

## Patent and Copyright

Annual IP survey articles published in *Canadian Lawyer Magazine* February 2002

Edward Hore  
Hazzard & Hore  
141 Adelaide Street West, Suite 1002  
Toronto, ON M5H 3L5  
(416) 868-1340  
edhore@hazzardandhore.com

This is the sixth year I've done this survey of patent and copyright law, and every year, the same thing happens. The big case of the year inevitably comes out in the three month lag time between when I have to submit the article to *Canadian Lawyer* (mid-November) and when it actually appears in print, in February. So by the time it appears, the survey is always out-of date. Be warned!

Last year was no exception. After I sent the article off, the two biggest patent cases in years were released, the decisions of Mr. Justice Binnie of the Supreme Court of Canada in *Free World Trust v. Électro Santé Inc. et al.* (2000), 9 C.P.R. (4<sup>th</sup>) 168 (S.C.C.) ("Free World Trust") and *Camco Inc. et al. v. Whirlpool Corp.* (2000), 9 C.P.R. (4<sup>th</sup>) 129 ("Camco") which appeared in December, 2000.

Mr. Justice Binnie's reasons deal mainly with patent claim construction. He distilled the law down to six propositions, the last and most important of which is that "[t]here is no infringement if an essential element [of the claim] is different or omitted. There may still be infringement, however, if non-essential elements are substituted or omitted." This affirmed the "purposive construction" approach already followed by Canadian courts, set out the House of Lords' decision in *Catnic Components Ltd. v. Hill and Smith* [1982] R.P.C. 183.

Here's a goofy example of purposive construction. Say we're cavemen, in an anachronistic prehistoric world in which patents exist. You get a patent on your invention known as the wheel, described in the patent claims as a circular structure, with a stick through a hole at the centre to serve as an axle. I make a competing wheel, but instead of a stick, I use a bone. Since I don't use a stick, I say I'm not infringing because the stick is an essential element of the invention in your patent.

You argue that, on the contrary, I've reproduced the "essential" elements of the invention: the circular structure, the hole in the centre, and merely omitted a "non-essential" element, namely, that the axle be a stick. Therefore, you say, on a "purposive construction" I am infringing. To resolve the dispute, the court would have to construe the patent claims, that is, decide what they mean and whether the stick is an essential or non-essential element, from the point of view of a caveman skilled in the art.

Since the Catnic “purposive construction” test is nothing new in Canada, Free World Trust and Camco did not change the law. However, Justice Binnie’s reasons have been extensively cited and commented on in virtually all infringement or validity cases since.

For example in *Apotex v. Janssen Pharmaceutica* (2001), 13 C.P.R. (4<sup>th</sup>) 410, released in August, 2001, Mr. Justice Allen Linden of the Federal Court of Appeal quoted at length from the Free World Trust and Camco cases, which he described as having “comprehensively restated” the law of patent construction.

Apotex was an appeal from a prohibition application under the Patented Medicines (Notice of Compliance) Regulations. Apotex alleged that its generic version of the motility drug cisapride was made using a non-infringing process (motility drugs make stuff go through your guts faster). The questions turned on competing expert evidence as to whether Apotex’s process was an “obvious chemical equivalent” of Janssen’s patented process. The court found that it was. Justice Linden used a purposive approach to find that the patentee had established that Apotex’s allegation of invalidity was not justified, and prohibited the Minister of Health from granting a NOC to the generic drug.

Cisapride is controversial. The drug was recently removed from the market when it became apparent it has fatal side-effects in some people. Some patients (my daughter, among them) have special approval to take it. In view of the Court’s decision, it looks like our family drug bills won’t be going down any time soon.

#### Other drug cases

While we’re on drugs, let’s quickly survey the other cases. There was the usual litigation slugfest involving various drugs. Prohibition applications were dismissed on cyclosporin, an immuno-suppressant, (*Novartis v. Apotex*, 2001 FCT 1129), (*Novartis v. Rhoxalpharma* 2001 FCT 137), paroxetine, an anti-depressant (*SmithKline Beecham v. Apotex*, 2001 FCT 770), and atorvastatin, a cholesterol drug, about which more below (*Parke-Davis, Warner-Lambert v. Apotex*, 2001 FCT 931).

