THE RESOLUTION OF HIGH-STAKES PATENT DISPUTES IN CANADA

RICHARD NAIBERG*

I. INTRODUCTION

Canadians have access to the full range of alternative dispute resolution (ADR) options available in other countries.[1] Nonetheless, parties involved in high-stakes patent litigation in Canada often choose to forgo ADR in favor of the traditional court process. The Federal Court of Canada, the court hearing nearly all patent cases, has taken steps to streamline its proceedings[2] and to offer dispute resolution services within the context of a traditional court process.[3] The Federal Court of Canada intends to offer the best of both worlds. Litigants can engage in the court process, access the familiar and comprehensive Federal Court Rules,[4] and take advantage of a judiciary skilled and experienced in determining patent cases. At the same time, the federal court's recent initiatives mitigate the

* B. Eng. Sci., University of Western Ontario; L.L.B, University of Toronto. The author practices intellectual property litigation at Goodmans LLP in Toronto, Canada.

1. *See* Communications and Executive Service Branch, *Resolving Disputes, Think About Your Options*, DEP'T OF JUST. CAN. (1998), http://www.justice.gc.ca/eng/dept-min/pub/dr-rd/index.html.

2. *See, e.g.*, Allan Lutfy (Chief Justice), *Notice to the Parties and the Profession, Early Hearing Dates for Applications in the Federal Court*, FED. CT. OF CAN. (Nov. 18, 2010), http://cas-ncr-nter03.cas-satj.gc.ca/fct-cf/pdf/Notice%20-%20early%20hearing%20date%20nov-18-2010%20ENG.pdf [hereinafter Lutfy, *Early Hearing Dates*]; Allan Lutfy (Chief Justice), *Notice to the Parties and the Profession, Streamlining Complex Litigation* (May 1, 2009), http://cas-ncr-nter03.cas-satj.gc.ca/fct-cf/pdf/Notice%20-%20streamlining%20complex%20litigation%2001-05-2009%20(ENG).pdf [hereinafter Lutfy, *Streamlining Complex Litigation*].

3. *See* Federal Courts Rules, SOR/98-106, rules 386-391(Can.) (addressing dispute resolution services offered by the Court).

4. *See generally id.*

shortcomings of the traditional litigation process by reducing the time to reach trial, reducing the scope of discovery, protecting the confidentiality of the parties' information, and providing multiple opportunities to conduct mediated and unmediated settlement discussions.[5]

II. INTELLECTUAL PROPERTY LAW IN CANADA

A. The Role of the Federal Court of Canada in Intellectual Property Litigation

Canada is organized under a federal system.[6] The federal government is composed of a bicameral parliament.[7] Each of Canada's ten provinces is also governed by its own provincial parliament.[8] The Canadian Constitution divides legislative powers between the federal and provincial governments based on subject matter.[9] Each province has its own provincial courts and courts of appeal, which have general jurisdiction over all disputes in that province.[10] Appeals from the provincial courts of appeal are made to the Supreme Court of Canada.[11] The Federal Court of Canada is a national court headquartered in Ottawa, Ontario, but holds sittings in each province.[12] The federal court is not a court of general jurisdiction but rather has cross-Canada jurisdiction over certain enumerated subject areas.[13] Appeals from decisions of the federal court are made to the Federal Court of Appeal, which is also a national

5. Lutfy, *Streamlining Complex Litigation*, *supra* note 2 ("The purpose of streamlining complex actions is to facilitate . . . the scheduling of trials within two years of the commencement of the proceeding.").

6. *See* Constitution Act, 1867, 30 & 31 Vict., c. 3, §§ 3, 6, 91-92 (U.K.), *reprinted in* R.S.C. 1985, app. II, no. 5 (Can.).

7. *See id.* §§ 17, 21, 37.

8. *See id.* §§ 58-90.

9. *See id.* §§ 91-92.

10. *See id.* §§ 96-101.

11. *See* Supreme Court Act, R.S.C. 1985, c. S-26, §§ 35-35.1 (Can.).

