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canadian {briefings}

may 2009

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Major Changes Made to Canada's Competition and Foreign Investment Laws

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On March 12, 2009, major changes to Canada's Competition Act and Investment Canada Act came into effect upon passage of the most recent federal budget. Using the budget implementing legislation introduced in February, Canada's ruling Conservative Party amended the Competition Act to create a new US-style merger review process, as well as a number of per se offences. The revised Investment Canada Act will create a new national security review process and remove existing constraints on transportation and other sectors. Although foreign investors will welcome changes to the Investment Canada Act, Canadian businesses will face increased compliance costs with the amended Competition Act, which may hurt Canada's competitiveness.

Background

The legislative changes flow from several recommendations of the government-appointed Competition Policy Review Panel, which published its report, "Compete to Win," in June 2008. Although the government stated in its most recent budget that it would incorporate the Panels' recommendations, it is highly unusual to include amendments of this magnitude in budget implementation legislation instead of stand-alone amending legislation. Typically, Parliament and relevant parliamentary committees would consider and debate such amendments, sometimes for many months. Indeed, many of the changes were proposed in previous legislation (that did not pass due to the legislative session ending) and have been debated, although a number of the major changes (particularly the changes to the merger review regime) have not. By including the amendments in the budget bill, the government signaled its intention to see these changes pass with limited debate and consideration.

Overview of the Amendments

What follows is an overview of the amendments to the Competition Act and the Investment Canada Act.

The Competition Act

The most noteworthy proposed amendments to the Competition Act include:

Merger Review

- **Introduction of a two-stage (second request) merger review process.** A new merger review process replaces the current 14/42-day review periods for short-form and long-form notifications. The new process replicates the US Hart-Scott Rodino Antitrust Improvements Act process by requiring — for all transactions subject to notification — the submission of prescribed information, followed by an initial 30-day review period. During that time, the proposed transaction cannot be completed. The Commissioner of Competition can extend this initial review period by making a "second request" for further information, after which closing could only occur 30 days following receipt of the additional information (barring a challenge to the transaction by the Commissioner).
- **Increased merger notification thresholds.** The monetary transaction-size threshold for mandatory merger notification increases from $50 million to $70 million.The threshold will be reviewed annually and adjusted based on GDP. The party-size threshold remains unchanged at $400 million.
- **Reduced merger review limitation period.** The amendments reduce the current three-year period during which the Commissioner may challenge a completed merger to only one year.

Conspiracy and Bid-Rigging

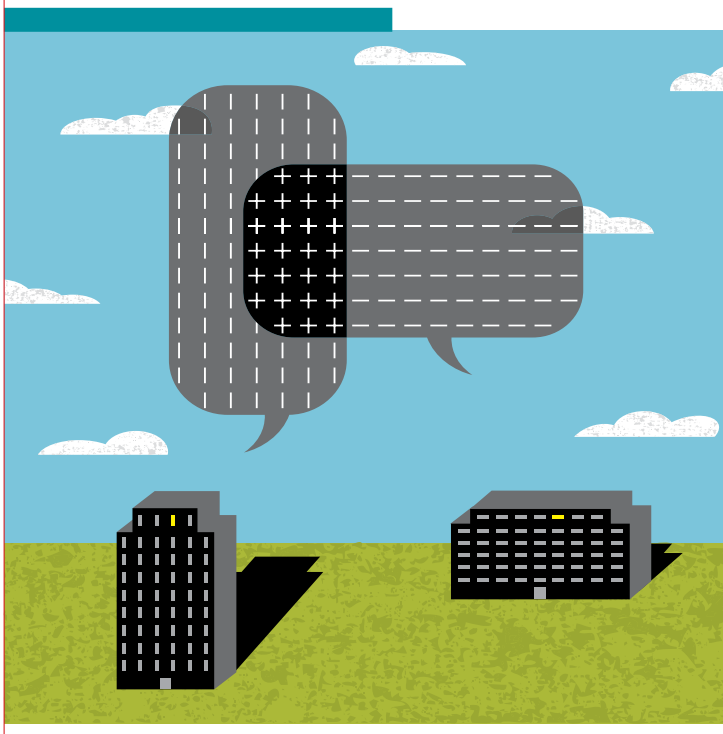
- **Introduction of a dual-track approach and increased penalties for anti-competitive arrangements between competitors.** The criminal anti-cartel provisions will be limited to hardcore "cartel-like" agreements aimed at fixing or otherwise controlling prices; maintaining, lessening or eliminating the production of a product; and allocating sales, territories, customers or markets. They will become per se offences for which it will no longer be necessary to prove an undue lessening of competition. Maximum prison terms under this new criminal anti-cartel provision increase from five to 14 years, while maximum fines increase from $10 million to $25 million. A new civil conspiracy provision permits the Competition Tribunal to address other types of agreements between competitors that have anti-competitive effects. These changes will come into force on March 12, 2010, one year later than the other changes introduced by the bill.
- **Broadened bid-rigging provisions and increased penalties.** The bid-rigging provisions now include not only the undisclosed submission of bids arrived at by agreement or arrangement, but also the withdrawal of contract bids or tenders. Maximum prison terms for bid-rigging offences increase from five to 14 years.

