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CANADIAN PATENTS: IMPORTANCE OF REGISTERING ASSIGNMENT



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This is a review of a recent decision of the Ontario Superior Court of Justice, which has implications for Canadian patent owners and assignees.

The case is *Verdellen v. Monaghan Mushrooms Ltd.*

The facts are that the Applicant (“Verdellen”) sought a declaration that he was the owner of certain patent rights outside North America for an invention he founded while employed by Rolland Farms (“Rolland”). Verdellen claimed such rights pursuant to a December 2008 written assignment agreement, which purported to assign the rights from Rolland to Verdellen (the “Assignment”).

The invention in question was the subject of a Patent Cooperation Treaty (“PCT”) Application with a Canadian National Phase Application.

In late 2009, Monaghan Mushrooms Ltd. (“Monaghan”) purchased Rolland’s business, including the entirety of Rolland’s intellectual property rights.

Monaghan took the position that Verdellen could not establish the validity of the Assignment. Alternatively, Monaghan argued that notwithstanding the Assignment, it acquired the patent rights as a *bona fide* purchaser for value without notice of Verdellen’s rights.

Monaghan also argued that the Assignment was void under Section 51 of the *Patent Act*, which provides that an assignment is void against any subsequent assignee unless such assignment is registered with the Canadian Intellectual Property Office (“CIPO”) in accordance with Sections 49 and 50 of the *Patent Act*.

Importantly, Verdellen did not register the Assignment with CIPO. Following its purchase of Rolland, Monaghan registered an assignment of the patent rights from Rolland to Monaghan.

The Judge found too many factual issues to make a finding on the validity or enforceability of the Assignment. That said, the Judge

decided that even if the Assignment was valid, Verdellen would have acquired only an equitable interest in the patent rights owing to the fact that the Assignment contemplated the future assignment of the patent rights and did not effect an assignment of the rights.

The Judge found that even if the Assignment was valid, Monaghan undertook an extensive due diligence process, which on all accounts showed Rolland to be the owner of the patent rights in question.

The Judge ultimately concluded that even assuming the Assignment to be valid and enforceable, Monaghan was a *bona fide* purchaser for value without notice of the Assignment or any rights held by Verdellen and therefore took title to the patent rights free and clear of any equitable interest held by Verdellen.

The Judge went on to consider Monaghan’s alternative argument under Section 51 of the *Patent Act* and found that because the issue was in respect of foreign non-Canadian rights under the PCT Application, the Canadian Patent Act did not apply.

Notwithstanding the above, the Judge commented that had the issue concerned Canadian patent rights in a PCT Application, the *Patent Act* would have applied. In such a situation, Section 50(2) would have dictated that Verdellen’s failure to register the Assignment would deprive him of priority against Monaghan as a subsequent assignee with a registered assignment. In this situation, Verdellen’s assignment would be rendered void.

The *Verdellen* decision provides a practical perspective on the possible implications of failing to register assignments of patent rights in Canada.



Contact our IPT Group for advice on patents and patent assignment issues.

UPDATE: SOUND MARKS IN CANADA

The Canadian Intellectual Property Office (CIPO) has announced that it will accept sound marks for registration in Canada. A lawsuit by MGM paved the way for this development. MGM has pursued its iconic “lion’s roar” as a sound mark since the application was first filed in October, 1992. Applications for the registration of a trade-mark consisting of a sound should:

1. State that the application is for the registration of a sound mark;
2. Contain a drawing that graphically represents the sound;
3. Contain a description of the sound; and
4. Contain an electronic recording of the sound.

Contact our trade-mark agents for advice on registering sound marks in Canada.

THE LAW OF MOBILE APPS

The law of mobile apps is a constantly evolving area in Canada. Our team has developed custom iOS end-user license agreements and has advised app developers in the areas of licensing, click-through agreements, copyright, patents, trade-marks and privacy law. See applaw.ca for updates and contact our licensing lawyers for advice in this area.

WHAT’S BEEN HAPPENING:

- January 25, 2012 – Shohini Bagchee presented on “Patenting Genetic Inventions” to the Grant MacEwen University Genetics and Society undergraduate class.
- February 28, 2012 – Richard Stobbe presented “Introduction to Intellectual Property and Licensing” to the University of Calgary Masters of Biotechnology class.
- February 8, 2012 – Richard Stobbe was invited to act as a judge for student projects at Mount Royal University – The Entrepreneurial Experience.
- March 1, 2012 – Field Law hosted The Licensing Executives Society – Meeting of the Calgary Chapter on the topic of: The Alberta Innovation System, with representatives from Innovate Calgary and Alberta Innovates - Technology Futures.

- March 9, 2012 – Richard Stobbe was interviewed in the March 9th edition of The Lawyers Weekly on the subject of new gTLDs.
- May 4 -9 – Neil Kathol is attending the INTA (International Trademark Association) Annual Meeting and Conference in Washington, D.C.
- June 6, 2012 – the Field Law Intellectual Property and Technology Group presents “Intellectual Property and Technology” in Nisku, Alberta. To register, visit fieldlaw.com
- October 9 and 10, 2012 – Richard Stobbe is presenting “Allocating Risks in the Cloud, Representations, Warranties, Limitations, Indemnities and Remedies” at the Federated Press “4th Cloud Computing Law” conference in Calgary, Alberta.

FIELD LAW INTELLECTUAL PROPERTY GROUP

Our IP and technology group brings comprehensive knowledge and extensive experience to matters dealing with patent, trade-mark, copyright, industrial design, trade secrets, IT and other IP issues. We endeavour to provide services that are strategic, timely, and efficient and effect optimal results. Our group seeks to protect your technology in a challenging and changing era. We would be pleased to be of service to you.

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DISCLAIMER

The Medium is a commentary on current legal issues in the intellectual property and technology area and should not be interpreted as providing legal advice. Consult your legal advisor before acting on any of the information contained in it. Questions, comments, suggestions and address updates are most appreciated and should be directed to:

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