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Patent Litigation — *Markman* Comes to Canada

Realsearch Inc. et al v. Valone Kone Brunette Ltd. et al, May 28, 2003, 2003 FCT 669.

In the US, following the decision of the US Supreme Court in *Markham v. Westview*, a practice has come into being in patent litigation pursuant to which claim construction is now routinely carried out by a judge in a separate hearing early in the progress of the action. This practice may for the first time have been imported into Canada.

In the *Realsearch* case, on a motion by the defendant, the Court ordered that the issue of claim construction would be determined at a separate hearing early in the progress of the case. The Court refers to Canadian jurisprudence which makes it clear that claim construction is “antecedent” to the inquiries of validity and infringement, and notes that “a separate

proceeding for the determination of the claim construction will prevent a judge to construe a patent with an eye on the allegedly infringing device.” The Court expresses the belief that the suggested new procedure “might give an opportunity to parties to speed up the litigation in [patent infringement] actions.”

The Court does not suggest that a *Markman* hearing would be appropriate in any and all cases. Nevertheless, if the decision is not reversed on appeal, it may signal the beginning of a Canadian-style *Markman* practice.

A. David Morrow, Ottawa

Federal Court of Appeal Interprets “small entity” Status for Canadian Patents and Applications

Barton No-Till and Flexi-Coil v. Dutch Industries, March 7, 2003, 2003 FCA 121.

On March 7, 2003, the Canadian Federal Court of Appeal (FCA) rendered its decision in *Barton No-Till and Flexi-Coil v. Dutch Industries*, known as the “Dutch Industries” case. At issue was the effect of an applicant’s improper payment of reduced government fees, as a “small entity.”

In the case at hand, Mr. Barton, the inventor, initially filed a first patent application properly claiming entitlement to “small entity” status and paying a lower fee. Later, he transferred rights in this invention. The recipient of these rights did not qualify as a “small entity.” The inventor later filed a second application, still claiming “small entity” status. He also continued to pay “small entity” maintenance fees for the patent that issued from the first application. Once the error was recognized, top-up fees were submitted to, and accepted by, the Patent Office for the issued patent and the second application. On these facts, the lower Court

invalidated the patent and ruled that the second application was irretrievably abandoned, as the proper fees were not submitted until after the deadline for doing so under the *Patent Act* and *Rules*.

The Federal Court of Appeal, however, reversed the lower Court decision in part, holding: “a person who meets the definition of ‘small entity’ when applying for a patent maintains that status as long as the application is pending, and as long as the patent remains in effect.”

As the first application was filed at a time when the applicant was entitled to “small entity” status, the fees for it, and the resulting patent, were properly made at a “small entity” level, despite the post-filing grant of rights to a “large entity.” On the other hand, since the inventor was not entitled to “small entity” status when the second application was filed, the failure to pay fees at a “large entity” level was fatal to that application.

The Federal Court of Appeal agreed with the lower Court that late top-up fees could not correct the error.

An application has been filed with the Supreme Court of Canada for leave to appeal the decision of

the Federal Court of Appeal. In the meantime, Smart & Biggar / Fetherstonhaugh will continue our policy of submitting “large entity” fees for all applications to protect our clients’ interests.

Ronald D. Faggetter, Toronto

Supreme Court Grants Leave in Schmeiser Case

Monsanto Canada Inc. v. Schmeiser, September 4, 2002, (2002), 21 C.P.R. (4th) 1 (F.C.A.).

On May 8, 2003, the Supreme Court of Canada announced that it will hear the appeal taken by Percy Schmeiser from the decision of the Federal Court of Appeal in *Monsanto Canada Inc. v. Schmeiser* (2002), 21 C.P.R. (4th) 1 (F.C.A.).

