NAVIGATING THE GREY: DECIPHERING "USE" IN PATENT INFRINGEMENT CLAIMS

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In a recent case of *Steelhead LNG (ASLNG) Ltd. v. Arc Resources Ltd. [Steelhead]*,[1] the Federal Court of Appeal (FCA) discussed the topic of what constitutes "use" of a patented invention in the context of infringement under section 42 of the Patent Act.[2]

Background

The appellants own Canadian Patent No. 3,027,085 (the "Patent") that relates to apparatus, methods, and systems for the liquefaction of natural gas.[3] The claimed invention – a floating liquefied natural gas (FLNG) facility – comprises three key elements: (i) a floating modular design; (ii) an air-cooled liquefaction process; and (iii) electric-driven compressors.[4]

The appellants had disclosed confidential information pertaining to the Patent, including the design of a proposed FLNG facility, to the respondents.[5] The respondents then prepared a preliminary engineering design study for a FLNG facility, which contained engineering drawings and specifications, and disclosed the design study to potential investors and stakeholders.[6] The respondents did not make, construct or sell the invention claimed in the Patent, and the claimed system, method, or apparatus does not exist anywhere in Canada.[7]

The key question before the Court was whether the respondents "used" the invention claimed in the Patent, and thus infringed the Patent, when it designed, developed, and marketed to potential investors and stakeholders an LNG project in concept that included a design of a FLNG facility that, if built, would compromise the essential elements of the Patent.[8]

Appellants' Purposive Interpretation of What Constitutes "Use" under the *Patent Act*

Section 42 of the Patent Act defines the exclusive rights granted to the patent holder, stating that:

> Every patent granted under this Act shall… grant to the patentee and the patentee's legal representatives for the term of the patent, from the granting of the patent, the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be

used… [emphasis added].

The appellants looked to the Supreme Court of Canada's interpretation of "use" in the *Monsanto Canada Inc. v. Schmeiser [Monsanto]*[9] decision, and argued that the term "use" includes exploiting the invention's goal, purpose, or advantage for commercial benefit. Thus, the appellants argued that, by using the design study to promote their proposed FLNG project to potential investors and stakeholders, the respondents had "used" the appellants' invention and infringed the appellants' rights therein and thereto.[10]

Federal Court's Decision

The motion judge disagreed with the appellants' purposive interpretation of what constitutes "use." Instead, the motion judge found that the respondents' promotional activities did not constitute "use" of the Patent under section 42 of the *Patent Act* and that the respondents therefore had not infringed the Patent. Significantly, the motion judge found that the Patent claimed an FLNG facility that comprised physical elements, namely a floating modular design, an air-cooled liquefaction process, and electric-driven compressors and did not claim the conceptual design of such FLNG facility.[11] Thus, in order to prove infringement under section 42 of the *Patent Act*, the appellants had to show "use" of the patented invention, which meant the use of "an actual, physical apparatus, system or method using such an apparatus," rather than a conceptual design or drawing of an invention.[12] Since no FLNG facility such as that claimed in the Patent existed in Canada, the motion judge concluded that the respondents' activities did not constitute "use" of the patented invention.

Federal Court of Appeal's Decision

The FCA upheld: (i) the motion judge's decision to reject the appellants' novel and expansive interpretation of "use" under section 42 of the *Patent Act*; and (ii) the motion judge's finding that the respondents did not use the invention claimed in the Patent.[13]

In coming to its decision, the FCA distinguished the present facts before it and those in the *Monsanto* decision. In particular, the respondent in *Monsanto* saved and planted seeds comprising the patented genes and cells in question, and then harvested and sold the resultant plants that also contained the patented genes and cells in question. Per the Supreme Court of Canada in the *Monsanto* decision, such "utilization" of patented material for production and advantage fell within the scope of Section 42 of the *Patent Act*.[14] The respondents in the present facts, however, never made or constructed the FLNG system or apparatus, or reproduced the method, claimed in the Patent.

With regards to "use," the key question to ask is: "did the defendant's activity deprive the inventor in whole or in part, directly or indirectly, of full enjoyment of the monopoly conferred by law?"[15] In answering this question,

the FCA concluded that "use," as such term is understood in Section 42 of the *Patent Act*, attaches to the invention that was specifically described in the patent claims, and not the goal, purpose or advantage of such invention.[16]

Takeaways

The meaning of “use” under section 42 of the *Patent Act* is limited to the invention that is claimed in a patent, and does not include the goal, purpose, or advantage of such invention. Thus, if the patented invention relates to an apparatus and does not claim the conceptual design of such apparatus, then the patent holder will be unsuccessful in claiming that another party had “used” the patented apparatus by showing the design of such apparatus to prospective buyers.

[1] *Steelhead LNG (ASLNG) Ltd. v. Arc Resources Ltd.*, 2024 FCA 67 [*Steelhead*].
[2] *Patent Act*, R.S.C. 1985, c. P-4.
[3] *Steelhead* at para 7.
[4] *Steelhead* at para 7.
[5] *Steelhead* at para 10.
[6] *Steelhead* at para 11.
[7] *Steelhead* at para 18.
[8] *Steelhead* at paras 2 and 15.
[9] *Monsanto Canada Inc. v. Schmeiser*, 2004 SCC 34, [2004] 1 SCR 902 [*Monsanto*].
[10] *Steelhead* at paras 26 and 36.
[11] *Steelhead* at para 24.
[12] *Steelhead* at para 27.
[13] *Steelhead* at para 34.
[14] *Steelhead* at para 43; *Monsanto* at para 69.
[15] *Steelhead* at para 47; *Monsanto* at para 35.
[16] *Steelhead* at paras 49 and 50.

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A Cautionary Note


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