Abuse of Dominance

- **Introduction of administrative monetary penalties (AMPs) for all abuse cases.** The amendments empower the Tribunal to impose AMPs of up to $10 million for corporate violations of the abuse of dominant position provision and $15 million for each subsequent violation. Such penalties are currently restricted to conduct by a domestic airline.
- **Airline industry**. All abuse of dominance provisions dealing specifically with the airline industry are repealed.

Misleading Advertising and Deceptive Marketing Practices

- **Targeted individuals outside Canada.** The amendments extend the false and misleading advertising and deceptive marketing practices provisions to apply to companies targeting individuals who are outside Canada.
- **Clarifications.** The amendments provide that in false or misleading advertising proceedings, it is no longer necessary to establish that the impugned representation was made to the Canadian public or in a place accessible to the public. The "general impression test" — that the general impression and literal meaning will be considered in an assessment if a representation is reviewable — applies to the deceptive marketing practices outlined in sections 74.01 and 74.02.



- **Increased penalties.** The amendments increase maximum terms of imprisonment from five to 14 years for criminal offences. The Tribunal can now impose AMPs of up to $10 million ($15 million for subsequent violations) for corporate false and misleading advertising and deceptive marketing practices.

Other Important Amendments

- **Price discrimination and predatory pricing.** The amendments repeal the criminal provisions dealing with price discrimination, promotional allowances and predatory pricing.
- **Resale price maintenance.** The criminal resale price maintenance provision has been repealed and is replaced by a new civil price maintenance provision to address this practice when it has an "adverse" effect on competition. The amendment also provides a right of private-party access to the Tribunal for price maintenance.
- **Increased penalties for obstruction and contraventions of section 11 court orders.** The amendments introduce penalties of up to 10 years' imprisonment and increased fines (from $50,000 up to $100,000) or both, for obstruction in connection with an inquiry or examination under the Competition Act. The amendments also increase sanctions for contraventions of section 11, ordering imprisonment of up to two years, fines at the discretion of the court or both.

The Investment Canada Act

Important amendments to the Investment Canada Act include:

- **Increased threshold for investments made by a WTO investor.** The review threshold for acquisitions of control of a Canadian business (other than a cultural business) increases to $1 billion from $312 million — phased in over five years. The measurement standard has been changed from gross asset value to the enterprise value of the acquired assets. The new threshold will take effect upon a date fixed by an Order of the Governor in Council.
- **National security test and review procedure.** The amendments introduce a broad national security test and analysis, authorizing the Minister of Industry to review investments that "could be injurious to national security," regardless of the size of the transaction. Following the minister's review and consultations with the Minister of Public Safety and Emergency Preparedness, the minister must refer transactions concerning to national security to the Governor in Council, which is empowered to take any measures in respect of the investment that the Governor in Council considers advisable to protect national security, including prohibiting investments made by non-Canadians.
- **Elimination of lower threshold for transactions in non-cultural sectors.** The amendments eliminate the existing lower thresholds for review of transactions in the transportation, uranium production and financial services sectors. Only cultural businesses remain subject to a lower threshold.
- **Reasons for not approving an investment.** Where the Minister of Industry is not satisfied that an investment is of net benefit to Canada, the minister must now provide reasons for deciding to block the investment.
- **Disclosure of privileged information.** The Minister of Industry may communicate or disclose privileged information obtained during the review of an investment to prescribed investigative bodies, or investigative bodies of a prescribed class if the communication or disclosure is for the purposes of the administration or enforcement of national security provisions.
- **New undertakings.** If the Minister of Industry believes that a foreign investor has failed to comply with a written undertaking provided in connection with a previously approved investment, the minister can now accept a new undertaking from the investor after the investment has been implemented.

Implications

These changes provide significant new powers to the Commissioner of Competition under the Competition Act and to the Minister of Industry under the Investment Canada Act. The commissioner will have the ability to issue broad information requests and delay the completion of more complex mergers through the "second request" process. The commissioner already has the power to seek documents and other information under section 11 of the Competition Act, but those requests must first be approved by a judge. Significantly, there will be no judicial oversight of the second request process. In addition, there is concern that imposing substantial administrative monetary penalties for conduct found to be anti competitive under the abuse of dominance provisions may chill legitimate, pro-competitive behavior, as there is no bright-line between aggressive pro-competitive behavior and potentially anti-competitive behavior that is found to be abusive. Finally, the changes to the conspiracy provisions will, at least in the short-term, introduce a great deal of uncertainty and likely result in litigation to test the boundaries of the new provision. What appears very likely is that, with these various new powers granted to the Competition Bureau and the commissioner, businesses should expect to see more active enforcement of the conspiracy, bid-rigging and abuse of dominance provisions as well as lengthier and more burdensome reviews for mergers raising more difficult competition issues.

