

THE CURIOUS CASE OF SECTION 56

AND SECTION 55.11, Too!

PRESENTED BY:

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THE CURIOUS CASE OF SECTION 56

AND SECTION 55.11, Too!

- Section 55.11 Remarks by Steve Ferance
- Section 56 Remarks by Beverley Moore
- Poll Questions – Feel free to answer during remarks
- Enlightened and Engaging Discussion and Questions

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THIRD PARTY RIGHTS Patent Act – s. 55.11

ABOUT THE PRESENTER

- Co-Owner of Carbon Patent Group, registered patent agent, trademark agent and lawyer
- Professor of Law at University of Victoria

APPROACH



OBJECTIVE

- Explore third-party rights under S. 55.11
- Know third-party rights' limitations
- Understand best use of third-party rights



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OVERVIEW OF THIRD-PARTY RIGHTS

- Missing certain deadlines during application pendency can create a "prescribed period" during which otherwise infringing acts are deemed not to infringe
- Third-party rights also extend to:
 - certain acts committed after the "prescribed period" has ended, if "serious and effective preparations" were made during the prescribed period
 - Uses and sales of articles, services, and "substantially the same" articles and services
- Third-party rights are also transferrable.

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WHO ARE THESE THIRD-PARTIES?

- Anyone who might be anxiously monitoring Canadian patent application data online, in the faint hope that a pending Canadian patent application or patent might prematurely lapse due to a missed deadline, so that they might begin to make and use the invention described in the patent application at the earliest possible opportunity, without needing to obtain a license from the patent applicant / patentee
- Will this section primarily apply to pharma litigants in practice?

WHICH MISSED DEADLINES TRIGGER A “PRESCRIBED PERIOD” OF THIRD PARTY RIGHTS?

- Presently, only two types of deadlines:
 - maintenance fees, and
 - examination requests.
- If either is submitted more than six months after its initial prescribed deadline, a “prescribed period” of third-party rights begins (PA s.55.11(1)(a)(i),(ii),(c); PR s. 128(a),(b),(d))
- Abandonment on other grounds does not yet trigger third party rights, but may in the future:
 - PA s.55.11(1)(a)(iii): abandonment on all grounds other than MFs and Exam
 - But the Patent Rules do not yet define any “prescribed period”

WHAT ARE THESE THIRD-PARTY RIGHTS?

Deemed non-infringing:

- Otherwise infringing act committed “in good faith” during prescribed period (PA s.55.11(2))
- Act committed after prescribed period if “serious and effective preparations” made during prescribed period (PA s.55.11(3))
- Use or sale of article acquired from deemed non-infringer (PA s.55.11(5))
- Use of service provided by deemed non-infringer (PA s.55.11(6))
- “Substantially” similar articles and services: cont’d:

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SUBSTANTIALLY THE SAME ARTICLE OR SERVICE

Also deemed non-infringing:

- Use of article acquired from a person who, during prescribed period, either made, sold or made “serious and effective preparations” to make or sell, “substantially the same” article (PA s.55.11(7))
- Use of a service provided by a person who, during prescribed period, either provided or made “serious and effective preparations” to provide, “substantially the same” service (PA s.55.11(9))

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TRANSFERABILITY

Third-party rights under PA s.55.11(3),(7),(9)* are expressly transferrable (PA s.55.11(4),(8),(10)) along with a business, or that part of the business in which the acts were performed.

*acts committed after prescribed period by person who made series and effective preparations, use of article acquired from or service provided by such a person;

DIVISIONALS

If a divisional is filed during a “prescribed period” for the parent:

- The portion of the “prescribed period” of the parent that precedes the actual presentation date of the divisional, will also apply to the divisional (PA s.55.11(1)(b)), PR s.128(c))
- (Effectively, the prescribed period ends for the divisional on its presentation date)

PREScribed PERIODS

Maintenance Fees:

Start of Prescribed Period:

- Six months after statutory deadline (filing date anniversary) (PR s. 128(a),(d))

End of Prescribed Period: the earlier of:

- The issue date; or
- The date when you fixed the problem, i.e.:
 - Date of late fee payment, if you avoided abandonment or deemed expiry (PR s.128(a)(ii), (d)(ii)); or
 - Date of reinstatement, if the application was deemed abandoned or expired (PR s.128(a)(i), (d)(i))

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PREScribed PERIODS CONTINUED

Examination Requests:

Start of Prescribed Period:

- Six months after statutory deadline (PR s. 128(b))

End of Prescribed Period: the earlier of:

- The issue date; or
- The date when you fixed the problem, i.e.:
 - Date of late fee payment, if you avoided abandonment (PR s.128(b)(ii)); or
 - Date of reinstatement, if the application was deemed abandoned (PR s.128(b)(i))

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PREScribed PERIODS CONTINUED

Abandonments:

- No Prescribed Period Yet
- ⇒ No third-party rights arise (yet) from abandonments generally
- Would only require an order of Cabinet to define a “prescribed period” in the Rules

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PREScribed PERIODS

MAINTENANCE FEES

START of PRESCRIBED PERIOD:

Six months after statutory deadline
(filing date anniversary)



END of PRESCRIBED PERIOD:

The earlier of:

- The issue date
- The date when you fixed the problem.¹

EXAMINATION REQUESTS

START of PRESCRIBED PERIOD:

Six months after statutory deadline
(PR s. 128(b))



END of PRESCRIBED PERIOD:

The earlier of:

- The issue date
- The date when you fixed the problem.²

ABANDONMENTS

NO Prescribed Period yet.

