Applying for a patent

Patentability

What are the criteria for patentability in your jurisdiction?

In Canada, in order to be patentable an invention must be novel, useful and unobvious. In other words, the invention must:

- not have been previously disclosed anywhere in the world;
- be functional and operative;
- show inventive ingenuity; and
- not be obvious to someone skilled in the art (Sections 2, 28.2 and 28.3 of the Patent Act, RSC 1985, c P-4).

What are the limits on patentability?

Statutory limits on inventions

Similar to other jurisdictions (e.g., the United States), Section 27(8) of the Patent Act provides that "no patent shall issue for any mere scientific principle or abstract theorem". The purpose of this preclusion is to separate disembodied inventions that attempt to monopolise natural phenomena or scientific laws from practical applications of such principles (David Vaver, Intellectual Property Law: Copyright, Patents, Trademarks, 2nd ed (Toronto: Irwin Law, 2011) at 308. Also see Canadian Intellectual Property Office, Practice Guidance Following the Amazon FCA Decision (Ottawa: Industry Canada, 2013)). Section 27(8) of the Patent Act encompasses, among other things:
• mere discoveries of nature;
• mathematical formulas;
• laws of nature; and
• purely mental operations (Vaver at 308. Also see Canadian Intellectual Property Office (CIPO), Manual of Patent Office Practice, December 2009 update (Ottawa: Industry Canada, 1998) at 12.05.01)).

The difficulty in distinguishing between patentable and non-patentable subject matter using Section 27(8) is illustrated by the courts' hesitation in many instances to invoke its use (Bruce Stratton, Annotated Patent Act (Toronto: Carswell, 2009) at Section 27(8)).

Time limits on granted patents
In Canada, patents are granted for a 20-year period from the date of filing (Section 44 of the Patent Act). Although patent term extensions do not exist in Canada, the Canada and European Union Comprehensive Economic and Trade Agreement is expected to introduce two-year extensions for drug patents, subject to government delays in approving drugs for patient use (John Norman and Monique M Couture, "CETA: Impact on Canada's IP Regime").

To what extent can inventions covering software be patented?

The Patent Act does not include the terms 'computer' or 'software' (or any equivalent wording); as such, as with any other invention, software must meet the general requirements for patentability outlined in Sections 2, 28.2 and 28.3 of the Patent Act. The issue of software patentability in Canada was recently examined in Canada (Attorney General) v Amazon.com Inc (2011 FCA 328, 2 FCR 459). Amazon had been refused a patent for software that stored customer information to expedite future purchases (Amazon.com at Paragraph 14). Although the Federal Court ruled that the claims constituted patentable subject matter, the Federal Court of Appeal did not affirm this ruling. On re-examination, the commissioner of patents allowed the claims and granted the patent (Method and System for Placing a Purchase Order via a Communications Network, Patent 2246933, (September 11 1998)).

Following Amazon.com, the Patent Office issued new patent examination guidelines for computer-implemented inventions. Specifically, the office stated that a purposive construction is needed to determine whether a computer is an essential element of the claims, thus distinguishing legitimate claims from disembodied inventions prohibited by Section 27(8) of the Patent Act (Canadian Intellectual Property Office, "Examination
Hundreds of patents pertaining to computer-implemented inventions have been issued by the Patent Office since Amazon.com. Nonetheless, no bright-line test exists for determining whether a claim directed at software or a computer-implemented business method will be found to constitute patentable subject matter.

To what extent can inventions covering business methods be patented?

Traditionally, business methods did not constitute patentable subject matter in Canada (Vaver at 309). In Amazon.com the court held that the commissioner should undertake a purposive construction of the claims at issue "with a mind open to the possibility that a novel business method may be an essential element of a valid patent claim" (Amazon.com at Paragraph 63). The court confirmed that no conclusive Canadian jurisprudence dictates that business methods cannot be patented.