Although the increases to the review thresholds under the Investment Canada Act will result in fewer transactions being subject to inspection, the new national security review will add an element of uncertainty in the short-term. Notwithstanding the expectation that regulations or guidelines will be passed to offer guidance on the interpretation of "injurious to national security," given the significant discretion afforded to the minister and to the Governor in Council, expect a party whose transaction is challenged to seek judicial review to test the boundaries of these provisions as well. cb

Stormy Weather

By Carolyn Boyle *(www.internationallawofice.com)*, ILO

These are torrid times, as the roiling clouds of recession engulf global markets. In Canada, the turmoil has been exacerbated by political tensions, which threatened to bring down the minority conservative government late last year. In the face of such uncertainty and upheaval, the sensible option is to batten down the hatches and make ready, as best as possible, to weather the breaking storms. Preparation is crucial if a course is to be steered safely through the maelstrom into calmer waters.

For the Canadian government, this year's budget was a make-or-break response to the financial and political travails of recent months. Its sweeping Economic Action Plan is a concerted effort to stave off the worst effects of the slowdown while building bridges with the opposition parties that came close to toppling the administration in December. Budget 2009 is an ambitious and detailed proposition that has "a little something for everyone." Key priorities include opening up access to financing and shoring up the financial system, offering improved benefits and training opportunities to those hit by the recession, and implementing a bold infrastructure plan.

The budget also features a series of tax initiatives intended to kick-start the faltering economy and give Canadian businesses a competitive edge on the global markets. In particular, it incorporates several recommendations made by the Advisory Panel on Canada's System of International Taxation in its December 2008 report on the health of the international tax system. (Ref 17686) Among other things, it rescinds the double-dip financing rules in the Income Tax Act (Canada), which aimed to restrict the deductibility of interest and certain other financing costs where corporations invest in foreign affiliates. The rules had been criticized as overly broad and complex, and the advisory panel had advocated their repeal. Meanwhile, the Competition Policy Review Panel cautioned that far from boosting tax revenues, the rules would hamstring Canadian corporations seeking to compete on the international market. In response to advisory panel recommendations, the government has further committed to review the non resident trust and foreign investment entity rules in order to streamline and simplify the regimes. They will also consider the suggested revisions to the foreign affiliate provisions, including extending the scope of the existing partial exemption system.

Meanwhile, the planned progressive reduction of the general corporate income tax rate from 22.12 percent in 2007 to 15 percent by 2012 continues apace: the levy fell to 19 percent from January 1, 2009, as scheduled. Canada's provinces and territories are also being urged to cut their rates to 10 percent in order to achieve a combined federal-provincial statutory corporate income tax rate of 25 percent by 2012. Additional tax relief is being afforded to small businesses, while tax breaks are also on offer for research and development; spending on manufacturing and processing machinery; computer equipment; and assets used in carbon capture and storage. Canadian taxpayers will benefit from new tax reductions and other favourable measures to the tune of C$20 billion. (Ref 17947)

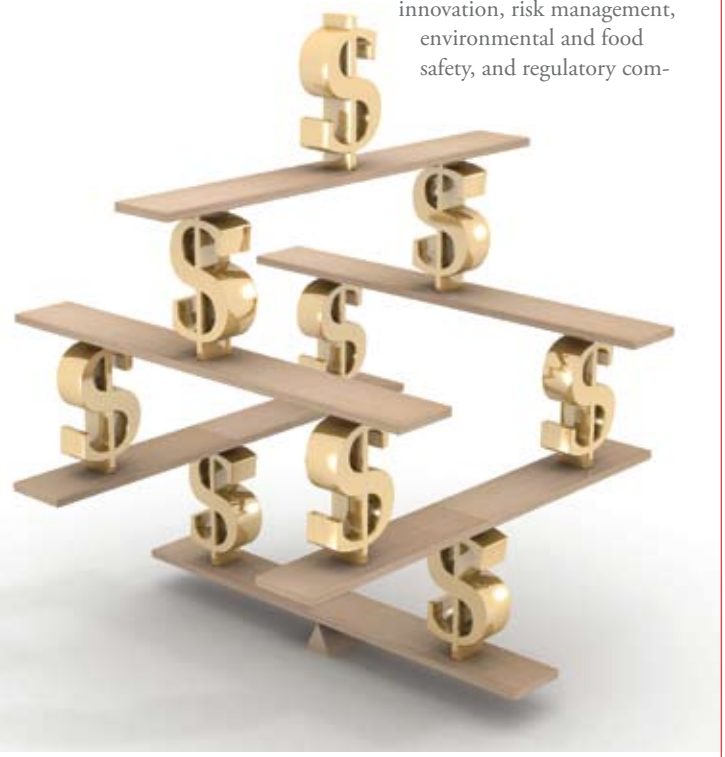
> "In response to advisory panel recommendations, the government has further committed to review the non resident trust and foreign investment entity rules in order to streamline and simplify the regimes."

The budget also includes targeted incentives aimed at stimulating trade and invigorating selected industries. Cross-border trade should be eased by measures to relieve congestion at two of the busiest checkpoints on the US-Canada border, while C$80 million has been dedicated to ensuring that the border operates securely and efficiently. Among other things, the money will be used to fund a modernization and expan-

sion programme at border service facilities, which will speed up the inspection and processing of commercial shipments. Infrastructure improvements have also been fast-tracked, with the acceleration of the Gateways and Border Crossing Fund and Asia-Pacific Gateway and Corridor projects. The traffic of goods should be further facilitated by revised rules on the temporary importation of cargo containers and a consultation process on the relaxation of remaining restrictions on their use.