NO Third-Party rights arise (yet) from abandonments generally.

Would only require an order of Cabinet to define a “prescribed period” in the Rules.

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WHY SHOULD WE CARE?

- Pragmatically:
 - adopt rigorous docketing standards to ensure third-party rights are never unknowingly triggered
 - Advise clients of third-party right risks associated with missing deadlines
- Policy: ?
- Uncertainties:
 - Interpretive, e.g.: “act”; “in good faith”; “serious and effective preparations”; “substantially the same” article or service
 - Legislative, e.g., will a third-party rights period for abandonments be prescribed soon too?

PRACTICE TIPS

Avoid ever triggering a “prescribed period” for third-party rights:

- Never pay maintenance fees or submit exam requests more than six months late, regardless of the actual deadline
 - MFs: late-fee deadline to prevent abandonment is later of six months from initial MF deadline or two months after Notice from CIPO (PA s.27.1(2));
 - Exam: late-fee deadline to prevent abandonment is two months after Notice from CIPO (PA s.35(3));
 - So in either case, if CIPO takes more than 4 months to issue the Notice, your reply may be on time to prevent abandonment but too late to prevent third-party rights from arising
- Separate Docketing of 3rd-party rights deadline

PRACTICE TIPS CONTINUED

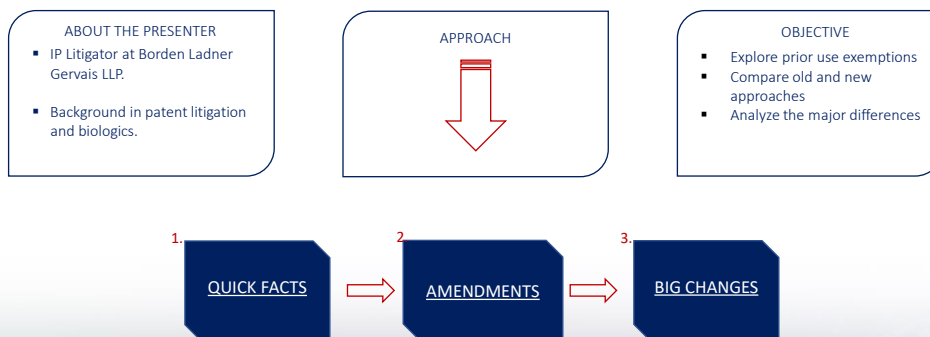
What about abandonments, e.g. for non-reply to an Office Action or non-payment of the issue fee?

- International abandonment and reinstatement are still used for grounds of abandonment to which the “due care” requirement for reinstatement does not apply, e.g., failure to reply to Office Actions, or failure to pay the issue fee (PR s.135(1)(a))
- Is there any risk that Cabinet might retroactively introduce third-party rights for applications that have already fallen abandoned?
- Does the express retroactivity of new PA s.53.1 (see PA s.201) set a worrisome precedent?
- Should we be warning our clients about this possibility before any temporary abandonment?

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PRIOR USE EXEMPTION PATENT ACT – SECTION 56



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QUICK FACTS

S. 56 provides exception to infringement for prior use.

Prior use exemption has been a part of Canada's Patent Act since prior to 1989 amendments.

Amended 2018 as part of an omnibus budget bill.

- What were the major changes?
- Why did they happen?
- What effects might the changes have?



SECTION 56 COMPARISON – NEW VS. OLD

Exception — prior use – 56 (1) Subject to subsection (2), if — before the claim date of a claim in a patent — a person, in good faith, committed an act that would otherwise constitute an infringement of the patent in respect of that claim, or made serious and effective preparations to commit such an act, it is not an infringement of the patent or any certificate of supplementary protection that sets out the patent, in respect of that claim, if the person commits the same act on or after that claim date.

Transfer (2) If the act referred to in subsection (1) is committed or the preparations to commit it are made in the course of a business and that business, or the part of that business in the course of which the act was committed or the preparations were made, is subsequently transferred,

(a) subsection (1) or paragraph (b), as the case may be, does not apply to an act committed by the transferor after the transfer; and

(b) it is not an infringement of the patent or any certificate of supplementary protection that sets out the patent, in respect of the claim, if the transferee commits the act after the transfer.