However, a prohibition order preventing sale of Apotex’s version of the now well-known drug ciprofloxacin (Cipro) was upheld by the Federal Court of Appeal on September 14, 2001; the court upheld the lower court’s ruling that Apotex’s allegation that the patent was invalid was not justified (*Bayer Inc. v. Apotex*, 2001 FCA 263).

By coincidence, only days after the Court of Appeal’s decision, Allan Rock, Minister of Health, found himself embroiled in a political controversy about cipro. When the anthrax scare hit, his officials, evidently not satisfied that Bayer could provide sufficient quantity of Cipro at an adequate price, arranged to buy some from Apotex instead. Drug patents suddenly appeared on the front pages of all the newspapers, with much wildly inaccurate punditry.

Some other recent developments in the patent area:

## Bill S-17

The Patent Act was amended in July 2001 by Bill S-17 to increase the term of some "Old Act" patents, in response to a WTO panel dispute with the US (Canada – Term of Patent Protection, (2000), 9 C.P.R. (4<sup>th</sup>) 224). The bill amended section 45, dealing with the term of "Old Act" patents, so that patents based on applications filed prior to October 1, 1989 now have a term of at least 20 years from filing, rather than 17 years from grant, as was formerly the case. Patents that expired prior to the amendment are not revived.

Many thousands of patents were extended as a result, for a period that varied from a few days to perhaps as much as two years. Note that "Old Act" patents may still have terms that greatly exceed 20 years from filing, which is merely a minimum, if they spent more than three years in the application process, as often happens.

I appeared at parliamentary hearings on Bill-17 before both the Senate and Parliament on behalf of generic drug manufacturers, to urge the government to adopt a standard term of 20 years from filing, for all patents, whether under the Old Act or the New. However, this view did not prevail.

## M-I Drilling: failure to name the right inventor

Every patent lawyer has had a prospective client come in and say something like: "I saw a wonderful gizmo while I was in the States [or somewhere]. Can I get the patent on it in Canada?"

But of course, only the inventor (or his assigns) is entitled to patent an invention. A recent case illustrates the dire consequences of failing to name the right inventor in a patent petition.

In the M-I Drilling case (671905 Alberta Inc. and M-I Drilling Fluids Canada Inc. v. Q'Max Solutions Inc. 2001 FCT 888), the patentee won on every issue except, fatally, one: Mr. Justice Frederick Gibson of the Federal Court Trial Division found the patent invalid due to failure to name the correct inventor.

The patent was for a type of "drilling mud," stuff you put down a drill hole to create a stabilizing coating. The patent listed two brothers as inventors, James and Harold Fleming, the two principals of the plaintiff company. There was conflicting evidence at trial as to whether the Flemings or a former employee, Rick Smith, had made the invention. Mr. Justice Gibson found that Smith had done the testing and inventive work, not the Flemings. It was immaterial that Smith had been an employee of the plaintiff company controlled by the Flemings at the time. The failure to name Smith as the inventor was a material misrepresentation, found Justice Gibson, and he declared the patent void ab initio.

## Baker Petrolite: bad news for Mr. Titley

Justice Gibson must have had a busy summer, because on August 15, 2001, the day he released the lengthy reasons in M-I Drilling, he also released the even lengthier decision in Baker Petrolite Corp. v. Can-well Enviro-Industries Ltd., Clive Titley et al. ([2001] F.C.J. No 1256). There were many issues, but the most important perhaps was whether to pierce the corporate veil of a one-man corporation and make the individual behind the corporation personally liable.

Justice Gibson found the patent both invalid and infringed. The patent was for a “composition and method for sweetening hydrocarbon.” The defendants' main argument was the patent was invalidated by the alleged commercial sale of a product embodying the invention (with the no-so-catchy name, W-3053) in Oklahoma more than a year prior to the filing of the patent application. Under s 28.2 (1)(a) of the Act, a patent is invalid if the invention is disclosed such that the invention “became available in Canada or elsewhere” more than one year prior to filing.

Justice Gibson found that the invention had not been made “available” because he was not satisfied the invention could have been arrived at through analyzing W-3053.