More generally, labour mobility and foreign credential recognition will be enhanced, and the government wants to slash red tape to ensure that project funding flows as smoothly as possible. Credit should likewise circulate more freely, as a sum of C$13 billion has been ringfenced for Export Development Canada (EDC) and other state entities to help enterprises hit by the seizure of the credit markets. EDC will complement the activities of domestic lenders and insurers by temporarily extending additional financing to companies on the domestic market to tide them over where credit has dried up.

Certain industries have also been singled out for special assistance: C$170 million will be injected into the forestry industry, while Canada's farmers will benefit from a flexible funding scheme for initiatives that cut production costs, enhance sustainability, promote innovation or meet other market challenges. The budget also reiterates last year's pledge of C$1.3 billion to a five-year agricultural policy aimed at encouraging innovation, risk management, environmental and food safety, and regulatory compliance. There is a further fillip, too, for the ailing automotive industry, on top of the C$4 billion emergency loan package provided to General Motors and Chrysler in December — in the form of improved credit availability both for auto parts manufacturers and for potential buyers. (Ref 17924)



While the government's stimulus plan may have passed sufficient muster in Parliament to make it onto the statute books, the shifting political power play means that the fate of other legislative proposals could still hang in the balance. These include a broad-brush reform of the Competition Act, which forms a central plank of the government's long-term economic strategy — although the competition team at Fasken Martineau is nonetheless optimistic about its prospects of becoming law. The revisions will transform the antitrust landscape by fulfilling a pre-election promise "to protect Canadians from anti competitive conduct and other abuses." Under a new dual-track system, cartel-style agreements between competitors will be reviewed under a per se criminal provision, while other non-cartel agreements that are likely to have a deleterious effect on competition will be assessed under a civil provision. A defence to the hardcore cartel provision will be available where the offending behaviour is a necessary element of a wider, non-offensive competitive collaboration, as will the so-called "regulated conduct defence," which affords immunity to parties for behaviour that is otherwise required or permitted by law. The criminal penalties under the Competition Act will additionally be ramped up, with stiffer fines and longer prison stretches meted out for cartel activity, bid-rigging, obstruction of competition investigations, criminal misrepresentation, breach of prohibition and production orders, and deceptive telemarketing or notification of prizes. Administrative monetary penalties for abuse of dominance — capped at C$10 million for an initial order and C$15 million for subsequent orders — will also be introduced; while price discrimination, predatory pricing and discriminatory promotional allowances will become civil rather than criminal violations.

Meanwhile, revisions affecting merger control will see the threshold for mandatory pre-merger notification lifted from C$50 million to C$70 million. The notification and review procedure will also be revamped along the lines of the US Hart-Scott-Rodino model. The 14 and 42-day waiting periods for short-form and long-form notifications will be scrapped in favour of a single 30-day window which may be extended, where the competition commissioner needs further information, to 30 days after its receipt. Breach of the merger control provisions will be penalized by hefty administrative fines of up to C$10,000 for each day of non compliance. (Ref 17972)

Should the bill be pushed through, its impact on today's turbulent market will remain to be seen; but in the meantime, it has become starkly evident that the frosty economic

climate is already having a chilling effect on deals. As the markets continue to spiral, prospective acquirers are increasingly slashing their bid prices midway through the takeover process. In recent months, Borealis Acquisition Corporation reduced its offer for Teranet Income Fund, blaming a decline in the markets and the rising cost of credit, although the deal ultimately closed notwithstanding. So too did the takeover of ATS Andlauer Income Fund by a subsidiary of Andlauer Management Group, after the bid price was trimmed due to the failure of a condition precedent concerning the health of the markets. Japan Financial Corporation also dropped the price of its partial bid for Royal Laser Corp due to adverse market conditions and a dip in Royal Laser's share value. In this case, the offer expired without the bidder taking up any shares. Surat notes that such price fluctuations were previously a relatively rare phenomenon in Canada. Although not expressly prohibited, they may ring alarm bells at the securities regulators and could increase transactional risk, especially in hostile takeovers. He suggests that in order to dispel any question marks over such variations, comprehensive disclosure should be prepared showing clearly how the bid and the new price accord with the takeover regime. (Ref 17760)

Another trend on the upswing in a downturn is industrial unrest, as recent events in Europe have borne out. Wildcat strikes, blockades and demonstrations have swept across the continent as workers band together to give voice to their grievances. In Ontario, a December 2008 appeal court decision gave some comfort to employees who decided to break the picket line in industrial action. The workers in this case were employees of the Canada Revenue Agency and members of the Union of Taxation Employees. They had initially supported a legal, seven-day strike at the agency, but subsequently exercised their right to work, and were duly fined by and suspended from the union for breaking ranks. The court found the provisions in the union's constitution that allowed it to punish the workers in this way to be unconscionable and thus unenforceable.

