

MAY 21, 2004

Supreme Court of Canada Dismisses Appeal in *Monsanto v. Schmeiser*

In a 5:4 split decision released today, the Supreme Court of Canada has dismissed, in part, the appeal from the Federal Court of Appeal ruling in *Monsanto v. Schmeiser*. A. David Morrow, and Colin B. Ingram of Smart & Biggar represented the Canadian Seed Trade Association, an intervener in this landmark case.

In the proceeding, Saskatchewan farmer Percy Schmeiser, and the corporation of which Schmeiser and his wife are principals, were accused by Monsanto of growing genetically modified canola in violation of Monsanto's Canadian patent. The genetic modification renders the canola tolerant to spraying with the herbicide "Roundup", and the canola is marketed as "Roundup Ready Canola". The claims in issue were directed to modified genes and plant cells containing the modified genes, but the patent did not include claims to whole plants. Schmeiser was found to have infringed the Monsanto patent following a trial held in June of 2000. The trial decision was upheld on appeal to the Federal Court of Appeal in 2002.

The Majority decision, written by Chief Justice McLachlin and Justice Fish, upholds the findings of the Courts below in respect of the validity and infringement of the patent claims in issue, but reverses the award of an accounting of profits.

On the issue of validity, the Majority rejects the argument advanced by Schmeiser that the subject matter of the patent was invalid in view of the Court's prior holding in *Harvard College v. Canada*. In *Harvard*, the Court had found that patent claims to a genetically modified mouse, which the Court described as a "higher life form", were invalid as covering non-patentable subject matter. Schmeiser argued that the patent claims, having been enforced

against a farmer using canola plants and seed, were being extended to non-patentable subject matter. The Majority acknowledges that the Court in *Harvard* had found that plants and seeds were also unpatentable "higher life forms". Nevertheless, the Majority holds that "whether or not patent protection for the gene and the cell extends to activities involving the plant is not relevant to the patent's validity." The Majority concludes that the patent claims in issue are valid.

On the issue of infringement, the Majority concludes that Schmeiser "used" Monsanto's patented invention when he cultivated his canola plants containing the patented gene and composed of patented cells. The Majority specifically rejects the argument that Schmeiser had not used the invention because he did not spray his crop with Roundup. In this regard, the Majority accepts that the crop had "stand-by" or "insurance" utility in view of its herbicide-resistant properties. The Court leaves open the possibility that a farmer could avoid a finding of use based on mere possession by showing that he or she never intended to cultivate plants containing the patented genes and cells. However, on the facts, Schmeiser could not avoid liability on this basis.

Finally, the Majority finds that the accounting of profits remedy granted by the Courts below was inappropriate. The Majority finds that the profits made by Schmeiser were the same as he would have made had he grown and harvested ordinary (non-patented) canola, and there was thus no causal connection between the profits awarded to Monsanto, and the invention.

The Minority judgment, written by Justice Arbour, construes the claims in issue as being limited to

OTTAWA

55 Metcalfe Street, Suite 900
P.O. Box 2999, Station D
Ottawa, Ontario Canada
K1P 5Y6
t. 613.232.2486
f. 613.232.8440

ottawa@smart-biggar.ca

TORONTO

438 University Avenue
Suite 1500, Box 111
Toronto, Ontario Canada
M5G 2K8
t. 416.593.5514
f. 416.591.1690

toronto@smart-biggar.ca

MONTREAL

1000 de La Gauchetière St. W.
Suite 3400
Montreal, Québec Canada
H3B 4W5
t. 514.954.1500
f. 514.954.1396

montreal@smart-biggar.ca

VANCOUVER

650 West Georgia Street
Suite 2200
Box 11560, Vancouver Centre
Vancouver, B.C. Canada
V6B 4N8
t. 604.682.7780
f. 604.682.0274

vancouver@smart-biggar.ca

EDMONTON

10060 Jasper Avenue, Suite 1501
Scotia Place, Tower Two
Edmonton, Alberta Canada
T5J 3R8
t. 780.428.2960
f. 780.423.6975

edmonton@smart-biggar.ca

www.smart-biggar.ca

modified genes and cells in the laboratory prior to regeneration. In the view of the Minority, Schmeiser did not use the claims so construed through the cultivation of plants containing the patented genes and cells. However, it is the Majority judgment which now represents the law in Canada.

