Appellate Standards of Review in Intellectual Property Matters

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Overview

This paper will address the standards of review relating to the determinations made in common intellectual property matters. This paper consists of two parts – first, an overview of the various standards of review as generally applicable and, second, a listing of some of the common issues in intellectual property matters and the standards of review applicable to those issues.

I. Standard of Review

There are three seminal Supreme Court of Canada decisions on standards of review – *Housen v. Nikolaisen* (“Housen”) \(^1\), a 2002 decision; *New Brunswick (Board of Management) v. Dunsmuir* (“Dunsmuir”) \(^2\), a 2008 decision; and *Reza v. Canada* (“Reza”) \(^3\), a 1994 decision.

(a) *Housen – Trial Decisions*

In *Housen* the Supreme Court of Canada considered the various standards of review applicable to an appeal from the decision of a trial judge. In the context of an allegation of negligence on the part of a municipality stemming from a motor vehicle accident, the Supreme Court canvassed the standards of review applicable to the following four types of questions:

1. questions of law;
2. questions of fact;
3. inferences of fact; and
4. questions of mixed fact and law.

The Supreme Court’s determination and rationale for the standard of review for each of these questions is summarized below.

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\(^1\) [2002] 2 S.C.R. 235.
\(^3\) [1994] 2 S.C.R. 394.
Questions of Law

The majority Supreme Court stated:

On a pure question of law, the basic rule with respect to the review of a trial judge’s finding is that an appellate court is free to replace the opinion of the trial judge with its own. Thus the standard of review on a question of law is that of correctness …⁴

The Supreme Court identified two underlying reasons for this correctness standard. First, the court stated that the principle of universality requires appellate courts to ensure that the same legal rules are applied in similar situations. Second, the correctness standard recognizes the role of appellate courts to refine legal rules and make law for future cases as well as the case at hand.

Whether or not what is a question of law is a “pure” question of law can often be somewhat vexing, as detailed below.

Findings of Fact

A finding of fact is not to be reversed unless it can be established that the trial judge made a “palpable and overriding error”.⁵

The majority of the Supreme Court identified three basic principles for having this highly deferential standard for findings of fact, namely:

1. Limiting the number, length and costs of appeals – the overall scarcity of judicial resources encourages setting limits on the scope of appellate review. Accordingly, allowing for a wide ranging review of a trial judge’s factual findings would result in duplication of judicial proceedings and unnecessary use of judicial resources;

2. Promoting the autonomy and integrity of trial proceedings – as the underlying presumption of our judicial system is that a trial judge is competent to decide and that the trial process will produce a just and fair outcome, unlimited appeals would weaken public confidence in the trial process;

⁴ Housen, at para. 8.
⁵ Housen, at para. 10.
3. Recognizing the expertise and advantageous position of the trial judge – as the trial judge is exposed to all the evidence and, further, has heard that evidence *viva voce*, the trial judge has an advantageous position to assess the evidence.

In discussing what is a palpable and overriding error, the majority in *Housen* looked to various dictionary definitions of palpable, such as “clear to the mind or plain to see”, “so obvious that it can easily be seen or known” and “readily or plainly seen”.6 The court stated that another way of stating the palpable and overriding error standard is that an appellate court should not review a trial judge’s decision if there was some evidence upon which the trial judge could have relied to reach the factual conclusion.

A palpable and overriding error has also been defined as:

(a) an error that gives rise to the reasonable belief that the trial judge must have forgotten, ignored or misconceived the evidence in a way that it affected his conclusion;7

(b) an obvious deficiency in the trial judge’s finding of fact that affects the outcome of the trial.8

**Inferences of Fact**

In *Housen*, the majority of the Supreme Court held that the palpable and overriding error standard was the appropriate one for inferences of fact.9

Where evidence exists to support the inference of fact made by the trial judge, a palpable and overriding error will be unlikely to have occurred.10 The majority of the court stated that, in reviewing inferences of fact, an appellate court can only intervene if there is a palpable and overriding error with respect to the underlying facts that the trial judge relies on to draw the inference or where the inference-drawing process itself is palpably in error.11

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6 *Housen*, at para. 5.
8 *Elders Grain Co. v. “M/B Ralph Misener” (The)*, 2005 FCA 139 at para. 10.
9 *Housen*, at para. 19.
10 *Housen*, at para. 22.
11 *Housen*, at para. 23.
The dissent considered this standard to be too restrictive. Justice Bastarache wrote that an inference can be clearly wrong where the factual basis upon which it relies is deficient or where the legal standard to which the facts are applied is misconstrued. Accordingly, Justice Bastarache disagreed with the majority’s view that inferences can be rejected only where the inference-drawing process itself is deficient.

