

Federal Court



Cour fédérale

**Date: 20120727**

**Docket: T-338-11**

**Citation: 2012 FC 931**

**Ottawa, Ontario, July 27, 2012**

**PRESENT: The Honourable Mr. Justice Near**

**BETWEEN:**

**REPLIGEN CORPORATION**

**Applicant**

**and**

**THE ATTORNEY GENERAL OF CANADA**

**Respondent**

**REASONS FOR JUDGMENT AND JUDGMENT**

[1] The Applicant, Repligen Corporation, contests a second refusal by the Commissioner of Patents (Commissioner) to correct clerical errors under section 8 of the *Patent Act*, RSC 1985, c P-4 (the Act). The errors at issue are in two maintenance fee payment documents and relate to numbers initially transposed in Canadian Patent No. 1,341,486 (the Repligen Patent).

I. Background

[2] The series of events leading to this application began with Repligen's Canadian agent, MacRae & Co. They erroneously advised their United States counterpart, Saliwanchik IP, that the Repligen Patent for Modified Protein A was issued under the number 1,314,486 as opposed to 1,341,486. Saliwanchik IP therefore provided the same incorrect number to Computer Patent Annuities (or CPA) in engaging its services for the payment of required maintenance fees.

[3] When CPA proceeded to pay these fees mistakenly referring to the 1,314,486 patent, it was informed by the Canadian Intellectual Property Office (CIPO) that payment had already been made by Dennemeyer & Co Ltd on behalf of Rolls-Royce PLC - the true registered owner of that number patent. CPA requested a refund of its payment for Repligen which was later received from CIPO.

[4] Thereafter, issues continued to arise in correspondence related to the payment of maintenance fees for the incorrect patent number. An annual cycle emerged whereby CPA, on behalf of Repligen, and Dennemeyer, on behalf of Rolls-Royce, would attempt to pay the required fee on the 1,314,486 patent. Often the second payor, Dennemeyer would be informed that the fees were already accounted for and request a refund.

[5] Meanwhile, CIPO sent a Maintenance Fee Notice in relation to the correct patent number to MacRae & Co on August 30, 2007. The Notice advised that the prescribed fees had not been paid and the Repligen Patent would lapse unless payment was made within twelve months of the anniversary date. There was no response from Repligen's Agent. On July 21, 2008, unbeknownst

to its registered owner, the Repligen Patent formally lapsed due to non-payment of the prescribed fees.

[6] By April 23, 2009, Repligen revoked MacRae & Co as its agent and appointed MBM Intellectual Property LLP (MBM). MBM wrote to CIPO questioning the notification on its database that the Repligen Patent had lapsed for a failure to pay maintenance fees. MBM insisted that the maintenance fees were timely paid and the Repligen Patent was in good standing. It also requested that a clerical error in fee payment documents be corrected under section 8 of the Act. MBM referenced the transposed numbers as well as the “Date”, “Year”, and “Fee” information as being generated incorrectly.

[7] On July 8, 2009, MBM also attempted to pay the annual maintenance fee on the Repligen Patent. In response, CIPO confirmed that the Repligen Patent had lapsed within one year of the anniversary date as per the Maintenance Fee Notice. Its letter stated “no further action can be taken with regard to this patent.”

[8] On February 4, 2010, the Commissioner declined to correct the error cited by MBM, despite acknowledging that the transposition in fee payment documents was clerical in nature. It was noted that “the delay in addressing the errors has resulted in an extensive period of time where third parties may have relied upon publicly available documents and the information contained therein.” The Commissioner continued “effecting said correction has the potential to negatively affect the rights of others.”

[9] Repligen was successful on an application for judicial review of that decision before this Court (see *Repligen Corporation v Canada (Attorney General)*, 2010 FC 1288, [2010] FCJ no 1647). Justice François Lemieux found the Commissioner did not consider certain relevant factors as identified at paragraph 60 of his reasons. These included:

