

Federal Court



Cour fédérale

Date: 20130627

**Dockets: T-928-12
T-930-12**

Citation: 2013 FC 715

BETWEEN:

Docket: T-928-12

**KAROLINSKA INSTITUTET
INNOVATIONS AB**

Applicant

and

ATTORNEY GENERAL OF CANADA

Respondent

AND BETWEEN:

Docket: T-930-12

ANDERS JONSSON

Applicant

and

ATTORNEY GENERAL OF CANADA

Respondent

REASONS FOR JUDGMENT

HUGHES J.

[1] The Applicants in each of these two applications for judicial review have endeavoured to file patent applications with the Canadian Intellectual Property Office (CIPO) under the provisions of the Patent Co-Operation Treaty (PCT). Each application was rejected by the Commissioner of Patents in a letter dated April 11, 2012, in each case, for what the Commissioner viewed was a failure to submit the appropriate fees under circumstances that are largely identical in each instance. The Applicants seek judicial review. One set of Reasons will apply to both applications.

THE FACTS

[2] The Applicant Karolinska Institutet Innovations AB (Karolinska) is a legal entity located in Solna, Sweden. On September 4, 2008, it filed patent applications under the provisions of the Patent Co-Operation Treaty (PCT) in both Sweden and the United States of America.

[3] The Applicant Anders Jonsson (Jonsson) resides in Bromma, Sweden. On September 15, 2008, he filed a patent application in Sweden and on September 16, 2008 in the United States of America under the provisions of the Patent Co-Operation Treaty.

[4] Jonsson was the person named as inventor in both the Karolinska and Jonsson patent applications.

[5] Each of Canada, Sweden and the United States of America, as well as many other countries, are members of the Patent Co-Operation Treaty (PCT). In brief, the PCT provides that a patent

application can be filed in one of the member countries designated as a receiving office, and thereby establish an international filing date and number. Within a stipulated period of time, the patent applicant can designate another country or countries within the PCT group of countries in which the applicant also wishes to have its application filed. Upon paying the appropriate fees, the application is then deemed to have been filed in such other country as of the original international filing date. This is often termed as entering the national phase. In Canada, an applicant may request that an application enter the national phase in Canada within 30 months from the filing of the original application in a PCT member country receiving office. The period of 30 months may be extended a further 12 months; that is, up to 42 months upon payment of an additional fee.

[6] A Swedish law firm, with a patent agency practice, acted for both Karolinska and Jonsson in filing their patent applications. On January 27, 2012, this Swedish firm sent a letter to a Canadian law firm, which has a patent agency practice, requesting that the Canadian firm file in Canada under the provisions of the PCT each of the Karolinska and Jonsson patent applications. The letter of instruction from the Swedish firm said, in part:

International Application No. PCT ...

...

National filing in Canada – late entry – Chapter II PCT

Dear Sirs,

Our client has instructed us to proceed with a national phase filing in your country in respect of the above stated PCT patent application. We hereby kindly ask you to act as our local associate in your country and to file a national application based on this

International PCT application within the due date with the relevant authority in your country. The time limit is March 4, 2012.

[7] The above quote is taken from the letter of instruction respecting the Karolinska application. A similar letter was sent respecting the Jonsson application, in which the time limit was said to be March 15, 2012 rather than March 4, 2012. No party disputes the correctness of these dates.

[8] The Canadian firm proceeded to prepare the applications for filing with the CIPO. On February 29, 2012, each of the Karolinska and Jonsson applications were filed electronically with that Office. The covering letter in each case stated, in part:

Agent for applicant encloses herewith a new application for National Phase Entry.

*Attached are the following documents:
:C:\Users\matticd\Desktop\Request National Phasepdf*

*I am including the following fees:
Filing fee; Second year maintenance fee
For a total of: \$250*

Please make the payment from my credit card

[9] The attached electronic standard form stated, in part:

Correspondence Instructions:

Agent for applicant encloses herewith a new application for National Phase Entry.

2. Description of Fee:

*I am including the following fees:
Filing fee; Second year maintenance fee*

For a total of: \$250.00

Payment method:

Credit Card

[10] Counsel for the Applicants Karolinska and Jonsson frankly admits, based on the affidavit of the Canadian patent agent who filed those applications, that there was an error in respect of the fees. I set out the facts as recited in the relevant portions of the Applicants' Counsel's Memorandum of Argument filed with the Court which facts are not disputed by the Respondent:

4. *Pursuant to the instructions from the Applicant's Swedish Patent agent [...], the Applicant's Canadian agent [...] arranged for the PCT Application to be forwarded electronically to the Canadian Patent Office, before the 42-month period ended.*

...