Solidarity on the picket line is increasingly enforced under threat of fines or lawsuits. While the court recognized the importance of a united front, it suggested that trade unions think carefully about how best to maintain this: "Specifically, they should resolve these issues internally, whether by internal discipline, by persuasion or by providing employees with the financial support they need during a strike." Unions that bullishly slap fines on strike-breakers and subsequently seek to enforce them through the courts will be given short shrift — in Ontario at least. (Ref 17750) cb.

A full discussion of any of these topics can be accessed at the International Law Office website by inputting the five-digit reference number at www.internationallawoffice.com/newsletters.

Patent Protection and Financial Institutions – Are Opportunities Passing By?

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A look at industry shows that Canadian financial institutions are not fully committed to the protection of their innovations and technology through the filing of patent applications. While the powers that be (i.e. the courts and/or the patent office) have not yet decided to what extent software and business methods may constitute patentable subject matter in Canada, American financial institutions appear to have adopted a "better safe than sorry" approach. They have recognized the enormous possibilities afforded for the types of services they offer in pursuing patents in both countries. Recent examples of innovations patented by US businesses include a process for creating a financial plan for funding of college education (US Patent No. 7,158,950), a preferred credit information data collection method (US Patent No. 7,139,734), or a method for facilitating real estate transactions (US Patent No. 7,152,037). These simple methods all fall into the category of software/business method patents.

It should be noted that the threshold for a new system or method to be considered an "invention," and therefore be patentable, is much lower than one might think. Breakthrough inventions such as the telephone and airplane are extremely rare. The vast majority of patentable inventions are minor variations of previous knowledge. The degree of invention ingenuity required is relatively small. A new solution for a technical problem can be patented if that solution was not known or obvious from the prior art at the time of filing a patent application. The legal meaning of "obviousness" differs from the commonly understood one. The courts have determined that a person of skill in the art must have, in light of the prior art as a whole, come directly and without difficulty to the claimed invention. It must be more or less self evident that what is being tried ought to work. (*Apotex v. Sanofi*, a decision of the Supreme Court of Canada rendered November 6, 2008.)

The US courts have recently confirmed that in order to be patentable, an invention must either be tied to a particular machine or apparatus, or transform a particular article into a state or thing (In re *Bilski* (Fed. Cir. 2008 - en Banc) rendered October 30, 2008). Within the patent classification system used by the United States Patent and Trademark Office (USPTO), Class 705 is defined as "Data Processing: Financial, Business Practice, Management, or Cost/Price Determination." This is the generic class for inventions having to do with data processing "operations in which there is a change in the data, or for performing calculation operations wherein the apparatus or method is designed for or utilized in the practice, administration, or management of an enterprise, or in the processing of financial data." In this class, one finds many patents owned

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by financial institutions and directed towards methods and devices used in their day-to-day business operations — such as US Patent No. 7,072,851, entitled "System and method for administrating a credit card use incentive program by which a credit card holder earns a rebate in the form of an additional payment toward an outstanding loan principal to reduce overall cost of the installment loan," and owned by Bank of America. Another example is one of the very first business method patents obtained in the United States, entitled "Data Processing Methods and Apparatus for Managing Vehicle Financing," and issued as US Patent No. 4,736,294 back in 1988 to Royal Bank of Canada. This patent was obtained for a data processing system that provides information to assist in granting a vehicle loan applicant credit, process the loan and determine at the time of making the loan a residual value of the vehicle at a predetermined option date.

Table 1

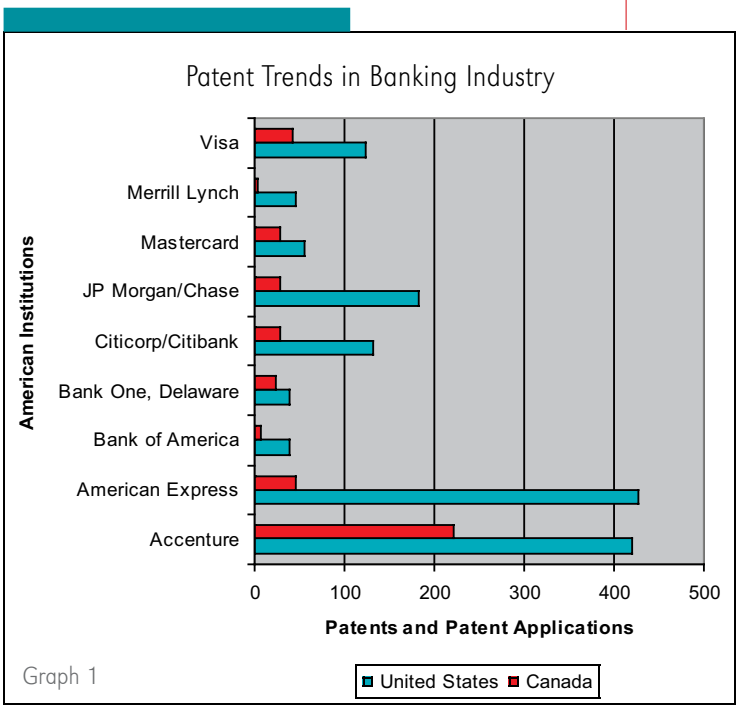
Fiscal Year	Class 705 Serialized Filings	Class 705 CPA-RCE-R129 Filings	Class 705 Total Filings	Class 705 Issues
1997	959	15	974	120
1998	1,337	88	1,425	306
1999	2,852	168	3,020	493
2000	7,733	325	8,058	845
2001	8,812	466	9,278	427
2002	6,774	626	7,400	493
2003	6,439	1,311	7,750	486
2004	6,857	1,731	8,442	289
2005	6,857	2,058	8,915	711
2006	7,579	2,529	10,108	1,191
2007	8,471	2,907	11,378	1,330