- a) The impact on Repligen - the loss of its patent;
- b) The fact Repligen's payment was received by the Commissioner and appropriated to another patent in circumstances which are unknown to Repligen and which were not considered by the Commissioner and, in that context, whether there was a slip at CIPO;
- c) The fact that Repligen's payments were made on the due date;
- d) Her failure to appreciate, that if she properly exercised her discretion to correct the error, the remedial scope of section 8 would have the effect that the '486 patent never lapsed for non-payment under paragraph 46(2) of the Act because those fees were paid in the appropriate amount and on time, a result which was achieved in *Dutch Industries*, above, without the recourse to section 8. In other words, she erred in her appreciation of the remedial powers available to her under section 8 of the Act;
- e) The Commissioner did not take into account the purpose and object of the maintenance fee provision in the Act. Repligen paid on time and CIPO accepted those payment; Repligen contributed to defraying the costs of the Patent office. The fact that Repligen made those payments and the Commissioner recognized that paying it to the wrong account was an indicator Repligen did not consider its '486 issued patent as deadwood;
- f) Simply invoking possible third party rights without more would, in my view, fundamentally impair the remedial power Parliament conferred upon the Commissioner to remedy clerical errors. The reason is obvious: in the case of every issued patent the disclosure will have been made; in the case of a patent application, it is open to the public inspection after a certain date. Justice Desjardins in *Bristol-Myers* did not endorse a speculative determination of third party rights. She had hard facts before her which pointed to the likelihood third parties would be affected - the nature of the remedy sought which was the addition of a new priority date had the effect in a document, that had been opened in 1994, of permitting the entry in 1997 of a priority date of July 1992. Justice Desjardins said that "the

retroactive effect of the correction if admitted, clearly preoccupied the Commissioner. She also had evidence that, before the correction was sought, two other companies filed priority claims for similar drugs under foreign patents predating the U.S. patents relied on by Bristol-Myers. Here, as I see it the Commissioner's assessment of third parties rights being affected was based on pure speculation, without more, such as determination whether patent applications had been filed in Canada by third parties for patents similar to Repligen's Modified Protein A. The view I take is consistent with what is written in CIPO's Manual of Patent Office Practice at item 23.04.02 when giving examples of cases where third parties are likely to be affected. See also section 23.04 of that same Manual where the Commissioner indicates she will decide whether or not to correct based on the nature of the error made; and

g) Finally, the Commissioner failed to weight and balance all relevant factors before exercising her discretion.

[Emphasis in original]

[10] Based on Justice Lemieux's decision, another official in the Patent Office considered the request for a correction, but reached the same overall conclusion. The Commissioner would not exercise discretion to correct the error. The Applicant now asks this Court to review the Commissioner's re-determination as discussed in detail below.

## II. Decision under Review

[11] While the Commissioner recognized that the original transposition of the patent number met the definition of a clerical error; the incorrect "Date", "Year" and "Fee" information did not, as this was substantive in nature.

[12] Turning to the object and purpose of the provisions, the Commissioner faulted the Applicant for not being sufficiently diligent in ensuring that payment arrangements with the professional maintenance fee company were adequate. It was concluded that:

The patentee was in the best position in 2006 to recognise that the arrangements it had made to pay its maintenance fees were not working properly. The clerical error in the patent number, as well as the incorrect “Date”, “Year” and “Fee” information should have been apparent to the patentee upon a cursory review of the correspondence sent by CPA and received from the Office, and confirmation of the date provided by MacRae & Co. The apparent lack of action in response to the 2007 Office letter alerting the patentee to the risk of loss of rights suggests a lack of due diligence inconsistent with the object and purpose of the maintenance fee provisions and of the *Patent Act* as a whole.

In considering the object and purpose of the maintenance fee provisions, the making of arrangements with CPA to pay the maintenance fees weighs in favour of effecting the correction; this must be balanced, however, against the apparent lack of due diligence in ensuring the payment arrangements were adequate before the expiry of the grace period provided under the maintenance fee regime.

[13] The Commissioner also considered the role of CIPO in processing the payments despite the error. It was nonetheless found that CIPO had followed CPA’s explicit instructions in the maintenance fee documents, did not conceal the duplicate fee payments and processed a refund in each instance.

[14] The overall effect of the correction was another factor weighing heavily against granting the Applicant’s request. The Commissioner suggested that using the clerical provisions of the Act to retroactively deem the patent never to have lapsed constituted “an extraordinary remedy that requires careful consideration.”

[15] Similarly, the potential prejudice to third parties weighed against effecting the correction; given information relating to the Repligen Patent expiry had been publicly available for two years along with the specific implications for Rolls-Royce.

[16] The Commissioner summarized the impact by stating “[c]orrecting Repligen’s error today could retroactively have the effect of causing the Rolls-Royce patent to have expired in 2008” since the payments originally applied to it would automatically turn over to the Repligen Patent.

[17] The Commissioner acknowledged that some factors were in favour of correction, but others weighed against it. It was ultimately concluded, however, that correction “would not be an appropriate use of discretion.”

