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Summary of Responses  
Commenting on the Proposed Patent Law  
Accompanying the  
Working Paper on Patent Law Revision

*Canada. Dept. of*  
Consumer and Corporate  
Affairs, Canada  
April 1977



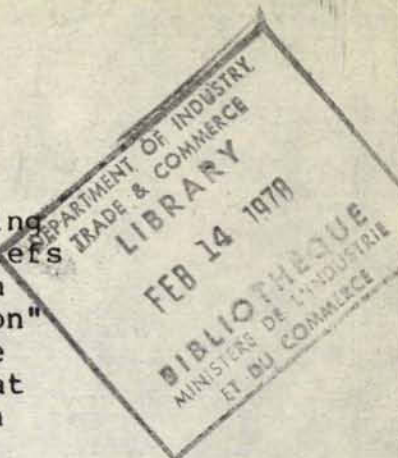
### Note

This document has been prepared as an informal working summary of the various letters, commentaries and briefs received by Consumer and Corporate Affairs Canada in response to the "Working Paper on Patent Law Revision" published in June 1976. It is made available to the public to advise interested persons of the views that have been expressed regarding the proposed law which accompanied the Working Paper.

The original Working Paper had been prepared as a basis for discussion of possible revision of Canada's patent laws. The Working Paper did not represent the views of the Minister or government, but was intended to solicit comments from a broad spectrum of society on as many issues relating to patent law reform as possible. As of February 14, 1977, a total of 249 briefs and letters classified as "commentary" had been received.

The attached summary extracts, groups and characterizes the observations and suggestions made with respect to the draft proposed law accompanying the Working Paper. While an effort has been made to cross-reference all remarks considered to be significant, it is inevitable that a document such as this cannot be exhaustive. Although the summary may not include all of the comments that have been made with respect to the proposed law, it is indicative of most of the views expressed in the various submissions.

Every attempt has been made to evaluate fairly the views expressed. Nevertheless in grouping and summarizing view-points, individual qualifications and colouring may have been lost. Accordingly the various statements compiled herein have not been attributed to the sources against which they have been cross-referenced. Each statement, however, is followed by a reference to the number of briefs or letters which have been cross-referenced as likely to endorse the viewpoint expressed.



## Summary of Responses to the Working Paper

Commentaries are classified according to the various sections in the proposed law to which they refer. No attempt has been made within this document to compile commentary on the general overall philosophy of Part I of the Working Paper.

The figures in brackets following individual statements indicate the number of briefs to which the statement has been cross-referenced as exemplifying the viewpoint expressed. The number of such cross-references should not be taken as being exhaustive.

### INTRODUCTION

#### Section 2

A distinction should be made in the use of the word "applicant." In some cases it refers to a patent applicant and in other cases to an applicant for a compulsory licence (1).

As an alternate definition for "computer program" the following was offered:

"Software Documentation" - includes all of the descriptive text supportive to a program not in machine language and including graphic material such as algorithm diagrams, which is necessary to instruct the computer operator or the system user in the use of the computer system and/or a program.

'Program' - comprises that portion of the software which when converted into a machine acceptable form is "loaded" or inserted into the computer for the execution of a specific computational requirement, by ordering internal operations in the computer. Typically, programs may be written or printed on paper in an alphanumeric source language, but they may also be decks of punched cards, or magnetically recorded on tapes. They may also exist only in memory in a computer." (1)

A definition of "person" should be included, extending the definition to include corporations and thereby ensuring the entitlement of corporations to apply for a patent pursuant to section 30 --- (1).

The definition of "work on a commercial scale" is taken from the present law with the additional stipulation that further standards may be established by regulation. Several briefs suggested that this definition should not be made subject to regulations (3). The same definition occurs in sections 27(5)b and 53(8)b. In reviewing these sections several briefs indicated their opposition to reliance on

regulations to further specify the circumstances which would constitute legitimate working (2). One brief indicated that judicial interpretation in these latter two cases was preferable to reliance on regulations to clarify the definition in issues (1). Another brief, commenting on section 53(8)b, stated that the wording of the definition was so unclear as to create confusion and uncertainty (1).

A suggestion was made to extend the definition of local working to include "further actual development and formulation" (1). The following specific wording was suggested:

"For biologically active compounds, 'work on an adequate scale' means benefit to Canada either through continuous field development to establish additional uses of the compound, or formulating of the active ingredient in Canada to render it suitable for application."

In support of this definition it was argued that three years of residual trials were often required to convert new pesticide and fertilizer compounds from one crop to another. Also it sometimes required two years to adapt a carrier to give optimum flow formulation in existing farm implements (1).

Two briefs argued that the supplying of the Canadian market with products through importation should satisfy the local working requirement (2). One brief stated that it preferred to see variations in the definition of local working made subject to the scrutiny of Parliament rather than the regulatory process (1).

### Section 3

On the issue of whether to include a recital of objects in the law, commentary was divided. Some briefs were opposed to the inclusion of any form of recitals (2). One comment was that the judiciary lacked the expertise to handle such recitals (1). Another was that the section was unnecessary and undesirable and that as it was expressed in such generalities it would serve no useful purpose (1). Some of these briefs conceded that the ministerial report under section 3(2) should be subject to directives and that these objects could be switched so as to become the mandate for the ministerial report (2).

Other briefs indicated that they did not object to the inclusion of a recital of objects in principle and indicated general support for the objects contained in sections 3(1)a,b,c,e--(3). Resistance to inclusion of section 3(1)d was directed to the fact that it formed the basis for subsequent sections 17(3) and 25 -- (1). Fears were expressed that section 3(1)d would allow administrative intervention into the operation of the patent law (1). Further arguments against this section included the view that there was no place for industrial strategy in Canada's patent law, (3) or at least such a strategy should not be implemented piecemeal through acts such as the Patent Act (1). It was stated that the patent law "should not be used as an instrument for channelling economic activity



in pursuit of any particular set of national industrial goals" (1) and that the patent law should be completely neutral as between industries (1).

In this context, the belief was expressed that the patentee's bargain ended with his disclosure of his invention (1). It was also observed that the reference in section 3(1)d to ensuring that the patent law supported only the most efficient use of Canadian resources was "academic hogwash" (1). Other comments on section 3(1) included an objection to the reference "of benefit" in section 3(1)a; on the basis that it did not support any specific subsequent provision (1); opposition to the use of the word "monopoly" in section 3 as a whole (1); and an observation that there was no reference in section 3 to encouraging the location of research facilities locally, as is done under U.S. law (1).

#### Section 3(2)

Apart from inferential support from a number of briefs for the type of review contemplated under section 3(2) (see above) only one brief specifically stated support for this section ( ). Many briefs were preoccupied with the possibility that the patent law might be suspended pursuant to section 7 as part of any system of review. Reference was also made repeatedly to the shortness of the 10-year period set for review. Accordingly, there was little direct commentary on whether a statutory provision such as section 3(2), with a longer period for review, would receive a positive support.

One brief suggested that if the purpose of such a review was to carry out a fundamental test on the basic performance of a patent system, then the review should be focussed on the existing law rather than the proposed law (1).

#### Section 4

Commentary on the general principle of reliance on regulations to define more detailed features of the law will be summarized at this point. References to time periods, procedures, and further definitions of terms and conditions to be imposed under various features of the law are distributed throughout all sections of the draft law.

The general response toward the principle of greater reliance on regulatory powers was to oppose such a procedure (18). The briefs distinguished between regulations which apply to procedures only and those which deal with more substantial matters. There was universal opposition to the possibility that the scope of patentable subject matter might be made subject to variation by Orders-in-Council pursuant to section 17(3). It was suggested that only Parliament could deal with "substantial matters" without defining this term (1). There were statements that regulations should be restricted to "formalities" (1) or to procedures only (1). One brief was particularly opposed to making time periods within the law subject to variation by regulation (1).

Various reasons were given by those opposed to reliance on extensive use of regulatory powers. The view was expressed that the interpretation of statutory provisions should be left to the decision of the courts in individual cases (1). It was observed that court interpretations are not rigidly binding since they may often be distinguished, whereas regulations are rigid and susceptible to argument on the meaning of words (1).

Concern was expressed about the reduced opportunity for debate perceived in the regulation-making process (1). It was feared that discretion would be transferred to public servants in matters that deserved debate in Parliament (1). Reference was made to instances where it was alleged that regulations in the past had been unilaterally passed by the Patent Office without public input or without publishing a notice in the Canadian Patent Office Record (1). Another observation was that if the Governor in Council had exercised his jurisdiction under present section 41(4) to vary the royalty awarded under pharmaceutical licences, then greater confidence in this procedure might now exist (1).

One of the fears expressed about the regulation-making process was that it might lead to uncertainty (1) and that frequent changes might be made in the regulations by Order-in-Council (1). One brief stated that the corollary to flexibility was uncertainty (1).

On the other hand, one brief acknowledged that there should be a generous scope for regulations under the patent law (1). It was conceded that regulations were appropriate for matters of Patent Office administration and examination procedure (1). One brief observed that no patent system could run effectively if every adaptation was subject to lengthy parliamentary proceedings (1). Another stated that "it is appropriate that regulations be extensively used to attend to technical aspects of the law" (1). It was conceded that when regulations were made by the Governor in Council, this at least allowed for an opportunity for interdepartmental review (1). The hope was expressed that rules to be established under the new law would be tabled in conjunction with the tabling of the proposed legislation (1).

As an alternate means for effecting changes in regulations, it was suggested that an adjudication board be formed to review the decisions of the court and make corrective rulings where these were deemed appropriate (1).

Finally, one brief commented that this issue is "extraneous to patent law reform" (1). The same brief indicated a preference for having matters of any importance scrutinized by Parliament (1).

Commenting on specific sections within section 4, one brief indicated particular opposition to section 4(1)c by which the Governor in Council could give directions to the Patent Authority (1). Another objected to the undue generality of statement in section 4(1)a, authorizing regulations to carry into effect the objects of the law, in view of the potentially broad scope which could be given to the interpretation of section 3 -- (1).

On the question of deferral of fees pursuant to section 4(1)g(vi) two briefs expressed clear support for this provision (2). The proposal was described as a positive first step towards assisting Canadian inventors (1). It was observed in another, however, that government fees were only a minor part of the costs of patenting (1). A further observation was that greater powers to assist small inventors were needed (1). As a supplementary proposal, one suggestion was that Patent Office fees should be made deductible from personal income tax and, as well, that a tax rebate for fees paid to patent agents be allowed (1). Only one brief indicated any degree of opposition, showing concern for the revenue that might be lost to the Patent Office through the non-payment of fees (1).

Opposition was expressed to section 4(2) in one brief (1). The same brief also expressed opposition to section 4(3) on the understanding that automatic jurisdiction would be given to the Commissioner to vary or implement regulations respecting time limits or procedures within the Patent Office (1), although it was conceded that the Commissioner should have some power to vary time limits (2).

On the question of the pre-publication of proposed regulations pursuant to section 4(4) there was a concern that the 60 days provided might be too short (3). It was observed that many of the persons interested in Canadian patent regulations were overseas (1). One suggestion was that the period be set at nine to twelve months (1), another was that a right to oral hearings in public should be created in the statute (2).

#### Section 5

No comments were specifically directed to this particular section. Commenting elsewhere on provisions under sections 26 and 50 that would encourage the early filing of applications in Canada, one brief stated that one of the main benefits of PCT was the extra time beyond the 12-month convention period available to inventors for deciding on the extent of international protection of their inventions (1).

In discussing the disclosure requirements under section 34, however, reference was made to the possibility that section 34 might violate articles 5 and 27 of PCT (1). A conflict might therefore arise between the limitations on the scope of regulations which might be passed pursuant to section 34 and the jurisdiction that the Governor in Council would have under section 5 to revise the disclosure standards of the patent law.

#### Section 6

No comments were received on this section.

#### Section 7

There was overwhelming opposition to this provision, to such an extent that references in opposition have not been cross-referenced. Some of the arguments included the observation that 10 years would be too short.

to test a law which would allow patents to last for 14 years. Another observation was the concern that Parliament would be incapable of acting within 20 days to extend the deadline set under section 7. The analogy to the Bank Act provision was criticized on the basis that the continued flow of patents would not be as essential and pressing as the continued operation of banks. Finally, a further concern, widely held, was that the "on trial" image created by this section would deter the filing of patent applications towards the end of the initial 10-year period and lead to a general breakdown of the Canadian patent system.

## CHAPTER 1

### Section 10

The essential principle inherent in section 10 is the adoption of the European Patent Treaty standards for defining patentable subject matter. Support for section 10 appeared in several briefs (7). Some briefs supported in principle the general alignment of the wording of the Canadian statute with foreign law (3). One brief, however, was emphatic that the Canadian law should parallel the U.S. law (1). This brief suggested that adoption of a different definition of patentability from that used in the U.S. law would reduce the efforts of Americans to encourage manufacturing in Canada (1).

### Section 11

the specific definition of "susceptible of industrial application" some concern was shown with the meaning of this term. Would the definition extend to an invention suitable only for use in laboratory research (1)? It was also suggested that section 11 was not an adequate substitute for the present criteria of utility (1). On the other hand, another brief showed concern that section 11, unlike the present law, would require that the patentee had reached the stage of commercial utility as of the date of filing (1). Concern was also expressed that this section would impose a requirement of commercial success as a pre-condition to patentability (1). A question was raised as to whether susceptibility to industrial application would have to be apparent at the time of application (1).

Finally, one brief observed that the addition of the word "commercial" over the wording of EPT made the definition too broad (1).

### Section 12

Several briefs supported the inclusion of this section either in principle or as expressed (3). It was stated that no one should be able to claim ownership for frivolous changes (1). One brief interpreted the wording of this section as applying only to the process inventions, i.e. inventions entailing "steps" (1). Concern was also expressed that section 12 might allow the undue combination of the prior art to imply that a disclosed invention was, in fact, obvious (1).



Sections 13, 14(1) and (2)

These sections establish the two criteria of absolute novelty and the first-to-file concept as pre-conditions to the granting of patents. Discussing first the absolute novelty concept, some briefs appeared to be in support of this principle (5). Other briefs argued against this standard as being too stringent (10). Some of these briefs showed particular opposition to the possibility that prior oral disclosures could constitute a bar (2). Another brief argued that nominal use should not invalidate a subsequent patent application. Instead, only "actual significant commercial use" should constitute a bar (1). Another brief argued against foreign use as a bar (1).

Other arguments made against the absolute novelty standard included the suggestion that it would entail increased administrative costs by requiring reference to foreign use and disclosure (2). Another brief argued in favour of a local novelty standard on the basis that more patents would be available to support innovation in Canada (1).

It was observed that, although the absolute novelty standard was not considered to be rational, its adoption would not seriously impair the patent system (1). Another brief suggested that one possible advantage inherent in the absolute novelty standard was that it would reduce the number of patents granted, and therefore increase the scope for potential competitive manufacture or importation (1).

On the first-to-file concept, a substantial number of briefs indicated their support for this proposal (24). On the other hand, a number of briefs were opposed to the first-to-file system preferring the present first-to-invent system (11). The fear was expressed that this system would reduce the ability of industry to engage in the free exchange of information prior to the filing of patent applications (1). Two briefs, one from a research laboratory, were particularly concerned about this change (2). The fear was also expressed that unsophisticated inventors would have to be warned not to discuss their inventions with others before filing a patent application (1).

Another ground for opposing the first-to-file concept was the belief that inventors needed further time to develop their inventions or to determine whether or not they wished to file for a patent (2). According to this view, the first-to-file system would force premature and incomplete filings on the part of persons who wished to avoid fraudulent filings by others (2). One suggestion to improve the present first-to-invent system was the proposal that inventors be diligent in filing, i.e. filing within two years of their date of conception (1).

Other comments made under this heading included the observation that patent agents might be subjected to increased liability in cases where they had delayed filing applications. This could result in higher fees being charged (1). Another observation was that, by reason of special features of the present U.S. law, Canadians were already on a first-to-file basis when seeking to obtain patent rights in the United States (1).

Only one brief indicated concern that section 14(2) would make a prior co-pending unpublished application prior art for purposes of both novelty and obviousness against a later filed application (1). The fact that such unpublished documents would count against a later application was considered "unjustified" (1).

#### Sections 14(3), (4)

No comments were received on these provisions.

#### Section 14(5)

The only comment respecting this provision indicated confusion as to the reason for including the stipulation "related inventions" (1).

#### Section 15(1)

Several briefs indicated support for the principle under section 15(1) of limiting patents in cases where prolonged secret commercial use occurred (5). Some of these briefs observed that the prescribed period under section 15(1) should not be too short, i.e. on the order of one year was considered appropriate (3). One suggestion was that the prescribed period should only be sufficient to allow the development of technical rather than commercial practicality (1). Two briefs insisted that any period to be established under section 15 should be set by statute rather than by regulation (2).

Other comments on this section included the observation that it would reduce patenting in Canada (1) and that it corresponded with U.S. case law (1).

#### Section 15(2)

Several briefs were opposed to the granting of shortened protection in the case of inventions already in commercial use at the time of filing (3). It was suggested that there was no foreign precedent for such a feature (1). It was also stated that a nine-year period was too short to generate a sufficient return to patentees to justify filing a patent application and that, therefore, inventors would resort to secrecy (2).