5. *However, during the processing of the paperwork relating to the PCT Application at the office of the Patent agent at the time that the instructions were received, an incorrect international date was logged by an assistant at the Patent agent. As a result, although the specific lawyer and Patent agent having carriage of the matter [...] had originally given specific instructions to her staff that the PCT Application was a "late entry" filing, the clerical logging system at [Patent agent's firm] did not reflect that fact.*

...

6. *Consequently, when the PCT Application was prepared for electronic filing with the Patent Office, the total fee amount set out on the electronic application transmittal documents was less than the full amount that was needed to cover the fee due at the time of filing.*

...

7. *In the electronic filing form provided by CIPO, there is a single box designated for "Total Fees". There is also a box that states: "I am including the following fees." The Patent agent indicated that the fees included were for "filing fee; and second year maintenance fee".*

...

8. *Because of the clerical error in entering data at the Patent agent's office, as described above, the fee specified in the "Total Fees" box in the electronic filing form was less than the full amount required by the Patent Rules. The evidence (not cross-examined) was that the intention of [the Canadian Patent agent] was to pay the correct full amount and that instructions were given to the patent clerk at the Patent agent to prepare the documents on this basis. Due to the clerical error in recording the relevant dates for the PCT Application, however, the amount shown in the "Total Fees" box was \$250.00, instead of \$450.00. The "filing fee" ought to have been calculated to include payment for the "basic national fee" (Item 10, Schedule II to the Patent Rules) and payment for the "additional fee for late payment" (Item 11, Schedule II to the Patent Rules).*

...

9. *With the exception of the amount of money that was tendered with the PCT Application, the application was filed in accordance with the requirements of the PCT and the Patent Rules. The PCT Application was filed on February 29, 2012, in advance of the deadline of March 4, 2012. [for Karolinska - March 15, 2012 for Jonsson]. In addition, the PCT Application included an authorization to charge fee payments against the credit card of the Patent agent (appropriate and sufficient credit card details were provided).*

[11] CIPO apparently did nothing until after the critical dates of March 4, 2012 (Karolinska) or March 15, 2012 (Jonsson) expired. It was not until about six weeks later that CIPO wrote a letter to the Canadian Patent agent, entitled "National Entry Refused", dated April 11, 2012 (in both cases) which stated:

NATIONAL ENTRY REFUSED

Dear Sir/Madam:

Reference is made to your letter dated February 29, 2012.

The Patent Rule 58 (3) is very clear in the effect that an applicant shall comply with the requirements of subdivision (1) and (2), where

applicable, no later than on the expiry of the 30-month after the priority date (a). With a late payment fee, before the expiry of the 42-month from the priority date (b), which was March 4, 2012.

Since we believe that the applicant did not take the necessary steps in order to ensure that your office received his or her request to enter national phase in Canada within the time limit, the Canadian Intellectual Property Office has deemed the current application not to have entered the national phase.

Upon a written request, the fees paid, minus \$25, with regard to the above mentioned PCT application will be refunded pursuant [sic] to section 4(3) of the Patent Rules.

Should you require further information, please contact the undersigned.

Yours truly,

[12] The same letter was sent in each of the Karolinska and Jonsson applications.

[13] Immediately upon receipt of the letter from the CIPO, the Canadian patent agent telephoned persons at CIPO and asked that the fees tendered be reallocated to payment of late fees. After numerous phone conversations, including, apparently, with the “policy department” of CIPO, and a lawyer acting for CIPO, was the Canadian patent agent advised that the CIPO would take no steps to remedy the situation. A CIPO official repeated this position in a phone call to the Canadian agent on April 23, 2012. I do not view this as a separate decision.

[14] Hence, this judicial review.

ISSUES

[15] The parties have proposed certain issues, which I will restate as follows:

1. What is the applicable standard of review?
2. Did the Commissioner of Patents err in sending the “Notice of Refusal” letter?
3. Should the Commissioner have accepted the Canadian patent agent’s tender of late payment fees by reallocation or otherwise?

WHAT IS THE APPLICABLE STANDARD OF REVIEW?

