

Narrow issues of claim construction, double patenting, and costs determined on appeal

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A [recent decision](#) from the Federal Court of Appeal (FCA) demonstrates the importance of focusing on the fundamentals of claim construction. At trial, NCS asserted that Kobold infringed five of its patents and Kobold asserted that NCS infringed one of its patents. Invalidity was alleged with respect to all patents at issue. Kobold was successful at trial - the [Trial Judge of the Federal Court](#) (FC) held that NCS' patents were invalid and that Kobold's patent was valid and infringed. The FC also ordered NCS to pay \$1.8 million in costs plus disbursements, forthwith.

NCS appealed the decision to the Federal Court of Appeal (FCA). The FCA noted that the scope of the appeal changed substantially over the course of the matter, and almost immediately before the hearing, focused only on construction of the Asserted Claims of Kobold's patent and the finding regarding obviousness double patenting. The FCA allowed NCS' appeal with respect to the findings of infringement and validity of Kobold's patent. The matter was sent back to the Trial Judge to adjudicate the issue of invalidity due to double patenting as well as the impact of the appeal on the costs award. Costs of the appeal were awarded to NCS. However, costs on the appeal were discounted by 50 per cent due to the "successive and significant, late-stage abandonment of material issues from the appeal."

Construction

The FCA held that the appeal turned on whether the Trial Judge erred in law in construing the Asserted Claims. Claim construction is a matter of law. However, appreciation of expert evidence and the common general knowledge is a question of fact.

Focusing on the construction of a dependent and an independent claim, the FCA confirmed that an independent claim is broader than the dependant claims, and includes within its scope the subject matter of the dependent claim(s). The Trial Judge had construed the independent claim to claim one embodiment while the dependent claim claimed the other. The FCA held that this was an error in the application of the principle of claim differentiation.

Claim differentiation means that the limitations of the dependent claim will not be read into the independent claim upon which it depends. However, a limitation from a dependent claim is not excluded from the independent claim upon which it depends, as the independent claim must be broader than the dependent claim.

Thus, the FCA allowed NCS' appeal with respect to construction.

Double patenting

As the Trial Judge's conclusion on double patenting had been informed by an incorrect claims construction, the FCA then addressed NCS' appeal with respect to double patenting.

The patent at issue was a voluntary divisional. Thus, it and the parent patent with which it was alleged to create a double patenting situation had the same filing date and same expiry date. While the FCA noted that the "evergreening" problem previously noted by courts to be avoided is no longer a concern because of the same expiry dates, the FCA wrote that invalidity as a result of double patenting still applies to divisional patents.

The FCA reiterated that the tests for obviousness and obviousness-type double patenting (ODP) are different. However, the FCA held that when assessing ODP, the question to be answered parallels the central question in an obviousness analysis - whether the differences between the claims of the first and second patents constitute obvious steps to a person of ordinary skill in the art (para 72).

In the ODP analysis, the presence of overlapping embodiments is not the only factor to consider, although the Trial Judge's finding that the inventive concept of a claim in each patent is the same is also an important consideration. The FCA held that the inventive concept of asserted claims must be established based on their essential elements (para 74).

The question of double patenting was remitted to the Trial Judge for redetermination based on these reasons, as hearing the testimony and considering the evidence resulted in the FC being better positioned to make the determination relating to double patenting.

Costs - trial and appeal

The Trial Judge had requested costs submissions from each party, with no right of reply, at the end of trial, prior to any decision. The parties agreed to that procedure. NCS submitted a variety of scenarios involving lump sum costs based on a percentage of actual fees incurred. Kobold submitted lump sum costs based on Column V of the Tariff. Kobold provided a passing reference to actual fees with no evidence of same. The Trial Judge awarded Kobold lump sum costs based on a percentage of actual fees.

The FCA held that this was procedurally unfair to NCS, as costs were awarded in a form that had not been requested by Kobold. The FCA held that this meant NCS was subjected to a liability with no notice, and no ability to respond.

Furthermore, the FCA held there was insufficient evidence of Kobold’s actual legal fees to enable the Trial Judge to determine whether the claim of \$4 million was reasonable in the context of the proceeding. This underlined the fairness issue with the process for costs submissions and the departure from those submissions. The FCA held that an appropriate costs award would have been what Kobold requested.

However, as the validity question was remitted to the Trial Judge for redetermination, the FCA also remitted the assessment of the impact of the appeal on the revised costs award, including how much must be repaid to NCS and whether that should be done with or without interest.

On the appeal, costs awarded to NCS were discounted by 50 per cent.

Key takeaways

When applying the principles of claim differentiation, it is important to remember that the independent claim is necessary broader than, and contains all of the embodiments of, any dependent claim. Proper claims construction informs other validity inquiries. Thus, a successful appeal can be founded on a legal error in claims construction.

While the FCA declined to declare that a party must provide its accounts and dockets to ground a claim for lump sum costs based on a percentage of actual fees to be awarded, sufficient evidence must be present. Furthermore, parties should be prudent in scoping the appeal early, as NCS’ costs were discounted because of NCS’ “successive and significant, late state abandonment of material issues from the appeal.” (para 109)

By

[Beverley Moore, Chantal Saunders](#)

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BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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