One suggestion made to improve the wording was that the section should provide that "a patent shall not issue for an invention, etc." (1).

Another observation was that section 15(2) as drafted would have the effect of cutting down the patent term even where the secret use was by another person. An alternate wording suggested was as follows:

"The term of any patent which issues to an applicant who operated his invention in secret commercial use during the period prescribed in subsection (1) shall not extend beyond nine years from the priority date of the patent." (1)

## Section 16

This section deals with the different grace periods which would exist under the proposed law. There was no overall objection to the principles of section 16 as proposed. One commentary gave express approval to these provisions (1). Another brief supported complete elimination of any form of general grace period which would protect applicants from disclosures made prior to filing (1).

Many briefs showed concern that some form of special grace period should be retained to permit inventors to disclose their inventions publicly before filing for a patent (17). The need for such a grace period was based on various arguments. One observation was that researchers often need to disclose their work at an early stage, prior to making a decision to file for patent protection (3). Other briefs indicated that the absence of a general grace period would work a hardship against applicants who had disclosed their inventions publicly before filing for patent protection (3). The absence of a general grace period was characterized as 'harsh' (1).

Commenting on alternate procedures for protecting applicants against such a bar, some briefs suggested that some form of provisional application, as permitted under U.K. law, was needed (2). One brief expressed a preference for the present two-year grace period, without indicating whether it should cover disclosures by third parties as well (1). Other briefs indicated support for a one-year grace period without making the same distinction (2). One brief suggested the grace period under section 16(1)a should be set at one year, as in the U.S. (1). Another brief observed that if Canada did not have a grace period equivalent to that existing in the U.S., there would be fewer applications by U.S. applicants who, relying on the U.S. grace period, would thereby become barred in Canada (1). Fewer patents would mean fewer licences (1). Two briefs indicated there should be at least a six-month grace period in order to permit patentees to evaluate their invention before filing (2). A staged rather than abrupt transition to a six-month grace period was also recommended with a one-year grace period being retained for the first five years of the new law (1).

Other points made under this section included concern about bidding on government contracts (1). One brief, commenting on possible prejudice arising from pre-filing disclosures by companies, specifically on the impact that a grace period would have on foreign filing, suggested that any grace period in Canada would not affect the majority of foreign inventors in any event, who proceed on the basis that such grace periods do not exist abroad (1). A further suggestion was to structure the grace period so that any form of use outside of Canada should not be a bar (1).

Comments on the specific provisions of section 16 included the observation that the word "evident" in section 16(1)a was redundant and would be litigious (2). The same concern for the litigious nature of the concept of "necessary experimental activities" under section 16(1)c was also raised (1). Another brief made the observation that a fixed six-month deadline for carrying out public experiments might prove insufficient in many cases (1).

Rebutting one of the arguments in the Working Paper, one brief doubted that the presence of a grace period would create a false sense of security which would induce Canadians to lose their foreign patent rights (1). Another brief suggested that the scope of any grace period should extend to cover prior use in Canada (1). A further brief showed concern about the uncertainty of relying on regulations under section 16(5) -- (1).

### Section 17

Several briefs supported the principle of including in the statute a list of excluded subject matter as specified under section 17 -- (3). Other briefs suggested that it would be preferable to rely upon jurisprudence, perhaps based on a new definition of "invention" to develop exclusions under the new law (2). One of these briefs indicated doubt that the historical list of exclusions that had been developed by the courts and codified under section 17 was actually justified (1).

Commenting on these specific exclusions listed under section 17, one brief recommended deleting "discoveries" from section 17(1)a -- (1). An alternate suggestion was that section 17(1)a should be preceded by the qualifying word "mere" (1). On the question of computer programs, some specific support was received for their proposed exclusion from patentability (4). One brief conceded that it was very complex to provide protection for computer programs (1). Another brief, firmly supporting the exclusion of computer programs from patenting, feared that evasive claim drafting would be capable of covering de facto programs in the form of specialized computers (1). One brief accepted section 17(1)d as a useful provision for precluding patenting of "programmed computers" (1). Another brief found the wording of section 17(1)c) and d) unclear (1).

Several briefs implied that it might still be appropriate to grant patents for computer programs, particularly if the early publication of applications was coupled with the possibility of opposition (1). A desire to ensure that protection might be available for a novel combination of novel data processors was also expressed (1). Another brief observed that the working paper discussion on the exclusion of computer programs was superficial (1). Finally, one brief commented that the attempt to exclude a novel apparatus in the form of a "programed computer" under section 17(1)d was without precedent (1).

Commenting on other explicit exclusions, one brief supported the exclusion of surgical methods under section 17(1)g (1).

There was opposition in numerous briefs to the possibility that the list of exclusions from patentable subject matter might be varied by regulations passed pursuant to section 17(3). References in opposition to this section have not been catalogued. One brief did expressly state that the inclusion of section 17(3) was not considered objectionable (1). Another expressed the belief that the existing jurisprudence was sufficient to identify all the subjects which should be excluded from patentability (1).



The grounds for opposing inclusion of section 17(3) included the fear that the scope of patentable subject matter might more easily be narrowed through the passage of regulations than would be possible through amendment by means of a bill before Parliament (1); the concern for difficulty of predicting the law when it is subject to variation by regulation (1); the belief that the scope of patentable subject matter is at the heart of the patent system and should not be left to the regulation making process (3) but is strictly a matter for Parliament and judicial interpretation (1).

## CHAPTER 2

### Section 20

This section defines the rights of patentees following the format of the European Common Market Convention for a Community Patent but with the deletion under section 20(1)b of full protection for process inventions against the importation of goods produced abroad. Comments on this latter deletion are discussed under section 22 (below).

There were few comments on the actual wording of section 20. One brief found the wording of this section as a whole to be obscure (1). Another found the expression "putting a process on the market" to be confusing (1). One brief expressed the fear that by enumerating the rights of the patentee under section 20(1)a, such rights might become unduly limited (1). Another brief objected to section 20(2) on the basis of an objection to the principles of the various exclusions enumerated thereunder (1).

### Section 21

Numerous briefs supported the inclusion of the concept of contributory infringement in principle (13). Others gave qualified support, indicating that the wording was perhaps too broad (3).

Some briefs expressed a preference for the present concept of conspiracy or inducement to infringe, or endorsed section 21 on the understanding that it was limited to a codification of the present law (3). One brief expressed support for this section but suggested that it should be restricted to cases where a supplier had actual knowledge of the existence of infringement or was inducing infringement (1). A further brief indicated a fear that this section might force suppliers to extract an undertaking from purchasers not to infringe (1). This same brief observed that a dilemma might exist in cases where the Combines Investigation Act made refusal to deal a criminal offence (1).

Several briefs opposed this provision. One argument against its adoption was that section 21 departed from the concept of strict claim liability (1). Another objected that businessmen should never be liable for the sale of know products even if they were being used to commit an infringement (1). In a similar vein, it was suggested that suppliers should not be responsible for the actions of end users over which they have no control (1).

One brief made the point that section 21 should be extended further to apply to persons supplying foreign infringers with the means to infringe (1). Another brief raised the question whether section 21 should be extended to apply in cases where pre-grant use of an invention was taking place, subject to the obligation of paying compensation pursuant to section 23 -- (1).

## Section 22

A few briefs indicated support for the qualified protection afforded process inventions under this section (3). A large number of briefs opposed the limited protection created under section 22, preferring full powers for patentees to exclude goods manufactured abroad by means of process invention patented in Canada (10). One concern was that the demand of the Canadian market could be totally saturated by imports before the establishment of local working in Canada (4). Another was that the section may reduce the extent to which foreigners may seek the patenting of process inventions in Canada (3). Two briefs indicated that the absence of full protection for process inventions would prejudice Canadian manufacturers (2).

One brief considered this section a "gimmick" to encourage local working (1). Another, while conceding that it may allow a temporary advantage for consumers in the easy availability of goods to the public, argued that the qualified protection for process inventions established under section 22 would make industrialists reluctant to develop inventions and technology in Canada (1). In a similar vein, a further brief argued that by granting full rights against importers in the case of process inventions, even prior to or without any manufacturing in Canada, innovation will be encouraged (1). Another brief, indicating great concern, observed that patentees may have sound reasons "not to rush an invention into uneconomic use...even if a competitor might wish to do so" (1).

One brief, observing that the present U.S. law essentially parallels the effects of section 22, indicated a belief that the U.S. law would be amended eventually (1).

One brief observed that by granting protection only for inventions which were actually being worked, the protection that might otherwise arise, through collateral unworked patents covering competitively similar processes, would be lost (1).

Another brief indicated that if section 22 should be retained, then provisions should be added to prevent stock piling of goods in anticipation of local working (1). Additionally, the presumption now afforded under present section 41(2) should be retained, at least for the benefit of patents issued under the present Act (1).

Commenting on the specific details of the section, the potential conditions that might be imposed under section 22(3) were characterized as necessary bureaucratic supervision (1). One brief was opposed to granting power to pass regulations defining such conditions under section 22(3)d -- (1). On the other hand, another brief conceded that reliance on regulatory powers would be appropriate under this section (1). Another brief indicated a reluctance to see the Patent Authority charged with responsibility for determining whether local working actually existed (1).

### Section 23

General support for inclusion of this provision, which would entitle patentees to collect compensation for pre-grant use of their inventions, occurred in many briefs, particularly in the event that applications are subjected to early publication under section 40 -- (7). A few briefs indicated opposition, citing as reasons that section 23(2) would serve as an invitation to pirate (1); and the fear that the section would cause broad speculative claiming (2); and indicating a preference for rapid examination in cases of need rather than reliance on section 23 (2).

Other briefs concentrated on the terms and conditions which would apply under section 23. Some briefs preferred that compensation run from the date of publication of an application rather than from the date the user first acquired notice of the application (5). One brief observed that running liability from the date of notice only put a premium on indolence and neglect (1).

Briefs also commented on the standard of compensation under section 23. One indicated a preference for the court to determine the degree of compensation (1). There was argument in favour of the standard of 'damages' for compensation rather than that of the willing-licensor/willing-licensee test (3). Another view was that the scope of royalty under section 23(3) be left open to the Patent Authority's discretion (1). The proposed standard under section 23(3) was also criticized as being insufficient to compensate patentees in cases where examination delay could use up a substantial proportion of the patent term (1).

One brief indicated specific approval for the proposition that compensation would be limited to the claims as granted (1). The right to take interim proceedings under section 23(5) was approved as providing useful protection to the patentee, with the reservation that it might not go far enough (1).

Two further observations were that section 23 compensation should not be payable if the patent were subsequently revoked after grant (1), and that compensation payable should accumulate interest (1).

### Section 24

Most of the commentary under this section was focussed on the provisions of subsections 24(1)e,f,g. One brief allowed, however, that section 24(1) was not objectionable in principle (1). The scope of section 24(1)a in its application to use for the public benefit, such as harbour dredging, was questioned (1). It was also suggested that section 24(3) be clarified to ensure that regulations passed thereunder would not affect the scope of section 24 -- (1).

The provisions under subsections 24(1)e,f,g, which would have permitted Canadian industry to incorporate freely patented technology in to products sold abroad, were considered objectionable by an overwhelming number of briefs -- approximately 50 of the first 230 briefs and letters received. Only two briefs indicated any qualified degree of support. One company indicated that it was not disturbed by this provision, agreeing that it would encourage the exploitation of export markets by Canadian industry

generally (1). Another singled out section 24(1)e as unobjectionable on the basis that it would merely permit Canada to serve as a conduit for the import and re-export of a patented product (1). The commentaries and grounds under which these provisions were opposed were diverse. It was suggested that the provision would be too difficult to enforce since it could serve as a guise for production directed to infringing sales within Canada (7). Fear was expressed that this provision would require a bureaucratic agency to ensure its enforcement (2). Another ground for objecting was that Canadian inventors would no longer be able to suppress Canadian competitors who were selling in foreign markets, but rather would have to rely on the more expensive and uncertain procedure of acquiring and enforcing patents in foreign markets (6). A preference was expressed in some briefs to being able to suppress competitive infringement at its manufacturing source, even where foreign patents had been acquired and were available to exclude competition in the foreign market (2). One company stated that many of its foreign sales were in less developed countries where no patents were being obtained (1).

One brief indicated that "many manufacturers obtain Canadian patents merely to protect their U.S. market" by stopping infringement at the source, and that if section 24(1)e,f,g, were to go forward, then a substantial falling-off of applications from the U.S. would occur (1). Other briefs expressed the concern that section 24 (1)e,f,g, would tend to reduce the extent of patent filings in Canada (1). In the same vein, another brief suggested that the provision would reduce efforts by Americans to encourage manufacturing in Canada (1).

On the other hand, the fear was expressed that U.S. competitors would tend to use Canada as a base to supply export markets, and, while such use would create jobs in Canada, such jobs would be at the expense of employment at the patentee's factory (1).

Some of the opposition appeared based on the fact that these provisions would constitute a derogation from the traditional rights of inventors (1). The provision was characterized as unfair to inventors (1); quite unacceptable to the patent owner (1) and utterly ridiculous (1).

One brief, while opposed to the provision, considered it to be only minor and unlikely to serve as a disincentive to export (1). Several briefs argued that the provisions of section 24(1)e,f,g, would reduce the exploitation of foreign export markets by Canadian patentees, particularly where Canadian competitors acquire patented components from low cost foreign sources (3). It was observed that competing Canadian sources for export markets would not have to carry the R&D costs incurred by the patentee and would, therefore, be able to undercut sales of the patentee abroad (1). Loss of such export markets would raise the costs to Canadians of patented goods because the Canadian market can only support small-scale production (1). This effect could even render Canadian patents useless because of the relatively small size of the Canadian markets (1).

An alternate viewpoint was that this provision could lead to a misallocation of Canadian resources by shifting production into supplying export markets in which no patents existed (1).



Several briefs commented that section 24 (1) e,f,g violates the principle under Article 4 bis the Paris Convention that patent rights in each country should be independent of patent rights granted in other countries (4). This argument appears to have been based either on the reference to foreign patent rights in the portion of the working paper that discussed the policy behind section 24(1)e,f,g, or on the fact that patentees would be forced to rely on foreign patent rights to obtain exclusivity abroad.

Another observation supporting opposition to these provisions was the fact that U.S. law does not prevent the importation of goods manufactured abroad through use of a process invention. This hiatus, coupled with sections 24(1)e,f,g would deny a Canadian patentee any ability to stop a Canadian competitor from using a process invention in Canada to supply the U.S. market (2). There was also an objection to Canada becoming a base for international infringement (1). Another brief warned of possible international retaliation (1).

Several briefs emphasized the importance to Canadian industry of exploiting foreign markets (3). The rights excluded by section 24(1)e, f,g were emphasized as not being minimal (1). Exclusion of rights in these areas would mean a loss to Canadian patentees (1).

One brief suggested that no need for section 24(1)e,f,g, had been shown (1). Another observed that foreigners were willing to license Canadian manufacturers in any event (1). In cases where foreigners are not manufacturing in Canada, a compulsory licence would always be available (1). Once one person began manufacturing in Canada, there seemed no reason to allow a second manufacturer to become established (1).

Other observations on the proposal contained in section 24(1)e,f,g, included:

- little interest would probably exist in manufacturing purely for export markets (1);
- Canadian industry is unlikely to export under this provision because it is generally non-competitive in international markets (1);
- the provision "would mean the end of patent practice in Canada" (1);
- the right to re-export seems inconsistent (1);
- the provision will not guarantee access to foreign markets because of the existence of foreign patent barriers (1);
- the provision will discourage processing in Canada (1);
- "this proposal will encourage wholesale copying of patented inventions in Canada by Canadian companies who will export the products after manufacture in Canada" (1);

- section 24(1)e,f,g, will weaken the development of industry in Canada. "Only if every manner of practice of invention is sufficiently protected" will there be growth in manufacturing and export from Canada (1);
- the provision will remove the power of Canadian patentees to grant exclusive licences (1);
- implementation of this proposal would cause transfer of technology to Canada to fall off out of fear that export competitors would be created and research in Canada would be severely curtailed (2);
- foreign licensors would charge higher 'front-end' fees for technology because of the risks that would be created by this provision (1).

One company emphasized in its brief that even though it was a heavy exporter, it was opposed to the inclusion of these provisions (1). Another company stated that export sales have helped support its R&D activities in Canada (1).

Commenting on the details of this section, one brief expressed uncertainty as to whether section 24(1)e would allow use of a patented production machine in Canada to make a non-patented product for export (1). Reliance on regulations to establish the procedures of section 24(3) was criticized by one brief (1).

Two suggestions were made for alternatives which, while not necessarily supported, were offered as preferable to section 24(1)e,f,g, as drafted. One was that the freedom of competitors to manufacture for export should be subject to suspension once the patentee established local working in Canada (1); the other was that a right to export might be made available under compulsory licensing (2).