### III. Relevant Provisions

[18] This application centres on two primary provisions of the Act. The Commissioner’s decision was based on section 8 providing that “[c]lerical errors in any instrument of record in the Patent Office do not invalidate the instrument, but they may be corrected under the authority of the Commissioner.”

[19] Also at issue is section 46 requiring the patentee “to maintain the rights accorded by the patent, pay to the Commissioner such fees, in respect of such periods, as may be prescribed.” The consequence for failing to pay these maintenance fees within the time provided is that the “term limited for the duration of the patent shall be deemed to have expired at the end of that time.”

IV. Issue

[20] The main issue raised is whether the Commissioner erred in not exercising discretion to correct the clerical error.

V. Standard of Review

[21] The parties agree that the standard of review for the Commissioner's decision was resolved by this Court in *Scannex Technologies LLC v Canada (Attorney General)*, 2009 FC 1068, [2009] FCJ no 1326 at para 22 and later confirmed by Justice Lemieux in the previous judicial review related to this matter (*Repligen Corporation*, above at para 37).

[22] As for the interpretation of section 8, the applicable standard is correctness. By contrast, the application of the law to the facts involves a review based on reasonableness.

[23] This approach reflects the frequently quoted passage from *Dunsmuir v New Brunswick*, 2008 SCC 9, [2008] 1 SCR 190 at para 51 that "questions of fact, discretion and policy as well as questions where the legal issues cannot be easily separated from the factual issues generally attract a standard of reasonableness while many legal issues attract a standard of correctness."



VI. Analysis

[24] At the outset, the Applicant asserts that recourse to section 8 is unnecessary as it paid the maintenance fees in a timely manner. Despite the clerical error, the Commissioner cannot ignore the tender of fees and continued validity of the patent as a result. Moreover, the Applicant suggests that the finding of a clerical error in the transposition of the numbers has the implied legal effect of demonstrating that the payments were correctly tendered towards the Repligen Patent. Relying on the decision of Justice Robert Barnes in *Procter & Gamble Co v Canada (Commissioner of Patents)*, 2006 FC 976, [2006] FCJ no 1258, the Applicant insists that the Commissioner has an obligation under section 4 of the Act to ensure the records are accurate and make corrections accordingly.

[25] I note, however, that Justice Lemieux expressly rejected these arguments for valid reasons in *Repligen Corporation*, above at para 55. He stated:

[55] [...] I cannot accept counsel for the Applicant's argument that the '486 patent remained in good standing notwithstanding the fact that, because of the clerical error, the fees paid were paid to the wrong patent. That is the very reason he brought this section 8 application. The Commissioner accepted the fact the error in the inverted patent numbers was a clerical error. In my view, it is also too late in the day to argue that under section 8 the Commissioner did not have a discretion whether to correct or not. Counsel for the applicant did not make such argument. Moreover, I cannot accept that the legal effect of the finding the inverting of the patent numbers was a clerical error meant that the fees tendered and accepted for the 1, 314, 486 patent were, without more, paid to the '486 patent. Such a holding would render meaningless the discretion the Commissioner has under section 8 of the Act.

[Emphasis in original]

[26] His reasoning is further supported by repeated pronouncements from this Court underlining the discretion afforded to the Commissioner in the correction of clerical errors under section 8. The use of the word “may” in the provision is permissive; it is not directory nor mandatory (see *Bayer Aktiengesellschaft v Commissioner of Patents*, [1981] 1 FC 656 at para 9; *Dow Chemical Co v Canada (Attorney General)*, 2007 FC 1236, [2007] FCJ no 1590 at para 15; *Bristol-Myers Squibb Co v Canada (Commissioner of Patents)* (1997), 138 FTR 144, [1997] FCJ no 1424 at paras 10-14 aff’d on appeal (1998), 82 CPR (3d) 192 (CA)).

[27] This principle is even acknowledged in *Procter & Gamble*, above as cited by the Applicants. Justice Barnes suggests at para 31 that “it would be somewhat incongruous if the Commissioner did not have the discretionary authority under section 8 of the Act to amend the Patent Office records accordingly” to reflect the correct the date of issue but ultimately found that it was unnecessary for the Commissioner to consider the matter under section 8 authority based on other duties arising under the legislation in that particular case. However, regarding the discretionary nature of section 8, he subsequently opined:

[34] The correction of obvious recording errors made within the Patent Office would not normally engage the kinds of concerns reflected in the *Bayer* decision, above, and, in such situations, section 8 relief should ordinarily be available to the Commissioner. That relief is, however, discretionary and the Commissioner cannot be required to do any more than to apply his section 8 authority to the facts before him.

