

property which they transferred to two of the defendants prior to their bankruptcy was dismissed.

First, any cause of action for return of their property vested in their trustee in bankruptcy, not in the plaintiffs personally. The fact that the trustee did not pursue this claim did not confer status on the plaintiffs. Second, their action was barred by *ex turpi causa*. Their scheme to keep property out of the hands of their trustee was dishonourable and illegal.

The court would not assist them to get this property back. The action against the defendant solicitor, who allegedly advised them concerning this scheme, was dismissed as well.

### **To read more about these judgments**

Three of the judgments featured above are reported; three are not. If you wish to read the unreported judgments, go to

LAWPRO 's website: [www.practicepro.ca/magazinearchives](http://www.practicepro.ca/magazinearchives).

Select the current issue of LAWPRO Magazine, and scroll down to supplementary materials listed under this Casebook.

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# **IP Lawyers Beware**

## **Fallout from Dutch Industries Decision and new Section 78.6 of Patent Act**

Patent lawyers may want to circle February 1, 2007, in red on their calendars: "Top-up" fee payments must be made prior to that date to ensure the validity of a patent or patent application for which payments had been incorrectly made at the small entity rate.

In the *Dutch Industries Ltd. v. Canada* (Commissioner of Patents) 2003 FCA 121 (CanLII) decision, the Federal Court of Appeal held that any fee paid to the Canadian Intellectual Property Office (CIPO) in connection with a patent (or patent application) on a small entity basis, where small entity status could not validly be claimed, would result in the patent or patent application being declared invalid (or abandoned) after exhaustion of the statutory 12-month grace period for late payment of fees (reinstatement).

The court also held to be improper the earlier established practice of CIPO to accept "top-up" payments for the difference between the small and large entity

fees, at any time during the life of an application or patent, if a payment was found to have been incorrectly paid at small entity rate.

This decision created confusion in the intellectual property (IP) bar, and raised the spectre of potential LAWPRO claims.

To rectify the fallout from this court decision, a new section of the *Patent Act*, Section 78.6, was enacted. It came into force on February 1, 2006.

Section 78.6 legitimizes any previously made corrective "top up" payments, and removes the possibility of an invalidity declaration of the basis of such payments.

Most importantly, Section 78.6 provides a once only twelve-month window of time, commencing February 1, 2006, during which any fee payments previously made incorrectly at the small entity rate, may be corrected by payment of the difference between the small and large entity rates for the relevant fee at the relevant time.

Any corrective payment being made during that twelve month period will need to be accompanied by information with respect to the day on which the underpaid fee was submitted, the service or proceeding in respect of which the fee was paid, and the patent or application in respect of which the fee was paid.

To help lawyers determine if corrective payments need to be made, relevant fee schedules and a fee payment history with respect to specific patent applications or patents are available online in the Canadian Patents Database.

After February 1, 2007, any application or patent in connection with which corrective payment has not been made will be susceptible to an invalidity attack.

LAWPRO encourages all lawyers who may have matters where top-up fees are required to conduct a careful review of their files, and take appropriate steps to deal with the issue and ensure that all top-up fees are paid well before the February 1, 2007, deadline.