

## **Objectives and principles, with commentary on potential outcomes**

### **Information for respondents**

Thank you for your interest and participation in the consultation entitled *Principles guiding the harmonization of substantive patent law*.

Your submissions must be received no later than March 23, 2016, in English or French, to be considered within this consultation process. Any submission received after this date will not be reviewed. Please submit your questions or comments by email to [ic.cipoconsultations-opicconsultations.ic@canada.ca](mailto:ic.cipoconsultations-opicconsultations.ic@canada.ca).

Please include *Consultation on principles guiding the harmonization of substantive patent law* in the subject line of your email.

This discussion document is being put forward to consult on the international harmonization of patent law and will be valuable in informing the next stages of the harmonization talks in the context of the sub-group and of the Group B+.

We look forward to receiving your views, comments, and suggestions.

Yours very truly,

Agnès Lajoie  
Assistant Commissioner of Patents, Patents Branch  
Canadian Intellectual Property Office (CIPO)

### **Publication of submissions**

Please note that all submissions will be posted on CIPO's website following the consultation period.

**Public Commentary in Respect of the Proposed**

**“Principles Guiding the Harmonization of Substantive Patent Law”**

March 23, 2016

To Agnès Lajoie  
Assistant Commissioner of Patents, Patents Branch  
Canadian Intellectual Property Office (CIPO)  
Place du Portage, Phase I  
50 Victoria Street,  
Gatineau, Quebec,  
K1A 0C9

Dear Ms. Lajoie:

Please find enclosed some comments concerning patent harmonisation.

For Ease of reference, the text provided by Group B+ is recited, with the comments interspersed in the text. As is customary in patent practice, deletions to the text are shown in [square brackets] or ~~crossed through~~. Additions are shown underlined.

Yours,

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## ***B+ sub-group***

### ***Objectives and principles, with commentary on potential outcomes***

*prepared by the chair of the Group B+*

*re-formatted for consultation by the Canadian Intellectual Property Office*

#### ***Preamble***

*The objectives and principles outlined in this document have been developed by the B+ Sub-Group on Patent Harmonisation<sup>Footnote 1</sup>. The commentary on potential outcomes reflects the views expressed by sub-group members at their second meeting, in London on April 10, 2015. The document should be read as a whole (principles and commentary) as a statement of the sub-group's position.*

#### ***Objectives of the global patent system***

*The global patent system should:*

##### Comment:

The twin fundamental principles of Patent law, in order of importance, are:

1. to advance Science and the Useful Arts by encouraging and facilitating the dissemination of knowledge to the widest audience at the lowest cost, thereby to lessen barriers to entry, and to lessen the transaction costs of innovation; and
2. to allocate time-limited property rights to new entrants in the market to enable them to overcome the barriers to entry and market power of existing monopolists and oligopolists.

These principles come before all else, and should be the paramount guiding principles not only of harmonisation, but of patent law, generally.

They define the economic under-pinning of all of patent law.

Both principles are economically efficient and beneficial to the public.

Subject to those two overriding principles, patent law should

- i. *Be coherent and balanced:*
  - a. *offering a fair level of protection to inventors/applicants from all backgrounds*
  - b. *providing a fair balance between the rights of inventors/applicants and third parties*
- ii. *Provide reasonable legal certainty guidance to inventors/applicants and third parties alike*

Comment: There is a danger that the term “legal certainty” is being used as a pretext to tilt administrative rules and procedures against the applicant, as seen under the regulations

under the EPC. In any system that values fairness, there will always be a range of uncertainty, where reasonable people can disagree.

The applicable commentary is that of Pigeon, J.: “It does not seem to me that inventors are to be looked upon as Shylock claiming his pound of flesh.”<sup>1</sup>

While the Applicant has the freedom to draft his or her own claims, that freedom is really quite limited. If the claim is too large, it is invalid. If it is too small, then the area dedicated to the public by default provides the infringer with a free pass. There will always be uncertainty in patent claim interpretation. That is why we have purposive construction. That is why there is a doctrine of equivalents in U.S. law. Unless that truth is accepted, inventors will be constantly and systematically cheated out of their rights.

- iii. *Promote high quality patents by ensuring that patent protection is provided only to inventions that are new, involve an inventive step and are capable of industrial application*

Comment: Yes, we should promote high quality patents.

