

Intellectual Property Institute of Canada (IPIC) Recommendations on Possible Amendments to Bill C-86, Subdivisions A, B, C, E & H

Submission to the
Senate Standing Committee on Banking, Trade and Commerce

November 27, 2018

INTRODUCTION

The Intellectual Property Institute of Canada (IPIC) is the professional association of patent agents, trademark agents and lawyers practicing in all areas of intellectual property law. Our membership totals over 1,700 individuals, consisting of practitioners in law firms and agencies of all sizes, sole practitioners, in-house corporate intellectual property professionals, government personnel, and academics. Our members' clients include virtually all Canadian businesses, universities and other institutions that have an interest in intellectual property (e.g. patents, trademarks, copyright and industrial designs) in Canada or elsewhere, as well as foreign companies who hold intellectual property rights in Canada.

IPIC is pleased to have the opportunity to provide our feedback on Bill C-86: A second Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures.

We want to begin by commending this government for their leadership and foresight in developing the first National IP Strategy for Canada. Creating a policy and regulatory environment in Canada that rewards businesses who invest in and protect their intellectual property rights is understandably a challenging endeavor but is of the utmost importance to the future of the Canadian Economy.

We also want to convey our appreciation to Innovation, Science and Economic Development Canada for their efforts over the last two years to consult with stakeholders including our profession on both the National IP Strategy and various policy changes that culminated in what was announced this past spring, and what is in front of us today in Division 7 of Bill C-86.

EXECUTIVE SUMMARY

While overall IPIC is very supportive of this legislation moving forward, as an organization of professionals who interpret the wording of policy and regulations each and every day on behalf of our clients, we do have some suggested amendments to the specific text of the provisions in Bill C-86, Part 4, Division 7, Subdivisions A,B,C, E and H that will improve the Bill and ensure that specific sections more fully achieve the desired outcomes of the government and stakeholders. IPIC appreciates the issues that have been addressed by the proposed sections in these subdivisions, and our members have emphasized that these proposed sections would have benefited from further consultation, so we provide these recommendations below as our contribution to improve the IP policy in Canada and to support the success of Canadian business.

Below you can find quick links to each of the issues we have identified in the legislation that will benefit from amendments:

Subdivision A

[Issue 1. The lack of transitional provisions creates some uncertainty for patentees and users of patented technology](#)

[Issue 2. The proposed amendments to the “prior user” defence May discourage public dissemination of new technologies](#)

[Issue 3. The proposed new “file wrapper” admissibility provision should be revised to cover all relevant parties and communications](#)

[Issue 4. The proposed amendments to the “experimental use” defence to patent infringement should be clarified to avoid an unintended result](#)

Subdivision B

[Issue 5. Application filed in bad faith: new ground of opposition \(proposed section 38\(2\)\(a.1\) or invalidity \(proposed section 18\(e\)\)](#)

[Issue 6. Section 9 Official Marks](#)

[Issue 7. Awards of costs](#)

[Issue 8. Enforceability of trademarks within first three years after issuance of trademark registrations](#)

[Issue 9. Leave to file new evidence in Federal Court](#)

[Issue 10. Confidentiality orders and case management](#)

Subdivisions C, E, & H

[Issue 11. Recommendations for Amendments to *Copyright Act*](#)

[Issue 12. Recommendations *Bankruptcy & Insolvency Act*](#)

SUBDIVISION A – PATENT ACT

ISSUE 1. THE LACK OF TRANSITIONAL PROVISIONS CREATES SOME UNCERTAINTY FOR PATENTEES AND USERS OF PATENTED TECHNOLOGY

The amendments to the *Patent Act* in Bill C-86 are significant, and while generally positive are clearly intended to extend beyond mere “housekeeping”. They introduce significant shifts in some areas of Canadian patent law. We encourage the government to do more in this Bill, and potentially in subsequent legislation, to address some of the uncertainty caused by these changes.

As Bill C-86 is currently written, these changes take immediate effect on all existing patent applications, patents, and pending court proceedings upon coming into force (see sections 200-203 of Bill C-86).

- Proposed new section 52.1 (implemented by section 190 of Bill C-86) protects prospective licensees of standard-essential patents by ensuring that a first patent owner’s licensing commitment to a standard-setting organization will bind future owners of the patent. This provision is a new concept in our patent system and, when Bill C-86 comes into force, will change existing contractual obligations that were previously negotiated in good faith without contemplation of this requirement.
- Proposed new section 53.1 (section 191 of Bill C-86) alters long-established Canadian jurisprudence—including Supreme Court decisions—concerning admissible evidence for the purpose of patent claim construction. This change introduces the American-style estoppel doctrine into Canadian law.
- This change applies to all existing applications, patents, and currently pending litigation. This sudden change is unfair to patent applicants and owners of recently-issued patents who did not have the opportunity to alter their patenting or litigation strategy.

Because this provision will also apply to ongoing litigation, it will create an additional burden on litigants and the Federal Court, where most patent litigation occurs. If these additional steps are required shortly before a scheduled patent infringement or validity trial, litigants will be prejudiced

- Proposed amendments to section 56 (section 194 of Bill C-86) will expand the “prior user” defence to infringement. This defence currently permits a party carrying on an activity prior to the filing of a patent by another person to continue their activity—in limited circumstances—after the patent issues, even though that activity may now infringe the patent. The proposed changes will broaden the scope of this prior user defence, and in doing so will change the balance between competing economic policies of the current *Patent Act*.

RECOMMENDATION

These three proposed sections change the existing rights of patent owners and would benefit from further consultation to ensure greater certainty for patent owners and users alike. This would help ensure that the government’s public policy objectives are optimally balanced.