In the proceeding, Saskatchewan farmer Percy Schmeiser, and the corporation of which Schmeiser and his wife are principals, were accused by Monsanto of growing genetically-modified canola (marketed as “Roundup-Ready Canola”) in violation of Monsanto Company’s Canadian patent, Patent No. 1,313,830 entitled “Glyphosate-Resistant Plants.” The patent includes claims to the genetically-modified genes, the genetically-modified plant cells, vectors in various forms, and methods for producing genetically-modified genes and genetically-modified plant cells. Schmeiser was found to

have infringed the Monsanto patent following a trial conducted before Justice McKay of the Federal Court Trial Division in June of 2000 (Justice McKay’s decision is reported (2001), 12 C.P.R. (4th) 204 (F.C.T.D.)). The decision was upheld on appeal to the Federal Court of Appeal.

In the appeal to the Supreme Court of Canada, the Court is expected to address many novel and important issues in Canadian patent law, including the patentability of plants, the scope of protection granted to claims to genes and cells, the interaction between patent rights and common farming practices such as “seed saving,” and the scope of infringing use.

The appeal will likely be heard in the spring of 2004.

Colin B. Ingram, Ottawa

Fourteen Leading Lawyers Recommended by LEXPERT

The 2003 issue of the Canadian Legal LEXPERT Directory has just been released, and once again, Smart & Biggar has received top honours. The Directory, which is the product of extensive survey research, has identified Smart & Biggar as having a record 14 leading lawyers in the areas of intellectual property law and intellectual property litigation – more than any other firm. Furthermore, as noted by the Editor,

“The Toronto, Ottawa, Montreal, Vancouver and Edmonton offices of the IP boutique Smart & Biggar warrant special comment, however, in that the firm is the only one in this practice area with multiple offices and leading lawyers in major centers across Canada.”

We are proud of this recognition and congratulate all of our firm members and counsel who are listed

in this year’s Directory:

John Bochnovic (Intellectual Property Law)

Mark K. Evans (Intellectual Property Law)

Nicholas H. Fyfe, Q.C. (Intellectual Property Law and Intellectual Property Litigation)

Gunars A. Gaikis (Intellectual Property Law and Intellectual Property Litigation)

Steven B. Garland (Intellectual Property Litigation)

Immanuel Goldsmith, Q.C. (Intellectual Property Law and Intellectual Property Litigation)

Robert D. Gould (Intellectual Property Law)

François Guay (Intellectual Property Law and Intellectual Property Litigation)

James D. Kokonis, Q.C. (Intellectual Property Law and Intellectual Property Litigation)

Terry N. Kuharchuk (Intellectual Property Law)

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A. David Morrow (Intellectual Property Law and Intellectual Property Litigation)

Joy D. Morrow (Intellectual Property Law)

John R. Morrissey (Intellectual Property Law and Intellectual Property Litigation)

Notes

Announcements

Stephen J. Ferance received the 2002 IPIC Past Presidents' Award for his paper entitled "The Experimental Use Defence to Patent Infringement."

Steven B. Garland was recently appointed Chairman of the editorial board of *Patent World*. He is responsible for overseeing the board and maintaining the high calibre of contributions that *Patent World* has established.

Marie-Hélène Rochon has joined our Montreal office as a technical consultant. Ms. Rochon has a B.Sc. in Microbiology/Immunology, an M.Sc. in Food Science and a Ph.D. in Molecular and Cell Biology.

Martin A. Tremblay has joined our Montreal office as a technical consultant. Mr. Tremblay has a B.Eng. in Mechanical Engineering.

Seminars and Presentations

Christian Bolduc presented on IP rights and licenses at the Atelier sur l'entrepreneurship pour chercheurs, professionnels de recherche, étudiants de 2^e et 3^e cycles in Quebec City on February 6, 2003.

Steven B. Garland delivered a paper and participated in a symposium on the Harvard Mouse entitled "Patenting of Higher Life Forms: reactions to the Harvard Mouse Decision" at the Centre for Innovation Law and Policy held at the University of Toronto on February 14, 2003.

Theodore W. Sum spoke on the issue of "Software and IP: Effective Management of IP in Licensing, Mergers, Acquisitions & Other Transactions" at the Intellectual Asset Management seminar held March 3 - 4, 2003, in Vancouver.

Terry N. Kuharchuk and *Michael D. Manson* presented on the topic of IP licensing at the Innovative Intellectual Property Management Seminar held in Edmonton, March 5, 2003.

