

Federal Court



Cour fédérale

Date: 20090623

Docket: T-248-08

Citation: 2009 FC 657

Ottawa, Ontario, June 23, 2009

PRESENT: The Honourable Madam Justice Simpson

BETWEEN:

SYDNEY H. BELZBERG

Applicant

and

**THE COMMISSIONER OF PATENTS and
THE ATTORNEY GENERAL OF CANADA**

Respondents

REASONS FOR ORDER AND ORDER

[1] Sydney H. Belzberg (the Applicant) seeks judicial review pursuant to section 18.1 of the *Federal Courts Act*, R.S.C. 1985, c. F-7, of the failure, refusal and/or neglect of the Commissioner

of Patents (the Commissioner) to grant a patent in respect of Canadian Patent Application No. 2,119,921 entitled “Computerized Stock Exchange Trading System” (the Patent Application) following the Commissioner’s decision dated January 25, 2007 (the Commissioner’s decision).

[2] At issue in this application is whether the Commissioner may restart an examination of a patent application after disposing of all the defects alleged in an examiner’s rejection labeled “Final Action” under section 30 of the *Patent Rules*, SOR/96-423 (the Rules).

OVERVIEW OF THE PATENT APPLICATION REGIME, THE ACT AND THE RULES

[3] The Commissioner has power to grant a patent under subsection 27(1) of the *Patent Act*, R.S., 1985, c. P-4 (the Act).

27. (1) The Commissioner shall grant a patent for an invention to the inventor or the inventor’s legal representative if an application for the patent in Canada is filed in accordance with this Act and all other requirements for the issuance of a patent under this Act are met.

27. (1) Le commissaire accorde un brevet d’invention à l’inventeur ou à son représentant légal si la demande de brevet est déposée conformément à la présente loi et si les autres conditions de celle-ci sont remplies.

[4] The Commissioner may also refuse to grant a patent. Section 40 of the Act provides that the Commissioner shall refuse an application where he or she is satisfied that an applicant is not by law entitled to be granted a patent [my emphasis]. If a patent is refused, an applicant has a statutory right of appeal to the Federal Court under section 41 of the Act.

[5] Section 44 of the Act provides that for a patent granted upon an application filed after October 1, 1989, the term is 20 years from the date of filing the application in Canada. This means that the period of patent protection begins to run before a patent is granted.

[6] Applicants may request expedited examinations. Such requests are granted when the Commissioner determines that the failure to expedite an application is likely to prejudice the Applicant's rights.

[7] If an examiner has objections based on non-compliance with the Act or the Rules, he or she shall inform the applicant of the application's defects by issuing a requisition. Requisitions of this kind are also referred to as "office actions", pursuant to subsection 30(2) of the Rules. In response, an applicant amends the application or provides arguments about why the application does comply. The exchange of requisitions and responses may continue until either the examiner allows the application under subsection 30(1) or rejects the application in a final action under subsection 30(4). Subsection 30(6) provides that where the rejection is not withdrawn pursuant to subsection 30(5), it shall be reviewed by the Commissioner and the applicant shall be given an opportunity to be heard by the Patent Appeal Board (PAB) before the Commissioner makes a decision.

[8] The patent review system is very flexible and responsive to new objections. For example, the Commissioner may, under subsection 30(7), withdraw a notice of allowance before the patent is issued if a problem is identified. Even after issuance patents can be examined. Section 48.1 provides third parties an opportunity to request a re-examination of any claim of an issued patent by

filing prior art with the Commissioner. Subsection 48.4(3)(b) provides that where the re-examination cancels all claims of the patent, the patent shall be deemed never to have been issued.

[9] Accordingly, the parties' submissions regarding statutory interpretation will be considered bearing in mind the fact that the Act provides opportunities to revoke some or all the patented claims based on prior art even after a patent is granted.

[10] The Manual of Patent Office Practice (MOPOP) is a guideline prepared by the Patent Office outlining best practices for the Patent Office. Although it does not have the force of law, I regard the guideline as a useful interpretive tool.

[11] Chapter 21 of the MOPOP which is entitled "The Final Action report" reads as follows:

The final action report must be comprehensive and deal with every grounds [*sic*] for which the application is considered to be defective. The appeal process is restricted to the particular issues discussed in the final action and there is no further opportunity for the examiner to make objections which may have been missed in the final action. Similarly there is no opportunity for the applicant to amend the application other than to make any revisions required by a Commissioner's decision on the patentability of the case.