## Section 25

This section would introduce the concept of 'exhaustion' into the law according to which Canadian patent rights could not be asserted against goods that had already been sold on the market by the patentee or a person related to the patentee. A few briefs indicated support for inclusion of some degree of the exhaustion concept in the Canadian patent law (5). It was suggested in one brief that products prepared abroad by a process patented in Canada "should obviously be permitted to be imported into Canada if they are made abroad by the patentee or his licensee" (1). Several briefs, accepting the scope of world-wide exhaustion established under section 25(1), were opposed to any definition of "related person" under section 25(2) which extended beyond the patentee and his direct affiliates (2). Some of the briefs gave support to a qualified form of exhaustion such as applying only where goods were sold by the patentee without restriction (as this is the present law) (1) or where the original sale occurred in Canada (1).

On the other hand, some 65 briefs registered opposition to the proposal in section 25, citing a variety of reasons. One observation made was that there was no evidence that patents contributed to international price discrimination (3). Other briefs conceded that international price discrimination may exist, but argued that patents were not an important factor (2); or that factors relating to resource allocation justified such discrimination (1); or that price differentials were inevitable because Canadian distribution costs were higher (1) and were justifiable if they supported the establishment of local manufacturing in Canada (1).

Doubt was expressed in a number of briefs that the patent right can potentially contribute to the creation of economically non-viable production (10). The absence of examples of this occurring was noted (1). The view was expressed that if a business is non-viable, it will fail whether or not patent protection exists (2). The inherent limited nature of the patent term was cited as a deterrent to the creation of inefficient industry under the umbrella of patent protection in Canada (2). In any event, doubt was expressed that exhaustion would effectively limit such a tendency or reduce international price discrimination if, in fact, these actually existed (2).

It was suggested that the patent law is an inappropriate vehicle for attempting to limit the establishment of inefficient industry in Canada (1). It was also suggested that the potential for competitors to "invent around" a patented invention removes much of the danger that a patent may support creation of inefficient industry (1).

Several briefs expressed the conviction that Canadian industry was inherently uneconomic relative to the world market and could never compete in terms of the costs of labour, given the productivity of Canadian labour (2). It was observed that exhaustion runs contrary to the present Canadian policy of maintaining international trade barriers (1). Another observation was that exhaustion denies the patentee the traditional right to exploit his invention territorially (1). There was a repeated objection that the principle of exhaustion would expose Canadian industry to imported low-priced goods from foreign markets and undermine the incentive to establish local manufacturing in Canada (10). One brief stated that it was completely illogical to favour importers (foreign manufacturers) over Canadian manufacturers for the sake of keeping lower price levels for the consumer (1). The view was expressed that the negative effect of exhaustion far outbalanced any beneficial incentive to local working that might arise out of adoption of split-term (1).

The impact of exhaustion on Canadian industry would be particularly significant in view of Canada's proximity to the United States (1) and the increasing industrialization of developing countries which have lower overall production costs (2). It was suggested that the inability of Canadian industry to compete against international industrial giants is getting worse (1) and that Canada cannot afford to abandon all, or even most, of its manufacturing activity now or in the next decades (1). The effect of exhaustion, it was argued by some briefs, would be to shift manufacturing abroad along with research and development activities (2). A further observation was that infant industries are often initially inefficient and that exhaustion would give no opportunity to get beyond this stage (5). Even established industries needed time to build up their reputation as available suppliers of a new

product before they could begin producing efficiently (1).

Another concern expressed was that the full implementation of exhaustion would reduce the extent to which foreigners would tend to obtain patents in Canada or license such patents to Canadian industry (6).

A number of briefs argued that it was inappropriate that exhaustion should be unilaterally incorporated into the Canadian patent law in derogation of the rights of Canadian patentees, in the absence of the adoption of a similar principle abroad that would allow the goods of Canadian licensees to enter foreign markets (12). As a related factor, it was suggested that Canadian industry could not take advantage of or rely on making sales abroad because it faced foreign tariffs (1).

Several briefs pointed out that the adoption of exhaustion within the European Common Market was not a precedent for the adoption of world scale exhaustion under Canadian law. Exhaustion within the EEC was limited to the common market itself (1). It was further suggested that there was no precedent for the adoption of world scale exhaustion in a national patent law (1) and that Canada should await developments within the EEC before adopting exhaustion as part of Canada's national laws (1). The unilateral adoption of exhaustion would put Canada out of step with the rest of the world (1).

The fear was expressed in a number of briefs that exhaustion would limit the ability of Canadian industry to license its inventions abroad in view of the possibility that the goods of the foreign licensee could, under the exhaustion principle, re-enter Canada in competition with goods manufactured in Canada (8). Sales by U.S. licensees, it was suggested, would always undercut the prices of Canadian manufacturers (1). Royalties paid on such sales would not make up for lost manufacturing profit (1). Loss of sales based on Canadian production would also mean a loss of purchasing power in the hands of Canadian workers (1).

The effect of the requirement that exhausted goods must first be introduced into the foreign market before being entitled to enter Canada under the exhaustion principle was also discussed. The fear was expressed that although sale on a foreign market would normally entail a markup over costs, foreign licensees might engage in dumping or price-cutting based on production over-runs, thereby achieving an economic effect equivalent to direct competition (4).

One brief estimated that the advantages associated with exhaustion were not worth the costs; that the uncertainty created in the value of the patent right would be high and the probable beneficial effects would be low (1). This brief concluded that it would be better for Canada to have an uncompetitive industry, rather than no industry (1). Another observation was that the policy of exhaustion would create a threat of import competition based on foreign produced exhausted goods, and that any fragmentation of the Canadian market resulting from such importation could leave the Canadian producer with wasted extra capacity (2).



A number of briefs cited the reference to the existence of foreign patents under section 25(2) as violating the principle of the independence of patents established under the Paris Convention (6). One brief claimed that this provision violated the principle of non-discrimination against foreigners inherent in the national treatment clause of the convention (1).

Some briefs remarked on the inadequacy of tariff protection as a substitute for the kind of protection offered newly established industries by the patent right. Tariffs were suggested to be inadequate because they were not specific to a given product (1) and were subject to retaliation (2).

Commenting on possible reaction abroad to the adoption of exhaustion as part of the Canadian law, one brief suggested that it would be beneficial for MNE's since it would encourage them to ensure that the Canadian market was supplied from the most efficient source (1). Another brief, however, indicated the belief that the U.S. would retaliate if exhaustion were adopted as part of Canadian law (1).

Commenting on the specific provisions of section 25, one brief objected to the inclusion of historically related licensees under section 25(2) on the basis that such a provision would be a major barrier to the granting of temporary licences (1). Several briefs objected to the possible enlargement of the definition of "related persons" pursuant to regulations under section 25(4) - (5). As an alternative, one of these briefs suggested that the statute should guarantee a right for the public to make submissions at oral hearings before any regulations are passed under this section (1). The shifting of the burden of proof under section 25(6) was considered to be highly detrimental to the patentee (10). Section 25(3) was also objected to in one brief (1).

Some briefs suggested alternatives for moderating the problems giving rise to the exhaustion proposals, including the creation of compulsory licences (1) or special taxes and compulsory dividends (1) in cases where price discrimination was actually demonstrated; the creation of discretionary exemptions from the exhaustion principle in special cases to ensure that the establishment of local manufacturing would still be encouraged (1); or a generalized right for patentees to argue reasons justifying the suspension of exhaustion (1). One brief recommended that, if adopted, exhaustion should only be imposed on existing patents after a two-year grace period (1). Another brief, opposed in principle to world scale exhaustion, suggested that, if adopted, the concept should be limited to cases where the original sale took place under the umbrella of patent protection (1).

#### Sections 26, 27

These two sections establish the duration and conditions which govern the term of protection. They refer specifically to requirements for payment of maintenance fees and the filing of information returns at three year intervals, the date for commencement of the patent term and the requirement that local working must be established by the end of an initial term to secure the extension of the patent for a further term. Analysis of commentaries on these sections will be characterized under these headings.

## Maintenance Fees

A number of briefs indicated that they could support or accept the introduction of an obligation for patentees to pay maintenance fees at regular periods throughout the patent term as a condition for continuing the patent right (13). On the other hand, a number of briefs indicated either opposition to maintenance fees or concerns about the burden that such fees would impose (20).

Those in favour of maintenance fees indicated various grounds for giving such support. One view was that maintenance fees were inevitable (1). Another was that increased filing fees and maintenance fees would discourage frivolous applications (1). A further ground was that such fees would prevent abuses and encourage the abandonment of "deadwood" patents (2). In a similar vein, it was suggested that renewal fees could usefully be used to terminate patents which were not being worked in Canada (1). It was suggested that maintenance fees alone were capable of achieving much of the objective behind the proposal for a split term (2).

Those supporting fees had different views as to when they should be payable. One suggestion was that fees should be payable annually (2). Another supported the limitation of fees to three year intervals (1). A further brief recommended fees at the fifth and the tenth year only (1). One comment was that making fees due at odd intervals did not accord with international practice and would raise the administrative expense of paying such fees (1). Two briefs supported the proposal that fees be made payable with respect to pending applications that had not yet been granted patent (2).

Those opposed to maintenance fees indicated their concern for administrative complexity (1) or the administrative costs associated with the payment of such fees (2). It was suggested that fees would not be a burden on the patentee (1) but would be a barrier to the continued maintenance of patent right (1). It was suggested that such fees served no useful purpose and would lead to more bureaucratic paper work (2).

The absence of maintenance fees in Canada was cited as an attractive feature of the Canadian law which encouraged many Americans to obtain patents in Canada (1). Fee requirements would deter filings (1). It was suggested that if Canada adopted fees without similar fees being established in the United States, it might shift the establishment of new industry to the United States (1). One brief doubted that maintenance fees were beneficial (1). The view was expressed that such fees would tend to hurt small inventors in Canada in particular (1).

As to the scale of fees, several briefs indicated that they should be relatively small (2). One brief, opposed to maintenance fees, argued that no attempt should be made to recover the cost of operating the Patent Office through the charging of fees generally (1).

Doubt was expressed that maintenance fees would raise substantial revenue (1). Another brief observed that present patent fees were relatively low and perhaps should be raised (1). One brief supported the concept of fees that escalated over time (1).

It was suggested that if maintenance fees were established, provisions should be included to allow the reinstatement of patents that have lapsed for the non-payment of fees (1).

#### Information filings

A number of briefs indicated support for some degree of information gathering (13). Most of the briefs supporting this proposal placed some qualifications on the scope of information collection. Some of their concerns were similar to those opposed to an information gathering power. It was suggested that too onerous a demand for data collection would reduce patenting (2); that the collection of information could be costly and burdensome (4) and that only reasonable efforts to gather data should be expected of patentees (2). The costs for holders of large patent portfolios could be enormous (1). Some of those supporting information collection would restrict it to relevant, non-prejudicial, non-burdensome data (1) or data relating only to use or working of an invention (3). One brief would include information on payments made to foreigners (1). Another brief felt that information should be restricted to "use of the patent right" rather than to the "invention" (1). One suggestion was that data collection should be limited to working or licensing in Canada (1).

A number of briefs showed concern that data collected should be kept confidential. The absence of confidentiality was seen as placing patentees at a competitive disadvantage (1). The suggestion was made that only aggregate data should be made public (1). There was a warning that the disclosure of licence terms would reduce the degree of licensing (1). The suggestion was made that the statute itself should recite the terms of confidentiality (1).

Among the briefs opposing data collection, it was suggested that too much information would be generated, to the extent that it would be impossible to digest (2). This was expressed in another brief as opposition to massive information collection (1). It was suggested that if an information obligation was imposed in Canada but not in the United States it might tend to shift the establishment of new industry to the U.S. (1). One brief expressed the view that the collection of the full scope of information perceived as being contemplated by the Working Paper "strikes at the root of the free enterprise system" (1). Another brief referred to information collection as "a flagrant intrusion of the state into private industry" (1). The imposition of any information burden, including information on whether an invention was being worked locally, was considered by another brief as an unwarranted imposition on the patentee (1).

Several briefs discussed the scope of information gathering powers. It was suggested that such powers must be expressly limited in the act (2) and that there must be a reasonable delineation of the scope of such powers (2). Concern for the breadth of ministerial discretion under the working of proposed section 26(3) was expressed (1). There was opposition to reliance on regulations to define information requirements (2), but

it was conceded in another brief that use of the regulatory power might be appropriate in this particular case (1). One brief recommended that the collection of data should not be a rigid statutory requirement, but should be suspendible in the event it proved to be unproductive (1). Another brief suggested that the nature of the information to be gathered needed to be identified, together with the proposed form of analysis, to demonstrate its relevance before provisions establishing such information collection powers were enacted (1). The fear was expressed that a skewed collection of data might misrepresent the actual value of the patent system (1).

It was observed that difficulties with the collection of information would arise during the transition period when patents under both the old act and the new act would be in force (1).

Referring to the sanctions to support collection of data, one brief indicated a preference for encouraging but not forcing the disclosure of such information (1). A suggestion was made that in lieu of lapse of patent rights, such rights could be suspended, and, for any period of default, the right to collect damages or royalties could be denied (1). Suspension would only occur after several notices of default had been delivered (1). Intervening rights arising in any interim period of default would be confined to acquired goods (1). Another suggestion was that any information collection program should be based on a sampling format (1).

#### Commencement of the Patent Term

There appeared to be general acceptance of shifting the date of commencement of the patent term from the date of grant to the date of filing an application. A few briefs mentioned this provision specifically (4). Others implied support by proposing a specific term for the patent to run from filing (18).

A number of briefs indicated either an expressed or implied preference to dating the term from grant (8). One brief suggested that dating from grant should be coupled with quick examination (1). A few briefs suggested hybrid term provisions such as the shorter of 16 years from grant or 20 years from filing (1); 17 years from grant or 20 years from filing (1); a term of 14 years from priority, subject to yearly extensions on payment of annual fees up to 15 years from grant (1).

The proposal, to date commencement of the patent term from the first international filing relied upon by the applicant for priority purposes, was specifically supported in a few submissions (4). Other briefs expressed opposition to the principle of using the priority date as a reference for the commencement of dating of the patent term (2). One of these briefs indicated that it could not be understood why reliance on the foreign filing date was desirable (1). Numerous briefs suggested that reference to a foreign priority date would constitute possible violation of article 4 bis (5) of the Paris Convention (16). One brief suggested that the object of such a proposal appeared to be to deny



foreigners the benefit of the priority period, observing that foreigners were at an inherent disadvantage because of their removal from the local market (1). Another brief expressed the conviction that the stipulation in article 4 bis (5), that the patent term must not be dependent on any claim to priority, was obsolete (1).

It was observed that inclusion of the priority year in the calculation of the patent term would effectively remove a year of protection at the end of term where the patent right could be of significantly greater commercial value (2). It was also stated that if the object of dating a patent from its priority filing was to encourage foreign patentees to file their Canadian applications at an early date, then this ran contrary to the philosophy inherent in the PCT of allowing patent applicants extra time beyond the 12-month convention period available to inventors for deciding on the extent of international protection of their inventions (1).

#### Duration and Division of Patent Term

With respect to the proposal to split or divide the patent term into two phases, a number of briefs expressed explicit opposition to such a division (14). Other briefs implied or indicated opposition to the concept of a split term either by referring to the possibility that a split term might violate the Paris Convention (10) or by recommending a single period for the term (see above).

Some briefs indicated support for the concept of encouraging local working but only by relying on such mechanisms as compulsory licensing (4); escalating maintenance fees (3) and tariff and tax provisions (1). To make compulsory licensing more effective it was suggested that the availability of licences for unworked patents should be advertised (1). One brief acknowledged that the Patent Act should concentrate on the obligation of patentees to manufacture in Canada, but went on to argue that the law should not be drafted in a manner which would drive patentees away (1). The same concern was expressed in another brief which supported a split term but felt that the proposal for nine plus five years would reduce filings (1).

Other briefs conceded that the encouragement of local working was a desirable objective for the patent law without specifying means for effecting this (2). A number of briefs recommended adoption of some form of split term (11).

Opinions were expressed that foreigners should be required to manufacture or licence their inventions in Canada as a condition for having a Canadian patent (1) and that the absence of local working was a major defect of modern patent systems (1). This latter observation was made in a brief that went on to state that patents were serving increasingly to protect import monopolies (1).

A few briefs indicated opposition to inclusion of any form of incentive to bias patentees towards establishing local manufacture of their inventions in Canada (4). One of the briefs suggested that only market

mechanisms should influence the decision to establish local manufacturing (1). Another observed that local working might be totally impractical in cases where potential Canadian sales volume was too low or where high Canadian production costs made export impractical (1). This brief conceded that concern might exist when patents served as "mere import monopolies" but concluded that, in any event, the patent term should not be made dependent on local working (1).

Commenting on the effectiveness of a split term as an incentive to encourage local working, several briefs expressed doubt that the prospect of a five year extension would have any significant effect (2). Others warned that a split term might induce premature or unnecessary local manufacturing (2) or otherwise lead to the establishment of inefficient local industry (1).

It was suggested in one brief that the split term, coupled with shortened periods would not only deter patenting but licensing as well (1). Another brief suggested that the combination of these two features would undermine the development of Canada's technological base by discriminating against foreigners (1). One brief expressed concern that foreign nations would retaliate if a split term were adopted in Canada to encourage local working (1).