12. *See* Federal Courts Act, R.S.C. 1985, c. F-7, §§ 7, 15-16 (Can.).

13. *See id.* §§ 17-22.

court.[14] Appeals from the Federal Court of Appeal are to the Supreme Court of Canada.[15]

The principal sources of intellectual property (IP) law are federal statutes. The laws of Canada include a Patent Act,[16] Trade-marks Act,[17] Copyright Act,[18] Industrial Design Act,[19] Plant-Breeders' Rights Act,[20] and Integrated Circuit Topography Act.[21] The IP rights that arise at common law, such as the right to stop the wrongful exploitation of confidential information and the right to stop a passing off,[22] fall under provincial jurisdiction.

As courts of general jurisdiction, the provincial courts are competent to hear all types of IP cases.[23] Cases involving allegations of patent, trade-mark, or copyright infringement can be brought in either a provincial court or the federal court.[24] However, the jurisdiction of a provincial court extends only to activities within its own province.[25] Only the federal court can restrain infringements across Canada.[26] In addition, the federal court has the exclusive jurisdiction to make declarations regarding the validity of patents, copyrights, and trademarks.[27] The federal court has the exclusive

14. *See id.* §§ 27-28.

15. Supreme Court Act, § 35.1.

16. Patent Act, R.S.C. 1985, c. P-4 (Can.).

17. Trade-marks Act, R.S.C. 1985, c. T-13 (Can.).

18. Copyright Act, R.S.C. 1985, c. C-42 (Can.).

19. Industrial Design Act, R.S.C. 1985, c. I-9 (Can.).

20. Plant Breeders' Rights Act, S.C. 1990, c. 20 (Can.).

21. Integrated Circuit Topography Act, S.C. 1990, c. 37 (Can.).

22. "Passing off" is a tort compromising the misrepresentations of the origin or quality of goods as if they were of the same origin or quality as the goods of another trader. The cause of action requires that (1) the plaintiff enjoys goodwill with reference to goods and services; (2) the defendant has misrepresented the origin or quality of his or her goods so as to create confusion between the defendant's goods and the plaintiff's; and (3) the plaintiff has suffered damages from the misrepresentation. Ciba Geigy Canada Ltd. v. Apotex Inc., [1992] 3 S.C.R. 120, 132 (Can.).

23. *See* Federal Courts Act, § 20(2).

24. *Id.*

25. *The Judicial Structure—Canada's System of Justice*, DEP'T OF JUST. CAN., http://www.justice.gc.ca/eng/dept-min/pub/just/07.html (last visited Oct. 5, 2012).

26. *See id.*

27. Federal Courts Act, § 20(1).

jurisdiction to expunge a patent, registered copyright, trademark, or industrial design.[28]

In practice, the Federal Court of Canada hears the large majority of IP cases, and nearly all cases involving patents. This is because most IP cases involve allegations that a defendant has sold infringing material in more than one province, and because most cases will involve requests for declarations of validity or invalidity of the subject IP right. Only the federal court can deal comprehensively with all of the issues of validity and infringement across Canada.

Litigants also bring IP cases to the federal court because federal court judges have become very experienced and adept at dealing with these cases. The federal court has a relatively small roster of judges and, because much of the work of these judges involve patent cases, most, if not all, of these judges have become very familiar with patent law and practice. Federal court judges also tend to be very conscientious in acquiring the necessary legal and technical background to properly evaluate patent cases. To assist in this latter respect, the federal court uses technically-educated clerks to assist the judges in addressing the complicated scientific issues at play in patent cases. The judges take pride in learning the applicable technologies, at least to the degree necessary to properly adjudicate the dispute.

As a result, litigants tend to be confident that when they bring a patent case into the federal court, the judge will have extensive experience in adjudicating patent disputes and, while not an expert in the relevant technology, will have sufficient background to understand the case relatively quickly. Litigants also appreciate the predictable results that such an experienced court provides.

By contrast, the relatively more numerous judges of the provincial courts are exposed to patent cases far less often, and any individual judge may have neither the necessary legal nor the technical background prior to the commencement of trial. The provincial courts are not as focused on hiring clerks with scientific degrees and may not have the resources within the court to familiarize the hearing judge with the required technology.