[12] As well, sections 21.07 is entitled "Commissioner's Decision". It provides in part:

The Commissioner reviews the findings of the PAB and if satisfied that:

[...]

(b) the examiner's rejection was not justified, the application will be returned to the examiner for further prosecution (subsection 31(b) of the Patent Rules[...])

[13] Finally, section 21.08 reads as follows:

A rejected application may not be amended after the expiry of the time for responding to the examiner's requisition made pursuant to subsection 30(4) of the Patent Rules except

[...]

(b) where the Commissioner is satisfied after review that the rejection is not justified and the applicant has been so informed[...]

[...]

In the case of (b) above, where the Commissioner is satisfied that the rejection was not justified, the applicant is so notified and the application is returned to the examiner and normal prosecution resumes. The application is normally allowed at this stage but may be amended voluntarily by the applicant (subsection 31(b) of the Patent Rules). [My emphasis.]

THE FACTS

[14] The facts are not in dispute.

A. THE PATENT APPLICATION

[15] The Applicant filed the Patent Application on March 23, 1994. He asked for an examination of the Patent Application on October 18, 1996 and applied for a Special Order expediting the examination of the Patent Application under section 28 of the Rules on October 31, 1996.

The Special Order was granted on December 9, 1996. Fifteen years of the Applicant's 20-year period of potential patent protection have already lapsed.

[16] From December 9, 1996 until May 30, 2002, the Examination Division of the Canadian Intellectual Property Office examined the Patent Application. This examination included the

issuance of seven examiner's reports raising requisitions under subsection 30(2) of the Rules and seven third party protest submissions from third parties, pursuant to section 10 of the Rules.

Although two Notices of Allowance were issued under subsection 30(1) of the Rules, both were withdrawn by the Commissioner prior to the issuance of a patent.

[17] On May 30, 2002, the Patent Application was rejected by an eighth examiner's report under subsection 30(3) of the Rules. However, that report differed from earlier reports in that it was labelled a "Final Action" in accordance with subsection 30(4) of the Rules (the Final Action Report). It alleged that the Patent Application was defective on the basis that: i) it was obvious in view of a combination of references; ii) it had insufficient disclosure and indefinite claim language; and iii) it claimed improper subject-matter (collectively the Alleged Defects).

[18] The Applicant responded to the Final Action Report with a submission dated October 30, 2002, pursuant to subsection 30(4) of the Rules. A PAB hearing was convened on March 23, 2005 to review the rejection of the Patent Application, as required by subsection 30(6) of the Rules. The Board concluded that none of the Alleged Defects had been substantiated.

B. THE COMMISSIONER'S DECISION

[19] On January 25, 2007, the Commissioner issued a decision. Its cover page describes the document as one which includes both the findings of the PAB and the Commissioner's decision (the Decision).

[20] Regarding the PAB's finding, the document says:

In summary, the Board finds that the invention is disclosed in sufficient detail and is claimed sufficiently clearly to allow an ordinary worker who is skilled in the art to implement the invention. The claimed invention is not obvious in view of the prior art and the application is directed to subject matter which falls under the definition of invention.

This Board therefore recommends that the examiner's rejection of the application be reversed and that the application be returned to the examiner for further prosecution consistent with these recommendations (the Recommendation).

[21] Immediately following the PAB's Recommendation is the Decision, which consists of one paragraph. It reads:

I concur with the recommendation of the Board that the Examiner's rejection of the application be reversed and return the application to the Examiner for further prosecution consistent with the Board's recommendation.

[22] The Decision adopts the final paragraph of the PAB's Recommendation without reasons. Accordingly, the PAB's findings may be regarded as the reasons for the Commissioner's decision.

[23] Both the PAB's Recommendation and the Decision appear bizarre. The PAB made no recommendations for further prosecution. This means there was no basis for returning the Patent Application to an Examiner for further prosecution. The Commissioner used the same meaningless language when he returned the Patent Application for further prosecution consistent with the PAB's Recommendation when, in fact, no such recommendation existed.

[24] The MOPOP, described above, sheds some light on the language used by the PAB and the Commissioner. It indicates that this disposition is a longstanding formulation which actually means in the circumstances of this case that the Applicant is given a final chance to amend the Patent Application before it is approved.

[25] The MOPOP makes it clear that the Final Action Report does lead to a disposition of the Patent Application and not to further examination based on concerns which were not raised in the Final Action Report.

