



**Competition Bureau of Canada Releases Consultation Draft of Updated IP Enforcement Guidelines**

**Intellectual Property**





The Competition Bureau released updated draft Intellectual Property Enforcement Guidelines (IPEGs) for public consultation, and is seeking comments on the IPEGs by August 10, 2015.

The analytical framework in this draft is similar to the September 2014 version, although this version includes many more examples on patent settlements and standard essential patents. The Competition Bureau (Bureau) has also stepped back from its earlier position and has clarified that settlement agreements will be reviewed civilly, absent evidence of intent to fix prices, allocate markets or restrict output.

In September 2014, the Bureau issued a white paper that provides background information on the pharmaceutical industry in Canada, the regulatory regime in Canada, the provisions of the

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Competition Act (Act) that may apply to reverse-payment settlement agreements, and the Bureau's preliminary views as to how the Act could apply to such settlements. As part of the white paper, the Bureau calls for a notification regime similar to that which exists in the United States.

The Bureau has maintained its position that the circumstances in which the Bureau may apply the Act to conduct involving IP or IP rights fall into two broad categories:

- Conduct involving something more than the mere exercise of the IP right, where general provisions of the Act will be applied; and
- Conduct involving the mere exercise of the IP right and nothing else, where section 32 (special remedies) of the Act will be applied.

## **The Bureau's general approach**

The Bureau generally takes a five-step approach to determining competitive harm. The approach will also be applied, according to the draft IPEGs, when determining whether IP rights or agreements cause competitive harm. The five steps are as follows:

- Identifying the conduct;
- Defining the relevant market;
- Determining if the company(ies) possess market power by examining market concentration, conditions for a new entrant, as well as other factors;
- Determining if the conduct would substantially lessen or prevent competition in the relevant market(s); and
- Considering relevant efficiency rationales or business justifications.

## **Settlements of proceedings under the PMNOC regulations**

The Bureau has provided guidance on how it will approach settlement agreements reached as part of proceedings under the *Patented Medicines (Notice of Compliance) Regulations*.

Generally, where a payment is made to a generic pharmaceutical company, the Bureau would view the payment as creating competitive harm if it is compensation in return for not entering the market as early as it would have otherwise entered. The Bureau would investigate the settlement agreement civilly under sections 90.1 (civil agreements lessening competition) or 79 (abuse of dominance), unless there is evidence that the intent of the payment was to fix prices, allocate markets or restrict output, in which case the Bureau will criminally investigate the agreement under section 45 (criminal cartel agreements).

## **Standard essential patents**

Standards can be created through standard development organizations (SDOs), and the Bureau notes that while technical standards can provide pro-competitive benefits, they also raise competition concerns. Patented technology can be included in standards, which creates the potential for patent "holdup" where a patent owner has market power derived from its technology being necessary to meet a standard.

The Bureau indicates in the IPEGs that, generally, it will not investigate SDOs that require members to disclose patents that are essential to a standard and do not facilitate discussions among members

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using the Act's criminal provisions. Rather, the Bureau may investigate the agreement under the civil provisions. Actions that could be viewed as a patent hold-up will be reviewed by the Bureau under the abuse of dominance provisions.

## **Examples of conduct that may trigger an investigation**

The draft IPEGs contain several examples of conduct that would garner the Bureau's attention. The following are examples of particular interest to the creative and technology sectors:

In the second example, three firms market competing surgical procedures and decide amongst themselves a minimum price each will charge for the procedure. The Bureau believes this type of agreement would likely contravene subsection 45(1) as it intends to fix prices for the supply of a product. Accordingly, the Bureau would refer the matter to the director of public prosecutions.

Example six refers to a patent pooling arrangement for an international standard whereby five firms license their patents on a non-exclusive basis to the pool. Such an agreement may be pro-competitive, especially if only essential patents are in the pool and licenses are distributed on a non-discriminatory basis.

Example 15 involves what is called patent ambush where a firm fails to disclose certain patents to an SDO and then sues companies that use the standard under the undisclosed patents. Such conduct may be reviewed under section 79 as it may be an abuse of dominant position.

