Toronto Law Journal

Discretionary Decisions of the Minister: The Distinction Between Reviewing and Deciding

Pooja Mihailovich, Osler, Hoskin & Harcourt LLP

The jurisdiction of the Tax Court of Canada is confined by statute and, in income tax matters, is largely limited to determining the correctness of tax assessments. Its jurisdiction does not extend to judicially reviewing decisions of the Minister of National Revenue made under a discretionary relief provision of the *Income Tax Act*. Such decisions are subject to review by the Federal Court.[1]

The Minister's discretionary decisions do not always state her interpretation of the relevant statutory provisions, particularly where the Minister has otherwise published statements outlining her interpretation of those provisions. Should a court opine on the correct interpretation of a provision if the Minister's published views on the scope of the provision are well-known, but her decision in a particular case is silent on the point? Answers to this question are mixed.

In a recent case, *Bonnybrook Industrial Park Development Co. Ltd) v. Canada (National Revenue*), 2018 FCA 136, the Federal Court of Appeal considered whether the Minister had properly exercised her discretion in refusing to grant the taxpayer the requested relief. While the Court was unanimous in finding that the Minister's reasons for doing so were inadequate, there were differing conclusions on the appropriate disposition of the appeal.

In reviewing the Minister's decision, Justice Woods (with whom Justice Near agreed) interpreted the relevant provision and determined that the matter should be remitted back to the Minister to be reconsidered in accordance with the Court's interpretation. Justice Stratas, in dissent, declined to engage in a similar analysis and held that, as an independent reviewer, the Court is not the Minister's "adviser, thinker, or ghostwriter" (para 91).

Summary of the Decision

At issue in this appeal was a decision of the Minister denying a taxpayer relief from a filing requirement under the *Income Tax Act*. To be entitled to claim a particular type of refund, the taxpayer was required to file a tax return within three years after the end of the relevant taxation year. Having failed to do so, the taxpayer sought relief by requesting the Minister to

[1] The standard of review is reasonableness insofar as the decision is challenged on the basis of the factors relevant to the exercise of the Minister's discretion (*Canada Revenue Agency v. Telfer*, 2009 FCA 23), and correctness if there is a dispute as to whether the Minister correctly interpreted the provision of the *Income Tax Act* that authorizes the Minister to make the decision sought (*Bozzer v. Canada*, 2011 FCA 186, para 3).

exercise her discretionary authority under the *Income Tax Act* to either waive that requirement or extend the time for filing the return.

The Minister's decision was encapsulated in a one-paragraph explanation provided to the taxpayer in a letter. Speaking for the majority, Justice Woods identified two "obvious errors" with the decision

1. It referred to the wrong provision of the *Income Tax Act*. Instead of referring to subsection 129(1) (the provision pursuant to which the taxpayer was seeking the refund), it referred to subsection 164(1) (a provision which imposed a similar filing requirement but otherwise dealt with a different type of refund).

2. It failed to address one of the two forms of relief sought by the taxpayer. It only explicitly addressed the request for an extension of time.

Both parties urged the Court to treat these errors as minor and requested that they be ignored. Writing for herself and Justice Near, Justice Woods agreed with this approach regarding the first error and observed that in "this computerized age of 'cut and paste,' this error is best explained as an oversight which should be overlooked" (para 29). However, she reached a different conclusion with respect to the second error. Since there was no evidence that the Minister had even considered the request for a waiver, she determined that it would be appropriate to remit this matter back to the Minister for consideration.

Justice Woods proceeded to consider the Minister's decision to deny the taxpayer's request for an extension of time and ultimately found this decision (limited as it was) to be both unreasonable and incorrect. Although the decision itself was no more than a conclusory statement, Justice Woods referred to other published administrative statements of the Minister repeatedly taking the same flawed interpretative position.

