

# Goodmans<sup>LLP</sup> Update

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## Canada Unveils its Intellectual Property Strategy

On World Intellectual Property Day (April 26, 2018), the federal government unveiled what it billed as Canada's first comprehensive Intellectual Property Strategy (the "IP Strategy") designed to help Canadians understand, protect and access intellectual property. The IP Strategy targets the following three areas in which the federal government plans to invest \$85.3 million over the next five years:

1. Changes to Canadian intellectual property legislation;
2. Strategic intellectual property tools for growth; and
3. Intellectual property awareness, education and advice.

This Update focuses on the first of the three key areas, being impending legislative changes. Notably, the government released only a high-level framework of the legislative changes. Neither the text of the legislation nor details on how the amendments will be implemented have been released.

### Trade-marks

#### *Reinforce the Importance of Use*

The *Trade-marks Act* was amended in 2014, though the amendments are not yet in effect. When the 2014 amendments become effective (likely next year), the existing requirement that trade-mark applicants prove (or declare) use of the mark in Canada in order to obtain a registered trade-mark will be abolished. The 2014 amendments may therefore incentivize trade-mark squatting, i.e., the acquisition of trade-marks for the purpose of extracting licences from those who wish to use the trade-mark.

The IP Strategy proposes to curb such potential squatting by requiring trade-mark owners to prove use of the mark during the first three years after registration in order to enforce their exclusive trade-mark rights.

This requirement should still be approached with caution. For example, it is unclear whether a single or token use in the first three years after registration will permit enforcement of trade-mark rights in perpetuity (though see the discussion of bad faith grounds below).

It is also noteworthy that this element of the IP Strategy appears to anticipate a problem that does not yet exist, and will arise only as a result of the implementation of Parliament's own 2014 amendments (albeit passed under the previous government).

The IP Strategy also proposes to permit opposition to and invalidation of trade-marks on the grounds of "bad faith". The intention is to further limit trade-mark squatting, presumably on the basis that one who obtains a trade-mark merely for the purpose of extracting licence fees from others does so in bad faith. However, as bad faith is typically a difficult allegation to prove, it may prove challenging to oppose or invalidate a trade-mark on these grounds in practice.

### Patents

#### *Patent Research Exemption*

Currently, section 55.2 of the *Patent Act* provides an exemption to patent infringement for activities reasonably related to the development and submission of information to a regulatory body. Canadian courts have also recognized a safe harbour against patent infringement at common law for non-commercial research and experimentation, provided certain factors are met.

Although unclear, it appears the IP Strategy may seek to codify the common law experimental use exemption. Given such an exemption is already available under the common law, and research and experimentation (absent subsequent commercial sale) rarely result in damages to the patentee, this aspect of the IP Strategy may have little practical consequence.

## *Standard Essential Patents*

Standard essential patents cover an invention or technology related to a standard-compliant product. For example, a standard essential patent could cover technology required to connect to a technical standard like the LTE wireless network.

Standard-setting organizations typically require that standard essential patents be licensed by the patent owner to others using the same standard. The IP Strategy seeks to remedy a situation where the standard essential patent is sold to a new owner that does not wish to continue licensing the patent. The IP Strategy proposes to bind subsequent owners of a standard essential patent to the previous owner's voluntary agreement to license.

## *Minimum Requirements for Patent Demand Letters*

The IP Strategy proposes 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.

It is unclear how these new requirements will assist a recipient should the matter go on to litigation, or, as a practical matter, how the recipient will enforce these requirements absent subsequent litigation.

Further, a wrongful patent demand letter can already expose a patentee to damages, under the unfair competition provisions set out in section 7 of the *Trade-marks Act*. When a patentee alleges infringement in a demand letter in respect of a patent that is subsequently invalidated, and the alleged infringer suffers damages as a result (e.g., a loss of goodwill), the patentee may be held liable for those damages. See, for example, the Supreme Court of Canada's decision in *S. & S. Industries Inc. v. Rowell*, [1966] S.C.R. 419.

## **Copyright**

### *Exclude Settlement Demands from the Notice-and-Notice Regime*

Copyright owners can presently use the notice-and-notice regime to discourage online copyright infringement. Under sections 41.25 and 41.26 of the *Copyright Act*, 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.

In practice, some copyright owners have included language demanding a settlement payment from the alleged infringer in their notice. The IP Strategy proposes to exclude notices that include such demands from the notice-and-notice regime. Therefore, it appears that, if a notice including such a demand is sent to an ISP, the ISP will be under no obligation to forward the notice to the user.

## **Other legislative reform**

### *Intellectual Property Licences in Bankruptcy Proceedings*

The *Bankruptcy and Insolvency Act* and the *Companies' Creditors Arrangement Act* provide certain protections to licensees of intellectual property. In a restructuring, licensees are protected from debtors that seek to terminate the licence and sell the intellectual property free from any encumbrances.

However, these protections do not presently extend to liquidations, where the interests of a licensee of intellectual property will rank below the interests of the secured creditors. The IP Strategy proposes to extend the protections for licensees of intellectual property to liquidation proceedings.

## *Expedited IP Dispute Resolution*

The IP Strategy proposes more efficient and less costly intellectual property dispute resolution and copyright tariff-setting at the Federal Court and Copyright Board of Canada. The government has not, as of yet, clarified how this will be achieved.

This goal of the IP Strategy aligns with the recent amendments to the *Patented Medicines (Notice of Compliance) Regulations* applicable to pharmaceutical patent litigation. Before 2017, pharmaceutical patent infringement litigation was often a multi-stage process, where a summary application heard within two years of commencement was often followed by a full patent infringement action. As a result of the 2017 amendments to the *Regulations*, there is now only a single stage process, where a single patent infringement action will be determined within the two-year period that begins on the day on which an action is commenced.

## **Next Steps**

We will be watching to see precisely how the IP Strategy will be implemented by the government, as its effects will remain uncertain until the proposed amending legislation is tabled, debated in the House of Commons, and ultimately passed into law. We will also be watching to see whether the Liberal government seeks to pass legislation addressing all, or only some, of the aspects of the IP Strategy before the next federal election in October 2019.

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

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