---

28. *Id.*

B. The International Context of Canadian Intellectual Property Disputes

Canadian patent litigation often takes place in an international context. Canadian patents typically originate from priority applications filed elsewhere, and the patentees typically are, or will be, litigating a counterpart to the Canadian patent in another jurisdiction.

Many Canadian cases involve disputes over 500 million dollars. However, the Canadian market for any product is usually an order of magnitude smaller than the U.S. market; thus, the stakes involved in Canadian patent litigation are often insignificant when compared to those at play elsewhere. As such, the Canadian litigation often occurs in the shadow of foreign proceedings. This may make resolving the case easier when the parties consider the Canadian litigation less important, or it may make settlement more difficult when one of the parties is using the Canadian proceedings as a lower-risk, lower-cost "dry run" of their arguments in anticipation of counterpart litigation in other jurisdictions for higher stakes.

Further, those litigating a set of patents in Canada and elsewhere must consider the peculiarities of Canadian law that can decisively affect the outcome of a particular case. While Canada's Patent Act[29] was originally derived from the U.S. Patent Act, and many of the legal concepts of Canadian patent law would be familiar to U.S. practitioners, the two countries' laws do have significant differences. These differences can often lead to opposite treatment of infringement or invalidity allegations in the separate jurisdictions. Some patents are stronger in Canada, while others are stronger in the U.S. For this reason, ADR approaches may often be different in the two countries; settlements acceptable in the U.S. may not make sense in a Canadian context.

For example, in Canada, there is no file wrapper estoppel—statements a patentee may make in prosecuting its Canadian patent cannot be used to interpret the issuing patent claims.[30] As such, U.S. settlements driven by a patentee's statements in the file wrapper will likely not apply in Canada. This difference has allowed plaintiffs to

29. *See* Patent Act (Can.).

30. Free World Trust v. Électro Santé Inc., 2000 SCC 66, paras. 63-64 (Can.).

succeed in Canada where they could not in the United States. In addition, Canada has a best mode requirement for patents.[31] To the extent that U.S. patent law is changing to eliminate this requirement may lead to a circumstance where a U.S. patent is considered stronger than the corresponding Canadian patent.

Another distinction is that Canada does not permit the issuance of claims for methods of medical treatment or for higher life forms.[32] Further, Canada does not permit patents for speculations; all patents relating to undemonstrated utilities must have a factual basis and sound line of reasoning that is fully disclosed in the specification of the patent.[33] Depending on the patent at issue, these differences may make the Canadian patent weaker than the patentee's foreign counterpart patents.

In terms of procedure, there is an additional difference. Canada does not conduct "*Markman* hearings"[34] to determine the proper construction of a patent prior to trial.[35] As a result, Canadian courts almost always need to address the construction of a patent's claims.

Finally, it should be noted that Canadian courts do not seem strongly influenced by results reached in foreign courts on corresponding patents. The federal court has repeatedly dismissed foreign decisions as informative but not binding.[36]

III. INITIATIVES TAKEN BY THE FEDERAL COURT OF CANADA TO ATTRACT LITIGATION

The shortcomings of the litigation process are well-known. Litigation can be slow and expensive. The range of outcomes is

31. *See* Patent Act, § 27(3)(b) (Can.).

32. *See, e.g.*, Tennessee Eastman Co. v. Canada (Comm'r of Patents), [1974] S.C.R. 111, 122 (Can.); Harvard College v. Canada (Comm'r of Patents), 2002 SCC 76, para. 43 (Can.).

33. *See, e.g.*, Apotex Inc. v. Wellcome Found. Ltd., 2002 SCC 77, paras. 84-85 (Can.).

34. Prior to trial, during a "*Markman* hearing," the judge makes a determination concerning the meaning and scope of the patent claims in question. *See* En Liung Huang v. Auto Shade, Inc., 945 F. Supp. 1307, 1308 (C.D. Cal. 1996). *See generally* Markman v. Westview Instruments, Inc., 517 U.S. 370, 388 (1996).