At a minimum, however, any uncertainties introduced by these sections can be mitigated by appropriate *transitional provisions* on a “going forward” basis, with minimal impact on existing licensing agreements, patents, patent applications, and pending litigation. In particular:

a) The operation of new section 52.1 could be limited to those licensing commitments made on or after the date the section comes into force. For example, section 190 of Bill C-86 may be revised to include this limitation in subsections (1) and (2) of section 52.1:

52.1 (1) A licensing commitment made on or after the day on which this subsection comes into force in respect of a standard-essential patent that binds the patentee, binds any subsequent patentee and any holder of any certificate of supplementary protection that sets out that patent.

(2) If a certificate of supplementary protection sets out a standard-essential patent, a licensing commitment made on or after the day on which this subsection comes into force that binds the holder of that certificate of supplementary protection, binds any subsequent holder of the certificate of supplementary protection.

b) Similarly, the operation of new sections 53.1 and 123.1 could be limited to applications filed on or after the date these sections come into force:

201 Sections 53.1 and 123.1 of the *Patent Act* apply only to patents issued on an application for a patent filed on or after the day on which these sections come into force in respect of any action or proceeding that has not been finally disposed of on the coming into force of that section 53.1.

Or, alternatively, the operation of new sections 53.1 and 123.1 could be limited to written communications made on or after coming into force:

201 Sections 53.1 and 123.1 of the *Patent Act* apply only to written communications made on or after the day on which these sections come into force in respect of any action or proceeding that has not been finally disposed of on the coming into force of that section 53.1.

c) Similarly, the operation of new section 56 could be limited to acts occurring on or after the date this amendment comes into force:

203 (1) Section 56 of the *Patent Act*, as enacted by section 194 of this *Act*, applies only in respect of an action or proceeding in respect of a patent issued on the basis of an application whose filing date is on or after October 1, 1989 that is commenced on or after the day on which section 194 of this Act comes into force ~~October 29, 2018.~~

(2) Section 56 of the *Patent Act*, as it read immediately before the coming into force of section 194 of this *Act*, applies in respect of any action or proceeding that is in respect of a patent issued on the basis of an application whose filing date is on or after October 1, 1989 and that is commenced before the day on which section 194 of this Act comes into force ~~October 29, 2018.~~

ISSUE 2. THE PROPOSED AMENDMENTS TO THE “PRIOR USER” DEFENCE MAY DISCOURAGE PUBLIC DISSEMINATION OF NEW TECHNOLOGIES

Not every innovator files for patent protection. Those who choose not to file for patent protection run the risk that another party may independently develop the same invention and obtain a patent despite the fact that someone else had created the invention earlier.

Currently, section 56 of the *Patent Act* protects those who find themselves in this peculiar position: if they came into possession of a physical item before someone else files a patent application, they are permitted to use that physical item, or sell it to others after the is patent issued, without being liable for infringement. However, section 56 does not permit such a “prior user” to make any *new* items, or to sell or use any new items once the patent issues. These new activities would be infringing.

The amendments to section 56 proposed in Bill C-86 (section 194) significantly expand this exemption from infringement. Under proposed amended section 56, prior users are permitted to only to continue, but even expand their activities even after the patent issues, without compensating the patentee. Furthermore, transferees of a prior user’s business would be able acquire this same benefit. This rebalancing of competing public interests favours secret prior users over encouraging innovation, and the early public dissemination of new technology. The proposed amendments to section 56 also permits a transferee of the prior user’s business to claim the prior user exemption from infringement.

IPIC recognizes that policy decisions are the domain of the government. Having said this, the solution proposed in Bill C-86 disproportionately favours those who keep their innovations secret over those who seek patent protection by publicly disclosing their inventions.

In addition to the effects of proposed section 56 described above, proposed subsections 56(6) to (8) expand the prior user right beyond what the prior user had actually done, and extend this defence to articles that are “substantially the same” as those manufactured before the patent application was filed. “Substantially the same” is not a term currently used in patent law, and will likely lead to an interpretation that affords the prior user a general licence to carry out anything that happens to be covered by a patent claim. This notion is contrary to the prior user provisions in UK and US law¹, for example. **It may be preferable to provide a more specific definition of the meaning of the term “substantially the same” to avoid such uncertainty.**

There are also some technical issues in the proposed amendments to subsection 56 with respect to information that originates from the inventor. In particular, the *Patent Act* provides a one-year “grace period” between the first public disclosure of an invention by an inventor and the filing of a patent application in Canada by that inventor. This grace period protects inventors from inadvertent public disclosures that may otherwise invalidate a patent. It is consequently possible for a third party to obtain knowledge of an invention prior to the claim date of a patent from a grace period public disclosure, and this could be unfairly used to establish prior user rights.

Subsections 56(5), (8) and (11) prevent prior users who obtained their knowledge of the invention from the patent applicant from benefiting from the prior user right only if the prior user “knew that the applicant was the source of the knowledge”.

This is prejudicial to a patentee’s rights. For example, information about the invention disclosed by the patent applicant prior to filing a patent application may be disseminated to third parties (properly or improperly) without attributing the original source of the information, and this dissemination may be beyond the applicant’s control. Those third parties could then become prior users, and because they would not know the source of the information, could still claim the prior user defence of section 56. Those third parties could thus avoid liability for patent infringement, even though they actually derived their knowledge enabling their prior use from the patent applicant.