**Questions of Mixed Fact and Law**

In *Housen*, the Supreme Court distinguished questions of mixed fact and law from factual findings. Whereas a factual finding or an inference of fact requires making a conclusion of fact based on a set of facts, questions of mixed fact and law involve applying a legal standard to a set of facts.

The majority of the Supreme Court stated that a question of mixed fact and law is subject to a standard of palpable and overriding error unless it is clear that the trial judge made some error in principle with respect to the characterization of the legal standard or its application. If it is possible to extricate the legal elements of the mixed question from the factual elements, then the legal elements will be reviewed on the standard of correctness.

(b) **Dunsmuir – Judicial Review**

In *Dunsmuir*, the Supreme Court of Canada revisited the analysis to be used on judicial review of the decision of an administrative body. The Supreme Court collapsed, from three to two, the potential standards of review, holding that review of the decision of an administrative body is to be performed on a standard of either correctness or reasonableness. The court also redefined what is meant by reasonableness, stating as follows:

> Reasonableness is a deferential standard animated by the principle that underlies the development of the two previous standards of reasonableness: certain questions that come before administrative tribunals do not lend themselves to one specific, particular result. Instead, they may give rise to a number of possible, reasonable conclusions. Tribunals have a margin of appreciation with the range of acceptable and rational solutions. A court conducting a review for reasonableness

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12 *Housen*, at para. 103.
14 *Housen*, at para. 37.
16 *Dunsmuir*, supra, at paras. 43-50.
inquires into the qualities that make a decision reasonable, referring both to the process of articulating the reasons and to outcomes. In judicial review, reasonableness is concerned mostly with the existence of justification, transparency and intelligibility within the decision-making process. But it is also concerned with whether the decision falls within a range of possible, acceptable outcomes which are defensible in respect of the facts and law.17

In determining whether reasonableness or correctness is applicable, the Supreme Court stated that the “standard of review analysis” must be contextual and depended on the application of a number of relevant factors, including:

1. The presence or absence of a privative clause;
2. The purpose of the tribunal as determined by interpretation of the enabling legislation;
3. The nature of the question at issue; and
4. The expertise of the tribunal.18

For intellectual property matters, it is important to know that both the Patent Act and the Trade-marks Act provide a full statutory right of appeal. Indeed, the Trade-marks Act even allows for additional evidence to be filed.19 In general, the availability of a statutory appeal indicates that less deference to the administrative body is appropriate as the legislator has determined that decisions ought to be reviewed by the court.

(c) **Reza – Discretionary Orders**

Where a judge makes a discretionary order, an appellate court is not at liberty merely to substitute its own exercise of discretion for the discretion already exercised by the trial judge. A discretionary order will only be reversed if the judge made an error of law or wrongfully exercised the discretion by giving no weight, or no sufficient weight, to relevant considerations or considering irrelevant factors.20

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17 Dunsmuir, supra, at para. 47.
18 Dunsmuir, supra, at para. 64.
19 Trade-marks Act, section 56(5).
20 Reza, at pp. 404-405.
II. Patents

Claim Construction

It is well settled that the construction of the claims of a patent is a question of law.\textsuperscript{21} However, as the court is to put itself in the shoes of the person skilled in the art when construing the claims, there is a large factual component to the claim construction exercise. The courts in Canada and elsewhere have recognized this:

While the construction of a patent is for the court, it is not initially to be undertaken simply in the manner a court would construe an ordinary contract or a statute, for example, but with the knowledge of the skilled artisan to the extent that such knowledge is revealed by expert evidence accepted at trial. In short, construction turns heavily on the evidence of a person skilled in the art.


See also \textit{Halford v. Seed Hawk Inc.} 2006 FCA 275 at para. 11.

The problem with treating questions of construction as pure questions of law is that they frequently are not. Although direct evidence as to the meaning of non-technical terms is inadmissible, the court does not reach its conclusion as to the meaning of the claim in a factual vacuum. Evidence as to the common general knowledge can frequently have an important bearing, as part of the factual matrix against which construction is decided, as can factual evidence about the consequences of the teaching of passages in the specification.


Patent Infringement

The issue of infringement is a question of mixed fact and law. Specifically, the construction of the claims is a question of law, as discussed above. The issue of whether the defendant’s
activities fall within the scope of the claims as properly construed is a question of fact. As stated by the Federal Court of Appeal:

The trial judge’s interpretation and application of expert evidence and his consideration of evidence of the respondent’s demonstration that led him to conclude that the patent had not been infringed will not be set aside absent a palpable and overriding error.