In disposing of the appeal, Justice Woods held that the Minister should reconsider the matter having regard to the interpretative principles set out in her reasons. Specifically, she determined that, while filing deadlines are generally intended to be reasonable and provide some finality, the *Income Tax Act* also recognizes that "strict filing requirements may result in unfairness in particular circumstances" and that the Minister has broad authority to provide relief in such circumstances (para 58).

In a strongly-worded dissent, Justice Stratas was critical of the Minister in providing a decision that lacked transparency and justification (paras 92 and 93):

> In conducting [a] review, I am entitled to interpret the reasons given by the Minister seen in light of the record before her. Through a legitimate process of interpretation, I can sometimes understand what the Minister meant when she was silent on certain things.
>
> But faced with a silence whose meaning cannot be understood through legitimate interpretation, who am I to grab the Minister's pen and "supplement" her reasons? Why should I, as a neutral judge, be conscripted into the service of the Minister

> and discharge her responsibility to write reasons? Even if I am forced to serve the Minister in that way, who am I to guess what the Minister's reasoning was, fanaticize [sic] about what might have entered the Minister's head or, worse, make my thoughts the Minister's thoughts? And why should I be forced to cooper up the Minister's position, one that, for all I know, might have been prompted by inadequate, faulty or non-existent information and analysis?

Justice Stratas was firmly of the view that the role of a reviewing court is to only review the work of the Minister, and not do the Minister's work. As a result, he would have remitted the matter back to the Minister for full consideration and ordered the Minister "to do the job Parliament assigned to her and her alone: to look at the relevant provisions, interpret them, and decide upon their meaning with an explanation that permits meaningful review" (para 94).

The Minister did not seek leave to appeal the decision to the Supreme Court of Canada.

Implications Going Forward

As it relates to the appropriate remedy where reasons are inadequate, the state of the law following *Bonnybrook* remains in flux. While the Supreme Court has directed reviewing courts to supplement the reasons of administrative decision-makers in certain circumstances (see, in particular, *Delta Air Lines Inc. v. Lukács*, 2018 SCC 2, paras 22-27), the limits of such intervention in the context of tax matters will likely continue to be refined.

Under the reasonableness standard, the reviewing court must defer to the administrative decision-maker and confine its review to considering whether the impugned decision is intelligible, transparent, and justified, as well as within the range of possible outcomes given the applicable facts and law in question (*Dunsmuir v. New Brunswick*, 2008 SCC 9, para 62; and, most recently, *Groia v. Law Society of Upper Canada*, 2018 SCC 27, paras 46 and 175).

The need for the decision to satisfy these requirements has generally focused a reasonableness review on the reasons provided by the administrative decision-maker. However, as the majority reasoning in *Bonnybrook* reflects, it is inherently difficult for a reviewing court not to not intervene in cases where questions of statutory interpretation are raised and where the Minister has publicly adopted an interpretation that the court concludes is incorrect as a matter of law.

The Supreme Court of Canada will soon have an opportunity to revisit the nature and scope of judicial review in a trilogy of cases: *Bell Canada, et al. v. Attorney General of Canada* (Court File No. 37896), *National Football League v. Attorney General of Canada* (Court File 37897); and *Minister of Citizenship and Immigration v. Vavilov* (Court File No. 37748), all of which are scheduled for hearing on December 4-6, 2018. The parties in these cases have been expressly invited by the Court to devote a substantial part of their written and oral submissions to the standard of review, and there are also numerous intervenors. Although not in the tax context, it is hoped that the Court will provide much-needed guidance in this area.

Toronto Law Journal

Ontario's Cannabis Private Retail Regulations Released

Whitney E. Abrams, Minden Gross LLP

On November 16, 2018, after much anticipation, Ontario proclaimed into force its *Cannabis Licence Act, 2018*[1] (the *"Act"*) and the Regulations[2] to that *Act*. The Regulations will be printed in The Ontario Gazette as of December 1, 2018. The *Act*, which was first released as of the date of federal legalization, October 17, 2018, provided some details as to what retail cannabis will look like in Ontario as of April 1, 2019. The Regulations, however, have provided significantly more clarity than the *Act* provided.

