

**PATENTS**

**TRADEMARKS**

**TECHNOLOGY LAW**

**COMPUTER LAW**

**INTERNET LAW**

**COPYRIGHT**

**DESIGNS**

**LITIGATION**

**LICENSING**

**JUNE 2004 NEWSLETTER**

**This Newsletter does not constitute legal advice.**

### **The Last Roundup Catches Prairie Farmers**

The Supreme Court of Canada last month rendered judgment in *Monsanto Canada Inc. v. Schmeiser*, the first biotech patent infringement action to reach that Court. The patent in suit claimed chimeric genes that confer tolerance in plants carrying the genes to glyphosate herbicides such as Roundup, plant cells containing and plant transformation vectors containing those genes, and methods of producing such cells and plants from such genes. The grain canola containing the patented genes and cells is marketed as "Roundup Ready Canola". The farming appellants grow canola commercially in Saskatchewan. These farmers never purchased Roundup Ready canola nor obtained a licence to plant it. Tests of their 1998 canola crop revealed that over 95% was Roundup Ready Canola. The patentee Monsanto sued the farmers for patent infringement. The trial judge found the patent to be valid and infringed, concluding that the farmers knew or ought to have known that they had saved and planted seed containing the patented gene and cells, and that they had sold the resulting crop also containing the patented gene and cell. The Federal Court of Appeal affirmed the trial decision, and the Supreme Court affirmed on the merits, but denied Monsanto part of the relief claimed on the basis that its damages and the farmers' profits had not been adequately proved.

The Supreme Court observed that "we are not concerned here with the innocent discovery by farmers of 'blow-by' patented plants on their land or in their cultivated fields. Nor are we concerned with the scope of the respondents' patent or the wisdom and social utility of the genetic modification of genes and cells -- a practice authorized by Parliament under the Patent Act and its regulations. Everyone agrees that Monsanto did not claim protection for the genetically modified plant itself, but rather for the genes and the modified cells that make up the plant." This last nuance was essential to a finding by the Court of the validity of the patent, because the Court had previously ruled in the 2003 *Harvard Mouse* case that higher life forms, including plants, are inherently unpatentable. The Court unanimously held in the present case that the genes and cells could properly be patented, and that patentability was not negated by the fact that the cells and genes were essential constituents of

#### **IN THIS ISSUE:**

**Two Decisions of the Supreme Court of Canada**

**One on biotech patent protection and infringement;**

**The other on fair dealing in the context of copyright-protected court decisions**

**The *Patent Act* is modified to permit generic drug makers to export to developing countries**

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for further information.



While higher life forms such as plants and animals cannot be patented, genes and cells in such life forms can be patented, as well as methods of using the genes to transform plants, etc.

Infringing use of a patented product may be inferred from possession of the product by the infringer. The infringer may rebut the inference by proof of absence of intention to gain an advantage from such use.

the plant, observing that “the Court in *Harvard Mouse* noted in *obiter* that a fertilized, genetically altered oncomouse egg would be patentable subject matter, regardless of its ultimate anticipated development into a mouse... Whether or not patent protection for the gene and the cell extends to activities involving the plant is not relevant to the patent's validity. It relates only to the factual circumstances in which infringement will be found to have taken place.”

However, the Court were divided as to the circumstances in which the patent claims would be infringed. In the majority view, the claims could be infringed even though the infringement occurred in the context of plant reproduction, and notwithstanding that the plants including such genes and cells would *per se* be inherently unpatentable. The farmers argued that there could be no infringement involving their cultivation of unpatented and inherently unpatentable plants; the minority of the Court agreed. The Supreme Court majority repudiated those views, ruling that that possession, especially in a commercial context, raised a rebuttable presumption of “use.” On the infringing use issue, the Court concluded as follows:

- 1 "Use" or "exploiter", in their ordinary dictionary meaning, denote utilization with a view to production or advantage.
- 2 The basic principle in determining whether the defendant has "used" a patented invention is whether the inventor has been deprived, in whole or in part, directly or indirectly, of the full enjoyment of the monopoly conferred by the patent.
- 3 If there is a commercial benefit to be derived from the invention, it belongs to the patent holder.
- 4 It is no bar to a finding of infringement that the patented object or process is a part of or composes a broader unpatented structure or process, provided the patented invention is significant or important to the defendant's activities that involve the unpatented structure.
- 5 Possession of a patented object or an object incorporating a patented feature may constitute "use" of the object's stand-by or insurance utility and thus constitute infringement.
- 6 Possession, at least in commercial circumstances, raises a rebuttable presumption of "use".
- 7 While intention is generally irrelevant to determining whether there has been "use" and hence infringement, the absence of intention to employ or gain any advantage from the invention may be relevant to rebutting the presumption of use raised by possession.

