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Canada

(1) APPLICABLE LAWS

1 Canada is a federal state having ten provinces and three territories. Canada does not have a specialized patent court per se, as found in some other jurisdictions. There is a single, national Federal Court, and also a separate provincial court system in each province or territory. The Supreme Court of Canada is the final court of appeal for each system. The Federal Court and all the provincial court systems, with the exception of the province of Quebec, are common law systems influenced by the system in England. The legal system in Quebec is governed by a civil code. Most patent proceedings are brought in the Federal Court, notwithstanding an overlap in jurisdiction with provincial courts for patent infringement actions.

2 The Canadian patent system is governed by the Federal *Patent Act*.¹ Canada is a contracting party to the International Convention for the Protection of Industrial Property (Paris Union) and is also a member of the World Trade Organization (WTO). On 1 October 1989, Canada moved from a ‘first-to-invent’ patent system to a ‘first-to-file’ system. As a result, there are essentially two separate patent systems in Canada, one for applications filed prior to 1 October 1989 and one for applications filed on or after that date.² The amendments primarily affected prior art related issues with respect to anticipation and obviousness, but also altered the duration of the exclusive rights granted by a patent. These amendments are discussed in greater detail below.

¹ *Patent Act*, RSC 1985, c P-4.

² *Patent Act*, RSC 1985, c P-4, ss 78.1–78.5.

(2) ENTITLEMENT

(2.1) COMPENSATION

3 The Canadian *Patent Act* does not include any provisions relating to the compensation to be paid for an invention, even in circumstances where the invention is made by the inventor in the course of his/her employment. Thus, in Canada, compensation for an invention is governed by the contractual relationship between the inventor and his/her employer. Indeed, it is not uncommon for employment contracts in Canada to include provisions assigning all rights to any invention made by an employee in the course of their employment to the employer without further compensation beyond the employee's salary.

(2.2) DERIVATION

4 As a general rule, the prosecution of a patent application in Canada is an *ex parte* process and is restricted to the correspondence between the Patent Office and the applicant. As such, the Canadian *Patent Act* does not provide for derivation or opposition proceedings pursuant to which entitlement can be challenged while a patent application is pending.

5 There are two exceptions to this general rule. First, section 34.1 of the *Patent Act* provides that any person may file with the Patent Office prior art consisting of patents, published applications and printed publications that the person believes has a bearing on the patentability of any claim in a pending application, along with a written explanation of the pertinency of the prior art.³ Second, pursuant to Rule 10 of the *Patent Rules*, a third party can write to the Patent Office and 'protest' against the granting of a patent.⁴ The materials filed by a third party pursuant to either of these provisions are considered by the Patent Office in determining the patentability of the claims of the pending application. However, while the Patent Office will acknowledge the receipt of the prior art or protest filed by a third party, it will not inform the third party of its consideration of same or otherwise discuss the prosecution of the patent application with the third party.

6 Once an application has issued to patent, entitlement to a patent in whole or in part can be challenged:

- (i) in the Federal Court by way of a proceeding to:
 - (a) vary or expunge an entry in the records of the Patent Office relating to the title pursuant to section 52 of the *Patent Act*;⁵ or
 - (b) have a patent or patent claim declared invalid or void on numerous grounds pursuant to section 60 of the *Patent Act*;⁶ or
- (ii) through re-examination proceedings pursuant to section 48.1 of the *Patent Act*.⁷

³ *Patent Act*, RSC 1985, c P-4, s. 34.1.

⁴ *Patent Rules*, SOR/1996-423, r. 10.

⁵ *Patent Act*, RSC 1985, c P-4, s. 52. Section 8.7.3 – Entitlement Proceedings.

⁶ *Patent Act*, RSC 1985, c P-4, s. 60. Section 5.1 – Invalidity.

⁷ *Patent Act*, RSC 1985, c P-4, s. 48.1. Section 8.4.1 – Re-examination.

(2.3) APPLICANT

7 In Canada, a patent application can be filed by an inventor or a ‘legal representative’ of an inventor (which includes heirs, executors, administrators, guardians, curators, tutors, assigns and all other persons claiming through or under applicants for patents and patentees of inventions).⁸

8 The Canadian *Patent Act* does not define the term ‘inventor’. Canadian courts have held that an inventor is the person responsible for the inventive concept, which is not only the conception of the invention but also includes its reduction to practice.⁹ However, to be an inventor one must contribute to the inventive concept and not merely help the invention to completion (e.g., taking steps to verify the invention).¹⁰

(2.4) EMPLOYEE

9 The Canadian *Patent Act* does not explicitly address ownership of patent rights in an employee/employer relationship. In Canada, an employee is presumed to own his/her invention, and the mere existence of an employment relationship does not disqualify an employee from patenting an invention made during the course of employment. This presumption holds true even where the invention relates to an aspect of the employer’s business, the employee used the employer’s time and materials in the inventive process and/or the employee has allowed the employer to use the invention while he/she was employed.¹¹

10 Nevertheless, Canadian courts have recognized two exceptions to this presumption, namely:

- (i) there is an express contract to the contrary; or
- (ii) where the employee was employed for the purpose of inventing or innovating.¹²

11 In determining whether an employee was employed for the purpose of inventing or innovating, a court must take into account the ‘nature and context of the employer-employee relationship’ and consider such factors as:

⁸ *Patent Act*, RSC 1985, c P-4, ss 2, 27(1).

⁹ *Apotex Inc v. Wellcome Foundation Ltd*, 2002 SCC 77 at paras 96–97, 21 CPR (4th) 499; *Weatherford Canada Ltd v. Corlac Inc*, 2010 FC 602 at para. 239, 84 CPR (4th) 237, var’d on different grounds 2011 FCA 228, 95 CPR (4th) 101.

¹⁰ *Apotex Inc v. Wellcome Foundation Ltd*, 2002 SCC 77 at paras 96–97, 21 CPR (4th) 499; *Weatherford Canada Ltd v. Corlac Inc*, 2010 FC 602 at para. 239, 84 CPR (4th) 237, var’d on different grounds 2011 FCA 228, 95 CPR (4th) 101.

¹¹ *Techform Products Ltd v. Wolda* (2000), 94 ACWS (3d) 679 at para. 12, 5 CPR (4th) 25 (Ont Sup Ct J), rev’d on different grounds (2001), 56 OR (3d) 1, 15 CPR (4th) 44 (CA); *GD Searle & Co v. Novopharm Ltd*, 2007 FCA 173 at para. 36, 58 CPR (4th) 1, citing *Comstock Canada v. Electec Ltd* (1991), 29 ACWS (3d) 257, 38 CPR (3d) 29 at 72 (FCTD).

¹² *Techform Products Ltd v. Wolda* (2000), 94 ACWS (3d) 679 at para. 13, 5 CPR (4th) 25 (Ont Sup Ct J), rev’d on different grounds (2001), 56 OR (3d) 1, 15 CPR (4th) 44 (CA); *GD Searle & Co v. Novopharm Ltd*, 2007 FCA 173 at para. 36, 58 CPR (4th) 1, citing *Comstock Canada v. Electec Ltd* (1991), 29 ACWS (3d) 257, 38 CPR (3d) 29 at 72 (FCTD).

- (i) whether the employee was hired for the express purpose of inventing;
- (ii) whether the employee at the time of hiring had previously made inventions;
- (iii) whether the employer had incentive plans encouraging product development;
- (iv) whether the conduct of the employee once the invention was created suggested ownership was held by the employer;
- (v) whether the invention was the product of the problem the employee was instructed to solve;
- (vi) whether the employee's invention arose following his/her consultation through normal company channels (i.e., was help sought);
- (vii) whether the employee was dealing with highly confidential information or confidential work; and
- (viii) whether it was a term of the employee's employment that he/she could not use the ideas that he/she developed to his/her own advantage.¹³

12 In Canada, there are special rules for public servants, namely a person employed by the federal government or other institution that is an agency thereof.¹⁴ Pursuant to the provisions of the *Public Servants Inventions Act*, all inventions, and all rights thereto in Canada and elsewhere, made by a public servant:

- (a) while acting within the scope of his/her duties or employment, or made with facilities, equipment or financial aid provided by or on behalf of Her Majesty; or
- (b) that resulted from or is connected with his/her duties or employment,

are vested in Her Majesty in Right of Canada.¹⁵

13 The term 'public servant' in the *Public Servants Inventions Act* has been interpreted broadly, to include even a member of the supplementary reserve of the Canadian Forces.¹⁶ In addition, pursuant to the *Public Servants Inventions Act*, a public servant inventor is required, in any application in Canada for a patent, to disclose that he or she is a public servant.¹⁷ It has been held that the failure to do so is a material untrue allegation in the application which may lead to a patent being found to be invalid pursuant to section 53 of the *Patent Act*, discussed in greater detail in section 5.1.6 below.¹⁸

(2.5) EDUCATION/RESEARCH

14 The Canadian *Patent Act* does not include any specific provisions relating to ownership of inventions by researchers at educational institutions. As such, ownership of such inventions is determined as any employee-employer relationship as set out in section 2.4 above.¹⁹ That being said, many educational institutions in Canada have intellectual property policies relating to ownership of inventions.

¹³ *Techform Products Ltd v. Wolda* (2000), 94 ACWS (3d) 679 at para. 14, 5 CPR (4th) 25 (Ont Sup Ct.J), rev'd on different grounds (2001), 56 OR (3d) 1, 15 CPR (4th) 44 (CA).

¹⁴ *Public Servants Inventions Act*, RSC 1985, c P-32, s. 2.

¹⁵ *Public Servants Inventions Act*, RSC 1985, c P-32, s. 3.

¹⁶ *Louis Brown v. R*, 2014 FC 831 at paras 48–68, 127, 252 ACWS (3d) 320.

¹⁷ *Public Servants Inventions Act*, RSC 1985, c P-32, s. 4(1)(c).

¹⁸ *Patent Act*, RSC 1985, c P-4, s. 53; see *Louis Brown v. R*, 2014 FC 831 at paras 69–89, 252 ACWS (3d) 320.

¹⁹ Section 2.4 – Employee.

(2.6) TEAMWORK

15 In Canada, where an invention is made by two or more inventors, absent an agreement to the contrary, the inventors own all rights in the invention in equal parts. Accordingly, they are joint applicants for any patent application relating thereto.

16 The Canadian *Patent Act* includes several provisions relating to patent applications having joint inventors/applicants to alleviate some of the difficulties that might arise. In particular, where one joint inventor refuses to file an application or cannot be found after diligent inquiry, the other inventor(s) (or their legal representative(s)) may proceed and a patent may be granted to the remaining inventor(s) if the Patent Office is satisfied that the joint inventor refused to file the application or cannot be found after diligent inquiry.²⁰ In addition, where an application is filed and it subsequently appears that one or more further applicants should have been joined, the further applicant(s) may be joined on satisfying the Patent Office that the omission was due to inadvertence or mistake and not for the purpose of delay.²¹ Conversely, where an application is filed by joint applicants and it subsequently appears that one or more of them had no part in the invention, prosecution of the application may be carried on by the remaining applicant(s) on satisfying the Office that the remaining applicant(s) is/are the sole inventor(s).²²

(2.7) ENTITLEMENT CLAIMS

17 See section 2.2 above²³ and section 8.7.3 below.²⁴

²⁰ *Patent Act*, RSC 1985, c P-4, s. 31(1).

²¹ *Patent Act*, RSC 1985, c P-4, s. 31(4).

²² *Patent Act*, RSC 1985, c P-4, s. 31(3).

²³ Section 2.2 – Derivation.

²⁴ Section 8.7.3 – Entitlement Proceedings.

(3) SCOPE OF PROTECTION

(3.1) CLAIMS, DESCRIPTION AND DRAWINGS

18 The scope of the exclusive rights granted by a Canadian patent is defined by the claims as construed.²⁵ In Canada, patent claims are construed ‘purposively’, not in a purely literal fashion.²⁶ The key to ‘purposive’ construction is the identification of the particular words or phrases in the claims that describe what the inventor considered to be the ‘essential’ elements of the invention.²⁷ To ensure that a patent claim is given an interpretation that ‘best ensures the attainment of the patent’s objects’, it is construed based upon a knowledgeable reading of the whole patent specification (including the claims, description and drawings) through the eyes of a person skilled in the art, rather than a meticulous verbal analysis.²⁸ The ‘intention of the inventor’ is the objective intention determined from the patent specification alone;²⁹ reference to extrinsic evidence (such as domestic or foreign file histories) is not permitted.³⁰ A purposive construction can expand or limit the literal text of a patent claim.³¹

(3.2) PATENT AS GRANTED

19 The Canadian *Patent Act* provides that after a patent is issued, it shall, in the absence of any evidence to the contrary, be valid.³² Accordingly, the onus is on any party attacking the validity of a patent to prove, on a balance of probabilities, that the patent is invalid.

(3.3) INTERPRETATION OF STATE OF THE ART

20 As referenced in section 3.1 above,³³ purposive construction entails a review of the patent specification through the eyes of an ordinary ‘person skilled in the art’. Canadian courts have defined this notional person as someone who is sufficiently versed in the art to which the patent relates to enable him/her on a technical level to appreciate the nature and description of the invention.³⁴ Although uninventive, the ordinary ‘person skilled in the art’ is able to pursue reasonable and logical inquiries³⁵ and is reasonably diligent in keeping

²⁵ *Free World Trust v. Électro Santé Inc.*, 2000 SCC 66 at para. 33, 9 CPR (4th) 168.

²⁶ *Whirlpool Corp v. Camco Inc.*, 2000 SCC 67 at paras 42–50, 9 CPR (4th) 129.

²⁷ *Whirlpool Corp v. Camco Inc.*, 2000 SCC 67 at paras 45–48, 9 CPR (4th) 129.

²⁸ *Whirlpool Corp v. Camco Inc.*, 2000 SCC 67 at paras 48, 49, 9 CPR (4th) 129.

²⁹ *Free World Trust v. Électro Santé Inc.*, 2000 SCC 66 at paras 61–67, 9 CPR (4th) 168.

³⁰ *Free World Trust v. Électro Santé Inc.*, 2000 SCC 66 at paras 61–67, 9 CPR (4th) 168; *Whirlpool Corp v. Camco Inc.*, 2000 SCC 67 at para. 49, 9 CPR (4th) 129.

³¹ *Whirlpool Corp v. Camco Inc.*, 2000 SCC 67 at para. 49, 9 CPR (4th) 129.

³² *Patent Act*, RSC 1985, c P-4, s. 43(2).

³³ Section 3.1 – Claims, Description and Drawings.

³⁴ *Whirlpool Corp v. Camco Inc.*, 2000 SCC 67 at para. 53, 9 CPR (4th) 129.

³⁵ *Apotex Inc v. Syntex Pharmaceuticals International Ltd* (1999), 1 CPR (4th) 22 at 36–37 (FCTD), citing J Bochnovic, *Invention Inventive Step/Oviousness*, in *Patent Law of Canada* 47–48 (GF Henderson ed., The Carswell Co. Ltd. 1994).

up with advances in the field to which the patent relates.³⁶ The notional person understands, as a practical matter, the problem to be overcome, how different remedial devices might work, and the likely effect of using them.³⁷ The ‘person skilled in the art’ is not necessarily an individual person, but may include a combination of the collective expertise of a number of skilled workers, scientists and technicians.³⁸

(3.4) CRITERION FOR SCOPE OF PROTECTION

21 As referenced in section 3.1 above,³⁹ in Canada, the scope of the exclusive rights granted by a patent is defined by the claims as construed.⁴⁰ Thus, the ‘primacy of the language of the claims’ governs the scope of the monopoly granted by a patent.⁴¹ Before embarking upon inquiries into the issues of validity or infringement, the first step in a patent proceeding is to construe the claims.⁴² Therefore, a patent claim is construed without an eye to the prior art used to attack the validity of the patent or the allegedly infringing device.⁴³ The construction of a patent claim is a question of law for the court.⁴⁴ That said, although a correctness standard continues to be applied in reviewing the trial judge’s construction of a patent, in several recent decisions the Federal Court of Appeal has also suggested that deference should nevertheless be shown to the trial judge’s conclusions based on the assessment of expert evidence and related findings of fact, which are to be reviewed on a standard of palpable and overriding error.⁴⁵

(3.5) ROLE OF PROSECUTION HISTORY

22 As noted in section 3.1 above,⁴⁶ extrinsic evidence is inadmissible for the purpose of construing a patent claim.⁴⁷ Accordingly, an important distinction between Canada’s patent system and the system of some other jurisdictions is that the doctrine of prosecution history estoppel (or file wrapper estoppel) does not apply. The Supreme Court of Canada

³⁶ *Whirlpool Corp v. Camco Inc*, 2000 SCC 67 at para. 74, 9 CPR (4th) 129.

³⁷ *Almecon Industries Ltd v. Nutron Manufacturing Ltd* (1997), 72 CPR (3d) 397 at 401 (FCA), leave to appeal to SCC refused (1997), 74 CPR (3d) vi.

³⁸ *Mobil Oil Corp v. Hercules Canada Inc* (1994), 57 CPR (3d) 488 at 494 (FCTD), rev’d in part (1995), 63 CPR (3d) 473 (FCA), leave to appeal SCC refused (1996), 66 CPR (3d) vi.

³⁹ Section 3.1 – Claims, Description and Drawings.

⁴⁰ *Free World Trust v. Électro Santé Inc*, 2000 SCC 66 at para. 33, 9 CPR (4th) 168.

⁴¹ *Free World Trust v. Électro Santé Inc*, 2000 SCC 66 at paras 28–67, 9 CPR (4th) 168.

⁴² *Whirlpool Corp v. Camco Inc*, 2000 SCC 67 at para. 43, 9 CPR (4th) 129.

⁴³ *Whirlpool Corp v. Camco Inc*, 2000 SCC 67 at para. 49, 9 CPR (4th) 129. However, the Federal Court and Federal Court of Appeal have suggested that, for the purposes of construction, a Court is required to have some understanding of where the disputes between the parties lie. See *Halford v. Seed Hawk Inc*, 2006 FCA 275 at paras 13–16, 54 CPR (4th) 130 at 136–137 (FCA); *Shire Biochem Inc v. Canada (Minister of Health)*, 2008 FC 538 at para. 22, 67 CPR (4th) 94.

⁴⁴ *Whirlpool Corp v. Camco Inc*, 2000 SCC 67 at para. 61, 9 CPR (4th) 129.

⁴⁵ *Cobalt Pharmaceuticals Co v. Bayer Inc*, 2015 FCA 116 at paras 12, 16–18, 253 ACWS (3d) 690; *Zero Spill Systems (Int’l) Inc v. Heide*, 2015 FCA 115 at paras 47–48, 252 ACWS (3d) 806, leave to appeal to SCC requested; *ABB Technology AG v. Hyundai Heavy Industries Co*, 2015 FCA 181 at paras 25–28; and *Alcon Canada Inc v. Actavis Pharma Co*, 2015 FCA 191 at paras 10–12.

⁴⁶ Section 3.1 – Claims, Description and Drawings.

⁴⁷ *Free World Trust v. Électro Santé Inc*, 2000 SCC 66 at paras 61–67, 9 CPR (4th) 168.

has clearly stated that prosecution histories or file wrappers (domestic or foreign) are not admissible to construe a Canadian patent.⁴⁸

(3.6) EQUIVALENTS

23 In Canada, there is no infringement if, upon a purposive construction, an ‘essential’ element of the patent claim is different or omitted. However, there may be infringement if non-essential elements are substituted or omitted. For infringement to be established when the allegedly infringing article or process incorporates a variant from the claimed invention, it must be shown that:

- (a) the variant has no material effect upon the way the invention works, namely the variant performs substantially the same function, in substantially the same way, to obtain substantially the same result;
- (b) at the date of publication, it would have been obvious to a person skilled in the art that such a variant would have no material effect on the way the invention worked; and
- (c) that a person skilled in the art would have understood from the language of the claim that the patentee did not intend that strict compliance was an essential requirement of the invention such that the variant was not intended to be excluded from the claim.⁴⁹

(3.7) NON-INVENTIVE APPLICATION OF STATE OF THE ART

24 In Canada, a patent cannot be infringed if what a defendant is doing has already been disclosed in the prior art. This is commonly referred to as the ‘Gillette defence’, named after the House of Lords’ decision in *Gillette Safety Razor Co v. Anglo-American Trading Co. Ltd.*⁵⁰ The Gillette defence is not a separate defence, but rather a term of art describing alternative pleadings of non-infringement and invalidity. In essence, a Gillette defence puts the plaintiff on the horns of a dilemma, namely if any of the patent claims are construed in a manner to encompass the defendant’s product or process, then those claims are invalid as being anticipated by the prior art.

⁴⁸ *Free World Trust v. Électro Santé Inc*, 2000 SCC 66 at paras 64, 66, 9 CPR (4th) 168. However, a number of recent Federal Court decisions have drawn a distinction between statements or admissions made in the course of patent prosecution (which cannot be used for the purpose of construing a claim) and a change to the wording of a claim as a result of an objection from the Canadian Patent Office, which was characterized by the Court as an objective fact that therefore can be properly considered when construing a claim. See: *Distrimediv v. Dispill*, 2013 FC 1043 at paras 209–210, 119 CPR (4th) 1; *Eli Lilly Canada Inc v. Mylan Pharmaceuticals ULC*, 2015 FC 125 at para. 154, 130 CPR (4th) 116. It remains to be seen whether this approach will be approved by the Federal Court of Appeal or Supreme Court of Canada.

⁴⁹ *Free World Trust v. Électro Santé Inc*, 2000 SCC 66 at paras 55–56, 9 CPR (4th) 168; *Halford v. Seed Hawk Inc*, 2006 FCA 275 at paras 12–15, 54 CPR (4th) 130.

⁵⁰ *Gillette Safety Razor Co v. Anglo-American Trading Co Ltd* (1913), 30 RPC 465 at 480 (HL); *Pfizer Canada Inc v. Apotex*, 2005 FC 1421 at paras 159–161, 43 CPR (4th) 81; *Eli Lilly Canada Inc v. Apotex Inc*, 2009 FC 320 at paras 60–64, 75 CPR (4th) 165; *Eurocopter v. Bell Helicopter Textron Canada Limitée*, 2012 FC 113 at para. 51, aff’d 2013 FCA 219.

(3.8) TRANSLATIONS

25 In Canada, a patent application, including the abstract, description, drawings and claims, must be wholly in one of Canada's two official languages, namely either wholly in English or wholly in French.⁵¹ Where a PCT international application that is not in English or French enters national phase in Canada, a translation into English or French must be filed.⁵²

(3.9) NATIONAL (NON-EUROPEAN) PATENTS

26 As Canada is not a party to any convention analogous to the European Patent Convention, patent rights in Canada can only be obtained through the issuance of a patent from the Canadian Patent Office.

⁵¹ For example, see *Patent Rules*, SOR/96-423, r. 27.1(1), 53, 71(3), 136(3), 172(3).

⁵² *Patent Rules*, SOR/96-423, s. 58(1)(b).

(4) INFRINGEMENT

27 The *Patent Act* provides that a patentee is granted ‘the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used’.⁵³ The duration of the exclusive rights granted by a patent depends upon whether the patent is an old act patent or a new act patent. For old act patents (patents that issue from applications filed prior to 1 October 1989), the term of the patent is seventeen years from the date the patent is issued.⁵⁴ However, if the seventeen-year term had not expired prior to 12 July 2001, the term is seventeen years from the date of issuance or twenty years from the date the application was filed, whichever expires later.⁵⁵ New act patents (patents that issue from applications filed on or after 1 October 1989) have a term of twenty years from the filing date.⁵⁶

(4.1) DIRECT INFRINGEMENT

28 The Canadian *Patent Act* does not include an express definition of what acts constitute ‘infringement’ of a patent. However, Canadian courts have held that any act in Canada that interferes with, in whole or in part, directly or indirectly, the full enjoyment of the monopoly granted to the patentee during the term of the patent, without the patentee’s consent, constitutes an infringement.⁵⁷ As a practical matter, patentees are normally deprived of the fruits of their invention and the full enjoyment of their monopoly when another person, without licence or permission, uses the invention to further a business interest.⁵⁸ The ‘intention’ of the defendant is generally immaterial to the issue of infringement.⁵⁹

(4.1.1) Products

29 Activities that have been held by Canadian courts to constitute infringement of a product claim include:

- the making or use of a patented product in Canada;⁶⁰
- a sale or an arrangement to sell a patented product in Canada;⁶¹
- where all the components of a machine were made in Canada and were temporarily assembled for testing, even though the machine was not completely assembled and used in Canada, but in another country;⁶²

⁵³ *Patent Act*, RSC 1985, c P-4, s. 42.

⁵⁴ *Patent Act*, RSC 1985, c P-4, s. 45(1).

⁵⁵ *Patent Act*, RSC 1985, c P-4, s. 45(2).

⁵⁶ *Patent Act*, RSC 1985, c P-4, s. 44.

⁵⁷ HG Fox, *The Canadian Law and Practice Relating to Letters Patent for Inventions* 349 (4th ed., The Carswell Co. Ltd. 1969); *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34 at paras 30–58, 31 CPR (4th) 161.

⁵⁸ *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34 at para. 37, 31 CPR (4th) 161.

⁵⁹ *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34 at paras 49–50, 58, 31 CPR (4th) 161; but there may be scenarios where intention is relevant, for example, where the defence of possession without use or intent to use is invoked – See s. 4.1.1 below.

⁶⁰ *Patent Act*, RSC 1985, c P-4, s. 42.

⁶¹ *Beloit Canada Ltd v. Valmet-Dominion Inc*, [1997] 3 FC 497 at paras 40–51, 73 CPR (3d) 321(CA).

⁶² *Beloit Canada Ltd v. Valmet-Dominion Inc*, [1997] 3 FC 497 at paras 40–51, 73 CPR (3d) 321 at 333–339 (CA).

- the importation, sale or use in Canada of a patented product manufactured abroad;⁶³
- possession of a patented article in Canada unless the defendant can show that the invention was neither used nor intended to be used;⁶⁴
- where the claim is to a product for a specific use, the manufacture or sale of the product in Canada for the specific use, per se, irrespective of whether the product is actually used or where it is used;⁶⁵
- manufacturing or selling a patented apparatus, notwithstanding that the apparatus can be used in a non-infringing manner;⁶⁶
- planting of seeds and growing of plants containing genetically modified DNA where the patent claims were directed to the genetically modified DNA and cells containing genetically modified DNA; and⁶⁷
- importation, sale or use in Canada of a product made abroad using a patented intermediate product where that product plays an important part in the manufacture of the imported product.⁶⁸

30 By contrast, the following acts, by themselves, have been held not to constitute infringement of a patented product:

- the mere offering or promoting of a patented product in Canada that is ultimately sold outside of Canada;⁶⁹
- the manufacture or sale of a patented product outside of Canada even if the product is knowingly manufactured or sold for export into Canada (although a subsequent sale or use in Canada would constitute infringement);⁷⁰
- repair of a patented product, provided it does not constitute a reconstruction of the patented product;⁷¹ and
- the supply of spare parts and service for a patented product.⁷²

31 It should be noted that some of these examples of non-infringement may be in doubt in view of the subsequent decision of the Supreme Court of Canada in *Monsanto Canada Inc*

⁶³ *Saccharin Corp v. Anglo-Continental Works, Ltd* (1900), 17 RPC 307 (Eng HCJ); *Monsanto Canada v. Schmeiser*, 2004 SCC 34 at paras 43–44, 140, 31 CPR (4th) 161; *Eli Lilly & Co v. Apotex Inc*, 2009 FC 991 at paras 319–329, 80 CPR (4th) 1, aff'd 2010 FCA 240 at paras 18–20, 90 CPR (4th) 327.