The *Act* and Regulations designate the Alcohol and Gaming Commission of Ontario (the **"AGCO"**) as the provincial regulator of cannabis retail. The AGCO will be responsible for issuing licenses for each aspect of cannabis retail. Successful retailers will be given an opportunity to sell cannabis products, cannabis accessories, and shopping bags.

To be able to legally open a retail store in Ontario, applicants must obtain a Retail Operator License (**"ROL"**), a Retail Store Authorization (**"RSA"**), and a Cannabis Retail Manager Licence (**"CRML"**).

To obtain an ROL, applicants must meet a significant number of eligibility criteria set out in the *Act* and Regulations. Once obtained, the ROL functions as the top of the umbrella, and allows successful proponents to operate one or multiple retail stores. For each store that an ROL proponent wishes to open, that proponent must have a specific RSA.

Under the *Act*, federally licensed producers licensed to produce recreational cannabis for commercial sale (**"LPs"**) under the *Cannabis Act* (Canada) may only have a retail store on or within the site set out in its licence. LPs and their "affiliates" may not hold more than one RSA.[3] In addition, if an LP holds an ownership or controlling interest of over 9.9% in an applicant, that applicant will be ineligible for a ROL.

---

[1] *Cannabis Licence Act, 2018*, S.O. 2018, c. 12, Sched. 2, https://www.ontario.ca/laws/statute/18c12

[2] Ontario Regulation 468/18 made under the *Cannabis Licence Act, 2018*, O. Reg. 468/18 https://www.ontario.ca/laws/regulation/r18468?utm_medium=email&utm_campaign=Cannabis-November-15%2C-2018&utm_source=Envoke-Cannabis-English

[3] An "affiliate" is defined in S.**2 as:**
(a) a corporation that is affiliated with the person for the purposes of the *Business Corporations Act*, as set out in subsection 1 (4) of that Act;
(b) a corporation that is affiliated with another corporation in the manner referred to in clause (a), if that other corporation is at the same time affiliated with the person in that manner;
(c) a corporation of which the person beneficially owns or controls, directly or indirectly, shares or securities currently convertible into shares carrying more than 9.9 per cent of the voting rights under all circumstances or by reason of the occurrence of an event that has occurred and is continuing, or a currently exercisable option or right to purchase such shares or such convertible securities;
(d) a partner in the same partnership as the person;

Retailers must have a RSA for each store. Each store will need to meet certain eligibility requirements relating to store layout and location. In addition, RSA licensing will need to take into account the ability for local municipalities to opt-out of cannabis retail sales. The *Act* gives municipalities an option to pass a resolution prohibiting cannabis retail stores from being located in their community. In order to opt-out, municipalities will be required to pass a resolution by January 22, 2019. There is a one-time opportunity to opt-out, but those municipalities who have opted out have an option to opt in at a later date.

The *Act* indicates that a list of municipalities in which cannabis retail stores may not be located will be listed on the AGCO's website, along with the dates of the relevant resolutions passed by those municipalities.

RSAs will only be granted to stores which are standalone, meaning the proposed location must be enclosed by walls and inaccessible to any other commercial establishment. The proposed location's loading dock and storage area must similarly be inaccessible to other commercial establishments and the public.

The Regulations preclude any ROL (and its affiliates) from holding more than a maximum of 75 RSAs. The AGCO has not stated a total limit of how many RSAs will be issued in Ontario.

Stores will need to meet the Regulations' setback requirements of 150 metres away from a school as defined in the *Education Act*.

In addition to an RSA, each store location will have one designated licensed manager. That manager will need to meet eligibility criteria set out in the *Act* and the Regulations. Sole proprietors who obtain an ROL and RSA, and will also be in charge of managing a particular store, will be exempt from the requirement to obtain a CRML.

CRMLs as well as other store employees will be required to complete a specified training program respecting: the responsible sale of cannabis, record keeping requirements under the *Act*, and measures required to be taken under the *Act* to reduce the risk of cannabis being diverted to an illicit market or activity.

