

# Blakes Bulletin

## Intellectual Property

### Door Closes on Post-Patent Attacks Based on Duty of Candour in Canada

SHELDON BURSHTEIN AND WILFRED SO

The question of whether an applicant has a duty of candour in prosecuting a Canadian patent application has been in flux with a number of inconsistent decisions over the past few years. Recently, in *Corlac v. Weatherford Canada*, the Federal Court of Appeal (FCA) said that the good faith prosecution requirement in the Canadian *Patent Act* (Act) speaks to good faith only during prosecution of the application and is extinguished once the patent is granted. Accordingly, a failure to satisfy the good faith requirement cannot be relied on for the purpose of attacking the validity of a patent. *Corlac* also suggested that there is no duty of candour beyond the limited statutory obligation of good faith prosecution.

#### LEGISLATION AND PRIOR CASE LAW

In some jurisdictions outside Canada, such as in the United States and Australia, candour is a codified obligation of the applicant during the prosecution of a patent application. However, there is no express duty of candour in the Act or the Canadian *Patent Rules* (Rules); the word "candour" does not even appear in the legislation. Subsection 53(1) of the Act provides that a patent is void if any material allegation in the petition for the patent is untrue, or if the specification or drawings contain more or less than is necessary for obtaining the end for which they purport to be made, and the omission or addition is willfully made for the purpose of misleading.

Historically, Canadian courts have not been favourable to attacks on the validity of patents based on the absence of candour. In 1927, the Supreme Court of Canada (SCC) held that a post-grant attack on validity grounded on a failure to follow procedural requirements during prosecution is precluded. Subsequent decisions said that there is no provision in the Act that an untrue allegation, even amounting to a misrepresentation, made during prosecution affects the validity of the patent. In one case, the FCA held that a duty of disclosure must be provided in the Act or the Rules and that, even if there were such a duty, it would not affect the validity of a patent and could only affect equitable remedies.

In 1996, the Act was amended to add para. 73(1)(a) and provide that an application shall be deemed to be abandoned if the applicant does not reply in good faith to any requisition made by the examiner during examination. This first reference to good faith in the Act has generated attacks on patents based on a failure to communicate in good faith with the Canadian Intellectual Property Office (CIPO) and breach of a duty of candour by the applicant.

#### RECENT DECISIONS RECOGNIZING DUTY OF CANDOUR

Several recent decisions have recognized a duty of candour, both within para. 73(1)(a) and at common law. In *Pason Systems*, the Federal Court set aside a decision of the Commissioner of Patents to correct a clerical error after grant of a patent because the patentee failed to disclose to the Commissioner of Patents that litigation of the patent was pending. The court said that an applicant and its agent owe a duty of candour to the CIPO to make a full, fair and frank disclosure of all the relevant circumstances. The decision was affirmed on appeal and the court said that the case law which predated para. 73(1)(a) was not applicable.

In *G.D. Searle*, the Federal Court held that a patent was deemed never to have been granted on the basis that the underlying application had been abandoned during its prosecution as the applicant had not replied in good faith to an examiner's requisition pursuant to para. 73(1)(a). The applicant was found to have provided incorrect and misleading statements when arguing with respect to prior art. The court found that the applicant was aware of relevant facts but did not disclose them to the CIPO. The decision was reversed on appeal for reasons unrelated to para. 73(1)(a).

In a third case, *Lundbeck*, the Federal Court held that the application underlying one of the patents in issue had been deemed abandoned for failure to reply in good faith because the applicant misrepresented the prior art during prosecution. The applicant took the position that the prior art "taught away" from using certain compounds in the treatment of a disease, which was found to be an unfair representation of the prior art. The court said that it was clear that there is a duty of candour on the part of an applicant during prosecution of an application.