Another objection to introduction of a split term was the potential administrative expense and burden which, it was felt, would be involved (3). The negative impact that the uncertainty associated with such a system would have on the number of patent filings (1) and on the ability of inventors to find financial backing was also cited as a ground for opposing a split term (1). One brief noted that if one object of the split term was to get rid of patents that were not effectively in use, then this could equally be obtained by charging substantial renewal fees (1).

A number of briefs indicated support for different versions of the split term. Proposals included:

- 9 plus 5 (1)
- 9 plus 5 dating from grant (allowing two years for examination) (1)
- 10 plus 5 (1)
- 10 plus 6 (1)
- 10 plus 5 plus a second five year extension (1)
- 14 plus 5 (1)
- 15 plus 5 (4)
- 16 plus 4 (1)

One brief expressed the view that the proposal to adopt a split term of nine plus five years would precipitate improvement and new inventions at an earlier date and get prices down to their proper level (1). Another brief indicated support for the split term as proposed on the understanding that the provisions relating to exhaustion would also be incorporated in the revised law (1).

Several briefs expressed concern that provision should be made for extending the initial term on a case by case basis, such as where local working was imminent (2) or where the patentee had received inadequate remuneration (2). One brief made its support for a split term conditional on inclusion of extension provisions for individual cases (1). Another observed that the draft proposals for a revised Model Law, now under consideration before the World Intellectual Property Organization in Geneva, would allow two successive extensions of five years beyond an initial term of 10 years where the patentee established legitimate reasons for granting such extensions (1).

Apart from the question of whether some form of split term might be appropriate, many briefs expressed concern that the proposed initial term of nine years dating from the priority filing was an insufficient period within which patentees could be expected to arrange for local working. This was said to be particularly true in the case of late-starting inventions -- such inventions would lose entirely the benefit of patent protection as an incentive for their commercial adoption (3). It was suggested that it would be ironic for a patent to lapse simply because it was not in use by the ninth year (1). It was stated that, on occasion, it might be commercially desirable to delay the adoption of new technology until existing capital equipment was worn-out (1) or until appropriate market conditions arose (1) or until any excess capacity in existing production facilities was used up (1). Other inventions might simply lie dormant for years (1), or, like the tar sands projects, be delayed in their implementation because of the scale of industry involved (1).

As to the appropriate length of an initial term, in some cases it was stated simply that nine years was not long enough to get new technology, particularly highly speculative technology, into production or to establish local working (12). Other briefs elaborated on this point and on delays that could occur following the filing of a patent application.

It was suggested that one to three years production experience was often needed to work out production problems (1); that six to eight years was a realistic average time for the introduction of new technology (1); that the average delay between filing and first commercial sale in Canada was 6.5 years (1) and that it took six years to get products on the market and overcome public resistance or reluctance to change (1). Maximum sales, according to this last brief, may not be achieved until the eleventh year (1). Other briefs indicated that five to seven or 10 years of development time was typical (3); that some projects were not ready for commercialization within 10 years (1); that 10 to 12 years was required to develop a market for most significant inventions (1); that "upwards of 10 years" was usually required for the full process of technical innovation to permit the first recovery of production costs (1); and that while first commercial use might occur at three to five years, it took five to eight years to establish the first profit (1). One company cited an instance where it had spent millions of dollars over a five-year period without even starting production (1). Another brief observed that a return on investment often did not commence until six to seven years from discovery (1).

It was suggested that nine years would prove insufficient for foreign corporations to obtain enough commercial experience at home to contemplate expansion into foreign markets (1).

On the other hand, it was stated that "patentees certainly should be able to develop a market for products under patents within a nine year period" (1). One brief felt that nine years for the first term might be acceptable on the average if the total term were 17 years rather than 14 years (1). Another indicated that while nine years was a short period of time within which to get into production, in the best interests of everyone, it was not unreasonable (1).

Marketing experience in various fields was referred to in the briefs. A company in the field of business machines reported that it experienced delays of seven years in commercializing patented technology (1). In the aircraft field one brief reported that five to ten years might be required for development with 20 years being needed to establish a return on investment (1). One firm in the business of aerial electronics reported that, in its experience, the first commercial returns on a new patented product did not occur until after five to seven years. A brief from a company in the computer business indicated that a six to ten year delay until commercialization was not uncommon for major products in a complex art (1). Another brief pointed out that in the atomic industry it took 10 to 20 years to establish actual use of a new invention (1). One brief noted that it took five years to market edible oil (1). A brief from a company in the oil refining business suggested that first use of patented inventions occurred at the minimum only after seven years (1). One brief included lists and tables showing delays to first commercial use of new inventions in a variety of fields with averages of 18 years (1) and 12 years (1). Another brief argued that the surveys carried out in the 1950's on the first commercial use of patented inventions were no longer applicable due to significant changes in technology (1).

In the chemical field the delay until the grant of the first licence was reported by one company as being on the order of 10 years for a new process (1). Another brief suggested that chemical inventions usually required eight years, and exceptionally 15 years before production commenced (1). The break-even point where sales equal production costs was reported in another brief as occurring in this industry generally after 10 years (1). A brief from a company in the field of industrial chemicals reported that it required several years to get into production and establish sales volume (1). It suggested that for agricultural chemicals 10 years was required before production could be established (1).

In the drug industry, it was reported that new products were usually introduced into the market only after 10 years (1). Advising on foreign experience, one brief reported that seven to ten years was required in Japan to introduce a new medicine into the market (1). Another brief stated that while some pharmaceuticals could be marketed within five years, this was not the usual case (1). Furthermore, according to this brief, physicians are hesitant to adopt new drugs and this further delays establishment of full market potential (1). Another brief stated that commercialization of products in fields where toxicological assessment and registration was required might be extended by a further five to six years on average beyond the normal delay (1).

Several briefs noted that in the fields of pharmaceuticals and agricultural chemicals, firms were required to obtain government approval before marketing new products (4). Data for products registered with the U.S. Environmental Protection Agency was produced showing an average delay of 97 months (eight years) from discovery to agency approval for agricultural chemicals approved during 1974-75 (1). The average period of pendency for applications seeking approval was 42 months (1).

Arguing that the required procedures tended to delay the first commercial use of these products in Canada, some of these briefs suggested that the term of patent protection in such cases should only commence once approval to sell had been obtained (3). A further suggestion was that continuing work on field development for new applications of such products should qualify as local working and attract the extended term (2).

Apart from the issue of whether the patent term should be divided and made conditional on local working, the issue of the proper length for the full term was also addressed. A number of briefs were opposed to any shortening of the patent term below that presently available (9). Some briefs suggested that the present 17 year term did not allow enough time to recover development costs either through production (1) or through licensing (1). The availability of extensions for inadequate remuneration was proposed as an addition over the term presently available (1).

On the other hand, a number of briefs indicated that some shortening of the patent term over that presently existing could be acceptable (2). In one case, support for a shortened term was conditional on the creation of special provisions to allow extensions (1). One brief stated that the present term was too long and resulted in inflated prices (1).

Some briefs argued that the total term in Canada should parallel that available under foreign laws (1). It was suggested that having a shorter term in Canada would make Canada a less attractive place for investment (1). Another brief could see no justification in Canada having a shorter term than everyone else (1).

A total term of 14 years was considered by many briefs to be inadequate (10). One brief suggested that 14 years was so short that it would tend to make secrecy a viable alternative (1). Another firm indicated that a 14 year term would substantially reduce its ability to license from its portfolio of patents (1). Specific periods of 15 years (1); 17 years (8); 18 years (1); and 20 years (18) were recommended either as optimal or alternate proposals for the term of patent protection.

It was noted in one brief that the initial years following the filing of an application were of relatively little commercial value (1). Other briefs observed that delays arising in the grant of patents would cut into the period of exclusivity that would be established during the initial term (3) even to the point of totally consuming it (1). Competitors could, as well, reduce this effective exclusivity by delaying grant through filing oppositions (1). It was suggested that if oppositions delayed grant, then the term should be extended (1).

The fact that interim compensation would be payable to the patentee on account of use of an invention after publication of an application and prior to grant was discounted in one brief as being illusory (1). Another brief expressed concern that the patentee would not enjoy any rights during the hiatus between filing and publication (1).

The view was expressed that the term of actual patent protection should be long enough to ensure patentees an opportunity to obtain some reward or profit (2). Profits on successful inventions, it was suggested, should be sufficient to cover research leading to failures (1).

Various views were expressed on the number of years of exclusive commercial production required by patentees. Four years of exclusivity was described in one brief as hopeless (1) and five years as insufficient in another (1). Eleven years of effective exclusivity was not considered to be enough to support manufacturing, according to a further brief (1). On the other hand, one company indicated that it considered that seven years was sufficient protection to obtain a return on capital (1).

It was observed in one brief that many successful inventions become obsolete after 17 years (1).

### CHAPTER 3

#### Section 30

This section establishes the criteria which must be met by persons applying to obtain a patent. No observations were directed to the substance of section 30(1). It was noted, however, that care should be taken to ensure that the word "person" in section 30(1)d should be defined to include corporations (1).

Several briefs commented on section 30(2) questioning its utility (1) and expressing a fear that it may be too restrictive (1). One brief, apparently overlooking the definition of "convention country" in earlier section 2, indicated concern at the omission of any reference to multilateral treaties under this section (1).

One brief stated that it supported section 30(3) as a provision for defining procedures and proof but showed concern that this provision should not be extended to interfere with the definition of entitlement to obtain a patent established under section 30(1) -- (1).

#### Section 31

The only observation on this section (which provides authority for regulations to govern the initial application procedure) was that the Patent Office, rather than the applicant, should provide the abstract required by reference under section 31(3) -- (1).

#### Section 32

This section proposed that the application procedure could, in the case of multiple inventors, be initiated by any person who believed he had an interest in the invention, coupled by a right under section 32(2) and



(3) to amend the application to name further inventors at a later date. General support for the right to add further inventors was received from a number of briefs (9). On the other hand, one brief indicated concern that section 32(1) might excuse applicants from naming all inventors associated with an invention (1). A further brief suggested that there should be clarification as to whether every inventor named in an application need contribute to every claim in any resulting patent or to every invention referred to in an application (1).

### Section 33

This section deals with the establishment of the priority date to be accorded to every application. One brief expressed opposition to section 33(1) without stating any reasons (1). Another brief indicated opposition to section 33(3) on the understanding that this section would allow either the Commissioner or the Patent Authority to set the deadline for applicants to establish their claim to priority (1). The fear was also expressed in this latter brief that sections 33(4) would make it impossible to rely on U.K. provisional applications and abandoned us applications which have been followed by continuations-in part (1).

One brief which had expressed concern with the potential scope of section 33(3) also questioned the suggestion in the Working Paper that section 33(4) could be properly cross-referenced to the Paris Convention or to the European Patent Treaty as indicated (1).

Two briefs made reference to the possibility that section 33 does not comply with the requirements of the Paris Convention articles 4E and 4H without further explanation (1). The other noted the absence of any reference to accepting multiple priority claims as required by article 4F of the Paris Convention (1). This same brief observed that if the word "conform" were to mean "identical", then this provision would not comply with the Paris Convention on this ground as well (1).

### Section 34

This section would establish the disclosure obligations imposed on patent applicants as a condition for grant of a patent. Commentary on this section was directed largely to three separate issues, namely whether disclosure requirements should be set by regulations, whether two levels of standard of disclosure should be established (applying first at the time of filing and subsequently at the time of allowance) and finally the substantive requirements for patent specifications. Three briefs indicated support for the principle of having disclosure requirements governed by regulation (3). One of these briefs indicated that although it opposed reliance on regulations in general throughout the draft law, section 34 might possibly be one case where enlarged regulation-making powers would be appropriate (1).

Of the two briefs opposing reliance on regulations, one indicated that the present law was sufficient (1) and the other argued that it would be impossible to define the disclosure requirements for applications by means of regulations -- due to the potential complexity of such regulations (1). Two briefs indicated a preference to having the Court interpret general words set out in the Act (2).

All the briefs which commented on whether there should be two standards of disclosure applying at different stages during the application process indicated some degree of opposition (9). A number of these briefs indicated that the requirement that applicants update their disclosures and provide the best information available to them at the time of grant would entail a massive and expensive rewriting of application (4). One brief observed that by imposing this obligation further doubts could be raised respecting the adequacy of disclosures thereby serving as an incentive to litigation (1). Another brief observed that the inclusion of the right to update a patent disclosure might tend to undermine the right to file for a separate improvement patent (1). Further comments were that the obligation to update disclosures would be a major deterrent to filings (1), would encourage rudimentary filings (2) and were an unnecessary complication (1).

The belief was expressed in one brief that a patent should stand or fall on the basis of the disclosure as filed (1). This latter brief argued against any requirements that applications be upgraded even in cases where examination is deferred (1).

Two briefs indicated support for the policy of allowing applicants to file with a simple initial disclosure (2).

Turning to the substantive provisions which should govern disclosure, one brief expressed a preference for maintaining high standards (1). Another indicated concern that applicants not be made subject to inordinate disclosure demands (1). A further suggestion was that Canadian disclosure requirements should go no further than the stipulations established under the Patent Co-operation Treaty (1). One brief stated that the specification should only teach the essential principle of the invention as applied by the applicant at the time of filing (1).

A number of briefs objected to the suggestion that applicants would be required to identify either the principle of an invention or the technical effect associated therewith (4). It was suggested that it was sometimes impossible to identify the principle of technical effect of an invention (1) particularly in chemical cases (1). Doubt was expressed in one brief as to the need to have applicants identify the principle of an invention (1) and another brief felt that the requirement that applicants teach "why" an invention works would be unreasonable (1).

Several briefs were critical of the requirement that applicants disclose the "best mode" for utilizing their invention (2) or that if a best mode was required, then it should be clear that the applicant need not identify the best mode as such (1).

Another observation was that any requirement to disclose the best mode as known at the date of allowance could potentially be inconsistent with the limitation in section 38(6) that would bar amendments to introduce non-obvious new matter (1).

Two briefs supported the suggestion in section 34(4)a that applicants recite known prior art in the specification (2). Another brief suggested that this requirement would be a major burden on large corporations (1). A further observation was that this additional stipulation would only serve as an additional ground for challenging validity (1).

Commenting on other provisions, one brief suggested that section 34(3)e which would prohibit erroneous or deceptive statements was directed to a largely non-existent problem (1). The proposal under section 34(4)a(iii) that the applicant identify and characterize all embodiments contemplated by the applicant as embodying the invention was perceived as unduly burdensome by two briefs (2). One brief specifically supported inclusion of section 34(4)b as a useful codification of the rules governing patent claims (1).

A further suggestion was that claims under section 34(4)b should be restricted to only one product, process, apparatus, or composition of matter to save the Patent Office costs and simplify cross-referencing of patents (1). It was suggested that this provision would also reduce the number of trivial claims and force automatic division in cases where this is appropriate (1).

#### Section 35

No comments were received on section 35.

#### Section 36

No comments were received on section 36.

#### Section 37

The effect of this section would be to impose tort liability on patentees where persons incur a loss by reason of reliance on a false statement contained within a patent disclosure. Liability would have been imposed on assignees as well to encourage review of the content of disclosures at the time of assignment. Only one brief specifically supported this provision as being appropriate to buttress the requirement that patent applications should disclose the hazards associated with use of inventions (1). One brief observed that it was certainly desirable to discourage false disclosures in patent specifications but opposed this provision as a means for doing so (1). Another suggested that the Act should specifically recite an obligation on the part of the applicant to disclose any reason known to him why the alleged invention could not be used commercially, would be dangerous to operate, or would constitute a hazard for the public health or welfare (1). Other briefs found the proposal interesting but too extreme (1), "harsh" (1), "inequitable" (1) or "over-legislation" (1) to the point of "massive overkill" (1).

A number of briefs questioned whether there was a need for a provision of this type because false disclosure was a relatively non-existent problem (6). Two briefs made the point that patent specifications were directed to persons skilled in the art and not consumers at large (2) and that any parallel to consumer legislation granting a right to

compensation for injury was inappropriate. The proposal was considered to be impractical on a number of grounds. These included the suggestion that it would entail lengthy and costly litigation (1), that it would be used to harass large corporate patentees on the basis that they would settle to avoid adverse publicity (1) and the observation that it would be very difficult to enforce the provision against foreigners (5). A further observation was that the loss of patent rights was the normal penalty for false disclosure in a specification and that the imposition of civil liability would be equivalent to a double penalty (1).

Additional arguments against this proposal included the suggestion that it would tend to reduce disclosures to the minimum requirements out of anxiety for potential liability (2) or dissuade applicants from filing in Canada (1). It was stated that it was not difficult in a complex case to leave out accidentally necessary information which could cause loss to experimenters, particularly in the case of untried inventions (1), that misleading disclosures could be made very easily (1), that in drafting broad claims composition ranges often went beyond the test data actually developed by the applicant (1). It was possible to overlook an unintentional misdirection in an application even on close inspection (1) and the costs of reviewing disclosures to preclude such errors would be enormous (1).

Some briefs objected to imposing an absolute standard of liability on the patentee, irrespective of whether or not he had made reasonable efforts to preclude a false disclosure (3). It was observed that some statements might initially appear proper but subsequently prove to be misleading (1).

Several briefs objected to the proposal that the assignee should assume liability on acquiring ownership of a patent (2). Assignees should not be required to investigate the specifications of all of the patents they acquire, according to one brief (1).