However, the assumptions that “high quality” involves a test of “inventive step” or a test of “industrial application” are both (a) non-sequiturs; and (b) probably incorrect.

“Inventive Step” is a sign-post system concept that is not compatible with the basic principles of peripheral claim drafting systems such as used in Canada and the United States.

Sign-post systems, such as the EPC, are inherently inferior to peripheral claim drafting systems such as used in the United States and Canada.

- (a) Peripheral claiming systems are better at serving the public notice function – the only issue that matters is whether the public is inside or outside the periphery; and
- (b) Peripheral claiming systems are better at providing protection to that which the inventor has in good faith invented.

“Inventive Step” is not part of Canadian law. It has no basis in the *Patent Act*. It comes from UK statutory language, not the language of the Canadian *Patent Act*. The relevant UK provision was s. 32(1)(f) of the UK *Patents Act* (1949). However, the terminology “inventive step” has crept into Canadian jurisprudence, both before<sup>2</sup> and after<sup>3</sup> the enactment of s. 28.3, without receiving appropriate scrutiny.

“Industrial Application” is another feature that is not part of Canadian (or American) patent law. Canadian and US law already require that inventions (a) must fall within “Science and the useful Arts”; and (b) must have utility. There is no need for any further gloss. The requirement in both Canadian and US law is that utility must be perceived by a person of

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<sup>1</sup> *Burton Parsons Inc. v Hewlett-Packard Ltd.* (1975), 17 CPR (2d) 97 (SCC) per Pigeon, J. at 106.

<sup>2</sup> *Skelding v. Daly* [1941] SCR 184 seems to be an early example.

<sup>3</sup> *Apotex v. Sanofi-Synthelabo, supra.*, is but one of many recent examples.

ordinary skill in the art or science to which the invention pertains. “Art” in this context originates in the “*useful Arts*” of the US Constitution, Art. 1, s. 8, (now found in *Patent Act* s.-s. 27(3)), upon which all of Canadian Patent law finds its foundation<sup>4</sup>.

The claim defines the periphery of the monopoly. Subject to the provision to the public of an enabling disclosure, there are four, *and only four*, requirements that must be met by a claim that distinctly and in explicit terms points out the boundaries of the monopoly:

- (1) The claim must be directed toward patent eligible subject-matter falling within Science and the Useful Arts (s. 27(3)(b));
- (2) The subject-matter within the periphery must be novel (s. 28.2(1));
- (3) The subject-matter within the periphery must not be obvious to a person of ordinary skill on the basis of objective evidence lying outside the periphery (s. 28.3); and
- (4) The subject-matter inside the periphery must have utility that would be understood by a person of ordinary skill in the art or science to which the invention pertains, having read the specification with a mind willing to understand.

There is no requirement for an “inventive step”.

There is no requirement for “industrial application”.

Nor should there be.

iv. *Support economic growth:*

a. *enabling global patent rights to be acquired in an efficient manner*

b. *promoting consistent results in multiple jurisdictions*

Comment: The reality of patent prosecution is that (a) patent law; and (b) quality of examination varies widely across jurisdictions, and within jurisdictions. This is a function of differences in law and practice, and differences in quality of examination.

c. *promoting innovation and competition*

Comment: The Office and the profession have some ability to affect, and, perhaps with some luck to raise, the standard of substantive, art-based, examination. The direct promotion of innovation and competition is much less within the control of the Office, and much more within the control of innovators themselves. If a patent system is properly designed, it will necessarily promote both innovation and competition.

An additional guiding principles might be added:

v. Harmonisation, in and of itself, is not a reason for diminishing the rights of inventors.

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<sup>4</sup> The first Canadian Patent statutes were those of Lower Canada and Upper Canada respectively: 4 Geo IV, c 25 (1823), LC “*An Act to promote the progress of useful arts in the Province*” and 7 Geo IV, c 5 (1826) UC “*An Act to encourage the progress of the useful arts within this Province*”, copied, nearly word-for-word, from the US statute.

Canada should only ever engage in “harmonisation” if the result is to improve our peripheral claiming system. “Harmonisation” seems often to be a euphemism for “Europeanisation”. The EPC is a sign-post system, not a peripheral claiming system. It has features that tend to defeat meritorious inventions on non-art-based grounds. It often works injustice in preventing inventors from establishing claims in the subject-matter that they have in good faith truly invented.