Prospectively, for a business method to be patentable, it must comprise a practical application. Methods which rely solely on the presence of a computer program to implement the methodology in order to provide the necessary practical application may not be patentable. Instead, it is more likely that a business method that will be found patentable when it is "not the whole invention but only one of a number of essential elements in a novel combination" (Amazon.com at Paragraph 63).

To what extent can inventions relating to stem cells be patented?

The Patent Office takes the position that stem cells with limited developmental potential are patentable under Section 2 of the Patent Act. This category can include embryonic, multipotent and pluripotent stem cells. Totipotent stem cells - which have the potential to differentiate into a complete organism - are not patentable (Canadian Intellectual Property Office, "Office Practice Regarding Fertilized Eggs, Stem Cells, Organs and Tissues", Patent Notices (June 20 2006)).

Are there restrictions on any other kinds of invention?

In addition to the statutory bar on patenting scientific principles and abstract theorems, common law restrictions on patentability also exist (Canadian Intellectual Property Office,
"Examination Practice Respecting Computer-Implemented Inventions" (Ottawa: Industry, 2013). Also see Canadian Intellectual Property Office, "Examination Practice Respecting Purposive Construction" (Ottawa: Industry Canada, 2013)). These restrictions have all been found to fall outside the Patent Act's definition of 'invention' and include the following:

- methods of medical treatment (Tennessee Eastman Co v Commissioner of Patents (1972), [1974] SCR 111);
- professional skills (Lawson v Canada (Commissioner of Patents), [1970] Ex CJ 13, 62 CPR 101).
- fine arts (things "inventive only in an artistic or aesthetic sense") (Amazon.com);
- disembodied inventions lacking a method of practical application (Shell Oil Co v Commissioner of Patents, [1982] 2 SCR 536, 67 CPR (2d) 1 at 554); and
- higher life forms (Harvard College v Canada (Commissioner of Patents), 2002 SCC 76).

Grace period

Does your jurisdiction have a grace period? If so, how does it work?

In Canada, relative novelty is governed by Section 28.2(1)(a) of the Patent Act. This provision holds that the claimed invention in a patent application must not have been disclosed to the public in Canada or elsewhere more than a year before the patent's filing date by the applicant or someone that obtained knowledge of the invention from the applicant. Section 28.3, which governs obviousness, contains an analogous provision. Consequently, Canadian applicants benefit from a one-year grace period for disclosures relating to their claimed invention.

Since the grace period provision relates only to public disclosures, information shared under non-disclosure agreements will not affect the one-year grace period (Vaver at 321). Moreover, the one-year grace period runs from the date of filing, not the priority date. With respect to Patent Cooperation Treaty (PCT) applications, the Canadian national phase filing date is deemed to be the PCT international filing date (Gowling Lafleur Henderson LLP, Intellectual Property - "Doing Business in Canada" (August 5 2015)).

Oppositions

What types of patent opposition procedure are available in your jurisdiction?

In Canada, there is limited opportunity for one party to oppose the granting of another
Apart from oppositions, are there any other ways to challenge a patent outside the courts?

Section 34.1 of the Patent Act provides that any person may file prior art (e.g., patents, applications for patents open to public inspection and printed publications) which it believes has a bearing on the patentability of any claim in a patent application. These submissions may be made during prosecution of an application or after an application has been granted.

How can patent office decisions be appealed in your jurisdiction?

Applicants can appeal a final objection from an examiner to the commissioner through the Patent Appeal Board, which is composed of senior Patent Office officials. If an initial appeal is unsuccessful, applicants may further appeal to the Federal Court.

**Timescale and costs**

How long should an applicant expect to wait before being granted a patent and what level of cost should it budget for?

Initial examination results on a patent application will generally be issued two to three years from the date of requesting examination. Depending on the patent’s subject matter, it will typically take three years or less to reach disposition - either issuance or final rejection. This process can be accelerated in cases of expedited prosecution, where a patent may be granted in between six months and one year.