Anticipation

Anticipation is a question of mixed fact and law. Specifically, the determination of whether the subject matter of a claim of a patent has been anticipated involves the application of a legal standard (did the subject matter become available to the public) to a set of facts (what does the prior art disclose to the person skilled in the art and how was the prior art distributed). Accordingly, the determination of an issue of anticipation is to be reviewed on a standard of palpable and overriding error, unless it is clear that there has been an extricable error of law, in which case the standard of correctness will apply.

Obviousness

Obviousness is a question of mixed fact and law. As set out recently by the Supreme Court, the determination of whether a claim in a patent is obvious involves the following steps:

1. (a) identify the notional “person skilled in the art”;
   (b) identify the relevant common general knowledge of that person;
2. identify the inventive concept of the claim in question or if that cannot readily be done, construe it;
3. identify what, if any, differences exist between the matter cited as forming part of the “state of the art” and the inventive concept of the claim or the claim as construed;
4. viewed without any knowledge of the alleged invention as claimed, do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?

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22 Whirlpool, at para. 76.
Of these questions, identifying the person skilled in the art and the common general knowledge of that person are matters of fact. The identification of the inventive concept of the claim would be, like claim construction, ultimately a question of law, albeit one with a factual component (as set out above for claim construction).

The third step in the obviousness analysis, as it involves a comparison of the state of the art (which is entirely factual) and the inventive concept of the claim would be primarily a factual determination. The fourth part of the analysis, is, in essence, a restatement of the law on obviousness and accordingly should an extricable error occur here, the standard of review would be correctness.

In Apotex, Justice Rothstein added that an “obvious to try” test may be a relevant factor in the fourth step of the obviousness analysis, especially in fields that are routinely advanced by experimentation. Justice Rothstein set out three factors that should be considered in an obvious to try analysis, namely:

1. Is it more or less self evident that what is being tried ought to work? Are there a finite number of identified predictable solutions known to a person skilled in the art?

2. What is the extent, nature and amount of effort required to achieve the invention? Are routine trials carried out or is the experimentation prolonged and arduous, such that the trials would not be considered routine?

3. Is there a motive provided in the prior art to find the solution the patent addresses?

All elements of the obvious to try test are factual and hence the obvious to try test will be reviewed for palpable and overriding error.

Utility

In Apotex Inc. v. Wellcome Foundation Ltd., the Supreme Court of Canada considered the standard of review applicable to the issue of whether an invention met the statutory test of utility.

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The Supreme Court stated that the issue is one of mixed fact and law\textsuperscript{28}. The Supreme Court stated that the issue was whether the Commissioner of Patents was properly satisfied that the statutory test for utility was met. Having cast the issue in this manner, the Supreme Court looked to the statutory presumption of validity and in light of “the Commissioner and his staff hav[ing] considerable expertise in these matters” held that the appropriate standard of review is reasonableness \textit{simpliciter}.\textsuperscript{29} The court accordingly went on to say that the Commissioner’s decision “must withstand a somewhat probing examination”.\textsuperscript{30}

The Supreme Court’s use of a judicial review standard of reasonableness in an action for a declaration that a patent was invalid is an interesting one. There would seem to be no principled basis upon which to distinguish an attack on a patent’s utility from other attacks, such as anticipation and obviousness, which would lead to the question being determined as if the proceeding were a judicial review.

\textbf{Patentable Subject Matter}

In \textit{Harvard College v. Canada (Commissioner of Patents)},\textsuperscript{31} the issue to be determined was whether the Commissioner of Patents had properly refused to grant a patent on the “Harvard Mouse” on the basis that the definition of invention in section 2 of the \textit{Patent Act} did not encompass higher life forms. The Supreme Court held that the determination of proper subject matter (at least in this instance) approached a pure determination of law and therefore held that the decision of the Commissioner was to be reviewed on the standard of correctness.\textsuperscript{32}

\textbf{III. Trade-marks}

\textit{Appeals from the Registrar}

On an appeal pursuant to section 56 of the \textit{Trade-marks Act} from a decision of the Registrar of Trade-marks, the applicable standard of review on all questions – of fact, law, mixed fact and

\begin{footnotesize}
\textsuperscript{28} \textit{supra}, at para. 42.
\textsuperscript{29} \textit{supra}, at paras. 43-44.
\textsuperscript{30} \textit{supra}, at para. 44.
\textsuperscript{31} [2002] 4 S.C.R. 45.
\textsuperscript{32} \textit{supra}, at paras. 119-120.
\end{footnotesize}
law or discretion – is reasonableness, provided that the determination is within the Registrar’s area of expertise. As stated by the Federal Court of Appeal last year:

