Goodmans LLP Update

The Federal Government Implements its IP Strategy – Bill C-86

On October 29, 2018, the federal government tabled Bill C-86, *A second Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures* ("**Bill C-86**"). Division 7 of Bill C-86 proposes amendments to intellectual property and related legislation in accordance with the government's Intellectual Property Strategy ("**IP Strategy**"). For further information on the launch of the IP Strategy, see our May 9, 2018 Update, *Canada Unveils its Intellectual Property Strategy*.

Proposed Legislation

The IP-related parts of Bill C-86, including the implementation of the IP Strategy, are contained in proposed amendments to the *Patent Act, Trade-Marks Act, Copyright Act, Bankruptcy and Insolvency Act, Companies' Creditors Arrangement Act, Access to Information Act, Privacy Act* and *National Research Council Act,* and in the proposed enactment of the *College of Patent Agents and Trademark Agents Act*.

Key aspects of the legislation primarily relating to the implementation of the IP Strategy are as follows.

Amendments to the *Patent Act*

Minimum Requirements for Patent Demand Letters

As we stated in our May 9th Update, the IP Strategy proposed minimum requirements for demand letters sent by patentees to alleged infringers. To discourage the sending of deceptive and/or vague letters, and to allow the recipient to assess the merits of the allegations, such demand letters will have to include certain basic information, like the patent number and the allegedly infringing product or activities.

While Bill C-86 provides for minimum requirements for patent demand letters, the requirements will be the subject of future regulation by the Governor-in-Council. Accordingly, the government has effectively deferred the implementation of this part of the IP Strategy for the time being.

However, Bill C-86 does provide that the Federal Court may order any appropriate relief relating to non-compliant demands, and that directors and officers of corporations may be held jointly and severally liable if a corporation sends a non-compliant written demand, is notified of the requirements and fails to remedy its actions. Accordingly, once the regulation is enacted, all patentees should be careful to abide by it.

Patent Research Exemption

Consistent with what we expected (see our May 9th Update), the IP Strategy's proposed patent research exemption effectively codifies the common law exemption from patent infringement for non-commercial research and experimentation. Bill C-86 deems "an act committed for the purpose of experimentation" to be non-infringing. Given that these acts were already protected from infringement at common law, and given that a non-commercial experiment is unlikely to cause the patentee to suffer damages, this part of the legislation may be of little practical significance.

Patent Prosecution as Evidence

Bill C-86 provides that most written communications between patent applicants and the Commissioner of Patents, including patent prosecution histories, may be admissible into evidence in a patent proceeding for the purpose of construing the claims of the patent. Interestingly, this amendment was not part of the previously announced IP Strategy.

While the use of patent prosecution histories is standard practice in U.S. patent litigation (where it is called "file wrapper estoppel"), the use of patent prosecution histories in Canadian patent litigation is essentially unheard of. This amendment could give an important tool to those seeking to attack the validity of a patent, as it should ensure that the patentee does not make submissions to the Commissioner of Patents in order to obtain the patent that are at odds with those later made to a court when defending the patent.

We believe that this may prove to be a significant development in Canadian patent litigation.

Amendments to the *Trade-Marks Act*

Reinforcing the Importance of Use

Bill C-86 implements the main trademark related pillar of the IP Strategy, namely, reinforcing the importance of using trademarks.

As we noted in our May 9th Update, the IP Strategy sought to address a concern that recent amendments to the *Trade-marks Act* would lead to "trademark squatting" or "trademark trolls", since these amendments would allow applicants to obtain registered trademarks without first proving (or declaring) use in Canada.

Bill C-86 provides for a number of further amendments to the *Trade-marks Act* to combat potential trademark trolls, including adding the ability to oppose a trademark application on the basis that it was filed in "bad faith". In addition, Bill C-86 provides that, for the first three years after registering a trademark, the owner will not be entitled to relief in trademark infringement proceedings unless use is proven (subject to special circumstances). This latter provision is consistent with the common law requirement applicable to unregistered trademarks, where use must be established in order to enforce the trademark.

However, the way that the provision is drafted it is unclear what happens if and when a registered trademark owner seeks relief *after* three years have elapsed. Indeed, there may arguably be an onus on would-be infringers to seek to expunge such trademarks once three years have elapsed.

Amendments to the *Copyright Act*

Notice and Notice Regime

As we advised in our May 9th Update, copyright owners can presently use the "notice-and-notice" regime to discourage online copyright infringement. Specifically, if a copyright owner suspects an internet user is infringing his or her copyright, he or she may send a notice of alleged infringement to the user's Internet Service Provider (ISP). The ISP must then forward the notice of alleged infringement to the user, and inform the copyright owner once the notice has been forwarded. The Supreme Court of Canada recently addressed the costs associated with identifying alleged copyright infringers and forwarding copyright notices in *Rogers Communications Inc. v. Voltage Pictures, LLC*, 2018 SCC 38, holding that ISPs can pass on their reasonable costs to copyright owners. See our colleague David Zitzerman's October 30th Update, *Who Foots the Bill? Notice-and-Notice, Norwich Orders and Compliance Costs*, for more details.

The IP Strategy proposed to address the practice of some copyright owners including language demanding a settlement payment from the alleged infringer in their notice. Bill C-86 explicitly provides that a notice of claimed infringement cannot include an offer to settle or a demand for payment. ISPs will not be required to forward non-compliant notices to the alleged infringer.

Changes to Copyright Enforcement and the Copyright Board

The IP Strategy proposed that "IP rights' owners and users will benefit from more efficient and less costly IP dispute resolution and copyright tariffsetting at the Federal Court and Copyright Board of Canada." Indeed, Bill C-86 proposes to improve the timeliness and clarity of the Copyright Board's proceedings and decision-making processes. For example, Bill C-86 provides that the Copyright Board can fix fair and

equitable royalty and levy rights, taking into account what a willing buyer and seller would have agreed to and the public interest. Further, collective societies alleging infringement will be able to elect to recover statutory damages of between three and ten times the amount of applicable royalties, where the royalties were set out in an approved tariff or fixed by the Copyright Board.

Next Steps

Bill C-86 remains at a relatively early stage, being in its second reading. Before receiving Royal Assent, it will be subject to review by parliamentary committees, a third reading in the House of Commons and two readings in the Senate. We will continue to monitor the progress of the Bill and provide updates of any material amendments to its IP-related aspects. Given that the Bill as a whole implements parts of the government's budget, it is likely to pass in some form.

For further information concerning this development, please contact any member of our Intellectual Property Group.

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