¹ In the United Kingdom, the Court of Appeal stated in *Lubrizol Corporation v Esso Petroleum Co. Ltd.* [1998] RPC 727 that the prior user right was not intended to grant a right to manufacture any product or to expand into other products. In the United States, 35 U.S.C. 237(e)(3) expressly states that the prior user right is “not a general license... but extends only to the specific subject matter for which it has been established that a commercial use that qualifies under this section occurred, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.”

RECOMMENDATIONS

Preferably, section 194 should be the subject of further consultation and technical revisions to the text before enacting changes to section 56. If this is not possible, the following amendments should be considered:

- To minimize the risk of a transferee acquiring prior user rights to displace existing market participants, the prior user rights of the transferee should be limited to the same activities of the transferor. In other words, permitted activities should be limited to the same locations or sites as the original prior use. This suggestion echoes the current limitation on transferee rights in the US Patent Act, 35 U.S.C. 273(e)(1)(C).
- To prevent the prior user right from being acquired by an infringer specifically for the purpose of asserting this defence, a transferee should be permitted to claim the benefit of section 56 only if the transfer was made in “good faith”.
- To avoid extension of the prior user right to acts that should not be permitted, the provisions introducing the confusing “substantially the same” phrasing should be deleted. Thus, subsections (6) through (11) should be deleted.
- To ensure that patent applicants are able to take advantage of the “grace period” afforded them by the *Patent Act* and are not unfairly penalized for dissemination of information that they cannot control, the prior user defence should apply only to activities that occur before the earlier of the claim date of the patent (i.e., its effective filing date), and the date on which the invention claimed in the patent was publicly disclosed. This ensures that a prior user is a *true* prior user, who independently developed the subject matter of the patent before the patent applicant developed it. In addition, the qualification requiring that the prior user have knowledge that the applicant was the source of information in subsections (5), (8) and (11) should be deleted.

These recommendations are implemented in the proposed revisions below:

56 (1) Subject to subsection (2), if — before the earlier of the claim date of a claim in a patent and the date on which the subject-matter of the claim was disclosed in such a manner that the subject-matter became available to the public in Canada or elsewhere — a person, in good faith, committed an act that would otherwise constitute an infringement of the patent in respect of that claim, or made serious and effective preparations to commit such an act, it is not an infringement of the patent or any certificate of supplementary protection that sets out the patent, in respect of that claim, if the person commits the same act on or after that ~~claim~~ date.

(2) If the act referred to in subsection (1) is committed or the preparations to commit it are made in the course of a business and that business, or the part of that

business in the course of which the act was committed or the preparations were made, is subsequently transferred in good faith,

(a) subsection (1) or paragraph (b), as the case may be, does not apply to an act committed by the transferor after the transfer; and

(b) it is not an infringement of the patent or any certificate of supplementary protection that sets out the patent, in respect of the claim, if the transferee commits the act after the transfer at those sites where the act was committed or the preparations were made before the date referred to in subsection (1).

(3) The use or sale of an article is not an infringement of a patent or any certificate of supplementary protection that sets out the patent if that article was acquired, directly or indirectly, from a person who, at the time they disposed of it, could sell it without infringing the patent or the certificate

(a) because the person, before the date referred to in subsection (1) ~~claim date of a claim in the patent~~, in good faith, committed an act that would otherwise constitute an infringement of the patent in respect of that claim and they disposed of the article before that ~~claim~~-date; or

(b) under subsection (1) or paragraph (2)(b).

(4) The use of a service is not an infringement of a patent if the service is provided by a person who, under subsection (1) or paragraph (2)(b), is able to provide it without infringing the patent.

(5) Subsection (1) or paragraph (3)(a) does not apply if the person referred to in that subsection or that paragraph was able, as the case may be, to commit the act or make the preparations to commit the act only because they obtained knowledge of the subject-matter defined by the claim, directly or indirectly, from the applicant of the application on the basis of which the patent was granted ~~and they knew that the applicant was the source of the knowledge~~.

~~(6) Subject to subsection (7), the use of an article is not an infringement of a patent or any certificate of supplementary protection that sets out the patent, in respect of a claim, if the article was acquired, directly or indirectly, from a person who, before the claim date of that claim, in good faith, made or sold, or made serious and effective preparations to make or sell, an article that is substantially the same as the one used, for that use.~~

~~(7) If the making or selling referred to in subsection (6) was done or the preparations to do so were made in the course of a business and that business, or the part of that business in the course of which the making or selling was done or the preparations were made, is subsequently transferred, then~~

~~(a) subsection (6) or paragraph (b), as the case may be, does not apply in respect of an article that is made or sold by the transferor after the transfer; and~~

~~(b) it is not an infringement of the patent or any certificate of supplementary protection that sets out the patent, in respect of a claim referred to in subsection (6), to use an article for the use referred to in that subsection if it was made or sold for that use by the transferee after the transfer.~~

~~(8) Subsection (6) does not apply if the person referred to in that subsection was able to make or sell, or to make the preparations to make or sell, the article only because they obtained knowledge of the use defined by the claim, directly or indirectly, from the applicant of the application on the basis of which the patent was granted and they knew that the applicant was the source of the knowledge.~~

~~(9) Subject to subsection (10), the use of a service is not an infringement of a patent in respect of a claim if the service is provided by a person who, before the claim date of that claim, in good faith, provided, or made serious and effective preparations to provide, a service that is substantially the same as the one used, for that use.~~

~~(10) If the service referred to in subsection (9) was provided or the preparations to provide it were made in the course of a business and that business, or the part of that business in the course of which the service was provided or the preparations to do so were made, is subsequently transferred, then, after the transfer~~