## Piercing the corporate veil

Once the patent was found valid and infringed the issue arose what to do about the individual defendant, Clive Titley. Mr. Titley was the sole operator of the defendant corporation Can-well, all of whose revenues came from the infringing activities. The company had been paying large bonuses to Mr. Titley, and the plaintiff was concerned this meant there would be no money left in the company. It wanted Mr. Titley to be on the hook personally.

Mr. Justice Gibson found that Mr. Titley should be deemed constructive trustee for the plaintiff on the grounds he had known throughout the action that the plaintiff claimed an accounting of profits. He made Mr. Titley jointly liable for an accounting of Can-well's profits, and also ordered an injunction against both the corporation and Mr. Titley.

This put Mr. Titley in a bind. Since all his income came from the allegedly infringing activities, the effect of the injunction was that he would be unable to fund an appeal. In response to this problem, Madam Justice Karen Sharlow of the Federal Court of Appeal granted a stay of Mr. Justice Gibson's judgment in early October, 2001 (Baker Petrolite Corp. v. Canwell Enviro-Industries Ltd. 2001 FCA 288). She imposed a detailed order which allowed Mr. Titley to carry on the business and pay himself a living wage and pay his legal fees of the appeal, but not to take any other funds out of the corporation. She also ordered an early appeal hearing.

Clerical errors sink patentees.

Two other cases involved inadvertent clerical slip-ups on the part of the patentee years earlier. In both cases, Madam Justice Eleanor Dawson of the Federal Court Trial Division refused to let patentees rectify the booboos, and the patentees lost their rights. Many practitioners may be nervously checking their liability insurance as a result.

In *Dutch Industries Lt. v. Commissioner of Patents and Barton no-Till Disk Inc. et al.* 2001 FCT 879, the patentee Barton had paid filing and maintenance fees for an issued patent and a not-yet-issued application, but the fees for a “small entity.” Barton was in fact not a small entity. When it discovered the error, Barton sent the Patent Office the amount it had failed to pay for the past several years, which was no more than a few hundred dollars. The Patent Office accepted the late payment. Dutch Industries, with which Barton was engaged in a patent dispute, sought judicial review of the Commissioner’s decision to take the money. The court found that the Commissioner had no authority under the Act or Regulations to allow Barton to top up its fees late. The implication of the case is that Barton's patent and application must be considered to have lapsed due to the error.

*Warner Lambert v. Apotex* 2001 FCT 931 involved another clerical error. In that case, Warner Lambert, a drug company, dedicated 278 patents to the public “irrevocably” in 1994, presumably in the hope of avoiding the jurisdiction of the Patented Medicines Prices Review Board. In 1998, its successor company realized two of those patents had been dedicated in error, and purported to revoke the dedication by a notice in the Canadian Patent Office Record. Dedication of a patent to the public means that the patentee puts the public on notice that it essentially waives rights in the patent. Neither dedication nor revocation of a dedication are actually set out in the Act, but have grown up as a matter of Patent Office practice.

There was then litigation about whether the dedication of one of the patents, relating to the drug atorvastatin, could be revoked, under the above-mentioned Patented Medicines (Notice of Compliance) Regulations. Madam Justice Dawson found that Warner-Lambert had not discharged its onus to show that it was entitled to revoke its earlier dedication. Warner-Lambert’s application for prohibition of Apotex’s generic version of atorvastatin was therefore dismissed.

Interlocutory injunction still hard to get in patent cases

Two recent interlocutory injunction decisions involving patents were dismissed on the grounds that the moving party could be adequately compensated by damages at trial. (*Eric White v. E.B.F. Manufacturing et al.* 2001 FCT 113, *Bristol-Myers Squibb v. Apotex* 2001 FCT 1086.)

FCA upholds trial judge in *Visx*.

In a decision of the Federal Court of Appeal released in June, 200, the Court upheld the trial judge's decision that the three patents at issue, relating to eye-surgery, were valid but not infringed. The reasons, although they briefly mention the Free World Trust and Camco cases, are confined to a factual discussion of whether the trial judge erred in construing of the claims. (*Visx, Inc. v. Nidek Co.* 2001 FCA 215)

## Copyright

A summary judgment motion was dismissed in a class action by free-lance writers against the Globe and Mail and its owners for copyright infringement in October, 2001 (*Robertson v. Thomson Corp.* ([2001] O.J. No. 3868).