Patents covering computer-implemented methods of doing business are becoming of increasing importance on both sides of the border particularly in the area of litigation. For example Data Treasury Corporation — an American corporation — has commenced patent infringement proceedings in the United States and Canada against US financial services companies and Canadian banks in respect of its US and Canadian patents, which purport to cover all forms of image–based cheque clearing and other electronic payment technologies. The Canadian financial services industry has recently moved to a system of electronic cheque imaging clearing to replace traditional paper–based systems. The projecting cost savings would be enormous so the action instituted by Data Treasury is very significant.

Table 1 shows some data with respect to how many patent applications belonging to class 705 have been filed since 1997, and how many have been issued. The numbers have grown from less than 1000 in 1997, to more than 8000 in 2007, with a peak at approximately 8800 in 2001. In fact, the USPTO is having such a hard time keeping up with the large number of filings in this particular class that the waiting period to begin the examination process is anywhere between 60 and 120

months. This clearly shows that filing patent applications in the United States in this particular area is more than just a fad. As these patent applications issue, patent infringement will become a serious concern for anyone looking to do business in the financial sector in the United States.

Recently, concerns have been expressed in the United States as to the patentability of business methods on subject matter grounds. Efforts have been made to convince the US courts, or even Congress, that patent protection should be denied to business related and other methods, at least where such processes may be practiced entirely by human mental action without the involvement of machines or technology. In the most prominent example, the *Bilski* case, several major financial institutions took the position before the Court that business methods should be considered unpatentable, even where they involve the application of computers or other machines. However, we now know from this decision that the courts have not carved out a business-method exclusion per se, but rather have confirmed that in order to be patentable, any claim must meet the "machine-or-transformation" test. These findings confirm that patents are not to be granted for methods involving only abstract steps, and those which do not produce a physical result. These findings also confirm that certain types of business method patents, namely those that involve the transformation of an article into a state or thing via some form of data processing, are still considered patentable in the United States.



Graph 1

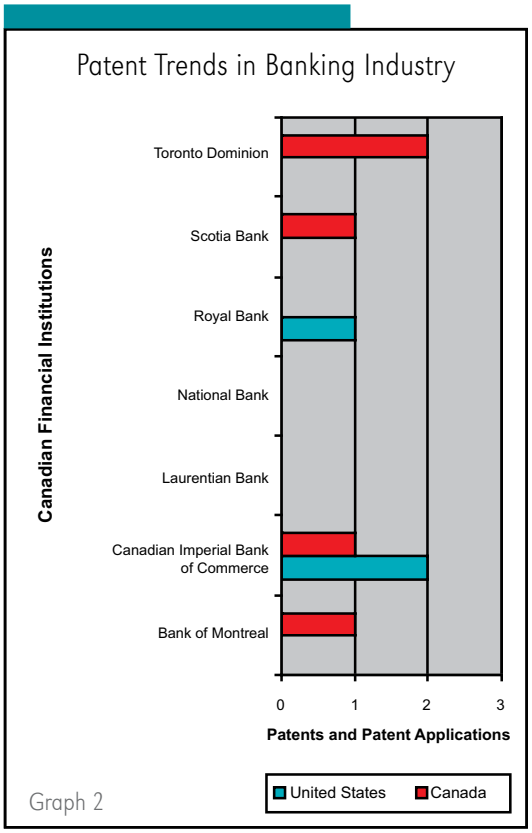
> "It is apparent that neither the value of patents related to business processes nor the possibilities of obtaining them in the United States has been lost on American financial institutions."

Similar questions have been raised in Canada. A group of Canadian financial institutions has been making representations to the government of Canada that the Canadian Patent Office should not grant patents on business methods (or any other methods) involving abstract or intangible steps or methods which do not produce physical results. However these Canadian financial institutions have not taken a stand against the patentability of all business methods but rather have sought to clarify the scope of such patents when the method appears to involve only abstract steps or does not achieve a physical transformation.

While such concerns should be thoroughly understood by Canadian businesses, whichever side of the border they do business on, they should not unduly influence determinations by Canadian financial institutions whether to seek protection for their innovative business processes or systems by preparing and filing patent applications — in either Canada or the United States (particularly in the light of the October 30, 2008, decision of the US Court of Appeals for the Federal Court in the *Bilski* case discussed above).

It is apparent that neither the value of patents related to business processes nor the possibilities of obtaining them in the United States has been lost on American financial institutions. For example, Graph 1 illustrates the filing practices of several large American institutions in both the United States and Canada. What stands out from the data, extracted from the Delphion and Canadian Intellectual Property Office databases on July 21, 2008, is that these organizations have recognized the need for protection on both sides of the border, and are taking action accordingly.

