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Chair

Mr. Brent St. Denis

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Wednesday, February 2, 2005

•(1530)

[English]

The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.)): Good afternoon, everyone. I'd like to call to order this Wednesday, February 2, meeting of the Standing Committee on Industry, Natural Resources, Science and Technology. Today we have witnesses from the Department of Industry to help us with Bill C-29, An Act to amend the Patent Act.

Before I invite the gentlemen to the table to make a 10-minute presentation, it's my plan, if members here agree, to proceed to clause-by-clause when we've had our questions answered, and then have a business meeting if we have time.

I'd like to do one very important thing, and that is to congratulate our colleague Michael Chong on the birth of his and his wife's new baby. Congratulations.

Mr. Michael Chong (Wellington—Halton Hills, CPC): Thank you.

The Chair: With that, which of you gentlemen is going to start?

All right, Jacques, we'll ask you to start. Thank you for being here.

[Translation]

Mr. Jacques Hains (Director, Corporate Strategies Branch, Canadian Intellectual Property Office, Department of Industry): Thank you very much, Mr. Chairman. Thank you as well to the members of the committee.

Before I begin my short presentation, allow me to introduce the people who are with me here today. My name is Jacques Hains and I'm the Director of the Corporate Strategies Branch of Industry Canada's Canadian Intellectual Property Office. Scott Vasudev is a Special Projects Officer with the Office's Patent Branch. Alan Troicuk is a Senior Counsel with the federal Justice Department assigned to Industry Canada's Legal Services.

The focus of today's meeting is Bill C-29 which was tabled in the House of Commons on December 3, 2004.

[English]

This bill really has two purposes. The first purpose of the bill is to respond to a court decision made in 2001 and an appeal court decision made in 2003 that have unexpectedly put thousands of Canadian patents at risk. So the first purpose of Bill C-29 is to respond to these court decisions and provide relief to those patent applicants and patent holders who were unexpectedly affected by these court decisions and now see their patents at risk. The second purpose of Bill C-29 is to rectify a technical oversight in Bill C-9,

amendments to the Patent Act approved in the last Parliament that have come to be known as the Jean Chrétien pledge to Africa; it's to correct that oversight.

First, let me deal with the amendments to the Patent Act relating to these past court decisions, known as the Dutch Industries case. For patent applications to be valid and patents to be valid throughout their life, which is the 20 years' protection afforded to a patent, a number of fees have to be paid by patent applicants or patent holders over that 20-year period. Back 20 years ago, in 1985, the federal government created two groups of patent applicants or patent holders, a group known as "small entity" applicants and holders—and essentially we're talking here about individual investors, universities, and businesses that have fewer than fifty employees—and large entities, which are of course the rest of them. The purpose of creating these two categories was to afford the former a 50% reduction in fees and to try to encourage more patent filing by SMEs in Canada.

Before the court decisions I've alluded to, the conventional wisdom all patent agents and we at CIPO had was that it was whoever held the patent, the holder or owner of the patent, that determined the entity size. But as you can imagine, over a 20-year lifespan this can change. You sell your patent to a large entity if you are small; he sells it back to a small; or even if you're the same owner of that patent, you may have downsized your operations or have got into mergers and acquisitions and your entity size has changed over time. The conventional wisdom was that with the change in entity size, you had to pay the proper corresponding fees. So fee payments could also change quite a lot over the 20-year period, with an increasing risk as to making an honest effort. Say I sold my business or I created this subsidiary, which became small several years ago, and whoops, I realize that I've continued to pay as a large, so I would now pay as a small, or whatever.