CONT'D ON PAGE 2

CONT'D FROM PAGE 1

### RECENT DECISIONS DENYING DUTY OF CANDOUR

Yet, during the same period, other decisions came to opposite conclusions. For example, in *Litebook*, the Federal Court decided that a misrepresentation made during prosecution of an application does not have any effect on the validity of the patent. The applicant filed a voluntary amendment during prosecution to add claims, which the defendant alleged were drafted with a view to covering competing products in the marketplace, for the willful purpose of misleading. However, the court held that, once a patent is granted, it is presumed valid and there is a bar to the use of the prosecution file history for the purpose of determining the validity of claims.

In *Janssen-Ortho*, the defendant alleged that there was a breach by the patentee of a duty of candour in responding to only seven of eight requirements raised in an official action and that this breach rendered the patent void. The court did not agree and stated that it is clear that there is no express duty of candour in the Act or the Rules and that the word "candour" does not even appear in the legislation. The court went on to say that, while a duty of candour and good faith exists during the prosecution of an application in the United States, a similar duty does not exist in Canada.

### CORLAC V. WEATHERFORD

With decisions going in both directions, it has been difficult for applicants, patentees and their advisors to determine the existence and scope of any duty of candour. The recent *Corlac* appellate decision provides a more definitive holding that the good faith requirement under para. 73(1)(a) cannot be relied upon for the purpose of attacking the validity of a patent.

Two individuals, T and G, were named as co-inventors in the initial petition. Within a year of T's death, G swore an affidavit stating that G was the true sole inventor and that T should not have been named on the initial petition. However, the Federal Court concluded that T was a co-inventor and held that the patent was valid and infringed.

On appeal, the defendant argued that the trial judge erred in failing to find that the misrepresentations made by G in his affidavit and the petitions had no impact on the abandonment of the application or the validity or enforceability of the patent. The defendant argued that

G knowingly and willfully provided his affidavit when, in fact, he was not the sole inventor and that this was not good faith under para. 73(1)(a).

The FCA said that subsection 53(1) speaks to misrepresentations in relation to a granted patent, and that para. 73(1)(a) speaks to good faith in the prosecution of an application. The court held that these provisions are mutually exclusive so that the consequence of abandonment in para. 73(1)(a) operates only during prosecution of an application and is extinguished once the patent is granted.

The court also stated that "[t]o the extent that the Federal Court decisions in *G.D. Searle* and *Lundbeck* can be interpreted as standing for the proposition that para. 73(1)(a) can be relied upon for the purpose of attacking the validity of a patent, they should not be followed."

The FCA went on to say that Canadian patent law is entirely statutory in nature and that the grounds for attacking the validity of a patent are limited to the legislation. Given that there is no express duty of candour in the Act or the Rules, the decision suggests that there is no duty of candour beyond the express good faith obligation in para. 73(1)(a).

In *Corlac*, leave to appeal to the SCC has been requested by the defendant. However, for the time being, the right to rely on a breach of para. 73(1)(a) to attack a patent is not available and there appears to be no duty of candour beyond the good faith obligation in para. 73(1)(a).

Nevertheless, an applicant should still conduct itself as if a duty of candour exists because the duty of good faith applies during prosecution of an application and either *Corlac* may be reversed by the SCC or alleged infringers may try to distinguish the *Corlac* decision on its facts.

For further information, please contact:

<u>Sheldon Burshtein</u>	416-863-2934
<u>Wilfred So</u>	416-863-2425
<u>Tony Prenol</u>	416-863-4292
<u>Kent Daniels</u>	613-788-2252

or any other member of our [Intellectual Property Group](#).

Go to [blakes.com/english/subscribe.asp](http://blakes.com/english/subscribe.asp) to subscribe to other *Blakes Bulletins*.

NEW YORK	MONTRÉAL	OTTAWA	TORONTO	CALGARY	VANCOUVER		
* Associated Office	CHICAGO	LONDON	BAHRAIN	AL-KHOBAR*	BEIJING	SHANGHAI*	blakes.com