

April 2018

## Canada Announces a National Intellectual Property Strategy

On the occasion of World IP Day (April 26), the Canadian government unveiled its first national Intellectual Property Strategy (the “Strategy”). In 2017, the Federal budget committed \$85.3 million dollars over five years to assist with the development and implementation of the Strategy which was finally unveiled on Thursday. The Strategy’s three prongs consist of (1) IP legislative reforms, (2) a reduction in the complexity and cost of IP protection, and (3) initiatives to improve IP awareness and education. Be it clarifying acceptable IP business practices in Canada (“We’re coming after you, Mr. Trolls”, warned Minister Bains in his announcement speech), reinforcing the importance of use in Canadian trademark law, extending the rights of IP licensees where the licensors are insolvent or finally creating the long-sought College of Patent and Trademark Agents, Canada’s IP landscape is being reshaped.

For a litigator’s particular perspective on the changes that are set to come as a result of the Strategy, [click here](#).

### What is a national IP strategy?

The Strategy is meant to facilitate a coordinated approach to the effective creation, development, management, and protection of IP at a national level. The first of its kind in Canada, Navdeep Bains, Minister of Innovation, Science and Economic Development, spearheaded this Strategy with the hope of fostering a business ecosystem with increased IP *savoir-faire*. The intent is to bolster Canadian entrepreneurs’ abilities to commercialise innovation and

creativity, foster the scaling of business, and educate companies on effective offensive and defensive IP strategies to grow and compete in the international marketplace.

## What is the Strategy proposing?

### (1) Legislative Reforms

#### Trademarks:

- **Reinforcing the Importance of Use:** When Canada's new (but not yet in force) *Trade-marks Act*<sup>1</sup> was introduced in 2014, there was much concern raised by IP professionals that trademark use had been removed as a requirement to registration. The new legislation (presently expected to come into force by spring 2019), unlike the current legislation, permits an applicant to obtain the exclusive right to the use of the trademark throughout Canada without any declaration that the trademark is in use. Heretofore, trademark use had always been the cornerstone of Canadian trademark law. This massive shift away from use presented potential problems for Canadian businesses, the majority of which are small or medium size enterprises and who do not have trademark registrations (hence the education and awareness prong of the Strategy). This potential problem was amplified given Canada's imminent accession to the Madrid Protocol and the anticipated resulting influx of foreign applications. Thus, the legislation created a scenario in which one could obtain and enforce the right to exclude others from using a trademark, even though the registrant has demonstrated no intention of ever using the mark in Canada. While Canadian summary cancellation proceedings for non-use are, generally, lauded, as a low cost mechanism to rid the register of trademarks not in use, the Registrar will only initiate non-use cancellation proceedings after the third anniversary of registration. Therefore, the anticipated legislation created a three year period in which a registrant could seek to enforce purely paper rights without any practical means of challenge. This in turn creates a system that encourages trademark squatting

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<sup>1</sup> *Trade-Marks Act*, RSC 1985, c T-13 as amended by *Economic Action Plan 2014 Act, No. 1*, SC 2014 c 20.

and trolling (the practice of obtaining registrations without the intent of using the mark as a trademark, but with the sole intention of reselling it to a legitimate user at an inflated price). Notably, the last year has seen a dramatic increase in the number of all-class trademark application filings in Canada, signalling that the squatting opportunity in Canada had not gone unnoticed. While the details are yet to be released, it appears that the Strategy seeks to remedy that scenario by requiring trademark registrants to prove use of their trademark before they can enforce their exclusive trademark rights within the first three years post-registration. To further combat abusive trademark registrations, the Strategy announced the introduction of the concept of bad faith grounds for opposition and invalidation proceedings, which could be used against trademark applicants and registrants who have no *bona fide* intent in using the mark as an indicator of source in Canada.

#### Copyright:

- **Tackling the Bad Actors from the Notice and Notice Regime:** The Notice and Notice regime is a tool to help copyright owners address online copyright infringement. When a copyright owner believes that an internet user is infringing their copyright, they can send a notice of alleged infringement to the user's Internet service provider (ISP). Notice and Notice requires the ISP to forward the notice of alleged infringement to the user and then inform the copyright owner once this has been done. As it stands, there is a list of information (owner's name, address, identity of copyright material infringement etc.) that must be included in the "notice" to the alleged infringer. However, the Strategy calls for legislative revisions such that any copyright owner who includes in the notice any language to extract unfair settlement payments will be non-compliant with the regime. Presumably, this will mean that the ISP will thus be under no obligation to forward the notice to the alleged infringer, thus hampering the copyright owner's ability to establish contact with the alleged infringer.