⁶⁴ *Monsanto Canada v. Schmeiser*, 2004 SCC 34 at paras 30–58, 31 CPR (4th) 161.

⁶⁵ *AlliedSignal v. Du Pont Canada* (1993), 68 FTR 17, 50 CPR (3d) 1 at 18–19 (FCTD), aff'd on this issue (1995), 56 ACWS (3d) 156, 61 CPR (3d) 417 at 443–444 (FCA), leave to appeal to SCC refused (1995), 63 CPR (3d) v. (note).

⁶⁶ *Bourgault Industries Ltd v. Flexi-Coil Ltd* (1999), 87 ACWS (3d) 355, 86 CPR (3d) 221 at 233 (FCA), leave to appeal to SCC refused (2000), 4 CPR (4th) vii.

⁶⁷ *Monsanto Canada v. Schmeiser*, 2004 SCC 34 at paras 69–97, 31 CPR (4th) 161.

⁶⁸ *Saccharin Corp v. Anglo-Continental Works, Ltd* (1900), 17 RPC 307 (Eng HCJ); *Monsanto Canada v. Schmeiser*, 2004 SCC 34 at paras 43–44, 140, 31 CPR (4th) 161; *Eli Lilly & Co v. Apotex Inc*, 2009 FC 991 at paras 319–329, 80 CPR (4th) 1, aff'd 2010 FCA 240 at paras 18–20, 90 CPR (4th) 327.

⁶⁹ *Domco Industries Ltd v. Mannington Mills* (1988), 13 ACWS (3d) 315, 23 CPR (3d) 96 at 100–101 (FCTD), aff'd (1990), 20 ACWS (3d) 554, 29 CPR (3d) 481 (FCA), leave to appeal to SCC refused (1990), 33 CPR (3d) v. (note).

⁷⁰ *Domco Industries Ltd v. Mannington Mills* (1990), 20 ACWS (3d) 554, 29 CPR (3d) 481 at 496 (FCA), leave to appeal to SCC refused (1990), 33 CPR (3d) v. (note).

⁷¹ *Rucker Co v. Gavel's Vulcanizing Ltd* (1985), 36 ACWS (2d) 366, 7 CPR (3d) 294 at 323–325 (FCTD); *MacLennan v. Produits Gilbert*, 2008 FCA 35 at para. 23, 67 CPR (4th) 161.

⁷² *Beloit Canada Ltd v. Valmet-Dominion Inc*, [1997] 3 FC 497, 73 CPR (3d) 321 at 339–341 (CA).

v. Schmeiser,⁷³ which provided clarification of the definition of ‘use’ and arguably expanded the scope of the exclusive rights granted by a Canadian patent. In addition, the above-noted acts combined with other acts may constitute inducing or procuring infringement as discussed in greater detail in section 4.2.1 below.⁷⁴

(4.1.2) Processes

32 Canada courts have held that a claim directed to a process is infringed by:

- (a) use of a patent process in Canada; and⁷⁵
- (b) the importation, sale or use in Canada of a product made abroad using:
 - (i) the patented process, or
 - (ii) an intermediate product that was created in accordance with the patented process,

where that process or intermediate product plays an important part in the manufacture of the imported product.⁷⁶

(4.1.3) Absolute Product Protection

33 The term ‘absolute product protection’ is not recognized in Canadian patent law. However, a patent claim directed to a product per se without limitation, such as the method of manufacture or use thereof, provides protection to the product, irrespective of how the product is made and/or used.

(4.1.4) *De Minimis*

34 The *de minimis* defence is not explicitly recognized under Canadian law. However, the *de minimis* nature of the allegedly infringing activities could assist in respect of possible remedies or in determining whether the activities fall within another exception to infringement. By way of example, in *Micro Chemicals Ltd v. Smith Kline & French Inter-American Corp*, the Supreme Court of Canada held that the defendant’s production of a ‘small amount’ of a patented chemical that never entered into commerce or resulted in any profit to the defendant did not constitute infringement as it fell within the common law experimental use exception from infringement.⁷⁷

(4.1.5) Biological Material

35 In Canada, unicellular (lower) life forms and a variety of genetic or biological materials, including microscopic algae, unicellular fungi (including moulds and yeasts),

⁷³ *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34, 31 CPR (4th) 161.

⁷⁴ Section 4.2.1 – Inducement.

⁷⁵ *Patent Act*, RSC 1985, c P-4, s. 42.

⁷⁶ *Saccharin Corp v. Anglo-Continental Works, Ltd* (1900), 17 RPC 307 (Eng HCJ); *Monsanto Canada v. Schmeiser*, 2004 SCC 34 at paras 43–44, 140, 31 CPR (4th) 161; *Eli Lilly & Co v. Apotex Inc*, 2009 FC 991 at paras 319–329, 80 CPR (4th) 1, aff’d 2010 FCA 240 at paras 18–20, 90 CPR (4th) 327.

⁷⁷ *Micro Chemicals Ltd v. Smith Kline & French Inter-American Corp* (1971), [1972] SCR 506, 2 CPR (2d) 193 at 202–203.

bacteria, protozoa, viruses, transformed cell lines and hybridomas, are patentable.⁷⁸ In addition, methods or processes which produce or which utilize higher or lower life forms are considered to be patentable in Canada.⁷⁹

36 Claims to multicellular (higher) life forms have been found not to be patentable by the Supreme Court of Canada.⁸⁰ However, the Supreme Court has also held that a claim to a gene or cell will be infringed by a multicellular (higher) life form containing the patented gene or cell.⁸¹ As such, while a claim to multicellular (higher) life forms may not be technically patentable, from a practical standpoint exclusive rights over a multicellular (higher) life form may still be available.

(4.1.6) Products Containing or Consisting of Genetic Information

37 The Canadian Patent Office routinely grants patents for genetic material including genes, proteins, cells and DNA sequences.⁸² As discussed in sections 4.1.1 and 4.1.5 above,⁸³ the scope of protection of these genetic material patents can extend to their use in multicellular (higher) life forms. For example, the use of plants containing genetically modified plant genes and cells has been held to constitute an infringement of claims directed to the genetically modified genes and cells.⁸⁴

(4.2) INDIRECT INFRINGEMENT

(4.2.1) Inducement

38 Canada does not have a doctrine of contributory infringement per se, as is found in some other jurisdictions.⁸⁵ However, in Canada, a person may be liable for infringement of a patent for knowingly inducing or procuring another person to infringe the patent. Three elements are required for a defendant to be found liable for inducing or procuring infringement, namely:

- (a) an actual act of infringement was completed by a direct infringer. If there is no act of infringement completed by a direct infringer, there cannot be infringement by inducement;

⁷⁸ *Re Weyerhaeuser Patent Application No 2,094,511*, 2010 LNCPT 6, 87 CPR (4th) 235 at para. 25; *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76, 21 CPR (4th) 417 at paras 197–206; *Monsanto Canada v. Schmeiser*, 2004 SCC 34 at paras 21–24, 31 CPR (4th) 161; See also Industry Canada, *Manual of Patent Office Practice* s. 17.02.01a.

⁷⁹ Industry Canada, *Manual of Patent Office Practice* s. 17.02.02; “Transgenic Animals” Can Patent No 1341442 (7 Oct. 2003) claims 14, 20; Decision 1203 (4 Aug. 1995), Commissioner of Patents at 2–3.

⁸⁰ *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76 at para. 159, 21 CPR (4th) 417.

⁸¹ *Monsanto Canada v. Schmeiser*, 2004 SCC 34 at paras 69–97, 31 CPR (4th) 161.

⁸² *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76 at para. 32, 21 CPR (4th) 417; *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34 at para. 2, 31 CPR (4th) 161.

⁸³ Section 4.1.1 – Direct Infringement and s. 4.1.5 – Biological Material.

⁸⁴ *Monsanto Canada v. Schmeiser*, 2004 SCC 34 at paras 69–97, 31 CPR (4th) 161.

⁸⁵ *Apotex Inc v. Nycomed Canada Inc*, 2011 FC 1441 at paras 18–27, aff’d 2012 FCA 195.

- (b) the completed act of infringement was influenced by the alleged inducer, to the point where without such influence, infringement by the direct infringer would not otherwise have taken place; and
- (c) the alleged inducer knowingly exercised the influence, such that the alleged inducer knew that the influence would result in the completion of the act of infringement.⁸⁶

However, the inducer is not required to have knowledge of the patent to be liable for inducing infringement.⁸⁷

39 Manufacturing, constructing or selling an article that is used by another in a manner that infringes a patent alone is insufficient to establish inducement, even if the vendor has knowledge that the article will be used by the purchaser in the infringing manner, and even where the article cannot be used for any other purpose.⁸⁸ Examples of acts that constitute inducing or procuring infringement include:

- (i) the defendant alone, or in association with another person, sells all of the components of an invention to a consumer along with instructions on how to assemble the components to obtain the invention;⁸⁹ or
- (ii) a sale of a product along with an invitation or request by the defendant to the purchaser to use the product in an infringing manner (i.e., directions or an indication by the defendant to consumers to use the product in a manner that constitutes an infringement).⁹⁰

(4.2.2) Director and Officer Liability

40 Generally speaking, corporate directors and officers are not personally liable for infringing activities of their corporation. However, where the actions of a director or an officer are not the direction of the activity of the corporation in the ordinary course of his/her relationship to it but rather are the deliberate, wilful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it, personal liability for the infringing activities of the corporation can be established.⁹¹ It has been held that personal liability attaches when the officer's or director's

⁸⁶ *AB Hassle v. Canada (Minister of National Health and Welfare)*, 2002 FCA 421 at para. 17, 22 CPR (4th) 1, leave to appeal to SCC refused [2002] SCCA No 531; *MacLennan v. Gilbert Inc.*, 2008 FCA 35 at para. 13, 67 CPR (4th) 161; *Weatherford Canada Ltd v. Corlac Inc.*, 2011 FCA 228 at para. 162, leave to appeal to SCC refused, 34459 (29 Mar. 2012).

⁸⁷ *Bauer Hockey Corp v. Easton Sports Canada Inc.*, 2010 FC 361 at paras 197–203, 83 CPR (4th) 315, aff'd without comment on this issue 2011 FCA 83, 92 CPR (4th) 103.

⁸⁸ *Hatton v. Copeland-Chatterson Co* (1906), 10 Ex CR 224, aff'd (1906), 37 SCR 651; *Valmet Oy v. Beloit Canada Ltd* (1988), 20 CPR (3d) 1 at 14 (FCA), leave to appeal to SCC refused (1988), 21 CPR (3d) v; *MacLennan v. Gilbert Inc.*, 2008 FCA 35 at paras 33, 40, 67 CPR (4th) 161.

⁸⁹ *Valmet Oy v. Beloit Canada Ltd* (1988), 20 CPR (3d) 1 at 14 (FCA), leave to appeal to SCC refused (1988), 21 CPR (3d) v; *Windsurfing International Inc v. Bic Sports Inc* (1985), 8 CPR (3d) 241 at 263–265 (FCA).

⁹⁰ *Procter & Gamble Co v. Bristol-Myers Canada Ltd* (1978), 39 CPR (2d) 145 at 165–167 (FCTD), aff'd (1979), 42 CPR (2d) 33 (FCA), leave to appeal to SCC refused (1979), 42 CPR (2d) 33; *MacLennan v. Gilbert Inc.*, 2008 FCA 35 at para. 40, 67 CPR (4th) 161.

⁹¹ *Mentmore Manufacturing Co v. National Merchandise Manufacturing Co Inc* (1978), 40 CPR (2d) 164 at 174 (FCA); *Monsanto Canada Inc v. Schmeiser*, 2001 FCT 256, 12 CPR (4th) 204 at 248 (FCTD), aff'd 2002 FCA 309, 21 CPR (4th) 1, appeal allowed in part 2004 SCC 34, 31 CPR (4th) 161.

own behaviour is itself tortious or when the actions of the director or officer serve a personal interest rather than that of the corporation.⁹²

(4.3) UNFAIR COMPETITION

41 In Canada, anti-competitive behaviour is regulated through the provisions of the *Competition Act*.⁹³ This statute includes provisions that may, in appropriate circumstances, impose limitations on intellectual property rights, including the rights conferred pursuant to the provisions of the *Patent Act*. Certain *Competition Act* sections may also be available, in limited circumstances, as potential defences in an infringement action.

42 Pursuant to section 32 of the *Competition Act*, the Federal Court may grant special remedies where use has been made of the exclusive rights and privileges conferred by, *inter alia*, one or more patents, so as to:

- (a) limit unduly the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article or commodity that may be a subject of trade or commerce;
- (b) restrain or injure, unduly, trade or commerce in relation to any such article or commodity;
- (c) prevent, limit or lessen, unduly, the manufacture or production of any such article or commodity or unreasonably enhance the price thereof; or
- (d) prevent or lessen, unduly, competition in the production, manufacture, purchase, barter, sale, transportation or supply of any such article or commodity.⁹⁴

43 The special remedies available to the Federal Court include, *inter alia*, granting a licence under the patent or revoking the patent.⁹⁵

44 The Canadian Competition Tribunal has jurisdiction to grant remedies pursuant to section 76 of the *Competition Act* against any person who has, *inter alia*, the exclusive rights and privileges conferred by a patent and who directly or indirectly:

- (a) by agreement, threat, promise or any like means, has influenced upward, or has discouraged the reduction of, the price at which the person's customer or any other person to whom the product comes for resale supplies or offers to supply or advertises a product within Canada; or
- (b) has refused to supply a product to or has otherwise discriminated against any person or class of persons engaged in business in Canada because of the low pricing policy of that other person or class of persons; and
- (c) the conduct has had, is having or is likely to have an adverse effect on competition in a market.⁹⁶

⁹² *Halford v. Seed Hawk Inc.*, 2004 FC 88 at paras 324–332, 31 CPR (4th) 434, rev'd 2006 FCA 275, 54 CPR (4th) 130 (but aff'd on this issue at paras 54–55).

⁹³ *Competition Act*, RSC 1985, c C-34.

⁹⁴ *Competition Act*, RSC 1985, c C-34, s. 32(1).

⁹⁵ *Competition Act*, RSC 1985, c C-34, s. 32(2).

⁹⁶ *Competition Act*, RSC 1985, c C-34, ss 76(1), 76(3).

45 The Tribunal may make an order prohibiting the person from continuing to engage in the impugned conduct or requiring them to accept another person as a customer within a specified time on usual trade terms.⁹⁷

46 The *Competition Act* also includes several other provisions that may, in appropriate circumstances, have application to the exercise of a party's intellectual property rights, including, for example, provisions relating to:

- (a) anyone who conspires, agrees or arranges with a competitor to, *inter alia*, fix, maintain, increase price; lessen production or supply; or control the price, production, or supply of a product;⁹⁸ or
- (b) abuse of a dominant position.⁹⁹

47 However, for there to be a violation of these provisions, there must be something more than the mere assertion of the rights conferred pursuant to the provisions of the *Patent Act*.¹⁰⁰

48 The Federal Court has allowed allegations relating to alleged violations of the *Competition Act* to be raised as a defence to a patent infringement action (or the equitable relief sought therein), provided there is a direct link or nexus between the alleged unlawful conduct and the patent right at issue in the action.¹⁰¹ However, to date there have not been any instances in Canada where such a defence has been successful at trial.¹⁰²

49 The Canadian Competition Bureau¹⁰³ publishes guidelines that set out the Bureau's views concerning the manner in which the provisions of the *Competition Act* would be applied to conduct involving intellectual property rights, including patents.

50 The Bureau released the most recent version of the Intellectual Property Enforcement Guidelines ('*IPEGs*') on 18 September 2014.¹⁰⁴ The *IPEGs* provide that circumstances relating to patents or other intellectual property rights in which the Bureau may apply the *Competition Act* fall into two broad categories: (i) those involving the mere exercise of an intellectual property right and nothing more; and (ii) those involving something more than the mere exercise of an intellectual property right.¹⁰⁵

⁹⁷ *Competition Act*, RSC 1985, c C-34, ss 76(1), 76(3).

⁹⁸ *Competition Act*, RSC 1985, c C-34, s. 45.

⁹⁹ *Competition Act*, RSC 1985, c C-34, s. 79.

¹⁰⁰ *Eli Lilly & Co v. Apotex Inc*, 2005 FCA 361 at para. 30, 44 CPR (4th) 1; *Laboratoires Servier v. Apotex Inc*, 2008 FC 825 at paras 463–478, 67 CPR (4th) 241, aff'd 2009 FCA 222 at paras 127–137, 75 CPR (4th) 443, leave to appeal to SCC refused, 33357 (25 Mar. 2010); *Competition Act*, RSC 1985, c C-34, s. 79(5).

¹⁰¹ *Eli Lilly & Co v. Apotex Inc*, 2005 FCA 361 at paras 14, 36, 44 CPR (4th) 1; *Eli Lilly & Co v. Marzone Chemicals Ltd* (1976), 29 CPR (2d) 253 at 255 (FCTD), aff'd (1976), 29 CPR (2d) 255 (FCA); *Volkswagen Canada Inc v. Access International Automotive Ltd*, 2001 FCA 79 at para. 21, 26; j2 *Global Communications Inc v. Protus IP Solutions Inc*, 2008 FC 759 at paras 29–36, aff'd 2009 FCA 41; *Eli Lilly & Co v. Apotex Inc*, 2002 FCT 1007, 21 CPR (4th) 360 at 371–372 (FCTD).

¹⁰² *Eli Lilly & Co v. Apotex Inc*, 2009 FC 991, 80 CPR (4th) 1, aff'd without comment on this issue 2010 FCA 240, 90 CPR (4th) 327, leave to appeal to SCC refused, 33946 (5 May 2011); *Laboratoires Servier v. Apotex Inc*, 2008 FC 825 at paras 463–478, 492–493, 67 CPR (4th) 241, aff'd 2009 FCA 222 at paras 48–50, 75 CPR (4th) 443, leave to appeal to SCC refused, 33357 (25 Mar. 2010).

¹⁰³ The Competition Bureau is an independent law enforcement agency that investigates anti-competitive practices and promotes compliance with the laws under its jurisdiction, including the *Competition Act*.

¹⁰⁴ Competition Bureau, *Intellectual Property Enforcement Guidelines*, September 2014.

¹⁰⁵ Competition Bureau, *Intellectual Property Enforcement Guidelines*, September 2014, part 4.2.

51 The Bureau defines the mere exercise of an intellectual property right as the exercise of the owner's right to unilaterally exclude others from using the intellectual property and the intellectual property owner's own use of the intellectual property. The *IPEGs* state that the mere exercise of an IP right is not cause for concern under the general provisions of the *Competition Act*, discussed above, but where it unduly limits or restrains trade or lessens competition, section 32 of the *Competition Act*, discussed above, will apply. The *IPEGs* indicate that conduct will meet this threshold where:

- (i) the holder of the intellectual property is dominant in the relevant market;
- (ii) the intellectual property is an essential input or resource for firms participating in the relevant market, that is, the refusal to allow others to use the intellectual property prevents other firms from effectively competing in the relevant market; and
- (iii) invoking a special remedy against the intellectual property right holder would not adversely alter the incentives to invest in research and development in the economy, i.e., where the refusal to license the intellectual property is stifling further innovation.¹⁰⁶

The *IPEGs* state that only in very rare circumstances would all three factors be satisfied.¹⁰⁷

52 The Bureau considers that 'something more' than the mere exercise of intellectual property rights will occur when intellectual property rights form the basis of arrangements between independent entities, whether in the form of a transfer, licensing arrangement or agreement to use or enforce intellectual property rights, and when the alleged competitive harm stems from such an arrangement and not just from the mere exercise of an intellectual property right and nothing else. In situations involving 'something more' than the mere exercise of an intellectual property right, the Bureau will rely on the general provisions of the *Competition Act*, discussed above.¹⁰⁸

53 On June 9, 2015, the Bureau released a draft update to the *IPEGs*. The changes focus on providing guidance on the application of the Bureau's analytical framework in respect of specific activities, including:

- (i) representations made by companies that acquire patents for the purpose of asserting them (often referred to as 'patent assertion entities', 'non-practicing entities' or colloquially 'patent trolls');¹⁰⁹
- (ii) conduct involving patents that are essential to an industry standard ('standard essential patents');¹¹⁰ and
- (iii) settlements of proceedings under the *PM(NOC) Regulations* (discussed in section 8.7.1.8 below).¹¹¹

It is unknown when the updated *IPEGs* will be formally released.

¹⁰⁶ Competition Bureau, *Intellectual Property Enforcement Guidelines*, September 2014, part 4.2.2.

¹⁰⁷ Competition Bureau, *Intellectual Property Enforcement Guidelines*, September 2014, part 4.2.2.

¹⁰⁸ Competition Bureau, *Intellectual Property Enforcement Guidelines*, September 2014, part 4.2.1.

¹⁰⁹ Competition Bureau, *Intellectual Property Enforcement Guidelines* (Draft), June 2015, part 7.1.

¹¹⁰ Competition Bureau, *Intellectual Property Enforcement Guidelines* (Draft), June 2015, part 7.3.

¹¹¹ Competition Bureau, *Intellectual Property Enforcement Guidelines* (Draft), June 2015, part 7.2, example 10.

(4.4) UNJUSTIFIED THREATS

54 Other than the abuse provisions discussed in section 4.5 below,¹¹² the Canadian *Patent Act* does not contain any provisions which limit the manner in which a patentee may enforce its patent. However, the unfair competition provisions under section 7 of the *Trade-marks Act*¹¹³ and the false or misleading advertising provisions under sections 52 and 74.01(1) of the *Competition Act*¹¹⁴ can be used to protect against patent owners making unjustified public allegations of patent infringement, including to customers of a competitor. In particular, section 7(a) of the *Trade-marks Act* prohibits making a false or misleading statement tending to discredit the business, wares or services of a competitor¹¹⁵ while sections 52 and 74.01(1)(a) of the *Competition Act* prohibits knowingly or recklessly making a representation to the public that is false or misleading in a material respect for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest.¹¹⁶ Thus, in Canada, it is wise to avoid making allegations to customers of a competitor that the competitor's product or service infringes a patent.

(4.5) ANTI-TRUST ISSUES

55 Pursuant to the *Patent Act*, any person interested may, at any time after the expiration of three years from the date of grant of the patent, apply to the Commissioner of Patents alleging that there has been abuse of the exclusive rights granted by the patent, and request relief.¹¹⁷ If the Commissioner is satisfied that a case of abuse is established, the remedies available include the grant of a compulsory licence or revocation of the patent in its entirety.¹¹⁸ Historically, the abuse provisions have not been used to any great extent in Canada.

56 The exclusive rights under a patent are deemed to be abused in certain circumstances enumerated in the *Patent Act*, although abuse may not be restricted to only those grounds.¹¹⁹ The specific enumerated grounds of deemed abuse are:

- (a) If the demand for the patented article in Canada is not being met to an adequate extent and on reasonable terms.¹²⁰ Repeated requests for a voluntary licence may constitute a demand for a patented article.¹²¹ However, the demand must be an existing demand of the marketplace, not an artificial or anticipatory demand created by a single trader.¹²² There is also a 'demand in Canada' if the applicant requires a licence from the patentee for its activities in Canada, notwithstanding

¹¹² Section 4.5 – Anti-trust Issues.

¹¹³ *Trade-marks Act*, RSC 1985, c T-13, s. 7; *S&S Industries Inc v. Rowell*, [1966] SCR 419, 48 CPR 193.

¹¹⁴ *Competition Act*, RSC 1985, c C-34, ss 52, 74.01(1).

¹¹⁵ *Trade-marks Act*, RSC 1985, c T-13, s. 7(a).

¹¹⁶ *Competition Act*, RSC 1985, c C-34, ss 52, 74.01(1)(a).

¹¹⁷ *Patent Act*, RSC 1985, c P-4, s. 65.

¹¹⁸ *Patent Act*, RSC 1985, c P-4, s. 66.

¹¹⁹ *Torpharm Inc v. Canada (Commissioner of Patents)*, 2004 FC 673 at para. 38, [2004] 4 FCR 29; but see *Torpharm Inc v. Merck & Co* (2000), 9 CPR (4th) 520 at 539 (Pat App Bd).

¹²⁰ *Patent Act*, RSC 1985, c P-4, s. 65(2)(c).

¹²¹ *Torpharm Inc v. Canada (Commissioner of Patents)*, 2004 FC 673 at para. 27, [2004] 4 FCR 29.

¹²² *Brantford Chemicals Inc v. Canada (Commissioner of Patents)*, 2006 FC 1341 at paras 81–89, 54 CPR (4th) 158.

that the ultimate article is for export (e.g., a demand for bulk product to manufacture tablets in Canada for export).¹²³

- (b) If a patentee refuses to grant a licence upon reasonable terms and:
 - (i) there is prejudice to the trade or industry of Canada, to the trade of any person or class of persons trading in Canada, or to the establishment of any new trade or industry in Canada; and
 - (ii) it is in the public interest that a licence should be granted.¹²⁴
- (c) If any trade or industry in Canada, or any person or class of persons engaged therein, is unfairly prejudiced by the conditions attached by the patentee to the purchase, hire, licence or use of the patented article, or to the using or working of the patented process.¹²⁵
- (d) If a patent for an invention relating to a process involving the use of materials not protected by the patent or for an invention relating to a substance produced by such a process is utilized by the patentee so as unfairly to prejudice in Canada the manufacture, use or sale of any materials.¹²⁶

57 The term ‘patented article’ includes articles made under a patented process.¹²⁷

¹²³ *Torpharm Inc v. Canada (Commissioner of Patents)*, 2004 FC 673 at para. 28, [2004] 4 FCR 29.

¹²⁴ *Patent Act*, RSC 1985, c P-4, s. 65(2)(d).

¹²⁵ *Patent Act*, RSC 1985, c P-4, s. 65(2)(e).

¹²⁶ *Patent Act*, RSC 1985, c P-4, s. 65(2)(f).

¹²⁷ *Patent Act*, RSC 1985, c P-4, s. 65(5).

(5) FURTHER DEFENCES TO INFRINGEMENT

(5.1) INVALIDITY

(5.1.1) Subject Matter

(5.1.1.1) Definition of Invention

58 Pursuant to the *Patent Act*, a patent may be granted for any ‘invention’. An ‘invention’ is defined as ‘any new and useful art, process, machine, manufacture or composition of matter, or any new and useful improvement in any art, process, machine, manufacture or composition of matter’.¹²⁸ This definition is essentially identical to that found in the United States statute. Mere scientific principles or abstract theorems are not patentable.¹²⁹ While a mere discovery, per se, such as a scientific observation, is not patentable, a new, useful application of a discovery meets the definition of invention.¹³⁰

59 The term ‘art’ has a very wide connotation and is not confined to a new process, product or manufacturing technique. To be a patentable ‘art’, three criteria must be satisfied, namely the invention:

- (a) is not a disembodied idea but has a method of practical application;
- (b) is a new and innovative method of applying skill or knowledge; and
- (c) has a result or effect that is commercially useful.¹³¹

60 A ‘process’ implies the application of a method to a material or materials.¹³² The Canadian Patent Office considers a ‘process’ to be a mode or method of operation by which a result or effect is produced by physical or chemical action, by operation or application of some element or power of nature or one substance to another.¹³³

61 The term ‘machine’ has not been judicially construed in Canada in any fulsome way. The term ‘machine’ is defined by the Canadian Patent Office as the mechanical embodiment of any function or mode of operation designed to accomplish a particular effect and can be considered to be ‘any device that transmits a force or directs its application’ or ‘a device that enables energy from one source to be modified and transmitted as energy in a different form or for a different purpose’.¹³⁴

¹²⁸ *Patent Act*, RSC 1985, c P-4, s. 2.

