

**8th Annual
University of Toronto
Patent Colloquium**

November 15, 2019

**Infringing but not
responsible:
Exceptions to
infringement**

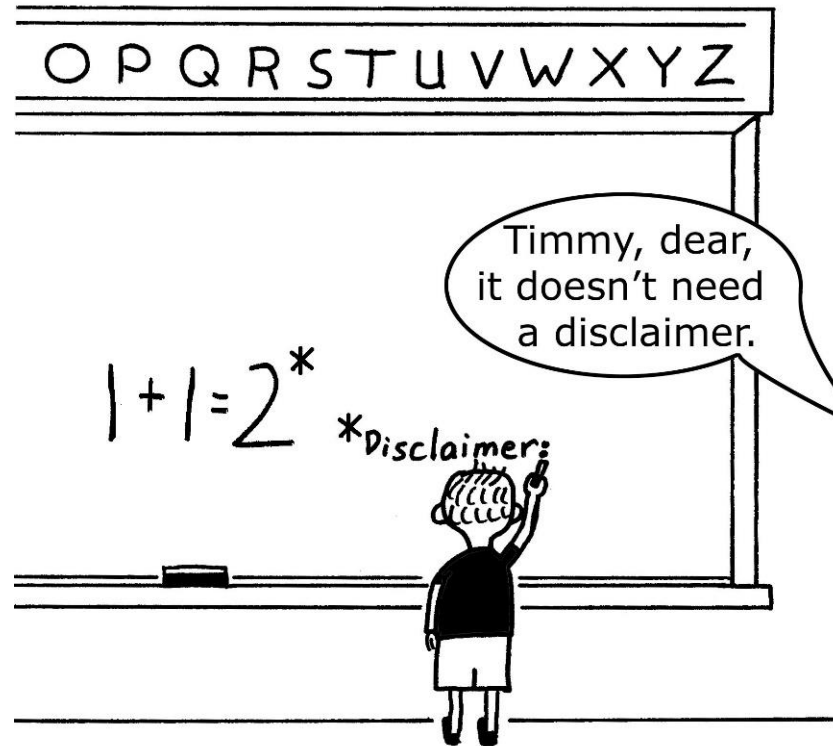
Sheldon Hamilton, Partner
Smart & Biggar LLP

November 15, 2019

*Some conditions may apply

Stu's Views

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Exceptions to infringement

Amendments to Patent Act

Statutory scope of patent monopoly

S.42 Patent Act

Every patent ...shall, **subject to this Act**, grant to the patentee ...the **exclusive right**, privilege and liberty **of making, constructing and using the invention and selling it to others** to be used....

Exceptions to infringement

1. Prior user (s. 56)
2. Experimental/regulatory use
3. Intervening third party rights

Prior user rights – s. 56

- Excuses infringement on basis of pre-existing use
- Amended October 2018
- Three versions potentially applicable
 1. Patents filed prior to October 1, 1989 (first to invent, very few patents left)
 - 2. Patents filed on or after October 1, 1989 (first to file) and action commenced before October 29, 2018**
 - 3. Patents filed on or after October 1, 1989 and action commenced on or after October 29, 2018**

Prior user rights

s. 56(1)

Old

56 (1) Every person who, **before the claim date of a claim in a patent has purchased, constructed or acquired the subject matter defined by the claim, has the right to use and sell to others the specific article, machine, manufacture or composition of matter patented** and so purchased, constructed or acquired without being liable to the patentee or the legal representatives of the patentee for so doing.

New

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

Prior user rights

s. 56 – Post-October 29, 2018 actions

- So.... if before claim date
 - Committed an act or
 - “serious and effective preparations to commit such an act”,
 - not infringement if commit same act post-claim date
- Protects party that independently developed same invention
- Does not protect parties that obtain knowledge directly or indirectly from the applicant and they knew applicant was source of knowledge (s. 56(5))

Prior user rights

s. 56 – Post-October 29, 2018 actions

- **Transfer of business** - If act/preparations to commit in made in course of business (or part thereof) and business is transferred
 - Transferor not protected
 - Transferee protected [s. 56(2), (7), (10)]
- **Acquisition from person entitled to protection**
 - Use or sale of article acquired directly or indirectly from person entitled to s. 56 protection protected [s. 56(3), see also 56(6)]
 - use of service not an infringement if provided by person entitled to provide under [s. 56(4)]