So CIPO adopted, in this commercial context, an approach of flexibility to allow for mistakes to be corrected by holders though their making additional payments, what we call top-up payments, and that's the cause of the problem here. Back in 2001 an industry called Barton No-Till Disk Inc. sued Dutch Industries, another company, for patent infringement. In court, in its defence, Dutch claimed that Barton's patent was invalid because they had paid the lower fee when they should have paid the higher fee. Barton in counter-argument said, yes, but I did top up; I did catch up and I did make the compensatory payments as soon as I discovered I wasn't paying enough fees. Dutch said, no, CIPO has no legal authority to accept top-up payments like that. The decision of the court in 2001 was that indeed CIPO didn't have the legal authority under the Patent Act to accept these top-up payments, potentially invalidating thousands of patents for which holders had acted in good faith.

This decision was appealed to the Federal Court of Appeal, and the Federal Court of Appeal upheld the decision of the lower court that indeed CIPO did not have the legal authority. Therefore, thousands of applicants and holders acting in good faith saw their patents at significant risk.

• (1535)

What's more, the appeal court ruled that the entity size of a patent holder is determined once and for all at the original application for a patent. If you are a large company applying for a patent, you shall pay the larger fee throughout, regardless of whether you've sold your patent later to a small entity. That new owner, the small entity, still has to pay the larger fee as per the original filer. That decision was totally unexpected by all parties, CIPO and patent agents alike.

As I have said, several thousand patents here have been put at risk because of that. If they were to be challenged in court and it could be shown to the court's satisfaction that indeed the wrong fees were paid, these patents would be declared invalid. This is not fair when everybody acted in good faith, but there are no legal ways, except the one proposed in Bill C-29, to correct that situation.

Bill C-29 will do two things, Mr. Chairman. The first thing it will do is legalize—if I can use that expression—all past top-up payments made in the last twenty years, made in good faith. They have no legal standing. With Bill C-29 they will have that now; they will be legalized. And the bill will provide a 12-month window of opportunity for patent applicants and patent holders to carefully look at their situation and make top-up payments in that 12-month window if need be.

An example is the example that I described a moment ago. If the original filer 15 years ago was a large entity that was bought 10 years ago by a small entity that since has paid small fees, that person has no legal means to pay the larger fee top-ups to keep the patent. They would be able to do that in the next 12 months, according to Bill C-19. That's the Dutch Industries situation that we need to correct.

The second provision of Bill C-19 is this technical oversight in the Bill C-9 amendments to the Patent Act passed by the last Parliament. As committee members may recall, the Jean Chrétien pledge to Africa calls for the creation of an expert advisory committee to advise the Minister of Industry, the Minister of Health, and the government on which pharmaceutical products should be eligible, under this regime, to be exported to needy countries. Due to a

technical oversight, the regime currently provides that a committee of the House will assess and recommend potential candidates to be on this advisory committee, but it does not provide for a like role for a Senate committee. The proposal, therefore, is to amend the provision in the Patent Act to provide the Senate with shared responsibility for assessing and recommending potential candidates for membership on the expert advisory committee. That's Bill C-29, which you have in front of you.

Since the bill was introduced on November 3, Mr. Chairman, practitioners—the Intellectual Property Institute of Canada—have looked at the bill very carefully, now that it could become law, to see what impact the bill will have on their daily practice if adopted by Parliament. They have identified and raised two concerns, and I believe they have written to the committee regarding these two concerns.

The first concern that practitioners have raised I can best describe as a “for greater certainty” concern. The concern is as follows. There are now in the Patent Act some provisions, sections 78.1 and 78.4, that say that patent applications filed at a certain period of time, certain dates, shall be treated and shall be disposed of in accordance with the law as it existed then. Of course, what we have here for consideration today in Bill C-29 would not have existed then—i.e., that relief to those patent holders who may be caught by the Dutch Industries situation—and there is therefore an argument that the law would not be effective, would not be available to all to whom it should be available. That is relatively easy to address, Mr. Chairman. If the committee agrees, it could adopt a small amendment that would say that for greater certainty, this new provision in Bill C-29—the number is 78.6—also applies to those applications as per sections 78.1 and 78.4. This would fix that problem.

