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April 29, 2024

Exploring the Boundaries of Patent Protection: Federal Court of Appeal Holds That Marketing Is Not â€œUseâ€• Under the Patent Act

The Federal Court of Appeal's decision in *Steelhead v ARC* upholds Justice Manson's summary trial decision finding no infringement by ARC Resources of Steelhead's 085 Patent. In summary, the FCA held that the marketing of an apparatus that – if built – would infringe the 085 Patent did not constitute "use" (or "exploiter" in the French version) under section 42 of the *Patent Act*, and therefore could not be infringement.

Since the Supreme Court of Canada's decision in *Monsanto v Schmeiser*, the monopoly over "use" of a patented invention has been viewed expansively because of the SCC's statements that:

- "Use" or "exploiter", in their ordinary dictionary meaning, denote utilization with a view to production or advantage.
- The basic principle in determining whether the defendant has "used" a patented invention is whether the inventor has been deprived, in whole or in part, directly or indirectly, of the full enjoyment of the monopoly conferred by the patent.
- If there is a commercial benefit to be derived from the invention, it belongs to the patent holder.

Those words from the SCC have frequently been interpreted as suggesting a flexible approach to what acts constitute patent infringement. With its *Steelhead* decision, the FCA has put a limit on that flexibility.

Discussion

Canadian Patent No. 3,027,085, at issue in this case, relates to apparatus, methods, and systems for near-shore or at-shore liquefaction of natural gas, and claims a near-shore or at-shore floating LNG (FLNG) facility.

The appellants alleged that the respondents infringed the 085 Patent through the design, development, and marketing of an

LNG project to potential investors and others that included a design for an LNG facility that, if built, would comprise the essential elements of the invention claimed in the 085 Patent. The respondents had commissioned a preliminary Front End Engineering Design ("pre-FEED") study for an LNG facility. The pre-FEED study contained engineering drawings, specifications and cost estimates, and a high-level summary of the pre-FEED study was shown to potential investors. The only question of fact and law before the Court was whether the respondents had "used" the invention claimed in the 085 Patent.

The parties have a fairly complex history (e.g., Justice Manson separately decided an impeachment counterclaim challenging the 085 Patent, and the parties are litigating causes of action other than patent infringement in a parallel action before the BC Supreme Court). However, for the purposes of the summary trial, the respondents conceded that the 085 Patent was valid and that, had the FLNG facility described in the pre-FEED study been built, it would have included all the essential elements of the 085 Patent (*i.e.,* it was agreed that if built it would infringe).

The appellants' argument in brief was that by sharing the pre-FEED study with third parties as part of their efforts to promote their FLNG project, the respondents "used" the appellants' invention by obtaining a commercial advantage or benefit that belonged to the appellants by virtue of the monopoly granted by the 085 Patent. This argument was rejected by both the FC and FCA.

The FCA held that the Supreme Court's approach in *Monsanto* indicates that what is "used" under section 42 is the claimed invention. In the case of a patent for an apparatus – such as the 085 Patent here – the claimed invention is the apparatus described in the claims, not its goal, purpose or advantage, however these might be defined. The FCA rejected the argument of the appellants that the French phrase in section 42 "exploiter l'objet to l'invention" (which could arguably be translated to "exploit the object of the invention") means that section 42 of the *Patent Act* grants a patentee the exclusive right, privilege and liberty of using the goal, purpose or advantage of an invention for commercial benefit. It is the invention itself that must be used *(i*.e., the apparatus or method) for infringement to be established, and not only the goal or purpose.

The FCA rejected the notion that an invention over an apparatus could be "used" under section 42 without that apparatus existing. The FCA also noted that a *quia timet* action could be brought in situations where a patented invention had

not yet been made but was imminently going to be made, which was not a claim being made here.

With respect to the SCC's discussion of commercial benefit in *Schmeiser*, the FCA stated: "The question is not whether commercial benefit is relevant to the analysis. The question is whether a commercial benefit is realized in the context of a defendant's commercial activities involving the patented object" [emphasis in original].

The FCA ultimately rejected the appellants' argument that patent protection should extend to an invention's goal, purpose, or advantage:

> Under their proposed interpretation, section 42 would prevent competitors from relying on the inventive solutions laid out in a patent disclosure as a proof of concept to show that their own particular product idea or project plan is achievable in order to generate business interest or secure financial support to develop, by designing around the patent, a non-infringing alternative. Finding a different way to accomplish the benefit of an invention by designing around a patent does not constitute infringement since the protection of the patent "lies not in the identification of a desirable result but in teaching one particular means to achieve it" [citations omitted]. The interpretive outcome sought by the appellants would frustrate, not enforce, the patent bargain.

Finally, the FCA noted that while the *Patent Act* could not protect from the activities that the appellants were seeking to prevent, other forms of intellectual property including copyright and moral rights, or the enforcement of any non-disclosure agreements between the parties respecting the treatment and use of confidential information may provide that protection.

Takeaways

In terms of takeaways, while the FCA was at pains to say that it was being consistent with the decision of the SCC in *Schmeiser* , this decision may be viewed as narrowing the wide ambit of protection that *Schmeiser* was previously understood to have defined.

Further, this decision does not appear to address whether the same impugned marketing activities would constitute "selling it to others to be used." In particular, this case appears to still leave open the question of whether "selling to others" under section 42 of the *Patent Act* includes an offer for sale.