[16] The position of all parties stated in their written Memoranda that the standard of review is correctness, relying on *Dutch Industries Ltd v Canada (Commissioner of Patents)*, [2002], 1 FC 325 (TD) aff’d [2003] 4 FC 67 (CA), as well as *Unicrop Ltd v Attorney General of Canada*, 2010 FCA 55, and *Thinkstream Inc v Canada (Commissioner of Patents)*, 2005 FC 894 at para 15. I do not agree, having regard to the circumstances of this case.

[17] The critical provisions are subsections 3.1(1) and (2) of the *Patent Rules*, SOR/96-423.

Those provisions came into force on January 1, 2004. They state:

3.1 (1) Subject to subsection 6(1), if, before the expiry of a time limit for paying a fee set out in Schedule II, the Commissioner receives a communication in accordance

3.1 (1) Sous réserve du paragraphe 6(1), si, avant l’expiration du délai fixé pour le versement d’une taxe prévue à l’annexe II, le commissaire reçoit une communication dans

with which a clear but unsuccessful attempt is made to pay the fee, the fee shall be considered to have been paid before the expiry of the time limit if

(a) the amount of the fee that was missing is paid before the expiry of the time limit;

(b) if a notice is sent in accordance with subsection (2), the amount of the fee that was missing, together with the late payment fee set out in item 22.1 of Schedule II, are paid before the expiry of the two-month period after the date of the notice; or

(c) if a notice is not sent, the amount of the fee that was missing, together with the late payment fee set out in item 22.1 of Schedule II, are paid before the expiry of the two-month period after the day on which the communication was received by the Commissioner.

(2) Subject to subsection 6(1) and unless the person making the communication did not provide information that would allow them to be contacted, if the Commissioner has received a communication in the circumstances referred to in subsection (1), the Commissioner shall, by notice to the person who made the communication, request payment of the amount of the fee that was missing together, if

laquelle une personne fait une tentative manifeste mais infructueuse pour verser la taxe, celle-ci est réputée avoir été reçue avant l'expiration du délai dans les cas suivants :

a) la taxe impayée est versée avant l'expiration du délai;

b) dans le cas où un avis est envoyé conformément au paragraphe (2), la taxe impayée, accompagnée de la surtaxe pour paiement en souffrance prévue à l'article 22.1 de l'annexe II, est versée dans les deux mois suivant la date de l'avis;

c) dans le cas où aucun avis n'est envoyé, la taxe impayée, accompagnée de la surtaxe pour paiement en souffrance prévue à l'article 22.1 de l'annexe II, est versée dans les deux mois suivant la date à laquelle le commissaire a reçu la communication.

(2) Sous réserve du paragraphe 6(1) et à moins que l'auteur de la communication au commissaire ne soumette pas les renseignements permettant de communiquer avec lui, si le commissaire reçoit la communication dans les circonstances visées au paragraphe (1), il demande, par avis, à la personne qui lui a envoyé la communication de verser la taxe impayée, accompagnée, s'il y a lieu, de la surtaxe pour paiement en

applicable, with the late payment fee referred to in subsection (1).

souffrance visée au paragraphe (1).

[18] In *Thinkstream Inc v Commissioner of Patents*, 2005 FC 894, Justice Blais (as he then was) dealt with the issue as to whether or not section 3.1 had retroactive effect. He held that the decision of the Commissioner of Patents in that respect must be reviewed on a standard of correctness. This was an issue of law and the standard of review was correctness. He wrote at paragraphs 15 and 27:

15 Since the issue is whether section 3.1 of the Rules applies in this case and in the manner suggested by the applicant, the applicable standard of review is correctness. (See Harvard College v. Canada (Commissioner of Patents), [2002] 4 S.C.R. 45; Apotex Inc. v. Wellcome Foundation Ltd., [2002] 4 S.C.R. 153; Canada (Director of Investigation and Research) v. Southam Inc., [1997] 1 S.C.R. 748.)

...

27 Since section 3.1 of the Rules does not apply retroactively and the Commissioner did not err in applying the Act and the Rules in force at the time of the PCT national phase request, I am of the opinion that this application for judicial review must be dismissed.

[19] In *Finger-Shield (UK) Limited v Canada (Commissioner of Patents)*, 2006 FC 138, Justice Strayer (as a judge of the Federal Court) held that in interpreting the provisions of a statutory instrument, such as the *Patent Rules*, the standard of review of the Commissioner's decision should be correctness. Again, this dealt with an interpretation of the *Rules* themselves. He wrote at paragraphs 7 to 10:

7 The parties are in agreement that the relevant standard here is that of correctness, this decision involving the interpretation of a

statutory instrument, namely paragraph 58(3)(b) of the Patent Rules. I believe that position to be justified on a pragmatic and functional analysis.

