INTELLECTUAL PROPERTY

Subtleties in foreign laws affect patent strategies

By James Jakobsen and Tapas Pain

Canadian entrepreneurs attempting to raise capital to fund ventures based on their inventions are often confronted with a dilemma.

On one hand, they feel compelled to sell products that incorporate their inventions as quickly as possible in order to prove marketability to potential investors.

On the other hand, they are confronted with the prospect that selling, or even offering to sell, their products may later bar them from obtaining critical patent protection for their inventions.

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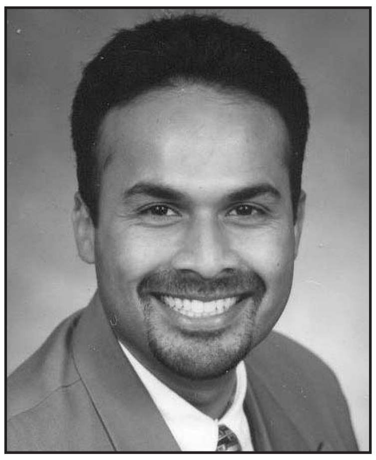
Developing a strategy on how to proceed becomes further complicated when considering the impact of the laws of key foreign jurisdictions, such as the United States. Understanding the differences between domestic and foreign laws pertaining to disclosure of innovative technology can be critical to an entrepreneur's success. Cervantes stated it best when he penned in *Don Quixote*, "to be forewarned is to be forearmed."

Since the U.S. is often a critical market for Canadian entrepreneurs, it is useful to examine subtle differences between Canadian and U.S. patentability disclosure requirements.

In Canada, s. 28.2(1)(a) of the *Patent Act* provides "[t]he subject-matter defined by a claim […] must not have been disclosed a) more than one year before the filing date by the applicant, or by a person who obtained knowledge, directly or indirectly, from the applicant, in such a manner that the subject-matter became available to the public in Canada or elsewhere." The date that is one year before the filing date is referred to herein as the "critical date."

The Federal Court of Appeal recently considered this section in *Canwell Enviro-Industries Ltd. v. Baker Petrolite Corp.* (29 April 2002). The facts in *Canwell* are a classic example of where protecting a process based on an invention took a back seat to its commercialization. The Trial Division held that the patent in issue was valid. On appeal, the appellant asserted that the invention was anticipated by a prior sale.

The court laid out a non-exhaustive list of guiding principles for determining whether an "on-sale bar" has occurred and, therefore, that a patent should be held invalid: (1) a sale of an invention to the public prior to the critical date alone is insufficient to invalidate a patent — an actual disclosure of the invention is required; (2) a disclosure of an invention must be an "enabling disclosure"; (3) if an invention (*e.g.*, a chemical composition) can be discovered through analysis of the product, such will be considered an enabling disclosure; (4) an analysis must be by a person skilled in the art using known analytical techniques available prior to the critical date and capable of being conducted without exercising inventive skill; (5) an invention becomes available to the public if a product containing the invention is sold to any member of the public who is free to use it as he pleases; (6) it is not necessary that a member of the public actually analyze a product that embodies an invention that was sold; (7) the amount of time and work involved in conducting an analysis is not determinative of whether a person skilled in the art could discover the invention; and (8) the subject matter of an invention must be capable of being disclosed through an analysis.



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Applying these principles, the court concluded the subject patent was invalid.

Section 102(b) of the U.S. *Patent Act* provides "A person shall be entitled to a patent unless […] the invention was […] on sale in this country, more than one year prior to the date of the application for patent in the United States."

The U.S. Supreme Court reviewed this on-sale bar provision and held that the bar to patentability applies when two conditions are satisfied before the critical date: (1) the product embodying the invention must be the subject of a commercial offer for sale (*i.e.*, an actual sale need not be completed); and (2) the invention must be ready for patenting.

The subtle differences between the U.S. and Canada's on-sale bar provisions can, if not properly considered, seriously affect an entrepreneur's efforts to capitalize on his innovative technology.

As an example, a seemingly safe product development and marketing effort conducted in the U.S., such as a pre-critical date offer to sell a product, not yet produced though intended to embody an invention, coupled with a pre-critical date description (*e.g.*, engineering drawing) of the product will be sufficient to invalidate a U.S. patent. If one considers the *Canwell* principles, it is likely that such activities will be held insufficient to invalidate a corresponding Canadian patent.

In another example, a U.S. court has held that even if the parties to a commercial sale of a pharmaceutical compound do not know the specific structure of the composition at the time of the sale, the sale itself creates a bar to patentability; *i.e.*, one need not even prove the subject invention was capable of reverse engineering at the relevant time. In contrast, Canada requires that an "enabling disclosure" of the subject invention be made.

The above-noted differences, and others not discussed in this article, suggest that the threshold for an on-sale bar is somewhat lower in the U.S. than in Canada. Consequently, without full consideration of pre-critical date activities in both Canada and the U.S. (as well as other foreign jurisdictions), an entrepreneur may inadvertently be barred from obtaining critical patent protection.

Entrepreneurs should appreciate that selling products based on their new inventions, and obtaining meaningful patent protection in key jurisdictions, are not mutually exclusive endeavours. Strategies can be put into practice to eliminate the risks posed by disclosure rules, such as the on-sale bar, of countries where entrepreneurs desire to exploit their inventions.

It is important, however, that entrepreneurs obtain advice from their Canadian counsel to determine (1) how to properly protect their inventions; and (2) when such protection should be sought.

Such advice is indispensable in acquiring an international patent portfolio that will provide protection from infringers and instil confidence in potential investors.

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