Third party rights coming to Canada to join new prior user rights

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Patent practice in Canada is changing[1] as the government aims to ratify its commitment to the Patent Law Treaty. As part of these changes, amendments to the *Patent Act* and upcoming Patent Rules, coming into force on October 30, 2019, introduce to the Canadian patent system the concept of third party rights. This appears to permit otherwise would-be infringers to continue to infringe a valid, issued patent with impunity. Below we discuss how the Canadian Intellectual Property Office (CIPO) describes third party rights, when they arise, and how they may continue even when the patent is in force. Patent owners should be vigilant to ensure the window for third party patent rights never opens.

When third party rights may arise. The amended *Patent Act*[2] appears to provide a safe-harbour for a person who, in good faith, commits an act that would otherwise constitute patent infringement, if the act was committed during a period of time as outlined below, as defined by the draft regulations.[3]

Starting period	**Condition**	**Ending period**
Six months after non-payment of a maintenance fee on a pending application	If the Commissioner sent a notice to the applicant and the application is deemed to be abandoned	The earlier of reinstatement or grant, and the demonstration that due care was taken[4]
If the application is not deemed to be abandoned	The earlier of the payment of all required fees or grant	
Six months after non-payment of a maintenance fee for a granted patent	If the Commissioner sent a notice to the applicant and the patent is deemed to have expired	The date on which all required fees are paid, and the demonstration that due care was taken[5]
If the patent is not deemed to be expired	The date on which all required fees are paid	
Six months after the end of the prescribed time to request examination	If the application was deemed to be abandoned	The earlier of reinstatement or grant, and the demonstration that due care was taken[4]

If the application was not deemed to be abandoned	The earlier of the request being made and payment of all required fees, or grant	
12 months after the application was deemed to be abandoned for any other reason, and the conditions for reinstatement were not met		Grant, and the demonstration that due care was taken4

The third party can continue the otherwise-infringing act. The amendments state if a person, in good faith, committed an act of infringement during the safe harbour period, or made serious and effective preparations to do so, the person may continue to commit the act even after the patent is reinstated – including after grant.[6]

Third party rights can be transferred. If the would-be infringing acts or preparations were carried out in the course of a business, the third party rights of that business may be transferred such that the transferee is protected from infringement. The transferor would thus relinquish their third party rights.[7]

Divisional applications are also vulnerable. Third party rights for acts committed when an application is in a safe-harbour period also seem to apply to any divisional application thereof. This applies to acts committed during the safe-harbour period for the parent application, but excludes acts committed after the divisional application was presented.[8]

Patent strategy should be devised with third party rights in mind. Currently, the only penalty for allowing an application to go abandoned, and waiting until the end of the one-year period for reinstatement, is payment of a modest late fee. Applicants should beware, as the new penalty could be much steeper – the risk of losing exclusive rights to their patent.

CIPO explains[9] that in its view, these changes to the *Patent Act* and Patent Rules are intended to be a balancing act. While applicants will have new safety nets, including longer reinstatement periods after missing certain deadlines, this correspondingly increases periods of uncertainty for parties who may be interested in using the invention. Therefore, CIPO rationalizes that third party rights have been introduced in an attempt to be fair to the would-be infringer, and deter applicants and patentees from exploiting said safety nets.

Changes to prior use rights[10] have already become law in Canada. Similar rights have already been given to a person who committed, or made serious and effective preparations to commit, would-be infringing acts before the claim date of a patent. Before these amendments came to force in December 2018, a third party was limited to using or selling only the article(s) they constructed, purchased, or acquired prior to the claim date. Now, as with third party rights, it appears that they may continue to commit the otherwise-infringing acts, including manufacture, as long as the applicant was not the source of knowledge of the subject-matter. These prior use rights are also transferable.

Transitional provisions[11] indicate that the third party safe harbours will begin after the coming into force of the Patent Rules, which is expected this fall. It remains to be seen

how third party and prior use rights will be interpreted by the courts, including the requirements for “good faith”, “due care”, and making “serious and effective preparations”. Until that time, the best advice for patent owners is to do everything possible to avoid opening the window for third party rights, and to hope no prior users are out there.

[1] See other BLG articles: "Significant Changes Are on the Horizon for Canadian Patent Prosecution" (Boocock & Marsman) and "The Good, The Bad, and The Complicated: Upcoming Changes to Filing Requirements for Canadian Patent Applications" (Marsman & Zielinski).

[2] *Patent Act* section 55.11

[3] Proposed Patent Rule 129. Canada Gazette, Part 1, Vol. 152, No. 48

[4] *Patent Act* subsection 73(3)

[5] *Patent Act* subsection 46(5)

[6] *Patent Act* subsection 55.11(3)

[7] *Patent Act* subsections 55.11(4)-(10)

[8] Proposed Patent Rule 129(d). Canada Gazette, Part 1, Vol. 152, No. 48

[9] https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr04279.html

[10] *Patent Act* section 56

[11] Proposed Patent Rule 231. Canada Gazette, Part 1, Vol. 152, No. 485

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