¹²⁹ *Patent Act*, RSC 1985, c P-4, s. 27(8); *Riello Canadian Inc v. Lambert* (1986), 9 CPR (3d) 324 at 338 (FCTD).

¹³⁰ *Calgon Carbon Corp v. North Bay (City)*, 2005 FCA 410 at paras 9–19, 45 CPR (4th) 241, leave to appeal to SCC refused, 31306 (30 Mar. 2006).

¹³¹ *Progressive Games Inc v. Commissioner of Patents* (1999), 3 CPR (4th) 517 at 521–522 (FCTD), aff’d (2000), 9 CPR (4th) 479 (FCA), citing *Shell Oil Co v. Commissioner of Patents*, [1982] 2 SCR 536 at 554; See also *Amazon.com, Inc v. Canada (Attorney General)*, 2010 FC 1011 at para. 52, 86 CPR (4th) 321, aff’d 2011 FCA 328.

¹³² *Commissioner of Patents v. Ciba Ltd* (1957), 27 CPR 82 at 88 (Ex Ct), aff’d [1959] SCR 378, 30 CPR 135 at 141.

¹³³ Industry Canada, *Manual of Patent Office Practice* s. 12.02.02.

¹³⁴ Industry Canada, *Manual of Patent Office Practice* s. 12.02.03; HG Fox, *The Canadian Law and Practice Relating to Letters Patent for Inventions* 17 (4th ed., The Carswell Co. Ltd. 1969).

62 A ‘manufacture’ is a non-living mechanistic product or process, for example, the process of making an article or material by the application of physical labour or mechanical power, or the article or material made by such a process.¹³⁵ Accordingly, a multicellular (higher) life form is not included within the definition of a ‘manufacture’.¹³⁶

63 A ‘composition of matter’ includes chemical compounds, compositions and substances¹³⁷ and physical or corporeal substances or preparations formed by combination or mixture of various ingredients.¹³⁸ A multicellular (higher) life form per se is not a ‘composition of matter’,¹³⁹ even though it does include unicellular (lower) life forms and a variety of genetic or biological materials.¹⁴⁰

64 As referenced in the definition of ‘invention’, a patent may be obtained for any improvement on a patented invention, but the patentee does not thereby obtain the right of making, vending, or using the original invention (nor does the patent for the original invention confer the right of making, vending or using the patented improvement).¹⁴¹ As such, an owner of a patent for an improvement may be precluded from manufacturing, using or selling the improvement without the permission of the owner of the patent for the original invention.¹⁴²

(5.1.1.2) Examples of Patentable Subject Matter

65 Some examples of subject matter for which a patent can be obtained include:

- a new product;
- a new process, irrespective of whether the new process produces an old or new product;¹⁴³
- a new use for a known substance or device;¹⁴⁴
- a combination of known elements that lead to a new, unitary result (a mere juxtaposition of parts is not sufficient), including a process which applies a known method to known materials to produce a new substance;¹⁴⁵

¹³⁵ *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76 at paras 157–159, 21 CPR (4th) 417; Industry Canada, *Manual of Patent Office Practice* s. 12.02.04.

¹³⁶ *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76 at para. 159, 21 CPR (4th) 417.

¹³⁷ Industry Canada, *Manual of Patent Office Practice* s. 12.02.05.

¹³⁸ *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76 at paras 156–166, 21 CPR (4th) 417.

¹³⁹ *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76 at paras 156–166, 21 CPR (4th) 417.

¹⁴⁰ For examples of patentable genetic or biological material, see: s. 4.1.4 – Biological Material and s. 4.1.6 – Products Containing or Consisting of Genetic Information.

¹⁴¹ *Patent Act*, RSC 1985, c P-4, s. 32; *Wandscheer v. Sicard Ltd.*, [1948] SCR 1 at 27; *Lido Industrial Products Ltd v. Teledyne Industries Inc* (1981), 57 CPR (2d) 29 at 43–44 (FCA), leave to appeal to SCC refused (1981), 59 CPR (2d) 183; *SmithKline Beecham Pharma Inc v. Apotex Inc*, 2001 FCT 770, 14 CPR (4th) 76 at 105 (FCTD), aff’d 2002 FCA 216, 21 CPR (4th) 129, leave to appeal to SCC refused (2003), 23 CPR (4th) vii.

¹⁴² *Merck Frosst Canada Inc v. Canada (Minister of National Health & Welfare)* (1998), 80 CPR (3d) 110 at 120–121 (FCTD) (citing HG Fox, *The Canadian Law and Practice Relating to Letters Patent for Inventions* 58 (4th ed., The Carswell Co. Ltd. 1969), aff’d (1998), 86 CPR (3d) 489 (FCA).

¹⁴³ *Tennessee Eastman Co v. Commissioner of Patents* (1972), [1974] SCR 111, 8 CPR (2d) 202 at 206; *General Tire & Rubber Co v. Phillips Petroleum Co.*, [1967] SCR 664, 53 CPR 168 at 176.

¹⁴⁴ *Shell Oil Co v. Commissioner of Patents*, [1982] 2 SCR 536, 67 CPR (2d) 1 at 10–13; *Apotex v. Wellcome Foundation Ltd.*, 2002 SCC 77 at para. 48, 21 CPR (4th) 499.

¹⁴⁵ *Domtar Ltd v. MacMillan Bloedel Packaging Ltd* (1977), 33 CPR (2d) 182 at 189–190 (FCTD), aff’d (1978), 41 CPR (2d) 182 (FCA); *Crila Plastic Industries Ltd v. Ninety-Eight Plastic Trim Ltd* (1987), 18 CPR (3d) 1 at 10 (FCA); *Commissioner of Patents v. Ciba Ltd* (1957), 27 CPR 82 at 88 (Ex Ct), aff’d [1959] SCR 378, 30 CPR 135.

- the selection of one or more members of a previously known class of products that possess some special advantage over the other members of the class (known as a ‘selection patent’);¹⁴⁶
- single cell (lower) life forms, processes to produce these organisms, and uses thereof;¹⁴⁷
- genetically modified genes, cells, proteins, enzymes, antibodies, cell cultures and plasmids, processes to produce these substances, and uses thereof;¹⁴⁸
- processes for producing multicellular (higher) life forms, provided the process includes human technical intervention and is not a process which occurs essentially according to the laws of nature, and uses thereof;¹⁴⁹ and
- in appropriate circumstances, methods of doing business.¹⁵⁰

(5.1.1.3) Examples of Non-patentable Subject Matter

66 Notwithstanding the broad definition of an ‘invention’, the Canadian Patent Office and courts have found subject matter that is patentable in other jurisdictions, most notably the United States, not patentable in Canada. Examples of non-patentable subject matter in Canada include:

- (1) genetically engineered multicellular (higher) life forms including plants, seeds and animals;¹⁵¹
- (2) processes or products directed to novel plant varieties produced by traditional cross-breeding methods;¹⁵²
- (3) professional skills¹⁵³ including:
 - (a) surgical or medical methods of treatment,¹⁵⁴ and
 - (b) claims directed to pharmaceutical dosage ranges or regimes that require the exercise of a physician’s professional skill and judgment,¹⁵⁵ and

¹⁴⁶ *Pfizer Canada Inc v. Canada (Minister of Health)*, 2006 FCA 214, 52 CPR (4th) 241, leave to appeal to SCC refused [2006] SCCA No 335; *Sanofi-Synthelabo Canada Inc v. Apotex Inc*, 2008 SCC 61 at paras 8–11, 19, 69 CPR (4th) 251.

¹⁴⁷ *Re Application of Abitibi Co* (1982), 62 CPR (2d) 81 (Pat App Bd); *Harvard College v. Canada (Commissioner of Patents)* (2000), 7 CPR (4th) 1 at 17–18, 32 (FCA), rev’d on other grounds 2002 SCC 76 at paras 197–206, 21 CPR (4th) 417; Industry Canada, *Manual of Patent Office Practice* s. 17.02.02 (Canadian Intell. Prop. Off. 2010).

¹⁴⁸ *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34, 31 CPR (4th) 161; *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76, 21 CPR (4th) 417.

¹⁴⁹ ‘Transgenic Animals’ Can Patent No 1341442 (7 Oct. 2003); Decision No 1203 (4 Aug. 1995) at 2–3; Industry Canada, *Manual of Patent Office Practice* s. 17.02.02.

¹⁵⁰ *Amazon.com, Inc v. Canada (Attorney General)*, 2010 FC 1011 at paras 61–68, 86 CPR (4th) 321, aff’d 2011 FCA 328.

¹⁵¹ Industry Canada, *Manual of Patent Office Practice* ss 12.05.05, 17.02.01a (Canadian Intell. Prop. Off. 2010); *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76, 21 CPR (4th) 417.

¹⁵² Industry Canada, *Manual of Patent Office Practice* s. 17.02.02; *Pioneer Hi-Bred Ltd v. Canada (Commissioner of Patents)* (1987), 14 CPR (3d) 491 (FCA), aff’d on other grounds [1989] 1 SCR 1623, 25 CPR (3d) 257; But see *Plant Breeders’ Rights Act*, SC 1990, c 20.

¹⁵³ *Lawson v. Commissioner of Patents* (1970), 62 CPR 101 (Ex Ct).

¹⁵⁴ *Tennessee Eastman Co v. Commissioner of Patents* (1972), [1974] SCR 111, 8 CPR (2d) 202; *Imperial Chemical Industries Ltd v. Commissioner of Patents* (1986), 9 CPR (3d) 289 (FCA).

¹⁵⁵ *Axcan Pharma Inc v. Pharmascience Inc*, 2006 FC 527, 50 CPR (4th) 321; *Janssen Inc v. Mylan Pharmaceuticals ULC*, 2010 FC 1123, 88 CPR (4th) 359, appeal dismissed as moot following issuance of NOC, 2011 FCA 16, 88 CPR (4th) 379.

- (c) computer programs that carry out unpatentable mathematical calculations (but the incorporation of a computer program in a new and useful process or apparatus does not detract from the patentability of the process or apparatus).¹⁵⁶

(5.1.2) Novelty

67 The definition of ‘invention’ requires the subject matter of the patent to be ‘new’ (referred to in Canada as ‘novelty’). When the scope of a patent claim encompasses ‘old’ subject matter, the claim is invalid as being ‘anticipated’ or lacking ‘novelty’.

68 As referenced above, on 1 October 1989, Canada moved from a ‘first-to-invent’ system to a ‘first-to-file’ system. As a result of the amendments, the provisions relating to novelty were amended and transitional provisions¹⁵⁷ were incorporated. Thus, the novelty provisions for applications filed prior to 1 October 1989 (and patents issuing therefrom – referred to as ‘old act patents’) are different from the novelty provisions applicable to applications filed on or after 1 October 1989 (and patents issuing therefrom – referred to as ‘new act patents’).

(5.1.2.1) Patent Applications Filed before 1 October 1989

69 For applications filed prior to 1 October 1989, a patent can be obtained provided the invention claimed was:

- (a) not known or used by any other person before the inventor invented it;
- (b) not described in any patent or in any publication printed in Canada or in any other country more than two years before the filing of the application in Canada; and
- (c) not in public use or on sale in Canada for more than two years prior to the filing of the application in Canada.¹⁵⁸

70 However, the prior invention bar referenced in paragraph (a) above is further qualified by the requirement that a patent cannot be declared invalid or void on the ground that, *inter alia*, the invention was previously known or used by some other person before the invention was made by the inventor unless it is established that the other person had, before the effective filing date of the application (which refers to either the actual Canadian filing date or the convention priority date, if applicable), disclosed or used the invention in such manner that it had become available to the public.¹⁵⁹

(5.1.2.2) Patent Applications Filed on or after 1 October 1989

71 Since 1 October 1989, patent applications have been subject to novelty provisions pursuant to a ‘first-to-file’ system. Accordingly, a claimed invention in an application filed on or after 1 October 1989 is ‘new’ unless:

¹⁵⁶ *Schlumberger Canada Ltd v. Commissioner of Patents* (1981), 56 CPR (2d) 204 (FCA), leave to appeal to SCC refused (1981), 63 CPR (2d) 261; Industry Canada, *Manual of Patent Office Practice* Ch. 16.

¹⁵⁷ *Patent Act*, RSC 1985, c P-4, ss 78.1–78.5.

¹⁵⁸ *Patent Act*, RSC 1985, c P-4, s. 27(1), as it read immediately before 1 Oct. 1989. See also *Patent Act*, RSC 1985, c P-4, s. 27(2), as it read immediately before 1 Oct. 1989, for requirements for subject matter disclosed and claimed in a patent application filed in another country.

¹⁵⁹ *Patent Act*, RSC 1985, c P-4, s. 61(1), as it read immediately before 1 Oct. 1989.

- (a) the invention is disclosed in a Canadian patent application that has an earlier effective filing date (either the actual Canadian filing date¹⁶⁰ or the convention priority date, if applicable);
- (b) the invention was, more than one year before the Canadian filing date, disclosed by the applicant, or a person who obtained knowledge directly or indirectly from the applicant, in such a manner that it became available to the public in Canada or elsewhere; or
- (c) the invention was, before the Canadian filing date (or the convention priority date, if applicable), disclosed by any third party in such a manner that it became available to the public in Canada or elsewhere.¹⁶¹

(5.1.2.3) Legal Test for Novelty

72 The legal test when considering the issue of novelty is a rigorous one.¹⁶² As referenced above, anticipation can be based upon a prior publication, including a prior patent or patent application, or, alternatively, a prior public use or sale of the claimed invention. It is impermissible to rely upon multiple pieces of prior art (referred to as ‘mosaicing’) to establish that a patent claim lacks novelty.¹⁶³

73 For a claimed invention to be invalid on the basis of anticipation, two requirements must be satisfied, namely ‘prior disclosure’ and ‘enablement’.¹⁶⁴ For the ‘prior disclosure’ requirement, the prior publication, use or other disclosure must disclose subject matter which, if performed, would necessarily result in the infringement of the patent. The person skilled in the art looking at the prior art is taken to be trying to understand what the author meant and thus, there is no room for trial and error experimentation.¹⁶⁵ For the ‘enablement’ requirement, a person skilled in the art must be able to perform the invention. Unlike the ‘disclosure’ requirement, trial and error experimentation is permitted to establish enablement.¹⁶⁶ However, the prior art must provide enough information to allow the invention to be performed without ‘undue burden’. The following non-exhaustive factors are normally considered for assessing enablement of a prior publication:

- (a) enablement is to be assessed having regard to the prior publication as a whole (including the specification and the claims of a prior patent);
- (b) the person skilled in the art may use his/her common general knowledge to supplement information contained in the prior art. Common general knowledge means knowledge generally known by persons skilled in the relevant art at the relevant time;

¹⁶⁰ ‘Canadian filing date’ is the date a domestic Canadian patent application was filed with the Canadian Patent Office or the date of filing a PCT patent application designating Canada.

¹⁶¹ *Patent Act*, RSC 1985, c P-4, s. 28.2.

¹⁶² *Almecon Industries Ltd v. Nutron Manufacturing Ltd* (1996), 65 CPR (3d) 417 at 429–430 (FCTD), aff’d (1997), 72 CPR (3d) 397 (FCA); *Hi-Qual Manufacturing Ltd v. Rea’s Welding & Steel Supplies Ltd* (1994), 55 CPR (3d) 224 at 237 (FCTD), aff’d (1995), 61 CPR (3d) 270 (FCA); *Free World Trust v. Electro Santé Inc*, 2000 SCC 66 at para. 25, 9 CPR (4th) 168.

¹⁶³ *671905 Alberta Inc v. QMax Solutions Inc*, 2003 FCA 241 at para. 43, 27 CPR (4th) 385.

¹⁶⁴ *Sanofi-Synthelabo Canada Inc v. Apotex Inc*, 2008 SCC 61 at paras 23–30, 69 CPR (4th) 251; *Abbott Laboratories v. Canada (Minister of Health)*, 2008 FC 1359 at para. 75, 71 CPR (4th) 237, aff’d 2009 FCA 94, 73 CPR (4th) 444.

¹⁶⁵ *Sanofi-Synthelabo Canada Inc v. Apotex Inc*, 2008 SCC 61 at para. 25, 69 CPR (4th) 251; *Abbott Laboratories v. Canada (Minister of Health)*, 2008 FC 1359 at para. 75, 71 CPR (4th) 237, aff’d 2009 FCA 94, 73 CPR (4th) 444.

¹⁶⁶ *Sanofi-Synthelabo Canada Inc v. Apotex Inc*, 2008 SCC 61 at paras 26–27, 69 CPR (4th) 251.

- (c) when considering whether there is undue burden, the nature of the invention must be taken into account. For example, if the invention takes place in a field of technology in which trials and experiments are generally carried out, the threshold for undue burden will tend to be higher than in circumstances in which less effort is normal. If inventive steps are required, the prior art will not be considered as enabling. However, routine trials are acceptable and would not be considered undue burden. But experiments or trials and errors are not to be prolonged even in fields of technology in which trials and experiments are generally carried out. No time limits on exercises of energy can be laid down; however, prolonged or arduous trial and error would not be considered routine; and
- (d) obvious errors or omissions in the prior patent will not prevent enablement if reasonable skill and knowledge in the art could readily correct the error or find what was omitted.¹⁶⁷

74 In order to show that a patent claim is invalid as lacking novelty on the basis of a prior publication, a person skilled in the art must, in effect, be able to look at a single prior publication and find in it all the information which, for practical purposes, is needed to produce the claimed invention without the exercise of any inventive skill. In other words, the prior publication must contain so clear a direction that a person skilled in the art reading and following it would in every case, and without the possibility of error, be led to the claimed invention.¹⁶⁸

75 Canadian courts have held that for the purpose of analysing anticipation of the claims of a patent in the context of disclosure by prior sale or use, the following supplemental principles also apply:

- (a) Sale to the public or use by the public alone is insufficient to prove anticipation; the sale or use must ‘anticipate’ the invention.
- (b) For a prior sale or use to anticipate an invention, it must be an ‘enabling disclosure’; the disclosure must be such to enable the ordinary skilled person to make or obtain the invention.
- (c) The prior sale or use of a compound will constitute an enabling disclosure to the public with respect to a claim for the compound if its composition can be discovered through analysis of the compound.
- (d) The analysis must be able to be performed by a person skilled in the art in accordance with known analytical techniques available at the filing date (or convention priority date, if applicable) provided the invention can be found without the exercise of inventive skill.
- (e) When reverse engineering is necessary and capable of discovering the invention, an invention becomes available to the public if a product containing the invention is sold to one member of the public who is free to use it as she or he pleases.
- (f) It is not necessary to demonstrate that a member of the public actually analysed the product that was sold.
- (g) The amount of time and work involved in conducting the analysis is not determinative of whether a skilled person could discover the invention. The relevant consideration, in this respect, is only whether inventive skill is required.

¹⁶⁷ *Sanofi-Synthelabo Canada Inc v. Apotex Inc*, 2008 SCC 61 at paras 33, 37, 69 CPR (4th) 251.

¹⁶⁸ *Beloit Canada Ltd v. Valmet Oy* (1986), 8 CPR (3d) 289 at 297 (FCA), leave to appeal to SCC refused (1986), NR 80 (note), cited in *Free World Trust v. Électro Santé Inc*, 2000 SCC 66 at para. 26, 9 CPR (4th) 168; See also *Sanofi-Synthelabo Canada Inc v. Apotex Inc*, 2008 SCC 61 at para. 28, 69 CPR (4th) 251.

- (h) It is not necessary that the product that is the subject of the analysis be capable of exact reproduction. It is the subject matter of the patent claims that must be disclosed through the analysis. Novelty of the claimed invention is destroyed if there is a disclosure of an embodiment that falls within the claim.¹⁶⁹

76 In a recent decision, a judge of the Federal Court has held that public experimental use by the inventor/applicant in order to bring the invention to perfection does not constitute public use for the purpose of anticipation, in particular where, of necessity, the experimental use must be conducted in public.¹⁷⁰ There is limited jurisprudence on this issue in Canada. However, some older case law may be inconsistent with this decision, and as such it is uncertain how wide this protection, if any, may be.¹⁷¹ Therefore, caution should be exercised when considering a question of this kind.

(5.1.3) Inventive Step (Obviousness)

77 A patent cannot be granted for subject matter that lacks inventive ingenuity (inventive step) or is ‘obvious’. Initially, the inventive ingenuity requirement for patentability was not expressly included in a provision within the *Patent Act*, but rather was imposed by the interpretation of the term ‘invention’ by Canadian courts and was considered as of the date of the invention.¹⁷² For patent applications filed prior to 1 October 1989 (and old act patents), these principles are still applicable.

78 Since 1 October 1996, obviousness has been codified in section 28.3 of the *Patent Act*¹⁷³ and applies to all applications filed on or after 1 October 1989 (and new act patents).¹⁷⁴ Pursuant to that section, the subject matter of a patent claim must be subject matter that would not have been obvious on the Canadian filing date (or convention priority date, if applicable) to a person skilled in the art or science to which it pertains, having regard to:

- (a) information disclosed more than one year before the Canadian filing date by the applicant, or by a person who obtained knowledge, directly or indirectly, from the applicant in such a manner that the information became available to the public in Canada or elsewhere;¹⁷⁵ and
- (b) information disclosed before the Canadian filing date (or convention priority date, if applicable) by a third party in such a manner that the information became available to the public in Canada or elsewhere.

¹⁶⁹ *Baker Petrolite Corp v. Canwell Enviro-Industries Ltd*, 2002 FCA 158 at paras 42–43, 17 CPR (4th) 478; *Calgon Carbon Corp v. North Bay (City)*, 2006 FC 1373 at paras 114–136, 56 CPR (4th) 281, aff’d 2008 FCA 81, 64 CPR (4th) 337.

¹⁷⁰ *Bayer Inc v. Apotex Inc*, 2014 FC 436 at paras 118–119, 122 CPR (4th) 289.

¹⁷¹ *Gibney v. Ford Motor Co of Canada Ltd* (1967), 2 Ex CR 279, 52 CPR 140 at p 162; *Wenzel Downhole Tools Ltd v. National-Oilwell Canada Ltd*, 2011 FC 1323 at paras 141–144, aff’d 2012 FCA 333.

¹⁷² *Diversified Products Corp v. Tye-Sil Corp* (1991), 35 CPR (3d) 350 at 365 (FCA).

¹⁷³ *Patent Act*, RSC 1985, c P-4, s. 28.3.

¹⁷⁴ *Patent Act*, RSC 1985, c P-4, ss 78.4, 78.5.

¹⁷⁵ The one year grace period provided in this section extends to a disclosure of independent work of an employee of the applicant provided the work of the employee is owned by the applicant, see: *GD Searle & Co v. Novopharm Limited*, 2007 FCA 173 at paras 39–43, 58 CPR (4th) 1, leave to appeal to SCC refused, 32113 (1 Nov. 2007).

79 The test to determine whether a prior art reference is ‘available to the public’, and thus citable for obviousness, is whether it could be found through a ‘reasonably diligent search’ as of the relevant date.¹⁷⁶

80 The Supreme Court of Canada has refined the test for obviousness in Canada, adopting the four-step approach of the House of Lords in the *Windsurfing* case,¹⁷⁷ namely:

- (a) Identify the notional ‘person skilled in the art’ and the relevant common general knowledge of that person.
- (b) Identify the inventive concept of the claim in question or if that cannot readily be done, construe it.
- (c) Identify what, if any, differences exist between the matter cited as forming part of the ‘state of the art’ and the inventive concept of the claim or the claim as construed.
- (d) Viewed without any knowledge of the alleged invention as claimed, do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?¹⁷⁸

81 The Supreme Court of Canada has also recognized that in the fourth step of the analysis for obviousness, an ‘obvious to try’ test may be appropriate, for example, in areas of endeavour where advances are often won by experimentation.¹⁷⁹ If the ‘obvious to try’ test is warranted, the following non-exhaustive factors should be taken into consideration:

- (a) Is it more or less self-evident that what is being tried ought to work? Are there a finite number of identified predictable solutions known to persons skilled in the art?
- (b) What is the extent, nature and amount of effort required to achieve the invention? Are routine trials carried out or is the experimentation prolonged and arduous, such that the trials would not be considered routine?
- (c) Is there a motive provided in the prior art to find the solution the patent addresses?
- (d) What actual course of conduct culminated in the making of the invention? Was the invention arrived at quickly, easily, directly and relatively inexpensively in light of the prior art and common general knowledge or was time, money and effort expended in looking for the result the invention ultimately provided?¹⁸⁰

82 The Federal Court of Appeal has clarified that the mere possibility that something might turn up or is ‘worth a try’ is not sufficient to satisfy the ‘obvious to try’ test.¹⁸¹

83 The Federal Court of Appeal has also commented that the inquiry mandated by the test for obviousness is factual and functional, and must be guided by expert evidence about the relevant skills of the hypothetical person of ordinary skill in the art, and the state of the art at the relevant time. While there is no single factual question or set of questions that will determine every case, the Federal Court of Appeal has identified the following principle factors that are helpful as a guide or framework for the factual analysis to be undertaken:

¹⁷⁶ *Novartis Pharmaceuticals Canada Inc. v. Teva Canada Ltd*, 2015 FC 770 at para. 53; *E Mishan & Sons Inc v. Supertek Canada Inc*, 2015 FCA 163 at para. 22, 256 ACWS (3d) 409.

¹⁷⁷ *Windsurfing International Inc v. Tabur Marine (Great Britain) Ltd* (1984), [1985] RPC 59 (Eng CA).

¹⁷⁸ *Sanofi-Synthelabo Canada Inc v. Apotex Inc*, 2008 SCC 61 at para. 67, 69 CPR (4th) 251.

¹⁷⁹ *Sanofi-Synthelabo Canada Inc v. Apotex Inc*, 2008 SCC 61 at paras 67–68, 69 CPR (4th) 251.

¹⁸⁰ *Sanofi-Synthelabo Canada Inc v. Apotex Inc*, 2008 SCC 61 at paras 69–70, 69 CPR (4th) 251.

¹⁸¹ *Pfizer Canada Inc v. Apotex Inc*, 2009 FCA 8 at paras 22–29, 72 CPR (4th) 141; *Eli Lilly Canada Inc v. Mylan Pharmaceuticals ULC*, 2015 FCA 286 at para. 4.

- (a) The invention claimed, as construed by the court.
- (b) The hypothetical skilled person in the art. It is necessary to identify the skills possessed by this hypothetical person.
- (c) The body of knowledge of the person of ordinary skill in the art. This includes what the person may reasonably be expected to know and to be able to find out. Not all knowledge is found in print form. On the other hand, not all knowledge that has been written down becomes part of the knowledge that an ordinary person skilled in the art is expected to know or find.
- (d) The climate in the relevant field at the time the alleged invention was made. The general state of the art includes not only knowledge and information but also attitudes, trends, prejudices and expectations.
- (e) The existing motivation to solve a recognized problem at the time the alleged invention was made. This may mean the reason why the inventor made the claimed invention, or the reason why one might reasonably expect the hypothetical person of ordinary skill in the art to combine elements of prior art to come up with the claimed invention.
- (f) The time and effort involved in the invention. The length of time and expense involved in the invention may be indicators of inventive ingenuity, but they are not determinative.