• (1540)

The second concern that was raised by applicants is that they will not be able to comply with one of the requirements now in Bill C-29. That requirement is for those who've made past top-up payments, as well as those who may make payments in the next 12-month window of opportunity, to accompany their top-up payments with three pieces of information.

The first piece of information is to identify what patent or patent applications we are talking about here. It has to be specific to the patent for which we want to make the top-up payment.

Second, what service is this top-up for? Is it a filing fee we're talking about, an examination fee, an annual maintenance fee? We need to know that.

Third, in Bill C-29 now you also have to provide the date on which those payments were made.

From a practitioner's point of view, a top-up payment may have been made 15 years ago, and in the meantime that patent has moved from one owner to another, from one patent agent to another. Practitioners say they will not be able to reconstruct these files and provide these dates. In some instances they will, but in some instances clearly they will not be able, and therefore they will not be able to comply with this requirement, and again, your law won't be as effective as it should be, right? This is the intent of the law.

Again, here, we have agreed. The government has agreed with this concern, so that if the committee wishes, it perhaps should amend Bill C-29 to that effect by simply deleting that one single requirement—the date on which the fee was paid.

The conclusion, Mr. Chairman, is that Bill C-29, as you know, is technical and narrow in scope and is only intended to respond to the Dutch court decisions and the oversight in the Jean Chrétien pledge to Africa. The proposed amendments to Bill C-29 that I have just talked about are also very technical. They will be addressing fully the concerns raised by practitioners, and they will ensure that Bill C-29 is fully effective without changing fundamentally the purpose of Bill C-29.

Merci beaucoup, monsieur le président.

• (1545)

The Chair: Thank you for that, Monsieur Hains.

Are there colleagues with questions?

Michael Chong.

Mr. Michael Chong: Yes, I have a quick question. Thank you, Mr. Chair.

According to my notes...are there only 7,000 patent holders in Canada?

Mr. Jacques Hains: This is a very rough estimate, that as many as 7,000 might be affected by the Dutch Industries court decisions.

Mr. Michael Chong: So there are more than 7,000 patents?

Mr. Jacques Hains: There may be more, but to the best of our estimates, we thought a minimum of 7,000 could be affected. It might be more than that.

Mr. Michael Chong: I'm surprised. I thought the number was a lot higher than that. I have no evidence for this; I just never thought the number would be that low.

Mr. Jacques Hains: We've tried very hard. It is impossible to estimate for sure and identify which patents need to be corrected, but to the best of our knowledge, it could be as many as 7,000, and probably more.

Mr. Michael Chong: All right. So 7,000 patent holders were affected by the 2003 court ruling.

Mr. Jacques Hains: That's right.

Mr. Michael Chong: If you know, how many patent holders are there in Canada in total, roughly?

Mr. Jacques Hains: Several hundred thousand.

You should know, Mr. Chairman, that patents have been granted in this country since Confederation.

The Chair: All right. Is there anybody else on that side?

Brian.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

With regard to adding the Senate to the review committee, I remember the discussions and negotiations we went through for that quite well, and there wasn't any discussion at the time of actually including the Senate, so why is it considered an oversight? The committee never discussed it and no one brought it up. It was not a part of the discussions before.

Mr. Jacques Hains: Well, the intent was to include both houses, but it happened so fast at the last minute. Those amendments, in my understanding, were made in the last days and the last week of the last parliament. An amendment was made to provide this role to a committee of the House, but did not provide for the Senate. When Bill C-9 went to the Senate, the senators picked that up, and the government recognized at the time very publicly that, sorry, it had been an oversight and we should have done that—we, the government, are in agreement and we should have done that.

I'm talking for the government. I'm not the government personally.

Mr. Brian Masse: No, I appreciate that.

Mr. Jacques Hains: Because it was again during the last week and the last days of the last parliament, the senators have accepted to adopt Bill C-9 as is, on the understanding that this oversight would be rectified at the first opportunity—and the first opportunity is when you amend the Patent Act for the first time. This is what the proposal is.

