

Federal Court



Cour fédérale

Date: 20250122

Docket: T-31-24

Citation: 2025 FC 118

Ottawa, Ontario, January 22, 2025

PRESENT: The Honourable Mr. Justice Zinn

BETWEEN:

MATCO TOOLS CORPORATION

Applicant

and

ATTORNEY GENERAL OF CANADA

Respondent

JUDGMENT AND REASONS

[1] The Applicant [Matco] seeks to set aside a decision of the Commissioner of Patents [Commissioner] of the Canadian Intellectual Property Office [CIPO]. The Commissioner refused to reinstate Matco's Patent Application No. 3,086,194 [the 194 Application] which, pursuant to subsection 73(1)(c) of the *Patent Act*, RSC 1985, c P-4 [Act], had been deemed abandoned for failure to pay maintenance fees.

I. Facts

A. *Background and Matco's Maintenance Fee Management System*

[2] Matco filed Patent Cooperation Treaty Application PCT/US2019/012660 with the United States receiving office on January 8, 2019. On June 17, 2020, the 194 Application was deemed to be a national phase application filed in Canada, subject to applicable maintenance fees under Canadian patent laws.

[3] Matco has implemented a structured management system for its patent portfolio. This system assigned specific responsibilities and channels of communication to three separate entities:

- 1) A Canadian patent agent of record [the Canadian Agent], who received instructions solely from US Counsel and had no direct contact with Matco, who was authorized to handle prosecution matters but explicitly prohibited from managing maintenance fees;
- 2) A US law firm [US Counsel], retained for legal services on intellectual property but operating under explicit instructions "to take no further action in these matters with regard to payment of annuities and maintenance fees;" and
- 3) Specialized third-party service providers, retained exclusively for managing maintenance fee payments.

[4] Prior to 2021, Computer Packages Inc. [CPI] was the third-party provider retained to manage Matco's maintenance fee payments. It successfully paid the requisite maintenance fees for the 194 Application during its tenure.

[5] On June 1, 2021, Matco transferred maintenance fee payment services from CPI to Dennemeyer Group [Dennemeyer]. Dennemeyer was selected as a well-established third-party service provider whose primary business includes payment of maintenance fees to CIPO for patent applicants.

[6] Matco is owned by Vontier Corporation. Its Vice-President of Intellectual Property [the VP] attests that:

Vontier Corporation relies on third party expert service provides [sic] as agents for the monitoring and payment of patent maintenance fees and annuities. The specialist outside patent maintenance fee firms have experience, expertise and capability upon which we rely, not only in respect of patent applications and issued patents owned by Mateo but also in respect of the other companies owned by Vontier Corporation.

[7] He further attests that he is responsible to “instruct the Dennemeyer Group in respect of the payment of maintenance fees on all pending patent applications and issued patents on behalf of Matco” and that he “specifically instructed to [sic] Dennemeyer to pay all maintenance fees for all Mateo applications and patents as they came due unless they received express contrary instructions from me.”

B. *The Data Migration Error*

[8] An error occurred migrating the data from CPI to Dennemeyer.

[9] On April 26, 2021, prior to the actual transfer of responsibility from CES to Dennemeyer, an email was sent to the VP from Dennemeyer regarding the “Data exchange export file received from Vontier” that states, in relevant part, as follows:

Your data file with serial number 002 was imported successfully.

We attach as follows:

- Renewal notices generated for your information only; fees will be paid in accordance with your standing instruction unless we are notified otherwise.
- Report with cases not imported
- Import report

Please be advised that we send these reports in request to obtain accurate case details. If this information is not confirmed or denied, the details remain in our records as we have presented them. Please provide a confirmation or advise otherwise on the discrepancies listed in our reports.

Please let us know if you have any questions.
[emphasis added]

[10] Although it was stated that the data file containing the patent portfolio “was successfully imported,” a report, one of seven attachments, listed the 194 Application as one of two patent applications that were not imported, each having the following notation: “Case not imported as no application data was mentioned; please provide the application date.”

[11] No specific mention was made of the 194 Application in the main body of the email, and the communication did not specify any consequence of the non-importation of the application. Nonetheless, it would have been obvious that not having been imported, the 194 Application maintenance fees would not be paid in the usual course.

[12] The VP attests: “Although Dennemeyer produced a discrepancy report, I did not notice this error as it was [in] a report included with six other attachments attached to an e-mail.”