Cannabis will be supplied to future retailers exclusively through the Ontario Cannabis Retail Corporation (the **"OCRC"**). The OCRC will be the only legal wholesaler of cannabis to future private retailers. The *Act* is explicit that cannabis retailers will be prohibited from entering "cannabis distribution services" agreements with any third party outside of the OCRC. Private

---

(e) a trust in which the person has a substantial beneficial interest, whether vested or contingent, or with respect to which the person acts as a trustee;
(f) a member of the same joint venture, unincorporated association, unincorporated syndicate or unincorporated organization as the person; or
(g) a person who is deemed under subsection (2) or (3) to be an affiliate of the person or an affiliate of an affiliate of the person.

retailers will have no option to do online sales, as the Ontario Cannabis Store currently operates, and will continue to operate, the only legal online store for recreational sales.

The AGCO has indicated that it will begin accepting applications as of December 17, 2018. Despite this, the AGCO has not yet released its application process. In addition to its Cannabis Retail Application Guide, the AGCO intends to publish Registrars Standards, which will act as standard operating procedures for future retailers. These will be published in the coming days and weeks.

Those hoping to be among the first applicants have already begun to arrange their affairs based on the requirements suggested by the *Act* and Regulations. Without a doubt, the AGCO's continuous information and disclosure will continue to change the landscape of cannabis retail in Ontario.

Toronto Law Journal

Waiver of Subrogation in Builders Risk Policies

Rory Barnable, Barnable Law P.C.

An insurer cannot subrogate against its own insured[1]. Litigants have tested this well-known bar to subrogation since the *s.s. Fitzmaurice* struck and sunk the *s.s. Dunluce Castle*, and the latter's underwriters tried to recover against the former's owner, although he owned both vessels.[2] Despite a long history, cases still arise that explore its limits. In particular, actions involving construction projects often address subrogation given the involvement of insured owners, contractors, subcontractors, builders risk policies and property insurers.

Recently, in *Maio v. Mer Mechanical Inc.*, the Ontario Superior Court considered whether a waiver of subrogation ought to bar an action involving property damage, a responding property insurance, and builders risk insurance.[3] The Court distinguished between two different definitions of a single policy term, and ultimately found there was no waiver of subrogation. Although the decision largely turns on the policy wording, the case touches several issues central to subrogation, and specifically, the waiver of subrogation between insureds. This article addresses *Maio*, and other jurisprudence that may offer further support for the conclusion that the Maio insurer was not running afoul of the subrogation bar.

Maio v. Mer Mechanical Inc.

The plaintiff Joe Maio acted as his own general contractor while building his luxury home. During its construction, Maio had a policy that included residential builders all risk coverage (the "builders risk policy" or "BRP"). The BRP had a waiver of subrogation and expired September 1, 2009, upon the project's completion. A homeowner's property policy covered the home after completion.

Shortly after the project was finished and Maio moved in, a faucet failed. The water caused extensive damage to the house. Maio's property insurer honoured the claim and then started a subrogated action against some trades involved in the construction. Mer Mechanical Inc. was the plumber who had installed the faucet. Mer produced an expert who theorized the faucet failure arose from a "creep/stress relaxation" present from shortly after the faucet's installation.

Mer then brought a summary judgment motion asserting the waiver of subrogation in the BRP barred the property insurer's subrogated claim against it. In essence, Mer asked the Court to

---

[1] See *Commonwealth Construction Co. Ltd. v. Imperial Oil Ltd. et al.*, [1978] 1 SCR 317 at para. 23:

> *"The courts have consistently held, in the builder's risk cases, that the insurance company — having paid a loss to one insured — cannot, as subrogee, recover from another of the parties for whose benefit the insurance was written even though his negligence may have occasioned the loss, there being no design or fraud on his part."*

[2] *Simpson & Co. v. Thomson,* (1877) 3 App. Cas. 279.