In order to obtain or maintain a Canadian patent, three types of CIPO fees must be paid:

- filing fees ($400);
- examination fees ($800); and
- grant of patent fees ($300).

These charges can be discounted if the applicant qualifies as a small entity or if the application has been the subject of an international search by the commissioner.

Once filed, patents are also subject to maintenance fees, which are paid annually...
commencing on the second anniversary of the filing date and continue for the duration of the patent term. IP Office fees vary based on the specific anniversary year of the patent application (between $100 and $450). If the applicant qualifies as a small entity, a discount may be applied.

**Enforcement through the courts**

**Strategy**

What are the most effective ways for a patent owner to enforce its rights in your jurisdiction?

Patent owners' rights are generally enforced through proceedings before the Federal Court. While the provincial courts have concurrent jurisdiction to enforce IP rights, the Federal Court's countrywide jurisdiction allows it to grant an injunction throughout Canada in a single proceeding. Over 95% of IP cases are brought in the Federal Court.

Successful plaintiffs are generally entitled to damages, permanent injunctions and some of their legal expenses. While Canadian courts may grant interlocutory injunctions, these are rarely granted in patent matters.

What scope is there for forum selection?

For cases involving infringement, the claimant may choose to bring an action in either a provincial court of the province in which the alleged infringement occurred or the Federal Court (Section 54 of the Patent Act). The Federal Court is often preferred over provincial courts because of its countrywide jurisdiction. In addition, Federal Court judges are generally more experienced in IP litigation (Vaver at 608).

Actions involving the amendment or invalidation of a patent must be brought in the Federal Court. This is also true in cases involving judicial review of IP Office decisions (Vaver at 608).

If the claimant elects to bring an action in a provincial court, the superior court is usually chosen. Provincial courts can pass judgment on the state of patent rights between litigating parties but they cannot alter or invalidate a patent (Vaver at 609).

**Pre-trial**
What are the stages in the litigation process leading up to a full trial?

In general, patent litigation is commenced with an exchange of pleadings. The party initiating the action files a statement of claim on the opposing party. In response, the opposing party files a statement of defence and may also elect to file a counterclaim concurrently (Article VII Pretrial motions, discovery and Examinations). All pleadings must contain a statement of material facts on which the party’s claim or defence rests (Federal Court Rules, SOR/98-106, Section 174; Rules of Civil Procedure, RRO 1990, Reg 194 (RCP), Section 25.06(1)).

Once the parties exchange pleadings, the dispute enters the discovery stage. This begins with each party identifying and disclosing any documents relevant to the action (Federal Court Rules, Section 222(2); Rules of Civil Procedure, Section 30.02(1)). Documents are exchanged by the parties in the form of an affidavit of documents, which lists all the documents that have been produced and explains why certain documents have not been produced (Federal Court Rules, Section 223; Rules of Civil Procedure, Section 30.03).

After the relevant documents have been exchanged, oral discoveries are performed (Federal Court Rules, Section 236; Rules of Civil Procedure, Section 31.03(1)). When a corporation is the subject of a discovery, an individual is examined on the corporation’s behalf (Federal Court Rules, Section 237(1); Rules of Civil Procedure, Section 31.03(2)). In many patent cases, parties may also use expert evidence (Federal Court Rules, Section 279; Rules of Civil Procedure, Section 31.06(3)).

How easy is it for defendants to delay proceedings and how can plaintiffs prevent them from doing so?

Case management strategies at both the provincial courts (Federal Court Rules, Sections 77.01-77.09) and the Federal Court (Federal Court Rules, Section 38) make it difficult for a party to delay proceedings unduly without just cause (Michael Crichton and Kiernan A Murphy, "Federal Court Introduces New Measures to Streamline IP Litigation"). The case management judge can set a fixed completion time for any step in the pre-trial proceedings (Federal Court Rules, Section 385(1); Rules of Civil Procedure, Section 77.04). If a plaintiff believes that a defendant is attempting to delay proceedings in bad faith, it may communicate its grievances to the case management judge, who may in turn conduct any dispute resolution deemed appropriate (Federal Court Rules, Section 385(1) (c); Rules of Civil Procedure, Section 77.04).
How might a party challenge the validity of a patent through the courts in anticipation of a potential suit for infringement being issued against it?