*Patents:*

- **Reeling in Abusive Patent Demand Letters:** Abusive patent demand letters make vague claims to companies, demanding payment to avoid a lawsuit for (oftentimes unfounded) allegations of infringement. To strike a balance between legitimate and abusive enforcement of patent rights, there will be new minimum disclosure requirements in patent demand letters. Senders will be obliged to specify what patents, products or activities constitute the alleged patent infringement, with the goal being to reduce overly broad and catchall demand letters that seek to license their patent or allege infringement. It will also empower the recipient of the letter to undertake a more informed analysis and risk-assessment.
- **Patent Research Exception:** The government proposes amendments “aimed at affirming that there is no infringement when conducting experiments that relate to the subject matter of a patent. However, resulting inventions still need to abide by existing patent laws before being sold or used for commercial benefit.” It will be interesting to see exactly what changes to the law these amendments will make. Cases interpreting the existing *Patent Act*<sup>2</sup> have held that experiments aimed at understanding how an invention works or to improve upon it do not infringe that patent so long as the result of the experiments are not sold or used commercially. If the experiments lead to an improvement, and if the improvement is within the scope of the patent, it may not be sold while the patent is in force. The existing *Patent Act* also has a statutory provision providing an exemption for use of a patented invention to develop information to be submitted to any governmental regulator.
- **Protection for Standard Setting Licensing Commitments:** Increasingly, patented technology can be adopted by standard-setting organisations to create uniform industry standards. Examples include interoperability

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<sup>2</sup> *Patent Act*, R.S.C., 1985, c. P-4.

standards (which ensure that products made by different manufacturers can interoperate) or performance standards (which set minimal requirements for safety of products in an industry). The development of these standards can lower production costs, facilitate interoperability and innovation, increase efficiency, and lower barriers for market entry. The legislative revisions will confirm that even if the owner of the standard-setting patent changes, if the original patent owner voluntarily made a licensing commitment to incentivize a standard-setting organization, all prospective licensees will be able to rely on that commitment and continue use. This will be welcome news to the technology industry, which are which often require the adoption of industry standard patented technology.

#### *Miscellaneous:*

- **Extension of Protections to IP Licensees of Insolvent Licensors:** In 2009, amendments were made to both the *Bankruptcy and Insolvency Act*<sup>3</sup>(*BIA*) and the *Companies' Creditors Arrangement Act*<sup>4</sup> (*CCAA*) to protect licensees of IP from debtors who wanted to disclaim (terminate) the license and sell it unencumbered by the licensee's interest. However, these protections only applied in limited restructuring/rehabilitation situations (namely to notices of intention and proposals under the *BIA* and reorganisations under the *CCAA*) and not to bankruptcies. Practically speaking, this meant that when bankruptcy, and liquidation, were pending, the licensee was left largely undefended. The Strategy appears to indicate that changes will be implemented such that the licensee safeguards in the proposal and reorganisation space are extended to liquidation proceedings. This will broaden the scope of protection for parties using licensed IP, whose interests are often set aside in discussions due to their limited bargaining power as ranking far below secured creditors.

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<sup>3</sup>*Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3.

<sup>4</sup> *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36.

- **Introduction of College of Patent and Trademark Agents:** A new College of Patent and Trademark Agents will be formed to ensure professional and ethical standards are maintained and quality of service provision supervised.

## (2) Strategic IP Tools for Growth

**Faster and cheaper:** The Strategy aims to make benefiting from IP more efficient and less costly for dispute resolution and copyright tariff setting. It is anticipated the Federal Court will make more judicial appointments, thus reducing litigation timelines.

**Patent Collective Pilot Project:** From 2019-2020, the Strategy will select a third party to work with a number of small and medium sized enterprises to pool patents, so that they can access the critical IP they need to secure early-stage growth. The government has set aside \$30 million to acquire IP that Canadian enterprises could access to help them grow their business and defend against patent lawsuits.

**Standards Council:** The Strategy will facilitate collaboration between Canadian companies and the Standards Council of Canada to support the participation of Canadian IP holders' innovations becoming part of international standards. The Council will be able to boost their efforts to have Canadian technology strategically embedded in international standards.

**IP Portal and Marketplace:** The Strategy is developing a centralised IP-specific marketplace for businesses, entrepreneurs and innovators. Companies will be able to browse through existing IP held by government and academia, thus creating a one-stop marketplace for businesses to access groundbreaking research that can be licensed and/or commercialized, at low administrative cost.

## (3) IP Education

Be it the expansion of IP legal clinics, the new dedicated team of federal IP advisors, or the \$2M granted to Statistics Canada for conducting an IP awareness and use survey, it is clear that education is a primary goal of the Strategy. We can anticipate a

comprehensive plan which promotes education and connections between IP service providers and industry players. To that end, our McMillan practitioners are always happy to do pro-bono educational IP information sessions for the public, so feel free to reach out to us for further information. Our IP group is also actively involved with the [McMillan Startups Initiative](#) which, as part of its mandate, helps entrepreneurs identify and commercialise their IP.

### Closing Remarks

It is clear that the government is ready to invest heavily in building a robust intellectual property framework. Emphasis was placed on the critical role of women and indigenous people in this space. Some notable numbers cited by the government are worthy of repeat:

Small and medium-sized businesses that hold formal IP are:

- 3 x more likely to engage in product innovation than those without IP,
- 2 x more likely to engage in other types of innovation,
- 4 x more likely to export, and
- 64 % more likely to be high growth.<sup>5</sup>

The thought is that a well-balanced IP system promotes creativity and innovation which are the essential ingredients to a thriving knowledge-based economy. Time will tell how the Strategy will take hold and redefine the Canadian IP landscape, but for now we expect and hope for the best.

by Peter Giddens and Christie Bates

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<sup>5</sup> <https://www.canada.ca/en/innovation-science-economic-development/news/2018/04/government-of-canada-launches-intellectual-property-strategy.html>

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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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