

Con: Canada Patent Act

Arguments against proposal for entirely new Canadian Patent Act

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Consideration of the Proposals for patent law revision in Canada requires backgrounding.

The proposed new patent law was presented in June of 1976. This discussion proposal of departmental officials, with certain support from the Ministry, called for many far-reaching changes in Canadian patent law. They would have provided patentees with a bare minimum of patent protection. Many concluded that it reflected an anti-industrial property philosophy stemming no doubt in part at least from the fact that patents, trademarks and copyrights are monopolies which are at times regarded with some of the suspicion and antagonism that attach to that word.

The strong adverse reaction resulted in the abandonment of many of the original proposals and substantial modification of others.

WHAT IS THE LIKELIHOOD OF THE NEW PROPOSAL BEING IMPLEMENTED?

Last spring a Progressive Conservative government replaced the Liberal government of Canada. None of us can predict with any confidence what the result is going to be on government policy in general and government policy with respect to industrial property in particular.

Being a minority government which could be voted out of office by a majority in Parliament at any time, the Conservatives will be very sensitive to public opinion. On the other hand, I don't think that any politician is likely to feel that revision of patent law is a particularly sensitive issue nor is he likely to feel that it is one of high priority.

The proposed patent legislation is rather novel in that it has all been generated as a result of internal government activity—without much external pressure for change.

The departmental officials responsible for the proposed legislation continue under the new government, and it certainly will not surprise me if some of the proposals are introduced in the next couple of years. I think it is possible, however, that the proposals will be further modified in sympathy with views expressed by

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those who have to operate on a day-to-day basis in the patent field both domestically and internationally. If the result is that the new government takes a somewhat more favorable position with respect to patents, it will be consistent with the very recent trend of Canadian courts following the lead of the Supreme Court of Canada where Mr. Justice Pigeon said that patentees

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are not to be regarded as Shylocks demanding their pound of flesh.

Most licensing executives will be directly affected in one way or another by any changes in Canadian patent law. I urge you to make your views known to the new government.

GENERAL COMMENTS ON THE PROPOSALS

The proposals contemplate change and fear of change is always a brake on progress. But we ought not to be overly anxious to encourage change in cases of doubtful improvement. An old system has two advantages over a new one—it is established and it is understood.

We must ask ourselves, then, what reason is there for changing the present Canadian patent system?

The Honorable Warren Allmand, former Minister of Consumer and Corporate Affairs of Canada, says:

(a) *To bring Canadian patent law into closer harmony with that of other nations (but modified to reflect the unique features of the Canadian economy).*

It is suggested that because the United Kingdom statute is being amended to conform with European legislation, it is desirable for Canada to make similar wholesale amendments to the Canadian statute in order that we may continue to have the advantage of United Kingdom jurisprudence.

However, it is not proposed that our legislation be identical to the United Kingdom statute. Future United Kingdom decisions would not be of the same relevance in Canada and the influence of European jurisprudence unfamiliar to us would create uncertainty.

Further, we now have experience with Canadian patent legislation in the Canadian courts. We have built up a substantial body of Canadian law. It is no longer necessary for us to have a great deal of reference to United Kingdom jurisprudence.

There is a much closer relationship between Canada and the United States than between Canada and European countries in general. There could be more justification in amending the Canadian statute to conform more closely with the United States sys-

tem.

(b) *The proposals would increase the number of patents worked in Canada.*

Justification for these and other proposals refers to the fact that a very high percentage of all patents granted in Canada are foreign-held or controlled, in many cases by large multinational corporations.

This approach is consistent with the position Canada has taken in recent years in international negotiations—Canada should be considered to be a developing country whenever it is to its advantage to do so.

The attitude that Canada cannot hope to compete on a worldwide basis on the same terms as other industrial countries is, I am glad to say, not shared by many members of the Canadian business community.

(c) *The proposals would enable the government to collect information relating to patents in Canada and to make information contained in the patent office available to Canadians generally.*

These are undoubtedly worthwhile objectives, provided they are accomplished at reasonable cost and can actually be achieved. To the extent they increase costs they would constitute one less attractive feature for doing research and development in Canada.

There are undoubtedly worthwhile concepts embodied in the proposals.

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My principal concern with the proposals is that they contemplate the enactment of an entirely new Canadian Patent Act. In my view, proposals should be implemented by amendment to the present legislation rather than by the introduction of an entirely new statute.

Mr. James Bailey, a Toronto lawyer, now chairman of the Ontario Securities Commission, in an article dealing with the rewriting of Canadian business statutes (which is contributing to the general feeling that we are simply being over-governed) referred to a well-known satirical poem in which the senior Oliver Wendell Holmes wrote of the deacon's wonderful one-hoss shay. It was so perfectly put together that no one part could wear out before another. After 100 years and a day, all wore out at once leaving the deacon on a rock, dazed and surrounded by heaps of rubbish. Mr. Bailey feels that an observer might well conclude as a result of the number of new business statutes enacted in the last five years in Canada that many of our major statutes had collapsed like the shay, except that the collapse occurred in less than 100 years and a day. It is businessmen and their advisers, rather than the deacon, who have been too ready to adopt the shay philosophy. Mr. Bailey believes that entire statutes should not be replaced in quest of logical perfection unless there is a demonstrated need.