By contrast, while U.S. litigation may be undesirable, the U.S. Patent statute is the best, and far the most sophisticated, patent statute in the world. Canada also has an excellent *Patent Act*. However, the courts have had difficulty in understanding, using, and abiding by it<sup>5</sup>. If we used the statute properly, we would see that the Canadian *Patent Act* is a gem.

If Canada wishes to “harmonize” its patent laws and regulations, it would be far better to conform more closely to U.S. practice. The U.S. is the world’s most important patent jurisdiction; it is Canada’s largest and most important trading partner; it has the most advanced and sophisticated Patent law; it has, by far, the most well developed case law on points of patent principle; it is *the* major peripheral claiming system in the world; and, finally, the U.S. peripheral claiming system forms, and has always formed, the basis of the Canadian *Patent Act*.

### ***Principles and commentary***

*The following principles and commentary have been prepared by the Chair, taking account of the objectives outlined above and the views of sub-group members. The principles are intended to encompass the views of all members of the sub-group, whilst recognizing that differing views remain on how the principles should best be implemented. The associated commentary takes account of these differing views, reflecting the various outcomes under consideration in respect of each principle, together with an indication of the level of support within the sub-group for each proposed solution.*

#### ***1. Non-prejudicial disclosures / grace period***

- i. *Inventors/applicants whose inventions have been disclosed prior to filing a patent application should ~~in certain circumstances~~, be given ~~[[an]]~~ a fair and reasonable, time limited, opportunity to patent their invention*

Comment: A grace period has applied in North America for over a century. It works fine.

- ii. *Such circumstances should include breach of confidence or theft of information*

Comment: The grace period should apply to everyone, without exception and without qualification. It should not require applicants to jump through administrative hurdles. That is just an engine of injustice and perjury.

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<sup>5</sup> See, for example, *Amazon.com Inc.*, Re, 2011 FCA 328, 97 CPR (4th) 171, and the critique of the case found at CJLT Vo. 10, No. 2, at page 129.

iii. *Any system ~~[[which]]~~ that allows an invention to be patented after disclosure should take account of and balance the needs of:*

- a. inventors/applicants, regardless of their level of IP expertise*
- b. third parties (including those who could claim prior user rights)*
- c. those whose primary focus is dissemination of knowledge and information*

Comment: How is (a) not of equal concern in a system that doesn't have a grace period?  
In the case of (b), if they made a prior enabling disclosure, then that is dispositive.  
How is (c) any more or less relevant where there is a pre-filing disclosure, or not?

(c) is the defining purpose of patent law, pre-filing disclosure, or not. Spreading knowledge has never been an infringement of making, using, or selling under the *Patent Act*, because the public benefit of patent law comes from open dissemination of knowledge.

iv. *Any system which allows an invention to be patented after disclosure should:*

- a. provide a high level of legal certainty for applicants and third parties*

Comment: Why any higher or lower level of "certainty" than when there has been no prior disclosure?

- b. encourage early filing*

How is it any different than when there has been no prior disclosure?

- c. encourage research and development*

How is it any different than when there has been no prior disclosure?

- d. be applicable according to globally harmonised principles and rules so as to promote consistent results in multiple jurisdictions*

Comment: Harmonisation, for its own sake, is not an appropriate objective.  
Harmonisation to make the law better is an appropriate objective.

### ***Circumstances in which applicants should have the opportunity to patent a disclosed invention***

*While there is consensus that applicants should be given an opportunity to patent their invention where it has been disclosed due to breach of confidence or theft of information, there is no consensus on whether applicants should be given an opportunity to patent their invention where they have disclosed it themselves. There was more support, though not unanimity, for the opportunity to patent an invention which had been inadvertently disclosed* <sup>Footnote 2</sup>.

Comment: The one-year grace period should apply to everyone, without exception and without qualification. It should not require applicants to jump through administrative hurdles.

The point of the patent grant is to permit inventors to obtain protection for that which they have in good faith truly invented.