[3] 2018 ONSC 4426.

bar Maio's action based on a waiver of subrogation in an expired builders risk policy that had not responded to the loss.

Mer asserted the BRP covered any "occurrence" during the coverage period so long as the "inception of the event" was before the project's completion date. Mer argued the "occurrence" was within the BRP's coverage period because (according to its expert) the "creep/stress relaxation" was present from shortly after the faucet's installation. Mer also contended Maio ought to have claimed under the BRP, not the property policy. In either case, Mer claimed the BRP's waiver of subrogation should have barred the claim against it.

In response, the plaintiffs argued:

1. the "occurrence" was the separation of the faucet after the project was completed, not anything at installation;
2. a builders risk policy insures construction operations, not completed property;
3. no claim was made against the BRP so subrogation issues ought not to arise;
4. the BRP's waiver of subrogation cannot waive another's claim; and
5. the facts were in dispute, so the summary judgment motion was inappropriate.

The Court denied Mer's motion based on the definition of occurrence in the RBAR policy and, aside from a brief comment on builders risk policies, did not need to explore the other issues.

Maio's BRP defined "occurrence" as:

> *"… loss … arising out of one event. If the inception of the event causing the loss occurs prior to the estimated completion date of the project, then the Insurer shall be liable for any loss incurred after the estimated completion date of the project, as a result of the event".*

Mer cited two cases involving pipes rupturing after builders risk policies had expired, but where problems tied the occurrence to the original installation.[4] However, both policies defined "occurrence" as "… an accident, including continuous or repeated exposure to substantially the same harmful conditions…". Mer asserted the "inception of the event" was the "creep/stress relaxation".

The Court noted the BRP definition of "occurrence" did not reference accident, and ruled the "inception of the event" is merely the beginning of an event, which is distinct from its cause. The "event" was the detachment of the water supply, not the installation of the faucet, and so no event fell within the builders risk policy period.[5] The loss was not an "occurrence" within the BRP, the defendant was not an insured under the property policy and there was no bar to any subrogated claim by that insurer. The Court added that the purpose of a builders risk policy

[4] *Royal & SunAlliance Insurance Company of Canada v. Meridian Construction Inc*, 2012 NSCA 84, 320 N.S.R. (2d) 267, and *Co-Operators General Insurance Co. v. Wawanesa Mutual Insurance Co.*, 2014 NSSC 23, 339 N.S.R. (2d) 367.

[5] See also *Kapsimallis v. Allstate Insurance Company* 104 Cal.App.4th 667, 673 (Cal. Ct. App. 2002), adopting *Prudential-LMI Com. Insurance v. Superior Court* (1990), 51 Cal.3d 674, where "inception of the loss" was referenced as the point in time when appreciable damage is or should be known to an insured.

is to protect common insurable interests of contractor and subcontractors while completing a project, not afterwards when insurable interests cease to exist.

Mer's Challenges

Mer's motion failed on the BRP wording. However, jurisprudence suggests it may also have failed because it ran counter to principles of subrogation: there was no prior determination of coverage under the BRP, no payment made under the BRP and no common insurable interest.

The importance of underlying coverage was an issue in *Winnipeg Regional Health Authority Inc. v. Bockstael Construction (1979) Ltd.*[6], which also involved a property insurer indemnifying an insured for a loss and then commencing a subrogated claim. Like Mer, the defendant, Bockstael, moved for summary judgment asserting a builders risk policy contained a waiver of subrogation barring the claim.

The Manitoba Court of Queen's Bench rejected Bockstael's motion, stating:

> *There is no doubt that there is an equitable proposition of insurance law that an insurance company, after having paid out a loss, may not pursue a subrogated action against an insured under its policy. But the precondition to such a discussion is that the insurance company must have responded to, and paid out, the loss. In this case, the builders risk insurer, Royal & SunAlliance, refused payment of the claim, for reasons unknown. As argued by the plaintiffs, if Royal & SunAlliance had paid out the claim to the plaintiffs, there is no question that it could not then pursue subrogation against the defendant, given its status as a named insured under the builders' risk policy.* [Emphasis added.]