~~(a) the transferor is deemed to no longer be the person referred to in subsection (9) for the purposes of that subsection; and~~

~~(b) the transferee is deemed to be the person who provided the service for the purposes of subsection (9).~~

~~(11) Subsection (9) does not apply if the person referred to in that subsection was able to provide the service or make the preparations to provide it only because they obtained knowledge of the use defined by the claim, directly or indirectly, from the applicant of the application on the basis of which the patent was granted and they knew that the applicant was the source of the knowledge.~~

ISSUE 3. THE PROPOSED NEW “FILE WRAPPER” ADMISSIBILITY PROVISION SHOULD BE REVISED TO COVER ALL RELEVANT PARTIES AND COMMUNICATIONS

Proposed new section 53.1 of the *Patent Act* (section 191 of Bill C-86) will permit any party in a lawsuit or other proceeding to introduce into evidence statements made during the initial examination of a patent application, or in the course of subsequent Patent Office proceedings, for the purpose of rebutting statements made by the patentee concerning the interpretation of the patent claims.

This represents a change to how patents are interpreted for the purpose of evaluating both infringement and validity. The current law in Canada is that “extrinsic evidence”, such as statements made when a patent application is examined, is not admissible for the purpose of interpreting the claims, i.e., to determine the scope of the patented monopoly. The reason for this rule is quite straightforward: as explained by the Supreme Court of Canada, allowing evidence beyond the actual issued patent document would undermine the “public notice” function of the claims, increase uncertainty, and fuel the “already overheated engines of patent litigation”.² As the government surely appreciates, new section 53.1, in effect, overrules eighteen-year-old Supreme Court decisions.

While section 53.1 does not dictate *how* this evidence is to be considered by a court or other tribunal once it is admitted, it seems that the intent of section 53.1 is to facilitate the introduction in Canada of various interrelated American legal doctrines of prosecution history or disclaimer estoppel, which are used to limit the effective scope of patent claims. Briefly, these doctrines hold that a patentee is bound to the statements and actions of the patent applicant before the Patent Office: if the applicant takes a position before the Patent Office or makes an amendment to the scope of the claims that has the effect of ceding claim scope, the patentee cannot later attempt to reclaim that claim scope when asserting the patent in court.

IPIC members have expressed the concern that file wrapper estoppel may particularly disadvantage Canadian patentees. On the one hand, the vast majority of patent applications originate from foreign entities,³ which have already filed patent applications in major markets such as the United States and the European Union. These foreign applications tend to undergo examination in their respective countries faster than Canada, with the result that by the time examination starts in Canada, the scope of the patentable claims may have largely been determined. Following the Canadian Patent Office’s practice of adopting the results of foreign patent examination, for example under the highly successful Global Patent Prosecution Highway (PPH), these foreign applicants may

² *Free World Trust v. Electro Santé Inc.*, [2000] 2 S.C.R. 1024.

³ Canadian Intellectual Property Office, *Annual Report 2016-2017*, Table of Applications filed & granted to residents of Canada and foreign countries, <https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr04325.html#countries>

be able to obtain patents of similar scope in Canada on an expedited basis, with minimal communication between the applicant and the Canadian Patent Office.

The practical result of section 53.1, in that case, may be a disproportionate effect on the enforcement of Canadian-originating patent rights compared to foreign-originating patent rights.

In any event, if the government endorses the file wrapper doctrines in the interest of Canadian patentees, there are a number of suggested changes that could be made to ensure that patentees receive fair and balanced treatment:

- Section 53.1, as written, admits into evidence written communications to rebut “any representation made by the patentee... as to the construction of a claim in the patent”. However, a patent is not always enforced by the patent owner; it may be enforced by a licensee, or another party that is a “person claiming under the patentee” entitled to compensation for infringement of the patent as contemplated by section 55 of the *Patent Act*.

Thus, as written, section 53.1 creates an apparent loophole by which a person claiming under the patentee may make statements concerning claim construction without making any of the contemplated written communications admissible. This appears to be an oversight. If this provision does not cover persons claiming under the patentee, it may be possible for a patentee to circumvent the operation of this section by acting through a licensee.

- As written, section 53.1 permits a person challenging a patent (including an alleged infringer) to pick and choose which parts of written communications are admitted into evidence, but does not permit the patentee or person claiming under the patentee to introduce other communications to provide the complete context to the court or tribunal.

The American doctrines of estoppel pertain to statements made by the applicant, and not statements made by the Patent Office to which the applicant does not respond.⁴ However, paragraph 53.1(1)(b), as written, defines a “written communication” as one that “is between” the patent applicant or patentee and the Commissioner, an officer or employee of the Patent Office, or a member of a re-examination board. Consequently, this admits correspondence written by a person in the Patent Office, over which the applicant or patentee has no control. It is unlikely that the government’s intention was that the patentee should be bound to a statement unilaterally issued by the Patent Office.

American jurisprudence also accepts that while a patent applicant may make a limiting

⁴ See, for example, *Salazar v. Procter & Gamble Co.*, 414 F.3d 1342 (Fed. Cir. 2005), in which the examiner’s characterization of the claims in reasons for allowance did not bind the applicant, who did not respond.

statement on the record during the course of prosecution of the application in the Patent Office, the applicant may also rescind such a statement later in prosecution.⁵ However, section 53.1 as written admits communications only for the purpose of rebutting the patentee’s representations concerning claim construction, and restricts admissibility of countervailing written communications that support the patentee’s representation. Again, this does not appear have been the intent.