8 *In Dutch Industries Ltd. v. Canada (Commissioner of Patents), [2001] F.C.J. No. 1250 (FCTD) Dawson J. considered the standard of review of a decision by the Commissioner of Patents as to the interpretation of requirements in the Patent Rules with respect to the payment of maintenance fees. She found that the only privative provisions were those of sections 18 and 18.1 of the Federal Court Act which make it clear that the Commissioner is subject to judicial review. She considered that the Commissioner's expertise does not include the interpretation of statutes and statutory instruments, and that any such decision has precedential effect. She felt that the object of the Act was more to establish rights between parties, and decisions with respect of payment of fees as prescribed by the Patent Rules, are not polycentric in nature involving a balancing test. The nature of the issue is a question of law. Based on these considerations she concluded that less deference was owed and that the standard of correctness applied. Her conclusion on this point was affirmed by the Federal Court of Appeal in Dutch Industries Ltd. v. Canada (Commissioner of Patents), [2003] 4 F.C. 67 at para. 23; leave to appeal denied [2003], S.C.C.A. No. 204. I believe the same considerations apply to the question in the present case concerning the interpretation of the Patent Rules in respect of late payment fees.*

9 *The critical provision in question here is the meaning of paragraph 58(3)(b) of the Patent Rules which allows the applicant for entry of a national phase (if he has not complied with the normal 30-month limitation period) to comply with subsections 58(1) and (2) within*

... where the applicant pays the additional fee for late payment set out in item 11 of Schedule II, the 42-month period after the priority date.

The applicants argue that there is nothing in paragraph (b) which specifies when the late payment fee must be made. All that is required is that the proper documents and basic national fee be provided to the Commissioner and any relevant maintenance fees be paid, all before the expiry of 42 months which was done in this case. While it is also required that the late payment fee be paid some time, there is no requirement that it be paid within 42 months. I would agree that the paragraph is capable of being read in that fashion. It is also capable of being read as requiring the late payment fee to be paid within the 42-month period. There is indeed some ambiguity

which requires interpretation. I believe that the latter meaning is the one which should be ascribed to the paragraph.

10 First, it seems to me that this is the more likely meaning of the bare language of the paragraph. In the context of sub-section (3), it is required that the applicant provide the necessary documents, pay the national fee, and pay any maintenance fees and he may do this within a period of up to 42 months after the priority date "where [he] pays the additional fee for late payment". That implies to me an action which must take place before or concurrently with the compliance with the other requirements.

[20] In the present case, we are not dealing with an interpretation of *Patent Rule 3.1*; rather, we are dealing with how the Commissioner (CIPO) did or did not give proper meaning and effect to the words “*clear but unsuccessful attempt to pay the fee*” in the particular circumstances of this case. In other words, the Court is not being asked to consider what the *Rule* means; but rather, whether the Commissioner (CIPO) properly applied the *Rule* to the circumstances of the case. In this regard, the standard is reasonableness.

[21] The Supreme Court of Canada recently addressed this issue in *Agraira v Minister of Public Safety and Emergency Preparedness*, 2013 SCC 36. LeBel J, with whom the other members of the panel of the Court agreed, wrote at paragraph 48 as to how a standard is to be established:

48 As this Court held in Dunsmuir, a court deciding an application for judicial review must engage in a two-step process to identify the proper standard of review. First, it must consider whether the level of deference to be accorded with regard to the type of question raised on the application has been established satisfactorily in the jurisprudence. The second inquiry becomes relevant if the first is unfruitful or if the relevant precedents appear to be inconsistent with recent developments in the common law principles of judicial review. At this second stage, the court performs a full analysis in order to determine what the applicable standard is.

[22] At paragraphs 51 to 53, LeBel J set out the recent jurisprudence of the Supreme Court as to reasonableness. I point out in particular, that reasonableness involves “*justification, transparency and intelligibility*”.