A further observation on this provision was that the authors of magazine articles were not liable for false statements they made and that, accordingly, the proposal was without precedent (1).

Commenting on the specific provisions of section 37, one brief observed that subsection 37(4) which would deny infringers the right to claim compensation would be unfair in cases where the patentee had deliberately left out essential information from the patent disclosure (1). The concept of a "prudent and observant man" referred to in the limiting subsection 37(5) was also characterized as murky and litigious (1).

### Section 38

This provision, dealing with the amendment of disclosures to applications, proposed to allow patentees generous flexibility to upgrade the specifications associated with applications and patents, as long as the scope of claims would not be broadened beyond a fixed period following the filing date. A number of briefs indicated support for the concept of flexible or generous amendment provisions (9). A number of briefs

conceded that there was a real need for more flexible amendment (2); that there should be a right to supplement the disclosure with further examples (1) and that flexible amendment provisions were a corollary to the first-to-file system (1). One brief indicated that the present law on amendment was unsatisfactory (1). Another suggested that flexibility to amend would inhibit challenges to validity (1).

Some briefs indicated support for qualified forms of flexible amendment. Flexibility to permit amendments to correct disclosures but not to amend claims was endorsed in one brief (1) in the belief that a patentee should not be entitled to claim what he had not disclosed (1). It was suggested in another brief that amendments should only be permitted for the purpose of correcting errors (1) or to correct unintentional errors (1). Other proposals would permit applicants to enlarge on the information disclosed at any time while an application was pending (1) but not after grant (1).

A number of briefs would allow substantial amendments to be introduced into applications on the condition that the new subject matter be given a later priority date. Some briefs indicated a preference for the United States continuation-in-part procedure (3) or the U.K. patent of addition (1). Another brief endorsed statutory recognition of the present supplementary disclosure procedure (1). Several briefs recommended that separate priority dates be established for each claim (2). A further view was that any additional subject matter, unless explanatory, should have a new filing date (2) and that new matter should be separate in discrete documents with separate priority dates (1).

Preference was indicated for the right to broaden claims after grant as under the present re-issue procedure, coupled with intervening rights (2). Another brief indicated opposition to the limits on the right to broaden claims established by section 38(3) - (1). Opposition to any form of post-grant amendment was also specifically expressed (2).

A number of briefs indicated opposition to any right on the part of applicants to add after the filing of an application any new matter now known at the time of filing (5). The views were expressed that a patent should stand or fall on the basis of what the inventor knew at the time he applied (1); that patentees should be restricted to their original disclosures (1), and that patentees should not be entitled to add new information by way of extensive amendments to validate otherwise invalid patents (1) or change the interpretation of the claims (1).

Provisions permitting the easy amendment of patents raised concern that they might give rise to other complications (1), that the filing of barren unworkable proposals by unscrupulous applicants would be permitted (2), or that applicants might amend their applications to cover a competitor's products (2). The fear was also expressed that in cases where patents had been subject to extensive amendments, litigation on the adequacy of disclosures would become too complex (1).

Commenting on the general scheme of section 38 one brief hesitated to endorse the proposal because it was too generous (1). Another felt that the scheme was too complicated (1). Referring to the "no inventive step" limitation established in section 38(6), concern was expressed that this would import a very complex concept into amendment procedures (1). Very often improvements or variants on an original invention may arise which are non-obvious (1). It was suggested that, examiners, not having access to the inventor, would experience difficulty in applying this test (1). Another brief, acknowledging that section 38(6) was complementary to the filing requirements for a separate application, still felt that it would impose hardships on applicants (1).

One brief observed that section 38 violated articles 5 and 27 of the Patent Co-operation Treaty (1).

### Section 39

Apart from the briefs which supported a general right to amend to identify further inventors (discussed under section 32, above) several briefs were directed to section 39 specifically. Two of them indicated general support for the provisions of section 39(2). The latter brief would, however, restrict the right to add the name of a new inventor to cases where an error had arisen through inadvertence, accident or mistake (1).

A further proposal respecting section 39(2) was that the words "naming more than one inventor" should be deleted as an unnecessary qualification (1).

### Section 39A

One brief indicated specific support for this section as a mechanism for dealing with amendment to the designation of inventorship during trial, including the right to make a reference to the Patent Office pursuant to section 39A(2) - (1).

### Section 39B

Two briefs addressed the issue of the relaxation of the restriction on applications to covering single inventions. One indicated general support for section 39B - (1) while the other recommended that applications should be restricted to contain only one claim for each product, process, apparatus or composition of matter covered (see above section 34) (1).

## CHAPTER 4

### Section 40

A large number of briefs addressed the issue of whether applications should be published at an early date. A number of briefs expressed support for such a proposal (16). One of these briefs indicated that the absence of early publication was a problem under the present law (1). On the other hand, another brief pointed out that under section 11 of the present Act Canadian industry could now determine whether an application was pending in Canada in cases where a foreign patent already existed (1). Some briefs indicated qualified support for early publication subject to certain conditions. One condition was that publication should occur not earlier



than 18 months (4) and another that the publication date should be established by the statute rather than by regulations (2).

One brief indicated that if deferred examination were adopted, then early publication would be absolutely essential (1). Another brief observed that early publication was important for persons who were concerned with possible infringement and that it was important for claims to be published as well (1). A further observation was that provision for interim safeguards should necessarily be included with any system of early publication (1).

A number of briefs observed that if early publication were adopted, then there should be limitations on the right of third parties to oppose grant (2). It was suggested that publication should be delayed until the first office action had occurred (2) and should not occur where an application had been thereafter withdrawn (1).

A number of briefs were either opposed to the early publication of applications or tended to emphasize the negative aspects of this proposal (10). Some of the reasons given included the observation that early publication was unfair if the application was rejected (1); that early publication would deter filings and encourage reliance on secrecy (2); that early publication introduced administrative complications (1) and placed a burden on firms to maintain a watching brief over patent office records (2). It was suggested that this system would work a greater hardship on private inventors and small firms (2).

The fear was expressed that the early publication of applications in Canada would lead to pre-grant competition in the United States thereby resulting in the abandonment of potential U.S. patent rights (1). Another concern was that early publication would reduce the extent to which Americans would consider manufacturing in Canada (1).

Turning to the specific details of section 40, one brief supported in particular the right of an applicant to withdraw prior to publication (1). Another indicated ambivalence on whether all correspondence pertaining to an application need be published (1). One brief indicated clear opposition to the immediate publication of "tombstone" data under section 40(4) - (1). Another indicated a preference for restricting publication to data under this section only (1).

#### Section 41

Only two briefs commented on this provision. One expressed general support for section 41 - (1) and the other discussed in greater detail the contrast between this provision and the present law (1). The latter brief noted the deletion of the statutory reference to the right of the Department of National Defence as being independently authorized to impose a secrecy requirement on pending applications (1). A further observation was that different prescribed periods might be established pursuant to section 41, depending upon the department interested in the secrecy of the application (1).

## Section 42

This section sets out the statutory provisions governing examination procedure. The major issues raised involve the onus before the Patent Office, the inclusion of provisions which would allow subsequent adoption of deferred examination or foreign examination results, and the information requirements that can be imposed on applicants in the course of examination.

On the issue of onus, a number of briefs felt that it was appropriate to place the burden of proof in proceeding before the Patent Office on the applicant (5). Other briefs indicated a preference for placing the burden on the Patent Office so that doubt would be resolved in favour of the applicant (6).

In support of this latter viewpoint several briefs suggested that it would be unfair to require the patentee to prove affirmatively that his application covered novel subject matter (1) or the non-existence of prior disclosures (2). One further suggestion was that uncertainties should be resolved in favour of the applicant only in cases where the applicant was the inventor himself (1).

Another was that the examiner should not be entitled to make unsupported rejections (1).

One brief questioned whether the cross-reference to U.S. bill S-2504 was appropriate (1).

On the issue of standby power to adopt deferred examination, a number of briefs indicated general support for this provision (11). Other briefs indicated opposition to introduction of such a system (9).

Of those briefs supporting possible deferred examination, various observations were made. One was that deferral should be for two to five years but not as long as seven years (1). Another was that deferred examination could not properly take place unless applications were published at an early date (1). One brief, applauding the proposal to establish deferred examination, commented that it would tend to reduce the burden on Patent Office examining staff (1). A further observation was that the right of third parties to precipitate examination of published applications would meet the objection of uncertainty that was often ascribed to deferred examination systems (1). In the experience of one firm, the third party initiation of examination in deferred examination systems elsewhere in the world occurred only rarely, possibly because of an absence of a right for such persons to participate in examination (1). Accordingly, this brief recommended that such third parties have a right to oppose grant of applications (1).

Of the briefs opposed to deferred examination, the following views were expressed. One brief doubted that anyone would want to defer examination (1). Another could not see why deferred examination would be appropriate in view of the fact that it was being abandoned under the U.K. patent law and the European Patent Treaty (1). Deferred examination was described as an archaic stopgap system (1) which should only be considered to reduce a backlog (1). It was suggested that speedy examination was preferable since it enabled the public to identify the final scope of any patent claims at an early date (1). Prolonged uncertainty over the

potential scope of claims was seen by another brief as a major defect of the deferred examination system (1).

One brief expressed the concern that deferred examination would reduce the tendency of Americans to establish manufacturing in Canada (1). Another was opposed to the unlimited deferral of examination as adding to the uncertainty of the patent law (1). A further observation was that deferred examination could completely transform important parts of the present granting procedure and may, therefore, not be an appropriate issue to be assigned to the regulation-making power (1).

One brief expressed the belief that the deferred examination system would simply be used to charge a special fee for examination. This brief indicated that it would not oppose deferred examination if no fee were charged over and beyond that required at the time of application (1). Other observations were that deferred examination would introduce 'idleness' (1) or encourage the Patent Office to deal slowly with applications (1). The fact that applicants may have to request examination under a deferred examination system was perceived as a burden (1).

Only a few briefs referred to the possibility of adopting the results of foreign examination pursuant to regulations passed under section 42(4)f. Several briefs supported this proposal in principle (3). Others indicated opposition (3). Opposition was based on the grounds that the proposal was impractical (1), that it would involve an inherent delay in the granting of Canadian patents (1) and that it may lead to a deterioration of Canadian classification and examination facilities (1).

A further observation under this section was that the issue was too important to be left to regulations (1).

On the subject of the information gathering powers that could be created pursuant to section 42(4)e, two briefs addressed these provisions specifically. Both indicated support for provisions which would require applicants to disclose the results of foreign search and examination (2). One of these briefs also indicated support for a general information collection power extending to use of an invention if the information demands would not be too burdensome on applicants (1).

One brief, commenting on section 42(4)3(i), observed that it was irrelevant to the examination process to require the applicant to disclose his knowledge of the extent and nature of use of his invention (1). On the other hand, the same brief generally supported the policy of assigning the various issues in section 42 to be governed by regulations passed by Order-in-Council (1).

#### Section 43

This section dealt with the procedure for pregrant opposition. A large number of briefs were either against or were concerned with the problems that would be created with the introduction of an opposition procedure (10).

A number of briefs indicated support for some form of opposition procedure (12). One of the briefs supporting pre-grant opposition indicated belief that it would be an adequate alternative to the provisions in section 88 which would allow licensees to seek revocation of the patent under which they are licensed (1).

Some briefs would support a degree of opposition on condition that examination delays are limited (2), or if oppositions were restricted to the submission of prior art (5) or prior art and written argument thereon (1). Two briefs stipulated that the submission of such documentation should be without prejudice to the right of the opponent to challenge the patent after grant (2).

Further suggestions to modify the pre-grant opposition procedure included the requirement that a real issue must be at stake (1), that opposition only be allowed once the application is in final form (1) or has been allowed by the Patent Office (1), that opponents who file unsuccessful oppositions should be subject to penalties (1) and that opposition be limited to cases where a third party precipitates examination (1). Other suggestions were that the grounds for opposition should be strictly limited (1) and that the term of the patent be extended by the amount of any delay beyond six months arising out of pre-grant opposition (1). It was also proposed that all prior art should be referred to the patent office before being subject to court review, thus motivating parties to disclose prior art to the patent office at an early date (1). A further suggestion was that those claims of applications which are not opposed should be issued immediately while the others remain subject to examination (1).

A number of briefs indicated a preference for post-grant opposition (4). One brief indicated that in view of the post-grant re-examination procedure of section 47, section 43 was rendered unnecessary (1).

One of the main reasons for objection to pre-grant opposition was the concern that it would tend to delay the grant of patents (7). Other briefs indicated concern that opposition procedures would substantially increase the cost of patent prosecution (2) and require too much effort for the little good accomplished (1). One brief observed that opposition serves no purpose (1).

Several briefs were particularly opposed to the possibility that oppositions may be filed anonymously (6). It was said that the right to remain anonymous would tend to serve the interests of the larger multinational corporations who wish to harass smaller companies (1) and that anonymous oppositions are particularly obnoxious and would open the door to mischievous and malevolent practices (1).

One brief supported the proposal that persons should be able to participate in pre-grant opposition procedures on an anonymous basis (1). Another felt that the identity of opponents should eventually become of public record (1).

One brief questioned whether section 43 could be properly cross-referenced to article 115 of the European Patent Treaty (1).

Another brief, commenting on the detailed provisions of sections 43(8) and (9), observed that giving intervenants a special status to seek revocation of a granted patent without being subject to any presumption of validity would only serve to encourage opposition (1).

#### Section 44

The only comments on this section were directed to the absence of any provision for the reinstatement of abandoned applications and the submission was made that provision for reinstatement should be included in any form of revised law (1).

#### Section 45

The only comments with respect to the substance of section 45 pertained to the onus established under section 45(3). Discussion pertaining to whether the onus or burden should be placed on the applicant is reviewed above, as part of the commentary under section 42.

One brief observed that the title of the "Industrial Property Advisory Board" implied that this Board might subsequently acquire jurisdiction over trademark and copyright matters (1).

#### Section 46

Only one brief commented on this provision, indicating support for the principle that patents should be treated as valid until revoked (1).

#### Section 47

This provision would allow any interested person to bring newly discovered art before the Patent Office and obtain a non-binding opinion on the impact of such art on the validity of a patent which had already been granted. A number of briefs indicated support either for the section as drafted or for some other form of Patent Office review of the validity of granted patents (8). Several briefs indicated a preference for post-grant oppositions which could lead to the re-examination of patents (3). One brief expressed the belief that the patentee should be entitled to seek re-examination and should be allowed to amend his patent on such re-examination (1).

Of the briefs indicating support for the scheme of section 47 specifically, one observed that it might be worth a try (1), another suggested that the proposal might have merit if it tended to reduce litigation (1).

It was suggested that litigation of validity before the court should be avoided as much as possible and that therefore the possibility for Patent Office review was a desirable initiative (1). It was proposed that the courts be required to refer newly discovered prior art to the Patent Office for a preliminary opinion before reaching a judicial decision on validity (1).

Several briefs indicated a reluctance to support any form of post-grant opposition proceedings. Concern was expressed that frivolous actions might be initiated (1), that the section could be used to harrass patentees (2), and that the procedure could be unduly informal and thereby constitute an inadequate pre-trial evaluation of validity (1). Rather than expose patentees to the unnecessary expense of an additional proceeding before the Patent Office, two briefs indicated a preference for relying on the opinions of legal counsel (2).

One brief criticized section 47 as imposing a mandatory proceeding which would not be binding (1). Another observation was that section 47 was only a half-hearted proposal because of the provision in section 47(11) which would allow it to come into force and be suspended by Order-in-Council (1).

Commenting on the specific provisions under section 42, two briefs were opposed to the bar under section 47(2) which would prevent persons from raising matters after grant that could have been raised as a pre-grant opposition (2). It was suggested that this restriction would force premature pre-grant opposition. The requirement under section 47(3) to provide information on how new art was discovered was described as a surprising and time-wasting novelty (1).

One brief objected to the proposal that a person be entitled to seek anonymously the opinion of the Patent Office pursuant to section 47(5) — (1). Another brief was opposed in principle to any consideration of the possibility that amendments reviewed under section 47(7) could validate an otherwise invalid patent (1).

(A typographical error occurs in section 47(10) where the reference to "subsection 44" should read "subsection 38").

#### Section 50

This section deals with the extent to which persons who commence using an invention prior to publication of an application in Canada may continue to use such invention. A large number of briefs indicated support for retention in the Canadian patent law of some form of intervening right of this type (16). Some of these briefs indicated that they would support a continuing right of use on the part of intervenants, subject to the payment of a royalty (7).

A number of briefs made reference to section 58 as found in the present Patent Act. One brief referred to this section as being inequitable (1). Another mentioned suffering by reason of the intervening rights accorded by this provision (1). A further recommended that section 58 in the present law be repealed (1).

Almost all briefs showed concern for the scope of the intervening right as proposed under section 50(3) and many indicated a preference for limiting this right to some extent (15). It was stated that section (3) as drafted would be grossly unfair as it would allow competitors who have adopted a second-rate version of an invention to shift to



the optimum embodiment once the patentee's disclosure had become publicly available (1). This was said to be true in view of the proposal under section 39 to allow applicants to include several related inventions in a single patent (1). It was suggested that the scope of section 50(3) would not help to establish strong industry in Canada (1) and would increase the burden on patent agents to file applications without delay (1).