84 In addition, the court has recognized that secondary factors arising after the time that the alleged invention was made, such as commercial success and meritorious awards, may also be relevant to the issue of obviousness, but generally bear less weight.¹⁸²

(5.1.4) Utility

85 As referenced above, the definition of ‘invention’ includes the requirement that the invention be ‘useful’.¹⁸³ That is to say, it must have utility. The test of utility of an invention is twofold. Not only must the invention work per se, but it must also work in the manner promised by the patent.¹⁸⁴ Where the specification does not promise a specific result, no particular level of utility is required – a ‘mere scintilla’ of utility will suffice. However, where the specification sets out an explicit ‘promise’ of a specific result in clear and unambiguous terms, utility is to be measured against that promise.¹⁸⁵

86 The promise of the patent must be ascertained from reading the specification as a whole, and it should not be assumed that every patent contains an explicit promise.¹⁸⁶ The patent must be read as a whole through the eyes of person skilled in the art to ascertain if

¹⁸² *Janssen-Ortho Inc v. Novopharm Ltd*, 2007 FCA 217 at paras 23–25, 59 CPR (4th) 116, leave to appeal to SCC refused, 32200 (6 Dec. 2007); *Laboratoires Servier v. Apotex Inc*, 2008 FC 825 at paras 226–227, 67 CPR (4th) 241, aff’d 2009 FCA 222 at paras 67–90, 75 CPR (4th) 443, leave to appeal to SCC refused, 33357 (25 Mar. 2010); *Bauer Hockey Corp v. Easton Sports Canada Inc*, 2010 FC 361 at paras 223–284, 83 CPR (4th) 315, aff’d 2011 FCA 83, 92 CPR (4th) 103.

¹⁸³ *Patent Act*, RSC 1985, c P-4, s. 2 (invention); *Apotex v. Wellcome Foundation Ltd*, 2002 SCC 77 at para. 56, 21 CPR (4th) 499.

¹⁸⁴ *Consolboard Inc v. MacMillan Bloedel (Saskatchewan) Ltd*, [1981] 1 SCR 504, 56 CPR (2d) 145 at 160–161; *Feherguard Products Ltd v. Rocky’s of BC Leisure Ltd* (1994), 53 CPR (3d) 417 at 424–425 (FCTD), aff’d (1995), 60 CPR (3d) 512 (FCA).

¹⁸⁵ *Laboratoires Servier v. Apotex Inc*, 2008 FC 825 at para. 270, 67 CPR (4th) 241, aff’d 2009 FCA 222, 75 CPR (4th) 443, leave to appeal to SCC refused, 33357 (25 Mar. 2010); *Consolboard Inc v. MacMillan Bloedel (Saskatchewan) Ltd*, [1981] 1 SCR 504, 56 CPR (2d) 145 at 160–161; *Sanofi-Aventis v. Apotex Inc*, 2013 FCA 186 at paras 47–49.

¹⁸⁶ *Apotex Inc v. Sanofi-Aventis Canada Inc*, 2013 FCA 186 at para. 50, 114 CPR (4th) 1.

it contains a promise.¹⁸⁷ The promise doctrine will hold an inventor to an elevated standard of utility only where a clear and unambiguous promise has been made.¹⁸⁸ Where the validity of a patent is challenged on the basis of an alleged unfulfilled promise, the patent will be construed in favour of the patentee where it can reasonably be read by the skilled person as excluding this promise.¹⁸⁹ Where the promise is clearly and unequivocally expressed in the claims of the patent, then that expression ought to be viewed as the promise of the patent. Any statement found elsewhere should be presumed to be a mere statement of advantage unless the inventor clearly and unequivocally states that it is part of the promised utility.¹⁹⁰ Utility is assessed on a claim-by-claim basis.¹⁹¹ Therefore, some promises can be construed to impose utility requirements across each of a patent's claims while other promises may touch only a subset of the claims.¹⁹²

87 Where a claim is to a class of compounds, the lack of utility in fact of one or more of the compounds will invalidate all the compounds of that claim.¹⁹³

88 The utility in selection patents, namely patents for the selection of one or more members of a previously known class of products that possess some special advantage over the other members of the class, resides in the advantage over the other members of the class. There are no special legal requirements regarding the particular type of advantage that is required and 'utility' can be found in avoiding a disadvantage.¹⁹⁴

89 As of the Canadian filing date, utility of an invention must either be demonstrated or be soundly predicted based on the information and expertise available at that time.¹⁹⁵ The doctrine of 'sound prediction' balances the public interest in early disclosure of new and useful inventions, even before their utility has been verified by tests, and the public interest in avoiding issuing useless patents and granting monopoly rights in exchange for misinformation.¹⁹⁶ The doctrine is typically used in circumstances where a family of compounds are covered by the claims but only a few members of that family are shown to work in the patent disclosure. That said, the Federal Court of Appeal has observed that the doctrine of sound prediction is not limited to the field of pharmaceutical inventions and applied the doctrine in the context of a patent in the mechanical field.¹⁹⁷

¹⁸⁷ *Eli Lilly Canada Inc v. Novopharm Ltd*, 2010 FCA 197 at para. 80, 85 CPR (4th) 413; *Pfizer Canada Inc v. Mylan Pharmaceuticals ULC*, 2012 FCA 103 at para. 57, 100 CPR (4th) 203.

¹⁸⁸ *Pfizer Canada Inc v. Apotex Inc*, 2014 FCA 250 at para. 66, 125 CPR (4th) 81.

¹⁸⁹ *Pfizer Canada Inc v. Apotex Inc*, 2014 FCA 250 at para. 66, 125 CPR (4th) 81.

¹⁹⁰ *Fournier Pharma Inc v. Canada (Minister of Health)*, 2012 FC 741 at paras 126–127, 107 CPR (4th) 32.

¹⁹¹ *Teva Canada Ltd. v. Pfizer Canada Inc.*, 2012 SCC 60, [2012] 3 S.C.R. 625 at paras 42 & 80, 106 CPR (4th) 161; *Apotex Inc. v. Wellcome Foundation Ltd.*, 2002 SCC 77, [2002] 4 S.C.R. 153 at paras 53–59, 21 CPR (4th) 499; *AstraZeneca Canada Inc v. Apotex Inc*, 2015 FCA 158 at para. 4, 255 ACWS (3d) 719.

¹⁹² *Pfizer Canada Inc. v. Apotex Inc*, 2014 FCA 250 at paras 86–89, 125 CPR (4th) 81; *AstraZeneca Canada Inc v. Apotex Inc*, 2015 FCA 158 at para. 5, 255 ACWS (3d) 719.

¹⁹³ *Aventis Pharma Inc v. Apotex Inc*, 2006 FCA 64 at para. 26, 46 CPR (4th) 401, leave to appeal to SCC refused, 31414 (3 Aug. 2006); *Laboratoires Servier v. Apotex Inc*, 2008 FC 825 at para. 270, 67 CPR (4th) 241, aff'd 2009 FCA 222, 75 CPR (4th) 443.

¹⁹⁴ *Pfizer Canada Inc v. Canada (Minister of Health)*, 2006 FCA 214 at para. 31, 52 CPR (4th) 241, leave to appeal to SCC refused [2006] SCCA No 335.

¹⁹⁵ *Apotex v. Wellcome Foundation Ltd*, 2002 SCC 77 at paras 51–56, 21 CPR (4th) 499; *Aventis Pharma v. Apotex Inc*, 2005 FC 1283 at paras 82–83, 43 CPR (4th) 161, aff'd 2006 FCA 64 at paras 26–35, 46 CPR (4th) 401, leave to appeal to SCC refused, 31414 (3 Aug. 2006); *GD Searle & Co v. Novopharm Limited*, 2007 FC 81 at para. 102, 56 CPR (4th) 1, rev'd on other grounds 2007 FCA 173, 58 CPR (4th) 1, leave to appeal to SCC refused, 32113 (1 Nov. 2007).

¹⁹⁶ *Apotex v. Wellcome Foundation Ltd*, 2002 SCC 77 at para. 66, 21 CPR (4th) 499.

¹⁹⁷ *Eurocopter v. Bell Helicopter Textron Canada Ltd*, 2013 FCA 219 at paras 144–162, 120 CPR (4th) 394.

90 A person who wishes to rely upon the doctrine of sound prediction must meet a three-part test:

- (a) first, there must be a factual basis for the prediction;
- (b) second, the inventor must have, at the date of the patent application, an articulable and ‘sound’ line of reasoning from which the desired result can be inferred from the factual basis; and
- (c) third, there must be proper disclosure.¹⁹⁸

91 If a patent sought to be supported on the basis of sound prediction is subsequently challenged, the challenge will succeed if the prediction at the date of the application was not sound or, irrespective of the soundness of the prediction, there is evidence of lack of utility in fact. There can be no sound prediction of utility when an invention is shown not to work.¹⁹⁹ A claim will be invalid for inutility if it encompasses an inoperable embodiment.²⁰⁰

92 The weight of authority in Canada is that normally there is no need to demonstrate utility in the patent disclosure.²⁰¹ However, there have been several decisions from the Federal Court and Court of Appeal where it has been suggested that if a patentee seeks to rely on demonstrated utility, the disclosure must make reference to a study demonstrating that the patent does what it promises to do.²⁰² However, the soundness of this view has recently been called into question.²⁰³ However, for selection patents, the advantages of the selected compounds must be specifically described in the disclosure of a selection patent.²⁰⁴ Additionally, it is likely that for an invention consisting of a new use for a known compound, that the new use would also need to be specifically described in the patent specification.²⁰⁵

93 The Supreme Court of Canada’s test for sound prediction was initially interpreted by the Federal Court of Appeal as requiring a ‘heightened’ obligation to disclose in the patent specification the underlying facts and the line of reasoning for inventions that comprise the

¹⁹⁸ *Apotex v. Wellcome Foundation Ltd*, 2002 SCC 77 at para. 70, 21 CPR (4th) 499.

¹⁹⁹ *Monsanto Co v. Commissioner of Patents*, [1979] 2 SCR 1108, 42 CPR (2d) 161 at 175–180; *Apotex v. Wellcome Foundation Ltd*, 2002 SCC 77 at paras 55–56, 76, 21 CPR (4th) 499; *Goldfarb v. WL Gore Associates Inc* (2001), 11 CPR (4th) 129 at 154 (FCTD), aff’d 2002 FCA 486, 23 CPR (4th) 1, leave to appeal to SCC refused (2003), 24 CPR (4th) vii.

²⁰⁰ *Minerals Separation North American Corp v. Noranda Mines Ltd* (1949), [1950] SCR 36, 12 CPR 99, aff’d [1952] UKPC 2, 15 CPR 133.

²⁰¹ *Pfizer Canada Inc v. Novopharm Ltd*, 2010 FCA 242 at paras 82, 87, 88 CPR (4th) 405, rev’d on other grounds 2012 SCC 60; *GlaxoSmithKline Inc v. Pharmascience Inc*, 2011 FC 239 at para. 96, 114 CPR (4th) 1; *AstraZeneca Canada Inc v. Apotex Inc*, 2014 FC 638 at para. 130, 244 ACWS (3d) 180, aff’d 2015 FCA 158; *Eli Lilly Canada Inc v. Apotex*, 2015 FC 1016 at paras 138–142, 257 ACWS (3d) 834.

²⁰² *Novopharm Limited v. Pfizer Canada Inc*, 2010 FCA 242 at para. 90, 88 CPR (4th) 405, rev’d on other grounds 2012 SCC 60; *Pfizer Canada Inc v. Canada (Minister of Health)*, 2011 FCA 236 at para. 30, 95 CPR (4th) 193, leave to appeal to SCC ref’d; *Laboratoires Servier v. Canada (Minister of Health)*, 2015 FC 108 at para. 211, 130 CPR (4th) 1.

²⁰³ *Eli Lilly Canada Inc v. Apotex Inc*, 2015 FC 1016 at paras 138–142, 257 ACWS (3d) 834.

²⁰⁴ *Eli Lilly Canada Inc v. Apotex Inc*, 2007 FC 455 at paras 89–109, 58 CPR (4th) 353, aff’d 2008 FCA 44; *Eli Lilly Canada Inc v. Novopharm Ltd*, 2007 FC 596 at paras 139, 154–165, 58 CPR (4th) 214, appeal dismissed as moot 2007 FCA 359, 62 CPR (4th) 161, leave to appeal to SCC refused (2008), 386 NR 381 (note); *Pfizer Canada Inc v. Canada (Minister of Health)*, 2008 FCA 108 at paras 39–40, 67 CPR (4th) 23.

²⁰⁵ *Sanofi-Aventis v. Apotex Inc*, 2013 FCA 186 at para. 126, 114 CPR (4th) 1; *Apotex v. Wellcome Foundation Ltd*, 2002 SCC 77 at paras 70, 72, 21 CPR (4th) 499.

prediction.²⁰⁶ However, recent decisions by the Supreme Court of Canada, Federal Court of Appeal, and Federal Court have suggested that there may be no heightened disclosure requirement for sound prediction cases other than possibly for claims directed to new uses of known compounds or selection patents as discussed above.²⁰⁷

(5.1.5) Double Patenting

94 The term ‘double patenting’ does not appear in the Canadian *Patent Act*. Double patenting is a common law doctrine devised to prevent the undue extension of the statutory monopoly in a particular patent by means of a series of patents for the same invention, including uninventive additions.²⁰⁸ The doctrine is applied in situations where the earlier patent is not citable as against the later patent in respect of the issues of anticipation or obviousness.

95 In Canada, the jurisprudence has recognized two categories of double patenting. The first category encompasses two patents that have an identical or conterminous claim or claims. The second category, sometimes referred to as ‘obviousness double patenting’, relates to where the claims are not identical or conterminous, but are nevertheless not patentably distinct.²⁰⁹ It is presently debatable whether the doctrine of double patenting applies to patents naming different inventors. However, the court has recognized that the doctrine may not apply when it is inconsistent with the relevant statutory scheme, or where it cannot reasonably be found that there has been an extension of the monopoly granted by the patents (e.g., where the patents name different inventors who were working independently of each other).²¹⁰ It has also been recognized that the doctrine does not apply where the two patents resulted from a divisional application filed as a result of a unity of invention objection raised by the Patent Office.²¹¹

(5.1.6) Other Validity Attacks

96 The validity of a Canadian patent can be challenged on a number of grounds in addition to novelty, obviousness, utility and double patenting, including sufficiency of the specification,²¹² ambiguity of the disclosure or of the claims,²¹³ claims broader than the

²⁰⁶ *Eli Lilly Canada Inc v. Apotex Inc*, 2009 FCA 97 at para. 14, 78 CPR (4th) 388; *Pfizer Canada Inc v. Mylan Pharmaceuticals ULC*, 2011 FC 547 at paras 226, 228, 93 CPR (4th) 81, aff’d 2012 FCA 103.

²⁰⁷ *Teva Canada Ltd v. Pfizer Canada Inc*, 2012 SCC 60 at para. 40, 106 CPR (4th) 161; *Apotex Inc v. Sanofi-Aventis Canada Inc*, 2013 FCA 186 at paras 134–135, 114 CPR (4th) 1; *AstraZeneca Canada Inc v. Apotex Inc*, 2014 FC 638 at para. 141, 129 CPR (4th) 1, aff’d 2015 FCA 158.

²⁰⁸ *Pharmascience Inc v. Sanofi-Aventis Canada Inc*, 2006 FCA 229 at paras 67–73, 53 CPR (4th) 453, leave to appeal to SCC refused, 31640 (19 Apr. 2007).

²⁰⁹ *Commissioner of Patents v. Farbwerke Hoechst A/G*, [1964] SCR 49 at 53, 41 CPR 9 at 13; *Whirlpool Corp v. Camco Inc*, 2000 SCC 67 at paras 63–75, 9 CPR (4th) 129; *Pharmascience Inc v. Sanofi-Aventis Canada Inc*, 2006 FCA 229 at para. 68, 53 CPR (4th) 453, leave to appeal to SCC refused, 31640 (19 Apr. 2007).

²¹⁰ *Pharmascience Inc v. Sanofi-Aventis Canada Inc*, 2006 FCA 229 at paras 71–72, 53 CPR (4th) 453, leave to appeal to SCC refused, 31640 (19 Apr. 2007).

²¹¹ *Consolboard Inc v. MacMillan Bloedel (Saskatchewan) Ltd*, [1981] 1 SCR 504, 56 CPR (2d) 145 at 168–169.

²¹² *Consolboard Inc v. MacMillan Bloedel (Saskatchewan) Ltd*, [1981] 1 SCR 504, 56 CPR (2d) 145; *Pioneer Hi-Bred Ltd v. Canada (Commissioner of Patents)*, [1989] 1 SCR 1623, 25 CPR (3d) 257; *Mobil Oil Corp v. Hercules Canada Inc* (1995), 63 CPR (3d) 473 at 484–486 (FCA); *Teva Canada Ltd v. Pfizer Canada Inc*, 2012 SCC 60.

²¹³ *Mobil Oil Corp v. Hercules Canada Inc* (1995), 63 CPR (3d) 473 at 483–484 (FCA).

invention made or disclosed²¹⁴ and incorrect payment of fees.²¹⁵ While trial judges of the Federal Court had previously held that a failure to fully respond to a requisition by the Patent Office within time and in good faith during the prosecution of the patent application rendered an issued patent invalid,²¹⁶ the Federal Court of Appeal has overturned these decisions holding that a failure to respond to a requisition in good faith does not provide a basis to invalidate an issued patent.²¹⁷ Pursuant to the *Patent Act*, a patent may also be invalidated if any 'material' allegation in the petition is untrue, or if the specification and drawings contain more or less than is necessary for obtaining the end for which they purport to be made, provided the omission or addition is wilfully made for the purpose of misleading.²¹⁸ However, outside this express provision, there is no US 'duty of candour' type of obligation in Canada upon which a patent could be invalidated.²¹⁹

(5.1.7) Partial Invalidity

97 In Canada, if one or more of the claims of a patent are held to be valid and one or more of the claims are held to be invalid or void, effect is given to the patent as if it contains only the valid claim or claims.²²⁰ In addition, a patentee's dedication of certain claims of a patent to the public does not affect the validity and enforceability of other claims²²¹ and after the claims have been dedicated, the patent is construed without reference to the dedicated claims.²²² Other proceedings before the Patent Office to vary the scope of the claims of an issued patent (such as re-examination, reissue and disclaimer) and their impact on the patent, are discussed in detail in sections 8.4.1 and 8.4.2 below.²²³

²¹⁴ *Farbwerke Hoechst A/G v. Commissioner of Patents*, [1966] Ex CR 91 at 106, 50 CPR 220 at 238, aff'd [1966] SCR 604; *Pfizer Canada Inc v. Apotex Inc*, 2007 FCA 209 at para. 115, 60 CPR (4th) 81, leave to appeal to SCC refused [2007] SCCA No 377.

²¹⁵ *Dutch Industries Ltd v. Commissioner of Patents*, 2001 FCT 879, 14 CPR (4th) 499, appeal allowed in part 2003 FCA 121, 24 CPR (4th) 157, leave to appeal to SCC refused 20 CPR (4th) vii; *Johnson & Johnson Inc v. Boston Scientific Ltd*, 2004 FC 1672, 37 CPR (4th) 385, rev'd in light of legislative amendments regarding small entity fees 2006 FCA 195. However, Small Entity Fee Payment Legislation (Bill C-29, *An Act to Amend the Patent Act*, 1st Sess, 38th Parl, 2005, cl 2 (came into force 1 Feb. 2006), RSC, c P-4) provides a one-year period from the coming into force date in which to correct an incorrectly paid small entity fee with respect to fees paid prior to the coming into force date. Effective 2 Jun. 2007, the *Patent Rules*, SOR/96-423, were amended to provide the Patent Office with discretion to grant an extension of time for an applicant to pay the proper fee where the small entity fee was paid in good faith and the request for the time extension is filed without undue delay.

²¹⁶ *Lundbeck Canada Inc v. Ratiopharm Inc*, 2009 FC 1102 at paras 314–352, 79 CPR (4th) 243; *DBC Marine Safety Systems Ltd v. Commissioner of Patents*, 2007 FC 1142, 62 CPR (4th) 279; aff'd 2008 FCA 256, 69 CPR (4th) 189; *GD Searle & Co v. Novopharm Limited*, 2007 FC 81 at paras 59–78, 56 CPR (4th) 1, rev'd on other grounds 2007 FCA 173, 58 CPR (4th) 1, leave to appeal to SCC refused, 32113 (1 Nov. 2007).

²¹⁷ *Corlac Inc v. Weatherford Canada Ltd*, 2011 FCA 228 at paras 130–151.

²¹⁸ *Patent Act*, RSC 1985, c P-4, s. 53(1).

²¹⁹ *Ratiopharm Inc v. Pfizer Ltd*, 2009 FC 711 at para. 197, 76 CPR (4th) 241; aff'd 2010 FCA 204, 87 CPR (4th) 185; *Bourgault Industries Ltd v. Flexi-Coil Ltd* (1998), 80 CPR (3d) 1 at 34–38 (FCTD), aff'd (1999), 86 CPR (3d) 221 at 231–232 (FCA), leave to appeal to SCC refused (2000), 4 CPR (4th) vii.

²²⁰ *Patent Act*, RSC 1985, c P-4, s. 58.

²²¹ *Merck & Co v. Apotex Inc*, 2006 FC 524 at paras 164–169, 53 CPR (4th) 1; rev'd on other grounds 2006 FCA 323, 55 CPR (4th) 1, leave to appeal to SCC refused 31754 (10 May 2007).

²²² *Abbott Laboratories v. Canada (Minister of Health)*, 2010 FCA 168 at para. 39, 85 CPR (4th) 279.

²²³ Section 8.4.1 – Re-examination and s. 8.4.2 – Reissue and Disclaimer.

(5.2) RESEARCH EXEMPTION²²⁴

98 In Canada, it has been held that use of a patented invention in the course of not-for-profit experiments to determine if the patented article can be manufactured in accordance with the patent or improved upon, does not constitute infringement.²²⁵

(5.3) BOLAR EXCEPTION

99 The ‘Bolar exemption’²²⁶ is not a term expressly recognized under Canadian patent law. However, section 55.2(1) of the *Patent Act* provides that it is not an infringement to make, construct, use or sell a patented invention solely for uses reasonably related to the development and submission of information required under any law of Canada or any other country that regulates the manufacture, construction, use or sale of the product.²²⁷ This includes activity related to compliance with the Canadian *Food and Drug Regulations*,²²⁸ including obtaining a Notice of Compliance (NOC) from the Minister of National Health and Welfare for the sale of a pharmaceutical product in Canada (discussed in section 8.7.1.8 below),²²⁹ or similar government approval elsewhere.

100 Canadian courts have applied this exemption to the manufacture or use of all samples of a patented product prepared for the purposes set out in section 55.2(1), irrespective of whether or not the samples are ultimately referenced in any submissions,²³⁰ provided the samples were not sold or used for any similar purpose.²³¹ However, section 55.2(1) requires that the impugned activity to be ‘solely’ for uses reasonably related to the development and submission of information required under law. Thus, if the impugned activity is also used for other purposes, the exemption in section 55.2(1) may not apply.²³²

101 In addition, former section 55.2(2) of the *Patent Act* had provided that it was not an infringement for those individuals coming within section 55.2(1) to manufacture and stockpile articles intended for sale after the date on which the term of the patent expired.²³³ The former *Manufacturing and Storage of Patented Medicines Regulations*²³⁴ provided a six-month period prior to the expiry of the patent in which the manufacture could take place.

²²⁴ This section was co-authored by Jeremy E. Want of Smart & Biggar/Fetherstonhaugh.

²²⁵ *Micro Chemicals Ltd v. Smith, Kline & French Inter-American Corp* (1971), [1972] SCR 506 at 520, 2 CPR (2d) 193 at 203; *Merck & Co v. Apotex Inc*, 2006 FC 524 at paras 159–163, 53 CPR (4th) 1, rev’d on other grounds, but aff’d on this issue 2006 FCA 323 at paras 105–113, 55 CPR (4th) 1, leave to appeal to SCC refused 31754 (10 May 2007).

²²⁶ Named after the United States decision in *Roche Products v. Bolar Pharmaceutical*, 733 F (2d) 858 (Fed Cir 1984).

²²⁷ *Patent Act*, RSC 1985, c P-4, s. 55.2(1).

²²⁸ *Food and Drug Regulations*, CRC, c 870.

²²⁹ Section 8.7.1.8 – Notice of Compliance Regulations for Patented Medicines.

²³⁰ *Merck & Co v. Apotex Inc*, 2006 FC 524 at paras 153–158, 53 CPR (4th) 1, rev’d on other grounds, but aff’d on this issue 2006 FCA 323 at paras 98–104, 55 CPR (4th) 1, leave to appeal to SCC refused 31754 (10 May 2007); *Laboratoires Servier v. Apotex Inc*, 2008 FC 825 at paras 161–168, 67 CPR (4th) 241, aff’d 2009 FCA 222, 75 CPR (4th) 443, leave to appeal to SCC refused, 33357 (25 Mar. 2010).

²³¹ *Eli Lilly & Co v. Apotex Inc*, 2009 FC 991 at paras 342–346, 80 CPR (4th) 1, aff’d 2010 FCA 240, 90 CPR (4th) 327, leave to appeal to SCC refused, 33946 (5 May 2011).

²³² *Eurocopter v. Bell Helicopter Textron Canada Limitée*, 2012 FC 113 at paras 265–268, aff’d 2013 FCA 219.

²³³ *Patent Act*, RSC 1985, c P-4, s. 55.2(2), as repealed by *An Act to amend the Patent Act*, SC 2001, c 10, s. 2(1).

²³⁴ *Manufacturing and Storage of Patented Medicines Regulations*, SOR/93–134, as repealed by SOR/2000–373.

102 Sections 55.2(1) and 55.2(2) of the Canadian *Patent Act* were both challenged by the European Community and others before the WTO. The WTO upheld the exception to infringement provided by section 55.2(1) of the *Act*, but ruled that section 55.2(2) was inconsistent with Canada's obligations under the WTO Agreement on Trade-Related aspects of Intellectual Property Rights (TRIPS) agreement.²³⁵ As a result, section 55.2(2) of the *Patent Act* was repealed effective 12 July 2001.²³⁶

(5.4) LICENCE

103 A valid licence granted by the patentee to the defendant to engage in the acts alleged to infringe the patent is a complete defence to an allegation of infringement.²³⁷ The court will interpret the agreement between the parties to determine if it provides the defendant with a licence to engage in the allegedly infringing activities.²³⁸ If it is found that the activities fall within the scope of the licence and that the defendant has complied with all terms of the licence, then the licence will be an absolute defence. On the other hand, a licence agreement will not provide a defence for any dealing with the patented invention that extends beyond the terms of the agreement.²³⁹

(5.5) COMPULSORY LICENCES

104 Prior to 1993, the *Patent Act* included provisions whereby the Commissioner of Patents could (and typically would) grant a compulsory licence under patents claiming a food or medicine. Generic drug manufacturers primarily relied upon these provisions in order to obtain a compulsory licence with respect to patented pharmaceuticals. This system of compulsory licensing was abolished in 1993.²⁴⁰ However, a compulsory licence is still a remedy available to the Commissioner of Patents in abuse proceedings discussed in greater detail in section 4.5 above.²⁴¹

(5.6) PRIVATE PRIOR USE

105 Pursuant to section 56 of the *Patent Act*,²⁴² any person who, before the 'relevant date',²⁴³ has purchased, constructed or acquired the subject matter defined by the claim of

²³⁵ WTO, *Canada – Patent Protection of Pharmaceutical Products*, WTO Doc. WT/DS114/R (2000), adopted 7 Apr. 2000.

²³⁶ *An Act to amend the Patent Act*, SC 2001, c 10, s. 2(1).

²³⁷ A licence which is expired will not provide a defence: *Lubrizol Corp v. Imperial Oil Ltd* (1990), 33 CPR (3d) 1 (FCTD) at 10, rev'd on other grounds, but aff'd on this issue (1992), 45 CPR (3d) 1 at 3 (FCA).

²³⁸ *Uview Ultraviolet Systems Inc v. Brasscorp Ltd*, 2009 FC 58, 73 CPR (4th) 161 at paras 147–149.

