



By Andrew M. Shaughnessy

Canadians have oft been viewed internationally as friendly, agreeable and deferential – a strong, proud nation of peacekeepers. In 2003, the United Kingdom’s Spectator magazine ran an article by Paul Robinson, a lecturer at the University of Hull, who made the following comment:

Britons should look to Canada for an example of civilised 21st-century living. There they will find a state which is unafraid of preserving its sovereignty in the face of enormous pressure to integrate with its gigantic neighbour; a state which is prepared to fight when fighting is needed, but which also knows how to make peace when peace is called for; a society which combines prosperity and opportunity for the individual with socialized medicine, a successful system of public education, and far-sighted subsidies to the arts and cultural groups. Canada really is the best place in the world

While Canadians will certainly applaud any praise bestowed upon them, the average Canadian is relatively modest and temperate. The typical Canadian is happy to eschew the pizzazz associated with being in the limelight – and perhaps happy to avoid the limelight altogether. By way of illustration, contrast the societal goals of Canadians, as set out in this nation’s Constitution – “peace, order and good government” – with those of, say, the United States of America as proclaimed in the Declaration of Independence – “life, liberty and the pursuit of happiness.” Peace, order and good government, or “pogg” as it is sometimes referred to, may seem a bit dull in comparison, as would a beaver, a Canadian emblem, when compared to the bald eagle soaring in the land to our south. But, industrialized world be aware, a new beaver is on the prowl. Canada, a trading nation since the days of its infancy, is no longer prepared to sit back and take what the world gives it. Canada is moving forward, particularly in the area of patent law. Those who wish to invest in Canada should be aware that the Canadian public, as expressed through the voice of its courts, is enhancing vigilance over the patent system, leaving many to wonder whether Canada really is the best place in the world for inventors and those who commercially exploit inventions.

Twenty-five years ago, patentees prevailed in patent litigation about 60% percent of the time. Canada was perceived as a patent-friendly jurisdiction with a strong patent system that yielded strong patents. Even though it was fairly easy to wash away the presumption of validity associated with issued patents, the legal hurdles to invalidate a patent were high. The test for anticipation (i.e., a lack of novelty) was strictly applied. The test for obviousness (i.e., lack of inventive step) was described as being a “very difficult test to satisfy.” The test for utility could be satisfied, in some instances, by showing a “mere scintilla” of utility. Formal attacks, such as ambiguity and sufficiency of disclosure (i.e., what is required in the four corners of the patent document) were viewed as technical attacks that should only rarely be applied. Generally speaking, the courts exhibited “judicial anxiety” to support really useful inventions.

At the advent of the second decade of the new millennium, judicial anxiety has transformed, with all due respect to our courts, into judicial activism. The treatment of patents by the courts is changing. It

is no longer the judges who are anxious. It is the users of our patent system. To help understand the reasons behind this anxiety, this article serves to identify a number of areas in which the law and procedures have changed.

The bargain principle. Our courts have embraced the notion that a patent is a bargain with the public. In exchange for a time-limited period of exclusivity, a patentee is to disclose an invention. This disclosure – the quid pro quo for the patent grant – has been described as the hard coinage that must be paid to justify the patent. This hard coinage must be paid not only on the traditional substantive heads of validity – novelty, inventive step and utility – but also in terms of the more formal aspects of the process of obtaining a patent. While the Canadian public is prepared to pay the cost of a patent, Canadian courts will be ready to act if the Canadian public is being shortchanged.

Anticipation. Anticipation is an attack that claims that your invention was already known. It used to be the case that a prior use or publication had to disclose the exact invention – a planting of the flag at the precise location of the invention. A court could not, in law, say that a prior disclosure was “close enough” to the invention to invalidate the patent. The Supreme Court of Canada recently modified the strictness of the test for anticipation. Although the new test remains relatively strict, it is possible now for close references to be considered anticipatory.

Obviousness. Obviousness is an attack that your idea lacked inventiveness – that a person of ordinary skill would have found it or pieced it together from information in the public domain. The test for obviousness has also recently been modified in Canada. Those who litigate patents on behalf of patentees describe the modification as a “tweak”. Those who attack patents see it as an attempt to water down what was previously a very strict law and bring it more in line with the other major common law jurisdictions. Regardless of who is correct, one can now lead evidence that it would have been “obvious to try” to obtain an invention based on the state of the art. As part of this process, the court will want to hear the invention story to understand the nature and amount of work that led to the invention. It used to be the case that you could run a patent case without leading the evidence of the inventor. While you probably still can, the modern court appears to want to hear from the inventor, not the lawyer.