35. *See* Realsearch Inc. v. Valon Kone Brunette Ltd., 2004 FCA 5 (Can.).

36. *See, e.g.*, *Apotex Inc.*, 2002 SCC 77, para. 40; Pfizer Can. Inc. v. Apotex Inc., 2009 FCA 8, paras. 22-26 (Can.).

limited, as are the available remedies. Many view the popularity of ADR as a rebuke of the court system's inability to determine disputes in a cost-effective and timely manner.

Over the past several years, the federal court has worked to make itself an attractive forum in which to litigate IP disputes. The chief justice of the federal court, other federal court judges, and prothonotaries have carefully studied initiatives taken by courts in other jurisdictions. As a result, they began implementing significant changes intended to make the federal court competitive with other jurisdictions for determining disputes. Changes have been made to the *Federal Court Rules*, the practices of the court, and even to the jurisprudence. The federal court has declared itself "open for business" and "competitive" with courts of other jurisdictions to attract IP cases.[37]

A. Case Management

The federal court adopted case management as their first initiative.[38] In each case, the federal court appoints a prothonotary as a case management judge. Early in the proceeding, the case management prothonotary works with the parties to set the schedule for each step until trial. The case management prothonotary also hears all of the interlocutory motions in the case and is "on-call" for the parties when disputes arise. The case management prothonotary convenes periodic teleconferences with the parties to monitor the progress of the action.[39] Over the course of the proceeding, the case management prothonotary gains familiarity with the file and is able to deal efficiently with matters as they arise. Such intensive case management reduces the ability of a reluctant litigant to impede the progress of the case.

Initially, counsel resisted case management as an unwelcome intrusion into their traditional autonomy in managing the progress of their cases. However, the federal court insisted on case management and counsel have now accepted it as a tool to be used for the benefit of their clients.

---

37. *See, e.g.*, Lutfy, *Early Hearing Dates*, *supra* note 2; *see also* Lutfy, *Streamlining Complex Litigation*, *supra* note 2.

38. *See* Lutfy, *Streamlining Complex Litigation*, *supra* note 2.

39. *Id.*

B. Expedited Trial Scheduling

In years past, it was not unusual for cases to meander to trial over a period of five years or longer. The federal court now works to get a plaintiff to trial within two years of initiating an action, if feasible.[40] The case management prothonotary is instrumental in making sure that parties can meet this tight trial deadline.

C. Confidentiality

Generally, the court process is intended to be open.[41] The federal court maintains a publicly-accessible file for each case that contains all pleadings, motions, affidavits, letters, orders, and directions filed in the case.[42] Often, hearings are transcribed and also available in the court file.[43] This openness can operate as an incentive for litigants to avoid the court process to protect against the widespread dissemination of its business information to persons other than the opposing litigant. However, the federal court has countenanced various means to protect the confidential information of litigants and thus encourage the continued use of the court for resolving disputes.

The court routinely issues protective orders.[44] These orders limit the dissemination of the information exchanged between the parties.[45] The protective order will identify the categories of information (which can include documents and/or testimony at discovery) that can be designated confidential under the order.[46] Once designated, the information cannot be disclosed beyond the group of recipients the parties have defined and listed in the order.[47] Typically, the parties will limit these recipients to include counsel, expert witnesses retained in the case who have signed an undertaking of confidentiality, and

---

40. *Id.*

41. *Apotex Inc.*, 2002 SCC 77, paras. 84-85; Johanna Coutts, *Protective Orders in Intellectual Property Litigation*, 18 CAN. INTELL. PROP. REV. 395, 395 (2001).

42. *See* Federal Court Rules, rules 23, 26.

43. *Id.*

44. *See* Coutts, *supra* note 41, at 400.

45. *Id.* at 395.

46. *Id.* at 400.