²³⁹ *Canadian Marconi Co v. Nordmende Pheonix Ltd* (1962), 39 CPR 185 at 201, 22 Fox Pat C 176 (Ex Ct); *Micro Chemicals Ltd v. Rhone-Poulenc SA*, [1964] Ex CR 819, 44 CPR 193 at 208, aff'd [1965] SCR 284, 53 CPR 140.

²⁴⁰ *Patent Act*, RSC 1985, c P-4, as amended by SC 1993, c 2, s. 3.

²⁴¹ Section 4.5 – Antitrust Issues.

²⁴² *Patent Act*, RSC 1985, c P-4, s. 56.

²⁴³ The 'relevant date' depends on the filing date of the patent application (*Patent Act*, RSC 1985, c P-4, ss 56(2), (3), (4)). If filed before 1 Oct. 1989, the relevant date is the date the patent was granted. If filed on or after 1 Oct. 1989 but before 1 Oct. 1996, the relevant date is the date the application was laid open. If filed on or after 1 Oct. 1996, the relevant date is the Canadian filing date (or the convention priority date, if applicable).

a patent, is permitted to use and sell to others the specific article, machine, manufacture or composition of matter so purchased, constructed or acquired, without being liable to the patentee. This exception only applies to the ‘specific article, machine, manufacture or composition of matter’ previously purchased, constructed or acquired. However, the right to ‘use’ includes the right to use any form of the invention, including the right to use and sell things produced with or by the specific article.²⁴⁴ The onus lies on the person relying on the exemption provided in section 56 to prove the necessary facts.²⁴⁵

106 Accordingly, where a claim is for a product, any otherwise infringing product purchased, constructed or acquired before the ‘relevant date’ may be used and sold without liability. This includes products that were manufactured outside of Canada and in existence as of the relevant date, but brought into Canada after that date, provided the purchaser in Canada was irrevocably bound to purchase the products prior to the relevant date.²⁴⁶ Products ordered prior to the relevant date but not in existence as of the relevant date²⁴⁷ or that exist as of relevant date but are not in a deliverable state,²⁴⁸ do not fall within the scope of section 56.

107 Where a patent includes both apparatus and method claims, a person who, before the relevant date, has purchased, constructed or acquired the patented apparatus that performs the patented method may continue to freely use the apparatus after the patent has been granted without liability.²⁴⁹ It is unclear whether section 56 is applicable to a patented ‘method’ per se used prior to the relevant date.²⁵⁰

(5.7) EXHAUSTION

108 The sale of a patented article to a purchaser is presumed to give the purchaser an implied licence to use, sell or deal with the patented article as he/she pleases. Any restrictive conditions that the patentee wishes to impose upon a purchaser must be brought to the attention of the purchaser when the patented article is acquired. Thus, unless expressly stipulated to the contrary, the licensee (purchaser) is able to pass to subsequent purchasers the right to use, sell or deal with the patented article without liability to the patentee. Further, a limitation imposed upon a licence intended to affect the rights of

²⁴⁴ *Merck & Co v. Apotex Inc* (1995), 60 CPR (3d) 356 at 364–374 (FCA), leave to appeal to SCC refused (1995), 63 CPR (3d) v. (note).

²⁴⁵ *Merck & Co v. Apotex Inc*, 2006 FC 524 at para. 135, 53 CPR (4th) 1, rev'd on other grounds, 2006 FCA 323, 55 CPR (4th) 1, leave to appeal to SCC refused 31754 (10 May 2007).

²⁴⁶ *Lido Industrial Products Ltd v. Teledyne Industries Inc* (1981), 57 CPR (2d) 29 at 54 (FCA), leave to appeal to SCC refused (1981), 59 CPR (2d) 183.

²⁴⁷ *Lido Industrial Products Ltd v. Teledyne Industries Inc* (1981), 57 CPR (2d) 29 at 54 (FCA), leave to appeal to SCC refused (1981), 59 CPR (2d) 183; *Merck & Co v. Apotex Inc* (1995), 60 CPR (3d) 356 at 364–374 (FCA) leave to appeal to SCC refused (1995), 63 CPR (3d) v. (note).

²⁴⁸ *Merck & Co v. Apotex Inc*, 2006 FCA 323 at paras 74–82, 55 CPR (4th) 1, leave to appeal to SCC refused 31754 (10 May 2007).

²⁴⁹ *Libbey-Owens-Ford Glass Co v. Ford Motor Co of Canada, Ltd*, [1970] SCR 833 at 835–842, 62 CPR 223 at 226–232.

²⁵⁰ *Libbey-Owens-Ford Glass Co v. Ford Motor Co of Canada, Ltd*, [1969] 1 Ex CR 529 at 551–563, 57 CPR 155 at 180–191, aff'd [1970] SCR 833; *Peterson Electronic Die Co Inc v. Plastiseal Inc* (1972), 8 CPR (2d) 222 at 242–245 (FCTD), aff'd (but declaration with respect to s. 56 ‘deleted’ from the trial judgment) (1974), 14 CPR (2d) 48 at 52 (FCA); *Procter & Gamble Co v. Calgon Interamerican Corp* (1981), 56 CPR (2d) 214 at 242–243 (FCTD), aff'd (without comment on this issue); *Beecham Canada Ltd v. Procter & Gamble Co* (1982), 61 CPR (2d) 1 at 23–24 (FCA), leave to appeal to SCC refused (1982), 63 CPR (2d) 260.

subsequent purchasers must also be expressed clearly and unambiguously to the subsequent purchasers when the patented article is acquired.²⁵¹

(5.8) FARMER'S PRIVILEGE

109 A farmer's privilege, namely the right to save seeds from crops for future use, is not recognized under Canadian patent law. Additionally, patents on genes or cells can extend to the use thereof in higher life forms such as plants. In particular, the Supreme Court of Canada has held that use of plants containing patented genetically modified genes and cells constitutes an infringement of the patent. Accordingly, a farmer's use of seeds containing patented genetically modified genes or cells to grow plants can constitute patent infringement.²⁵²

(5.9) FURTHER EXCEPTIONS TO INFRINGEMENT

110 Pursuant to section 19 of the *Patent Act*, the government of Canada or the provincial governments may apply to the Commissioner of Patents to authorize the use of a patented article, but only if the government can show that: (i) it has made efforts to obtain authorization to use from the patentee on reasonable commercial terms and conditions, and (ii) a reasonable period of time has elapsed.²⁵³

111 Effective 14 May 2005, section 21 of the *Patent Act* permits the Commissioner of Patents to authorize the non-consensual use of patented inventions to manufacture and export pharmaceutical products to certain WTO countries deemed to have public health problems. The drug must be approved by Health Canada and the patentees would not receive any monetary compensation.²⁵⁴

²⁵¹ *Eli Lilly and Co v. Novopharm Ltd*, [1998] 2 SCR 129, 80 CPR (3d) 321 at 363–364.

²⁵² *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34 at paras 59–97, 31 CPR (4th) 161.

²⁵³ *Patent Act*, RSC 1985, c P-4, s. 19.

²⁵⁴ *Patent Act*, RSC 1985, c P-4, s. 21.

(6) LICENSING

(6.1) VOLUNTARY LICENCE

112 A Canadian patent may be licensed by way of voluntary licence negotiated between a patentee and a licensee. There are typically three types of voluntary licences which can be granted in respect of Canadian patents, namely:

- (i) an exclusive licence: the licensee is given the exclusive right to work the invention in Canada, including to the exclusion of the licensor;
- (ii) a sole licence: the licensor undertakes not to grant any other licences but retains the right to work the invention; and
- (iii) a non-exclusive licence: the licensor may grant licences to work the invention to multiple third parties and in addition may also work the invention itself.

113 Where a patent is owned by more than one patentee, consent of each co-owner is required for a licence. As a result, any licence granted in the absence of the consent of all co-owners is invalid, and the patent would be infringed if the licensee attempts to work the patent.²⁵⁵

114 A voluntary licence to a Canadian patent does not have to be in writing to be valid and thus can either be express or implied.²⁵⁶ Where no express licence exists, each case is considered on its facts to determine whether an implied licence exists.²⁵⁷ By way of example, Canadian courts have implied the existence of a licence from the corporate relationship or practice of the parties.²⁵⁸ However, the mere existence of a parent-subsidiary relationship does not necessarily constitute sufficient evidence of a licence.²⁵⁹

115 Section 50(2) of the *Patent Act* requires that any grant or conveyance of an exclusive right in the patented invention be registered.²⁶⁰ Although this provision has been interpreted to extend to an exclusive licence, the failure to register the licence is not fatal. Canadian courts have held that failing to register an exclusive licence alone does not render the licence void, since the purpose of registration is to establish priority between different

²⁵⁵ *Forget v. Specialty Tools of Canada Inc* (1993), 48 CPR (3d) 323 at 331 (BCSC), aff'd (1995), 62 CPR (3d) 537 (BCCA).

²⁵⁶ *Rucker Co v. Gavel's Vulcanizing Ltd* (1985), 7 CPR (3d) 294 at 325–326 (FCTD).

²⁵⁷ *Jay-Lor International Inc v. Penta Farm System Ltd*, 2007 FC 358, 59 CPR (4th) 228 at para. 36; *AstraZeneca Canada Inc v. Apotex Inc*, 2014 FC 638 at para. 22, 129 CPR (4th) 1, aff'd 2015 FCA 158, 255 ACWS (3d) 719 on other grounds.

²⁵⁸ *Electric Chain Co v. Art Metal Works Inc*, [1933] SCR 581 at 585–586; *Rucker Co v. Gavel's Vulcanizing Ltd* (1985), 7 CPR (3d) 294 at 325–326 (FCTD); *Apotex Inc v. Wellcome Foundation Ltd* (2000), [2001] 1 FC 495, 10 CPR (4th) 65 at paras 96–99 (CA), aff'd 2002 SCC 77, [2002] 4 SCR 153; *Illinois Tool Works Inc v. Cobra Fixations Cie/Cobra Anchors Co*, 2002 FCT 829, 20 CPR (4th) 402 at para. 4 (FCTD), aff'd 2003 FCA 358; *AstraZeneca Canada Inc v. Apotex Inc*, 2014 FC 638 at para. 23, 129 CPR (4th) 1, aff'd 2015 FCA 158, 255 ACWS (3d) 719 on other grounds.

²⁵⁹ *Jay-Lor International Inc v. Penta Farm System Ltd*, 2007 FC 358, 59 CPR (4th) 228 at para. 31.

²⁶⁰ *Patent Act*, RSC 1985, c P-4, s. 50(2).

persons who allege to hold an exclusive right in the same patent.²⁶¹ In addition, there is no requirement to register a non-exclusive licence pursuant to section 50(2).²⁶²

(6.2) COMPULSORY LICENCE

116 As referenced in section 5.5 above,²⁶³ prior to 1993, the *Patent Act* included provisions whereby the Commissioner of Patents had the discretion to grant a compulsory licence under patents claiming a food or medicine. This system of compulsory licensing was abolished in 1993.²⁶⁴ However, as discussed in greater detail in section 4.5 above,²⁶⁵ the Commissioner of Patents may still grant a compulsory licence as a remedy where there has been an abuse of the exclusive rights granted by a patent.

²⁶¹ *Apotex Inc v. Wellcome Foundation Ltd* (2000), [2001] 1 FC 495, 10 CPR (4th) 65 at para. 100 (CA), aff'd 2002 SCC 77, [2002] 4 SCR 153.

²⁶² *Pitney Bowes Inc v. Yale Security (Can) Inc* (1987), 15 CPR (3d) 347 at 354 (FCTD), rev'd on other grounds (1987), 29 CPR (3d) 557 (FCA).

²⁶³ Section 5.5 – Compulsory License.

²⁶⁴ *Patent Act*, RSC 1985, c P-4, as amended by SC 1993, c 2, s. 3.

²⁶⁵ Section 4.5 – Antitrust Issues.

(7) PATENTS AS PART OF ASSETS

(7.1) ASSIGNMENT

117 The Canadian *Patent Act* provides that the rights to a patent for an invention are assignable, including prior to the filing of a patent application, while the patent application is pending and after the issuance of the patent.²⁶⁶ Assignment of the rights of a patent can be made either in whole or in part.²⁶⁷ To be valid, an assignment must be in writing.²⁶⁸

118 An assignment of a patent application may be registered with the Patent Office.²⁶⁹ Once such an assignment is registered, the application cannot thereafter be withdrawn without the written consent of the assignee(s).²⁷⁰

119 Registration of an assignment of a patent is governed by section 50(2) of the *Patent Act* which provides ‘every assignment of a patent, and every grant and conveyance of any exclusive right to make and use and to grant to others the right to make and use the invention patented, within and throughout Canada or any part thereof, shall be registered in the Patent Office.’²⁷¹

120 Registration of an assignment in Canada provides priority in title. In particular, section 51 of the *Patent Act* provides that an assignment is void against any subsequent assignee unless the assignment is registered before the registration of the instrument under which the subsequent assignee claims.²⁷² That said, Canadian courts have held that other than the priority set out in section 51, there is no indication that failure to register renders the assignment void for any other purpose.²⁷³

(7.2) CO-OWNERSHIP

121 In Canada, there are several ways that a patent could be owned by two or more entities. In particular, as referenced in section 2.6 above,²⁷⁴ joint inventors or their legal representatives become co-owners of the patent that issues for their invention. In addition, as referenced in section 7.1 above,²⁷⁵ the *Patent Act* specifically provides that the rights of a patent can be assigned either in whole or in part.²⁷⁶

122 Where a patent is jointly owned, each owner has full right to make, use or sell the patented invention. A co-owner may also independently assign or bequeath his/her interest

²⁶⁶ *Patent Act*, RSC 1985, c P-4, ss 49, 50.

²⁶⁷ *Patent Act*, RSC 1985, c P-4, s. 50(1).

²⁶⁸ *Patent Act*, RSC 1985, c P-4, ss 49(1), 50(1); See also *Patent Rules*, SOR/98-106, r. 38-41.

²⁶⁹ *Patent Act*, RSC 1985, c P-4, s. 49(2).

²⁷⁰ *Patent Act*, RSC 1985, c P-4, s. 49(2).

²⁷¹ *Patent Act*, RSC 1985, c P-4, s. 50(2).

²⁷² *Patent Act*, RSC 1985, c P-4, s. 51.

²⁷³ For example, see *Apotex Inc v. Wellcome Foundation Ltd* (2000), [2001] 1 FC 495 at para. 100, 10 CPR (4th) 65 (CA), aff'd 2002 SCC 77, 21 CPR (4th) 499; See also Stephen J Perry & T Andrew Currier, *Canadian Patent Law* s. 13.29 (LexisNexis 2012).

²⁷⁴ Section 2.6 – Teamwork.

²⁷⁵ Section 7.1 – Assignment.

²⁷⁶ *Patent Act*, RSC 1985, c P-4, s. 50(1).

to another party without the consent of or accounting to the other co-owner(s).²⁷⁷ However, a co-owner may not, without the consent of the other co-owner(s), license the patent to a third party, as the effect of such a licence would be to dilute the rights of the other co-owner(s).²⁷⁸

(7.3) SURRENDER

123 Although not expressly provided for in the *Patent Act*, the dedication of a patent to public use has been acknowledged by Canadian courts. The dedication is accomplished by a patentee notifying the Patent Office of such intent which results in the Patent Office publishing the dedication.²⁷⁹ Once dedicated, a patentee's rights in the patent are terminated.²⁸⁰

124 A patentee may dedicate all or only some claims of a patent to the public. The Federal Court of Appeal has commented that 'the dedication of a patent to public use is analogous to a gift, in the sense that it is a unilateral act that results in a patent holder voluntarily depriving itself of patent rights' and thus is irrevocable.²⁸¹ That said, in the same case the Federal Court of Appeal also held that where a dedication of numerous patents erroneously included a patent not intended to be dedicated, there was no valid dedication of that patent.²⁸²

(7.4) SECURITY RIGHTS

125 As a personal property right, a patent may be dealt with at law by the patentee in the same manner as any other property, including offering of a patent as collateral.

126 In Canada, security in personal property is within the exclusive jurisdiction of the provincial governments.²⁸³ As such, each province has its own legislation for the registration of a security interest in personal property. While, generally speaking, registration of the security interest is not mandatory, it does provide priority over unregistered interests and subsequently registered interests in respect of that property. In addition, it is also typically recommended that security interests in a patent also be registered with the Canadian Patent Office.

²⁷⁷ This form of common ownership is known in Canada as a 'tenancy in common'.

²⁷⁸ *Forget v. Specialty Tools of Canada* (1995), 62 CPR (3d) 537 at paras 17–22 (BCCA).

²⁷⁹ *Parke-Davis Division v. Canada (Minister of Health)*, 2001 FCT 931 at paras 78–79, 14 CPR (4th) 335; rev'd on different grounds 2002 FCA 454, 22 CPR (4th) 417; Stephen J Perry & T Andrew Currier, *Canadian Patent Law* s. 12.71 (LexisNexis, 2012); Notices are published in the Canadian Patent Office Record, Canadian Intellectual Property Office.

²⁸⁰ *Parke-Davis Division v. Canada (Minister of Health)*, 2002 FCA 454 at para. 85, 22 CPR (4th) 417; *Merck & Co v. Apotex Inc.*, 2006 FC 524 at para. 166, 53 CPR (4th) 1, var'd on other grounds 2006 FCA 323, 55 CPR (4th) 1.

²⁸¹ *Parke-Davis Division v. Canada (Minister of Health)*, 2002 FCA 454 at para. 85, 22 CPR (4th) 417.

²⁸² *Parke-Davis Division v. Canada (Minister of Health)*, 2002 FCA 454, 22 CPR (4th) 417.

²⁸³ *Constitution Act, 1867* (UK), 30 & 31 Vict, c 3, reprinted in RSC 1985, App II, No 5, s. 92(13).

(7.5) ATTACHMENT

127 The law concerning seizure of personal property, which includes patents, falls under the exclusive jurisdiction of Canada's provinces. Accordingly, to determine whether a patent can be seized in the forceful execution of a credit, one must consult the various provincial statutes on point. In several provinces, patents are expressly eligible for seizure pursuant to the governing statutes.²⁸⁴

²⁸⁴ See e.g., *Execution Act*, RSO 1990, c E24, s. 17(1) [Ontario] and *Enforcement of Money Judgments Act*, SS 2010, c E-9.22, ss 2(1)(z)(ii) & 47 [Saskatchewan].

(8) PATENT LITIGATION

(8.1) PLAINTIFF

128 In Canada, an infringer is liable to the patentee and ‘all persons claiming under the patentee’ for damages sustained by reason of the infringement.²⁸⁵ However, the patentee must be made a party to a patent infringement proceeding brought by a person claiming under the patentee. That being said, failing to join a patentee at the commencement of an infringement proceeding is not fatal as the patentee can be added as a party after the proceeding has started.²⁸⁶ Where a patentee refuses to be added as a plaintiff to a proceeding, the jurisprudence in Canada suggests that it is possible to add the patentee as either a defendant²⁸⁷ or a mis-en-cause/third party.²⁸⁸

(8.1.1) Owner

129 As noted above in section 8.1,²⁸⁹ an infringer is liable to the ‘patentee’ for damages sustained by reason of the infringement. ‘Patentee’ is defined in the Canadian *Patent Act* as the person entitled to the benefit of the patent.²⁹⁰ Accordingly, the initial patent owner, and any person obtaining rights in the patent through a subsequent assignment, has the right to sue for infringement as the ‘patentee’.

(8.1.2) Co-owner

130 Where a patent is owned by two or more owners, a co-owner is entitled to sue for infringement, provided that all other co-owners of the patent are also made a party to the infringement proceeding.²⁹¹

(8.1.3) Exclusive Licensee

131 ‘Persons claiming under the patentee’ has been interpreted by Canadian courts as specifically including exclusive licensees.²⁹²

²⁸⁵ *Patent Act*, RSC 1985, c P-4, ss 55(1), 55(2).

²⁸⁶ *American Cyanamid Co v. Novopharm Ltd* (1971), 3 CPR (2d) 206 at 209 (FCTD).

²⁸⁷ *American Cyanamid Co v. Novopharm Ltd* (1971), 3 CPR (2d) 206 at 211 (FCTD).

²⁸⁸ *Bloc vibre Québec Inc v. Entreprises Arsenaault & frères Inc* (1983), 76 CPR (2d) 269 at 275–276 (FCTD); *de Korompay v. Ontario Hydro* (1990), 34 CPR (3d) 168 at 168–169 (FCTD).

²⁸⁹ Section 8.1 – Plaintiff.

²⁹⁰ *Patent Act*, RSC 1985, c P-4, s. 2 definition of ‘patentee’.

²⁹¹ *Patent Act*, RSC 1985, c P-4, s. 55(3).

²⁹² *Armstrong Cork Canada v. Domco Industries Ltd*, [1982] 1 SCR 907; *Signalisation de Montréal Inc v. Services de Béton Universels Ltée* (1992), 46 CPR (3d) 199 (FCA), leave to appeal to SCC refused (1993), 48 CPR (3d) vi (note).

(8.1.4) Non-exclusive Licensee

132 ‘Persons claiming under the patentee’ has been interpreted by Canadian courts as specifically including non-exclusive licensees.²⁹³

(8.1.5) Other

133 ‘Persons claiming under the patentee’ has been interpreted broadly by Canadian courts as any party that can trace an express or implied interest under the patent to the patentee²⁹⁴ and not only includes exclusive or non-exclusive licensees but also implied licensees and distributors.²⁹⁵

(8.2) LIMITATION PERIODS

134 In Canada, remedies are only available for infringing activities that occur within an applicable limitation period prior to the commencement of the action. For new act patents (issued from applications filed on or after 1 October 1989), the *Patent Act* provides a specific limitation period of six years.²⁹⁶ For old act patents (issued from applications filed prior to 1 October 1989), the limitation period is governed by the relevant legislation in the province in which the infringing activities take place. These limitation periods range from two to six years depending upon the province. If the infringing activities take place in more than one province, a six-year federal limitation period applies.²⁹⁷

(8.3) COMPETENT COURT/VENUE²⁹⁸

135 Unlike some other jurisdictions, Canada does not have a specialized patent court. In Canada, a patentee can institute an action for patent infringement in either the Federal Court or the appropriate provincial court.²⁹⁹ However, in practice, most patent infringement actions are brought in the Federal Court given that court’s national jurisdiction and experience with patent cases. In addition, the Federal Court has exclusive jurisdiction to expunge a patent (invalidate a patent in rem).³⁰⁰ As a result, although the Federal Court is not a specialized patent court per se, the court has developed a certain degree of familiarity and experience with respect to patent issues.

²⁹³ *Armstrong Cork Canada v. Domco Industries Ltd*, [1982] 1 SCR 907; *Signalisation de Montréal Inc v. Services de Béton Universels Ltée* (1992), 46 CPR (3d) 199 (FCA), leave to appeal to SCC refused (1993), 48 CPR (3d) vi (note).

²⁹⁴ *Jay-Lor International Inc v. Penta Farm Systems Ltd*, 2007 FC 358 at para. 36, 59 CPR (4th) 228.

²⁹⁵ *Armstrong Cork Canada v. Domco Industries Ltd*, [1982] 1 SCR 907; *Signalisation de Montréal Inc v. Services de Béton Universels Ltée* (1992), 46 CPR (3d) 199 (FCA), leave to appeal to SCC refused (1993), 48 CPR (3d) vi (note).

²⁹⁶ *Patent Act*, RSC 1985, c P-4, ss 55.01, 78.2.

²⁹⁷ *Federal Courts Act*, RSC 1985, c F-7, s. 39.

²⁹⁸ This section was co-authored by Jeremy E. Want of Smart & Biggar/Fetherstonhaugh.

²⁹⁹ *Patent Act*, RSC 1985, c P-4, ss 54(1), 54(2).

³⁰⁰ *Patent Act*, RSC 1985, c P-4, s. 60.

(8.3.1) Federal Court and Federal Court of Appeal

136 The Federal Court and Federal Court of Appeal are statutory courts with no inherent jurisdiction and thus, can only entertain proceedings within their statutorily defined jurisdiction. All decisions of the Federal Court can be appealed as of right to the Federal Court of Appeal.

137 As referenced above, the Federal Court has concurrent jurisdiction with provincial courts for patent infringement actions and exclusive jurisdiction to expunge a patent (invalidate a patent in rem). Thus, a proceeding to expunge a patent (referred to in some jurisdictions as a nullatory or a declaratory proceeding, but in Canada referred to as an expungement proceeding) must be brought in the Federal Court.³⁰¹ The Federal Court also hears appeals from decisions of the Commissioner of Patents as well as NOC proceedings (as described in more detail in section 8.7.1.8 below).³⁰²

138 Jury trials are not available in the Federal Court. All trials are heard and decided by a judge alone, thereby perhaps alleviating some of the concerns and additional expenses that may be associated with juries. Furthermore, the Federal Court has jurisdiction across the country. As such, a judgment or order obtained from the Federal Court is immediately enforceable in all of Canada's provinces and territories.

139 The Federal Court is a single court, where any of the court's judges may preside over any particular matter anywhere in the country. There are no districts in the Federal Court, and the parties typically do not learn the identity of the trial judge until the eve of trial. As such, in the Federal Court, parties to a patent proceeding generally do not have to be concerned about the tactical step of 'forum shopping'. Whether this amounts to an advantage or disadvantage depends on the circumstances of a particular case. One advantage for patent owners, as a result of the combination of the exclusive jurisdiction of the Federal Court to hear expungement proceedings and the lack of districts in the court, is that cease and desist letters can typically be sent to potential infringers in Canada without the fear of an expungement proceeding being commenced by the alleged infringer in a particular court and/or before a specific judge.

140 Moreover, as the majority of Canada's patent owners are non-Canadian, the Federal Court is accustomed to dealing with foreign parties, thereby alleviating possible concerns of a perceived bias against a foreign litigant. However, if a plaintiff is ordinarily resident outside of Canada, the court may require the plaintiff to give security for the defendant's costs (a payment of money into court) if requested by the defendant.³⁰³ The initial security typically required in a patent proceeding is within the range of CAD 20,000–CAD 30,000, or more. Further security may be required as the proceeding progresses. As a result, the amount of security for costs required can become substantial.³⁰⁴

³⁰¹ *Federal Courts Act*, RSC 1985, c F-7, s. 20.

³⁰² Section 8.7.1.8 – Notice of Compliance Regulations for Patented Medicines.

³⁰³ *Federal Courts Rules*, SOR/98-106, r. 416.

³⁰⁴ In one case, the Federal Court ordered a foreign plaintiff to pay approximately CAD 180,000 in security for costs in addition to CAD 30,000 which had already been paid into court to cover actual disbursements and a portion of counsel's fees that had already been incurred in the proceedings: *Richter Gedeon Vegyészeti Gyár Rt v. Merck & Co* (1996), 66 CPR (3d) 36 (FCTD).

(8.3.2) Provincial Courts

141 Each province in Canada has a court structure that includes both trial and appellate courts. Provincial courts have inherent and statutory jurisdiction.

142 As noted above, provincial courts have concurrent jurisdiction with the Federal Court for patent infringement actions. Thus, an infringement action may be commenced in either court system. However, a provincial court can only determine the validity of the patent as between the parties as a result of the Federal Court's exclusive jurisdiction to expunge a patent.

143 While a judgment or order of the Federal Court has the advantage of being immediately enforceable throughout Canada, a judgment or order of a provincial court must be recorded in the other provinces or territories to be enforceable therein. Although jury trials are available in most provincial court systems, juries are almost never used in patent infringement actions.

(8.4) PATENT OFFICE

144 Pursuant to the Canadian *Patent Act*, several procedures are available before the Patent Office to challenge or vary the scope of the claims of a patent after the issuance of a patent. These procedures include re-examination, reissue, disclaimer and abuse proceedings.