C. *Communication Chain*

[13] On January 4, 2022, the Canadian Agent sent a reminder to United States Counsel of the January 8, 2022, maintenance fee due date. On the same day, United States Counsel responded confirming annuity and maintenance fees will be handled by Dennemeyer.

[14] On February 22, 2022, the Canadian Agent transmitted the maintenance fee notice, issued February 21, 2022, for non-payment of maintenance fee for the 194 Application [the Notice] to United States Counsel. That Notice was not flagged by United States Counsel or forwarded to the Applicant in view of instructions “to take no further action in these matters with regard to payment of annuities and maintenance fees.” The Applicant, therefore, did not receive the Notice in a timely manner.

D. *Discovery and Response*

[15] On August 6, 2022, CIPO sent a letter to the Canadian Agent stating that 194 Application was deemed abandoned for failure to pay the maintenance fee.

[16] United States Counsel had annual meetings with the Applicant. In early August 2022, when preparing a summary of matters for the meeting, United States Counsel first identified that the maintenance fee for 194 Application had not been paid by the initial deadline of January 8, 2022, or within the six-month grace period specified in the Notice ending on July 8, 2022.

[17] On August 15, 2022, United States Counsel communicated these details to the Applicant, identifying the options for reinstatement. At this same time, the Notice of Abandonment of the

194 Application was received by the Canadian Agent on August 8, 2022, from CIPO and forwarded to United States Counsel on August 12, 2022, the status of which was additionally communicated to the Applicant in the August 15, 2022, communication.

[18] On December 13, 2022, Matco, through the Canadian Agent, requested reinstatement of the 194 Application. The request included background facts explaining the failure to pay maintenance fees and characterized the situation as resulting from “an unforeseen error that occurred when the applications and patents were being entered, which resulted in the present application not being put in the database as it should have been.”

[19] On May 8, 2023, the Commissioner issued a letter indicating an intention to refuse reinstatement and invited Matco to submit additional observations.

[20] On June 7, 2023, Matco provided additional information, including an affidavit from the VP. The affidavit, as described above, elaborated on the circumstances surrounding the importation error and subsequent communication failures.

II. Decisions Below

[21] On December 6, 2023, the Commissioner issued the refusal decision, determining that Matco failed to meet the “due care” standard under paragraph 73(3)(b) of the Act. The Commissioner noted that the governing legislative scheme consisting of the Act and *Patent Rules*, SOR/2019-251 [Rules] were amended as of October 30, 2019, to implement the Patent Law Treaty. This amendment introduced the “due care” standard replacing former criteria.

[22] The Commissioner articulated a two-part test for assessing “due care:” 1) whether the applicant took all measures that a reasonably prudent applicant would have taken given the particular circumstances to avoid the failure; and 2) whether, despite taking those measures, the failure nevertheless occurred.

[23] The Commissioner further laid out several evaluative principles. First, the applicant must provide reasons for the failure. Second, only measures taken before the failure occurred will be considered in the analysis. Third, the grounds of due care must be “clearly established.” Fourth, all parties involved in the maintenance and prosecution of the application must demonstrate due care.

[24] Applying the principles when making the decision, the Commissioner focused on three key aspects of the evidence.

[25] The first aspect concerned the migration error. While acknowledging that the error during the transfer to Dennemeyer’s system initiated the chain of events leading to the abandonment, the Commissioner concluded that this error was “not relevant” to the due care analysis. The abandonment, according to the Commissioner, could still have been prevented through proper handling of the Commissioner’s notice within the prescribed period. The initial data migration error did not foreclose subsequent corrective action during the six-month renewal period provided by the notice system.

[26] The second aspect concerned deficiencies in the communication process between Matco and other parties involved in its maintenance fee management system. Central to this issue was

US Counsel's failure to forward the Notice to Matco. The Commissioner found no satisfactory explanation for this omission, particularly given the Notice's significance as a final warning before abandonment. The Commissioner further pointed to inadequate communication between the Canadian Agent and US Counsel regarding the Notice's critical importance, the consequences of non-response, and the urgency of the timeline. Also noted were the material inconsistencies between US Counsel's claimed unawareness of any problems relating to maintenance fee payments and the documentary evidence showing US Counsel received both the January 4, 2022, reminder and the February Commissioner's notice.