In infringement proceedings, it is common for a defendant to challenge the validity of the patent at issue. If a defendant pursues this avenue of defence, it may plead any matter under the Patent Act or any law capable of rendering the patent void or unenforceable (Section 59 of the Patent Act). Possible attacks on a patent's validity include:

- lack of novelty;
- insufficient disclosure;
- double-patenting; and
- obviousness.

In accordance with Section 42(3) of the Patent Act, all granted patents benefit from a presumption of validity. Section 23 states that in order to rebut this presumption, a defendant must adduce sufficient evidence to establish its case on the balance of probabilities.

In addition to challenging a patent's validity, Section 48.1 of the Patent Act provides that any person can request the re-examination of one or more claims of an issued patent by filing prior art with the patent commissioner and paying a fee. If the claim(s) is found to be non-novel or obvious, it will be rendered invalid (Newco Tank Corp v Attorney General of Canada, 2015 FCA 47).

**At trial**

What level of expertise can a patent owner expect from the courts?

The Federal Court has in-depth knowledge of the substantive and procedural aspects of patent litigation. It has exclusive jurisdiction to hear cases regarding conflicting patent applications and the impeachment of a patent. Several judges appointed to the bench are designated experts in this area of law.

Are cases decided by one judge, a panel of judges or a jury?

Trials are decided by a single judge of the Federal Court. Juries were once used to determine issues of fact, but this practice has been suspended.
If jury trials do exist, what is the process for deciding whether a case should be put to a jury?

The Federal Court does not hold jury trials in patent cases.

What role can and do expert witnesses play in proceedings?

Since the facts at issue are often technical in nature (Pfizer Canada Inc v Canada, 2006 FC 1471 at Paragraph 16), the Federal Court relies on experts to provide opinion evidence on matters outside the experience and knowledge of the court (R v Abbey [1982] 2 SCR 9). Expert evidence is used to establish questions of fact and to inform the court of how the invention works.

Expert evidence can help a judge to interpret the meaning of certain terms or distinguish whether an element of an invention is essential or non-essential. Expert evidence is almost always relied on when obviousness is at issue, to establish the depth of knowledge a person skilled in the art would have possessed at the time. Where novelty or infringement is at issue, expert evidence can also assist when comparing the elements of a piece of prior art or an infringing invention.

Infringement and validity issues are questions of law and experts are not permitted to provide their opinions on these matters. The court must construe the patent and make findings of liability or invalidity.

Does your jurisdiction apply a doctrine of equivalents and, if so, how?

The doctrine of equivalents may be applied in an infringement action. Infringement occurs when a non-essential step, part of the process or combination is omitted or substituted. The doctrine applies where the substituted ingredient or device "performs substantially the same function, in substantially the same way, to obtain the same result". Therefore, omitting or substituting an unessential part or step can still be infringing even though the combination or process has been altered.

The construction of the claim will determine whether an element of an invention is essential and whether the varied or substituted element is non-essential (Free World Trust v Électro Santé Inc 2000 SCC 66). The Federal Court will construe a patent’s claims purposively in making this determination (Donald H MacOdrum, Fox on the Canadian Law of Patents (Carswell: Toronto, 2013), (looseleaf 2015 supplement) ch 13:7).
Where a claim specifically requires a particular substance to be used, using a different substance will not infringe the patent even though the result may be the same (Biovail Corp v Canada, 2006 FC 784 at Paragraphs 9-36). However, the alternative substance must not be an obvious equivalent.