[28] The Commissioner retains discretion to determine, based on the factual circumstances, whether correction should be made of a particular clerical error by virtue of section 8. Without the correction of the clerical error in this instance, the tendering of the fees alone is insufficient to maintain the Repligen Patent in good standing.

[29] I must therefore turn my attention to whether the Commissioner reasonably chose not to exercise discretion under section 8 to correct the errors in the Applicant's circumstances. In doing so, I am guided by the factors outlined for specific consideration by Justice Lemieux in *Repligen Corporation*, above. While the Respondent maintains that all of these factors were properly considered by the Commissioner on re-determination, the Applicant disputes many of the central findings.

[30] Prior jurisprudence suggests that the maintenance fee provisions are generally applied in a strict manner (see *Barton No-Till Disk Inc v Dutch Industries Ltd*, 2003 FCA 121, [2003] FCJ no 396; *PE Fusion LLC v Canada (Attorney General)*, 2004 FC 645, [2004] FCJ no 799). In this instance, however, the Commissioner should have more directly addressed some of the distinguishing factors in relation to Repligen since it proceeded to pay the prescribed maintenance fees, albeit to the wrong patent. Indeed, Repligen's interests were completely discounted on the basis of a lack of due diligence. While Repligen's role in the error, or at least in identifying it sooner, cannot be ignored by the Commissioner; it does not eliminate the presence of other factors in its favour given the stated purpose of section 8.

[31] The decision clears CIPO of its involvement and proceeds to focus on the potential impact for Rolls-Royce. The Commissioner considers the purpose and object of the legislation in relation to Rolls-Royce, as well as that company's intention, by way of Dennemeyer, to pay the prescribed fees on the patent. It is important to note that Rolls-Royce suffered no prejudice in this matter and that their patent expired in 2010. The possibility that Rolls-Royce may have suffered some

unknown prejudice does not in my view offset the requirement that the Commissioner balance this possible prejudice to Rolls-Royce with the impact on Repligen, i.e. the loss of the patent, in a way that reflects the remedial nature of section 8 of the Act in addressing clerical errors.

[32] Repligen is never given the benefit of consideration based on these same factors, despite Justice Lemieux's express direction to do so in *Repligen Corporation*, above. He insisted that the Commissioner address the impact on Repligen of the loss of its patent and the fact that payments were made in furtherance of the purpose of the legislation, namely to defray the costs of the Patent office and avoid deadwood patents. These issues cannot be discounted solely on the basis of a lack of due diligence. In reality, the approach taken by the Commissioner suggests that the standard with respect to the payment of fees and related clerical errors is one of perfection. If this was accepted as correct, then there would be no need for section 8 of the Act.

[33] Similarly, in *Repligen Corporation*, above, Justice Lemieux faulted the Commissioner for failing to appreciate the remedial powers available to her under section 8 of the Act that correction would have the effect of the patent never having lapsed under subsection 46(2). Justice Lemieux implied this would be relevant to the Applicant as it reinforced the importance of its patent rights. However, the Commissioner seemed to turn this in a different direction by stating "it seems reasonable to conclude that retroactively causing a patent to be deemed never to have expired, through the correction of a clerical error, is an extraordinary remedy that requires careful consideration." This statement had the effect of creating a further barrier to correction for Repligen. In my view, that was not what was intended by Justice Lemieux's comments in this regard.

[34] Despite the Commissioner's claim to have considered all of the factors outlined, by concentrating on due diligence, this was ultimately not done in a manner that reflects justification, transparency, and intelligibility (*Dunsmuir*, above at para 47). The Commissioner failed to focus its attention on the central issue of Repligen's continued payment of fees in line with the legislative scheme and intent to maintain its patent rights despite this being appropriated to another patent. The Commissioner's determination should reasonably reflect the interests of Repligen and Rolls-Royce in circumstances where both attempted to comply with maintenance fee provisions.

## VII. Conclusion

[35] For these reasons, the application for judicial review is allowed, with costs, and the matter is remitted back to a different decision-maker within the Patent Office.

**JUDGMENT**

**THIS COURT'S JUDGMENT is that** this application for judicial review is allowed, with costs, and the matter is remitted back to a different decision-maker within the Patent Office.

“ D. G. Near ”

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Judge

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

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