Several briefs preferred to confine the right of intervening use to continuing the same activity that the intervenant had established prior to the cut-off date under section 50 — (3). Another suggestion was that the scope of permitted use should be limited to that which was done in public i.e. prior secret use should not be subject to an intervening right (1). One brief proposed that the right conferred should be limited to the free use of existing machinery, subject to a possible enlargement of such use under compulsory licence where, in the discretion of a judge, such enlarged use appeared necessary (1). Three briefs indicated a preference for the scope of the right accorded under the existing section 58 of the present law (3).

A few briefs commented on the cut-off date beyond which intervening rights may not be obtained. One observation was that under the Japanese law, a right of intervening use might not arise after the applicant's priority date (1). Several briefs referred to the possibility that section 50 violated article 4B of the Paris Convention by allowing intervening rights to arise at any time after the priority date before publication of the application (10). It was observed that the purpose of the priority year under the Paris Convention was to spare patentees from having to take immediate steps in a large number of foreign countries (1). To expect patentees to arrange for early publication in a large number of Convention countries would be a burden and article 4B of the Paris Convention was intended to protect patent applicants from such an obligation (1).

An alternate cut-off date suggested for intervening rights was the date that the applicant first took steps to arrange for manufacture of the invention for which a patent was being sought (1).

Of the briefs commenting on use of the publication date as the cut-off for the acquisition of intervening rights one observation was that publication anywhere in the world as well as in Canada should be the criteria (1). Another was that the restriction to publication in the French and English languages was too narrow (1).

One brief indicated concern that only the wholly vulnerable innocent manufacturer should have some rights (1) and a large number of briefs commented that the criteria of innocence established under section 50(4) were too broad (11). Concern was expressed that intervenants could acquire rights by reference to foreign patent publications (1). Another

observation was that the definition of innocence under section 50(4) could be hard to prove and would give rise to litigation (6). The inclusion of the word "known" in section 50(4) made the whole provision particularly fraught with danger and would make the patent right more difficult to enforce (2). A further observation was that the introduction of the concept of innocent independent acquisition as a defence would be an invitation to fraud (1). An alternate suggestion was that, at the very least, the onus should be on the intervenant to prove his independent or innocent acquisition of knowledge of the invention (2).

A number of briefs indicated opposition to section 50, either in substance or because of the criteria upon which the intervening right would be based (15). It was argued that section 50 ran contrary to the principle that a patentee should dominate over subsequent second inventors of the same invention (1), that the granting of free intervening rights under section 50 would reduce the value of a patent in Canada (2) and undermine the objective of stimulating production and the dissemination of technology and technological information (1). The view was expressed that the first person to file for an invention should get full patent rights (1) and that rights under a granted patent should not be diminished by contemporary use of the invention by another (1). One brief considered section 50 to constitute a "licence to steal" (1). Another brief suggested that rights under section 50 should not necessarily endure for the full term of the patent as it was not logical to undermine completely the patentee's rights without a balancing need (1).

One brief summarized the arguments for and against inclusion of a provision similar to section 50 by observing that the abandonment of the first-to-invent system would remove the protection inherent in the right of a prior inventor to impeach a patent issuing to a later inventor, that the moving of the cut-off date from the date of grant as under the present section 58 to the date of publication as proposed would meet many of the major objections to the existing provision, but that the potential for fraudulent claims to intervening rights was substantial and that, accordingly, it would be preferable not to have a provision of this type in any revised law (1).

Another commentary was that the entire scheme of section 50 would be too litigious because of the vagueness of the concept "taking steps to work an invention" adopted under section 50(1) — (1). A suggestion for an alternate criterion was that intervening rights should only arise where a person had made a "definite commitment" to commence manufacturing in respect of an invention (1).

### Section 51

This section would extend the concept of intervening rights to permit them to arise in cases where the scope of claims are broadened during examination -- sections 51(1) and (2) -- or where the patent temporarily expires by reason of non-payment of maintenance fees -- section 51(3). One brief gave overall support to the provisions of section 51, --- (1) while another endorsed section 51(3) — (1).

The fear was expressed that applicants, in order to avoid intervening rights with respect to claims broadened during examination would initially file unduly broad claims (1). Another concern was that section 51(2) would encourage the filing of oppositions by persons interested in preserving the right to use an invention pursuant to this provision (3). A further suggestion was that section 51 would work to the preferential advantage of large multinational enterprises (1).

One brief indicated that sections 51(1) and (3) could be improved by converting the right to the equivalent of a compulsory licence, i.e. a right to use under payment of royalty (1).

#### Section 52

Only one brief commented on this section which would limit the conditions under which intervening rights could be transferred. That brief supported inclusion of this section (1).

#### Section 53

This section would continue the existing policy that compulsory licences should become available where the patentee, after a period of time, has failed to arrange for the local manufacturing of an invention in Canada. Several briefs expressly indicated agreement with the general principle of section 53 (3). Discussion was directed primarily to the period of delay before such a licence would become available.

A number of briefs indicated that adoption of a fixed period of seven years, running from an application's priority date, would violate the stipulation in the Paris Convention that licences on this ground must not be made available prior to three years from the date of grant (8). It was noted that a fixed period of delay, running from filing without reference to the date of grant, violated not only the 1958 Lisbon text to which Canada had not adhered but also the 1934 London text to which Canada had adhered (1). It was also suggested that dating the availability of such licences from filing rather than grant appeared to overlook the effects of deferred examination and oppositions (1).

A number of briefs indicated concern that a seven-year period of delay was too short (4) while others felt that a delay of seven years from priority would be tolerable (2). Arguing against the seven-year period, it was observed that many major innovations were not in commercial use within seven years (1) and that a seven-year licence would interfere with the incentive for a patentee to arrange for local working himself (1). Concern was expressed that the needs of the Canadian market might become saturated by sales under this section, thus undermining the incentive for the patentee to establish local working (1).

Alternative suggestions for the first availability of a compulsory licence on this ground included: ten years from priority or five years from first use anywhere in the world (1); 11 years from priority into a 14-year initial term (1) and five years from grant (1).

Several briefs indicated a preference for granting compulsory licences for failure to establish local working rather than adoption of a split term (3). It was suggested that section 53 would constitute sufficient

incentive to encourage local working (1). It was also observed that the opportunities under existing compulsory licensing provisions to obtain licences for manufacturing in Canada were little understood and were largely neglected by Canadian industry (1).

A further observation was that the inclusion of exhaustion under section 25 would make this provision useless as few Canadian manufacturers would be interested in obtaining a licence for local manufacturing (1). The fear was also expressed that licences would be granted but then not put into use (1). It was suggested that a condition of granting a licence should be that the licensee would carry through with establishing local manufacturing facilities (1).

Commenting on the details of section 53, one brief felt that the requirement for patentees to provide information pursuant to section 53(1) was tolerable (1). Other comment was directed to the definition of local working under section 53(8)b. Several briefs indicated opposition to this provision. Commentary on the definition of "work on a commercial scale" is compiled above under section 2.

#### Section 54

This section would establish a right for originators of 'complementary technology' or improvement inventions to obtain a cross-licence in special cases where they are being blocked by patents held by others. Commentary on this section indicated either complete opposition to the provision or great concern that the section would be difficult to apply (16). Of those briefs opposed outright to the principle of section 54, it was observed that the provision was unfair (1); that it would bring the Canadian patent system into disrepute (1); that the proposal seemed to have been born of ignorance (1); that such a provision was unnecessary (2) and that even in its highly qualified form it was inequitable (1). The belief was expressed that patents were so narrow in their scope that the need for such a licence would arise only rarely (2) and that voluntary cross-licensing would largely occur in any event (2). The corresponding U.K. provisions were observed to be rarely used (1).

Another argument against the inclusion of provisions for compulsory licences of this type was that it would remove pressures from competitors to attempt to patent around blocking inventions and thereby tended to narrow the breadth of research (1). On the other hand, one brief which was opposed to this provision, recommended that if it did go forward, it should be extended beyond cross-infringing patents to peripherally related patents (1).

Commenting on the general concept of section 54, it was stated that such licences may be justified in some cases where it was clearly in the public interest (2) and that express reference to a public interest criterion as a pre-condition to grant of a licence should be introduced (1). One brief, conceding the general acceptability of the theory of proposed section 54 — (1), suggested that this type of situation could be dealt with under the provisions of the existing Act pursuant to present section 67(2)d — (1).

One brief, while allowing that section 54 licences might be appropriate where the holder of a subservient patent had made a major contribution of obvious benefit, felt that on the net the risks and costs associated with section 54 licences would be too great to justify the inclusion of this provision (1). A further observation was that the Working Paper had failed to establish any need based on facts for inclusion of such a provision (2).

Commenting on the criteria established under section 54(2), several briefs indicated that the terms "prejudiced lawful working" and "minor commercial significance" were unclear or difficult to appreciate (3). It was observed in one brief that commercial worth might not be apparent at an early date (1) and by another that the criteria under section 53(2) for withholding a licence were generally highly litigious (1).

Several briefs remarked on the fact that no period of delay was incorporated into section 54. One brief suggested that the availability of such licences should be delayed until three years from grant (1). Another observation was that the early availability of licences pursuant to this provision might deter persons from filing patent applications (1). A further observation was that the absence of a three-year delay dating from grant as part of section 54 violated the Paris Convention, 1934 London text.

Commenting on the detailed structure of section 54, one brief objected to the fact that the onus was on the patentee under section 54(2) to demonstrate grounds for refusing to grant a licence (1). It was suggested that the onus should, instead, be on the applicant (1).

#### Section 55

This section continues the policy of the existing law of making licences to manufacture or import available in the cases of food and pharmaceutical inventions.

A number of briefs questioned whether any form of special compulsory licence should arise in the food and drug field (21). It was suggested that this provision was wrong in principle and ran contrary to the basic philosophy of patent law of encouraging research and innovation (1). One brief recommended a review of the whole principle of present section 41 or proposed section 55 — (1). Another brief warned of eventual "severe repercussions" arising from the continued maintenance of compulsory licensing provisions such as found in section 55 — (1). Some briefs were specially critical of the change in 1969 which allowed the importation of pharmaceuticals under licence (4).

Of those briefs objecting to the inclusion of section 55 in the patent law it was argued that the section was unnecessary (1) and would be a disincentive to research in Canada (2). It was also stated that its predecessor, present section 41 in the existing Act, had deprived Canada of a fine chemical industry (1) and had driven pharmaceutical research and development from Canada (3). Present section 41 was described as useless (1) and the statement was made that it had not contributed to the lowering of drug prices in Canada (4).

Another observation was that these types of licences were a deterrent to manufacturing in Canada (1) and were wrong in principle unless the decision had consciously been made to abandon use of the patent system as an incentive to local working for drug and food inventions (1). Several briefs suggested that rather than continue to retain a compulsory licensing scheme such as under section 55, reliance should be placed on other compulsory licences which would arise only in the absence of local working (3) or on licences which applied when an abuse of patent rights had been demonstrated (1).

One brief recommended abandoning the compulsory licensing provision for food as being incompatible with other government food policies favouring high prices in support of agriculture (1). Turning to drug licences, this brief conceded that there had been some lowering of prices by reason of the existing compulsory licensing system, but argued that Canadians could afford to pay the true price for drugs in any event (1).

A number of briefs addressed the criteria for the royalty to be paid pursuant to section 55. Referring to the practice under the existing section 41, the customary royalty of 4% was described as "useless" (1), "inadequate" (1) and "unreasonable" (1). It was suggested that the criteria, by which the royalty is directed to covering only research leading to the invention, failed to take into account costs of research leading to failures and the costs of chemical tests which took place after an invention had been made (1). In support of higher royalties, it was stated that it was well known that drug companies spend an amount equal to 10% of their sales on research and development (2). One brief cited the average cost of marketing a new drug in 1973 as being in the order of 24.4 million dollars (1).

A further criticism was that the consistent granting of an arbitrary 4% royalty rate under the existing law was wrong (1) and even worse in the case where a number of patentees were forced to share under a single 4% royalty (1). Instead it was suggested that there should be an individual appraisal of the value of inventions subjected to compulsory licensing under this provision (1).

Commenting on the method by which this royalty is set, one brief objected to a government agency having the jurisdiction to determine the royalty rate (1). Another brief indicated a preference to having Parliament determine the criteria for royalties rather than providing for the passage of special regulations by the Governor in Council to prescribe other factors to be taken into consideration (1). It was suggested that future reliance on regulatory powers to govern significant but technical features of the revised law would have been more acceptable had the power to pass regulations respecting the royalty to be paid for pharmaceutical licences been properly exercised under the existing law (1). If this power to vary the criteria for compensation under licences is to be retained, one brief insisted that it should only be exercised after the holding of public hearings (1).

A few briefs directed commentary to the only change proposed in section 55 over existing section 41, namely making interim licences immediately



available at a 4% royalty. It was suggested that the interim licences available under sections 55(4) - (7) and (9) make nonsense of the protection of new inventions (1). One brief indicated opposition in principle to the concept of an interim licence (1) and another indicated that licences should not be made immediately available under section 55 - (1). A further objection was raised to fixing the royalty for any interim licence in the statute (3) on the grounds that it was too arbitrary (1), that 4% was inadequate even for an interim licence (1) and that it would tend to codify a present policy believed to be wrong (1).

As an alternate criteria for the royalty rate for an interim licence, the willing licensee/licensor test was recommended by one brief (1). Another brief suggested that the U.K. standard of royalty which conceded to patentees "a reasonable advantage from their patent rights" should be adopted (1).

Commenting on the proposal to make interim licences immediately available, it was suggested that this procedure would be superfluous and redundant, that no evidence had been offered that applicants had suffered by reason of delays, and that, in any event, delays in obtaining approval before the Department of Health & Welfare are substantial and dominate over patent office delays (1). One brief objected in particular to the policy that a decision respecting an interim licence should be final and not subject to appeal or review (1).

Two briefs indicated support for the general continuation of a provision along the lines of section 55 in the patent law (2) and another reluctantly conceded that the provision should be accepted as likely to continue (1).

One brief recommended that consideration be given to converting the entire scheme of section 55 to the type of modified inventor's certificates system described in the Working Paper (1). Such a system would entail a centralized deposit fund with payment into the fund encouraged by a penalty of double royalty for default (1).

#### Section 56

Only a few briefs made reference to this section which deals with government use of patented inventions. Two briefs indicated support in principle for the provisions of section 56 - (2). Two other briefs objected to granting immunity or an absolute right of use to the provinces either on principle (1) or on the basis of constitutional considerations (1).

On the constitutionality of this provision, section 56 was characterized as an improper delegation of executive powers to the provinces (1). The same brief further questioned whether the government of Canada can bind the provinces to pay compensation to patentees in cases where an invention is being used for crown purposes (1). Such an obligation was characterized as an intrusion into the inherent provincial crown prerogative to use patented inventions for government purposes (1).

One brief objected to having the Patent Authority as a government agency determine the level of royalties to be paid, indicating a preference for a negotiated royalty (1). Another brief raised the question as to whether deletion of the existing provisions under present section 20(1) - (6), which vests rights in war inventions by civil servants in the Ministry of National Defence, would create uncertainties as to the scope of application of the Public Servant's Invention Act (1).

### Section 57

This section largely follows the scheme of the existing law in making licences available when the patentee fails to meet demand in Canada or where exclusive rights are being used to unfairly prejudice consumers or Canadian industry. Section 57 (3) would have extended the meaning of the criteria of "unfair prejudice" which would govern the granting of licences pursuant to this section.

Several briefs indicated support for the continued retention of compulsory licences along the line of section 57 - (4). Though rarely used, one brief observed, such provisions may be beneficial as an inducement to voluntary licensing (1). The same brief commented that section 57(2) was better phrased than the provisions under the present law (1). Two briefs noted the absence of a provision similar to existing section 67(2)b which deals with cases where Canadian production is being hindered by imports and recommended its retention (2).

Two briefs indicated opposition to the general principle of granting licences of the type established under section 57 - (2). Further observations were that section 57 gave power to the Patent Authority to confiscate patent rights in its discretion (1); that the provision gave a unilateral advantage to licensees (1) and that section 57 might deter the filing of applications in Canada (1). It was particularly observed that section 57(2)a which dealt with failure to meet demand for an invention would be litigious (1). Further commentary on the grounds upon which licences might be granted included the observation that "reasonable terms" might prove too difficult to interpret (1) or were totally unacceptable criteria for imposing a compulsory licence (1).

One brief indicated concern with the retention of provisions directed to "easier granting of compulsory licences" (1). Other briefs objected to the immediate availability of licences under this section without any delay from filing or grant (3). It was suggested that such immediate availability would be contrary to the rights of an inventor (1). A further observation was that the immediate availability of such licences violated the Paris Convention, 1934 London text (1). One brief would distinguish between the types of licences available under section 57, objecting only to the immediate availability of licences under sections 57(2)a and b - (1).

A further objection was that a government agency would be setting the royalty to be paid under this section and that a negotiated royalty could be preferred (1).