The American institutions represented in Graph 1 were selected based on name recognition and relative size of the organization. These include some of the largest and best–known financial institutions in the United States, and they all have anywhere



Graph 2

between 4 (Merrill Lynch) and 222 (Accenture) Canadian patents and/or patent applications related to software/business methods. (Note that patent applications that have been filed in the last 18 months are not yet available to the public and therefore do not appear in Graph 1.)

By comparison, Graph 2 shows the filing practices of Canadian financial institutions, also extracted from the Delphion and Canadian Intellectual Property Office databases on July 21, 2008. The contrast is striking. Most of these institutions do not have a single patent or patent application in Canada or in the United States — the Canadian Imperial Bank of Commerce (CIBC) being the only one with at least one pending patent application on both sides of the border.

The scarcity of patent application filings by Canadian financial institutions may be a product of an absence of functioning patent committees within the institutions. Without such committees, patentability decisions tend to be made by individual profit centers within the organizational structure of a financial institution in accordance with the requirements of that particular profit centre and with little or no consideration for possible revenue to be obtained from licensing third parties or cross-licensing to the general benefit of the financial institution. The best method of ensuring that patents are applied for, obtained, and where possible, licensed for royalties or cross-licensed is to form a patent committee composed of representatives of the various profit centers within the financial institution, with a few representatives knowledgeable in patent matters including licensing, and with a separate budget. In the United States, the separately funded patent committee raising revenue through royalty income to defray the cost of obtaining patent protection is a general practice in many areas.

At the American Express Company, General Counsel Louise Parent recently discussed, in K&L Gates *Top Of Mind* newsletter, the route AMEX® took to develop their keen focus on patent protection. While the general counsel's office is typically geared to protecting the interests of the company, today it is necessary to do more. The AMEX legal department determined that it would promote a change in the culture of the organization and it became a group of "patent proselytizers."

Arguably, it is within the mandate of every general counsel that one aspect of protecting the company's interests includes ensuring that their company recognizes and monitors when innovations and creative contributions of employees should be patented, because patentable ideas are in the interest of the company and should be captured, appropriately protected, and added to the corporate treasure.

One way to start the process is education. The general counsel should raise IP awareness of staff and the executive. To do that the legal group has to make patents relevant to their business and offer real examples of possible and even missed opportunities. The value of the effort must be demonstrated to the company. Encouraging creativity and awareness might include rewarding employees who have developed patentable inventions with some form of direct benefit from the licensed patents.

The patent system in Canada makes it easy for financial institutions to be preemptive with respect to software/business method patents where applications have already been filed in the United States. First of all, official fees associated with Canadian patents are relatively low compared with those of other Patent Offices, such as Europe. Simply filing a patent application at the Canadian Intellectual Property Office costs $400 in official fees, in addition to the professional fees involved. From the moment a filing date is obtained in Canada, no further expenses need to be incurred in maintaining an application for a period of five years, except for the annual maintenance fees, which are $100 per year for years two through four, and $200 per year for years five through nine. A request for examination ($800) must be filed before the expiration of the five year period, after which it may take another two or three years before the patent office examines the patent application (depending on the Examiners' backlog).

This period provides the applicant approximately eight years of potential protection at very low cost, while waiting to see if the law will change, or at least be clarified.

Many patent practitioners believe that the Supreme Court of Canada may ultimately take the position that business methods are patentable on the same basis as such methods are patentable in the United States. If that happens, it could open the floodgates for business-related patents. Americans and those select Canadians who act prospectively could be at the front of the pack.

Should the day come when business methods and software are recognized as clearly patentable in Canada, the backlog of patent applications already on file will be examined, and many of them may be granted. Patent holders who, on the basis of current numbers will consist predominantly of American financial institutions, will then have the right to exclude others, including Canadian financial institutions, from providing desirable and innovative financial services in the Canadian marketplace. For those who wish to proceed, the right to exploit methods or technologies patented by others, if available at all, will come at a price, in the form of licensing and/or royalties.

> "The scarcity of patent application filings by Canadian financial institutions may be a product of an absence of functioning patent committees within the institutions."

The best method of navigating in an area where one's competitor have patents, is to have your own patents. Otherwise, the possibility of avoiding costly litigation through cross-licensing would not exist. In order words, the best bargaining chip for a potential patent licensee is another equally useful patent license to offer in exchange. With this in mind, Canadian financial institutions should be considering filing applications now as a strategic protective measure. As the Canadian financial institutions have historically been both strong and competitive, there is little doubt that inventive ideas which are patentable exist in the individual Canadian financial institutions. It has now become extremely important to seek patent protection for these ideas in the light of the activities of the US competitors. cb.

{additional ACC resources}

Search ACC's website for more material on the topics discussed in this quarter's newsletter. Visit *www.acc.com,* where you can browse our resources by practice area or use the search option to find documents by keyword. Also, visit ACC Canada's page at *www.acc.com/chapters/canada/* for chapter information, Canada-specific events, job listings, program materials, resources and more.