Their property should not be put in jeopardy on the basis of non-prior-art-based administrative requirements – and particularly not once the inventor has already made the enabling public disclosure forming consideration for the grant. In both Canada and the U.S., such deprivation of substantive property rights on the basis of arbitrary administrative requirements is unconstitutional. The requirement of absolute pre-filing non-disclosure is an engine of injustice. It injures the innocent, the unknowing, and the unwary. It rewards the inventor's competitors with an unearned windfall. It is unreasonable. It is harsh. It is unjust.

### ***Other characteristics of a potential grace period***

*Notwithstanding that there is no consensus on the introduction of a grace period covering disclosures by the applicant, there is agreement that, if such a system were to be introduced:*

- *It should be simple, with the same rules applying to all applicants and all types of disclosure deriving from the applicant, regardless of the intention or characteristics of the applicant.*

Comment: Apply the grace period to everyone, without exception.

- *Encouraging transparency of the fact that the grace period has been invoked, for example through some form of declaration requirement, would increase legal certainty but place a burden on the applicant, and therefore further work should be conducted to explore how these factors could best be balanced.*

Comment: This does not seem like a good idea. This feature is not about “increasing transparency”. It is about raising transaction costs. It assumes that all patent applicants should be presumed to be, and should be treated as, criminals. That is not how to encourage the advancement of science.

The “declaration requirement” already exists. It is called a “Petition for the Grant of a Patent”. The filing of the Application is a representation by the Applicant that it is within the statutory bar for public disclosure. The proposed additional requirement is an administrative hurdle that merely raises transaction costs – when one of the fundamental economic purposes of the *Patent Act* is the reduction of transaction costs. It would not increase “legal certainty”: That occurs only if a case is litigated, where that representation will be tested anyhow. CIPO is not the appropriate venue for that test.

For almost 600 years the object of the system of patents for invention has been to encourage free and easy disclosure. When only one patent in 1000 is litigated, we are imposing a mandatory, pre-emptive, universal, cost penalty on 999 other applicants without good reason, and thereby impairing the much more important objective of the system in facilitating disclosure.



It is pure economic waste. We should not be impairing the central objective of the statute on the basis of small probability events.

- *The duration of the grace period should be harmonised, and calculated from the priority date.*

*Some of those in favour of mandatory declaration believe that failure to declare a disclosure should result in administrative sanctions only, rather than loss of the benefit of the grace period for that disclosure.*

*There is no consensus on the optimal duration of the grace period, some believing the principles are best supported by a duration of 6 months, others 12 months. However, there is agreement that, whatever the duration, it should itself be harmonised and should be calculated from the priority date in all jurisdictions.*

Comment: North America has had 12 months forever. Why tamper with something that clearly works, and works well?

### ***Rights of third parties***

*The sub-group noted that the rights of third parties may have a significant effect on the way in which any grace period is used. All systems envisage certain circumstances in which the disclosure of third party inventions prior to the date of filing could affect the patentability of an application relying on a graced disclosure. To this extent the system incentivises early filing.*

*Some members believe that it should be possible for prior user rights to arise where use of an invention in good faith is based on information derived from the applicant which has been disclosed to the public through a pre-filing disclosure during the grace period – to provide legal certainty to third parties and provide additional incentives for applicants to file early. Others believe that prior user rights should be a limited defence to patent infringement, and should not arise where knowledge of the invention has been derived from the applicant.*

Comment: How often, in the thousands of cases litigated in the U.S., has there been a case where there is credible evidence of “derivation”? Has there ever been a single documented case of “derivation” in Canada? There are enough real problems, without a need to become distracted by apparently imaginary problems, such as “derivation”.

*The sub-group members were open to further thought as to the possible interplay between third party rights and the grace period. Some felt that if it proved possible to reach agreement on the right balance between the interests of applicants and third parties, setting appropriate incentives to filing first, prior to disclosing the invention, and providing adequate protection for third parties, then the specific duration of the grace period might be less important, though it should still be harmonised.*

Comment: Adopt either the U.S. or the Canadian provision on grace period. They both work, and have done so for many years.

## ***2. Publication of applications***

- i. *The global publication regime should be formulated to provide a clear time limit by which information about a potentially patented invention will be made public*

Comment: Every member of the PCT in which applications are filed in more than one country already accepts this principle, and the 18 month date.