… The learned judge began by acknowledging that the standard of review of the senior hearing officer’s decision was reasonableness, a conclusion which is not open to serious question following the recent decision of the Supreme Court of Canada in *Dunsmuir v. New Brunswick*, 2008 SCC 9, [2008] SCJ No. 9. While there is a right of appeal of the hearing officer’s decision, the subject matter is one in which the registrar and his delegated hearing officers have special expertise, and the legal questions involved are squarely within that area of expertise: see *Dunsmuir*, at paragraph 55.34

However, where there is additional evidence before the Federal Court, as permitted by section 56(5) of the *Trade-marks Act*, and that new evidence would have affected the Registrar’s decision, then the standard of review is correctness.35

Where the judge at first instance applies the correct standard of review to the Registrar’s decision, an appellate court may only interfere if the judge made a palpable and overriding error on a question of fact or made an error of law.36

**Passing Off**

A finding on whether or not there has been a contravention of paragraph 7(b) of the *Trade-marks Act* is a question of mixed fact and law.37 Accordingly, a finding on passing off under this section is to be reviewed on the standard of palpable and overriding error, unless there is an extricable question of law, which is reviewable on the standard of correctness.

**Infringement**

Like passing off, whether a registered trade mark has been infringed pursuant to sections 19 and 20 of the *Trade-marks Act* is a mixed question of fact and law. Accordingly, a determination by a trial judge on infringement is reviewable on the standard of palpable and overriding error, unless there is an extricable question of law.

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34 *Scott Paper Limited v. Smart & Biggar* 2008 FCA 129 at para. 11.
36 *Scotch Whisky, supra*, at para. 16.
Validity of a Registered Trade Mark

A determination as to whether a registered trade mark is valid is a question of mixed fact and law. Accordingly, a determination on the issue of validity is reviewable for palpable and overriding error, unless there is an extricable question of law.

IV. Proceedings under the Patented Medicines (Notice of Compliance) Regulations

Interpretation of the Regulations

The interpretation of the PM(NOC) Regulations is a question of law and therefore any decision of the Minister of Health with respect to their interpretation is not entitled to deference. Accordingly, the standard of review is correctness.38

Decision to Accept/Reject Patent for Listing

The determination by the Minister of Health that a patent should be accepted or rejected for listing on the Patent Register, or delisted from the Register, involves three questions. These questions and the applicable standards of review are as follows:

1. “What use does the patent claim?” – This question involves construction of the patent, which is a question of law to be reviewed on the standard of correctness;

2. “What is the use approved by the existing notice of compliance?” – This is a question of fact to be reviewed on the standard of reasonableness;

3. “Is the use claimed by the patent that which is approved by the existing notice of compliance?” – This is a question of mixed fact and law. Accordingly, the factual component is to be reviewed on a standard of reasonableness and any extricable legal component on the standard of correctness.39

38 AstraZeneca Canada Inc. v. Canada (Minister of Health), [2006] 2 S.C.R. 560 at para. 25.
39 Abbott Laboratories Limited v. Canada (Attorney General) 2008 FCA 354 at paras. 28-33; see also G.D. Searle & Co. v. Canada (Minister of Health) 2009 FCA 35 at paras. 32-37.
Minister’s Decision that Patent Need Not be Addressed

In *Ferring Inc. v. Canada (Minister of Health)*, the Federal Court of Appeal noted that there was “some confusion” regarding the standard of review to be applied by the Federal Court in an application for judicial review of a determination by the Minister of Health that a generic drug manufacturer is not required to address a patent under the PM(NOC) Regulations. To resolve this confusion, the court stated:

In our view, the standard of review is correctness for questions of law, and patent and reasonableness for questions of fact (*AstraZeneca Canada Inc. v. Canada (Minister of Health)* 2004 FC 1277, per Justice Killen at paragraph 33).

I would add that where there is a mixed question of law and fact then the standard of review is patent and reasonableness unless the question of law is extricable from the question of fact in which case the question of law is determined on the basis of correctness.

Decision by the Minister to Accept or Reject a Submission

A decision by the Minister of Health to accept or reject a new drug submission is a question of mixed fact and law. Accordingly, such a decision will be reviewed on the standard of reasonableness.

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40 2007 FCA 276.
41 *Ferring, supra*, at paras. 7-8.
42 *Pharmascience Inc. v. Canada (Attorney General)* 2008 FCA 258 at para. 5.