ACC DOCKET ARTICLES

- ***Canadian Briefings:*** **Investment Canada Act and Tax Treaty (January/February, 2008)**
  In this previous *Canadian Briefings* article, the Canadian government's position on the Investment Canada Act is clarified and the tax treaty is examined. *www.acc.com/docket*
- ***Canadian Briefings:*** **Implications of the Impending Elimination Payments of Canadian Withholding Tax on Interest Payments (September, 2007)**
  Read this previous *Canadian Briefings* article on the implications of Canada's elimination of withholding taxes on interest payments. *www.acc.com/docket*

PROGRAM MATERIALS

- **Designing a Distribution System that Complies with US and Canadian Antitrust Laws (March, 2009)**
  From 2008's Annual Meeting: The recent US Supreme Court decision in *Leegin Creative Leather Products, Inc. v. PSKS, Inc.,* relaxes the rules on price maintenance — but in Canada such activity remains a per se criminal offence. These and other differences can create traps or unnecessary burdens for companies that seek to operate on an integrated North American basis. This session, which was co-led by a Canadian and a US practitioner, discussed the key areas of inconsistency and provided attendees with practical solutions for addressing them. *www.acc.com/legalresources/resource.cfm?show=161591*

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- **Managing Competition Law Risk (February, 2008)**
  This PowerPoint presentation on Managing Competition Law Risk by the law firm Fasken Martineau DuMoulin was presented to the ACC Ontario Chapter in January, 2008. *www.acc.com/chapters/ontario*
- **Key Competition/Antitrust Issues in Canada — US Cross-Border Merger Notification and Review (February, 2006)**
  This PowerPoint presentation is from a program on Key Competition/Antitrust Issues in Canada and US Cross-Border Merger Notification and Review. *www.acc.com/chapters/canada/upload/keycompetitionissues022806.pdf*

QUICK REFERENCE

- **Tax Guidelines (March, 2008)**
  This document contains a brief discussion of primary tax considerations in international trade transactions. *www.acc.com/legalresources/resource.cfm?show=16465*
- **Cross Border Checklist: Doing a Deal in Canada (2006)**
  Acquisition-minded businesses and their advisers should keep in mind that Canada can be a significantly different legal, business and regulatory market when it comes to cross-border deals and transactions. Review this checklist to make sure you are dotting all your "i's" and crossing all your "t's." *www.acc.com/legalresources/resource.cfm?show=16644*

INFOPAK℠

- **Canadian Competition Law (August, 2008)**
  This InfoPAK provides corporate counsel with a general overview of Canadian competition law, highlighting the important distinctions in Canada's Competition Act and the differences that US-based enterprises should bear in mind when doing business in Canada. The topics covered include: conspiracy and big-rigging, pricing practices, mergers, abuse of dominance and deceptive marketing practices, among others. *www.acc.com/infopaks*

WEBCAST TRANSCRIPTS

- **International Patent Prosecution — Best Practices and Updates (2008)**
  This transcript discusses the strategic considerations that should be addressed in the accelerating US and international patent prosecution in view of the new Patent Prosecution Highway Program. Topics include: a relatively new trial program, the Patent Prosecution Highway Program (PPH), with major implications for accelerating patent grants in the United States, the European Patent Office, Canada, Japan, Korea, Australia and the United Kingdom; pros and cons of traveling the PPH; and IP strategy and your business objectives. This part of the discussion addresses speed to obtaining the first patent, timing, choice of jurisdiction(s), US Request for Accelerated Examination, speed to obtaining patents in key countries, co-pending patent applications of different scope, cost considerations and scope of claims. The transcript also includes Global Patent Strategy. *www.acc.com/legalresources/resource.cfm?show=104737*
- **Cross-Border Investigations and Litigation: How to Protect Your Client in the United States and Canada (2007)**
  This document provides an overview of the management of a cross-border investigation. Focusing on cross-border antitrust investigations and related litigation issues involving regulators in the United States and Canada, other key topics include: potential antitrust offences and how to manage them; the differences in investigative/evidence gathering techniques in Canada versus the United States; the discovery of misconduct and the need for an internal investigation; the role of in-house counsel and the identity of the client; the structure of the internal investigation and steps to protect privilege; key differences in the law of privilege in the United States and Canada. *www.acc.com/legalresources/resource.cfm?show=16333*

ARTICLES

- **Canadian Public Mergers and Acquisitions: Trends and FAQs (August, 2007)**
  2006 and 2007 were banner years for mergers and acquisitions activity in Canada. Record capital raisings and investments by private equity funds, higher costs associated with maintaining public issuer status, high commodity prices, and changes in Canadian tax laws governing income trusts have all contributed to the non-stop flow of deal activity. Here, some frequently asked questions on Canadian M&A and recent trends are discussed. *www.acc.com/legalresources/resource.cfm?show=15950*
- **Canadian Foreign Investment Review of Acquisitions by State Owned or Controlled Enterprises (August, 2007)**
  The acquisition of Canadian businesses by foreign investors has often been of high political importance in Canada. As a G-7 country, Canada has benefited immensely from foreign investment. Further, studies repeatedly show that, on a net basis, investment capital generally flows outward from Canada. At the same time, Canada has a protectionist history and a deep-seated aversion of being co-opted into the American project. This has resulted in controls on foreign investment. *www.acc.com/legalresources/resource.cfm?show=15953*