[27] The third aspect concerned institutional shortcomings in Matco's organizational structure and procedures. The Commissioner noted a lack of clear evidence showing that Matco had implemented key safeguards, such as adequate staff training, effective monitoring systems, or verification and quality control measures. Additionally, the Commissioner pointed to deficiencies in the communication protocols among the various parties involved in Matco's multi-layered patent management system.

[28] The Commissioner ultimately determined that the "due care" standard requires examining the actions of all parties involved in the maintenance and prosecution of the patent, not just those of the Applicant. This includes patent agents and other representatives involved in the workflow of managing maintenance fee payments. The Commissioner explained that a reasonably prudent applicant must either possess the necessary knowledge and capacity to independently monitor their patent matters, or effectively engage and supervise qualified third parties to handle these responsibilities.

[29] Based on this analysis, the Commissioner concluded that Matco failed to meet the “due care” standard under paragraph 73(3)(b) of the Act. As a result, the 194 Application was deemed abandoned in accordance with the Act on July 11, 2022.

III. Issue

[30] At the hearing the Applicant attempted to raise a procedural fairness issue that had not been identified in its written submissions. I agree with the Respondent that introducing this issue at the last minute is impermissible, and thus the Court gives it no further consideration.

[31] Accordingly, the reasonableness of the Commissioner’s decision is the only ground of challenge. This issue, in turn, depends on the Commissioner’s analysis of the “due care” required to reverse a deemed abandonment.

IV. Standard of Review

[32] I agree with the parties that for substantive review, the Commissioner’s decision is reviewable on the standard of reasonableness: *Canada (Minister of Citizenship and Immigration) v Vavilov*, 2019 SCC 65 [*Vavilov*].

V. Legal Framework

[33] The Act establishes the broader framework for maintaining patent applications. Subsection 27.1(1) of the Act requires payment of prescribed fees on specified timelines. The Rules provide further detail on what entities can make these payments. Subsection 36(2) of the Rules allows payment of maintenance fees by the applicant or “a person authorized by the applicant.”

[34] Paragraph 73(1)(c) of the Act provides that an application is deemed abandoned if the maintenance and late fees specified in a Commissioner's notice, issued pursuant to paragraph 27.1(2)(b), are not paid by the later of: (i) six months after the prescribed date; or (ii) two months after the notice date.

[35] The Federal Court of Appeal in *Dutch Industries Ltd v Canada (Commissioner of Patents)* (CA), 2003 FCA 121 at para 30, explains that this regime of maintenance fees aims to “discourage the proliferation of deadwood patents and patent applications by requiring patentees and patent applicants, at least on an annual basis, to take steps to keep them in good standing.”

[36] Section 73(3) of the Act grants the Commissioner discretion to reinstate a patent application that is deemed to be abandoned:

Reinstatement

73 (3) Subject to the regulations, an application that is deemed to be abandoned is reinstated if

(a) the applicant, within the prescribed time,

(i) makes a request for reinstatement to the Commissioner,

(ii) states, in the request, the reasons for the failure to take the action that should have been taken in order to avoid the abandonment,

(iii) takes the action that should have been taken in

Rétablissement

73 (3) Sous réserve des règlements, la demande de brevet est rétablie si :

a) le demandeur, dans le délai réglementaire :

(i) présente au commissaire une requête à cet effet,

(ii) expose dans la requête les raisons pour lesquelles il a omis de prendre les mesures qui s'imposaient pour éviter l'abandon,

(iii) prend ces mesures,

order to avoid the abandonment, and

(iv) pays the prescribed fee; and

(b) the Commissioner determines that the failure occurred in spite of the due care required by the circumstances having been taken and informs the applicant of this determination.

(iv) paie la taxe réglementaire;

b) le commissaire décide que l'omission a été commise bien que la diligence requise en l'espèce ait été exercée et avise le demandeur de sa décision.

[emphasis added]

[37] While *Taillefer v Canada (Attorney General)*, 2024 FC 259 [Taillefer], examined the “due care” standard in the context of reinstating a patent that had expired rather than one deemed abandoned, the description of the standard it articulates is applicable to the present case. Namely, I agree that in determining whether the “due care” standard has been met, the core question is whether the applicant took “all measures that a reasonably prudent [applicant] would have taken, given the particular set of circumstances to avoid the failure – and despite taking those measures – the failure nevertheless occurred”: *Taillefer* at para 25.