RECOMMENDATION

These issues can be corrected by expanding the scope of section 53.1. to ensure that a more fair and balanced hearing of the facts will be available. In particular:

a) The language of subsection 53.1(1) could be revised to include “persons claiming under the patentee” to ensure that no inadvertent loophole is left open:

53.1 (1) In any action or proceeding respecting a patent, a written communication, or any part of such a communication, may be admitted into evidence to rebut any representation made by the patentee or a person claiming under the patentee in the action or proceeding as to the construction of a claim in the patent if

b) Paragraph 53.1(1)(b) should be revised to clarify that the communication must be from the applicant or patentee to the Patent Office, and not simply “between” these parties, and a new subsection (4) should be added to permit the patentee or person claiming under to ensure that a claim construction determination is made on the basis of the full context of the written communication:

(b) it is from ~~between~~

(i) the applicant for the patent or the patentee, and to [[:]]

(ii) the Commissioner, an officer or employee of the Patent Office or a member of a re-examination board.

(4) When a written communication, or any part of such a communication, is admitted into evidence, any other written communication or part of such a communication may be admitted into evidence to qualify or explain the written communication or part thus admitted.

⁵ *Hakim v. Cannon Avent Group, PLC*, 479 F.3d 1313, 1318 (Fed. Cir. 2007)

ISSUE 4. THE PROPOSED AMENDMENTS TO THE “EXPERIMENTAL USE” DEFENCE TO PATENT INFRINGEMENT SHOULD BE CLARIFIED TO AVOID AN UNINTENDED RESULT

In common law, a defence to patent infringement is available to parties who practice the subject matter of a patent claim specifically for private, non-commercial purposes or for the purpose of experimentation with respect to that subject matter. These are important defences that ensure the public’s right to build on patented inventions to further advance the state of the art. Subsection 55.2(6) of the current *Patent Act* preserves any existing defence of this type in common or civil law.

Sections 192 and 193 of Bill C-86 advance this defence by severing subsection 55.2(6) into two portions: subsection 55.2(6) of the *Patent Act* will continue to preserve existing defences concerning private and non-commercial use, while a new section 55.3 explicitly provides a statutory defence for acts committed for the purpose of experimentation. This is a positive development that IPIC has sought for some time; historically, there has been uncertainty whether an experimentation defence was available for research conducted by for-profit institutions—which, today, can include universities and other educational institutions. Severing this defence from the “non-commercial” requirement of subsection 55.2(6) provides greater clarity, and the government is applauded for making this clarification to the law.

However, the language of new section 55.3 should be chosen with care to ensure that this defence does not operate to defeat patents that are specifically directed to research tools, themselves. As written, the language is somewhat ambiguous, and may apply to the case of a patented invention that is itself intended for use as a tool in basic research, such as an antibody microarray that is employed in basic research, or a microscope employing an innovative imaging technique. An innovator who develops a novel research tool should still nevertheless be able to enforce their patent.

Furthermore, for consistency with language used elsewhere in the *Patent Act*, this provision should refer to the subject matter as *claimed* in the patent.

RECOMMENDATION

The proposed wording of subsection 55.3(1) (section 193 of Bill C-86) could be revised to clarify that the experimentation must be “directed” to the claimed subject matter of the patent, and not merely “related” to the subject matter:

55.3 (1) An act committed for the purpose of experimentation directed relating to the claimed subject-matter of a patent is not an infringement of the patent.

OTHER MATTERS

WRITTEN DEMANDS

Proposed new sections 76.2 and 76.3 of the *Patent Act* (section 195 of Bill C-86) create new rules concerning the sending of “written demands” relating to “an invention that is patented in Canada or elsewhere”, and creates a new cause of action and civil liability for written demands that fall short of the requirements to be specified by regulation.

As the specific definition of a “written demand”, the requirements to be met by the written demand, and the circumstances giving rise to liability must be defined in future regulations, it is difficult for IPIC to provide specific comments at this time.

IPIC members are concerned that the liability created by subsection 76.2(4) may have a chilling effect on the legitimate enforcement of patent rights, as patent owners and their counsel may be reticent to send a legitimate demand letter if the requirements specified in the regulations are at all unclear. Deep-pocketed defendants may bring actions alleging a breach of section 76.2 against small patent owners to apply pressure to settle, thereby disadvantaging small and medium-sized patent-holding businesses. Parties may also choose to simply initiate legal action without any notice at all, which may increase costs and stress for all sides since many infringement matters are in practice suitably resolved without the commencement of formal legal proceedings.

REFERENCE TO CERTIFICATES OF SUPPLEMENTARY PROTECTION IN RELATION TO STANDARD-ESSENTIAL PATENTS

An additional issue concerning proposed section 52.1 (section 190 of Bill C-86) is the reference to *certificates of supplementary protection* in relation to the licensing of standard-essential patents. Certificates of supplementary protection and their enforcement are set out in sections 104-134 of the *Patent Act*. These certificates effectively extend patent protection for patented medicines authorized for sale in Canada under specific conditions.

It is commonly understood that standards-setting organizations exist to define technical standards for global application to facilitate interoperability and communication. Examples include the 3rd Generation Partnership Project (3GPP), which develops and maintains, among others, the LTE and 4G standards which define communication standards for broadband cellular networks; the Object Management Group (OMG), which is a consortium that develops enterprise integration standards and process modeling standards. Generally, the technical standards that may be covered by patents are standards in the high tech industry.

Consequently, the wording of proposed section 52.1 creates some confusion as to what is intended by “standard-essential patent”, because it includes references to certificates of supplementary protection—which apply only to patented medicines. It is difficult to understand how a patent for

which a certificate of supplementary protection has issued would ever be a standard-essential patent required to comply with a technical standard.