51 In *Dunsmuir*, the Court defined reasonableness as follows:

... a deferential standard animated by the principle that underlies the development of the two previous standards of reasonableness: certain questions that come before administrative tribunals do not lend themselves to one specific, particular result. Instead, they may give rise to a number of possible, reasonable conclusions. Tribunals have a margin of appreciation within the range of acceptable and rational solutions. A court conducting a review for reasonableness inquires into the qualities that make a decision reasonable, referring both to the process of articulating the reasons and to outcomes. In judicial review, reasonableness is concerned mostly with the existence of justification, transparency and intelligibility within the decision-making process. But it is also concerned with whether the decision falls within a range of possible, acceptable outcomes which are defensible in respect of the facts and law. [para. 47]

52 In *Newfoundland and Labrador Nurses' Union v. Newfoundland and Labrador (Treasury Board)*, 2011 SCC 62, [2011] 3 S.C.R. 708, Abella J., for a unanimous Court, returned to the meaning of reasonableness and deference. She stated:

*This, I think, is the context for understanding what the Court meant in *Dunsmuir* when it called for "justification, transparency and intelligibility". To me, it represents a respectful appreciation that a wide range of specialized decision-makers routinely render decisions in their respective spheres of expertise, using concepts and language often unique to their areas and rendering decisions that are often counter-intuitive to a generalist... .*

*Read as a whole, I do not see *Dunsmuir* as standing for the proposition that the "adequacy" of reasons is a stand-alone basis for quashing a decision, or as advocating that a reviewing court undertake two discrete analyses -- one for the reasons and a separate one for the result (Donald J. M.*

Brown and John M. Evans, Judicial Review of Administrative Action in Canada (loose-leaf), at ss.12:5330 and 12:5510. It is a more organic exercise -- the reasons must be read together with the outcome and serve the purpose of showing whether the result falls within a range of possible outcomes. This, it seems to me, is what the Court was saying in Dunsmuir when it told reviewing courts to look at "the qualities that make a decision reasonable, referring both to the process of articulating the reasons and to outcomes" (para. 47).

In assessing whether the decision is reasonable in light of the outcome and the reasons, courts must show "respect for the decision-making process of adjudicative bodies with regard to both the facts and the law" (Dunsmuir, at para. 48). This means that courts should not substitute their own reasons, but they may, if they find it necessary, look to the record for the purpose of assessing the reasonableness of the outcome.

... if the reasons allow the reviewing court to understand why the tribunal made its decision and permit it to determine whether the conclusion is within the range of acceptable outcomes, the Dunsmuir criteria are met. [paras. 13-16]

53 *In one of its most recent comments on this point, in Construction Labour Relations v. Driver Iron Inc., 2012 SCC 65, [2012] 3 S.C.R. 440, the Court emphasized that the reviewing court must consider the tribunal's decision as a whole, in the context of the underlying record, to determine whether it was reasonable:*

... administrative tribunals do not have to consider and comment upon every issue raised by the parties in their reasons. For reviewing courts, the issue remains whether the decision, viewed as a whole in the context of the record, is reasonable (Newfoundland and Labrador Nurses' Union v. Newfoundland and Labrador (Treasury Board), 2011 SCC 62, [2011] 3 S.C.R. 708 [para. 3]).

WAS CIPO'S DECISION REASONABLE?

[23] I have previously set out the text of the decision as set out in the letters of April 11, 2012.

There are a number of problems with these letters, which render them lacking in justification, transparency and intelligibility; namely:

- The meaning of the words appearing in the first line of the second paragraph are unintelligible:

“Patent Rule 58(3) is” very clear int the effect that...

All parties agree that there is at least some kind of typographical error, but the true meaning cannot be discerned.

- The reference to the date of March 4, 2012 in the letter respecting the Jonsson application is incorrect; it should be, as all parties agree, March 15, 2012.
- The factual conclusion set out in the third paragraph that “...*the applicant did not take the necessary steps in order to ensure that your office received his or her request to enter national phase in Canada within the time limit...*” is not based on anything in the record, and having regard to the record before the Court, is clearly wrong. It is not for the Court to look at the new evidence at this time but the Court must note that CIPO had no evidence at all one way or the other as to what the applicant did or told the Canadian agent.

[24] Counsel for the Respondent (CIPO) agrees that these are errors, but argues that they are meaningless errors, and do not affect the result. I disagree; these are errors of substance, going to the heart of the letters. They make the decision lacking in justification, transparency and intelligibility.

DID THE COMMISSIONER (CIPO) COME TO THE RIGHT RESULT IN ANY EVENT?

[25] The issue that the Commissioner was required to address was whether the Canadian firm filing the application had made, as stipulated by subsection 3.1(1) of the *Patent Rules*, a “...clear but unsuccessful attempt...” to pay the required fee. The Commissioner’s letter does not squarely address this issue.