The Manitoba Court highlighted that Bockstael's motion would have required the Court to conclude the builders risk policy would have covered the loss. Parties knew the builders risk insurer had already denied the claim, but the Court was not privy to the reasons for the denial and the insurer was not a party.

Determining whether the builder's risk policy ought to have responded to the loss required that insurer's involvement and knowledge of its reasons for the denial. The Court was unwilling to treat the summary judgment motion as a coverage assessment of the builders risk policy and expressly refused to consider whether the builder's risk policy ought to have responded to the loss. Bockstael's motion did not support a *prima facie* conclusion that the property insurer's claim would fail, and the Court dismissed the summary judgment motion.

As in *Maio*, the builders risk insurer did not respond to the loss in that the BRP did not pay out any loss. Thus, drawing from *Winnipeg Regional Health Authority,* Maio's BRP had no role in

[6] 2012 CarswellMan 218, 2012 MBQB 116, 216 A.C.W.S. (3d) 462, 278 Man. R. (2d) 179.

Maio's loss and so did not meet the "precondition" necessary to initiate any discussion on limits to subrogation.[7]

In *Condominium Corp. No. 9813678 v. Statesman Corp*[8] a condominium corporation had bought all-risk insurance for two completed towers, while two other towers remained under construction. The condominium's developer, Statesman, had a builders risk policy for the uncompleted towers. Statesman was also an owner of certain units and common area in the completed towers, and thus subject to the condominium corporation's actions, by-laws, shared common expenses, and all risk insurance. The by-laws also had a waiver of subrogation extending to unit owners.

A fire allegedly started by a subtrade working on the unfinished towers extensively damaged the completed towers. The all-risk insurer paid the losses for unit holders in the completed towers, and started a subrogated action against Statesman. Statesman alleged that it was an insured under the all-risk insurance and that the by-law's waiver of subrogation also applied.

The condominium corporation was successful in the first instance. However, the Court of Appeal ruled that the waiver of subrogation barred the action. The Court of Appeal stated:

> *The law is well settled that the insurer has no subrogation rights against an insured. In other words, it cannot sue any of its insured for losses paid out under the same policy, no matter how negligent they were in causing the loss (barring arson or other deliberate cause).* [Emphasis added.]

Unlike in *Maio*, the developer Statesman, while named as a defendant, was also an insured under the very same policy that paid the claim that the insurer was advancing. The fact Statesman held nominal interests in the completed towers meant it had an insurable interest under the subrogating policy. While subrogation is a derivative right (in this case derived from the insured unit holders), an ongoing mutual insurable interest can engage the waiver of subrogation.

The case of *Daishowa-Marubeni International Ltd. v. Toshiba International Corp.*[9] involved a plant shut down four years after construction had ended. In this case the Alberta Court of Appeal considered the end of the insurable interest and refused to bar a subrogated claim based on waiver. Subcontractors who had worked on the project during its build did not maintain an insurable interest in it thereafter. The Court of Appeal expressly rejected the defendants' assertions that the insurer was barred from subrogating against a party who previously had been a co-insured with an insurable interest in the property.

---

[7] As an additional point, the subrogation clause in the BRP stated the insurer could only receive a subrogated interest "…upon making payment or assuming liability therefor under this policy…". No payment or assumption of liability occurred. As there was no 'uptake' of a subrogation interest, there similarly ought to have been no application of its waiver.

[8] 2007 ABCA 216, 2007 CarswellAlta 857.

[9] 2003 ABCA 257 (CanLII).

The defendants had fully completed all contracts for the installation and maintenance, and parties had been fully paid for all work. There was no evidence that the failure in question stemmed from physical damage that occurred during the construction. The fact that the defendants had been contractors with a prior insurable interest in the project was insufficient to bar subrogation. The Court noted that "[t]he relevant date to assess the issue of insurable interest under a property insurance policy is the date of the loss", and concluded the date of "loss" was well after the construction ended.

