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Intellectual Property: New Options for Patent Ownership Disputes

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Author

Alain Y. Dussault

Partner, Lawyer Partner, and Trademark Agent

Since 1995, the Federal Court of Canada has refused to hear questions relating solely to patent ownership. In *Lawther v. 424470 B.C. Ltd.*[1] the Federal Court declined jurisdiction, stating that "[t]his Court has no jurisdiction to entertain a dispute which is solely a matter of contract", thereby deeming that such a dispute fell within the jurisdiction of the provincial superior courts of each province (hereinafter a "Provincial Court"). In Quebec, the provincial superior court is the Superior Court of Québec.

Therefore, in patent ownership disputes, the inventor, or the person to whom the patent had been assigned, had to seek relief for these contractual issues in Provincial Court (typically, these issues would pertain to an assignment, an employment contract, an option to purchase, *etc.*). The Federal Court would then have to endorse the decision and ultimately order the Patent Office to change the name of the patent owner.

At a time where the proportionality of proceedings in relation to the nature of disputes is a hot-button issue,[2] the Federal Court's adherence to this 20th century decision, which was the norm until recently, could leave a bitter taste in one's mouth.

However, in *Salt Canada Inc*. v. *Baker*, 2020 FCA 127, in a unanimous decision rendered on July 28, 2020, the Federal Court of Appeal overturned a Federal Court decision that followed this precedent, thereby closing the door on a long-standing jurisprudential trend. Justice Stratas, in his reasons, relies on section 52 of the *Patent Act,* stating that "the Federal Court has jurisdiction, on the application of the Commissioner or of any person interested, to order that any entry in the records of the Patent Office relating to the title to a patent be varied or expunged."

For Justice Stratas, the fact that even the Commissioner of Patents must refer any question of title to the Federal Court is important and demonstrates that Parliament intended to assign a judicial function, and not merely an administrative function, to the Federal Court.

The Federal Court is a statutory court, such that it must derive its jurisdiction from a statute, unlike

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provincial superior courts, which are courts of original and general jurisdiction. There appears to have been a debate before the Court of Appeal on the enabling statutory provisions.

The respondent argued that the Federal Court's jurisdiction in intellectual property matters is derived from section 20 of the *Federal Courts Act*:

> **Industrial property, exclusive jurisdiction**
>
> **20 (1)** The Federal Court has exclusive original jurisdiction, between subject and subject, as well as otherwise,
>
> > **(…)**
> >
> > **(b)** in all cases in which it is sought to impeach or annul any patent of invention or any certificate of supplementary protection issued under the *Patent Act*, or to have any entry in any register of copyrights, trademarks, industrial designs or topographies referred to in paragraph (a) made, expunged, varied or rectified.
>
> **Industrial property, concurrent jurisdiction**
>
> **(2)** The Federal Court has concurrent jurisdiction in all cases, other than those mentioned in subsection (1), in which a remedy is sought under the authority of an Act of Parliament or at law or in equity respecting any patent of invention, certificate of supplementary protection issued under the *Patent Act*, copyright, trademark, industrial design or topography referred to in paragraph (1)(a).

Considering the title "Industrial property, (…) jurisdiction," and the fact that the issue here is a question of jurisdiction, the following statement by Justice Stratas may seem surprising: "Arguably, it has no relevance whatsoever. This matter does not arise and has nothing to do with section 20 of the *Federal Courts Act*."

According to Justice Stratas, because the *Patent Act* is a federal statute, the Federal Court has jurisdiction by virtue of the combination of section 52 of the *Patent Act* and section 26 of the *Federal Courts Act*, which provides that the Federal Court has jurisdiction over any matter in respect of which jurisdiction has been conferred by an Act of Parliament.

Justice Stratas goes on to review a series of decisions in which the Federal Court has agreed to interpret various contracts and legal documents as part of its jurisdiction in relation to various federal statutes, including federal tax laws, maritime law, and intellectual property disputes. Ultimately, Justice Stratas dismisses the respondent's argument that the interpretation of contracts falls within the exclusive jurisdiction of the Provincial Courts.

Finally, relying on a 1941 Supreme Court decision,[3] Justice Stratas, at paragraph 24 of his decision, states the following:

> The rule in Kellogg is simple: the Exchequer Court (and now the Federal Court) can interpret contracts between private citizens as long as it is done under a sphere of valid federal jurisdiction vested in the Federal Court.It is true that, absent a specific statutory grant of jurisdiction to the Federal Court, parties cannot assert a contractual claim in the Federal Court against another private party to obtain a damages remedy.But Kellogg tells us that where such a grant is present, parties can claim a remedy even if their entitlement turns on a matter of interpretation of an agreement or other instrument—for example, the remedy of correcting the records in the Patent Office to recognize one's title to a patent under section 52 of the Patent Act.

Note that the Federal Court has jurisdiction *only* to amend the Register or to deal with matters

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relating to the *Patent Act*, such as patent infringement issues. It appears from this judgment that all other matters nevertheless remain matters of common law or civil law and fall within the jurisdiction of the Provincial Courts.

In some cases, it may be advantageous to institute proceedings before the Federal Court rather than a Provincial Court such as the Superior Court of Québec. Among other things, the sums that a litigant can claim for reimbursing their attorney fees, if successful, are much higher in Federal Court than in some Provincial Courts. In addition, the time required to obtain a judgment is often shorter in Federal Court; furthermore, seeking relief in Federal Court makes it possible to avoid having to seek relief before both Federal and Provincial Courts[4] in order to register rights with the Patent Office.

On the other hand, if the issue doesn't involve a strictly Canadian patent, but also corresponding patents in other jurisdictions (the United States, Europe, *etc.*) it is preferable to obtain a judgment before a competent Provincial Court in order to *inter alia* determine the full ownership of a patent family, obtain an injunction against a defendant to transfer titles, or have a judgment confirmed in each relevant jurisdiction. Conversely, the jurisdiction of the Federal Court is limited to the Canadian Patent Register and does not extend to other jurisdictions.

It may also be preferable to institute proceedings in a provincial superior court if the goal is to claim damages for breach of contract or seek other remedies that fall under civil or common law.

Regardless, the *Salt Canada Inc*. v. *Baker* decision provides a new strategic alternative for lawyers, meaning they now have more options to tailor procedures to the specific needs of litigants in patent ownership disputes.

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1. *Lawther* v. *424470 B.C*. *Ltd*., (1995) 95 F.T.R. 81 (TD)
2. *Hryniak* v. *Mauldin*, 2014 SCC 7, [2014] 1 SCR 87
3. *Kellogg Company* v. *Kellogg*, [1941] SCR 242
4. Although it could be argued that a provincial superior court has jurisdiction to order a patent title entry to be changed, on reading sections 20 and 26 of the *Federal Courts Act* and sections 41 and 52 of the *Patent Act*.

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