Utility. Patents are issued for inventions that work. Ideally, the patent should disclose subject matter that has been demonstrated to work. But many patents claim subject matter that has neither been made nor tested. This is fine, provided that, for the subject matter that has not been demonstrated to work, one can soundly predict that it will work. The area of “sound prediction” is relatively new and has developed to require the disclosure of two elements: one, disclosure of the factual basis upon which one could infer that the untested matter would work; two, disclosure of an articulable line of reasoning upon which the inference is based. “Tell us that you are guessing,” is the point. This specific disclosure requirement has been used to try to expand the disclosure requirement in the case of demonstrated utility. Historically, data demonstrating the utility of the invention were not included within the four corners of the patent document. But, those who attack patents have asked the court to question why this practice exists. Why should a patent document be silent if the inventor has data to show that the patent will work, when the inventor has an obligation to disclose when he is guessing? This argument is amplified when lab notebooks and research reports are rolled out to demonstrate utility: “Why hide your light under a bushel? When you are guessing, you have to disclose. Why not disclose it when you had the data to give?” In a system premised on the idea that disclosure is the patentee’s end of the bargain, the courts are increasingly showing discomfort with historical arguments.

Sufficiency. The sufficiency issue has been described as “filling in the form.” The law has always and only required a patent document to include sufficient information to permit skilled readers to answer two questions: one, what is the invention? two, how does it work? However, the bargain principle has focused on the disclosure as the quid (the disclosure of the invention to the public), which is given in exchange for the quo (the time-limited period of exclusivity). If the purpose of the patent document is to put the skilled reader in the same position as the patentee to make use of the invention, the words of the patent document should tell the public everything about it so that the public can enjoy the same successful use as the patentee. That is the argument raised when data are not included in a patent. This argument is in a state of flux, which is a concern to those who draft patents in Canada.

Deemed abandonment. In the late 1990s, our law changed to permit a patent to be voided if certain statutory steps were not satisfactorily completed, such as failing to pay the correct statutory fee or failing to respond in “good faith” to a patent examiner’s requisition for prior art. The effect of these statutory changes has been drastic, but is justified on the basis that an applicant for a patent in Canada has a duty to act in good faith. Statements made to the patent examiner are adjudicated on the basis of an “utmost good faith” standard. A lack of response, even on one of many points, and even if by accident, can constitute a lack of good faith. The circumstances of a case may also require the Canadian patent agent to testify. Efficiency and brevity, once the hallmarks of patent agency practice, may no longer be enough. Minor misstatements are no longer tolerated. Accuracy is paramount.

Retrospectivity is irrelevant. These new legal requirements are, in the main, being applied to patents that were written many years ago, when the law may have been very different. For example, a patent written 20 years ago would not contain data demonstrating utility. Is it fair to attack this (arguable) shortcoming now? The courts are unsure whether to be sympathetic to this argument (which is why the law is in flux). The concern stems from the bargain principle: if a court is of the view that something that could have been done was not done, it will be concerned that the Canadian public has been shortchanged.

New processes. The courts are also concerned about patent litigation clogging the courts. How do you deal with this? Either streamline the process, or minimize the number of patents. On this latter point, if one is of the view that there are too many patents, the solution is to permit fewer patents. Take this tougher view and perhaps fewer patents of higher quality will be issued. Nobody has expressed that sentiment, but it is an obvious consequence of changing law. As for streamlining the procedures used in adjudication, that process is well underway. Canada’s Federal Court is open for business and actively engaged in a number of projects aimed at moving cases along. These include

- active case management to force patent cases to trial in 18 to 24 months;
- enhanced use of experts, including the “hot-tubbing” of expert witnesses – that is, putting the experts together in a room to see where the differences lie; and
- limitations on discovery.

A senior Canadian patent litigator quipped: “Why does it take Canadian judges so long to write decisions in patent cases?” The answer: “Because they have to wait for the trial to finish.”

Speedy justice is a welcome goal for most litigators. But if speedy justice means the erosion of a body of substantive law that is out of step with the law of our major trading partners, one must wonder whether we, in Canada, are moving forward too fast. Quick justice can be rough justice. And just as bad facts make bad law, a lack of procedural fairness can beget unfortunate results.

The counterpoint is that perhaps all of this is necessary to stem the tide of what is perceived to be a flood of bad patents. Systems of law are adaptable, as are court systems and procedures. When it comes to patents, adaptations will be made if the Canadian public feels it is being shortchanged. The Canadian public will pay for strong patents. But patents must be paid for – or the beaver will want its pelt back. Harken the roar of the beaver. **T**