Mr. Brian Masse: Keeping aside the issue of an unelected Senate, an elected Senate, and the issue about democracy on that, can that added component then delay both a review of the drugs that might be added to the list and the processing of some changes? If they were to have a separate committee, could a parallel structure delay the addition of drugs that are needed in a very timely manner? I understand that not a single one has been accessed right now under the legislation, which has some flaws, but can this add another delay?

• (1550)

Mr. Jacques Hains: My understanding is that the two committees would work in parallel and almost concurrently, that the government would send its proposals for the composition of these committees to the two Senate and House committees at the same time, to look at things concurrently.

I think everybody realizes that this is an important piece of legislation, an important program that has been put together by the Government of Canada for needy countries. Canada is one of the first countries in the world to have done that. I think the hope will be to try to do that expeditiously by having parallel, concurrent examinations.

Mr. Brian Masse: That gives me some trouble. I know there are going to be experts on those, so why would we set up two systems that could eventually conflict with one another at the end of the day? What ends up happening with that? I don't even know. Or is it going to be one body?

The Chair: For clarification, I think it's one body with both Houses, the Senate and the House of Commons, having input into the membership of that one body.

Mr. Brian Masse: That's what I really want to make sure of.

The Chair: I don't think it would be a double review. Am I correct?

Mr. Jacques Hains: That's right.

Mr. Brian Masse: Okay, thank you. That's the big concern at the end of the day.

The Chair: Is there anything else?

Jerry.

Hon. Jerry Pickard (Chatham-Kent—Essex, Lib.): I have a couple of concerns. They may not be major issues.

First of all, I want to say thank you very much for your work. It sounds like a reasonable plan to rectify what could be very dangerous to a lot of patent holders in Canada.

When we talk of 7,000—and I'm hearing that we don't really know exactly how many—is there any way to trace what patents could possibly be affected and to notify as many of those patent holders as possible? I can see some problems, just as you say. People own patents. Patents move with corporate interests. Patents move with individuals. Patents get sold. The original application may not belong to the patent holder of today. Is there any way we can trace that to make sure that as many people as possible get notified up front?

Secondly, have you any other concerns that were raised with regard to this area of legislation? I know you've done broad consultations and you've come with the recommendations, but were there other issues that we may be confronted with or that you are concerned about at this point?

Mr. Jacques Hains: Thank you very much.

On your first question on making sure that all those who are potentially affected by the Dutch decisions and therefore should know that a legal remedy would be available to them if this is approved by Parliament.... I would answer your question this way. First, when the court decisions came down—the original in 2001 and the appeal decisions in 2003—I think they sent quite a chill through the patent community, the vast majority of which is represented by patent agents. Those agents are well aware that many of their clients may be affected here, and it is their job to make sure there is a legal remedy and that they avail themselves of it. Through the patent agent community, which is strongly supporting this bill, we would address the vast majority of those who may be affected.

Now, there is a category called single investors, those who don't necessarily hire patent agent professionals to help them with processing their patent applications with our patent branch. Because these people don't deal with these professionals who look after their interests and make sure that annual fee payments are paid on time and things like that, we at the Canadian Intellectual Property Office have to practise annually writing to these single investors to remind them that if they wish their patents to be in good standing, they should pay their annual fees. We will use that mail-out to that last category when this thing is approved by Parliament, to say that they

should go back through their files and make sure they're not affected by this, that they were not affected by Dutch, and that if they were, they have 12 months to rectify it. So it's very important.

With these two things, we are confident that we will cover all possible instances. I can't guarantee each and every single one of them, but this should cover them well.

On your second question about whether or not there were any other concerns raised by practitioners on this, no. We met with them when they identified these two concerns. They called on us to discuss these concerns and whether we would agree that there was some validity and things like that. We discussed these things with them and they said those were the two. We also went back to them and discussed how they could be fixed by using "for greater certainty" provisions, for example, and by deleting this. Again, they told us that if these two amendments were passed as proposed, as described to them by this committee, they would be fully happy and their problems would be solved entirely to their satisfaction as practitioners.