Terry N. Kuharchuk and *Theodore W. Sum* presented on the topic of IP licensing at the Innovative Intellectual Property Management Seminar held in Calgary, March 12, 2003.

Christian Bolduc presented at the EDILEX course entitled The Contractual Bases of Research and Development and Technology Transfer in Montreal on April 3, 2003.

John W. Knox gave a seminar to the IEEE Communications Society entitled "A Few Things Every Engineer Should Know About Patents," in Vancouver on April 7, 2003.

Gunars A. Gaikis presented on the issue of "Are the Drug Cases Choking the Federal Courts" to the Intellectual Property Litigation Lawyers Lunch inaugural meeting on April 10, 2003, in Toronto.

Christian Bolduc presented on "The Choice of Trademarks, Their Use and Their Management" at the Montreal Chamber of Commerce's World Trade Center division on April 16, 2003.

François Guay and *Sanjay D. Goorachurn* spoke at a conference entitled Negotiating, Drafting and Managing Intellectual Property Licensing Agreements held in Montreal April 16 - 17, 2003.

Christian Bolduc presented at the EDILEX course entitled "Technology Transfer Contracts" in Montreal on April 24, 2003.

Theodore W. Sum presented at the Canadian Airport Purchasing Association Conference on the topic of "Key Issues in IT Agreements," held in Vancouver April 28 - 29, 2003.

Theodore W. Sum co-presented with *Sheldon Burshtein* of Blake, Cassels & Graydon and *James Holloway* of Baker & McKenzie on the topic of "The Intellectual Property Audit: A Case Study," at the IT Canadian Intellectual Property Spring Conference, held in Toronto from May 12 - 13, 2003.

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L. Catherine Eckenswiler spoke at a conference entitled *Creating Value: Strategies for Attracting Investments in Life Sciences*, held in Ottawa on May 15, 2003.

L. Catherine Eckenswiler moderated a panel discussion entitled *Emerging Technologies & Patentability Issues* at the Federal Court Education Seminar co-sponsored by the National Judicial Institute and the Canadian Bar Association on May 16, 2003.

Theodore W. Sum spoke on the issue of "Drafting License Agreements to Maximize Your IP Value" at the Atlas Information Conference on Negotiating and Drafting Major Commercial Agreements and Transactions held in Vancouver from June 9 - 10, 2003.

Theodore W. Sum presented on "The Responsibility to Obtain and Maintain Intellectual Property" at The Canadian Institute's Advanced Course on Negotiating and Drafting Intellectual Property License Agreements held in Vancouver from June 16 - 17, 2003.

Terry N. Kuharchuk presented at the Intellectual Property License Agreements two-day conference

on the topic of "The Obligations of the Licensee" in Vancouver from June 16 - 17, 2003.

François Guay was co-chairman and speaker at The Canadian Institute's *Contrats de licence de Propriété Intellectuelle* seminar in Montreal from June 16 - 17, 2003. At the same event, *Sanjay D. Goorachurn* spoke on "How to Maximize Opportunities to Commercialize IP Assets."

Michael D. Manson was co-chair and presented on the topic of "Parallel Imports and Grey Market Issues" at the Intellectual Property License Agreements seminar hosted by The Canadian Institute in Vancouver from June 16 - 17, 2003.

Gunars A. Gaikis spoke on the "Impact of the Regulatory Environment on Partnering" at the Advanced IP Licensing conference held in Toronto by The Canadian Institute from June 25 - 26, 2003.

Publications

John R. Morrissey, "Personal Property: Who owns an independent consultant's invention?", *Patent World*, April 2003.

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• of the New York Bar also

The preceding is intended as a timely update on Canadian intellectual property law. In order to request a copy of any decision, paper or legislative document, or for more detailed information or suggestions, kindly contact an author of the relevant article, or the Editor, *A. David Morrow*. The contents of our Newsletter are informational only, and do not constitute legal or professional advice. To obtain such advice, please communicate with our offices directly. To be put on the *IP Perspectives* mailing list, or to amend address information, please call (416) 593-5514 (extn. 386).