA 493, 499-500 (2000).

Such does not obtain in the case at bar, since petitioner was able to file its petition for revival within the reglementary period, although payment of the requisite fees was made only a month and a half after the filing of its petition. Unlike in *Schuartz*, where the petitions for revival were filed six (6) months after receiving the notices of abandonment, it cannot be said that petitioner in this case was guilty of similar inaction which would merit the forfeiture of its right to revive its application for patent.

On the contrary, when petitioner realized its mistake, it immediately tendered payment of the revival fee to IPO, effectively showing its good faith and substantial compliance with the requirements of the IPO Rules, without any willful or intentional departure therefrom.[22]

In fine, it was error for respondent to have been unduly strict in dismissing petitioner's petition for revival. A more liberal approach would have been the better recourse in light of the facts of the case and the absence of an opposing party who would have been unjustly prejudiced had the petition for revival been given due course.

WHEREFORE, the appeal is **GRANTED.** The assailed *Decision* dated November 13, 2013 of the Office of the Director General, Intellectual Property Office, in Appeal No. 1-2012-0002 (Application No. 1-2003-000174), is **REVERSED** and **SET ASIDE,** and the *Petition for Revival of Withdrawn Application* is **GRANTED**.

SO ORDERED.

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22 See *Buenaflor vs. Court of Appeals*, 346 SCRA 563 (2000).

HAKIM S. ABDULWAHID
Associate Justice

WE CONCUR:

ROMEO F. BARZA
Associate Justice

ZENAIDA T. GALAPATE-LAGUILLES
Associate Justice

C E R T I F I C A T I O N

Pursuant to Article VIII, Section 13 of the constitution, it is hereby certified that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

HAKIM S. ABDULWAHID
Chairperson
SPECIAL FIFTH DIVISION