FOREIGN PATENT HOLDERS (AND LAWYERS/PATENT AGENTS): BEWARE WHEN WRITING TO CANADIANS

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A number of changes to Canada's intellectual property legislation came into force on Dec. 13, 2018. One of the changes to Canada's Patent Act is a new subsection relating to written demands (a.k.a. cease and desist letters) in relation to patents - seemingly any patents, including foreign patents.

The newly added subsection sets out the following:

1. when the new requirements governing written demands (the "Requirements") are applicable;  
2. empowering the Governor in Council to define the Requirements for written demands; and  
3. the rights and remedies for failing to comply with the Requirements for written demands.

The "Requirements" seemingly apply when writing to Canadians. Period.

New subsection 76.2(1) of the Patent Act states:

Any written demand received by a person in Canada, that relates to an invention that is patented in Canada or elsewhere or that is protected by a certificate of supplementary protection in Canada or by analogous rights granted elsewhere, must comply with the prescribed requirements.[1]
It appears that any "written demand" that is received "in Canada" concerning a patent or certificate of supplementary protection, or any analogous foreign rights, triggers the subsection and the Requirements.

While this provision has yet to be interpreted by any court, on its face, this provision would apply to any written demand that is received in Canada, regardless of whether the written demand relates to alleged acts on foreign soil potentially infringing foreign patents. This implies that, for example, a U.S. patent holder who writes a cease and desist letter to a Canadian company who is operating in the U.S. and allegedly infringing the U.S. patent on U.S. soil, must comply with the Canadian regulations.

This is a broad and unprecedented scope to a requirement under the Canadian Patent Act. It will be interesting to see if and how this scope is interpreted and/or narrowed by the courts or possibly by regulation.

**The "Requirements" for Written Demands not yet set out**

The specific Requirements for written demands have not yet been defined. New section 76.3 of the Patent Act, gives the Governor in Council the power to make regulations relating to written demands, including regulations:

1. respecting what constitutes a written demand or an aggrievement (see rights & remedies below);
2. respecting the Requirements with which a written demand must comply (i.e. defining the Requirements); and
3. respecting various considerations regarding liability and remedies for failing to comply with the Requirements.

To date there has been no public draft of any proposed regulations under this section. However, the Federal Government has indicated that the purpose of this amendment is:

"to address bad faith allegations of patent infringement that do not provide sufficient information to determine the merits of the allegation. This amendment requires all demand letters to contain basic information that will allow recipients to more easily evaluate the merits of any allegation, thereby placing them in a better position to decide how to respond."[3]

It thus seems likely that the Requirements will include specifics on the level of detail that must be included in terms of describing the right being asserted and the alleged infringement of the
Rights and Remedies relating to written demands

If a written demand does not comply with the Requirements, the recipient of the demand or "any person who is aggrieved as a result of the receipt by another person of such a written demand"[4] may bring a proceeding in the Federal Court of Canada for any relief the Court deems appropriate. This can include "damages, punitive damages, an injunction, a declaration or an award of costs."[5]

As mentioned above, the Patent Act does not define the meaning of "aggrieved" in respect of a person other than the recipient of a written demand. However, the Governor in Council has been given explicit power to make regulations defining such aggrievement.

Directors, Officers, Agents, etc. also potentially on the hook

In addition to the potential liability of a demand sender, subsection 76.2(4) sets out that if a corporation sends a written demand that does not comply with the Requirements, and they are notified of the defect and do not correct the demand "within a reasonable time" then "the corporation's officers, directors, agents or mandataries are jointly and severally, or solidarily, liable with the corporation if they directed, authorized, assented to, acquiesced in or participated in the sending of the demand."[6]

This provision appears to extend the potential liability to officers, directors, agents or mandataries personally. Lawyers and patent agents may draft and send written demands on behalf of their corporate clients. When doing so, these professionals may be acting as agents of the corporation and would clearly be participating in the sending of the demand. As such, subsection 76.2(4) creates an area of potential personal liability for not only the individuals who are part of a corporation issuing a written demand, but also for lawyers and patent agents acting on behalf of their corporate clients. Further, this would seemingly create potential personal liability for foreign lawyers, who are acting on behalf of foreign corporations, writing letters concerning foreign patent rights.

Conclusion

The new provisions in respect of written demands under Canada's Patent Act are broad and have the potential to create liability not only for Canadian patent right holders, but also foreign
patent right holders who issue written demands to Canadians. In addition, the legislation creates a potential for this new liability to extend personally to directors, officer and agents of these rights holders - which on its face would appear to include lawyers and patent agents. Until this scope and the Requirements are more clearly fleshed out, foreign rights holders writing to Canadians would be wise to consult a Canadian lawyer to avoid any unnecessary difficulties.


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