Recent amendments to the Canadian Patent Act have come into force

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A number of significant amendments to Canada's *Patent Act* came into force at the end of 2018. These amendments will have an impact on both obtaining and enforcing patent rights in Canada. The *Budget Implementation Act, 2018*(the Budget Act) sets out, in Division 7, Subdivision A, these various amendments to the *Patent Act.*

1. Admissibility into Evidence of a Patent's Prosecution History

Historically, Canadian courts have repeatedly confirmed the principle that statements made during prosecution of a patent application were not relevant to the construction of that patent in later patent litigation.The Budget Act changes this established principle by the addition of section 53.1(1) to the *Patent Act*. This provision will allow into evidence in any court action or proceeding involving a Canadian patent, any written communication from the applicant or patentee to the Patent Office that may rebut representations made by the patentee related to the construction of any claim of the patent, including communications made during prosecution of the patent, disclaimers, and in any request for re-examination of the patent. Such written communications relating to a patent can also be allowed into evidence in any action or proceeding respecting a Certificate of Supplementary Protection in which that patent is set out, under the new section 123.1 of the *Patent Act* added by the Budget Act. Of particular significance, the transition provisions are such that this provision applies to pending litigation and not just litigation commenced after the coming into force of the legislation.

2. Demand Letters

The Budget Act also provides in the new section 76.2, that demand or cease-and-desist letters related to the enforcement of patent rights must comply with prescribed requirements. There have been a number of cases in the Canadian courts which have sought to deal with the issue of inappropriate cease-and-desist letters, and the impact those letters might have for the sender. For example, in *Excalibre Oil Tools Ltd. v. Advantage Products Inc*.,2 the sender of inappropriate cease and desist letters was found liable for damages under section 7(a) of the *Trademarks Act,*because the overtly threatening letters were ultimately found to constitute false or misleading statements tending to discredit the business, goods, or services of the patentee's competitors and caused damage to their business.

The new legislation indicates that any person who receives a written demand that does not comply with the "prescribed requirements", as well as any person who is aggrieved as a result of the receipt of such an inappropriate demand made to a third party, may bring proceedings in the Federal Court. The Court could grant damages, punitive damages, an injunction, a declaration or an award of costs in respect of the inappropriate demand.

No detail regarding the required contents of demand letters is provided in new section 76.2, and regulations will be necessary in order to set out these "prescribed requirements". New section 76.3 expressly provides the power to make such regulations including to set out what constitutes a written demand, what constitutes an aggrievement, the requirements with which a written demand must comply, the factors the Federal Court may and may not consider in any related proceeding, as well as any circumstances where a defendant should not be found liable under the written demand provision. Consequently, it appears that additional regulations will be required before the provision will be clarified and able to work as intended. As of the date of writing, no draft of these regulations has been published.

New section 76.2 (4) also makes a corporation's officers, directors, and agents jointly and severally, or solitarily, liable with the corporation if they authorized or acquiesced in the sending of such demands, unless they can show that they exercised due diligence to ensure the written demands complied with the prescribed legal requirements.

3. Experimental Use Exception

New section 55.3(1) expressly recognizes that something that is done "for the purpose of experimentation relating to the subject matter of a patent" is not an infringement of that patent. While Canadian courts had recognized that non-commercial, experimental use of a patented invention could sometimes constitute an exception to infringement, there will now be further clarification of this exception. New section 55.3(2) provides that regulations may be made to outline the factors that a court may consider, must consider or will not be permitted to consider in determining whether an act is for the purpose of such experimentation. As of the date of writing, no draft of these regulations has been published.

4. Prior Use Exception

The Budget Act also amends section 56 of the *Patent Act,* further detailing when the good faith use or sale of an article or service, which later becomes patented, can be considered an exception to infringement. In particular, the Act now provides that the infringement exemption continues after the patent issues. Furthermore, this prior use exemption can be transferred such that the transferee will become exempt if they commit an act after the transfer that the transferor could have committed under the exemption before the transfer.

5. Standard-Essential Patents

Canada has not previously had a regime that deals with standard-essential patents. New section 52.1(1), however, provides such a regime. If a patentee enters into a licensing commitment with respect to a standard-essential patent, that commitment binds any subsequent patentee or holder of a Certificate of Supplementary Protection.

Again, there are no details as to what constitutes a licensing commitment or a standard-essential patent, however, regulations may be made as to these definitions. As of the date of writing, no draft of these regulations has been published.

Comment

In conclusion, many of these recent legislative changes are significant, but will require further regulation and judicial interpretation before their effect and scope will be fully understood. If you would like to further investigate and discuss the potential impact these changes to Canada's patent law may have for your business and your patent strategy, please contact one of BLG's legal professionals.

1 *Free World Trust v. Électro Santé*, 2000 SCC 66 at para 64-67.

2 2016 FC 1279 (under cross-appeal in A-460-16, see 2019 FCA 22).

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