C. TREATMENT OF THE PATENT APPLICATION AFTER THE DECISION

[26] Following the Decision, two subsequent Examiner's reports and related requisitions were issued, under section 30(2) and 30(3) of the Rules. They were numbers 9 and 10 (the Post Decision Reports and Requisitions). The basis of these requisitions was a problem which had arisen during earlier examinations but which had not been raised in the Final Action Report and not considered by the PAB. As described below, the Applicant challenged the propriety of these Post Decision Reports and Requisitions and asserted that the Commissioner lacked the jurisdiction to restart prosecutions following the Decision.

[27] The ninth examiner's report and requisitions were issued on July 26, 2007, over six months after the Decision. The report provided in part as follows:

Further prosecution is commenced in accordance with the Commissioner's Decision of 25 January 2007.

The following reference, although cited in earlier actions, was not applied in the final action of 30 May, 2002.

[28] On September 28, 2007, the Applicant's agent wrote to the Commissioner requesting that the Commissioner immediately address the propriety of the latest examiner's report.

[29] On October 31, 2007, the Assistant Commissioner of Patents wrote to the Applicant's agent.

The letter provided in part as follows:

In his decision of January 25, 2007, the Commissioner concurred with the Board's recommendation to have the application returned to the Examiner for further prosecution consistent with the Board's recommendation. The application has now been examined by the Examiner further to the Board's recommendation and the Examiner has informed the applicant of the defects by letter dated July 26, 2007 pursuant to section 30(2) of the Patent Rules.

As the matter is on-going and back in regular prosecution, it would not be appropriate for the Commissioner to review the application and make a decision at this point. The applicant has been provided six months from July 26, 2007, with an opportunity to amend the application to comply with the Act and Rules, or to provide arguments as to why the application does comply. Recognizing the time during which this application has been in prosecution, I can assure you that the Office will make every reasonable effort to expedite any further steps in prosecution of this application.

[30] On November 15, 2007, the Applicant filed a minor clerical amendment under subsection 31(b) of the Rules (the Voluntary Amendment). At that time, the Applicant repeated the request for the withdrawal of the ninth examiner's report and commented that the Commissioner lacked jurisdiction to issue it because it raised issues of obviousness which had been earlier considered and were not among those raised in the Final Action Report. I have excerpted the relevant portions as follows:

The Present Application

The obviousness rejections contained in the office action of July 26, 2007, clearly violate the *Patent Rules* and CIPO's own policy reflected in Chapter 21. These rejections were available to the Examination Division prior to the Final Action. Indeed they were raised by other examiners in the prosecution history and were presumably overcome by the Applicant since they did not form part of "the outstanding defects" in the Final Action. In other words, the Examination Division has already conceded that these grounds of rejection do not constitute outstanding defects.

All of the alleged outstanding defects were contained in the Final Action, as is required by law. The Commissioner has ruled that none of those alleged defects is valid. Accordingly, the present application complies with the *Act* and *Rules*. Any ground of rejection that the Examination Division chose not to include in the Final Action cannot now be raised in an improper attempt to re-prosecute this application.

The Commissioner and Examination Division do not have discretion to dispense with compliance with the *Act* and *Rules*. The only reasonable interpretation of the *Act* and *Rules* compels allowance of this application on the basis of the Decision of the Commissioner of Patents rendered January 25, 2007.

The Applicant respectfully requests that the Commissioner comply with her obligations under subsection 27(1) and issue a notice of allowance forthwith.

[31] On December 21, 2007, the tenth examiner's report was issued. It was the second to be described as a "Final Action" under subsection 30(4) of the Rules. It rejected the Patent Application under subsection 30(3) of the Rules. It treated the Applicant's November 15, 2007 correspondence as a response to the requisition of July 26, 2007, but rejected the Applicant's claims that the Commissioner lacked jurisdiction based on its finding that the matter was back in further prosecution. The tenth examiner's report provided in part as follows:

With the correspondence of November 15, 2007 and as required by the examiner pursuant to subsection 30(2) of the *Patent Rules*, the applicant has amended the application and provided arguments as to why the application complies with the *Patent Act* and the *Patent Rules*. The office therefore considers the applicant's correspondence received in this office on November 15, 2007 to be a response to the requisition of July 26, 2007. This application has been examined taking into account the applicant's amendments and arguments.

[...]

Applicant's presented arguments

Applicant has argued that the Commissioner lacks jurisdiction to issue further requisitions under section 30 of the *Patent Rules* in connection with this matter. The Office considers, however, in accordance with the direction of the Commissioner in the Commissioner's Decision dated 25 January 2007, that this matter is back in further prosecution and that the examiner has the jurisdiction to issue further requisitions under section 30 of the *Patent Rules*.