47. *Id.* at 395, 400.

representatives of the parties.[48] The parties can also agree to a "counsel's eyes only" designation and thereby prevent one party in the litigation from seeing the confidential information of the other.[49] Violation of a protective order is a contempt of court.[50]

As noted, the protective order relates only to information disclosed between the parties; it does not address information sought to be filed on the court record. However, the federal court also provides for the issuance of confidentiality orders.[51] When information is filed with the federal court under a confidentiality order, the information is sealed from public view and is available only to the parties and the hearing judge.[52] The federal court scrutinizes requests for confidentiality orders as the federal court is loathe to allow parties to file material under seal. However, the federal court does grant such orders where the disclosing party can demonstrate that the material is genuinely confidential and its public dissemination would be harmful to the disclosing party.[53] A party rarely needs to disclose information to the public that would harm the opposing party. Violation of a confidentiality order is also a contempt of court.[54]

The federal court does not treat violations of protective or confidentiality orders differently from other contempt orders.[55] The penalties are severe and strictly applied.[56] This is so even where the violation is technical, such as where the information that was wrongfully disclosed originates from the disclosing party.

---

48. *See generally id.*

49. *Id.* at 401 (explaining that courts rarely give this type of order because "highly restrictive orders make it difficult for counsel to communicate with and receive instructions from their clients . . . .").

50. Federal Courts Rules, rule 466(b).

51. *Id.* rules 151-52.

52. *Id.*

53. *See id.* rule 151(2).

54. *Id.* rule 466(b).

55. *See id.*

56. *See id.* rule 472 (listing various penalties such as imprisonment, fines, or sequestering of property).

D. The Implied Undertaking

Litigants in the federal court have the discovery obligation of disclosing to the opposing party all documents relevant to the issues in dispute in the case, and answering all relevant questions posed at an examination for discovery.[57] This can be a major disincentive for participating in the court process. The issuance of protective and confidentiality orders can mitigate this disincentive with respect to strangers in the ligation but do not typically prevent the opposing party from receiving this often sensitive business information. However, the Federal Court Rules provides an additional protection for documentary or oral discovery. All information disclosed under compulsion at discovery is subject to an implied undertaking by the receiving party that the information will be used only for purposes of the proceeding in which it was produced. For example, a party may not initiate an infringement action against a new party based on information learned from the discovery of the opposing party.[58] Violation of this implied undertaking is also a contempt of court.[59] A party may only be relieved from this so-called implied undertaking with leave of the court.[60]

IV. THE OPPORTUNITIES FOR THE RESOLUTION OF HIGH-STAKES PATENT DISPUTES IN CANADA

A. Pre-Litigation—Demand Letter

Typically, a dispute starts with a demand letter. Good lawyers tend to avoid too much detail in a demand letter because an overly explicit recital of a party's position at an early stage may contradict a position the party will want to take later when more information is available or after time permits a more thorough analysis to be

57. *See generally id.*, rules 222-40 (Can.) (rules regarding discovery and inspection).

58. H.B. Radomski, R.E. Naiberg, & J.M. Perrin, *Canada Intellectual Property Enforcement*, IP VALUE (Can.), *available at* http://www.buildingip value.com/n_us/80_85.htm (last visited Oct. 7, 2012).

59. *Id.*

60. *Id.*

conducted. All that really needs to be conveyed in the early stages of a dispute is notice of the claim.

Sometimes, lawyers draft very blustery demand letters, perhaps out of a belief that clients want to see their lawyers display their naked aggression. However, over-the-top demand letters are typically a disservice to the client. Litigation is costly in time, emotional energy, and dollars and is best avoided. Good lawyers will want to have a conversation with opposing counsel at the outset of a dispute to narrow and potentially resolve the issues between them. Overly aggressive demand letters are often avoided because they create an atmosphere between the parties that discourage productive dialog.

The cost of pre-litigation discussions is minimal. However, such discussions are unlikely to be successful if either party is driven by emotion, counsel is ineffective in focusing its client on the uncertainties of its position, or the parties lack sufficient knowledge prior to discovery. The intended plaintiff must also be wary if the intended defendant is using the negotiation to delay proceedings or to have the intended plaintiff make admissions. The intended defendant must also be wary of a plaintiff that is seeking to understand the defendant's position so as to better draft its pleading.