[26] The effect of subsection 3.1(1) was addressed, *in obiter*, by Justice Martineau of this Court in *Johnson & Johnson Inc v Boston Scientific Ltd*, 2004 FC 1672. He wrote at paragraphs 99 to 104:

99 *At the time section 3.1 was referred to this Court, it was not yet in force, and accordingly, the plaintiffs were asking this Court to defer the present decision so that they would have the opportunity to exercise their rights under section 3.1 of the Patent Rules. It appears that this particular aspect of the case has become largely academic since a stay of the proceedings was ordered in November 2003 for other reasons.*

100 *That being said, I find that the amendments that came into force on January 1, 2004 do not affect the determination of the motion under reserve. The law applicable to the motion for summary judgment has never been in controversy between the parties. Since the applications for each of the impugned patents had filing dates prior to October 1, 1989, sections 78.1 and 78.2 of the current Patent Act dictate that the validity of these patents is to be judged in accordance with the provisions of the Patent Act as they read immediately before October 1, 1989. Furthermore, the Patent Rules applicable to determine whether the applications for the impugned patents were completed on filing, were those in effect prior to 1989.*

101 *Anyhow, even if the new Rules could find application in the case at bar, section 3.1 does not allow the plaintiffs to avoid the legal consequences of the payment of the wrong fee or, in other words, the small entity filing fee for the impugned patents. As a regulation, section 3.1 is subordinated to its enabling statute, the Patent Act. The twelve month period specified for the completion of a patent application is contained in section 30 of the Patent Act, not the Patent Rules, and is not affected by changes to the Patent Rules. In other words, section 3.1 represents a change to the Patent Rules, but not to the Patent Act itself. In effect, section 3.1 does not purport to affect an applicant's statutory obligation under the Patent Act to complete its patent application within twelve months of the filing date. Therefore, contrary to what the plaintiffs submit, subsection 3.1(2) of the new Rules does not allow the patent applicant to evade its obligation under the Patent Act.*

102 *Moreover, section 3.1 is not a remedial provision for the problem identified in Dutch Industries decision regarding the Commissioner of Patent's acceptance of a "top-up" fee after the expiry of the time limit for paying particular fees. None of the regulatory documents associated with the new rules makes any mention of the Dutch Industries case. I believe that it would be highly unusual, if not unprecedented, for regulations to be amended to "fix a problem" without any mention of the purported problem in any of the documents leading up to and accompanying the regulations and while the judicial decision giving rise to the purported problem was still before the courts. Section 3.1 is intended to permit an applicant or patentee who unsuccessfully attempts to pay a prescribed fee to correct that incorrect fee payment upon notice from the Commissioner, provided that an additional late payment fee is paid. The amendments are simply a serie of administrative, house keeping amendments with respect to fee changes.*

103 *On another note, section 3.1 does not purport to retroactively resurrect patents already deemed abandoned by section 30 of the Patent Act. Section 3.1 is not construed to have retroactive effect to resurrect patents already deemed permanently abandoned under section 30 of the Patent Act. In fact, legislation is presumed to apply to future acts and conditions. In other words, statutes are not to be construed as having retroactive operation unless such a construction is expressly set out in the statute or is required as a necessary implication of the language used (Gustavson Drilling (1964) Ltd. v. Canada (Minister of National Revenue - M.N.R.), [1977] 1 S.C.R. 271). There must be sufficient indication that the legislation is meant to apply not only to ongoing and future acts but also to past acts*

which is not the case here (Baker Petrolite Corp. v. Canwell Enviro-Industries Ltd., [2003] 1 F.C. 49 at para. 19).

104 Moreover, I find that the applicants for the impugned patents never made a "clear, but unsuccessful attempt" to pay the fees that the defendants' summary judgment motion asserts were deficient. The Regulatory Impact Analysis Statement published along with the amendments to the Patent Rules on June 18, 2003 gives one example of a "clear but unsuccessful attempt" to pay a fee. That example, found on page 1659, is the payment of an incorrect fee by miscalculating an exchange rate. The present situation is completely different. Section 3.1 allows the patent applicant to correct an inadvertent error in connection with the payment of the fee but does not allow the patent applicant to correct an error related to the fee itself, especially when the error is due to a bad assumption or a deliberate improper claim to small entity status.

[27] This decision was reversed by the Federal Court of Appeal, 2006 FCA 195. Sharlow JA, for the Court, wrote at paragraphs 5 and 6:

5 In our view, the legal effect of subsection 78.6(1) is that the top-up payments made for the patents in issue in this case must be treated for the purposes of the Patent Act as though they had been made on the date of the original deficient payments. It follows that there was no deficiency in the payment of the application fees. That means that the principle in Dutch Industries cannot apply, and the patent applications must be regarded as though the deemed abandonment provision never applied to the patents.