**Is it possible to obtain preliminary injunctions? If so, under what circumstances?**

An interlocutory injunction may be granted to a patentee before an action goes to trial. To obtain interlocutory relief, the plaintiff must establish that the balance of convenience favours granting the injunction and that it would suffer irreparable harm if the injunction is withheld.

Interlocutory relief may not be available if damages can be calculated and compensated through a monetary award. It may also be denied in circumstances where the defendant discontinues the activity in question before trial or gives an undertaking to discontinue its conduct until the patent expires (RJR-MacDonald Inc v Canada (Attorney General), [1994] 1 SCR 311).

In patent cases, the process for obtaining interlocutory relief is more involved and the Federal Court may be reluctant to grant an injunction before evidence is heard (Risi Stone Ltd v Groupe Permacon Inc [1990] 30 CPR (3d) 148 (FC)). An injunction may also be revoked if the circumstances change before trial and the harm is no longer deemed irreparable (FP Bourgault Industries Cultivator Division Ltd v Nichols Tillage Tools Inc [1989] SJ 776 (QB)).

**How are issues around infringement and validity treated in your jurisdiction?**

An infringement or impeachment action may be commenced in Federal Court once a patent has been granted. A defendant can file a defence or counterclaim to either of these actions.

Individuals may also seek declarations of non-infringement or validity. These declarations can be sought by way of free-standing proceedings, although they are typically sought in the form of a counterclaim. Seeking a declaration of non-infringement or validity can be an effective tactic where a person believes that an infringement action may soon be brought against them. This pre-emptive move provides the individual with more control as the plaintiff, rather than the defendant.
Will courts consider decisions in cases involving similar issues from other jurisdictions?

The Federal Court may consult decisions from other jurisdictions. For instance, UK case law is authoritative when interpreting Canadian patent law. US case law may be persuasive on certain issues, but it is not binding. If the court wishes to rely on foreign cases, the relevant statutory provisions must be similar in both jurisdictions.

**Damages and remedies**

**Can the successful party obtain costs from the losing party?**

The Federal Court has full discretion to assess and award costs (Federal Court Rules, Section 400). Given the long duration and high cost of patent litigation, the successful party is often awarded costs from the losing party. Allocating costs can be less straightforward where success is partially divided. In this case, the court may:

- reduce the amount awarded to the most successful party;
- award one or both parties a portion of their costs; or
- choose not to award costs to either party.

The court may also consider other factors when calculating a costs award, including:

- the complexity of the issues;
- the parties' conduct;
- the apportionment of liability; or
- public interest.

They are also adjusted to reflect the current rate of inflation, as well as additional fees and disbursements.

**What are the typical remedies granted to a successful plaintiff?**

In Canada, a patentee may choose between damages or an account of profits. Damages are intended to compensate a patentee for losses incurred due to infringement, while an account of profits aims to disgorge the profits earned by an infringing party by using the patent without permission (Jay-Lor International Inc v Penta Farm Systems Ltd 2007 FC 358 at Paragraph 114).

An account of profits is an equitable remedy that entails a lengthy and complicated
calculation process. This remedy is less common, and is granted at the court's discretion in exceptional circumstances, where it is equitable to do so (Beloit Canada Ltee/Ltd v Valmet Oy [1992] FCJ 825).

A party may choose the remedy that they believe will produce the largest award. If a high margin business is damaged due to lower priced infringing products, an award for damages may be higher than an account of profits. However, if the defendant's profits are much higher than the plaintiff's, an account of profits may yield a larger award (Biovail Corp v Canada, 2006 FC 784 at ch 14:3).

**How are damages awards calculated? Are punitive damages available?**

Damages for infringement are measured by what the patentee lost as a result of the infringement. In many cases, it can be difficult to calculate damages with absolute certainty.

If a patent holder's usual course of business is to grant licenses, the measure of damages is the loss of royalties that would have been made on licensed sales or manufactures (Colonial Fastener Co Ltd v Lighting Fastener Co Ltd (1936), [1937] SCR 36). If not, the measure of damages is the actual loss suffered by the plaintiff resulting from the infringement. This may include lost profits or market disruption caused by the infringement.

