

This Newsletter does not constitute legal advice.

New Legislation

Most of you will be aware that Parliament modified the *Patent Act* effective 1 August 2001 to bring the *Patent Act* into conformity with the World Trade Organization (WTO) Agreement. The WTO had previously ruled that Canada's term of protection for certain patents (mostly pharmaceutical patents) was inconsistent with the Agreement. As a result of the amendatory legislation, unexpired patents with terms of less than 20 years, counted from the date of filing in Canada, are automatically extended to a full 20-year term.

An Intellectual Property Improvement Bill to be introduced in the near future is expected to implement the Patent Law Treaty that Canada signed in May 2001. Details are not yet available.

The Bill is also expected to implement the Trademark Law Treaty, revamp opposition procedure and to bring application procedure more into conformity with international norms. Among general improvements relating to trademark application practice, some of which will implement the Trademark Law Treaty, the following are under review:

1. Change the term from 15 to 10 years.
2. Delete the requirement for a certified copy of the foreign registration where the Canadian application is based on registration in another country of the Union.
3. Require applicants to group and number

wares and services in accordance with the NICE classification system.

4. Permit applicants to divide applications - e.g., allow an application to proceed to registration for some wares or services while others may be subject to opposition.
5. Permit applicants to combine two or more applications into one.
6. Delete current preferential treatment for foreign applicants with respect to surname and descriptiveness objections (see §14 of the *Trade-marks Act*).
9. Remove limitations on the transfer of associated trademarks (see §15 of the *Trade-marks Act*).
10. Provide that a trade-mark applicant can overcome an Office objection of confusion with a prior trademark by filing a consent from the owner of the prior mark.
11. Allow certification marks to be filed on the basis of proposed use.

Money Laundering

Canada has enacted anti-money laundering legislation that may have an impact on all Canadian law firms, including those practising intellectual property law. Law firms now have a duty to record and report to a new Federal agency suspicious financial transactions that come to their attention. There is a concomitant duty not to report any such suspicion to a client or anyone else. In early 2002 this duty is expected to be expanded to require the reporting of all cash transactions in excess of \$10,000 and cash transactions occurring in rapid sequence. Of particular concern to intellectual property firms will be an obligation to report (again beginning sometime in 2002) specified cross-border currency and monetary instrument

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New Professional Staff

See our website www.barrigar.com for further information.



**Barristers and Solicitors
Registered Patent and Trademark Agents**

Will money laundering legislation catch payments between i.p. practitioners in Canada and those in other countries?

Your client claims Canadian small-entity status at its peril. An erroneous claim could invalidate the patent.

transactions. It is conceivable that unless the applicable regulations are carefully drawn, caught in the legislation would be routine fees/disbursement payments as between Canadian intellectual property practitioners and those in other countries. We'll keep you posted if a problem surfaces.

The Fatal Risk of an Improper Claim to Small-Entity Status

As you no doubt know, the test for small-entity status is different in Canada from the test used in the U.S. Under Canadian practice, a small entity is an individual, a university, or an entity employing no more than 50 people. Further, any such entity must not have transferred or licensed, or be under an obligation to transfer or license, any right in the invention to an entity not qualifying for small-entity status. So relatively few corporations qualify for small-entity status.

In a widely reported recent decision, *Dutch Industries v. Commissioner of Patents*, the Federal Court of Canada held that if a patentee had underpaid official fees (in this case, maintenance fees) as a small entity when the patentee was not properly entitled to claim such status, no mechanism was available for the patentee to cure the problem retroactively beyond the prescribed grace period for paying official fees late. After that grace period had elapsed, the patent lapsed and could not be revived.

The Canadian Intellectual Property Office has issued the following notice:

CIPO will not accept any corrective payments which are submitted after a due date, unless the appropriate actions are taken as required by legislation, e.g., a reinstatement or late fee in the correct amount is submitted within the prescribed period. This applies to all corrective payments, whether they are submitted to compensate for incorrectly having paid small entity fees, for submitting less than the required fee, for having sent an NSF cheque, for rejected credit card transactions or because of a lack of funds in a deposit account.

Since official fees in Canada are low, a number of Canadian practitioners have reportedly opted not to claim small-entity status for any applicant whomever, since a detailed enquiry into the matter would cost the client more than any saving from paying official fees at the lower rate. We are endeavouring to be somewhat flexible about the problem, but encourage you either to instruct us to pay all official fees on a large-entity basis, or to quiz your clients carefully to make sure that their representations to you about Canadian small-entity status are accurate, and further encourage you to make your clients fully aware of the risk that improper claiming of small-entity status could cause loss of your clients' Canadian patents.

Patent Invalidity by Prior Sale by the Patentee

Before the radical legislative changes effected in 1989, the Canadian *Patent Act* stated that for a patent to be valid for any given invention, the invention must not have been "in public use or on sale in Canada for more than two years prior to" the filing of the patent application in Canada. The current law differs in that the two-year grace period has been shortened to one year, there is no reference to prior sale as such, and instead the *Act* requires that the invention "must not have been disclosed more than one year before the filing date by the applicant, or by a person who obtained knowledge, directly or indirectly, from the applicant, in such a manner that the subject-matter became available to the public in Canada or elsewhere".