While the Governor in Council reserves the right to define “standard-essential patent” by regulation (proposed new section 52.2), that regulation may never be made, resulting in confusion as to whether “standard-essential” was intended to capture other conventions or common practices in other industries that are not traditionally understood as interoperability standards.

This problem could be solved by deleting all references to certificates of supplementary protection in proposed section 52.1.

SUBDIVISION B – TRADE-MARKS ACT

ISSUE 5. APPLICATION FILED IN BAD FAITH: NEW GROUND OF OPPOSITION (PROPOSED SECTION 38(2)(A.1) OR INVALIDITY(PROPOSED SECTION 18(E))

IPIC welcomes this amendment provided that “bad faith” will be interpreted as being something exceptional.

This proposed new ground of opposition should assist, notably, in opposing applications covering all or a multitude of classes of the Nice Classification (“broad” applications) or applications for the same mark and the same products/services filed at 3 year intervals as a way to “circumvent” the effects of section 45 of the *Trade-marks Act* (pursuant to which a registration can be struck if the owner cannot demonstrate use of that mark in Canada in the preceding three years). The number of broad applications has recently significantly risen and will continue to rise.

RECOMMENDATION

IPIC recommends including language that clarifies that “bad faith” will be intended to refer to exceptional circumstances.

Since there are already many pending applications which are likely subject to being opposed on the basis of bad faith, IPIC further recommends that section 68.2 be removed in order to provide owners with legitimate trademark rights and the ability to assert bad faith against pending applications (i.e. applications that have been published before the coming into force date).

ISSUE 6. SECTION 9 OFFICIAL MARKS

IPIC is of the view that while the provisions relating to official marks are very welcome, they do not go far enough. Official marks provide rights far above and beyond those provided for by “regular” trademarks. Public authorities, i.e. entities which have a significant degree of government control

and which have duties that benefit the public, are not required to limit official marks to any specific goods or services and have broad rights to enforce those official marks against others. Thus, it is common to have situations where an entity attempting to register a regular trademark for goods/services is prevented from doing so by virtue of an official mark when it is clear that the public authority does not engage in an area which has anything to do with the business of the trademark user. The only way for the trademark user to have its trademark application proceed with certainty in the face of a citation based on an official mark is to obtain the written consent of the official mark owner. The experiences of IPIC members suggests that public authorities holding official marks are sometimes aggressively using the rights under section 9 to the detriment of trademark owners. More must be done to circumscribe those rights.

RECOMMENDATION

IPIC recommends the introduction of additional means for recalibrating the balance between trademark rights and official mark rights, specifically by:

- (a) providing that a public authority identifies the field of use for the official mark, rather than obtaining rights across all goods and services;
- (b) introducing the possibility of cancelling official marks for non-use; and
- (c) introducing a renewal process for official marks.

ISSUE 7. AWARDS OF COSTS

The introduction of cost awards in opposition proceedings is problematic, particularly for SMEs. Care must be taken to ensure that the potential exposure to liability for costs does not operate to deter parties, and particularly small- and medium-sized businesses, from initiating or defending administrative proceedings affecting trademark rights. Cost awards will also add to the overall cost of opposition proceedings, which are already high. This is of particular concern because of earlier changes to trademark legislation which removed the requirement for an applicant for a trademark registration to state in the application whether the mark had already been used in Canada (and if so, to stipulate the date of first use), or whether the mark was proposed to be used in Canada (and if so, to file a declaration stating that use of the mark had commenced in Canada prior to the registration being issued). These changes effectively mean that trademark owners are being called upon to assume the role of policing the register against applicants obtaining trademark rights which are not based upon use (a role which was traditionally taken up by the Registrar of Trade-marks). Trademark owners will thus need to use the opposition procedure to circumscribe overly broad protection extended to some applicants and there should be no penalty in the form of costs for doing so. The optics of an applicant, whose mark has been approved by the Trademarks Office, potentially facing a cost award in an opposition, should be considered. Opposition is now and should remain a more simplified and less expensive option as compared to litigation.

The legislation should be clear that costs are not to be granted routinely, but rather should be exceptional in nature to ensure the proceedings are available to all parties with trademark rights.

RECOMMENDATION

Opposition is now and should remain a more simplified and less expensive option than litigation. If cost awards are to be introduced, care must be taken to ensure that the legislation is clear that such awards are intended for exceptional or extraordinary circumstances. At a minimum, IPIC recommends including a cap or limit on awards of costs as well as clear examples of what might trigger such an award.

ISSUE 8. ENFORCEABILITY OF TRADEMARKS WITHIN FIRST THREE YEARS AFTER ISSUANCE OF TRADEMARK REGISTRATIONS

Section 225 of the Bill seeks to add section 53.2(1.1) to the *Act*, which would prevent the enforcement of a registration of a trademark which had not been in use in Canada during the three years following the issuance of the trademark registration. This legislation was obviously intended to address the clear deficiency in the new trademark legislation that removed use as a requirement for obtaining a trademark registration in Canada. As such, IPIC welcomes the thought behind the provision, but foresees significant problems in how this provision attempts to address this shortcoming.

The provision raises questions about the scope and nature of the evidence that will be required to enforce a trademark registration and how the question of use will be proven or assessed. There should be language included to address the extent of the evidence required. For example, the legislation must detail whether the registrant must show use in association with all or only some of the goods or services covered by the registration, or the particular goods and services being asserted in the litigation. Use on only some of the goods or services clearly should not be sufficient to permit enforcement of the registration. It would also be important to clarify that the plaintiff should be required to show use of the trade-mark prior to commencing the infringement action.