[32] On February 14, 2008, the Applicant filed the present application for judicial review.

PROPER FORUM

[33] The Respondent has argued that section 18.5 of the *Federal Courts Act* bars the present application on the grounds that judicial review is only available in the absence of a statutory right of appeal. Section 41 of the Act provides a statutory right of appeal when the Commissioner refuses to grant a patent under section 40. However, since there was no refusal in the present case, there is no right of appeal to act as a bar to this application.

STANDARD OF REVIEW

[34] The parties both submit and I agree that the appropriate standard of review of a decision of the Commissioner on a question of law such as the interpretation of the Act and the Rules is correctness: *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76, [2002] 4 S.C.R. 45; *Dunsmuir v. New Brunswick*, 2008 SCC 9, [2008] 1 S.C.R. 190.

ISSUES

[35] Against this background, the following questions require consideration:

1. Did the Commissioner err in not granting a patent after the Decision?
2. What is the appropriate remedy in the present case?

ANALYSIS

ISSUE 1 - WHETHER THE COMMISSIONER ERRED IN NOT GRANTING THE PATENT

THE POSITION OF THE PARTIES

[36] The Applicant submits that the Decision disposed of all outstanding objections to the granting of the patent. On the Applicant's construction, the Commissioner's direction that the Patent Application be returned for "further prosecution" does not permit new objections to be raised at this stage as this phrase must be read in light of the Board's decision and the qualifier that further prosecution be "consistent with the Board's recommendation". The Applicant protests that the only permissible interpretation of the Commissioner's decision is to read it as implicitly granting the patent.

[37] In contrast, the Respondent asserts that examiner's reports under subsection 30(4) labeled "Final Action" need not list all outstanding objections to the granting of the patent. Accordingly, the

Respondent argues that the phrase directing “further prosecution” must be interpreted according to its meaning under the regime, namely returning the patent application to the investigation process to determine if it can be allowed.

[38] The Respondent further submits that the Commissioner’s choice of this phrase was deliberate in the circumstances and indicated that he was not satisfied that the Applicant had met all the requirements for the granting of a patent under the Act and the Rules. The Respondent submits that the Commissioner has a duty to ensure that the statutory requirements are satisfied at all stages of the patent application process.

APPLICATION OF SECTION 30 OF THE RULES TO THE PRESENT CASE

[39] The relevant Rules are subsections 30(3), 30(4), and 30(6), and they are reproduced below. Essentially, they provide that if a good faith impasse is reached between an examiner and an applicant, the applicant becomes entitled to a hearing about the validity of the outstanding issues that cause the examiner to reject a patent application.

[40] These subsections read as follows:

30. [...]

(3) Where an applicant has replied in good faith to a requisition referred to in subsection (2) within the time provided but the examiner has reasonable grounds to believe that the application still does not comply with the Act or these Rules in respect of one or more of the defects referred to in the requisition and that the applicant will not amend the application to comply with the Act and these Rules, the examiner may reject the

30. [...]

(3) Lorsque le demandeur a répondu de bonne foi à la demande de l'examineur visée au paragraphe (2) dans le délai prévu, celui-ci peut refuser la demande s'il a des motifs raisonnables de croire qu'elle n'est toujours pas conforme à la Loi et aux présentes règles en raison des irrégularités signalées et que le demandeur ne la modifiera pas pour la rendre conforme à la Loi et aux

application.

(4) Where an examiner rejects an application, the notice shall bear the notation “Final Action” or “Décision finale”, shall indicate the outstanding defects and shall requisition the applicant to amend the application in order to comply with the Act and these Rules or to provide arguments as to why the application does comply, within the six-month period after the requisition is made or, except in respect of Part V, within any shorter period established by the Commissioner in accordance with paragraph 73(1)(a) of the Act.

[...]

(6) Where the rejection is not withdrawn pursuant to subsection (5), the rejection shall be reviewed by the Commissioner and the applicant shall be given an opportunity to be heard.

présentes règles.

(4) En cas de refus, l'avis donné porte la mention « Décision finale » ou « Final Action », signale les irrégularités non corrigées et exige que le demandeur modifie la demande pour la rendre conforme à la Loi et aux présentes règles ou fasse parvenir des arguments justifiant le contraire, dans les six mois qui suivent ou, sauf pour l'application de la partie V, dans le délai plus court déterminé par le commissaire en application de l'alinéa 73(1)a) de la Loi.