Two questions arise: (1) Is a prior sale by the patentee of a product embodying the invention, more than a year before the Canadian filing date, an inherent statutory bar to the patent application? (2) If "no", then what else is necessary to generate such statutory bar? The first question was answered "no" by the Federal Court of Canada in the recent case *Baker Petrolite v. Canwell Enviro-Industries*. As to the second question, the Court ruled that a skilled person inspecting the

sold product would have to be able to learn enough about the product to be able to reproduce the invention, in order for the prior sale to invalidate the patent. The implications are troublesome. But first, a brief review of the facts:

The patentee, for “sweetening” sulphur-containing hydrocarbons, had formulated and patented a novel selection of the reaction products of specified classes of starting materials. The principal reaction product was known as triazine. A commercial product containing triazine for the intended purpose, that had been formulated based on information and samples provided by the named inventor of the patented invention, was placed on sale more than a year prior to the filing of the patent application, and was found by the Court to have been “for all intents and purposes the invention described in the Patent in suit”. However, there was a dispute as to whether the placing of this product on sale constituted a disclosure such that the subject-matter became available to the public.

In particular, there was conflicting expert evidence on the question whether, given the prevailing technology at the time, the product sold was capable of being analyzed and reproduced. The plaintiff patentee’s expert said that in his opinion, a skilled chemist would not have been able to determine the composition of the product sold, nor its starting materials. Not surprisingly, the defendant’s expert said the exact opposite. Relying upon prior case law holding that “when prior knowledge or use is alleged, evidence of this character should be subjected to the closest scrutiny” and “anyone claiming anticipation on that basis assumes a weighty burden”, the Court sided with the plaintiff’s expert, and held that the invention, even though sold and available to the public for more than a year prior to the filing of the patent application, had not been disclosed so as to

make the invention available to the public. Without analyzing the point in detail, the Court appeared to have required an understanding of the invention, its composition and perhaps how it is made, as implicit in the statutory wording “disclosed...in such a manner that the subject-matter became available to the public”.

What are the implications? Could the patentee have waited until available analytical technology had enabled the sold product to be accurately analyzed as to starting materials and chemical composition, and then waited another 11 months to file a patent application so as to fall within the 12-month grace period, and started the patent term running several years after products embodying the invention had been placed on sale? Suppose it were to take 20 years from the time of first sale of the product to the time at which such analytical technology had matured to the required level of expertise. Then the patentee could have had a 20-year period of exclusive use (since competitors could not replicate the product) followed by the statutory patent term of another 20 years, or 40 years altogether of exclusive use. Is this what the drafters of the statute intended?

Our best guess: Either the case will be reversed by the Federal Court of Appeal either directly or in another case, or else Parliament will amend the *Patent Act* to provide specifically that prior sale and prior public use start the clock running, and the patentee will have to place a patent application on file no more than 12 months later.

Terrorist Attack on America

This is not the sort of subject that one normally sees discussed in a professional newsletter. But these are not normal times. We thought that you might perhaps be interested in reading a Canadian perspective on the events and aftermath of the infamous Sep-

Prior sale of an article embodying the invention more than a year before the filing date of the Canadian patent application may not invalidate the patent, if inspection of the article would not result in enough knowledge to enable its reproduction.

tember 11th terrorist attack on America.

Canadians have expressed their sympathy to their American friends both officially and unofficially. Our firm joins in that expression of sympathy. One of our firm blessed of voice, Jennifer McGraw, sang in the Christ Church Cathedral choir at a service of mourning held in Vancouver on 14 September. Similar such services were held all across Canada.

In the best-selling Canadian newsmagazine, *Maclean's*, appeared this expression of the Canadian reaction:

Canadians died at the World Trade Center too. We're all North Americans, sharing an 8,891-km border, the Rockies and Great Lakes, an immigrant history, TV and movies, a love of sport, a mountain of trade - and a passionate commitment to democracy and peace.

We echo those sentiments. Since the terrorist attacks, Canada has enacted anti-terrorist legislation, revised its immigration and border control procedures, and sent overseas the largest number of troops, aircraft and naval vessels at any time since the Korean War. America and the rest of the civilized world can count on Canada.

Of course, Canada is no more monolithic in national character than is America. One of the strengths of both our countries is the freedom to express one's opinion, however wrong it may be. Many on both sides of the border have expressed concern about the need to apply the lessons of history, the need for a domestically and internationally consistent policy on human rights, the need to minimize further loss of life, and the consequent need for prudence in implementing anti-terrorist action. The difficulty that we all face is that rational discourse and the conventional institutions of justice and redress that work tolerably well in a world of thoughtful, caring people do not take us very far against those who are fanati-

cally resolute in their intolerance of our society and our people, and fanatic in their wish to inflict on us as much destruction and suffering as possible.

As the old saying goes, we live in interesting times. As this Newsletter goes to press, the Taliban appear to be on the run; gratifying news to most Afghans as well as the democratic world.

New Personnel

We welcome **Johannes Schenk** to our firm. Having earned a B.Sc. in microbiology and an M.Sc. in pharmacology prior to qualifying in law, he practised in Alberta before joining our firm. He has years of litigation experience and will help us with our litigation workload as well as our biotech practice.

Our biotech practice continues to expand; we shall be welcoming in January yet another biotech practitioner, who will be transferring to us from another prominent intellectual property firm in Ontario. This individual has a Ph.D. and useful academic and R&D credits as well as practical patent experience.

Fee Schedule to Associates

Our new Fee Schedule is available; it may accompany this Newsletter. We are pleased to report that many of our fees are unchanged since our previous Schedule was published over a year ago. We have tried to control the upward pressure on fees caused primarily by remarkable increases in professional salaries in the past few years. Canadian fees remain among the lowest in the developed world.

As an innovation, we offer a **fee reduction** if you send the data for a filing or an amendment to us electronically (preferably encrypted if sent by e-mail).

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Our firm welcomes new staff member Johannes Schenk, biographical details at left. Johannes is fluent in German, a possible advantage to our German-speaking professional colleagues.

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