6 This interpretation of subsection 78.6(1) is based on its literal meaning. That is appropriate in our view, because it is abundantly clear that Parliament intended subsection 78.6(1) to alleviate the effect of Dutch Industries retroactively if a top up payment is made that meets the conditions stated in subsection 78.6(1). It is undisputed that the statutory conditions were met in this case.

[28] Justice Martineau, in a decision he wrote after his decision in *Boston Scientific*, namely *United States v Canada (Commissioner of Patents)*, June 23, 2005, Docket T-1995-04, considered a

question as to payment of fees without finding that it is necessary to resort to section 3.1 of the *Patent Rules*. At paragraph 5 he wrote:

5. *On its face, MBM's cover letter of April 30, 2004, expressly authorized the Respondent "to obtain payment from CIPO account 06-176 and make any and all appropriate action as set out in Schedule II of the Patent Rules" (my underlining). I agree that such broad direction cannot be interpreted as to create a general obligation on the Respondent to give the Applicants notice of filing deficiencies. However, in this case, considering that payment was made by way of an instrument of credit, there should not be a narrow interpretation of the instructions given by MBM in order to perfect the Applicants' request for entry into the national phase. Indeed, considering the particular circumstances of this case and the clear intention expressed in the "Form for Request of Entry into National Phase under Articles 22 and 30 of the Patent Cooperation Treaty" submitted by MBM on behalf of the Applicants on April 30, 2004, I have no doubt that the broad direction contained in MBM's cover letter constituted clear and valid authorization to the Respondent to debit MBM's Visa account for whatever additional sum of money was needed to effect payment of the additional fee of \$200 for late payment set out in item 11 of Schedule II of the Patent Rules. This interpretation is consistent with the scheme and general purpose of the patent regime, and while it is not necessary to resort on section 3.1 of the Patent Rules, it also accords with the purpose and application of same.*

[29] Given the state of the jurisprudence, or lack thereof, respecting section 3.1 of the *Patent Rules*, the matter must be approached as a matter of first instance.

[30] Section 3.1 was added to the *Patent Rules* after cases such as *Dutch Industries Ltd v Canada (Commissioner of Patents)*, 2001 FCT 879, 2003 FCA 121, had illustrated that simple errors in paying fees to the Patent Office could have a devastating effect in failing to obtain or maintain a patent. The Regulatory Impact Analysis Statement (RIAS) accompanying the proposed *Rule* as published in the *Canada Gazette*, 5 June 2003, at page 1659 stated:

<p><i>b. Provide a safeguard to applicants and patentees who unsuccessfully attempt to pay a fee. Currently, an applicant or registrant who pays an incorrect fee (e.g., by miscalculating an exchange rate) is at jeopardy of losing the IP right.</i></p>	<p><i>b. Offre une protection aux demandeurs et aux détenteurs de brevet qui tentent sans succès de payer les droits. Actuellement, le demandeur ou le détenteur qui ne verse pas le montant exact des droits (en raison, par exemple, d'une erreur dans le calcul du taux de change) risque de perdre ses droits de PI.</i></p>
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[31] The example given is odd because neither Counsel before me, nor this Court, could think of a single instance under the *Rules* where the calculation of an exchange rate would come into play.

[32] The purpose of such fees, as has been stated by the Federal Court of Appeal in *Actelion Pharmaceuticals Ltd v Canada*, 2008 FCA 96 at paragraph 13, is not only to provide the Patent Office with a means of recovering administration costs, but also to rid the proliferation of deadwood patents. There is nothing penal in the fee system.

[33] Section 12 of the *Interpretation Act*, RSC 1985, c. I-21, instructs that the Courts are to take an approach to statutory construction that affords a fair, large and liberal interpretation. It provides:

<p><i>12. Every enactment is deemed remedial, and shall be given such fair, large and liberal construction and interpretation as best ensures the attainment of its objects.</i></p>	<p><i>12. Tout texte est censé apporter une solution de droit et s'interprète de la manière la plus équitable et la plus large qui soit compatible avec la réalisation de son objet.</i></p>
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[34] Professor Sullivan in her text “*Sullivan and Driedger on the Construction of Statutes*”, (4th ed), Butterworths, Toronto, provides at page 382:

The difference between strict and liberal construction is largely one of attitude and elasticity. Legislation that is strictly construed is applied with reluctance, as sparingly as possible. General terms are read down; conditions of application are fully and carefully enforced. Any doubts or ambiguities are resolved in favour of non-application. Liberal construction, by contrast, favours and facilitates the application of legislation to advance the remedial goal. The language of the statute is applied as fully as the conventions of meaning permit. Technicalities and empty formalism are avoided. Where reasonable doubts or ambiguities arise, they are resolved in favour of those seeking the benefit of the statute.

