

Bill C-86 Omnibus Budget Implementation Act makes Substantial Changes to the Patent Act

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On October 29, 2018, the federal government introduced the 884-page omnibus *Budget Implementation Act, 2018, No. 2*, as Bill C-86. The bill received Royal Assent on December 13, 2018, with very few amendments and after very little debate. In addition to all of the budget measures, this act also made substantial amendments to IP law in Canada. This bulletin will briefly summarize the major changes to the *Patent Act*.

Standard-Essential Patents

Bill C-86 adds two new sections to the *Patent Act* with regard to Standard-Essential Patents (SEPs). SEPs are typically directed towards technology that needs to comply with industry standards, such as Wi-Fi, USB ports and Bluetooth. Under new section 52.1, licensing commitments relating to SEPs will be binding on subsequent patentees. However, the new amendments do not specifically define what does or does not constitute an SEP or a licencing commitment. Section 52.2 puts these definitions to the Governor in Council to set out in the regulations.

In addition, these provisions refer to both patents and certificates of supplementary protection (CSPs). CSPs are only available for certain limited types of patents relating to medicines, and are subject to strict eligibility conditions. Standards have not been applicable to medicines in the past. Thus, developments with respect to CSPs and SEPs will need to be followed.

The transitional provision for section 52.1 indicates that the section will apply in respect of any action or proceeding that has not been finally disposed of on the coming into force of that section.

File Wrapper Estoppel

Bill C-86 introduces new section 53.1 which brings file wrapper estoppel into Canadian law. The Supreme Court of Canada had rejected file wrapper estoppel as being inconsistent with purposive construction of claims. However, this statutory amendment overrides that jurisprudence, stating that written communications between the patent applicant or patentee and the commissioner, patent office, or re-examination board can be introduced into evidence to rebut any representation made by the patentee as to

claim construction. These communications are inclusive of disclaimers made in respect of a patent, the prosecution of the patent application, and any requests for re-examination in respect of a patent.

The prosecution history of a divisional application is deemed to include that of the original application before the divisional was filed. As well, the prosecution history of a re-issued patent is deemed to include both the application of the original surrendered patent and the application for re-issuance. Therefore, all prosecution history will now be admissible as evidence before the court for claims construction.

The transitional provisions of section 53.1 provide that this provision is applicable to any action or proceeding that has not been finally disposed of on the date that the provision comes into force.

Experimental Use

The experimental use exception has been subject of debate in patent proceedings for many years in Canada. The amendments of Bill C-86 codify an exception to infringement for the purpose of experimentation relating to the subject matter of a patent under new section 55.3. Notably, there is no requirement in section 55.3 that the experimentation must be done for non-commercial use.

Under section 55.3(2) the Governor in Council is given authority to make regulations governing factors that can be considered or not considered to determine whether an act is for the purpose of experimentation.

The transitional provisions of this section indicate that section 55.3 will apply in respect of any action or proceeding that has not been finally disposed of on the date that the provision comes into force.

Prior User Rights

Prior to the passage of Bill C-86, the *Patent Act* offered protection to prior users through section 56. Under this section, any person who had purchased, constructed or acquired the subject matter of a patent before the claim date had the right to use and sell to others the specific article, machine, manufacture or composition of matter so purchased, constructed or acquired without liability for patent infringement.

Bill C-86 broadens section 56 to offer protection from patent infringement to someone who infringes the patent by committing an act on or after the claim date if that person also committed the same act before the claim date of the patent in question. This protection also applies to a person who made "serious and effective preparations to commit such an act" before the claim date.

The changes also allow for the transfer of prior user rights. The initial act of making or selling must be committed before the claim date and must be done, or preparations to do so must be done, in the course of a business and that business, or the part of that business in the course of which the act was committed, must subsequently be transferred. The person conducting the business after the transfer would have the protection of the prior use, while the transferor would no longer be protected.

In order for this prior user protection to be available, certain conditions must be met. First, the person must have been acting in good faith when committing the first act. Second, the prior user protection does not apply if the person was only able to commit the initial act because they obtained knowledge of the subject-matter of the patent directly or indirectly from the patent applicant. However, the person must be aware that the applicant was the source of the information.

This amended section 56 of the *Patent Act* will apply to any action or proceeding that is commenced on or after October 29, 2018 and that is in respect of a patent issued on the basis of an application whose filing date is on or after October 1, 1989.

Written Demands

Previously, there were no requirements for demand letters set out in the *Patent Act*. Nevertheless, there were some restrictions on what could be said in a demand letter imposed through other statutes. For instance, in *Excalibre Oil Tools Ltd v Advantage Products Inc*, 2016 FC 1279, the Federal Court found that a threatening cease and desist letter sent to an alleged infringer's customers was in violation of section 7(a) of the *Trademarks Act*. This section prohibits making false and misleading statements tending to discredit the business, goods or services of a competitor. Now, Bill C-86 will also create requirements for demand letters under the *Patent Act*.

New section 76.2 of the *Patent Act* will require that all written demands received by a person in Canada relating to patented inventions will need to comply with certain prescribed requirements. New section 76.3 will give the Governor in Council the authority to set out these prescribed requirements in the regulations. These new provisions apply to demand letters relating to inventions patented in Canada or elsewhere, or protected by a CSP or analogous foreign rights.

Bill C-86 also allows anyone who receives a non-compliant demand letter and anyone who is aggrieved by someone else receiving a non-compliant letter to bring a proceeding in the Federal Court. The Court will have the authority to grant any relief it considers appropriate, including recovery of damages, punitive damages, an injunction, a declaration or an award of costs.

Furthermore, there is a special liability regime for corporations that send a non-compliant demand letter. In order for it to apply, the corporation must be notified of the prescribed requirements and the letter's defects with respect to those requirements, and must not correct the letter within a reasonable period of time. If these conditions are met, the officers, directors, agents or mandataries of the corporation can be jointly and severally liable with the corporation for the non-compliant letter. There is, however, a due diligence defence to this liability regime.

Conclusion

These new provisions have the potential to fundamentally affect the rights of patentees. Many of the details important to those rights will be enacted as regulations. Given the speed at which this bill passed, we expect the regulations to be published in draft form soon.

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