Prior user rights

s. 56 – Post-October 29, 2018

- **Open issues**
 - “good faith” requirement
 - “directly or indirectly”
 - “serious and effective preparations”

Experimental/regulatory use

1. Regulatory use exemption – s. 55.2(1) (unchanged)

- Use in relation to satisfying preparation of regulatory data

It is **not an infringement** of a patent for any person **to make, construct, use or sell the patented invention** solely for uses **reasonably related to the development and submission of information required under any law of Canada**, a province or a country other than Canada that regulates the manufacture, construction, use or sale of any product.

Experimental use

2. Common law exception for experimental/non-commercial use

Smith, Kline & French Inter-American Corp. v. Micro Chemicals Ltd. (1971), [1972] S.C.R. 506 (S.C.C.) (“*Micro Chemicals*”)

Experimental use

3. Statutory experimental use

- Applies to action/proceeding not finally disposed of by Dec. 13/2018
- Regulatory use exemption in s. 55.2(1) remains intact

55.3 (1) An act committed **for the purpose of experimentation** relating to the subject-matter of a patent is not an infringement of the patent.

(2) The Governor in Council may make regulations respecting

(a) factors that the court may consider, must consider or is not permitted to consider in determining whether an act is, or is not, committed for the purpose set out in subsection (1); and

(b) circumstances in which an act is, or is not, committed for the purpose set out in subsection (1).

Intervening third party rights

- Provisions in effect October 29, 2019
- Excuse infringement that occurs if patent or application abandoned but later re-instated
 - Good faith requirement
 - Covers period of abandonment and after reinstatement
- *Patent Act* s. 55.11 and *Patent Rules*
- Don't miss deadlines and won't need to address...



Non-Infringing Alternatives

Application in US jurisprudence

US Monetary Remedies - 35 USC § 284

- **Principle monetary remedy:** Damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer
- No accounting for profits

US Monetary Remedies

- Patentee bears the burden of proving lost profits but-for the infringement.
- *Panduit* test for determining causation
 1. Demand for the patented product;
 2. An absence of acceptable **non-infringing substitutes** for the patented product;
 3. That the patent owner had the manufacturing and marketing capacity to exploit the demand; and
 4. The amount of profit the patent owner lost due to the infringement.
- Non-infringing alternatives also play a role in hypothetical royalty negotiations

Grain Processing v. American Maize, 185 F.3d 1341(1999)(Fed. Cir.)

- Suit involved patent for food additive – ‘maltodextrin’
 - American Maize developed four processes
 - Process I – used 1974 to July 1982 - infringed (sued May 1981)
 - Process II – used Aug 1982 to Feb 1988 - infringed
 - Process III – used March 1988 to April 1991 - infringed
 - Process IV – did not infringe – April 1991 to patent expiry in Nov. 1991
 - District Court – GP could not establish causation for lost profits
 - Awarded 3% royalty
 - GP appealed; Fed. Cir. remanded
 - Alternative product/process must be available or on the market at the time of infringement
 - Dist. Ct. found Process IV was available throughout the period of infringement
 - GP appealed again
-

Grain Processing v. American Maize, 185 F.3d 1341(1999)(Fed. Cir.)

- Fed. Cir.:
 - “The **“but for” inquiry**... **requires a reconstruction of the market**, as it would have developed **absent the infringing product**, to determine what the patentee “would...have made”.
 - “By the same token, **a fair and accurate reconstruction of the “but for” market also must take into account**, where relevant, **alternative actions the infringer foreseeably would have undertaken** had he not infringed.”
 - Trying to discern the “market value of the patent owner’s exclusive right”

***Grain Processing* 185 F.3d 1341(1999)**

- Fed. Cir. affirmed – NIA was available
- A valid non-infringing alternative must be:

ACCEPTABLE

+

AVAILABLE



- Consumer demand defines relevant market and substitutability
- Intended use, similarity of physical and functional features



- Could readily obtain the materials
- Science well known
- Has the necessary equipment, know-how, and experience
- Has the necessary regulatory approval
- Did not 'invent around'