The majority view in *Monsanto* is largely consistent with the practice of the Canadian Patent Office, although the Office practice prior to *Monsanto* was not altogether clear about the patentability of plant cells and genes *per se*. The Office had previously specified that higher life forms are not patentable subject matter. However, a process for producing a higher life form may be patentable provided the process requires significant technical intervention by man and is not essentially a natural biological process that occurs according to the laws of nature. Further, the Patent Office, with the implicit approval of the Supreme Court, had agreed that all micro-organisms, yeasts, moulds,

fungi, bacteria, actinomycetes, unicellular algae, cell lines, viruses and protozoa could be patented - in fact, all life forms which are produced en masse as chemical compounds that are prepared and formed in such large numbers that any measurable quantity will possess uniform properties and characteristics. Monsanto now adds to this list of patentable biotech subject-matter plant cells and genes *per se*, and endorses the previous Harvard Mouse finding that genetically altered animal eggs would be patentable. In every case, of course, the usual attributes of patentability, viz novelty, utility, and unobviousness (or inventive step) would have to exist before a patent could be validly granted.

### **Exporting Generic Versions of Patented Drugs to Developing Countries**

On 14 May 2004 a bill allowing generic manufacturers to export patented medicines to developing countries, having previously passed the House of Commons, passed the Senate and was given Royal Assent. Under the new law, incorporated into the Patent Act, Canadian generic pharmaceutical companies may obtain compulsory licenses to permit them to supply generic copies of patented medicines to developing countries that lack satisfactory manufacturing facilities. The purpose of this change in the law is stated in the amending legislation to be “to facilitate access to pharmaceutical products to address public health problems afflicting many developing and least-developed countries, especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics.”

In the bill as originally presented to Parliament, patent owners were given a right of first refusal to supply drugs pursuant to any contract negotiated by a Canadian generic pharmaceutical company with a developing-country recipient. This highly controversial proposal was dropped from the Act as passed. Nevertheless, the Act as passed contains a number of constraints said to have been included at the request of patent-owning pharmaceutical companies. For example, eligibility to supply generic versions of patented medicines is restricted to a list of designated medicines and countries. Non-Governmental organizations are not authorized to act as importers. The new law will be reviewed by Parliament in two years' time.

The amending statute as passed can be viewed at

[http://www.parl.gc.ca/37/3/parlbus/chambus/house/bills/government/C-9/C-9\\_4/C-9-3E.html](http://www.parl.gc.ca/37/3/parlbus/chambus/house/bills/government/C-9/C-9_4/C-9-3E.html)

### **Library photocopying - copyright infringement, or fair dealing?**

Is there such a thing in the developed world as a public library without a photocopier? Everyone knows that such copiers are used to make copies of the whole or part of literary works protected by copyright. When such copies are used essentially for private purposes or even to support some commercial objectives, statutory defences to copyright infringement may exist, some of which defences are referred to in Canada as “fair dealing” and in the U.S. as “fair use”. The Canadian Copyright Act provides in §29 one example of fair dealing (there are others in the Act):

29. Fair dealing for the purpose of research or private study does not infringe copyright.

But where does one draw the line between “research or private study” and use of a copyright-protected work for gain in a business context? The Supreme Court of Canada examined this question in the context of photocopying law case reports in law libraries.

One of the more difficult tasks in the practice of law is effectively accessing legal materials. The revolution in information availability created by the internet has greatly enhanced accessibility. For example, it is now possible to download the latest statutes and statutory instruments from on-line sources. Yet, as to court

decisions, the number of courts and proliferation of decided cases rapidly overwhelm court registries and their ability to publish on-line documents. So a number of private firms produce and sell digests and reports of cases.

The Defendant Law Society of Upper Canada operates the Great Library, which provides a custom request-based photocopy service for Law Society members and other authorized researchers. Under the custom photocopy service, legal materials are reproduced by Great Library staff and delivered to requesters. The Law Society also maintains self-service photocopiers in the Great Library. The photocopies are for the most part used to support the practice of law for profit.

The Plaintiffs. publish law reports and other legal materials. In 1993, the publishers commenced copyright infringement actions against the Law Society, seeking a declaration of subsistence and ownership of copyright in a number of specific works and a declaration that the Law Society had infringed copyright when the Great Library reproduced a copy of any such work. The publishers also sought a permanent injunction prohibiting the Law Society from reproducing any works published by the Plaintiffs. In a unanimous ruling, the Supreme Court of Canada held that the activities of the Great Library and the Law Society of Upper Canada did not infringe the publishers' copyright.

The first question was what if anything was protected by the publishers' copyright - the contents of the judgments *per se*? The headnotes? The case summaries? The Court ruled as follows:

Although headnotes are inspired in large part by the judgment which they summarize and refer to, they are clearly not an identical copy of the reasons. The authors must select specific elements of the decision and can arrange them in numerous different ways. Making these decisions requires the exercise of skill and judgment. ..Thus the headnotes constitute "original" works in which copyright subsists.... For substantially the same reasons as given for headnotes, the case summary is also covered by copyright.

The reported judicial decisions, when properly understood as a compilation of the headnote and the accompanying edited judicial reasons, are "original" works covered by copyright. Copyright protects originality of form or expression. A compilation takes existing material and casts it in a different form. The arranger does not have copyright in the individual components. However, the arranger may have copyright in the form represented by the compilation....[But] the judicial reasons in and of themselves, without the headnotes, are not original works in which the publishers could claim copyright....It is generally in the public interest that access to judicial decisions and other legal resources not be unjustifiably restrained.