• (1555)

Hon. Jerry Pickard: Thank you very much, Mr. Chair.

The Chair: Thank you, Jerry.

Is there anyone else? No?

Seeing no other questions, I propose that we move to clause-by-clause, and I'm going to invite Joann Garbig to change places with Louise for the purposes of clause-by-clause.

I'm going to read a little preamble. There are new members at the table, and I don't mind having a reminder myself of what our responsibilities are when it comes to clause-by-clause. I'll read this slowly and deliberately. It's the first time for some members, and for others of us it has been a long time since we have dealt with a bill clause-by-clause. It could be almost a year for some of us.

Joann, thank you for your help.

I'll read these two brief statements so that I don't miss anything:

Before we embark on clause by clause consideration Bill C-29, I wish to remind hon. Members of our responsibilities as a committee in the legislative process.

According to the rules and practices of the House, committee stage is where the bulk of the amendments to the text of a bill are made. There is the possibility of moving further amendments at report stage

—it goes back to the House—

but at report stage there are more restrictions on what amendments may be proposed.

Generally, amendments may be proposed at report stage that challenge or further modify committee amendments, or that make consequential changes to a bill based on an amendment made in committee, or that delete a clause. If an amendment is proposed at report stage which could have been proposed here, it will not be selected by the Speaker for debate and a decision of the House. This is why our work here is so important; we must make every effort to consider all possible amendments to the bill here in committee. I would refer you to the Speaker's ruling of November 15, 2004 on this matter. If Members are interested, copies of his ruling are available from the Clerk.

I would like to introduce the legislative clerk, Joann Garbig, who will be providing assistance during our clause by clause study. I would also like to point out that the Clerk has copies available of the document entitled *Amending Bills at Committee and Report Stages*.

I think members have been given a copy.

The link for this document was also provided in the memo

—and so forth.

The next one reads as follows:

Before we begin, I would like to give a brief description of the clause by clause process.

During clause-by-clause, a committee examines every part of the bill, starting at the beginning, going line by line and, if necessary, word by word. Amendments can be proposed, debated and voted on. A member can ask questions about a clause, or debate a clause, even if he or she has no amendment to propose. The committee votes on

- each amendment
- each clause
- on the schedules and preamble, if the bill has them
- on the titles
- and finally on the bill as a whole.

We skip the first two, and they go to the end. That's the title and preamble.

The committee then presents a report to the House on what changes, if any, it has made to the bill.

If we get done today, I would do that at the first opportunity, which might be tomorrow.

Two amendments were submitted to the Clerk

—Mr. Hains has referred to them—

and they were distributed to you Monday morning. Copies of these amendments have also been given to you here.

With that, I'm going to go through this process. Are there any questions on the procedure from anyone? No?

You have the bill in front of you.

(Clause 1 agreed to)

The Chair: Jerry, are you going to move amendment G-1?

•(1600)

Hon. Jerry Pickard: I so move.

(Amendment agreed to [See *Minutes of Proceedings*])

The Chair: Jerry, do you move amendment G-2?

Hon. Jerry Pickard: I so move.

(Amendment agreed to [See *Minutes of Proceedings*])

(Clause 2 as amended agreed to)

The Chair: You can interrupt if you have questions or anything, colleagues.

(Clause 3 agreed to)

The Chair: Shall the title carry?

Some hon. members: Agreed.

The Chair: Shall the bill as amended carry?

Some hon. members: Agreed.

The Chair: Shall I report the bill as amended to the House?

Some hon. members: Agreed.

The Chair: I shall do that for you.

We're done. That was painless. I hope Lalita's birth is like that.

Voices: Oh, oh!

The Chair: Thank you for that, colleagues, and thank you very much for your attendance here today, everyone.

We will take a 30-second break while we clear the room to go in camera for business of the committee. Just staff of members are entitled to stay.

[*Proceedings continue in camera*]

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