Conclusion

Maio and the other cases suggest certain factors are indicia of whether a waiver of subrogation could apply. Such factors include (but are not necessarily limited to):

1. coverage owed under a policy;
2. indemnity paid under that policy;
3. the presence of parties with insurable interests under the responding policy;
4. the presence of a waiver of subrogation clause; and
5. an intent (or attempt) to subrogate by one insured against a co-insured under the same responding policy.

An insurer's subrogated claim is wholly derived from the insured's claim, and the insurer can be in no better position as against third parties than the insured.[10] But an insurer's subrogation rights only arise after an insurer indemnifies an insured. Accordingly, the waiver of subrogation must also be derivative, rather than creating a distinct contract formed between two insureds. The mere fact that two parties may have been insured under a policy containing a waiver of subrogation does not equate that insurance policy to a contract that the parties will not sue each another.[11] *Maio* and the referenced cases remind us, once again, that it is the particular policy wordings and underlying events that dictate outcomes, rather than general concepts.

[10] *Douglas v. Stan Fergusson Fuels Ltd*. 2015 ONSC 65 at

[11] In comparison, construction contracts can contain waivers of claims between contracting parties but there was no such contract between Maio and Mer. Absent such a contract, and absent an insurer's receipt of a subrogation interest under the policy, there ought to have been no basis to contend a contractual waiver of subrogation would apply.

Toronto Law Journal

Many Changes Afoot for Canadian Intellectual Property Law: Bill C-86

R. Scott MacKendrick, Cynthia Rowden, Sam Frost, Catherine Lovrics, Tamara Winegust, Max Rothschild and Denver Bandstra, Bereskin & Parr LLP

On October 29, 2018, Bill C-86 – an 800-plus page omnibus budget implementation bill that includes changes relating to patents, trademarks and copyright – was tabled. Here are some of the more notable proposed changes.

Patents

Written Demands

Following through on a commitment made earlier this year to address a perceived problem with patent trolls, Bill C-86 proposes that written demands are to be regulated. All written demands regarding a patented invention received by a person in Canada will have to comply with requirements to be prescribed in the *Patent Act* regulations. Failure to comply with the prescribed requirements may result in the Federal Court granting various types of relief, including punitive damages.

Prosecution History/File Wrapper Estoppel

The Bill brings file wrapper estoppel to the *Patent Act*, allowing written communications or part of such a communication to be admitted into evidence to rebut any representation made by the patentee during prosecution. This proposal addresses, in part, a discontinuity between Canadian and U.S. practices, which was noted by Justice Locke of the Federal Court in *Pollard Banknote Limited v. BABN Technologies Corp.*, 2016 FC 883: "prosecution histories in many jurisdictions (including Canada) are now available on the internet. This raises the question whether it is time to revisit the rule against using extrinsic evidence in claim construction."

Standard Essential Patents

The Bill addresses standard-essential patents, which are patents are directed to technology which has to comply with a technical or industry standard (e.g., the standards relating to Bluetooth or the USB port). It does not, however, elaborate on what would constitute a standard-essential patent or what the terms of a licensing agreement for such a patent would entail; this will be left to the *Patent Act* regulations.

Prior User Rights

Under the Bill, patent prior user rights will be expanded:

i. Prior use will encompass both an "act that would otherwise constitute an infringement" and "serious and effective preparations" to commit the act, but the prior use must have been in "good faith" and the prior user must not have been able "to commit the act only because they obtained knowledge of the subject-matter… from the applicant";

ii. If the prior use is carried out by a business, the prior user right can be transferred; and

iii. New detailed provisions address use or sale of an article, and use of a service.

Experimentation Exception

The requirement that experimentation must be done for a non-commercial use to constitute non-infringement of a patent is removed.