Patent not to affect previous purchaser – 56 (1) Every person who, before the claim date of a claim in a patent has purchased, constructed or acquired the subject matter defined by the claim, has the right to use and sell to others the specific article, machine, manufacture or composition of matter patented and so purchased, constructed or acquired without being liable to the patentee or the legal representatives of the patentee for so doing.

Non-application - (2) Subsection (1) does not apply in respect of a purchase, construction or acquisition referred to in subsection (3) or (4).

Special case - (3) [Section 56](#) of the *Patent Act*, as it read immediately before the day on which subsection (1) came into force, applies in respect of a purchase, construction or acquisition made before that day of an invention for which a patent is issued on the basis of an application filed after October 1, 1989 and before the day on which subsection (1) came into force.

Idem - (4) [Section 56](#) of the *Patent Act*, as it read immediately before October 1, 1989, applies in respect of a purchase, construction or acquisition made before the day on which subsection (1) came into force of an invention for which a patent is issued before October 1, 1989 or is issued after October 1, 1989 on the basis of an application filed before October 1, 1989.

NEW SECTION 56 CONTINUED

Exception — use or sale of article (3) The use or sale of an article is not an infringement of a patent or any certificate of supplementary protection that sets out the patent if that article was acquired, directly or indirectly, from a person who, at the time they disposed of it, could sell it without infringing the patent or the certificate

(a) because the person, before the claim date of a claim in the patent, in good faith, committed an act that would otherwise constitute an infringement of the patent in respect of that claim and they disposed of the article before that claim date; or

(b) under subsection (1) or paragraph (2)(b).

Exception — use of service (4) The use of a service is not an infringement of a patent if the service is provided by a person who, under subsection (1) or paragraph (2)(b), is able to provide it without infringing the patent.

Non-application (5) Subsection (1) or paragraph (3)(a) does not apply if the person referred to in that subsection or that paragraph was able, as the case may be, to commit the act or make the preparations to commit the act only because they obtained knowledge of the subject-matter defined by the claim, directly or indirectly, from the applicant of the application on the basis of which the patent was granted and they knew that the applicant was the source of the knowledge.

Exception — use of article (6) Subject to subsection (7), the use of an article is not an infringement of a patent or any certificate of supplementary protection that sets out the patent, in respect of a claim, if the article was acquired, directly or indirectly, from a person who, before the claim date of that claim, in good faith, made or sold, or made serious and effective preparations to make or sell, an article that is substantially the same as the one used, for that use.

Transfer (7) If the making or selling referred to in subsection (6) was done or the preparations to do so were made in the course of a business and that business, or the part of that business in the course of which the making or selling was done or the preparations were made, is subsequently transferred, then

(a) subsection (6) or paragraph (b), as the case may be, does not apply in respect of an article that is made or sold by the transferor after the transfer; and

(b) it is not an infringement of the patent or any certificate of supplementary protection that sets out the patent, in respect of a claim referred to in subsection (6), to use an article for the use referred to in that subsection if it was made or sold for that use by the transferee after the transfer.

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NEW SECTION 56 CONTINUED

Non-application (8) Subsection (6) does not apply if the person referred to in that subsection was able to make or sell, or to make the preparations to make or sell, the article only because they obtained knowledge of the use defined by the claim, directly or indirectly, from the applicant of the application on the basis of which the patent was granted and they knew that the applicant was the source of the knowledge.

Exception — use of service (9) Subject to subsection (10), the use of a service is not an infringement of a patent in respect of a claim if the service is provided by a person who, before the claim date of that claim, in good faith, provided, or made serious and effective preparations to provide, a service that is substantially the same as the one used, for that use.

Transfer (10) If the service referred to in subsection (9) was provided or the preparations to provide it were made in the course of a business and that business, or the part of that business in the course of which the service was provided or the preparations to do so were made, is subsequently transferred, then, after the transfer

(a) the transferor is deemed to no longer be the person referred to in subsection (9) for the purposes of that subsection; and

(b) the transferee is deemed to be the person who provided the service for the purposes of subsection (9).

Non-application (11) Subsection (9) does not apply if the person referred to in that subsection was able to provide the service or make the preparations to provide it only because they obtained knowledge of the use defined by the claim, directly or indirectly, from the applicant of the application on the basis of which the patent was granted and they knew that the applicant was the source of the knowledge.

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SOME BIG CHANGES TO THE NEW SECTION 56

- Return of “**good faith**”
- “purchased, constructed or acquired the subject matter defined by the claim” is now “committed **an act** that would otherwise constitute an infringement ... or made **serious and effective preparations** to commit such an act”
 - Specific additional provisions for “use or sale of an article” and “use of a service”
- continues after claim date
- Act, use or sale of an article, or use of a service, or serious preparations of these can be transferred with a business or **part of the business**
- Use of an article or service need only be “**substantially the same**” as the one used
- Section does not apply if the person was only able to commit the act because they obtained knowledge of the subject matter of the claims **directly or indirectly** from the **applicant** and they **knew the applicant was the source**
- Lots for courts to interpret – no cases yet

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THANK YOU

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