## **Comment period**

It is important for stakeholders to provide their views on the proposals the Bureau has put forward in its revised approach to intellectual property issues, as well as indicate if there are other competition or IP issues they believe the Bureau should consider. The Bureau is accepting comments until August 10, 2015.

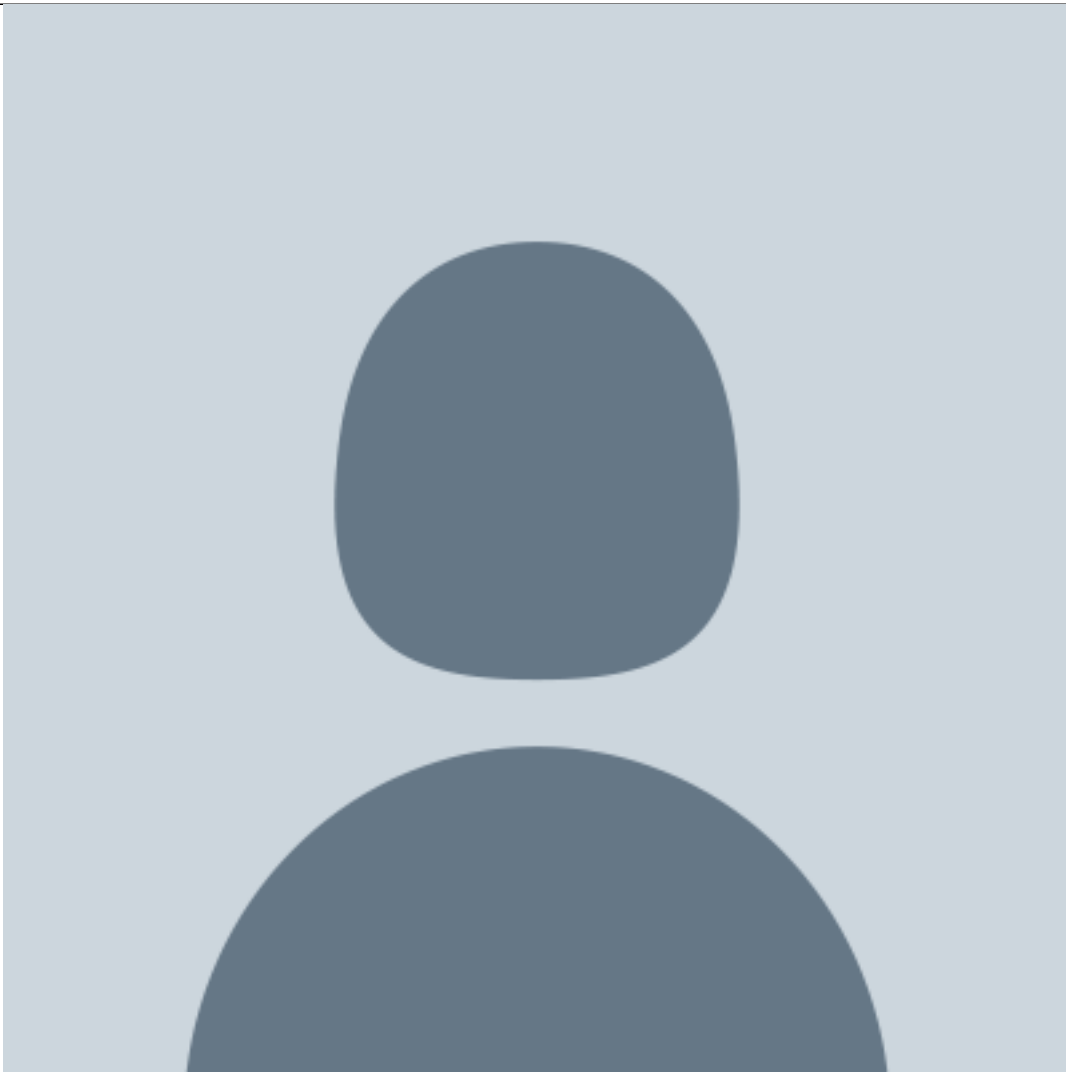
We have extensive experience in dealing with competition law issues in the pharmaceutical, life sciences and technology sectors. Please contact us directly if you have any questions or comments about the public consultation process or the potential impact that the changes to the IPEGs may have on your business.