The new provisions in section 57(3)a and b which would enlarge the concept of "unfair prejudice" were opposed by a number of briefs (7). Of section 57(3)a it was said that different conditions in different countries might give rise to varying licensing terms (1); that the provision could deter the granting of licences in Canada (1); and that the provision failed to take into account the case of royalty-free cross-licensing (1). The provision was described as capable of working an injustice if foreign licensees are less efficient and, accordingly are fairly subject to more onerous terms (1).

Comments on section 57(3)b included the observation that it was unfair to base the recovery of costs on a single invention rather than a program of research (4); that the provision challenged the basic concept that a patentee was entitled to recover the full profit arising from his patented invention (1) and that the provision was too arbitrary to evaluate (1).

Two briefs registered particular opposition to the possibility that this definition might be extended by Orders-in-Council passed pursuant to section 57(3)c - (2). One of these briefs indicated a preference for having Parliament establish the criteria for the definition of this expression (1). This same brief also suggested that there should be a two-year transitional grace period before any new provisions come into effect pursuant to section 57(3)c.

One brief, although opposed to compulsory licences of the type created by section 57 in general, indicated support for the inclusion of section 57(4)a as tending to limit the extent to which licences could be granted pursuant to this provision (1).

One brief commented that section 57(5), which would void agreements limiting the right to apply for a licence under this section, was wrong in principle as it tended to interfere with the freedom of individuals to contract (1).

#### Section 58

Only two briefs commented on the scope of the powers to be given the Patent Authority in granting licences. Both were opposed on the grounds that these powers were too broad (2).

One further observation registered against section 58 was that the willing-licensor/willing-licensee test created by section 58(3) was good but that additionally, consideration should be given in determining the royalty to promotion costs, lost profits and research costs incurred by patentees (1).

#### Section 59

The only comments under this section were directed to section 59(3) to (5). The three briefs offering comments all indicated opposition to these provisions (3). One brief argued that the underpricing of a Canadian licensee by a foreign patentee might sometimes be fair (1). It was also suggested that it might be inequitable to lock the patentee into a higher price while two licensees in Canada engaged in competitive price cutting (1).

## CHAPTER 6

### Section 60

No comments were received on section 60(1).

Two briefs indicated opposition to giving the federal court exclusive jurisdiction to enforce patent rights pursuant to section 60(2) - (2). It was suggested that the Federal Court tended too often to find patents invalid (1).

A number of briefs commented on the three-year limitation period which would be established pursuant to section 60(3) indicating that a three-year period was too short (6). One observation was that the freedom to engage in prolonged pre-litigation negotiations would be prejudiced by a short limitation period (1). Another was that the three-year limitation might force unnecessary legal action pending negotiations (1). A distinction was made as to whether the limitation period should run from the date of infringement or from the date the patentee first acquired knowledge of infringement, one brief indicating a preference for the latter principle (1). Another suggestion was that the three-year limitation of section 60(3) be adopted, but only to apply to the recovery of damages, leaving open the possibility of an action for an injunction based on an infringement occurring more than three years previously (1).

One brief proposed a five or six-year limitation period in place of the proposed three-year period (1).

A number of briefs indicated opposition to the proposal in section 60(4) that licensees be given the right to institute infringement proceedings (6). It was suggested that non-exclusive licensees, in particular, should not be allowed to institute proceedings, or should only be allowed to do so on the consent of the patentee (1). One brief observed that such a provision would potentially expose the licensor to discovery proceedings on the initiative of a licensee, thereby constituting a deterrent to the granting of licences (1). Another observation was that the effect of section 60(5) would be to require all licensees to be parties to infringement suits, and that this provision would complicate settlement of litigation (1).

### Sections 61 and 62

These two sections, in effect, introduce the concept of the "innocent infringer" and would provide relief from payment of damage claims and the seizure of infringing goods under certain circumstances.

Many briefs addressed the generalized concept of providing special relief for innocent infringers. A few briefs indicated general support for the overall concept (5). One of these briefs emphasized that only the "truly innocent" infringer should be protected (1). Another brief offered as a definition of innocent infringement the case of a person who without notice of the "derivation of the invention" infringes (1). Another suggestion was that persons who failed to make inquiries should be excluded from the class of innocent infringers (2).

One brief referred to the "virtual impossibility to carry out reliable searches" for infringement of Canadian patents on the basis of existing Patent Office records (1). As a result, this brief recommended adoption of a better system of classification of granted patents to facilitate searches for possible infringement (1).

Another proposal to assist defendants in infringement actions was to allow recovery of court costs on a full solicitor and client basis in cases where the plaintiff failed in his action (1). This brief also proposed that plaintiffs, whether of Canadian or foreign origin, should be obliged to post security for such court costs (1).

A number of briefs indicated either opposition or reluctance to introducing special treatment for innocent infringers (6). The view was expressed that, in order to make patents of any real value, the penalties for infringement should be detrimental and unavoidable (1). Sections 61 and 62 were perceived by one commentary as an invitation to an election to infringe (1) and by another brief as an invitation to pirate (1). It was suggested that infringers were always in a better position to undertake inquiries than patentees (1). Another brief expressed concern that ex-employees might be encouraged by this provision to enter into competition with their former employer (1).

Some briefs found section 61(1) unclear as to what constituted "actual notice" (1). Another brief recommended shifting the burden and requiring the defendant to prove innocence as a defense (1). A further suggestion was that damages under section 61 should clearly be stated as dating back at least to the date of commencement of proceedings so as to deter the stockpiling of infringing goods (1).

Commenting specifically on the provisions of section 61, a number of briefs indicated approval of the concept that marking genuine patented goods should constitute deemed notice to manufacturers and importers (3). One brief, acknowledging that under existing U.S. law failure to properly mark genuine patented goods results in a denial of damages, argued that the mere grant of a patent should be deemed to constitute notice (1). Two briefs observed that section 61(2), as drafted, did not provide a presumption of notice with respect to process inventions (2). One brief suggested that such a presumption should attach where goods made by a patented process were appropriately marked and another brief recommended that advertising should, in such cases, be equivalent to notice (1). It was also proposed that advertising should be accepted as adequate notice for product inventions as well (1).

One brief noted that while marking would provide the benefit of a presumption under section 61, the proposed law would no longer make marking mandatory. This brief would prefer to continue to make marking mandatory (1).

A number of briefs commented on the stipulation in section 61(4) that erroneous marking should vitiate any presumption of notice (5). It was suggested that this provision would be potentially litigious (1), was an onerous limitation (1) impossible to comply with (1) and that the provision should be redrafted to accommodate a patentee's bona fide belief (2) or reasonable effort to be accurate (1).

As an alternate proposal, one brief suggested that a manufacturing patentee should be made subject to a statutory obligation to supply correct information on request pertaining to patent coverage of articles being manufactured (1).

Commenting on the specific proposal in section 62 to allow the privileged disposition of innocently acquired infringing goods, several briefs indicated general support (3). One of these briefs would support this provision only on condition that the grant of a patent would be deemed to constitute notice (1) and on the further condition that a royalty must be paid for disposition of goods outside Canada (1). One of the other briefs supporting this provision also stipulated that the definition of innocence should exclude persons who failed to inquire whether the product or good that they were acquiring infringed a patent (1).

It was suggested that section 62 should be expanded to include disposition of an apparatus which was adapted to manufacture an infringing product (1). A further suggestion was that disposition of infringing goods or production machinery should only be permitted in a country where patent protection did not exist for such articles (1).

One brief indicated the belief that the provisions in sections 62(a) and (c) allowing disposition of goods outside Canada or by storage pending expiry of the patent were too lenient on infringers (1).

### Section 63

One brief indicated prima facie support for the general delineation of the powers of the court under section 63 — (1). Commenting on the discretionary power of the court under section 63(3) to direct that damages be made payable over time, one brief recommended the court should also have discretionary power to require the posting of security by an infringing defendant (1).

A number of briefs commented on the provision in section 63(7) which would abolish the proceeding by which infringing defendants are liable to account for profits made through infringing activities. Most of these briefs favoured retention of this proceeding (11) on the basis that it would serve as a deterrent to infringers (2) or was fairer to the patentee since it relieved the patentee of the obligation of disclosing his cost-price structure (1). A further observation on section 63(7) was that the court should be allowed to direct an accounting of profits on a discretionary basis (1).

Another brief indicated that there were divided views on whether an accounting of profits was considerably more difficult than the procedure of proving damages, but that it was fairer to impose this burden on the defendant rather than the plaintiff in cases where the defendant had been found liable for improperly infringing a patent (1).

Only one brief indicated general support for the principle of section 63(7) — (1).

One brief commented on section 63(6) indicating that it would be unfair to allow infringing goods to circulate under the principle of exhaustion where a judgement for damages had not actually been paid (1).

#### Section 64

Only one brief commented on section 64, observing that section 64a which would suspend the right to collect damages in cases where a licence had not been registered was too harsh a penalty to impose on patentees (1).

#### Section 65

Comment on this provision acknowledged that the inclusion of loss of good will in the calculation of damages would reinforce the position of the patentee (1). The section was therefore supported on the understanding that the quanta of an infringer's sales could still be made subject to examination for the purposes of calculating damages based on the loss of profits on sales that would otherwise have accrued to the patentee (1).

A further observation under this section was that exemplary damages should also be made available in cases where a defendant attempted to intimidate a patentee (1).

#### Section 66

Of the four briefs commenting on this section, only one indicated general support (1), the others indicating that the provision was of little consequence (1) or useless to the point of being dangerous in the case of bona fide attempts by infringers to avoid a second infringement (1). One brief would support a provision expressly allowing for the granting of exemplary damages in the first instance because of the potentially severe damage that infringement can cause to a plaintiff's business (1).

#### Section 67

No comments were registered under this provision.

### CHAPTER 7

#### Section 70

One brief indicated opposition to the stipulation in section 70(1) that the federal court should have exclusive jurisdiction to revoke a patent (1).

Only one brief commented on the proposal under section 70(4) suggesting that it was both logical and fair (1).

Two briefs commented on section 70(5) which would require court approval of the terms of any settlement agreement. One brief indicated general support for this provision (1) while the other opposed the reference to "the public interest" as it appears in section 70(5)b — (1). This latter brief would resist any intervention which may tend to inhibit the settlement of litigation (1).



## Section 71

This section delineates the grounds upon which a patent may be revoked.

It was observed by one brief that section 71(1)b which permits revocation for insufficient disclosure did not comply with sections 5 and 27 of the Patent Cooperation Treaty (1).

A number of briefs addressed the issue raised by section 71(1)d and e which would subject patents to revocation where they had been obtained on the basis of false representations or failure to provide full information. One brief indicated support in principle for these provisions (1) while a number of briefs were hesitant to support this concept as a ground for revocation (3). Concern was expressed that the same type of abuses might develop in Canada around this provision as have arisen in the United States (1). Another observation was that these provisions were unnecessary if the patent was actually invalid. Alternatively, if the patent was still valid notwithstanding any misrepresentations, it seemed inappropriate to revoke it.

Suggestions to vary the provisions of section 71(1)d and e included restricting their application to cases where mis-statements were intentionally made (1) and to cases where the examination of the application had actually been prejudiced (1).

Section 71(1)g would allow for revocation of a patent where a patent right had been used to facilitate an anti-trust offence. A few briefs indicated support for this provision either in principle or subject to qualifications (4). One brief, recognizing that the provision may be justified in principle, cited possible interpretation difficulties over the expression "to facilitate" an anti-trust offence (1). The same brief was concerned about cases of innocent violation of combines laws (1). An alternate suggestion was that patent rights should be rendered unenforceable while they were "serving as a material aid" to effect an offence (1). One further observation was that this ground of revocation would be new but would not likely be especially significant (1).

A number of briefs objected that reliance on revocation as the primary sanction for an abuse of patent rights would violate the Paris Convention, article 5A(4) — (4).

## Section 72

There were only two comments directed to the provisions in this section which define the grounds for revoking claims within a patent. One brief observed that non-conformity with priority documents under section 72(1)c was dropped from the U.K. patent law as a basis for revocation early in the twentieth century (1). The other observation made was that section 72(2) which would preserve claims which incidentally read on inoperative embodiments might lead to greater imprecision in claim drafting (1).

## Section 73

No comments were made with respect to this section.

#### Section 74

Only a few briefs commented on the standard of the presumption of validity which should be accorded to issued patents. Three of these briefs indicated general support for the principle that there should be a substantive presumption of the type set forth in section 74 — (3). One brief considered that the structure of section 74 was unclear (1). Another suggested that the presumption should be worded along the line that Patent Office decisions were presumed to be correct unless shown to be clearly erroneous (1).

#### Section 75

A large number of briefs commented on this proposal which would render patents irrevocable on grounds of lack of novelty during the final five years of the patent term. Commentary was largely divided with seven briefs in favour of the provision (7) and twenty-two briefs against (22).

Of those briefs favouring inclusion of a provision of this type, one suggestion was that it should be limited to apply only during a term of extension which was dependent upon the existence of local manufacturing (1). It was also suggested that the scope of the provision should be extended to include deficiencies in the specification accompanying a patent (1). This brief observed that impeachment on the grounds of inadequate disclosure was a highly technical attack and if the defendant had managed to infringe the patent it would seem unnecessary to quibble over the description in the specification (1). A further suggestion was to restrict the application of this provision to apply only to attacks on patents based on lack of inventive step (1).

Of the briefs indicating opposition to this provision, a number showed concern that it would tend to precipitate impeachment actions just before the beginning of the period of unimpeachability (5). It was suggested that this provision might promote unnecessary litigation (2) and that it would remove the option presently available for competitors to ignore patents which were thought to be invalid on the advice of legal counsel (1).

Further grounds for opposing inclusion of this provision were the suggestions that it might influence patentees to delay in arranging for the working of their inventions until the commencement of the period of unimpeachability (1); that it would force defendants to attack the validity of patents on other grounds, such as fraud (1) and that the provision would operate as a barrier to entry into the marketplace for newcomers (1). Other observations were that new evidence respecting the novelty of a patent might often be found at a relatively late date (2); that a thorough search into the novelty of a patent might only be made at a time far into the patent term (1) and that the validity of a Canadian patent was so rarely challenged that a statutory stipulation for unimpeachability was not really needed in most cases (1).

The view was also expressed that section 75 might be unconscionable because a patent which is invalid should always be considered invalid (1). This same brief stated that it would be unfair to allow patents to cover subject matter that was already in the public domain (1). In a similar vein, another brief observed that the policy of making a patent unimpeachable was inconsistent with the adoption of a world-wide absolute novelty criterion for the granting of a patent (1). Further views included the suggestion that it would be wrong to give something for nothing (1) and that an unsound patent should never be immune from attack (1). One brief found the proposal incomprehensible (1) and another brief stated that it could not see how such a concept could be in the public interest (1).

#### Section 76

One brief stated specifically that it supported giving the court discretionary power to permit amendment to a patent at trial (1). Another brief stated that it objected to any procedure for validating an otherwise invalid patent (1).

One further observation on this section was that it left open the possibility of amendments which broadened the scope of a claim and that this would be inconsistent with the policy established under section 38(4) of only permitting such broadening up to a fixed period following priority date (1).

#### Section 77

Commentary on this provision, which would allow amendment to the designation of inventors after grant of a patent, generally supported this provision (4). It was suggested that the words "reference to a person who is not an inventor" should also be added to section 77(1) — (1). A further observation was that section 77 (2) might possibly be unnecessary and that it might be better to leave to the rules of court the procedure by which additional unnamed inventors and other persons intimately and contemporaneously associated with the original conception of an invention might be examined (1). This same brief suggested that section 77(2) merely served to enhance and give statutory importance to the relatively unimportant issue of the identification of true inventorship (1).

### CHAPTER 8

#### Section 80

Commentary under this section was directed to subsections 80(3) and (4) which would limit the extent to which rights under patents and applications might be transferred.

All of the briefs commenting on section 80(3) indicated opposition to this provision (6). One basis for such opposition was that the granting of exclusive territorial licences within Canada might be a desirable means of encouraging the licensing and manufacturing of new patented products (1). A further observation was that article 43 of the Common Market Convention for a community patent clearly allowed territorial licensing within the European Common Market whereby patentees might invoke their patent against licensees who attempted to sell products outside the territory of their licence (1).

Section 80(4), which would prohibit the transfer of rights in future unascertained inventions, is subject to the permissive recitals in sections 86 and 87. One brief indicated general approval for the provision in 80(4) — (1) while a number of briefs indicated opposition (5). Section 80(4) was characterized as being too broad a prohibition in that it would interfere with arrangements to establish patent pools covering future patents (1). Another basis for criticizing section 80(4) was that it potentially extended to rights over "inventions" as opposed to patents or applications and that this would constitute an improper interference with provincial jurisdiction over civil matters (1). One of the briefs opposed to section 80(4) went on to observe that there was a need to limit the extent to which licensees undertook to grant-back ownership and control over any improvement inventions made during the pendency of a licence (1).

### Section 81

A number of briefs indicated support either for the requirement that all licences and assignments respecting a patent should be registered or that certain basic information respecting such transactions should be registered (6). Two briefs supported registration of the terms of all licensing agreements (2). One of these would also require the disclosure of financial data on transactions involving the transfer of technology in and out of Canada (1). An alternate proposal was that only nominal transfer documents rather than entire agreements should be subject to registration (1). One brief, opposed to section 81, considered the registration requirements existing under present section 53, insofar as they applied to assignments and exclusive licences, as being acceptable (1).