- ii. *The timing of publication should provide for prompt dissemination of knowledge from all pending patent applications wherever filed*

Comment: The assumption underlying the statement may not be correct. The ability to disseminate knowledge typically dates from the filing receipt of the priority application. For commercially valuable inventions, the first filing is often made immediately prior to the publication of a scientific research paper, the presentation of a seminar, or the display of the invention at a trade show. It is thus the filing date of the priority application that is often critical to the dissemination of knowledge, rather than the patent application publication date, which is a much-later-following default.

- iii. *Pending patent applications should be published promptly after the expiry of a **globally agreed timeframe***

- iv. *The globally agreed timeframe should balance the interests of inventors/applicants and those of third parties:*

- a. *inventors/applicants should be provided sufficient time to determine the likelihood of obtaining meaningful protection for their invention, and should they wish, to withdraw their application so as to retain the possibility of protecting their invention as a trade secret*
- b. *third parties should be provided with reasonable legal ~~[[certainty regarding]]~~ guidance in respect of pending patent rights ~~[[which are pending, so as]]~~ ~~[[to prevent duplication of R&D efforts and loss of investments]]~~ permit appropriately informed R & D and investment decisions to be made.*

- v. *Patent offices should be able to delay or suppress publication of a pending application in exceptional circumstances*

- vi. *Inventors/applicants should be able to request publication of an application prior to the globally agreed timeframe if they wish, as long as the requirements for publication under the applicable law are met*

- o *There is consensus that:*

- *18 months from priority date is an appropriate timeframe to meet the principles outlined in paragraphs (iii) and (iv).*
- *Patent offices should not be able to delay publication of a pending application beyond 18 months, ~~or suppress publication of information within an application, in the following exceptional circumstances:~~*

- ~~[[if]] unless publication would be prejudicial to public order, morality, or national security as determined by a court.~~
- ~~if the application contains offensive or disparaging material~~
- ~~if a court order specifies that an application should not be published~~

~~The sub-group is open to considering any additional exceptional reasons which can be justified.~~

Comment: The concept of suppression of publication is contrary to the central purpose of patent law, namely the easy dissemination of knowledge.

Canada's *Patent Act* is based on U.S. law. The U.S. *Patent Act* was originally written by Madison, with Jefferson and Franklin looking over his shoulder. Freedom of speech was, and is, critical to the advancement of Science. Freedom of speech is the right of the reader to read, and the listener to hear. Publication is the consideration for the grant. The public should not be deprived of the right that lies at the core of patent law.

Freedom of speech, scientific advance, and democratic government are inseparable. They have the same origins. They were entrenched in the US Constitution for the same reason, by the very same people – who, not by coincidence, happened to be scientists, all of them well familiar with the long history of the persecution and suppression of scientists. Freedom of speech should not be suspended except in the most extraordinary circumstances, and particularly not in respect of scientific advance.

“I think by far the most important bill in our whole code is that for the diffusion of knowledge among people. No other sure foundation can be devised for the preservation of freedom and happiness.” – Thomas Jefferson, Botanist, and First Commissioner of Patents.

### **3. Conflicting applications**

- i. *The grant of multiple patents for the same **claimed** invention in the same jurisdiction should be prevented*
- ii. *The patent system should allow for the protection of incremental inventions while ensuring that patent rights are not unjustifiably extended*
- iii. *Any system which allows incremental inventions to be patented should:*
  - a. *balance the interests of inventors to protect incremental improvements on their own inventions with the interests of third parties to operate in the same field*
  - b. *promote innovation and competition*
    - *There is consensus that:*
      - *Rules which govern conflicting applications should permit the patenting of incremental innovations, where this supports principle (iii).*
      - *Harmonised treatment of conflicting applications would be beneficial.*
      - *Further work should be conducted to compare various alternative approaches, bearing in mind the effects on innovation and competition.*

- *There may be benefits to a harmonised system in which PCT applications apply as secret prior art upon international publication in any language.*
- *Applications prosecuted directly through the national/regional route should apply as secret prior art only in those jurisdictions where they are or have been pending.*

*While there is agreement that rules which govern conflicting applications should support the principles outlined above, there is no consensus on how this should be achieved. In particular, there are differing views on what combination of features would best promote innovation and balance third party interests.*