It also creates two classes of trademark registrations: those that can be enforced, and those that cannot. Limiting the enforceability of trademarks during the first three years could well impact new Canadian SME's disproportionately, as enforcement during this time period could become very expensive if proving use in the context of litigation is unduly onerous. IPIC believes that the extent of the proof required under this provision should not be any more burdensome than in the context of section 45 proceedings, which are summary proceedings meant to clear "deadwood" from the Register, and which are not unduly onerous in the standard imposed on the owner of a registered trademark who is required to show use of that trademark in Canada.

RECOMMENDATION

IPIC recommends that the legislation clarify the scope and nature of the evidence that will be required to enforce a trade-mark registration and how the question of use will be proven or assessed.

ISSUE 9. LEAVE TO FILE NEW EVIDENCE IN FEDERAL COURT

The government backgrounder released on October 31, 2018, states that in trademark opposition proceedings, “additional evidence would ... no longer be automatically admitted on appeal”. This is contrary to the current practice in which new evidence is routinely admitted on appeals from decisions of the Trademark Opposition Board. The backgrounder further stated that this “change” is “balanced with the ability for parties to obtain confidentiality orders when they file commercially sensitive evidence”.

Sub-Section 56(5) of the <i>Trademarks Act</i>	New Sub-Section 56(5)
<p>Additional evidence</p> <p>(5) On an appeal under subsection (1), evidence in addition to that adduced before the Registrar may be adduced and the Federal Court may exercise any discretion vested in the Registrar.</p>	<p>Additional evidence</p> <p>(5) <u>If, on an appeal under subsection (1), the Federal Court grants leave to adduce evidence in addition to that adduced before the Registrar, the Court may exercise, with respect to that additional evidence, any discretion vested in the Registrar.</u></p>

The new provision changes the current right to file additional evidence into a situation whereby the Court’s leave or permission must be sought.

It must be noted that, in addition to opposition proceedings, section 56(5) also applies in summary cancellation proceedings pursuant to section 45 of the *Trade-marks Act* (pursuant to which the owner of a registered trademark can be asked to show that it has used the trademark in the preceding three years; proceedings under section 45 are meant to clear the Register of unused trademarks). In this context, the provision has afforded registered owners “a second chance to save [a] mark from expungement or amendment” (*Austin Nichols & Co v Cinnabon Inc*, 1998 CanLII 9088 (FCA), 82 CPR (3d) 513 (FCA)) by allowing them to raise additional evidence on appeal from a section 45 decision (or other decision of the Registrar).

The intent of the new provision appears to encourage an applicant, opponent or registered owner to put their “best foot forward” and file the necessary evidence at the first instance and discourage them from “splitting their cases” by filing little or no evidence in administrative proceedings and waiting for the appeal to file more substantial evidence.

The aim of the provision is welcomed, but IPIC has concerns about the impact on small- and medium-sized businesses as well as the wording of the provision.

The change will require more evidence to be adduced in the initial administrative proceedings and may drive up costs. This is seen to favour larger entities at the expense of small- or medium-sized businesses. As well, some unfairness could result in circumstances when a party files minimal papers (e.g. an applicant's *pro forma* counterstatement in an opposition proceeding, which typically consists of a standard denial of the grounds of opposition alleged in an opponent's statement of opposition), which prevents the brand owner (i.e. opponent) from later filing evidence which responds to the applicant's position in the proceeding. IPIC believes that the existing balance should be retained or modified the other way to have a more robust appeal available to address shortcomings and to make the administrative proceedings simpler.

IPIC is concerned that the provision could be interpreted narrowly. In particular, the court's ability to exercise "any discretion vested in the Registrar" should not be limited in any way (*viz.* inclusion of the word "if" in the new Sub-section 56(5)).

RECOMMENDATION

Given the current deadlines imposed by the Registrar in opposition and section 45 non-use proceedings, IPIC recommends that more guidance be given on this point, as it is unclear under what circumstances the Federal Court may not grant leave to file further evidence. The current deadlines are quite short, and it is often difficult to gather all of the evidence required in that timeframe. Knowing that there is an opportunity to file further evidence if needed is very helpful to parties when time is of the essence. If a party appeals a decision and has filed no or very minimal evidence initially, then IPIC agrees that the Court should not grant leave to submit additional evidence as that is clearly contrary to the intention of these types of proceedings.

ISSUE 10. CONFIDENTIALITY ORDERS AND CASE MANAGEMENT

It was generally felt that confidentiality orders were unnecessary since concerns about commercially sensitive information are currently being addressed adequately through simply redacting this information. Hearing Officers understand the need for parties to sometimes redact information and generally handle such situations very well. Overall, IPIC feels this is something of a non-issue. The grant of a confidentiality order should be exceptional and very explicit guidelines would be appropriate. If parties are aware of the specific instances wherein such an order will or will not be granted it should decrease cost and complexity of proceedings which is of course best for trade-mark owners and applicants.

IPIC feels that case management could be beneficial to parties but to properly assess its value, more would have to be known about what was intended.

RECOMMENDATION

IPIC recommends that this provision be removed pending further study.

SUBDIVISION H – COPYRIGHT ACT

IPIC wishes to congratulate the Government in amending the provisions of the *Copyright Act*, recognizing the instrumental role played by the Copyright Board in shaping the law on copyright in the new digital economy.