Historically, it seems, the penal impact of legislation was more apparent to judges than their benevolent social purpose. Corry points out that after 1700 few statutes were found to be remedial. During the 18th and 19th centuries, strict construction was a potent weapon against legislative initiatives that were judged to interfere unduly with liberty or rights.

Modern approach. *In all Canadian jurisdictions, the legislature has attempted to abolish judicial reliance on strict construction by enacting a provision along the following lines.*

12. Every enactment is deemed remedial, and shall be given such fair, large and liberal construction and interpretation as best ensures the attainment of its objects.

This provision has not stopped courts from continuing to use the language of strict and liberal construction. However, the doctrine is applied more flexibly, less mechanically today. In keeping with the current emphasis on purposive analysis, contemporary courts are more likely to see the remedial side of legislation and to accept the direction of the Interpretation Act.

[35] Rule 3.1 of the *Patent Rules* was introduced so as to provide the Commissioner of Patents a means, where there was a “*clear but unsuccessful*” attempt to pay a fee, to attenuate the catastrophic effects that may otherwise happen. It does so by providing that the Commissioner can, within two months, send a notice under sub rule 3.1(2) that further fees are owing. Upon prompt payment of those fees, the application is deemed to be in good standing.

[36] In the present case, the Respondent’s Counsel argues that it was not “clear” that the applicant wished to pay not only the PCT filing fee required by Rule 58(3)(a), but also the additional fee required by Rule 58(3)(b), as set out in Schedule II, Tariff item 11. Counsel relies on the words “the fee” in Rule 3.1.

[37] I view the matter differently. As provided by section 12 of the *Interpretation Act*, section 3.1 is a remedial provision; it is to be given a fair, large and liberal construction. A reference to “the fee” can liberally be construed so as to include not only a basic filing fee, but also an additional filing fee for filing before the 42 month period.

[38] Thus, the reference in the Canadian agent’s communication to the Patent Office to “*filing fee*” can be interpreted to indicate not only the basic fee, but also the additional fee. The Patent Office, in looking at the application itself, can easily recognize it as one that is filed after the 30-month time period, and before the 42-month time period mentioned in Rule 58(3); and thus, recognize that the “filing fee” referred to must, on a fair, large and liberal interpretation, include not only the basic fee, but the additional fee, as well.

[39] Therefore, I find that the Commissioner's decision was unreasonable, not only because it lacked justification and was unintelligible and lacking transparency, but also in that it misapplied Rule 3.1 to the circumstances at hand.

SHOULD THE COMMISSIONER CORRECT A "CLERICAL ERROR"?

[40] Section 8 of the *Patent Act* (R.S.C., 1985, c. P-4) permits the Commissioner to correct any "instrument of record" that may contain a "clerical error".

[41] Respondent's Counsel argues that since the application was rejected, it is not an "instrument of record". Respondent's Counsel argues that this position is reinforced by section 59.1 of the *Patent Rules*, which says that section 8 only applies when the instrument of record becomes a national phase application.

[42] In view of my determination that the Commissioner's decision was unreasonable, I do not need to make a determination on this point.

CONCLUSION AND COSTS

[43] In conclusion, I find that the Commissioner's decision is to be reviewed, in the circumstances of this case, on the standard of reasonableness. I find the decision to be unreasonable. It did not appropriately address whether the attempt to pay appropriate fees was "clear but unsuccessful". The decision lacked justification and transparency and was unintelligible.

[44] A number of appropriate remedies were suggested by Applicant's Counsel. I determine that it is most appropriate to set aside the decision of April 11, 2012 in each case, and to require that the Commissioner issue a notice under Rule 3.1(2) in each case, requiring payment of the deficient fees.

[45] I view this as a case where no costs should be awarded.

[46] I thank Counsel for each of the parties for their thoughtful and candid submissions.

"Roger T. Hughes"

Judge

Toronto, Ontario
June 27, 2013

FEDERAL COURT

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