(8.4.1) Re-examination

145 Pursuant to section 48.1 of the *Patent Act*, any person may request a re-examination of any claim of an issued patent by filing prior art consisting of patents, published applications, and printed publications with the Commissioner of Patents. The request for re-examination must also include written submissions setting forth the pertinency of the prior art and the manner of applying the prior art to the claims in issue. Unless the patentee is the person making the request, the Commissioner forwards a copy of the request to the patentee.³⁰⁵

146 A re-examination pursuant to the provisions of the *Patent Act* is a two-stage process.³⁰⁶ At the first stage, a re-examination board is established and makes a determination as to whether a substantial new question of patentability affecting any claim of the patent in issue has been raised in the request. Where it is determined that a substantial new question of patentability has not been raised, the board will notify the requesting party, and its decision in this regard is final for all purposes and not subject to appeal or review by any court.³⁰⁷

147 If it is determined that a substantial new question of patentability has been raised in the request, the second stage of the re-examination process commences. The patentee is notified and is provided three months to file a reply to the notice, setting out submissions

³⁰⁵ *Patent Act*, RSC 1985, c P-4, s. 48.1.

³⁰⁶ *Genencor International Inc v. Canada (Commissioner of Patents)*, 2007 FCA 129 at paras 6–8, 55 CPR (4th) 378, leave to appeal to SCC refused, 32065 (25 Oct. 2007).

³⁰⁷ *Patent Act*, RSC 1985, c P-4, s. 48.2.

on the new question of patentability. In this regard, in any re-examination proceeding, the patentee may propose amendments to the patent or new claims for the patent, but no proposed amendment or new claim enlarging the scope of a claim of the patent is permitted.³⁰⁸ The re-examination board then renders a decision as to patentability of the claims in issue.³⁰⁹ The board has the power to cancel any claim it has determined to be unpatentable or incorporate in the patent any proposed amended or new claim submitted by the patentee that is determined to be patentable.³¹⁰ The decision of the re-examination board can be appealed to the Federal Court by the patentee where the court will review the Board's decision on the standard of reasonableness.³¹¹ The requesting party has no right to be part of the second stage of the re-examination process and is not a proper party on any appeals of the re-examination board's decision.³¹²

148 The Federal Court has ruled that it has the power to stay a re-examination proceeding when it is in the interest of justice to do so. The granting of a stay is a discretionary decision of the judge and is subject to the same tripartite test for obtaining a stay in a regular proceeding as discussed in section 8.7.4 below.³¹³ The Federal Court has stayed a re-examination proceeding where:

- (a) the request for re-examination was made by a defendant in a pending patent infringement action pertaining to the same patent;
- (b) the request was based upon the same prior art asserted by the defendant to invalidate the patent in the pending infringement action; and
- (c) there were issues of credibility pertaining to the prior art that could not be assessed by the re-examination board.³¹⁴

(8.4.2) Reissue and Disclaimer

149 Pursuant to section 47 of the *Patent Act*, whenever a patent is deemed defective or inoperative by reason of insufficient description and specification, or by reason of the patentee claiming more or less than the patentee had a right to claim as new, and provided the error arose from inadvertence, accident or mistake, without fraudulent or deceptive intention, the patentee can surrender the patent to the Commissioner of Patents and seek to have a new patent issued correcting the error. The surrender of the original patent must be made within four years of its date of issuance and only takes effect once the new patent issues.³¹⁵

³⁰⁸ *Patent Act*, RSC 1985, c P-4, ss 48.2, 48.3(2).

³⁰⁹ *Patent Act*, RSC 1985, c P-4, s. 48.3.

³¹⁰ *Patent Act*, RSC 1985, c P-4, s. 48.4.

³¹¹ *Patent Act*, RSC 1985, c P-4, s. 48.5; *Genencor International Inc v. Canada (Commissioner of Patents)*, 2008 FC 608 at para. 48, 66 CPR (4th) 181; *Newco Tank Corp v. Canada (Attorney General)*, 2015 FCA 47 at para. 12, 250 ACWS (3d) 323.

³¹² *Genencor International Inc v. Canada (Commissioner of Patents)*, 2006 FC 1021, 52 CPR (4th) 367, aff'd 2007 FCA 129, 55 CPR (4th) 378, leave to appeal to SCC refused, 32065 (25 Oct. 2007).

³¹³ *Federal Courts Act*, RSC 1985, c F-7, s. 50(1); *Prenbec Equipment Inc v. Timberblade Inc*, 2010 FC 23 at para. 26, 80 CPR (4th) 373; s. 8.7.4 – Suspension of Proceedings.

³¹⁴ *Prenbec Equipment Inc v. Timberblade Inc*, 2010 FC 23 at para. 26, 80 CPR (4th) 373.

³¹⁵ *Patent Act*, RSC 1985, c P-4, s. 47.

150 The new patent must be for the same invention and is issued for the unexpired term for which the original patent was granted. The new patent has the same effect in law in any action commenced after the reissue as if the amended form of the patent had been originally filed. In addition, insofar as the claims of the original patent and new patent are identical, the new patent constitutes a continuation of the original patent from the date of the original patent and does not affect any action pending at the time of reissue or abate any existing cause of action.³¹⁶

151 In addition, pursuant to section 48 of the *Patent Act*, whenever, by any mistake, accident or inadvertence, and without any wilful intent to defraud or mislead the public, a patentee has:

- (a) claimed more than was invented; or
- (b) claimed any material or substantial part of the invention to which the patentee had no lawful right,

the patentee may make a disclaimer of such parts.³¹⁷

152 In contrast to reissue, a disclaimer can only narrow the claims of a patent (not broaden them)³¹⁸ and does not permit the introduction of new inventive elements to the claimed invention.³¹⁹ Once the disclaimer is made, the patent is valid for such material and part of the patent that is not disclaimed.³²⁰ In addition, the disclaimer also does not affect any action pending at the time when it is made, unless there is unreasonable neglect or delay in making it.³²¹

153 The Patent Office has no discretion to refuse a disclaimer and thus has a duty to enter the disclaimer on the public record when filed by the patentee.³²² However, if the validity of the disclaimer is contested in subsequent litigation, the propriety of the disclaimer may be reviewed by the court and the onus of showing the propriety and validity of the disclaimer is on the patentee. As such, the patentee must be able to demonstrate to the court that the disclaimer was made in good faith and not for an improper purpose, and the fact that the Patent Office had accepted a disclaimer is not determinative. Where the patentee does not discharge this burden, the disclaimer will be held to be invalid.³²³

154 The disclaimer procedure under section 48 is regarded by the Courts as a general admission against interest made by the patentee that the claims of the original patent were overly broad and therefore invalid. Accordingly, the patentee cannot return to the original claims if the disclaimer is subsequently found to be invalid.³²⁴

³¹⁶ *Patent Act*, RSC 1985, c P-4, s. 47.

³¹⁷ *Patent Act*, RSC 1985, c P-4, s. 48.

³¹⁸ *Herchkovitz v. Tyco Safety Products Canada Ltd*, 2010 FCA 190 at para. 3, 89 CPR (4th) 101.

³¹⁹ *Herchkovitz v. Tyco Safety Products Canada Ltd*, 2009 FC 256 at paras 76, 81, 73 CPR (4th) 331, aff'd 2010 FCA 190, 89 CPR (4th) 101.

³²⁰ *Patent Act*, RSC 1985, c P-4, s. 48(6).

³²¹ *Patent Act*, RSC 1985, c P-4, s. 48(4).

³²² *Richards Packaging Inc v. Canada (Attorney General)*, 2007 FC 11, 59 CPR (4th) 84, aff'd 2008 FCA 4, 66 CPR (4th) 1.

³²³ *Herchkovitz v. Tyco Safety Products Canada Ltd*, 2009 FC 256 at para. 79, 73 CPR (4th) 331, aff'd 2010 FCA 190, 89 CPR (4th) 101.

³²⁴ *Herchkovitz v. Tyco Safety Products Canada Ltd*, 2009 FC 256 at paras 93–96, 73 CPR (4th) 331, aff'd 2010 FCA 190 at paras 46–47, 89 CPR (4th) 101.

(8.5) PROVISIONAL MEASURES

(8.5.1) Attachment

(8.5.1.1) General Comments

155 Assets of the defendant or articles and documents relating to an infringement are preserved in Canada through a *Mareva* injunction or *Anton Piller* order respectively. Typically, as a condition for the granting of either of these remedies, the court will require the patentee to provide an undertaking to pay any damages suffered by the defendant as a result of the order if the patentee is unsuccessful at trial.

(8.5.1.2) Assets

156 In Canada, a *Mareva* injunction may be obtained to freeze the assets of a defendant that are within the jurisdiction of the court. Such an injunction is available if there is a clear danger that the assets will be removed from the jurisdiction prior to trial, thus frustrating a potential claim of the patentee. A *Mareva* injunction is obtained on an interlocutory motion to the court.

(8.5.1.3) Evidence

157 In Canada, preservation orders permitting the seizure of articles and documents in advance of trial are obtained by way of an *Anton Piller*³²⁵ order issued from the court. An *Anton Piller* order allows a patent owner in times of urgency to inspect and seize articles and documents related to an alleged infringement. Such an order is obtained by way of an interlocutory motion in which the patentee must present, *inter alia*, clear evidence that the defendant possesses relevant articles, documents or other evidence and that there is a real possibility that such material may be destroyed before an application *inter partes* can be made.³²⁶

(8.5.2) Preliminary Injunction Proceedings

158 In Canada, preliminary injunctions (referred to as interim or interlocutory injunctions) can be sought on an interlocutory motion, which typically proceeds on affidavit and other documentary evidence, and is heard by a judge.³²⁷

159 In the past, plaintiffs frequently sought preliminary injunctions in Canadian patent infringement actions. However, more recently, this remedy is less routinely sought in patent actions as it is considered by Canadian courts to be an extraordinary equitable remedy and has been granted only in exceptional circumstances.³²⁸

³²⁵ An *Anton Piller* order takes its name from the case of *Anton Piller KG v. Manufacturing Processes Ltd*, [1976] 1 All ER 779 (CA).

³²⁶ *Nintendo of America Inc v. Coinex Video Games Inc* (1982), 69 CPR (2d) 122 at 129 (FCA).

³²⁷ *Federal Courts Rules*, SOR/98-106, r. 373, 374.

³²⁸ *Beamscope Canada Inc v. 2439-0692 Quebec Inc* (1991), 36 CPR (3d) 1 at 6–7 (FCTD), where the Associate Chief Justice of the Federal Court stated:

The injunctive remedy is exceptional in nature in that the applicant seeks the intervention of the court to redress an alleged wrong before trial of the action. The court must, therefore, be satisfied that

160 In Canada, a tripartite test must be satisfied to succeed on a motion for a preliminary injunction, namely:

- (a) on the basis of a preliminary assessment of the merits of the case, is there a serious question to be tried;
- (b) would the plaintiff suffer irreparable harm if the application is refused; and
- (c) considering all of the circumstances, does the balance of convenience favour the granting of an injunction.³²⁹

161 The second element of the test, namely irreparable harm, can be particularly difficult to establish in the context of patent litigation. The term ‘irreparable’ refers to the nature of the harm itself, as opposed to the magnitude of the harm. It is harm which either cannot be quantified in monetary terms or which cannot be cured, for example, because one party cannot collect damages from the other.³³⁰ In addition, evidence of irreparable harm must be clear and non-speculative.³³¹ Canadian courts have demonstrated a more flexible approach to the requirement that irreparable harm must be established by ‘clear evidence’ when a preliminary injunction is sought on a *quia timet* basis. As there can be no evidence of actual harm because the defendant has not yet entered the marketplace, the evidence relating to loss resulting in irreparable harm must, of necessity, be inferred.³³² Nonetheless, there must be evidence upon which reasonable and logical inferences of irreparable harm can be made.³³³

162 In patent proceedings, courts have commented that the irreparable harm element of the test is often difficult to satisfy because in most instances an award of damages could likely adequately compensate any loss sustained prior to trial.³³⁴ Despite these difficulties, examples of irreparable harm found by Canadian courts have included:

- permanent loss of market share;
- negative impact on the reputation of the moving party;
- permanent loss of goodwill;
- loss of licensing opportunities;
- products will no longer be saleable or will be spoiled and useless; and
- inability of defendant to pay a potential damage award.

(8.5.2.1) Ex Parte Proceedings

163 In Canada, if notice of a motion is not possible, or if notice would defeat the purpose of the motion, a judge may grant an interim injunction on an ex parte motion for a period

a proper case exists before it will exercise its discretion to grant this extraordinary remedy. It should be reserved for situations in which the merits are clear and the risk of harm is great and imminent.

See also: *Turbo Resources Ltd v. Petro Canada Inc* (1989), 24 CPR (3d) 1 at 22–23 (FCA); *Les Fourgons Transit Inc v. Les Fourgons Ramco Inc* (1989), 26 CPR (3d) 565 at 567 (FCTD).

³²⁹ *RJR-Macdonald Inc v. Canada (Attorney General)*, [1994] 1 SCR 311 at 334–347.

³³⁰ *RJR-Macdonald Inc v. Canada (Attorney General)*, [1994] 1 SCR 311 at 340–342.

³³¹ *Imperial Chemical Industries PLC v. Apotex Inc* (1989), 27 CPR (3d) 345 at 351 (FCA); *Centre Ice Ltd v. National Hockey League* (1994), 53 CPR (3d) 34 at 46 (FCA).

³³² *Ciba-Geigy Canada Ltd v. Novopharm Ltd* (1994), 56 CPR (3d) 289 at 325–326 (FCTD); *826129 Ontario Inc v. Sony Kabushiki Kaisha* (1995), 65 CPR (3d) 171 at 183–184 (FCTD).

³³³ *Norigen Communications Inc v. Ontario Hydro Energy Inc* (2000), 8 CPR (4th) 435 at 447 (Ont Sup Ct J).

³³⁴ *Cutter Ltd v. Baxter Travenol Laboratories of Canada, Ltd* (1980), 47 CPR (2d) 53 at 55–56 (FCA), leave to appeal to SCC refused (1980), 47 CPR (2d) 249.

of up to fourteen days.³³⁵ A motion may be brought to extend an interim injunction that was granted on an ex parte motion only on notice to every party affected by the injunction, unless the moving party can demonstrate that a party has been evading service or that there are other sufficient reasons to extend the interim injunction without notice to the party.³³⁶ Where a subsequent motion to extend an interim injunction is brought ex parte, the extension may be granted for a further period of not more than fourteen days.³³⁷

(8.5.2.2) *Inter Partes* Proceedings

164 An interim or interlocutory injunction is obtained by a motion to the court.³³⁸ In most cases, such a motion for an interlocutory injunction is brought with notice after the commencement of a proceeding (although it may be brought prior to the commencement of a proceeding in a case of urgency).³³⁹ The motion can be brought on any regular motion day of the court (varies from city to city) unless the proceeding is case managed or the duration of the motion is over two hours. In such circumstances, directions from the court must be obtained.

165 The moving party's motion materials include a Notice of Motion setting out the relief sought and the grounds of the motion along with affidavits and a list of the documents or other material that will be used at the hearing.³⁴⁰ Typically, the moving party's motion materials must be filed and served at least three days before the day set out in the notice for the hearing of the motion.³⁴¹ The respondent to a motion must serve and file the respondent's motion materials by 2:00 p.m. on the day that is two days before the day fixed for the hearing of the motion.³⁴²

(8.6) EVIDENCE

166 In Canada, evidence is typically submitted at trial by viva voce testimony of witnesses, by the admission of documents, or by reading in the testimony of an adverse party on oral discovery. Evidence is generally admitted if it is relevant to an issue in the proceeding unless the evidence is inadmissible pursuant to a specific legal doctrine (e.g., the rule against hearsay). A party admitting a document into evidence must also establish that the document is authentic, unless an agreement between the parties is reached. A document is usually not admissible unless it was produced to all adverse parties prior to trial and the adverse parties had an opportunity to conduct oral discovery on the document.

167 The evidence of viva voce witnesses is usually categorized as either fact or expert evidence. Fact witnesses may testify as to facts within their knowledge but cannot offer opinions. Witnesses who are properly qualified and accepted by the court as an expert are permitted to give opinions on facts (proven or hypothetical). A witness' evidence is presented by way of examination-in-chief, cross-examination and re-examination. Leading questions are not permitted during examination-in-chief or on re-examination. The scope

³³⁵ *Federal Court Rules*, SOR/98-106, r. 374(1).

³³⁶ *Federal Court Rules*, SOR/98-106, r. 374(2).

³³⁷ *Federal Court Rules*, SOR/98-106, r. 374(3).

³³⁸ *Federal Court Rules*, SOR/98-106, r. 373(1).

³³⁹ *Federal Court Rules*, SOR/98-106, r. 372(1).

³⁴⁰ *Federal Court Rules*, SOR/98-106, r. 359, 363.

³⁴¹ *Federal Court Rules*, SOR/98-106, r. 362(1), 364.

³⁴² *Federal Court Rules*, SOR/98-106, r. 365(1).

of cross-examination is not limited to the evidence tendered during examination-in-chief. Questions on cross-examination can be directed to the credibility of the witness or any other fact relevant to the case as a whole. Re-examination is limited to issues that arose during cross-examination. Evidence that could have been introduced during examination-in-chief cannot be presented on re-examination.

168 Generally, in Canada a party asserting a fact or right bears the burden of proof in respect thereof. Accordingly, a patentee has the onus of establishing infringement in a patent infringement action. Similarly, if the validity of a patent is challenged, the onus is on the party seeking to invalidate the patent. In patent cases, as with all civil cases, the burden of proof is a ‘balance of probabilities’.

169 In some instances, the burden of proof is shifted by statute or at common law. For example, pursuant to section 55.1 of the *Patent Act*, in an action for infringement of a patent granted for a process for obtaining a new product, any product that is the same as the new product shall, in the absence of proof to the contrary, be considered to have been produced by the patented process.³⁴³

(8.6.1) Preservation/Seizure of Evidence

170 As discussed in detail in section 8.5.1 above,³⁴⁴ assets of a defendant or articles and documents relating to an infringement may be preserved in Canada through a *Mareva* injunction (freezing of assets) or an *Anton Piller* order (seizure and preservation of evidence). Typically, as a condition for the granting of either of these remedies, the court will require the patentee to provide an undertaking to pay any damages suffered by the defendant in the event that the order turns out to be unwarranted or wrongfully executed.³⁴⁵

(8.6.2) Gathering Evidence

171 In Canada, evidence relevant to patent proceeding is obtained through the discovery process, which includes both documentary discovery and oral discovery. The scope of discovery in Canada is defined by the unadmitted allegations of fact in the pleadings. The test for relevancy is whether the information sought might fairly lead to a relevant chain of inquiry which would either directly or indirectly enable a party to advance its own case or to damage the case of its adversary.³⁴⁶ The *Federal Courts Rules* also include a definition of a ‘relevant’ document as any document that the party intends to rely upon or that tends to adversely affect the party’s case or support another party’s case.³⁴⁷

172 The first step in the discovery process is for each party to list all documents in its possession, power or control that may be relevant to any issue in the action, including documents for which privilege is claimed. All non-privileged documents must be produced to all adverse parties for inspection and copying whereas privileged documents need not be produced. Typically, copies of non-privileged documents are simply provided to an adverse party upon request.³⁴⁸ Pursuant to the *Federal Courts Rules*, the list of documents is by way

³⁴³ *Patent Act*, RSC 1985, c P-4, s. 55.1.

³⁴⁴ Section 8.5.1 – Attachment.

³⁴⁵ *Celanese Canada Inc v. Murray Demolition Corp*, 2006 SCC 36 at para. 40, [2006] 2 SCR 189.

³⁴⁶ *Compagnie Financiere et Commerciale du Pacifique v. Peruvian Guano Co* (1882), 11 QBD 55 at 63 (CA).

³⁴⁷ *Federal Courts Rules*, SOR/98-106, r. 222(2).

³⁴⁸ *Federal Courts Rules*, SOR/98-106, r. 228.

of an affidavit sworn by the party or a representative of the party.³⁴⁹ These affidavits are exchanged by the parties within thirty days of the close of pleadings, although, typically, this time is extended as is necessary on consent of the parties.

173 At the conclusion of documentary discovery, each party is permitted to conduct an oral examination of a single representative of each adverse party. Unless otherwise ordered by the court, each party chooses its own representative.³⁵⁰ The representative must answer any question relevant to any unadmitted allegation of fact contained in the pleadings.³⁵¹ The questions must be answered based on the information of the company, not just the personal knowledge of the representative. Accordingly, a representative must make all reasonable inquiries of others within the company to obtain relevant information requested on discovery.³⁵² As discussed below, the transcript of the examination of an adverse party can be read in as evidence at trial.³⁵³

174 A party adverse to the patentee is also permitted to examine any assignor of the patent.³⁵⁴ As such, named inventors are typically discovered. Although the transcript of the discovery of an assignor cannot be entered into evidence without leave of the Court, it can be used for the purposes of cross-examination at trial if the assignor is called as a witness. If the assignor is resident in a foreign jurisdiction and is not an employee of a party, the Federal Court will not issue an order compelling the assignor's attendance for discovery unless an international convention exists which makes it likely that an order compelling the assignor to submit to discovery would be enforced.³⁵⁵

175 During an oral examination for discovery, a question may be refused by counsel on the basis of, *inter alia*, relevance or form. In such circumstances, the party being examined need not answer the question. As a result, interlocutory motions to compel answers to outstanding questions typically follow oral examinations. Answers to questions ordered by the court are subsequently provided in writing or in person at a further oral examination.

176 Oral and documentary discovery of non-parties is available but is only permitted by order of the court or on consent. Indeed, such orders are difficult to obtain absent consent as the requesting party must establish that it cannot obtain the evidence from any of the parties to the action and that it is unfair for the requesting party to proceed to trial without the evidence.³⁵⁶

(8.6.3) Experts

177 Expert evidence is admissible in a patent proceeding in Canada. If a party intends to call an expert witness to give evidence at trial, the party is required to produce an expert report setting out that evidence in advance of trial. The timing for production of the expert reports and responses thereto is governed by the court rules. Typically, an expert report is provided by way of an affidavit signed by the expert. Generally speaking, the trial is the first opportunity for a party to cross-examine an expert, as there is no pre-trial discovery of an expert witness.

³⁴⁹ *Federal Courts Rules*, SOR/98-106, r. 223.

³⁵⁰ *Federal Courts Rules*, SOR/98-106, r. 237.

³⁵¹ *Federal Courts Rules*, SOR/98-106, r. 240.

³⁵² *Federal Courts Rules*, SOR/98-106, r. 241.

³⁵³ *Federal Courts Rules*, SOR/98-106, r. 234–248, 288.

³⁵⁴ *Federal Courts Rules*, SOR/98-106, r. 237(4).

³⁵⁵ *Merck & Co v. Richter Gedeon Vegyészeti Gyar RT* (1995), 62 CPR (3d) 137 at 143, 148–153 (FCA).

³⁵⁶ *Federal Courts Rules*, SOR/98-106, r. 238.

178 Pursuant to the *Federal Courts Rules*, the court has the discretion to require that some or all of the expert witnesses testify at trial as a panel (colloquially referred to as ‘hot tubbing’).³⁵⁷ Pursuant to this procedure, expert witnesses provide their testimony in the presence of the panel and may be directed to comment on the views of the other panel members.³⁵⁸ On completion of the testimony of the panel, the panel members may be cross-examined and re-examined as directed by the court.³⁵⁹ To-date, the ‘hot-tubbing’ of experts in a patent proceeding has only been used on a few occasions.

179 As referenced in section 3.4 above, a patent claim is to be construed without an eye to the prior art used to attack the validity of the patent or the allegedly infringing device.³⁶⁰ In a number of recent cases, judges of the Federal Court have preferred the evidence of experts on issues of construction when they were ‘blinded’ from the prior art and/or infringing device when they conducted the construction exercise.³⁶¹

(8.6.4) Inspection

180 Canadian courts have the discretion to order inspection of property in a proceeding. Generally speaking, inspection of property will be ordered where the Court is satisfied that it is necessary or expedient for the purpose of obtaining information or evidence in full, including ordering that a sample of the property be taken, that an inspection of the property be made, or that an experiment be tried on or with the property.³⁶² The order may also authorize a person to enter any land or building where the property is located; however, if the property is in the possession of a person who is not a party to the action, then that person must be personally served with the motion materials.³⁶³

(8.7) PROCEEDINGS ON THE MERIT³⁶⁴

(8.7.1) Infringement Proceedings

(8.7.1.1) Commencement of the Proceeding

181 In Canada, a patent owner can bring an action for infringement of its patent rights.³⁶⁵ The issues in dispute in a Canadian patent action are defined by the pleadings. In Canada,

³⁵⁷ *Federal Courts Rules*, SOR/98-106, r. 282.1.

³⁵⁸ *Federal Courts Rules*, SOR/98-106, r. 282.2(1).

³⁵⁹ *Federal Courts Rules*, SOR/98-106, r. 282.2(2).

³⁶⁰ *Whirlpool Corp v. Camco Inc*, 2000 SCC 67 at para. 49, 9 CPR (4th) 129. However, the Federal Court and Federal Court of Appeal have suggested that, for the purposes of construction, a Court is required to have some understanding of where the disputes between the parties lie. See *Halford v. Seed Hawk Inc*, 2006 FCA 275 at paras 13–16, 54 CPR (4th) 130; *Shire Biochem Inc v. Canada (Minister of Health)*, 2008 FC 538 at para. 22, 67 CPR (4th) 94.

³⁶¹ *AstraZeneca Canada Inc v. Apotex Inc*, 2014 FC 638 at para. 321, 129 CPR (4th) 1; *Teva Canada Innovation v. Apotex Inc*, 2014 FC 1070 at para. 94, 131 CPR (4th) 52; *Eli Lilly Canada v. Apotex*, 2015 FC 875 at para. 166, 132 CPR (4th) 319.

³⁶² *Federal Court Rules*, SOR/98-106, r. 249(1).

³⁶³ *Federal Court Rules*, SOR/98-106, r. 249(2), (3).

³⁶⁴ Note: The references in this section will be to the rules of the Federal Court. However, generally speaking, the rules of the provincial courts include similar provisions.

³⁶⁵ *Patent Act*, RSC 1985, c P-4, ss 42, 54, 55.

an action is typically commenced by filing a Statement of Claim setting out the material facts that support the action and the relief claimed.³⁶⁶ In response to the Statement of Claim, the defendant must serve and file a Statement of Defence.³⁶⁷ A Reply may be served and filed by the plaintiff in response to the Statement of Defence.³⁶⁸ In the pleadings subsequent to the Statement of Claim, the party must admit or deny the allegations of material fact set out by the adverse party and plead any additional material facts upon which the party intends to rely in the action.³⁶⁹

182 In the Federal Court, the Statement of Claim must be served within sixty days of being filed with the court.³⁷⁰ The Statement of Defence must be served and filed within thirty days of service of the Statement of Claim if the defendant is served in Canada, forty days if served in the United States and sixty days if served outside Canada and the United States.³⁷¹ The Reply must be served and filed within ten days of service of the Statement of Defence.³⁷² It is common for each of these time limits to be extended as is reasonably necessary on consent of the parties or order of the court.