The technical issues that these Copyright Board practitioners have identified in the proposed legislation consist of the following:

Section 68.2(b) – This provision provides that the Board may distribute a notice of a proposed tariff, or may cause such a notice to be distributed or published, to “any person affected by the proposed tariff”.

This language is extremely broad and could capture any number of persons, who may or may not have any obligation to pay or be bound by the proposed tariff. IPIC questions whether this provision was intended to be so broad in scope.

Section 68.3(1) – This provision provides that an objection to a proposed tariff may be filed with the Board by a) an educational institution, b) a retransmitter or c) “any user, in any other case”.

There may be situations that arise in which, at the time that objections must be filed, potential objectors to the proposed tariff are not yet making use of the works as they await the outcome of the Board’s hearing process and the final approved rate. It is important that “any prospective user” be permitted to file such an objection, as is the case under the existing legislation. IPIC therefore recommends adding the word “prospective” to section 68.3(1)(c) in relation to “any user”.

Section 69 – This provision provides that a collective society may apply to the Board to withdraw a proposed tariff, or to exclude an act from a proposed tariff.

This provision, as currently drafted, may, in fact, limit the ability of a collective society to amend its proposed tariff during the tariff proceeding. This appears to be the case even though the sub-heading of section 69 reads “Request to withdraw or amend”.

There are many circumstances in which, during the normal course of a tariff proceeding, a collective society may wish to amend its tariff. For example, once all of the interrogatories have been answered and the parties’ respective evidence has been filed with the Board, a collective society may choose to seek a different tariff rate. Similarly, a collective society may respond to the objections that may have been filed with the Board in relation to its proposed tariff by amending the proposed wording of its tariff.

Often these amendments are made as part of a collective society’s statement of case which, according to the Board’s standard Directive on Procedure, is filed prior to the commencement of the Board’s oral hearing. This flexibility will be particularly important in light of the fact that, further

to the current proposed legislative amendments to the Board’s hearing process, collective societies will be required to file their proposed tariffs well in advance of their effective date of application.

Assuming that the intent of this provision is to expand the ability of a collective society to amend its proposed tariff, with the Board’s approval, rather than to limit a collective society’s ability to do so, IPIC proposes the following technical amendment to section 69.1(2) by adding a preliminary clause which could read:

“For greater certainty, (a) nothing in section 69 is intended to limit the ability of a collective society to make amendments to a proposed tariff in the normal course of a tariff proceeding; and (b) the approval of an application made under section 69 does not preclude the collective society from ...

Sections 73.3(c) & 73.5(2) – Proposed section 73.3(c) would prevent a collective society from commencing infringement proceedings against a person who has offered to pay the royalties that are included in a proposed tariff and that will apply to the infringing act once the tariff is approved. That would dramatically expand the scope of the existing prohibition on enforcement in section 70.17 of the *Act* as it exists today, which, by prohibiting enforcement against a person who has paid or offered to pay royalties under an *approved* tariff, effectively prevents collective societies from discriminating between users by agreeing to license some but not others.

By expanding the provision to include *proposed* tariffs as well, section 73.3(c) would allow users to benefit from the use of a collective’s repertoire for years, while a tariff is being examined and certified, and perhaps judicially reviewed, without paying for that use in the interim. The collective’s only recourse would be to try to collect royalties from those users when the tariff is eventually approved. That would be of little assistance to the collective, or the rightsholders it represents, if the user has exited the Canadian market, or even gone bankrupt, while the tariff is still pending – which is not a rare occurrence, especially in emerging markets. While the collective could in theory apply for an interim tariff, that is not usually a satisfactory solution; the Board’s established practice is to certify interim tariffs of nominal value in cases of first impression.

Proposed section 73.5(2) raises a similar problem in the context of an application by a collective society or a user for the Board to fix royalties. In that case, users would similarly be able to benefit from use of a collective’s repertoire while the Board is fixing the rates and terms and conditions without paying for the use in the interim, with the same potential hazards.

Consistent with the government’s stated objective of promoting a “*predictable* and adaptive copyright marketplace,” and especially its goal of fostering “a more efficient and effective Canadian creative market by reducing costs for participants *and ensuring timely remuneration*,” IPIC recommends that subsections 73.3(c) and 73.5(2) be deleted. This would simply maintain the status quo, where collectives and users often negotiate interim agreements that allow new services to enter the Canadian market while a tariff is still pending or while rates are being fixed, without depriving rightsholders of reasonable compensation in the interim.

This would also create an incentive for the Board to expeditiously approve proposed tariffs or fix rates, terms and conditions.

SUBDIVISION E – BANKRUPTCY & INSOLVENCY ACT

We congratulate the Government in amending the *Bankruptcy and Insolvency Act* (BIA) and the *Companies Creditors Arrangement Act* (CCAA) to include protection for intellectual property licensees when an insolvent person sells its intellectual property and to include court appointed receiverships in this protection.

However, these amendments create the opportunity to clarify the proposed provisions and the complementary provisions that were first enacted in 2009.

1. Does the “right to use the intellectual property” include a continuing obligation on the licensor to do positive acts such as to continue to maintain the software or to provide technical improvements or only a negative obligation not to cancel the bare “right to use”?
2. There continues to be no definition of intellectual property in the BIA and CCAA which leaves open the question of what is included, particularly in relation to trade secrets. A definition would be helpful.
3. The expression “*obligations under the agreement in relation to the use of the intellectual property*” is ambiguous. There is an opportunity to provide clarification as to which obligations of the licensee must be performed to ensure that the right to use is not terminated.
4. The phrase “*party’s rights to enforce an exclusive use*” leaves open the question of whether those rights include the right as against the licensor itself or only third parties.