A number of briefs objected to the basic policy of requiring licence agreements to be registered (6). Doubt was expressed whether there was a need for the registration of copies of licence agreements (2). Other briefs were concerned with the possibility that the terms of licence agreements might be made publicly available (6). Concern was expressed that public disclosure of the terms of licence agreements might place patentees at a competitive disadvantage (2) and it was suggested that the public disclosure of licensing terms might deter the granting of licences (1).

The view was expressed in one brief that the terms of licence agreements were a private matter (1). Another submission acknowledged the need for generally available public information on ownership and licences but insisted that the terms of licences must remain confidential (1).

Another problem raised by one brief was that many licensed patents were identified only by their field of relevance and not by their patent number. Therefore it might be impossible for practical reasons to comply with the registration requirements of section 81 — (1).

Commenting on the scope of section 81(1) one brief objected to any suggestion that collateral documents which might relate to but did not form part of a licence or assignment should also be subject to registration (1).

## Section 82

The only brief commenting on this section stated that the penalty under section 82(3) which would make royalties non-payable in the event of failure to register a licence agreement was too harsh (1).

## Section 83

No comments were made with respect to this section.

## Section 84

No comments were made with respect to this section.

## Section 85

Three briefs indicated their approval for the policy of codifying the law on joint ownership of patents pursuant to this section (3). One brief was opposed to permitting any degree of independent assignability of rights or interests under a patent by one of several joint owners (1).

## Section 86

This section, in its overall effect, would constitute a statutory codification of the circumstances under which an invention made by an employee would vest in an employer, would limit the extent to which an employee may be required to assign away rights in inventions made after termination of employment and would give employed inventors an opportunity to acquire control over their own inventions if unused by their employers.

Several briefs supported the policy of attempting to codify, in a manner similar to section 86(1) and (2), the relationship between employees and employers with respect to inventions (7). Other briefs indicated a preference for the present law (2).

Commenting on the specific details of sections 86(1) and (2) it was suggested that a statutory rule should be established in place of section 86(1) that inventions relating to the employer's business belong automatically to the employer (1) or that employers should have a right of first refusal over all employee inventions (1). Other briefs were focussed on the limitations on written assignments under section 86(2)b restricting them to apply only to inventions "associated with employment." Several briefs considered this restriction in section 86(2) to be too narrow, indicating a concern that employers should be able to obtain assignments in advance of all inventions relating to an employer's business at large (4). It was suggested that this provision would force employers to limit the freedom of employees to have access to information not related to their employment, i.e. plant facilities or other employees (2). The possibility that employees might withhold inventions with a view to becoming potential future competitors was also raised (2). One brief opposed section 86(2)b as being more limiting than the existing law (1).

Other observations on section 86(2)b were directed to the time limitation that would apply to post-employment restraints. One brief indicated a preference for merely stipulating a "reasonable period" (1) while another suggested that the extent to which post-employment inventions could be acquired by employers should be left entirely to the discretion of the courts (1). A further suggestion was that employers should have a right of first refusal over every invention made by an ex-employee during the first 12 months of the post-employment period.

Commenting on the overall scheme of section 86(3) to (5) which would re-vest unused inventions in employees, a few briefs indicated some sympathy with the object of these provisions. One brief suggested that the patent system should be designed to pry loose from corporate files employees' inventions which have been neglected (1). This brief would return to employee-inventors some control over their own inventions and thereby provide them with an incentive to push their own ideas (1). Another brief was firmly in favour of ensuring that employed inventors retained the right to obtain patents on their own inventions (1). A further brief considered the proposal to be an interesting approach, insofar as it applied to inventions which did not interest the employer, but impractical (1). A further submission was that employed inventors should be given more rights in some form, though not necessarily as proposed under this section (1).

However, an overwhelming number of briefs -- over 60 -- commenting on sections 86(3) - (5) indicated substantial opposition to the scheme of these provisions. Many briefs objected that employers might often wish to keep the product of their employee's research as trade secrets (8). Others indicated that an employer might, because of market conditions, the non-availability of capital or the adequacy of existing capital facilities, wish to delay adoption of an invention (5). Government registration standards might be a further barrier to the early exploitation of an invention (1). Further, these provisions would prevent an employer from publicly disclosing an invention in cases where the employer preferred to dedicate the invention to the public by voluntary publication and to preclude patenting by others (5).

Several briefs argued that employees are paid for their services (4), that employees voluntarily elect for the security of corporate employment (1), that work-related inventions by an employee generally arise by reason of his exposure to his employer's plant (1). Almost any employee, it was argued, given the same circumstances of work, might come up with the same invention (1). Accordingly, any work-related invention should be considered as part of the services for which the employee was paid (2). Conversely, a number of briefs argued that employers should be entitled to complete control over the invention of their employees because of the substantial investment burden assumed by employers (9). It would be unjust to grant employees rights of the type proposed (1) and it would expose employers to being blackmailed into proceeding with patent applications over inventions which were in fact the employer's property (1). Interference with relations between employers and employees

was considered to be an intrusion into civil rights (1) and the right to contract (1). A preference was indicated for leaving the marketplace to normal market forces (1).

A further objection was that the proposal could potentially expose employers to competition from former employees (1). It was stated that no foreign precedent, at least none so extreme, existed (2). One brief observed that the law of the Federal German Republic was in some respects similar in effect to section 86(4)a — (1) but another brief observed that Germany's inventor's reward scheme had experienced difficulty in its implementation (1).

A further objection to the proposal was that it would contribute to the creation of inter-employee tensions (9). Inventions were now often made by research and development groups, with many person contributing to the final invention (2). An atmosphere of free and confident discussion within these groups was essential in order to develop the kind of interplay and cross-fertilization needed to inspire invention (3). A team effort was required (1). The effect of the proposals in section 86(3) - (5) would be to diminish communication between employees (1). Tensions could also arise from the inequities of having to allocate staff to less fertile projects (1) or where persons peripherally associated with an invention insisted on the right to be named (2). It was observed that it was often difficult to identify inventorship (3) and any uncertainty in this respect could create doubt, casting a cloud over the ownership of an invention (2). Problems could also arise in the case of joint inventions when the inventors could not agree regarding the disposition of their invention (2).

Relationships between employees and employers would also be disrupted (6). Employees would be encouraged not to make full disclosure to their employers (2) and would be placed continually in a conflict-of-interest situation (1). Disputes could arise between employer and employee as to whether a patentable invention had been created (2) and employers could be forced to file applications for questionable inventions (1) or simply to determine whether a potential patent right existed (1). Pressure would be created to file applications prematurely (1) and to waste time and resources on filing applications for shallow inventions (1).

Doubt was expressed as to the capacity of employees to exploit their own inventions (3). Employees might lack necessary resources (1) or be barred by contractual obligations from entering into business in competition with their employer (1). A further observation was that employees might be induced by this provision to attempt commercialization of an invention in cases where it would be inappropriate (1). One brief observed that, in any event, employees would not likely exercise their rights under this provision (1).

A number of briefs objected that the potential revesting of rights in employees could be incommensurable with the preassignment of invention rights by the employer under research contracts (5). Research organizations usually lacked the capacity to establish commercial production for the inventions made by their employees (1). Licence agreements might also



contain clauses granting-back to licensors rights in improvement inventions (2) and the effects of sections 86(3) - (5) might tend to reduce the willingness of foreigners to license technology to Canadian companies (1). Concern was also expressed that the crown should be able to continue to obtain control over inventions made by private contractors spending government money (2).

Further observations were that often a number of patents might relate to a single invention such that only one was worth manufacturing while the others served to protect the exclusivity of the primary invention. Section 86(3) - (5) would potentially sever control over such collateral embodiments thus weakening the protection available for the optimum embodiment and thereby prejudicing possible manufacture (2). A further observation was that the severing of control over patent rights between Canada and foreign markets might weaken the overall value of such rights in Canada (1).

It was observed that there was no provision in the proposal for dealing with applications classified as secret pursuant to section 41 - (1). Nor was it clear whether the provisions were limited territorially to Canada or would apply to inventions made abroad (4). It was suggested that the Act should specifically limit the application of section 86 to inventors resident in Canada or to rights respecting Canadian patents (1). Another brief observed that if the provision did extend to foreign rights, then Canada could become a "world battleground for disgruntled employees" (1).

Many of the briefs commenting on this provision were concerned that the three-year period established under section 86(4)b to take steps to commence the local working of an invention was inadequate (13). Not only could the lead time to commercialization often exceed four years but a manufacturer could not predict this lead time (1). Often, a long period for development might be necessary (1). It was observed that the shortness of this period might force employers into prematurely attempting to establish local working facilities which proved inefficient (1). It was also observed that the section might redirect R & D activities into areas where commercialization could be carried out more quickly (1). One brief observed that the words "take steps" in section 86(4)b were unclear (1).

Reflecting on the requirement that steps must be taken to establish working in Canada, one brief observed that an employer might prefer to licence patent rights for production abroad as the most effective form of exploitation (1). It was also observed that the related provision under section 86(4)a requiring that a Canadian application be filed within three months might not be consistent with the filing practices of companies which preferred to first file abroad and to file subsequently in Canada claiming a convention priority right (1).

A large number of briefs indicated great concern that these provisions would tend to discourage the continuation of R & D activities in Canada and would encourage corporations to move their research facilities abroad (19). One brief observed the possibility that employees of foreign-owned subsidiaries are being forced to turn over their ideas to foreign-owned

corporations might be a valid area for further investigation, but went on to state that corporations should not be placed in a more unfavourable position because they chose to locate research in Canada rather than abroad (1).

A number of briefs made suggestions for variation in the proposal under section 86(3) - (5) in the event that some form of reversioning might be considered. It was suggested that such reversioning should not occur until at least seven years (1) or nine years (1) from filing. Reference was made to the possibility of giving employers the option to transfer rights in unused patents to employees, subject to the retention of a royalty-free non-exclusive licence on the part of the employer (1) or to ensuring the employer, if not an option to acquire the invention from the employee (1), at least a royalty-free shop-right over all shop-related inventions (1). Alternately, it was suggested that the employee be given a right of first refusal to acquire all unused patents, but subject always to a shop-right in the employer (1).

On the understanding that the object of the provision was to deal with cases where inventions are being suppressed, one brief suggested that the Patent Authority could be given authority to review situations on a case-by-case basis to determine whether such an abuse existed (1). Another brief, while considering that there was some justification for reversioning rights where an employer simply sat on an invention, considered it impossible to discriminate between genuine and improper reasons for failing to exploit an invention (1).

It was suggested that if the employee did reacquire rights in invention, he should be required to pay to the employer the R & D and patent filing costs to date (1). Another suggestion was that, as a safeguard, employees should not be allowed to exploit any reversioned invention in a manner which was detrimental to the employer (1).

One brief suggested that an exception of government employed inventors from any provisions under section 86 should not, as proposed by section 86(6), be adopted (1).

#### Section 87

This section, coupled with section 80(4), would restrict the grant-back of rights in future improvement inventions to non-exclusive licences and would make allowance for the free disposition of rights arising out of joint research projects. A number of briefs indicated support for the general principle of prohibiting the grant-back of full ownership over future improvement inventions (6). One brief observed that the proposal complied with existing policies within the United States and the European Economic Community (1). The same brief also welcomed section 87(3) as a realistic exception to the grant-back prohibition (1).

As a suggestion for varying section 87(1), it was proposed that licensees be permitted to grant-back non-exclusive licences for future inventions in any field or at least in fields related to the licenced technology (2). Another brief expressed a concern that some flexibility should be introduced

into this provision (1). It was observed that the Commission of the European Economic Community applied a standard of reciprocity to provisions relating to the grant-back of licences between licensors and licensees (1).

A number of briefs indicated opposition to any restraint on the freedom of parties to agree to grant-back ownership in future improvement inventions (8). One brief expressed the belief that grant-backs were acceptable and observed that they generally occurred between parent and subsidiary (1). It was suggested that licensees might want to make arrangements for the granting of rights in future inventions (1). Two briefs objected to government interference in private contractual arrangements (2). It was observed that many agreements allowed for the exchange of non-exclusive licences (1) and it was observed that failure to allow the grant-back of patent rights would increase the "dollar cost" charged to licensees (1). It would also introduce hostilities between licensors and licensees (1).

Two briefs expressed doubt as to the constitutionality of these provisions (2). Another concern was that section 87(2) might make it difficult for the Crown to license Crown inventions (1).

One brief characterized this provision as being admirable in its solicitude for Canadian business but went on to identify the provision as another attempt to use patent law to control industry (1).

#### Section 88

This section would reverse the present law respecting "licensee estoppel" and give licensees the right to challenge the validity of the patent under which they are licensed. While a few briefs indicated general support for the proposal (3) a greater number of briefs indicated either opposition or proposed alternate, more qualified conditions for a licensee to take infringement proceedings (12).

Those opposed to giving licensees the right to impeach argued that licensees might already have acquired confidential information in the form of know-how or data relating to the validity of the patent in the course of the licence agreement (1) and that the abolition of licensee estoppel would tend to reduce licensing (1). The belief was expressed that contractual restraints in know-how agreements were virtually impossible to enforce in the absence of patent rights and that a licensee needed the protection of patent rights to give security to a know-how agreement (1). A further observation was that the impounding of licence royalties pursuant to section 88(2)b would undermine the ability of the patentee to continue existing research programs (1).

Two briefs suggested that the right of a licensee to take impeachment proceedings should be conditional on prior repudiation on any licence (2). One brief observed that the licensor should be given a statutory right to terminate as well (1). Another brief preferred to retain licensee estoppel and rely on pre-grant opposition proceedings as adequately allowing for bilateral evaluation of the validity of patents (1).

Doubt was also expressed at the constitutional validity of this section (1).

#### Section 89

This section would give the federal court concurrent jurisdiction over licence agreements. The only observation made was that the words "arising out of" were too broad for constitutional purposes (1).

#### Section 89A

No observations were made with respect to this provision.

### CHAPTER 9

#### Section 90

A number of briefs proposed that the Patent Office should be attached to the Department of Industry, Trade & Commerce or to the Ministry of State for Science and Technology rather than to the Department of Consumer and Corporate Affairs as provided under section 90(1) -- (not cross-referenced).

The only other observation under this section was directed to the information services that should be offered by the Patent Office pursuant to section 90(2). It was suggested that all major Canadian cities should have information centres on the patent system (1), that the Patent Office should develop and distribute information kits on the patent system (1) and that the Patent Office Record should print full abstracts of inventions rather than just titles (1).

#### Sections 91-95

No observations were made under these provisions.

#### Section 96

The only comment on this provision which deals with the correction of clerical errors in patents was that, instead of imposing a statutory requirement on the Commissioner to give notice of proposed corrections to persons affected by possible corrections, such proposed amendments should merely be published in advance in the Patent Office Record (1).

#### Section 97

This section, together with section 98, deals with regulating the activities of patent agents and other persons engaged in marketing patented inventions.

The only observations directed to section 97 specifically were that patent agents should be given greater freedom to advertise (1) and that persons having a degree should be entitled to write the patent agents exam without having to practice for a period under the supervision of a qualified patent agent (1).

## Section 98

Comments with respect to the types of activities which would be subject to regulation under this section focussed on the provision in section 98(1)e that would govern invention marketing agents. A number of briefs indicated support for the proposal that such activities be subject to federal government regulation (4). The extension of regulation to invention marketing agents was considered by one brief to be timely and well-met (1). Another brief considered that mere registration would be insufficient and that an examination should be made a prerequisite for licensing agents (1). The same brief would allow that registration as a patent agent should be sufficient to permit a person to act as a licensing agent (1).

One brief considered the language under section 98(1)e as being too broad (1). Another objected that sections 98 and 99 were too restrictive and would force the public to go to patent agents for the smallest thing (1). A further suggestion was that no criminal sanction should stand behind section 98 -- registration would simply give a person the right to refer to himself as being registered (1).

One brief indicated specific opposition to the proposal in section 98(1)c respecting the filing of foreign applications and another indicated particular support for the provision in section 98(1)b relating to the filing of ancillary documents pertaining to a Canadian application (1). Concern was expressed that employed licensing advisors should not be prohibited under section 98 from continuing their employment in the absence of being registered (1).

Section 98(4) would extend legal privilege to communications between a patent agent and his client on questions of validity and infringement. Three briefs supported this proposal expressly (3). One would extend the privilege to proceedings directed to obtaining a patent (1).

## Section 99

No comments are addressed to this provision.

## CHAPTER 10

### Section 100

No observations were made with respect to this section.

### Section 101

This provision would impose civil liability in the event that false accusations of patent infringement are made and thereby cause financial loss to some person. One brief indicated that it would support this provision in principle, subject to amendment in accordance with U.K. experience (1). Two briefs preferred to reserve to the patentee a defence based on a reasonable belief that infringement was occurring (2). One brief observed that no reference occurred in section 101 with

respect to claims for compensation under pending applications (1).

Section 102

No comments were received with respect to this provision.

(The words "or causes to be made" should be deleted under section 102(1) and a subsection 102(1)b should be added as follows:

"(b) makes or causes to be made any false entry in any register or book;"





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