## **Links**

[The draft consultation: Intellectual Property Enforcement Guidelines](#)

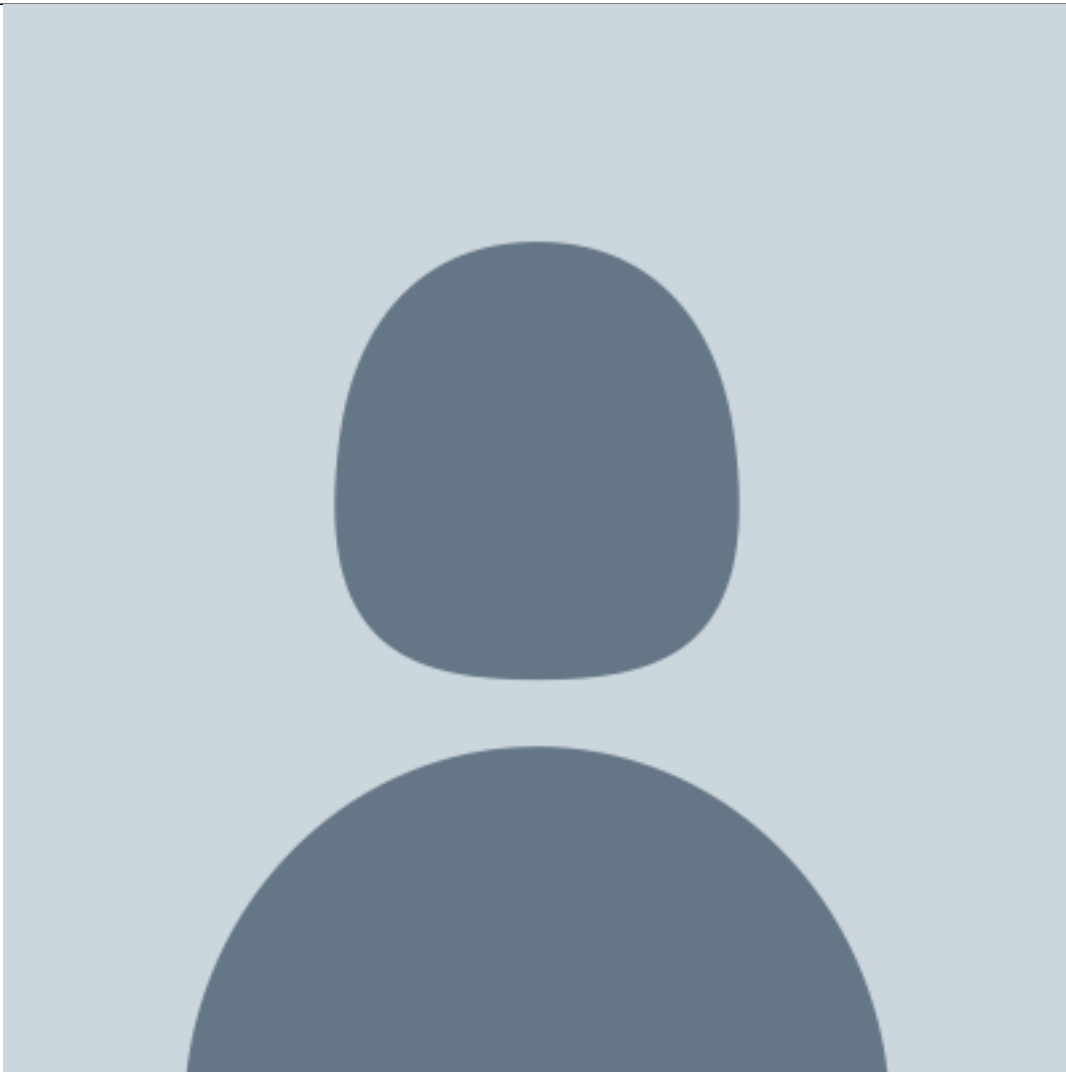
[The Bureau's White Paper: Patent Litigation Settlement Agreements: A Canadian Perspective](#)

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