VI. Analysis

[38] There are at least two aspects of the Commissioner’s analysis of “due care” in the decision under review that the Court finds to be of concern. Each points to a decision that is not reasonable for lacking “justification, transparency and intelligibility”: *Vavilov*, para 81.

[39] The first is the Commissioner's conclusion that the initial data-migration error, which prevented the migration of the 194 Application into Dennemeyer's system, is not relevant when assessing whether due care was taken:

We have considered the arguments with respect of the docketing error described but do not find them to be relevant in this instance. Despite the data migration error to the Dennemeyer system, the abandonment of the '194 Application could have been avoided altogether if the applicant had been forwarded the February 21, 2022, Commissioner's Notice. In doing so, the applicant would have been alerted to the possible deemed abandonment status of the '194 Application and would have been able to take corrective action within the six-month renewal period stated in the Notice.

[40] The Commissioner completely overlooks the fact that, but for the migration error, the maintenance fee would have been paid and the Commissioner's Notice would not have been required or sent. Indeed, the undisputed evidence is that Dennemeyer's system did not import the 194 Application because it required further data confirmation on application dates. This initial migration error was thus the proximate cause of the events that led to the deemed abandonment of the 194 Patent [the Proximate Cause]. In my view, the Commissioner's decision fails to examine the circumstances of the Proximate Cause, which is a vital element of the "due care" analysis. The decision is therefore deficient and unreasonable.

[41] From a logical standpoint, the Commissioner's first line of inquiry must be to ask, "What caused the failure to pay the 194 Application maintenance fee?" Once the Proximate Cause is disclosed, the next inquiry must be to ask, "Was due care taken by either or both the Applicant and its representative to avoid the Proximate Cause?" If the Commissioner finds that due care was taken to avoid it, then the Application ought to be reinstated.

[42] Conversely, if the Commissioner finds that due care was not taken to avoid the Proximate Cause, then it may be appropriate to proceed to the second stage of the inquiry by asking whether due care was taken afterward to ameliorate the effect of the Proximate Cause prior to the Application being deemed abandoned. If the Applicant or its agent exercised due care at that later juncture, reinstatement may still be justified. Otherwise, the application should remain abandoned. In this instance, the Commissioner never undertook this two-stage inquiry.

[43] In urging a more thorough analysis of the Proximate Cause, I am mindful that World Intellectual Property Organization's Patent Cooperation Treaty Receiving Office Guidelines [WIPO Guidelines] and the CIPO's Due Care Observations policy document both stress the importance of post-Notice diligence on the part of applicants and agents. Paragraph 166M(d) of the WIPO Guidelines indeed speaks to a "shared responsibility" between applicants and agents to act with due care, and to a heightened obligation to forward and respond to key communications, particularly the final notices sent by patent offices. This safeguard, when properly observed, can often prevent abandonment that might otherwise result from an earlier oversight. However, nothing in these guidelines suggests that due care analysis should exclude examining whether that earlier oversight itself was preventable through due care at the prior stage.

[44] In other words, neither the international nor the domestic policy guidelines recommend that the Commissioner may disregard an initial root error (the Proximate Cause) simply because the final notice offers a subsequent opportunity for correction. I am of the view that shared responsibility of due care applies from the outset of the relationship between the applicant and its

authorized representative. If the failure is caused by a third-party service provider's clerical error, then focusing exclusively on what happened at the final notice stage omits a central component of the due care analysis. Thus, while reviewing the remedial actions taken after the final notice is certainly crucial, it cannot fully replace the need to identify the Proximate Cause of data-migration error and whether it could have been identified and corrected by a reasonably prudent applicant at an earlier stage.

[45] Accordingly, I see no contradiction in requiring the Commissioner to consider both the initial error (the Proximate Cause) and subsequent failures to respond to the Commissioner's notice. A robust due care inquiry should cover the entire chain of events, from the earliest root cause to the final opportunity for correction. Shared responsibility, as described in the policy documents, do not relieve an administrative decision-maker from substantively assessing whether the Applicant or its agent exercised due care before the statutory notice triggered the possibility of abandonment. By narrowing its analysis primarily to post-Notice obligations, the Commissioner here effectively bypassed the question of whether the Applicant's patent portfolio management system, particularly the component involving Dennemeyer, could have prevented the missed payment in the first place.

