

CANADA'S IP STRATEGY ANNOUNCEMENT – A LITIGATOR'S PERSPECTIVE

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On April 26, 2018 Minister Bains announced Canada's Intellectual Property ("**IP**") Strategy. While details will be forthcoming over the next several months, to a litigator some of the information in the information posted on the Government of Canada website regarding the strategy is worthy of comment even at this early stage. For our comprehensive review of the <u>strategy</u> in its entirety, <u>click here</u>.

A section of the information is devoted to new IP legislative changes. The following are some of the topics addressed, and this litigator's perspective of their potential impact on Canadian business.

Minimum requirements for patent demand letters

The announcement states that new regulations "will mandate that basic information (e.g. patent number and product or activities) will need to be included in a demand letter alleging infringement". This proposal describes information that is usually included in most demand letters that are sent by Canadian lawyers. However, there have been cases of a vaguely worded letters suggesting that payment of an amount of money is needed to avoid patent litigation. For good reason most businesses will avoid patent litigation if at all possible and the practice of sending letters playing on this fear have become a cottage industry for some businesses. However, such letters are not confined to patent demands, but are often seen in the copyright context (particularly computer software) and trademark context, so hopefully the regulations that finally issue will not be specific to patents.

Exclude settlement demands from the copyright Notice and Notice regime

This relates to the previous point on demand letters, but in the copyright context. The notice and notice regime is a particular type of enforcement proceeding for copyright works posted on the Internet. Hopefully by the time the regulation comes into force, there will be a single regime for demand letters for all forms of IP.

Reinforce the importance of use in the trademark regime

This modifies earlier changes to the Trade-marks Act enacted in 2014 to give effect to certain treaty obligations Canada had taken on. You can read more about the legislation and its effect here. Effectively this 2014



legislation permits a party to register a trademark in Canada without actually using it here. There has been concern that this would permit parties to register trademarks that others might like to use in manner similar to "cybersquatting" in which a person registers a domain name containing some other person or corporation's name. The new changes will apparently limit the actual rights arising from registration during the first three years following registration until a party is able to demonstrate use in Canada. For instance, a party with a registered trademark will not be permitted to sue for infringement. The Trade-marks Act provides a mechanism to remove trademarks from the register if they have not been used for three years, and the assumption is that this mechanism provides sufficient protection to other traders and the public with respect to trademarks that have been registered for more than three years, but have not been used.

Patent research exemption

There are court decisions that suggest that use of a patented invention to conduct research is not infringement; however, the resulting product cannot be sold if it too would infringe the patent. It appears that the government intends to codify this interpretation of the existing law into the *Patent Act*.

Standard essential patents

In a number of industries, the computer industry being a particular example, industry bodies such as the IEEE (formerly the Institute of Electrical and Electronics Engineers) will define a standard for such things as computer communications protocols so that computers from all manufacturers that use the standard can communicate with one another. When a new and better way of communicating is developed the developer will likely want to obtain patent protection. However, the new communication protocol may have limited value if it is not a standard protocol. As a condition of making the protocol a standard it is common for the standards setting body to require the patent owner to commit to license the patent to anyone using the standard. There were cases where after the patented technology was incorporated into a standard, the patent was sold and the new owner would not agree to adhere to the commitment made by the former owner. The government proposes to pass legislation binding any new owner to commitments made by prior owners.

IP licences in bankruptcy proceedings

The subject of IP in bankruptcy and insolvency is complicated and could justify a book, or at least a chapter in a book. Some years ago changes were made to the bankruptcy legislation to permit a licensee to continue to use IP it had licensed (such as computer software) in certain situations in bankruptcy. However, there are mechanisms other than bankruptcy for dealing with an insolvent business in which the protections added to the bankruptcy legislation would not apply. The protection to licensees will be extended to apply when at least some of these other mechanisms are used instead of bankruptcy. The exact nature of the protection will be very important since contractual protections negotiated with a business that becomes insolvent may prove to



be unenforceable.

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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