The representative plaintiff was Heather Robertson, a free-lance writer. The plaintiff class argued their copyright was infringed because they never gave the Globe permission to reproduce their free-lance articles in electronic form in the Globe's on-line archive Info Globe Online or in CD-ROMs.

The Globe argued that copyright subsisted, not individual articles, but in what the Act defines as a "collective work," namely the newspaper as a whole. Once an individual work such as a free-lancer's article was incorporated into the collective work, argued the Globe, the free-lancer could not object to reproduction of the collective work.

Mr. Justice Cumming rejected this view, reasoning that the articles in question did not appear on the database as part of the "collective work" since each article could be retrieved from the database individually, citing a recent decision of the US Supreme Court, *New York Times Co. v. Tasini*, [2001] SCT-QL 139.

Did it follow that copyright had therefore been infringed? There was a conflict in the evidence as to the understanding of free-lancers, and the practice in the trade. The plaintiffs' witness, June Callwood, said newspapers such as the Globe are understood by free-lancers to buy only a one-time right to run the work in the newspaper. The Globe filed the evidence of Robert Fulford, another well-known Toronto journalist, who said that, from the late 1970s on, free-lancers understood the Globe to be purchasing the right to use the copy in the Globe's on-line database.

The Globe argued it had an implied license from free-lancers to reproduce the works in electronic form and that free-lancers had acquiesced in the reproduction of their articles in the database.

Justice Cumming concluded that because there was conflicting evidence on "whether these agreements, which were generally oral contracts, included a right to publish materials on the electronic databases," so a trial was required. He dismissed the motion, but also commented that the Globe's defences were, in his view, "problematic."

## Copyright Board

A recent Copyright Board ruling may mean you'll pay more for concert tickets.

In a decision released in June, 2001, the Board raised the royalty rate that concert presenters pay for the public performance of musical works (SOCAN Statement of Royalties 1998- 2002 (Tariffs 4.AS, 4.B.1, 4.B.3, 5B - Concerts) (2001), 13 C.P.R. (4<sup>th</sup>) 45). Under the approved copyright tariff, concert presenters pay composers and music publishers a percentage of their box office revenues. The tariff brings in about \$5 million a year. The collective, the Society of Composers, Authors and Music Publishers (SOCAN) distributes this among copyright owners.

SOCAN asked that the tariff for popular music be increased from 2.5 percent of the box office to 3 percent, and also for an increase in the smaller percentage that applies to classical music concerts. Concert promoters objected, filing evidence as to the "precarious financial situation of a number of concert presenters". But the Board found that the concert presenter's evidence "tends to overestimate the problems facing presenters," and increased the tariff as requested by SOCAN. It reasoned that ticket prices appear to be "inelastic," meaning demand is not much affected by price increases.

A few months earlier, in February, 2001, the Board in effect ordered a decrease in SOCAN's tariff applying to cable operators, direct satellite operators and pay TV services (Statement of Royalties to be Collected by Socan for the Public Performance or Communication to the Public by Telecommunication, in Canada, of Musical or Dramatico-Musical Works [Tariff 17.A in 1996, 1997, 1998, 1999, and 2000 [2001] C.B.D. No. 1). The issue was whether cable operators and other non-conventional broadcasters should be treated the same as conventional commercial television stations, who had been granted a decrease in their SOCAN royalties by the Board in 1998, from 2.1 % of revenues to 1.8%.

The Board thought all sectors of the TV industry should be treated equally; "the best way to achieve competitive balance is to ensure that, all things being equal, a single price is applied equally to the entire commercial television industry - conventional or other."

## Copyright Reform

Copyright reform is again in the air. The government issued A Framework for Copyright Reform in June, 2001, a public document seeking input from affected parties on thirteen specified issues such as, for example, the internet transmission of broadcast programs, and the term of protection (now fifty years from the death of the author).

The 1997 "Phase II" amendments require the Minister of Industry to submit a report to parliament on possible future reforms by September 1, 2002. The Framework is meant to

get the ball rolling. After the Minister's report, a parliamentary committee will hold hearings and prepare its own report. Lobbyists are already hard at work.