An apportionment of damages may be granted where a patentee can establish that the defendant accrued profits through the sale of a partially infringing product. Damages would then be based on lost sales that can be attributed to the invention.

An account of profits is measured by the profits made by the infringer, rather than the amount the plaintiff has lost. The defendant is treated as if it has conducted business and made profits on behalf of the plaintiff.

A patentee can also collect pre and post-judgment interest on damages. The courts have discretion to set interest rates as they see fit.

Punitive damages are uncommon in Canada but may be awarded in circumstances where the infringer's conduct is "malicious, oppressive and high-handed" as to offend the court's sense of decency (Hill v Church of Scientology of Toronto [1995] 2 SCR 1130 at Paragraph 196). Compared to other jurisdictions, punitive damages awards are modest in Canada.
How common is it for courts to grant permanent injunctions to successful plaintiffs and under what circumstances will they do this?

After trial, successful plaintiffs are usually granted permanent injunctions in order to restrain further use, manufacture or sale of the patented subject matter. The courts rarely deny permanent injunctions where infringement has been found and the relevant patent is valid and in force.

However, the courts have discretion to withhold injunctive relief if they believe that the defendant will not continue to infringe the patent. Injunctive relief may also be withheld when the plaintiff has acted egregiously and the court believes that an injunction is inequitable.

The court may set a grace period before the injunction is enforceable. This gives the defendant time to appeal the decision and seek to stay the injunction. A permanent injunction is normally upheld until the patent expires.

**Timescale and costs**

How long does it take to obtain a decision at first instance and is it possible to expedite this process?

It takes an average of two to four years to proceed to trial after commencing an action. The length of the process will depend on the complexity of the issues in question. Through case management, the Federal Court has attempted to expedite the trial process, with the goal of completing most actions within three years of commencement.

The parties may attempt to expedite the process through summary judgment, summary trial or simplified actions in cases where the issues are less complex. In some instances - particularly if damages are not at issue - the party may bring an application in lieu of an action.

How much should a litigant plan to pay to take a case through to a first-instance decision?

The cost of bringing a case through to a first-instance decision will depend on the issues in question, the complexity of those issues and the amount of expert evidence required. While costs may be awarded at the end of the trial, such awards rarely cover the entire cost of the proceeding.
Parties may be able to reduce costs by expediting the process or by engaging in alternative dispute resolution.

**Appeal**

**Under what circumstances will the losing party in a first-instance case be granted the right to appeal? How long does an appeal typically take?**

Parties can appeal to the Federal Court of Appeal. A notice of appeal must be filed in the Registry of the Federal Court of Appeal within 30 days of the pronouncement of the decision (Federal Courts Act, RSC 1985, c F-7, Section 27(2)). Parties must seek leave for the right to appeal to the Supreme Court.

The length of the appeal process will depend on the complexity of the issues under appeal.

**Options away from court**

**Are there other dispute resolution options open to parties that believe their patents to be infringed outside the courts?**

Parties may choose to pursue mediation or arbitration as an alternative to litigation before the court.

If an action is brought before the Federal Court, the parties’ solicitors must discuss the possibility of referring any unsettled issues to a dispute resolution conference within 60 days of the close of pleadings (Federal Court Rules, Section 257) and at the pre-trial conference (Federal Court Rules, Section 263(a)). The parties may request to stay the proceedings for up to six months while they engage in alternative dispute resolution outside the court.

The Federal Court has the power to refer a proceeding, or any issue in a proceeding, to a dispute resolution conference (Federal Court Rules, Section 286(1)). Dispute resolution conferences are conducted by a case management judge or prothonotary, and can take the form of mediation, an early neutral evaluation or a mini-trial (Federal Court Rules, Section 387).
pleased to discuss resolutions to specific legal concerns you may have.

**Related** Intellectual Property, Patents

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