*Some believe that innovation and competition are best supported by favouring the original applicant in respect of incremental inventions, by preventing their own earlier-filed applications (“secret prior art”) being cited against them (“anti-self-collision”). However, among those members of the sub-group who consider that the original applicant should be favoured in this way, there are differing views as to the extent to which their secret prior art should count against other applicants – in particular whether it should count for the purposes of “enlarged novelty” or novelty and inventive step.*

*Other members of the sub-group believe that innovation and competition are best supported by providing equal access to the protection of incremental inventions for all applicants. They believe that this can be achieved by having no anti-self-collision, with secret prior art counting for novelty only against all applicants.*

*It is recognised that there could also be merit in considering new solutions which as yet do not exist – for example a system where secret prior art is applied for novelty and inventive step, and anti-self-collision applies for inventive step only.*

*The sub-group therefore agreed to carry out further work on these options.*

*The sub-group could see the logic underlying all of the present approaches regarding applications filed under the Patent Cooperation Treaty (PCT) – whether they should be applicable as secret prior art once they have been published in any language, once they have been published in an official language of the jurisdiction in which they are to be considered, or once they have entered the national/regional phase of the jurisdiction in which they are to be considered. The sub-group did not reach a definitive position on this issue. However, as patent systems become increasingly internationalised the sub-group could see there may be benefits to a harmonised system in which PCT applications apply as secret prior art once they have been published in any language. This would provide consistent legal certainty across different jurisdictions and respect the purpose of the PCT to give international applications the effect of a national filing in all designated member states. The sub-group agreed that this merited further discussion.*

#### **4. Prior user rights**

- i. *A third party who has started using an invention in good faith prior to the filing of a patent application for that invention by another party should have a right to continue to use that invention*
- ii. *The circumstances under which prior user rights arise, including the extent to which they rely on actual use having taken place, should balance the interests of third parties to protect their investments with the interests of the inventor/applicant*
  - *There is consensus that:*
    - *Prior user rights should not arise through mere possession or knowledge of an invention by a third party.*
    - *Prior user rights should be limited to the territory in which the activity giving rise to prior user rights has taken place.*
    -

*There is a degree of convergence, but not unanimity, that prior user rights should arise where a third party has, in good faith, made effective and serious preparations to use an invention. Those who hold this view believe that the process of innovation can be long and complex and it is arbitrary to use actual use of the invention as the threshold when substantial investments may have begun far before then. Those members believe, therefore, that it is fair, efficient and in the public interest that these investments should be protected whether or not actual use has taken place.*

*Others believe that prior user rights should arise only where actual use of the invention has taken place, noting that this is a clear test which avoids uncertainty regarding whether preparations are substantial enough, and ensures that prior user rights exist as a limited defence to infringement.*

*As far as the critical date is concerned, it was noted that in most, but not all, jurisdictions, prior user rights can arise up until the priority date of the invention. The sub-group recognised the benefits of harmonising the point in time by which prior user rights could arise.*

*As noted in section 1, some believe that it should be possible for prior user rights to arise where use of an invention by a third party in good faith is based on knowledge derived from a graced disclosure by the inventor/applicant. Others believe that prior user rights should be a limited defence to patent infringement, and should not arise where the information is derived from the inventor/applicant.*

## **5. Prior art**

- i. *Patents should only be granted for contributions that place in the hands of the public information that had not been previously known*
- ii. *The scope of prior art should be properly defined to ensure that the subject matter for which exclusive rights are granted truly represents a contribution to, and not an encroachment on, the public domain*

- iii. *Subject to agreed exceptions, prior art should consist of all information that has been made available to the public anywhere in the world before the earliest effective filing date of the claimed invention*
- *There is consensus that the principles outlined above underpin the patent system, and are therefore important for understanding how the principles in this document as a whole should operate.*

○

#### **Footnotes**

##### **Footnote 1**

*The sub-group was formed following agreement by Group B+ at its plenary meeting in September 2014, and comprises representatives from the European Patent Office (EPO), Canada, Denmark, Germany, Japan, Korea, Spain and the United States, chaired by the Group B+ chair John Alty (United Kingdom).*

*Return to footnote 1 referrer*

##### **Footnote 2**

*This may include unintentional/accidental disclosures, as well as intentional disclosures by so-called “unsophisticated actors” who are unaware of the consequences of disclosing before filing.*