Trademarks

Official Marks

The protection of official marks published by public authorities will finally have some statutory limits. The Bill confirms that prohibitions against use and registration of marks that are the same as, or closely resemble, published official marks will not apply if the entity who requested publication of the official mark is not a public authority, or no longer exists. Also, the Registrar may itself, or on request, publish that official mark rights no longer apply.

Proof of Use for Enforcement within the First Three Years

Until the third anniversary of any registration, actions for infringement and depreciation of goodwill will require proof of use of the registered mark in Canada, or exceptional reasons to excuse non-use. This proposed amendment addresses, in part, abuses that are already evident arising from the 2014 amendments removing use as a trademark registration requirement (the 2014 amendments are to be proclaimed in force June 17, 2019), and also addresses possible constitutional challenges that may also arise from the removal of use as a registration requirement.

Added Opposition Grounds

New "bad faith" opposition and expungement grounds will be added, responding to the concern that removing "use" as a registration requirement may encourage squatters to crowd the Register.

Costs, Case Management and Confidentiality

The Registrar will be permitted to make orders for costs, case management, and confidentiality of documents filed in contested proceedings relating to oppositions, non-use cancellation proceedings and geographic indications.

Leave Required for New Evidence

On appeal of any decision of the Registrar, the filing of new evidence will only be allowed "with leave" of the Federal Court. Currently, new evidence may be filed without leave, and many parties elect to file no, or minimal, evidence before the Registrar, saving it for a possible appeal.

More Trademark Changes to Come?

In addition to the June 17, 2019 proclamation into force of the 2014 amendments, including the removal of use as a trademark registration requirement, the recent United States-Mexico-Canada Agreement (USMCA) negotiations suggest that even further amendments may be required, e.g., to deal with seizure of counterfeit goods "in transit" through Canada.

Copyright

Notice and Notice Content Restrictions

The Bill proposes to amend the notice and notice regime to provide that an ISP's obligations only arise in respect of claimed copyright infringement notices that comply with the new content restrictions, including the obligations to forward notices of claimed infringement and retain records on the implicated subscribers. The Bill sets out "prohibited content" that may not be included in rights holders' claimed infringement notices, including: (a) offers to settle; (b) demands for payment or personal information; and (c) hyperlinks to externally hosted offers to settle or demands for payment or personal information.

Additionally, the existing protections for providers of information location tools will be revised to ensure that they only apply with respect to compliant notices of claimed infringement.

These content restrictions have been crafted to address concerns related to the content of claimed infringement notices and, in particular, rights holders' use of the notice and notice regime to forward aggressive demands to internet subscribers.

These proposed changes are consistent in principle with the decision of Prothonotary Aalto of the Federal Court in *Voltage Pictures LLC v. John Doe*, 2014 FC 161, where he expressed concerns about the content of claimed infringement notices, and where he ordered that any correspondence sent to an alleged infringer shall clearly state *in bold type* that no Court has yet made a determination that the alleged infringer has infringed or is liable in any way for payment of damages.

Copyright Board

The Bill proposes sweeping changes to the Copyright Board; many of these changes appear to be geared towards improving the Board's decision-making efficiency. The Bill also introduces criteria for the Board to consider in setting royalty rates that are "fair and equitable," including the "willing buyer willing seller" economic principle, public interest considerations, and any other factors which the Board may consider appropriate or which may be set by regulation.

College of Patent Agents and Trade-mark Agents

The Bill proposes the creation of a College of Patent Agents and Trade-mark Agents. Patent agent or trademark agent licensees will be required to comply with a code of professional conduct, and the College will receive complaints, conduct investigations into whether a licensee has committed professional misconduct or was incompetent, and impose disciplinary measures.

The Bill also creates new offences of claiming to be a patent agent or trademark agent and of unauthorized representation.

Bankruptcy

Bankruptcy laws will be amended to protect intellectual property licensees who are in compliance with existing agreements from the impact of sale or other disposition of assets of bankrupt or insolvent persons and companies.