Senator Flynn, Canada's Minister of Justice, in a recent speech to the Canadian Bar Association convention made very encouraging remarks about "legislative pollution" and "its threat to liberty".

I turn now to consider the three main proposals mentioned by Mr. Allmand.

The first to file—absolute novelty concept

This proposal contemplated that any disclosure of

the invention prior to filing, other than on a confiden-

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Mr. Allmand's paper is published in this issue of *Les Nouvelles*, beginning on page 226.

tial basis, will result in a total loss of patent rights in Canada. It has been generally accepted in Canada with the proviso, however, that a grace period be introduced so that, for example, an inventor would not be prevented from obtaining a valid patent notwithstanding public use or sale in Canada during the grace period of, say, one year. The applicant would, as between himself and a rival inventor, still have to be the first to file. However, this grace period would permit him to get some idea whether there was commercial utility in the invention before going to the expense of filing a patent application.

Mr. Allmand dismisses the objection that an absolute novelty concept would reek unavoidable hardship upon private Canadian inventors. He finds that the number of cases involved would be few and that to accept a grace period would make Canadian industries subject to paying patent royalties on goods that could be patented nowhere else in the rest of the world except in Canada and the United States.

Ridout & Maybee, patent agents in Toronto with which I am closely associated, tells me that, in respect of inventions that ever go into public use, virtually every application they file for a Canadian inventor relates to an invention which has been in public use or on sale in Canada for some time before the inventor sees a patent agent. Furthermore, as far as a Canadian inventor is concerned, being able to obtain a patent in Canada and the United States is of paramount concern.

Split term concept

Mr. Allmand indicates that he considers this to be the most critical feature of the proposals and one that he thinks would do the most toward stimulating development of a strong licensing activity in Canada.

Some think that his optimism approaches that of the young artist in Paris who, without a franc in his pocket, went into a swanky restaurant and ate dozens of oysters in the hope of finding a pearl to pay the bill.

In the first place, whether this provision would lead to licensing of Canadian companies, and the transfer of know-how to them, requires one to look down the road 14 years. What the situation will be then with regard to Canadian and foreign industrial property legislation is anyone's guess. After 14 years, any offered technology is likely to be stale.

The split term may offer some advantage to working in Canada 14 years from now provided that Canada is the only country then using the split-term concept. However, what is going to happen if other countries were to copy the split-term concept? Would we then not be right back to where we started from?

There is further criticism of this proposal on the basis that it is directly contrary to the international obligations Canada has undertaken pursuant to Article 5 of the Paris Convention. There is no doubt that the spirit of Article 5 is that patents will not be re-

voked for nonworking unless compulsory licensing provisions of the statute fail to cure the abuse.

There are also practical problems which arise in connection with the split-term concept. How is a competitor to be satisfied either before or after the expiration of the initial term whether, following the expiration of the initial term, he will be able to use the invention without infringing the patent?

If all of these problems and objections can be overcome, there are things that can be said in favor of the split-term concept, at least from Canada's standpoint. To a Canadian it is desirable to have the working of inventions in Canada. Foreign patentees will still have had several years to acquire commercial experience in exploiting their technology abroad and ample time to arrange for the transfer of technological know-how to a Canadian user in order to meet the local working requirement.

I am inclined to agree with Mr. Allmand that the 20-year term that is the normal term in Europe and elsewhere should not be considered to be inscribed in stone. However, the present term of a Canadian patent is 17 years from the date of issue whereas the present proposal is that the initial term be 14 years from the filing date. On the basis that it is usually about three years between the time of filing and the issuance of a Canadian patent, it seems to me that it would be reasonable that the initial term should be 14 years from the publication date. The net result would be that the initial term would be about 3 years less than the present 17-year term, but on local working the term would be extended to 3 years longer than the present term — a reasonable compromise.

The importation concept

Mr. Allmand advances some excellent grounds in support of the proposals relating to importation and

these proposals may well be acceptable from the standpoint of economic theory and competition and on the basis that the patentee is going to get his profit somewhere.

Furthermore, while permitting importation from other countries without regard to patent protection is a novel concept insofar as trading between different economic units is concerned, patented articles do of course already move freely throughout the Common Market countries and throughout the entire United States.

One concern I have with these proposals is as to the effect that they would have on those who have already committed themselves to Canada on the basis of the present system. Surely there should be some grandfather clause to protect those who have set up under the old rules.

Another concern is that, while Mr. Allmand contends that these importation proposals would encourage patent holders to license their products and processes in Canada, why would anyone take a license in Canada if his business could be destroyed by foreign competition from or dumping in Canada by the patent owner or other licensees? It appears to me that they can only act to reduce the incentive to Canadians to take licenses. If so, they are directly opposed to the object of the split-term concept.

The difficulty is that, as with others of the proposals, no one knows with any certainty or can we safely predict what the consequences of their implementation would be.

I hope that the new government of Canada will reconsider the proposals to introduce an entirely new Canadian Patent Act. I also hope that it will obtain and give serious consideration to a great deal more input from those who have practical concern for the day-to-day operations of the Canadian statute before implementing any of the proposals.