In high-stakes patent disputes, it is unusual to settle prior to litigation. Prior to filing pleadings and conducting discovery, the parties often feel that they lack enough information to assess the strengths and weaknesses of their positions. However, pre-litigation settlement discussions between the lawyers are often helpful in smaller cases. Smaller cases benefit in situations where the costs of litigation are not commensurate with its likely benefit, where the infringement is incidental to the business of the defendant and infringement can be avoided without extensive disruption, or where a settlement can be arrived at on sensible business terms without extensive analysis over who is right on the law.

B. After Commencement—Initial Settlement Discussion

Once a case starts, and the Federal Court Rules apply, the parties exchange positions in the Statement of Claim and responding Statement of Defence.[61] Then, as noted above, the proceeding is

61. *See* Federal Court Rules, rules 182-183.

subjected to case management. A prothonotary is appointed to set deadlines for steps in the action, hear motions, and convene case conferences.

The Federal Courts Rules require the parties to discuss settlement within sixty days of the close of pleadings.[62] Typically, this conference is held over the telephone. Rule 257 of the Federal Courts Rules provides that: "Within 60 days after the close of pleadings, the solicitors for the parties shall discuss the possibility of settling any or all of the issues in the action and of bringing a motion to refer any unsettled issues to a dispute resolution conference."[63] The requirement of Rule 257 is useful not only because it requires that the parties discuss settlement, but also because it protects those who would want to discuss settlement but fear being cast as having acknowledged a weakness in their position.

C. The Availability of Dispute Resolution Conferences Throughout a Proceeding

As the case continues toward trial, additional provisions in the Federal Courts Rules continue to encourage the parties to reach settlement. At any point in the case, the case manager can order "a dispute resolution conference" to commence within thirty days. The case management prothonotary will order such a conference at the request of the parties, or where it appears useful to do so.[64] This dispute resolution conference can be a mediation, an early neutral evaluation, or a non-binding mini-trial.[65] Whatever the dispute

62. *Id.* rule 257.

63. *Id.*

64. *See id.* rule 386(1) ("The Court may order that a proceeding, or any issue in a proceeding, be referred to a dispute resolution conference, to be conducted in accordance with rules 387 to 389 and any directions set out in the order.").

65. *Id.* rule 387 ("A dispute resolution conference shall be conducted by a case management judge or prothonotary assigned under paragraph 383(c), who may (a) conduct a mediation, to assist the parties by meeting with them together or separately to encourage and facilitate discussion between them in an attempt to reach a mutually acceptable resolution of the dispute; (b) conduct an early neutral evaluation of a proceeding, to evaluate the relative strengths and weaknesses of the positions advanced by the parties and render a non-binding opinion as to the probable outcome of the proceeding; or (c) conduct a mini-trial, presiding over presentation by counsel for the parties of their best case and rendering a non-binding

resolution mechanism chosen, the proceedings are confidential and without prejudice to the parties' positions.[66] The dispute resolution conference can act as a basis for a temporary stay of proceedings.[67]

The prothonotary routinely reminds parties of these dispute resolution options during the course of a proceeding. Parties use mediation most often. This mediation usually occurs at the pre-trial conference, a procedure that is discussed below.

Parties rarely request an early neutral evaluation. Counsel seems to consider that this is a mechanism that is unlikely to significantly improve the likelihood of settlement and fear the opposing side will simply use the opportunity to better direct its trial preparations. The mechanism is used only at the end of an unsuccessful mediation, where the mediator expresses his or her views going forward. Likewise, the author is unaware of any case where the parties used Rule 387 to conduct a mini-trial.

D. Pre-Trial Conferences

A step in all litigation is a pre-trial conference. The prothonotary holds these conferences in the presence of the parties and their counsel. The pre-trial conference has various purposes, including scheduling the time necessary for trial and other pre-trial matters. Also, the pre-trial conference usually involves conducting a settlement conference.