[46] The second concerning aspect of the Commissioner's reasons relates to the Commissioner's assertion that "the abandonment of the '194 Application could have been avoided altogether if the applicant had been forwarded the February 21, 2022, Commissioner's Notice." This appears to be related to the second inquiry noted above. The Commissioner writes: "No explanation has been provided as to why the Notice was not forwarded to the

applicant.” That assertion is not supported by the evidence in the record. It again omits key facts.

[47] The record clearly shows that the Canadian Agent received the Commissioner’s notice on February 21, 2022, and promptly forwarded it to their instructing party, US Counsel. In submissions to the Commissioner, the Canadian Agent noted that it “was appointed through US counsel (Hahn Loeser & Parks) to conduct substantive prosecution” and it had not been appointed by Matco to be responsible for the payment of maintenance fees. Having been appointed by US Counsel, and having no responsibility for payment of maintenance fees, the Canadian Agent would be expected to communicate only and directly with US Counsel.

[48] US Counsel, operating under strict instructions that Dennemeyer alone was responsible for payment of the maintenance fees, had no knowledge of the migration error regarding the 194 Application. It had no reason to suspect the 194 Application was omitted from Dennemeyer’s docketing system. Hence, US Counsel could reasonably have expected Dennemeyer, Matco’s sole delegate for fee payment, to make the required payment without needing to inform Matco of this correspondence. Thus, it is inaccurate for the Commissioner to assert that “no explanation” was provided when the record reveals a very specific and limited role for US Counsel.

[49] I further agree with Applicant counsel’s submission that the Commissioner appears to have focused on the actions taken or not taken by US Counsel, without regard to its limited responsibilities and limited knowledge. While it is within the Commissioner’s purview to assess the conduct of “all parties involved” to determine if due care was exercised, the Commissioner’s

approach here is unbalanced. Specifically, the Commissioner pressed the perceived mishandling of communications of the Commissioner's notice by the US Counsel, yet glosses over the key fact that US Counsel was never authorized to pay or manage matters related to maintenance fees.

[50] The Commissioner's selective view of the failings of US Counsel is all the more perplexing in light of the Commissioner's statement as to whose action must be considered when assessing due care:

In making a determination of whether the failure occurred in spite of due care required under the circumstances having been taken, the Commissioner must consider the actions of all parties involved with the maintenance and prosecution of the '194 Application, including the applicant, patent agents and other parties authorized by the applicant. [emphasis added]

In my view, to treat US Counsel's non-forwarding of the Notice to Matco as decisive, while ignoring Dennemeyer's role in causing the Proximate Cause, reflects a deficient analytical approach. The Commissioner has, in effect, faulted a party that was not authorized to handle the matter, while overlooking the errors made by the only party that was authorized to manage it.

[51] Had the Commissioner made the decision based on the more balanced considerations advanced above, the appropriate question would have included the following: 1) whether the email regarding the migration error sent by Dennemeyer to Matco was clear enough to alert the Applicant that non-imported cases would not be paid, thereby meeting the due care standard; 2) whether Dennemeyer exercised due care in following up on the email; and 3) did Matco, through its Vice-President of Intellectual Property, exercise due care in reviewing the email, such that the data-migration error could be understood as a singular, isolated oversight within an otherwise robust system? Any of these considerations go directly to whether "due care required

by the circumstances” was exercised. Regrettably, the Commissioner’s reasons indicate that none of them were addressed.

VII. Conclusion

[52] For these reasons, the application must be allowed and the Commissioner’s decision set aside. It is appropriate that the Applicant be provided with an opportunity to provide further submissions to the Commissioner prior to the redetermination to address the points raised in these reasons. Namely, the Applicant should be able to explain the extent to which due care measures were in place to avoid the initial data-migration error and the subsequent communication breakdown.

[53] It was agreed that costs of \$5,000 would be awarded to the successful party.

JUDGMENT in T-31-24

THIS COURT'S JUDGMENT is that:

1. The application is allowed;
2. The Commissioner's December 6, 2023, decision refusing to reinstate the 194 Application is set aside and the Applicant's request to reinstate the 194 Application is to be determined by a different person, if possible, in accordance with these Reasons and after providing the Applicant an opportunity to provide further submissions thereon; and
3. The Applicant is awarded its costs in the amount of \$5000, all in.

"Russel W. Zinn"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-31-24

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GENERAL OF CANADA

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