183 The pleadings in a Canadian patent action may also include:

- (a) a counterclaim wherein a defendant makes a claim against the plaintiff³⁷³ and possibly, a third party;³⁷⁴
- (b) a third-party claim wherein a defendant makes a claim against a third party;³⁷⁵ and
- (c) a cross-claim wherein a defendant makes a claim against a co-defendant.³⁷⁶

184 All pleadings must contain a concise statement of the material facts on which the party relies, but not evidence by which those facts are to be proved.³⁷⁷ If a pleading does not contain sufficient material facts, an adverse party may bring a motion to compel further ‘particulars’ of the allegations contained in the pleading.³⁷⁸ In addition, a pleading that either:

- (a) discloses no reasonable cause of action or defence;
- (b) is immaterial or redundant;
- (c) is scandalous, frivolous or vexatious;
- (d) may prejudice or delay the fair trial of the action;
- (e) constitutes a departure from a previous pleading; or

³⁶⁶ *Federal Courts Rules*, SOR/98-106, Rules 171, 182.

³⁶⁷ *Federal Courts Rules*, SOR/98-106, r. 171.

³⁶⁸ *Federal Courts Rules*, SOR/98-106, r. 171.

³⁶⁹ *Federal Courts Rules*, SOR/98-106, r. 183.

³⁷⁰ *Federal Courts Rules*, SOR/98-106, r. 203.

³⁷¹ *Federal Courts Rules*, SOR/98-106, r. 204.

³⁷² *Federal Courts Rules*, SOR/98-106, r. 205.

³⁷³ *Federal Courts Rules*, SOR/98-106, r. 171, 189–192.

³⁷⁴ *Federal Courts Rules*, SOR/98-106, r. 191.

³⁷⁵ *Federal Courts Rules*, SOR/98-106, r. 171, 193–199.

³⁷⁶ In the Federal Court, a cross-claim is treated as a third-party claim (*Federal Courts Rules*, SOR/98-106, r. 171, 193–199). Several provincial court systems provide for crossclaims separate and distinct from third-party claims.

³⁷⁷ *Federal Courts Rules*, SOR/98-106, r. 174.

³⁷⁸ *Federal Courts Rules*, SOR/98-106, r. 181.

(f) is otherwise an abuse of the process of the court, can typically be struck upon an interlocutory motion to the court.³⁷⁹

(8.7.1.2) Default Judgment

185 Where a defendant fails to serve and file a Statement of Defence within the time specified by the court rules, a plaintiff may bring a motion for default judgment against the defendant.³⁸⁰ In the Federal Court, on a motion for default judgment, a plaintiff must establish its entitlement to the relief claimed by way of affidavit or other admissible documentary evidence.³⁸¹

(8.7.1.3) Confidentiality Orders

186 As a result of the broad discovery rules in Canada, many litigants are concerned about disclosure of confidential business information or trade secrets. As such, parties in patent proceedings often obtain orders to protect such information (referred to as ‘confidentiality’ or ‘protective’ orders). The protection provided by these orders can range from preventing third-party disclosure to preventing disclosure of specified information or documents by a solicitor to their client. Litigants in Canada are also subject to an implied undertaking to use information or documentation obtained through the discovery process only for the purposes of the litigation in which it is obtained. As such, without consent or a court order, such information or documents cannot be used for any other purpose, including for other litigation in Canada or elsewhere. Indeed, breach of the implied undertaking may provide a basis for a finding of contempt of court against the breaching party and its solicitors.³⁸²

(8.7.1.4) Bifurcation of Issues

187 Pursuant to the *Federal Courts Rules*, the court may, at any time, order the trial of an issue, or that issues in a proceeding be determined separately.³⁸³ Typically, this rule is used to sever or ‘bifurcate’ issues of damages or accounting of the defendant’s profits from the trial of the issues of liability (infringement and validity). The postponement of these issues can reduce the complexity and expense of the initial discoveries and trial and can delay the disclosure of potentially confidential business information (i.e., revenues and expenses). Indeed, these issues will not have to be explored at all if the plaintiff is unsuccessful in establishing liability at the initial trial.

(8.7.1.5) Case Management and Mandatory Mediation

188 Most Canadian court systems have adopted some form of case management and mediation system designed to expedite legal proceedings, clear court backlogs, and promote settlement. In the Federal Court, time limits for each of the steps in an action are set under the *Federal Courts Rules*. Generally speaking, the parties must comply with these

³⁷⁹ *Federal Courts Rules*, SOR/98-106, r. 221.

³⁸⁰ *Federal Courts Rules*, SOR/98-106, r. 210.

³⁸¹ *Ragdoll Productions (UK) Ltd v. Jane Doe* (2002), 21 CPR (4th) 213 (FCTD).

³⁸² *Direct Source Special Products Inc v. Sony Music Canada Inc*, 2005 FC 1362, 45 CPR (4th) 50.

³⁸³ *Federal Courts Rules*, SOR/98-106, r. 107, 153.

time limits unless otherwise ordered by the court. By way of example, for actions, the rules require the parties to complete all pre-trial procedural steps, including discovery as set out in section 8.6.2 above,³⁸⁴ and to request a pre-trial conference within 360 days of the commencement of the action, failing which the court will order that the action continue as a specially managed proceeding and appoint a case management judge.³⁸⁵ In addition, a party may request, or the court may appoint on its own initiative, a case management judge to oversee the progress of a proceeding and to set an appropriate schedule.³⁸⁶ Indeed, a typical step in any Federal Court patent action is the setting of a schedule for the completion of all interlocutory matters.

189 In 2009, the Federal Court issued a Practice Notice relating to streamlining complex litigation. Pursuant to the Notice, at any point in a case managed proceeding a party may request that a trial date be assigned. Where a party requests a trial date early in the action, the Court will endeavour to have the action tried within two years of its commencement.³⁸⁷

190 More recently, in June 2015, the Federal Court issued a further Practice Notice relating to proportionality in complex litigation. The Notice states that the trial judge, working together with the case management judge, will implement procedures such as discovery plans, timetables and joint case management/trial management conferences, with a view to ensuring timely resolution of interlocutory motions and appeals, and that parties and the Federal Court will be ready to proceed on the fixed trial date. The overarching goal of the Notice is to achieve increased proportionality in proceedings before the Federal Court including by, *inter alia*, streamlining and imposing limits on documentary and oral discovery.³⁸⁸

191 The *Federal Courts Rules* also include several settlement procedures. For example, settlement discussions between the parties must take place within sixty days after the close of pleadings.³⁸⁹ Furthermore, prior to obtaining a trial date, a pre-trial conference must be held with the court that will typically include an attempt to settle or narrow the issues for trial.³⁹⁰ Moreover, a dispute resolution conference may be conducted by order of the court. A dispute resolution conference can take the form of mediation, a neutral evaluation of the proceeding or a mini-trial.³⁹¹ Overall, the Federal Court is proactive in encouraging settlement discussions or other alternative dispute resolution procedures, including volunteering its own services as a mediator/arbitrator. Indeed, in the recent Practice Notice referenced above, the Federal Court encourages parties to seek the court's assistance to pursue alternative dispute resolution and indicates that the court will proactively raise these alternative dispute resolution options throughout the proceeding.³⁹² Most provincial court systems in Canada have also adopted systems of case management and alternative dispute resolution.

³⁸⁴ Section 8.6.2 – Gathering Evidence.

³⁸⁵ *Federal Courts Rules*, SOR/98-106, r. 380.

³⁸⁶ *Federal Courts Rules*, SOR/98-106, r. 383–385.

³⁸⁷ Federal Court of Canada, *Notice to the Parties and the Profession – Streamlining Complex Litigation* (1 May 2009).

³⁸⁸ Federal Court of Canada, *Notice to the Parties and the Profession – Case Management: Increased Proportionality in Complex Litigation Before the Federal Court* (24 Jun. 2015).

³⁸⁹ *Federal Courts Rules*, SOR/98-106, r. 257.

³⁹⁰ *Federal Courts Rules*, SOR/98-106, r. 258–267.

³⁹¹ *Federal Courts Rules*, SOR/98-106, r. 386–388.

³⁹² Federal Court of Canada, *Notice to the Parties and the Profession – Case Management: Increased Proportionality in Complex Litigation Before the Federal Court* (24 Jun. 2015).

(8.7.1.6) Summary Judgment/Summary Trial

192 Summary judgment is available in both the federal and most provincial court systems in Canada to resolve proceedings lacking a genuine issue for trial or where the only genuine issue for trial is a question of law.³⁹³

193 Both the Federal Court and the provincial courts have been reluctant to embrace this procedure to resolve patent cases, largely as a result of their complexity and the typical need for expert evidence. For instance, the Federal Court had held that the ‘general rule’ is that summary judgment is not proper where the issues before the court involve the infringement or the validity of a patent,³⁹⁴ particularly where ‘technical words’ used in the patent claims require interpretation and the assistance of expert evidence.³⁹⁵ Indeed, the Federal Court of Appeal overturned a decision of the Federal Court granting summary judgment holding that the construction of non-technical terms ‘comprising’ and ‘characterized in that’ contained in the claims was inadvisable to resolve on a summary judgment motion.³⁹⁶

194 The *Federal Courts Rules* also include summary trial procedure to allow the Federal Court to summarily dispose of actions in a greater range of circumstances than provided under the summary judgment procedure.³⁹⁷ Pursuant to these rules, where the Court is satisfied that there is sufficient evidence for adjudication, regardless of the amounts involved, the complexities of the issues and the existence of conflicting evidence (including expert evidence), the Court may grant judgment either generally or on an issue, unless the court is of the opinion that it would be unjust to decide the issues on the motion.³⁹⁸ The Federal Court has held that on a summary trial motion, the following principles apply:

- (a) the onus of proof is the same as at trial, that being that the party asserting the claim or defence must prove it on a balance of probabilities;
- (b) if the judge can find the facts as he/she would upon a trial, the judge should give judgment, unless to do so would be unjust, regardless of complexity or conflicting evidence; and
- (c) in determining whether summary trial is appropriate, the court should consider factors such as the amount involved, the complexity of the matter, its urgency, any prejudice likely to arise by reason of delay, the cost of taking the case forward to a

³⁹³ *Federal Courts Rules*, SOR/98-106, r. 215; See also: *Federal Courts Rules*, SOR/98-106, r. 220 which permits a party to bring a motion before trial to request that the court determine a question of law, a question as to the admissibility of any document, exhibit or other evidence or questions stated by the parties in the form of a special case.

³⁹⁴ *Norac Systems International Inc v. Elliot*, 1999 CarswellNat 2348 (WL Can) at paras 13–15 (FCTD).

³⁹⁵ *Fox 40 International Inc v. J Hudson & Co (Whistles) Ltd* (1996), 71 CPR (3d) 481 at 497 (FCTD).

³⁹⁶ *Stamicarbon BV v. Urea Casale SA*, 2002 FCA 10 at paras 23–27, 17 CPR (4th) 377, rev’g (2000), 8 CPR (4th) 206, leave to appeal to SCC refused (2002), 303 NR 400 (note). However, the Federal Court and Federal Court of Appeal has recently granted summary judgment:

- on the issues of infringement and ambiguity of the claims where the defendant led no expert evidence to dispute the expert evidence of the plaintiff, see: *Rachalex Holdings Inc v. W & M Wire & Metal Products Ltd*, 2007 FC 502; and
- on the basis of anticipation by a prior sale by the inventor/patentee where there was a clear admission by the inventor/patentee that the article sold was within the scope of the claims in issue, see: *Sterling Lumber Co v. Harrison*, 2010 FCA 21.

³⁹⁷ *Federal Courts Rules*, SOR/98-106, r. 216.

³⁹⁸ *Federal Courts Rules*, SOR/98-106, r. 216(6).

conventional trial in relation to the amount involved, the course of the proceedings and any other matters that arise for consideration.³⁹⁹

(8.7.1.7) Accelerated Proceedings (Simplified Actions)

195 In Canada, the Federal Court and most provincial court systems have implemented simplified procedures designed to simplify and expedite the litigation process. However, due to the restrictions on these procedures, they are rarely, if ever, used in patent proceedings. For example, in the Federal Court, the procedure is only available if the claim is exclusively for monetary relief in an amount less than CAD 50,000 or the parties to the action agree or the court orders that the action be conducted as a simplified action.⁴⁰⁰

(8.7.1.8) Notice of Compliance Regulations for Patented Medicines⁴⁰¹

196 When the system of compulsory licensing for patented medicines was abolished in 1993, a number of new sections of the *Patent Act*, and companion regulations⁴⁰² were enacted to provide some assistance to the generic pharmaceutical industry in Canada. These provisions include the *Patented Medicines (NOC) Regulations*,⁴⁰³ known simply as the NOC Regulations.

197 Before a drug can be marketed in Canada, regulatory approval in the form of an NOC must be obtained from the Minister of Health.⁴⁰⁴ Pursuant to the NOC Regulations, drug manufacturers who hold patents or licences under subsisting patents (first persons) may file a listing of patents with the Minister for inclusion on the ‘Patent Register’.⁴⁰⁵ Patents may be eligible for listing on the Patent Register that contain a claim for a medicinal ingredient, a formulation containing a medicinal ingredient, the dosage form of a medicinal ingredient, or the use of a medicinal ingredient, that has been approved through the issuance of an NOC.⁴⁰⁶ A patent list must be submitted at the time of filing a related regulatory submission for the NOC or, if the patent was issued based upon an application that has a Canadian filing date that precedes the filing date of the regulatory submission, within thirty days after the issuance of the patent.⁴⁰⁷

198 A second person (e.g., a generic drug manufacturer), who files an abbreviated submission that compares the generic drug with, or makes reference to, a drug marketed in Canada under an NOC issued to a first person, and in respect of which a patent list has been submitted, cannot obtain its NOC until certain conditions are met. The second person must either state that it accepts that its NOC will not issue until the listed patents expire, or asserts one or more of the following allegations in a notice of allegation:

³⁹⁹ *Louis Vuitton Malletier SA v. Singga Enterprises (Canada) Inc.*, 2011 FC 776 at paras 92–97; See also *Wenzel Downhole Tools Ltd v. National-Oilwell Canada Ltd.*, 2010 FC 966 at paras 36–38, 87 CPR (4th) 412.

⁴⁰⁰ *Federal Courts Rules*, SOR/98-106, r. 292.

⁴⁰¹ This section was co-authored by Jeremy E. Want of Smart & Biggar/Fetherstonhaugh.

⁴⁰² *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, as amended; and the *Manufacturing and Storage of Patented Medicines Regulations*, SOR/93-134, subsequently repealed by SOR/2000-373; See also *Patented Medicines Regulations*, SOR/94-688.

⁴⁰³ *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, as amended.

⁴⁰⁴ *Food and Drugs Act*, RSC 1985, c F-27 and *Food and Drug Regulations*, CRC, c 870.

⁴⁰⁵ *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, as amended, s. 4(1).

⁴⁰⁶ *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, as amended, s. 4(2) and s. 4(2.1).

⁴⁰⁷ *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, as amended, s. 4(5), 4(6).

- (a) that the first person is not the owner;
- (b) the patent has expired;
- (c) the patent is not valid; or
- (d) the second person's product or process does not infringe the claims of the patent.

199 The second person only has to address patents listed as of the filing date of the second person's submission for an NOC (known as the 'frozen Patent Register').⁴⁰⁸

200 The first person (the patentee) has forty-five days after service of the notice of allegation to apply to the Federal Court for an order prohibiting the Minister from issuing an NOC to the second person until after the expiration of the patent that is the subject of the notice of allegation. If the court finds that none of the allegations made by the second person are 'justified', the court will make an order of prohibition.⁴⁰⁹ The application to the court triggers a statutory stay which may result in a twenty-four-month delay in the issuance of an NOC to the second person by the Minister.⁴¹⁰ However, the first person may be liable to the second person for any loss suffered during the delay if the application for an order of prohibition to the court is withdrawn, discontinued, or is dismissed by the court.⁴¹¹ The liability to the second person only extends to losses suffered:

- (a) by the second person and thus does not entail the disgorgement of a first person's profit; and
- (b) during the period of the stay and thus excludes compensation for losses suffered subsequent thereto.⁴¹²

(8.7.2) Invalidity Proceedings

201 In a patent infringement proceeding, a defendant will typically attack the validity of the patent in defence to an infringement action. As discussed above, only the Federal Court has the jurisdiction to hear an expungement proceeding and declare a patent invalid in rem, although the appropriate provincial court may declare a patent invalid as between the parties.⁴¹³ Thus, if the infringement action is brought in the Federal Court, it is typical that the defendant will counterclaim seeking to expunge the patent.

202 The Canadian *Patent Act* also provides a party with the ability to commence an action to expunge a patent⁴¹⁴ or to seek a declaration of non-infringement.⁴¹⁵ Pursuant to the *Patent Act*, in advance of commencing either of these proceedings, the plaintiff must pay into court a security for the patentee's costs.⁴¹⁶ A party seeking to expunge a patent must also

⁴⁰⁸ *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, as amended, s. 5. This requirement was added by amendments that came into force on 5 Oct. 2006.

⁴⁰⁹ *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, as amended, s. 6.

⁴¹⁰ *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, as amended, s. 7.

⁴¹¹ *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, as amended, s. 8.

⁴¹² *Apotex Inc v. Merck & Co*, 2009 FCA 187 at paras 91, 102, 76 CPR (4th) 1, leave to appeal to SCC refused, 33312 (28 Jan. 2010).

⁴¹³ *Federal Courts Act*, RSC 1985, c F-7, s. 20; *Sno Jet Ltd v. Bombardier Limitée* (1975), 22 CPR (2d) 224 at 228–229 (FCTD).

⁴¹⁴ *Patent Act*, RSC 1985, c P-4, s. 60(1).

⁴¹⁵ *Patent Act*, RSC 1985, c P-4, s. 60(2).

⁴¹⁶ *Patent Act*, RSC 1985, c P-4, s. 60(3).

establish that they have an ‘interest’ in the proceeding.⁴¹⁷ However, the threshold of establishing the requisite ‘interest’ is low and an ‘interested party’ has been held to have a wide definition, including anyone that is in competition with the patentee or has received a cease and desist letter from the patentee.⁴¹⁸

(8.7.3) Entitlement Proceedings

203 Pursuant to section 52 of the *Patent Act*, the Federal Court has jurisdiction to order that any entry in the record of the Patent Office relating to the title to a patent be varied or expunged, including to vary the name of the inventor(s) or owner(s) or a patent.⁴¹⁹ Either the Commissioner of Patents or any ‘interested’ person may apply under section 52 to the Federal Court to amend or expunge any entry in the records of the Patent Office regarding title of a patent.⁴²⁰ An interested person includes an assignee of a patent.⁴²¹

204 Section 52 does not empower the Federal Court to decide whether:

- (i) a patent may issue to a party;⁴²² or
- (ii) a patent application may be reinstated,⁴²³

as both matters must be first decided by the Commissioner of Patents. In addition, the Federal Court has no jurisdiction to determine the ownership of a patent based primarily on interpretation of contractual documents, because interpreting contracts is solely within the jurisdiction of provincial courts.⁴²⁴ Nevertheless, the fact that a case has contractual aspects does not *ipso facto* mean that it is ultra vires the jurisdiction of the Federal Court. Where the contractual issues are only incidental to the issues of ownership or inventorship of a patent, the Federal Court has the power to adjudicate pursuant to section 52.⁴²⁵

(8.7.4) Suspension of Proceedings

205 In Canada, stays of proceedings are obtained in the same manner as preliminary injunctions and are subject to the same tripartite test as discussed in section 8.5.2 above.⁴²⁶ Accordingly, for the reasons expressed above, stays are typically difficult to obtain and not routinely sought in Canada.⁴²⁷

⁴¹⁷ *Patent Act*, RSC 1985, c P-4, s. 60(1).

⁴¹⁸ *EI Du Pont de Nemours & Co v. Montecatini-Societa Generale Per L'Industria Mineraria E Chimica* (1966), 49 CPR 209 at 212–218 (Ex Ct), aff'd (1967), 52 CPR 18 (SCC); *Wakefield Properties Corp v. Teknion Furniture Systems Inc* (1992), 44 CPR (3d) 474 at 476–477 (FCTD).

⁴¹⁹ *Patent Act*, RSC 1985, c P-4, s. 52; *Camstock Canada v. Electec Ltd* (1991), 38 CPR (3d) 29 at 50 (FCTD). For inventorship, see: *Segatoys Co v. Canada (Attorney General)*, 2013 FC 98 at paras 12–13, 225 ACWS (3d) 522. For ownership, see: *Micromass UK Ltd v. Canada (Commissioner of Patents)*, 2006 FC 117, 46 CPR (4th) 476 at 479–480.

⁴²⁰ *Patent Act*, RSC 1985, c P-4, s. 52.

⁴²¹ *Micromass UK Ltd v. Canada (Commissioner of Patents)*, 2006 FC 117, 46 CPR (4th) 476 at 480.

⁴²² *Suncor Energy Inc v. MMD Design & Consultancy Ltd*, 2008 FC 488, 66 CPR (4th) 245 at 254.

⁴²³ *Cloutier v. Thibault*, 2014 FC 1135 at para. 22, 252 ACWS (3d) 805.

⁴²⁴ *RLP Machine & Steel Fabrication Inc v. DiTullio*, 2001 FCT 245, 12 CPR (4th) 15 at 22–23 (FCTD).

⁴²⁵ *Engineering Dynamics Ltd v. Joannou* (1996), 70 CPR (3d) 16 at 19 (FCTD).

⁴²⁶ Section 8.5.2 – Preliminary Injunction Proceedings.

⁴²⁷ *RJR-Macdonald Inc v. Canada (Attorney General)*, [1994] 1 SCR 311 at 334–347.

(8.8) CUSTOMS SEIZURES

206 In Canada, there are no mechanisms to enforce a patentee's rights in a patent through seizures at the border by Canadian customs.

(8.9) REMEDIES

(8.9.1) Injunctions

207 As a patent grants a patentee 'the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used',⁴²⁸ a successful patentee is typically awarded a permanent injunction restraining the defendant (and persons under its control) from further infringing the patent.⁴²⁹ Nevertheless, a permanent injunction is an equitable remedy and is subject to the discretion of the Court.⁴³⁰ A defendant can be found in contempt of court for breach of an injunction irrespective of whether the breach was committed intentionally or unintentionally (although intent may be relevant to the penalty to be imposed as a result of the breach).⁴³¹

(8.9.2) Intermediaries

208 In Canada, there are no express provisions in the *Patent Act* which provide for remedies against 'intermediaries' per se. However, a patent grants a patentee 'the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used'.⁴³² Additionally, the Supreme Court of Canada has held that any act in Canada that interferes with, in whole or in part, directly or indirectly, the full enjoyment of the monopoly granted to the patentee during the term of the patent, without the patentee's consent, constitutes an infringement.⁴³³ Therefore, 'intermediaries' may be subject to being found liable for infringement, including, for example, manufacturers, distributors, retailers and customers.

(8.9.3) Right to Information

209 Information relating to the extent of the alleged infringing activities, including the number of products purchased, sold and/or in stock, as well as names and addresses of third parties involved in the manufacture and distribution of infringing products, including manufacturers, distributors and customers, to the extent relevant, is typically obtained through the discovery process referenced above in section 8.6.2 above.⁴³⁴

⁴²⁸ *Patent Act*, RSC 1985, c P-4, s. 42.

⁴²⁹ *Merck & Co v. Apotex Inc* (2000), 5 CPR (4th) 1 at 22 (FCTD), rev'd on other grounds 2003 FCA 234, 25 CPR (4th) 289, leave to appeal to SCC refused, 29909 (4 Mar. 2004); *Patent Act*, RSC 1985, c P-4, s. 57.

⁴³⁰ *Eurocopter v. Bell Helicopter Textron Canada Ltd*, 2012 FC 113 at para. 397, 100 CPR (4th) 87, aff'd on other grounds 2013 FCA 219.

⁴³¹ *Merck & Co v. Apotex Inc*, 2003 FCA 234 at paras 50–63, 25 CPR (4th) 289 at 312–322 leave to appeal to SCC refused, 29909 (4 Mar. 2004).

⁴³² *Patent Act*, RSC 1985, c P-4, s. 42.

⁴³³ *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34 at paras 30–58, 31 CPR (4th) 161.

⁴³⁴ Section 8.6.2 – Gathering Evidence.

(8.9.4) Corrective Measures

(8.9.4.1) Recall

210 In Canada, there is no authority at law permitting a court to order that a defendant recall infringing products from its customers. However, a patentee could commence an action for patent infringement against a defendant's customers seeking the appropriate remedies (injunction and/or delivery up or destruction of the infringing products).

(8.9.4.2) Destruction of Infringing Articles

211 An order that all infringing articles in the possession of the defendant be either delivered up or destroyed is typically granted in a successful patent infringement action.⁴³⁵

(8.9.5) Reasonable Compensation

212 In addition to the remedies of damages or an accounting of profits for infringing acts that occurred after the patent had issued, a defendant is also liable to pay 'reasonable compensation' for any damages sustained as a result of acts after the patent application became open to the inspection of the public and before the grant of the patent that would have constituted an infringement if the patent had been granted.⁴³⁶ The Federal Court has held that 'reasonable compensation' is not the equivalent of 'damages' awarded for infringement after the date of issuance of a patent and thus, does not include damages on lost sales. While there may be other means to provide 'reasonable compensation', the term would appear to include a 'reasonable royalty'.⁴³⁷ There is also no cause of action to recover for 'reasonable compensation' until a patent has issued.⁴³⁸

(8.9.6) Damages

(8.9.6.1) Damages or Accounting of Profits

213 Any person who infringes a patent is liable for all damages sustained by the patentee after the grant of the patent by reason of the infringement.⁴³⁹ Alternatively, a successful plaintiff may request an accounting of the defendant's profits made as a result of the infringing activity.⁴⁴⁰ A successful plaintiff may, with leave of the court, elect between its damages or an accounting of the defendant's profits, which is typically made after discovery on both issues.

214 Damages for infringement of a Canadian patent are calculated based on the underlying principle of restoration by way of compensation, namely to restore the patentee to the position it would have been, had the infringement not occurred. The question to be

⁴³⁵ *Baxter Travenol Laboratories of Canada Ltd v. Cutter (Canada) Ltd* (1983), 68 CPR (2d) 179 at 200 (FCA) leave to appeal to SCC refused (1983), 72 CPR (2d) 287; *Merck & Co v. Apotex Inc.*, 2006 FCA 323 at paras 117–124, 55 CPR (4th) 1, leave to appeal to SCC refused 31754 (10 May 2007).

⁴³⁶ *Patent Act*, RSC 1985, c P-4, ss 10, 55(1), 55(2).

⁴³⁷ *Jay-Lor International Inc v. Penta Farm Systems Ltd*, 2007 FC 358 at paras 120–123, 59 CPR (4th) 228.

⁴³⁸ *Premier Tech Ltée v. Équipements Tardif Inc* (1993), 48 CPR (3d) 42 at 45 (FCTD).

⁴³⁹ *Patent Act*, RSC 1985, c P-4, s. 55.

⁴⁴⁰ *Patent Act*, RSC 1985, c P-4, s. 57.

asked is ‘what would have been the plaintiff’s position if the defendant had acted properly?’⁴⁴¹

215 The case law in Canada establishes two mutually exclusive measures of damages, namely the loss of the plaintiff’s profits or a reasonable royalty.⁴⁴² If the patentee manufactures or sells a product in accordance with the patent, the patentee is entitled to the lost profits for the sales that it would have made but for the presence of the infringing product in the market.⁴⁴³ However, when the patentee:

- (a) does not manufacture or sell a product in accordance with the patent;
- (b) normally grants licences under the patent; or
- (c) cannot prove the loss of a sale due to the activity of the defendant damages are assessed based on a reasonable royalty that the defendant would have paid had it entered into a legitimate licensing agreement with the patentee.⁴⁴⁴

216 Traditionally, trial judges of the Federal Court have held that the existence or availability to a defendant of a non-infringing alternative is irrelevant in the context of quantifying a plaintiff’s damages for patent infringement.⁴⁴⁵ However, in a recent decision, the Federal Court of Appeal has held that the availability of a non-infringing alternative may be a relevant consideration when assessing damages for patent infringement.⁴⁴⁶ The full scope and application of non-infringing alternatives to damages assessments remains to be seen and will fall to future cases.