The pre-trial conference is held once discovery is complete and the parties certify they are ready for trial.[68] All parties must attend.[69] Having the clients attend the pre-trial conference is essential. The court will sanction a party who does not attend the pre-trial conference

---

opinion as to the probable outcome of the proceeding.").

66. *Id.* rule 388 ("Discussions in a dispute resolution conference and documents prepared for the purposes of such a conference are confidential and shall not be disclosed.").

67. *Id.* rule 390 ("On motion, a case management judge or a prothonotary assigned under paragraph 383(c) may, by order, stay a proceeding, including a proceeding that has previously been stayed, for a period of not more than six months, on the ground that the parties have undertaken to refer the subject-matter of the proceeding to an alternative means of dispute resolution, other than a dispute resolution conference referred to in rule 386.").

68. *Id.* rule 258.

69. *Id.* rule 260.

in person, and the conference will be adjourned to another day. As with all settlement discussions, the settlement discussion that occurs at the pre-trial conference is confidential and will not be disclosed to the trial judge.[70]

There are particular benefits to be realized by conducting a settlement negotiation at the pre-trial. While telephone discussions and letters between counsel can lead to settlement in some circumstances, face-to-face discussions involving clients are the most likely to lead to settlement, even if that settlement must occur sometime after the close of the pre-trial.

The pre-trial settlement discussion usually begins with each party reciting its view of the case. This is a significant advocacy opportunity because counsel can speak directly to the opposing clients, rather than through the client's lawyer. This will likely be the first time opposing clients have heard a description of the case and its merits unfiltered by their own counsel and not obscured by the sometimes elliptical language of the pleadings. If counsel articulates only the best of his or her positions in a reasonable manner strengthened by reference to admissions made in discovery or recent developments in the case law, his or her recitation can be very effective. However, where counsel simply repeats the pleadings, or states his or her client's position in extreme terms, the opposing client may be unimpressed and the settlement opportunity lost. If counsel can develop a dialog with the opposing client, answering the opposing client's questions in a manner that instills trust, the parties can make great strides toward settlement. Further, watching how the client and his or her counsel interact can also provide useful information as to how settlement offers will be received and considered.

In some cases, the prothonotary converts the settlement conference into a mediation with the mediator being the case management prothonotary. This changes the dynamic of the settlement conference because the stronger advocate may not dominate the discussion to the extent that might be expected when the discussion is not mediated. Further, the lawyers are motivated to show

---

70. *Id.* rule 267 ("No communication shall be made to a judge or prothonotary presiding at a trial or hearing, or on a motion or reference in an action, with respect to any statement made at a pre-trial conference, except as may be permitted in an order made at the conclusion of the pre-trial conference or as consented to by the parties.").

some deference to the views of the case management prothonotary given his or her continuing role in the case.

E. Arbitration in High-Stakes Intellectual Property Disputes

The federal court does not offer arbitration services.[71] However, the federal court has apparently decided to compete with private courts using other ADR methods and has done so successfully. With the mechanisms available in the Federal Court of Canada to facilitate settlement discussions and to avoid some of the traditional shortcomings of the litigation process, arbitration is not being extensively used to resolve high-stakes patent litigation in Canada.

In Canada, parties and counsel also tend to favor proceeding before the federal court over proceeding before an arbitrator in high-stakes patent cases. An arbitrator must apply the law as it exists; however, part of the judge's role is to develop patent doctrine if the case before him reveals any doctrinal lacunae. Also, unlike the case in an arbitration, the federal court will determine the case on the basis of a set of reasons that will be widely read by the bench and bar and will be reviewed in the Federal Court of Appeal. An arbitrator's decision will not face this same level of public review.

V. CONCLUSION

In Canada, the federal court has adopted ADR mechanisms and has streamlined its proceedings to encourage access to justice and discourage litigants from using alternative jurisdictions or private courts. Of course, the litigant's actual experience will still depend somewhat upon the behavior of the opposing party. If a party chooses to be difficult, obstructionist, and obtuse, no procedures will make dispute settlement cheap and fast.

71. According to the Federal Courts Rules, the federal court can conduct a mediation, early neutral evaluation, or mini-trial. *Id.* rule 387.