As of 14 May 2004, the *Patent Act* was amended to permit generic drug makers to obtain compulsory licences under patents for drugs in order to export the drugs to developing countries lacking manufacturing facilities.

While for reasons of policy, court judgments are not copyright-protected, the compilation of such judgments along with original headnotes and case summaries can be protected by copyright.

The next question was whether the Defendants were entitled to a “fair dealing” defence under §29 of the Act. This raised the meaning of “research” in §29, on which the Court ruled as follows:

"Research" must be given a large and liberal interpretation in order to ensure that users' rights are not unduly constrained...research is not limited to non-commercial or private contexts....[r]esearch for the purpose of advising clients, giving opinions, arguing cases, preparing briefs and factums is nonetheless research". Lawyers carrying on the business of law for profit are conducting research within the meaning of s.29 of the Copyright Act.

But finding that the impugned activity constituted research was not the end of the story. The Defendants had to prove that the research in the factual context constituted “fair dealing”. This question was treated by the Court as essentially a question of fact:

It is impossible to define what is 'fair dealing'. It must be a question of degree... As with fair comment in the law of libel, so with fair dealing in the law of copyright. The tribunal of fact must decide.

The Court recommended that the following factors be considered in assessing whether a dealing was fair, while conceding that all of the factors would not arise in every case:

(1) the purpose of the dealing; (2) the character of the dealing; (3) the amount of the dealing; (4) alternatives to the dealing; (5) the nature of the work; and (6) the effect of the dealing on the work.

In the case at bar, the Court found that the dealing was fair, pointing out that

The reproduction of legal works is for the purpose of research in that it is an essential element of the legal research process. There is no other purpose for the copying; the Law Society does not profit from this service. Put simply, its custom photocopy service helps to ensure that legal professionals in Ontario can access the materials necessary to conduct the research required to carry on the practice of law. In sum, the Law Society's custom photocopy service is an integral part of the legal research process, an allowable purpose under s. 29 of the Copyright Act.

The remaining question, one that could be of importance in relation to music copying also, was whether the Defendants were liable because they made their photocopying equipment available to users who might in the course of such use infringe the publishers' copyright. The Court ruled as follows on this issue:

...a person does not authorize copyright infringement by authorizing the mere use of equipment (such as photocopiers) that could be used to infringe copyright. In fact, courts should presume that a person who authorizes an activity does so only so far as it is in accordance with the law. ....even if there were evidence of the photocopiers

A law library making photocopiers and photocopying services available to lawyers does not infringe copyright, in part by reason of the “fair dealing” defence under the *Copyright Act*.

The Defendants were not liable for making available their photocopiers to persons who might use the equipment to infringe the Plaintiffs' copyright. This has possible implications for suppliers of music and video recording devices.

having been used to infringe copyright, the Law Society lacks sufficient control over the Great Library's patrons to permit the conclusion that it sanctioned, approved or countenanced the infringement. The Law Society and Great Library patrons are not in a master-servant or employer-employee relationship such that the Law Society can be said to exercise control over the patrons who might commit infringement.

The publishers established the important point that their published case reports are protected by copyright. But they lost the war against law libraries.

### **The Canadian Patent and Trademark Profession — A Self-Governing Profession?**

The Intellectual Property Institute of Canada (IPIC) has submitted to the Government of Canada a proposal that the Canadian patent and trademark profession comprising registered patent and trademark agents, whether or not they are also lawyers, should be self-governing and self-regulated. According to the proposal, a new College would be established (similar in concept to the College of Physicians and Surgeons) for the profession, which would adopt by-laws and a Code of Ethics suitable for the profession, and would be responsible for the admission of new members and the discipline of its members. At present, the Commissioner of Patents and the Registrar of Trade-marks have most of these responsibilities, but apart from maintaining registers of patent and trademark agents, and jointly with IPIC sets annual examinations for the qualification of individuals to apply for listing on the registers, largely refrain from any other activity relative to the profession.

A potential stumbling block is the IPIC demand for the right of evidentiary privilege for communications between patent and trademark agents and their clients. Such communications in at least some circumstances are now privileged if the agent is working under the direction of a lawyer, but enjoy no general privilege. The legal profession has objected to extending privilege to non-lawyer agents. The next step is up to the Canadian Government.

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The Government is weighing a proposal that the Canadian patent and trademark profession be self-governing and that privilege extend to agent-client communications. Law societies oppose the latter suggestion.

**BARRIGAR  
INTELLECTUAL  
PROPERTY LAW**  
Barristers and Solicitors  
Registered Patent  
and Trademark Agents

[email@barrigar.com](mailto:email@barrigar.com)

[www.barrigar.com](http://www.barrigar.com)

Suite 1500, 601 West Hasting s Street  
Vancouver, B.C. V6B 5A6  
(604) 689-9255  
Fax (604) 689-9265

Suite 290, 1675 Douglas Street  
Victoria, B.C. V8W 2G5  
(250) 389-0387  
(250) 389-2659