217 The equitable remedy of an accounting of the defendant’s profits is different from the remedy of damages. Compensation under accounting of the defendant’s profits is measured by the profits made by the infringer rather than the loss suffered by the patentee.⁴⁴⁷ An accounting of the defendant’s profits is a discretionary remedy based in equity and thus is subject to all applicable equitable factors. As such, an accounting of profits is not granted as of right simply because the plaintiff elects it.⁴⁴⁸ Moreover, Canadian courts have expressed concerns over the difficulties of the remedy⁴⁴⁹ and have

⁴⁴¹ *JM Voith GmbH v. Beloit Corp* (1993), 47 CPR (3d) 448 at 474–478 (FCTD), rev’d on other grounds (1997), 73 CPR (3d) 321 (FCA).

⁴⁴² *ConsolBoard Inc v. MacMillian Bloedel (Saskatchewan) Ltd* (1982), 63 CPR (2d) 1 at 7 (FCTD), var’d (1983), 74 CPR (2d) 199 (FCA).

⁴⁴³ *Colonial Fastener Co Ltd v. Lightning Fastener Co Ltd*, [1937] SCR 36 at 44–45; *JR Short Milling Co (Canada) Ltd v. Continental Soya Co and George Weston Bread and Cakes, Ltd* (1943), 3 Fox Pat C 18 at 22 (Ex Ct).

⁴⁴⁴ *Colonial Fastener Co Ltd v. Lightning Fastener Co Ltd*, [1937] SCR 36 at 44–45; *JR Short Milling Co (Canada) Ltd v. Continental Soya Co and George Weston Bread and Cakes, Ltd* (1943), 3 Fox Pat C 18 at 22 (Ex Ct).

⁴⁴⁵ See: *Jay-Lor International v. Penta Farm Systems*, 2007 FC 358 at paras 113–115, 59 CPR (4th) 228; *Merck & Co v. Apotex Inc*, 2013 FC 751 at paras 57–75, aff’d on other grounds 2015 FCA 171; *Eli Lilly and Co v. Apotex Inc*, 2014 FC 1254, 250 ACWS (3d) 102 at paras 23–57.

⁴⁴⁶ *Apotex Inc v. Merck & Co*, 2015 FCA 171 at paras 32, 255 ACWS (3d) 965, leave to appeal to SCC filed (2015).

⁴⁴⁷ *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34 at para. 100, 31 CPR (4th) 161; *Teledyne Industries Inc v. Lido Industrial Products Ltd* (1982), 68 CPR (2d) 204 at 208 (FCTD).

⁴⁴⁸ *Beloit Canada Ltée v. Valmet Oy* (1994), 55 CPR (3d) 433 at 453–55 (FCTD) rev’d on other grounds (1995), 61 CPR (3d) 271, leave to appeal to SCC refused (1996), 64 CPR (3d) vi; *Merck & Co v. Apotex Inc*, 2006 FC 524 at para. 229, 53 CPR (4th) 1, rev’d on other grounds, but aff’d on this issue 2006 FCA 323 at paras 127–133, 55 CPR (4th) 1, leave to appeal to SCC refused, 31754 (10 May 2007).

⁴⁴⁹ *Beloit Canada Ltée v. Valmet Oy* (1994), 55 CPR (3d) 433 (FCTD) rev’d on other grounds (1995), 61 CPR (3d) 271, leave to appeal to SCC refused (1996), 64 CPR (3d) vi; *Scientific Games Inc v. Pollard Banknote Ltd* (1997), 76 CPR (3d) 22 at 32–34 (FCTD); *Eurocopter v. Bell Helicopter Textron Canada Limitée*, 2012 FC 113 at paras 409–416, aff’d 2013 FCA 219.

denied an accounting of profits on that basis.⁴⁵⁰ Canadian courts have applied a differential profits approach to the calculation of an accounting of profits.⁴⁵¹ The analysis is as follows:

- (a) Is there a causal connection between the profits made and the infringement? If there is none, then there are no profits that require an accounting.⁴⁵²
- (b) If there is a causal connection, then what were the profits made by the infringer as a result of the infringement? This amount is described as the Gross Profits of Infringement.
- (c) Is there a non-infringing option that the infringer could have used?
- (d) If there is no non-infringing option, then the Gross Profits of Infringement are to be paid over to the patentee.
- (e) If there is a non-infringing option, then what profit would the infringer have made, had he used that option? This amount is described as the Gross Profits of Non-Infringement.
- (f) Where there was a non-infringing option available, the amount to be paid over to the patentee is the difference between the Gross Profits of Infringement and the Gross Profits of Non-Infringement. This sum is the profit that is directly attributable to and that results from the infringement of the invention.⁴⁵³

218 Where only a part of a product infringes the patent, the patentee may nevertheless be entitled to damages or profits with respect to the whole product under appropriate circumstances.⁴⁵⁴ However, if the sales of the product were as a result of the other features, the damages or profits are apportioned to only those in respect of the infringing part.⁴⁵⁵

219 In practice, as discussed in section 8.7.1.4 above,⁴⁵⁶ the issue of damages or accounting of profits is often the subject of a reference after the issue of liability has been determined as a result of the issuance of a bifurcation order.

(8.9.6.2) Punitive or Exemplary Damages

220 Punitive or exemplary damages are only awarded in Canada, including in patent infringement actions, in exceptional circumstances, namely for high-handed, malicious, arbitrary or highly reprehensible conduct that departs to a marked degree from ordinary standards of decent behaviour.⁴⁵⁷ Examples of when such damages may be awarded is

⁴⁵⁰ *Apotex Inc v. Wellcome Foundation Ltd* (1998), 79 CPR (3d) 193 at 305–307 (FCTD), rev'd on other grounds (2000), [2001] 1 FC 495, 10 CPR (4th) 65 (CA), aff'd 2002 SCC 77, 21 CPR (4th) 499; *Eurocopter v. Bell Helicopter Textron Canada Limitée*, 2012 FC 113 at paras 409–416, aff'd 2013 FCA 219.

⁴⁵¹ *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34 at para. 102, 31 CPR (4th) 161; *Monsanto Canada Inc v. Rivett*, 2009 FC 317 at para. 65, aff'd 2010 FCA 207 at para. 14, 87 CPR (4th) 383.

⁴⁵² *Monsanto Canada Inc v. Schmeiser*, 2004 SCC 34 at paras 101, 103–105, 31 CPR (4th) 161. The Federal Court has recently held that a licensee is not entitled to claim equitable relief in a patent infringement action and thus, is not entitled to an accounting of profits, see: *Sanofi-Aventis Canada Inc v. Apotex Inc*, 2007 FC 907 at para. 28, 60 CPR (4th) 278 at 286–287, aff'd 2008 FCA 175.

⁴⁵³ *Monsanto Canada Inc v. Rivett*, 2009 FC 317 at para. 29, aff'd 2010 FCA 207, 87 CPR (4th) 383.

⁴⁵⁴ *Colonial Fastener Co Ltd v. Lightning Fastener Co Ltd*, [1937] SCR 36 at 44–45; *Beloit Canada Ltée v. Valmet Oy* (1994), 55 CPR (3d) 433 at 453–458 (FCTD), rev'd on other grounds (1995), 61 CPR (3d) 271, leave to appeal to SCC refused (1996), 64 CPR (3d) vi.

⁴⁵⁵ *Beloit Canada Ltée v. Valmet Oy* (1994), 55 CPR (3d) 433 at 453–458 (FCTD), rev'd on other grounds (1995), 61 CPR (3d) 271, leave to appeal to SCC refused (1996), 64 CPR (3d) vi.

⁴⁵⁶ Section 8.7.1.4 – Bifurcation of Issues.

⁴⁵⁷ *Whiten v. Pilot Insurance Co*, 2002 SCC 18, [2002] 1 SCR 595; *Dimplex North America Ltd v. CFM Corp*, 2006 FC 586 at para. 121, 54 CPR (4th) 435, aff'd 2007 FCA 278, 60 CPR (4th) 277; *Eurocopter v. Bell Helicopter Textron Canada Limitée*, 2013 FCA 219 at para. 163.

where a defendant wilfully disregards an injunction or continues activities after a finding of infringement.⁴⁵⁸ While a deliberate appropriation of intellectual property by itself is typically insufficient for entitlement to punitive or exemplary damages,⁴⁵⁹ the Federal Court of Appeal has recently held that where a person infringes a patent which it knows to be valid, appropriates the invention as its own, and markets it as its own knowing this to be untrue, punitive damages may be awarded where an accounting for profits or compensatory damages would be inadequate to achieve the objectives of retribution, deterrence and denunciation of such conduct.⁴⁶⁰

(8.9.6.3) Pre-and Post-judgment Interest

221 Generally speaking, both pre- and post-judgment interest is awarded on monetary awards in Canadian courts. However, a plaintiff must specifically seek such relief in its Statement of Claim.⁴⁶¹ In patent infringement actions, interest awards can be significant.⁴⁶²

(8.9.7) Disclosure of Judgment

222 In Canada, generally speaking, judgments and reasons for judgment are available to the public upon their release. However, in circumstances where there is a Confidentiality Order relating to evidence submitted at trial, the Court may circulate a confidential copy of the judgment and reasons for judgment to the parties and provide the parties with an opportunity to request that certain confidential references to the evidence be redacted from the judgment and reasons for judgment prior to their being made publicly available.

(8.9.8) Order for Costs

223 In Canada, the court has full discretionary power over an award of costs of a legal proceeding.⁴⁶³ However, a successful litigant (be it the plaintiff or the defendant) is typically awarded its 'costs' which consists of full reimbursement for all reasonable disbursements (including, for example, expert fees) and a portion of its attorney's fees (usually based on a tariff or schedule of allowable fees contained in the applicable court rules). In exceptional circumstances, full or substantial indemnity for actual legal costs incurred for the litigation may be awarded. Factors that may be considered by the court in exercising its discretion with respect to the amount or allocation of costs include, *inter alia*: the result of the proceedings, the amounts claimed and recovered, the importance and complexity of the issues, the apportionment of liability, any written offer of settlement, the amount of work and the conduct of the parties.⁴⁶⁴

⁴⁵⁸ See *Lubrizol Corp v. Imperial Oil Ltd* (1994), 58 CPR (3d) 167 (FCTD) wherein exemplary damages were awarded but the trial level decision was reversed on appeal on the basis that, *inter alia*, an award of exemplary damages was premature as general damages had not yet been assessed by the Trial Judge (1996), 67 CPR (3d) 1 (FCA); *Profekta International Inc v. Lee* (1997), 75 CPR (3d) 369 (FCA) (copyright case); *Apotex Inc v. Merck & Co*, 2002 FCT 626, 19 CPR (4th) 460 (FCTD); *Merck & Co v. Apotex Inc*, 2006 FCA 323 at paras 148–152, 55 CPR (4th) 1 at 45–46, leave to appeal to SCC refused, 31754 (10 May 2007).

⁴⁵⁹ *Dimplex North America Ltd v. CFM Corp*, 2006 FC 586 at para. 132, 54 CPR (4th) 435, aff'd 2007 FCA 278, 60 CPR (4th) 277.

⁴⁶⁰ *Eurocopter v. Bell Helicopter Textron Canada Limitée*, 2013 FCA 219 at para. 193.

⁴⁶¹ See e.g., *Jay-Lor International Inc v. Penta Farm Systems Ltd*, 2007 FC 358, 59 CPR (4th) 228.

⁴⁶² *Eli Lilly and Co v. Apotex Inc*, 2014 FC 1254 at para. 136, 131 CPR (4th) 296.

⁴⁶³ *Federal Courts Rules*, SOR/98-106, r. 400(1).

⁴⁶⁴ *Federal Courts Rules*, SOR/98-106, r. 400(3), 420.

(8.10) CRIMINAL ENFORCEMENT

224 In Canada, there are no criminal provisions relating to infringement of patent rights. The only criminal provisions contained in the Canadian *Patent Act* relate to:

- (a) falsely marking or selling an article as patented;⁴⁶⁵
- (b) making a false representation or tendering a false document for the purposes of the *Patent Act*;⁴⁶⁶ and
- (c) failing to comply with the certain provisions under the *Patent Act* relating to patented medicines.⁴⁶⁷

(8.11) APPEAL

225 The Federal Court and each provincial court system has its own appellate court structure. Appeals from both interlocutory and final orders of the Federal Court are available as of right to the Federal Court of Appeal. In some provincial court systems, leave to appeal is required in order to appeal interlocutory orders.

(8.12) SUPREME COURT

226 Appeals from the Federal Court of Appeal and provincial appellate courts are heard by the Supreme Court of Canada. For patent matters, leave to appeal to the Supreme Court of Canada must be granted by the court prior to the hearing of the appeal.

⁴⁶⁵ *Patent Act*, RSC 1985, c P-4, s. 75.

⁴⁶⁶ *Patent Act*, RSC 1985, c P-4, s. 76.

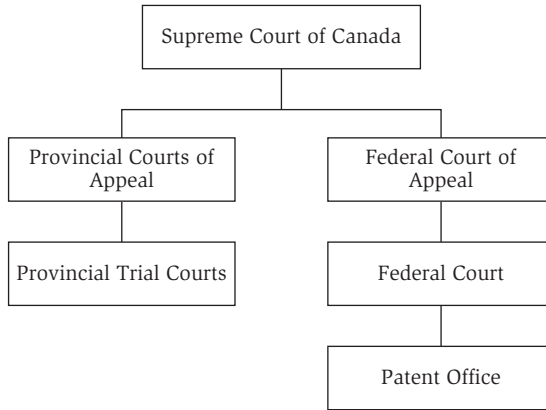
⁴⁶⁷ *Patent Act*, RSC 1985, c P-4, s. 76.1.

(9) CONCLUSION

227 Over the recent years, the decisions from Canadian courts in patent proceedings can be fairly characterized as being favourably disposed towards patent owners. In patent infringement trials in Canada since 1971, the patent in issue has been held valid in approximately 70% of the cases, with the patentee being successful on both validity and infringement in the majority of the cases.⁴⁶⁸

228 Patent litigation in Canada is often less expensive compared to the cost of litigating patent rights in other countries. As referenced above, Canadian court systems have several procedures that can result in a reduction of the overall costs of the litigation.

⁴⁶⁸ Statistics excerpted from Steven B. Garland & Jeremy E. Want, *The Enforcement of Intellectual Property Rights in Canada*, 16 Canadian Intell. Prop. Rights 43 (1999). The data from this source was updated to include all decisions reported in the Canadian Patent Reporter series up to 130 CPR (4th), circa 2015.

(10) TABLES**Court Structure for Patent Litigation in Canada**

Preliminary Injunction Proceedings in the Federal Court: Ex parte

| Step | Description |
|------------------|---|
| Overview | An ex parte motion for a preliminary injunction can only be brought if notice is not possible, or if notice would defeat the purpose of the motion. The motion is typically brought after the commencement of a proceeding, although it may be brought prior to the commencement of a proceeding in a case of urgency. The motion can be brought on any regular motion day of the court (varies from city to city) unless the duration of the motion is over two hours, in which case directions from the court must be obtained. |
| Moving Materials | The moving party's motion materials include a Notice of Motion setting out the relief sought and the grounds of the motion along with affidavit and other evidence that will be relied upon at the hearing. These materials must be filed at least three days before the day set out in the notice for the hearing of the motion. |
| Oral Hearing | Ex parte interlocutory injunction motions are heard by a single judge. The duration of the hearing is typically set by the moving party in its motion materials. However, the court has the discretion to shorten or lengthen the hearing as appropriate. |
| Order | Although the judge can dispose of the motion at the hearing, typically the judge reserves and provides a written order and reasons after the hearing. A judge may grant an interim injunction on an ex parte motion for a period of up to fourteen days. |

Preliminary Injunction Proceedings in the Federal Court: First Instance

| Step | Description |
|----------------------|--|
| Overview | A preliminary injunction is obtained by a motion to the court. The motion is typically brought after the commencement of a proceeding (although it may be brought prior to the commencement of a proceeding in a case of urgency). The motion can be brought on any regular motion day of the court (varies from city to city) unless the case is case managed or the duration of the motion is over two hours. In such circumstances, directions from the court must be obtained. |
| Moving Materials | The moving party's motion materials include a Notice of Motion setting out the relief sought and the grounds of the motion along with affidavit and other evidence that will be relied upon at the hearing. The motion materials must be served and filed at least three days before the day set out in the notice for the hearing of the motion. |
| Responding Materials | In response to the motion, the responding party must serve and file its motion materials by 2:00 p.m. on the day that is two days before the day fixed for the hearing of the motion, including any affidavit or other evidence it intends to rely upon at the hearing. |
| Cross-examinations | Each party is entitled to cross-examine on affidavits filed on the motion. Transcripts of the cross-examinations are filed with the court prior to the commencement of the hearing. |
| Oral Hearing | Interlocutory injunction motions are heard by a single judge. The duration of the hearing is typically set by the moving party in its motion materials. However, the court has the discretion to shorten or lengthen the hearing as appropriate. |
| Order | Although the judge can dispose of the motion at the hearing, typically the judge reserves and provides a written order and reasons after the hearing. Generally, it takes between one to six weeks for the order to issue. |
| Appeal | An Order on a preliminary injunction motion may be appealed to the Federal Court of Appeal as of right within ten days of the date of the order. |

Preliminary Injunction Proceedings in the Federal Court: Appeal to Federal Court of Appeal

An Order on a preliminary injunction motion may be appealed to the Federal Court of Appeal as of right within ten days of the date of the order.

Except for the deadline for filing the appeal, the procedure on the appeal is identical to the procedure set out in the chart entitled 'Appeal to the Federal Court of Appeal: Proceedings on the Merits' below.

Preliminary Injunction Proceedings in the Federal Court: Appeal to Supreme Court of Canada

An Order on a preliminary injunction motion made by the Federal Court of Appeal may be appealed upon obtaining leave from the Supreme Court of Canada.

The Application for Leave to Appeal must be served and filed within sixty days of the Order being appealed. The procedure on the leave application and any subsequent appeal (if leave is granted) is identical to the procedure set out in the chart entitled 'Appeal to the Supreme Court of Canada: Proceedings on the Merits' below.

Proceedings on the Merits in the Federal Court: First Instance

| Step | Description |
|----------------------|---|
| Statement of Claim | Patent proceedings are typically commenced by the issuance of a Statement of Claim. The Statement of Claim must be served on each defendant within sixty days of being issued. |
| Defence | A Statement of Defence must be served and filed within thirty days of service of Statement of Claim (unless the Statement of Claim was served outside of Canada, in which case the deadline is either forty days if served in the United States or sixty days if served elsewhere). The Statement of Defence may also include a counterclaim against the plaintiff, a cross-claim against another defendant or a third-party claim. |
| Reply | A Reply must be served and filed within ten days of service of the Statement of Defence unless there is a counterclaim, in which case a Reply and Defence to Counterclaim is due thirty days after service. |
| Discovery | After the pleadings are closed, each party is entitled to documentary and oral discovery of every party adverse in interest. Documentary discovery is completed by exchange of Affidavits of Documents and copies of the documents listed therein that are not the subject of a privilege claim. Each party is also entitled to orally examine a representative of every adverse party. A party adverse to the patentee is also entitled to examine the inventors or any other assignee of the patent in issue. |
| Pre-trial Conference | Any time after the close of pleadings, a party may request a pre-trial conference. Expert reports are part of the materials exchanged for the pre-trial conference. The trial date and duration of the trial is set at the pre-trial conference. |
| Trial | The trial is heard by a single judge. There is no fixed limit for each party to present its case at trial. Timing issues are resolved at the pre-trial conference, at a trial management conference or by the judge presiding at trial. |
| Judgment | Although the judge can dispose of the action at trial, this rarely occurs. Typically, the judge reserves and issues a written judgment and reasons after the hearing. Generally speaking, it takes two to six months or more for the court to issue a decision. |
| Appeal | A judgment may be appealed as of right within thirty days of the date of the judgment. |

Proceedings on the Merits: Appeal to Federal Court of Appeal

| Step | Description |
|--|--|
| Notice of Appeal | An appeal is commenced by issuing a Notice of Appeal. Leave to appeal is not required. The Notice of Appeal sets out the grounds of the appeal. An appeal must be commenced within thirty days from the date of a final judgment. Extensions are available by order of the court. The Notice of Appeal must be served on each respondent within ten days of its issuance. |
| Appearance/Cross-Appeal | A respondent who intends to participate in the appeal must serve and file a Notice of Appearance (or where the respondent seeks a different disposition of the judgment that is the subject of the appeal, a Notice of Cross-Appeal). |
| Appeal Books and Memoranda of Fact and Law | Before a hearing date is set, the Appeal Books must be prepared, and each party must serve and file a Memorandum of Fact and Law. |
| Hearing | A hearing date is obtained from the court by filing a Requisition for Hearing. An expedited hearing date can be obtained by order of the court in circumstances where a party will suffer irreparable harm by a delay in the hearing. The duration of the hearing is set by the court based upon estimates provided by the parties in the Requisition for Hearing and the complexity of the issues on the appeal. Appeal is heard and decided by three judges. |
| Decision | The judges can dispose of the appeal at the hearing. Alternatively, the judges can reserve their decision and issue an order and reasons in writing. Depending upon the case and the nature of the appeal, it can take up to two to four months for an order and reasons to issue. |
| Appeal | An application for leave to appeal to the Supreme Court of Canada must be filed within sixty days of the date of the order from the Federal Court of Appeal. |

Proceedings on the Merits: Appeal to Supreme Court of Canada

(I) Application for Leave to Appeal

| Step | Description |
|---------------------------------|---|
| Application for Leave to Appeal | An Application for Leave to Appeal, including a Notice of Application for Leave to Appeal must be served and filed within sixty days of the judgment being appealed. The Notice of Application sets out the grounds for the Appeal. One of the requirements to be granted leave to appeal is that the appeal must raise an issue of public importance. The Application for Leave to Appeal also includes the applicant's Memorandum of Argument. |
| Response | Within thirty days of service of the Application for Leave to Appeal, the respondent serves and files a Response (or an Application for Leave to Cross-Appeal). The Response includes the respondent's Memorandum of Argument. |
| Reply | The applicant has the option of filing a Reply within ten days of service of the respondent's Response. A Reply Memorandum of Argument is included in the Reply. |
| Decision/Hearing | The materials filed by the parties are submitted to three judges of the Supreme Court. Based upon the written materials, there are three possible outcomes, namely: <ul style="list-style-type: none"> – the application will be granted – the application will be dismissed, or – an oral hearing will be ordered. An oral hearing is rarely ordered. When ordered, the oral argument of each party is restricted to fifteen minutes, with an additional five minutes allowed to the applicant for reply. |
| Appeal | No appeal is available from a refusal to grant leave to appeal. If leave to appeal is granted, the appellant must serve and file a Notice of Appeal within thirty days of the date of the order granting leave. |

(II) Appeal

| Step | Description |
|------------------------|---|
| Notice of Appeal | The appellant must serve and file the Notice of Appeal within thirty days of the date of the order granting leave. |
| Appellant’s Materials | Within twelve weeks after Notice of Appeal is filed, the appellant must serve and file a Factum, Record and Book of Authorities. |
| Respondent’s Materials | Within eight weeks after service of appellant’s materials, the respondent must serve and file a Factum, Record and Book of Authorities. |
| Hearing | Once the parties’ materials are filed, a hearing date is set by the court. At the hearing, each of the parties’ oral argument is limited to one hour. The appellant is also provided with an additional five minutes for a reply. The appeal is heard by a panel of five to nine judges (note: recent decisions of the Supreme Court of Canada on patent matters have been heard by nine judges). |
| Appeal | No appeal is available from any decision of the Supreme Court of Canada. |

Relationship Between Infringement and Validity

| Heard together? |
|--|
| Infringement and validity of a patent are typically heard together. However, separate actions relating to infringement and validity of a patent are possible. |
| Where a patentee seeks a preliminary injunction against an alleged infringer, the court will take the possible infringement and invalidity of the patent into account when considering whether there is a serious question to be tried and in evaluating the balance of convenience. |

Role of Experts

| Type of Expert | Discussion |
|---------------------------------|---|
| Party Experts | In Canadian patent proceedings, each party typically submits expert evidence. An expert report (typically provided by way of an affidavit signed by the expert) must be served on all other parties in advance of trial. In the Federal Court, expert reports are exchanged accompanying the parties' pre-trial conference materials. The expert's evidence is given viva voce at trial. The expert is permitted to read his/her expert report into evidence and explain the contents thereof. Evidence not contained in the expert report is only permitted with leave of the court. The expert must also be available for cross-examination at trial. The court may also ask the expert questions during the oral hearing. In the Federal Court, the court has the discretion to require some or all of the expert witnesses to testify at trial as a panel (colloquially referred to as 'hot tubbing'). Pursuant to this procedure, expert witnesses provide their testimony in the presence of the panel and may be directed to comment on the views of the other panel members. On completion of the testimony of the panel, the panel members may be cross-examined and re-examined as directed by the court. To-date, the 'hot-tubbing' of experts has only occurred on a few occasions in patent proceedings in Canada. |
| Experts Appointed by the court | Although provided for under the rules of the Federal Court and most provincial courts, court appointed experts are very rare in patent cases in Canada. Such an expert will be requested to provide an opinion on questions submitted by the court. Before the court requests a written opinion from a court appointed expert, the parties are provided an opportunity to make submissions on the form and content of the questions to be asked. In addition, before rendering judgment, the parties are provided with an opportunity to make submissions on any opinion provided by the expert. |
| Expert Opinion of Patent Office | Apart from the general rules pertaining to court appointed experts, there are no express provisions pertaining to obtaining an opinion from the Canadian Patent Office for the purpose of a patent proceeding in Canada. |

Duration of Preliminary Injunctions Proceedings

| Court | Duration |
|-------------------------|---|
| Federal Court | A preliminary injunction motion may be heard within days of filing the motion materials. However, in practice, it typically takes a period of several weeks for a motion to be heard, especially when the motion has a duration of over two hours. Although the judge can dispose of the motion at the hearing, typically the judge reserves and provides a written order and reasons after the hearing. Generally, it takes one to six weeks for the order and reasons to issue. |
| Federal Court of Appeal | Twelve–eighteen months (four–six months when order for expedited hearing is obtained). |
| Supreme Court of Canada | Eighteen–twenty-four months. |

Duration of Proceedings on the Merits

| Court | Duration |
|-------------------------|--|
| Federal Court | From issuance of the Statement of Claim to judgment, proceedings typically take between two to four years. |
| Federal Court of Appeal | Twelve–eighteen months. |
| Supreme Court of Canada | Eighteen–twenty-four months. |

Costs of Infringement and Invalidity Proceedings

| Type of Proceeding | Costs |
|--|---|
| Preliminary Injunction | CAD 50,000–CAD 100,000 or more depending on the complexity of the case, the amount of evidence, and the number of issues in the proceeding. |
| Normal Proceedings (Infringement) | CAD 300,000–CAD 500,000 or more depending on the complexity of the case and the number of issues in the proceeding. |
| Normal Proceedings (Invalidity) | CAD 300,000–CAD 500,000 or more depending on the complexity of the case and the number of issues in the proceeding. |
| Normal Proceedings (Infringement and Invalidity) | CAD 400,000–CAD 600,000 or more depending on the complexity of the case and the number of issues in the proceeding. |
| Appeal (to Federal Court of Appeal or Supreme Court of Canada) | CAD 50,000–CAD 100,000 or more depending on the number of grounds asserted on the appeal and the complexity of the issues relating thereto. |