[...]

(6) Lorsque le refus n'est pas annulé selon le paragraphe (5), le commissaire en fait la révision et le demandeur se voit donner la possibilité de se faire entendre.

[My emphasis.]

[41] The Respondent argued that the phrase “outstanding defects” as it is used in subsection 30(3) of the Rules cannot be read as “all outstanding defects” as such an interpretation would go against the spirit of the Act. However, I do not find that a requirement that final actions detail “all” outstanding defects is unduly onerous or contrary to the spirit and intent of the patent regime. The Canadian patent application process can be quite lengthy and uncertain, as evidenced by the present case. It seems sensible to me in that context to give the word “final” its ordinary meaning. At the point when a requisition is issued that potentially triggers a hearing, it is reasonable to conclude that all outstanding issues would be before the PAB.

[42] The Applicant highlighted the fact that the phrase “outstanding defects” was a recent addition to the Rules, absent from the provision relating to final actions in force prior to October 1, 1996. Section 47(2) of the former *Patent Rules*, C.R.C. 1878, c. 1250, stated:

A notice to the applicant of any final action shall bear the notation “Final Action” and shall prescribe the time within which the applicant may amend the application as required by the

examiner or lodge a request that that the action by the examiner be reviewed by the Commissioner.

[43] I view the word “outstanding” in the amended provision as indicating that the defects identified in a final action are comprehensive rather than a mere selection. This interpretation is not only harmonious with the object and intention of the scheme, but also gives meaning to the amendment.

[44] In my view, the MOPOP, the language of section 30, the scheme of the Act and the amendment to the provision regarding “Final Actions”, make it clear that a final action is to dispose of a patent application. In other words, following a PAB hearing the Commissioner is to make one of two decisions:

- i) refuse the patent application under section 40 of the Act if the PAB has found alleged defects to be justified; or
- ii) grant the patent application under section 27 of the Act.

ISSUE 2 – THE REMEDY

[45] The Applicant submits that the Decision was, in fact, complete because even though the Commissioner did not use the wording “grant the patent”, that was the conclusion actually reached. Based on the PAB’s findings that none of the Alleged Defects were outstanding, the Applicant says that I should order the Commissioner to grant the Patent Application.

[46] The Respondent submits that the only reasonable conclusion that can be made by logical inference from the wording of the Commissioner's Decision is that the Commissioner needed more prosecution of the Patent Application in order to satisfy himself that it met the requirements of the regime. However, since there is no evidence that the PAB or any examiner recommended new areas for investigation, I find this submission unreasonable.

COSTS

[47] The Respondent submitted that the Commissioner, as represented by the Attorney General of Canada, is immune from an order to pay costs pursuant to section 25 of the *Patent Act*.

[48] I reject this submission. Although section 25 of the Act provides that costs shall not be awarded against the Commissioner, this provision is limited to proceedings under the *Patent Act*. This application for judicial review was brought under the *Federal Courts Act* and thus Rule 400 of the *Federal Courts Rules*, SOR/98-106, applies, affording the Court full discretion to decide costs.

ORDER

UPON hearing the submissions of counsel for both parties in Toronto on Thursday, November 20, 2008;

AND UPON considering the written submissions of the Applicant dated June 2, 2009 and the Respondent dated June 5, 2009;

THIS COURT ORDERS that, for the reasons given above,

1. This application for judicial review is allowed and the Commissioner's Decision dated January 25, 2007 is hereby set aside.
2. The Post Decision Reports and Requisitions are hereby set aside and the Patent Application is hereby reinstated as an active application. This means that the Respondent's submissions about outstanding fees and deemed abandonment of the Patent Application are moot.
3. The Commissioner is to forthwith make a decision granting the Patent Application under section 27 of the Act as it was amended by the Applicant in the Voluntary Amendment.
4. Costs are to the Applicant, pursuant to Rule 400 of the *Federal Courts Rules*. If not agreed, those costs should be assessed based on the midpoint of Column III on the table in Tariff B of the *Federal Courts Rules*.

"Sandra J. Simpson"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-248-08

STYLE OF CAUSE: SYDNEY H. BELZBERG v. THE COMMISSIONER OF PATENTS and THE ATTORNEY GENERAL OF CANADA

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: NOVEMBER 20, 2008

REASONS FOR ORDER AND ORDER BY: SIMPSON J.

DATED: JUNE 23, 2009

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