With the decision in *Monsanto*, it now seems clear that patents may be sought and obtained in Canada

with claims covering genes and cells (provided that such claims meet the other standard requirements of patentability, including novelty and non-obviousness), and that such claims may be enforced against infringers which are cultivating or breeding plants and animals incorporating the patented genes and cells.

For more information please contact:

A. David Morrow

admorrow@smart-biggar.ca

Ph: 613-232-2486

Fax: 613-232-8440

Colin B. Ingram

cbingram@smart-biggar.ca

Ph: 613-232-2486

Fax: 613-232-8440

SMART & BIGGAR FETHERSTONHAUGH

Barristers & Solicitors • Patent & Trade-Mark Agents

Barristers & Solicitors, Patent & Trade-mark Agents

A. David Morrow
Robert D. Gould
John R. Morrissey†‡
Thomas R. Kelly
John Bochnovic★
Joy D. Morrow
François Guay*
Gunars A. Gaikis
Michael D. Manson†
Keltie R. Sim
Ronald D. Faggetter
Glen B. Tremblay
Mark K. Evans
Terry N. Kuharchuk**

J. Christopher Robinson†
Helen Garwasiuk**
Alistair G. Simpson
Solomon M.W. Gold
Brian P. Isaac
Steven B. Garland
J. Sheldon Hamilton
David E. Schwartz†‡
Sanjay D. Goorachurn
Brian G. Kingwell†
Yoon Kang
Philip Lapin
Matthew Zischka
Christian Bolduc*

Elliott S. Simcoe
Timothy P. Lo+
Theodore W. Sum+
Marc Gagnon*
L. Catherine Eckenswiler
Nancy P. Pei
Kohji Suzuki
Christine N. Genge
Kevin K. Graham
Marc-André Huot*
Tai W. Nahm
Geneviève M. Prévost
Euan R. Taylor+
Mark G. Biernacki

Daphne L. Maravei
Stephen J. Ferance+
Ekaterina K. Tsimberis*
Franc Boltezar+
Jean-Sébastien Brière*
Alain Adam★
Arnold T. Ceballos
Jeremy E. Want
Peter A. Elyjiw
Colin B. Gallant
Benoît Huart*
Colin B. Ingram
Karen F. MacDonald+
Daphne C. Ripley

Beth Trister*
Jonathan N. Auerbach
Denise L. Lacombe
Kathryn A. Lipic
Sally A. Hemming
May Ming Lee
Andris D. Mačins+
Kelly L. Miranda
James Jun Pan
Kavita Ramamoorthy
Scott A. Beeser
Timothy H. Briggs+
David A. Gileff†+
Nick P. Toth+

Counsel

James D. Kokonis, Q.C.

Nicholas H. Fyfe, Q.C.

Patent & Trade-mark Agents

James McGraw
A. Dennis Armstrong
R. John Haley
Sohrab Sabet

Tokuo Hiram
Stephan P. Georgiev
John W. Knox
Neil S. Clark

R. Allan Brett
Thuy H. Nguyen
Brigide Mattar
S. Serge Shahinian

Sanro Zlobec
A. Oliver Stone
Emma Start
Penny J. Brady

David M. Walters
Colin C. Climie
Jennifer L. Ledwell
Trina Sarin

Technical Consultants

Marc P. Pépin
Christian Bérubé
Mathias Dormann
Ronald Fernando

Sheema Khan
Beverly C. Lai
Michiko Mizuno
Elizabeth A. Hayes

Susan M. Tees
Marie-Hélène Rochon
Martin A. Tremblay
Mark S. Starzomski

Alakananda Chatterjee
Roger T. Gallant
Daniel C. Smith
Shadi Monemdjou

Unless otherwise indicated, the lawyers listed are members of the Law Society of Upper Canada only.

† of the British Columbia Bar also ‡ of the Alberta Bar also ★ of the Quebec Bar also
+ of the British Columbia Bar only ** of the Alberta Bar only * of the Quebec Bar only

The contents of this Bulletin are informational only, and do not constitute legal or professional advice. To obtain such advice, please communicate with our offices directly.