



Canadian Intellectual Property Law

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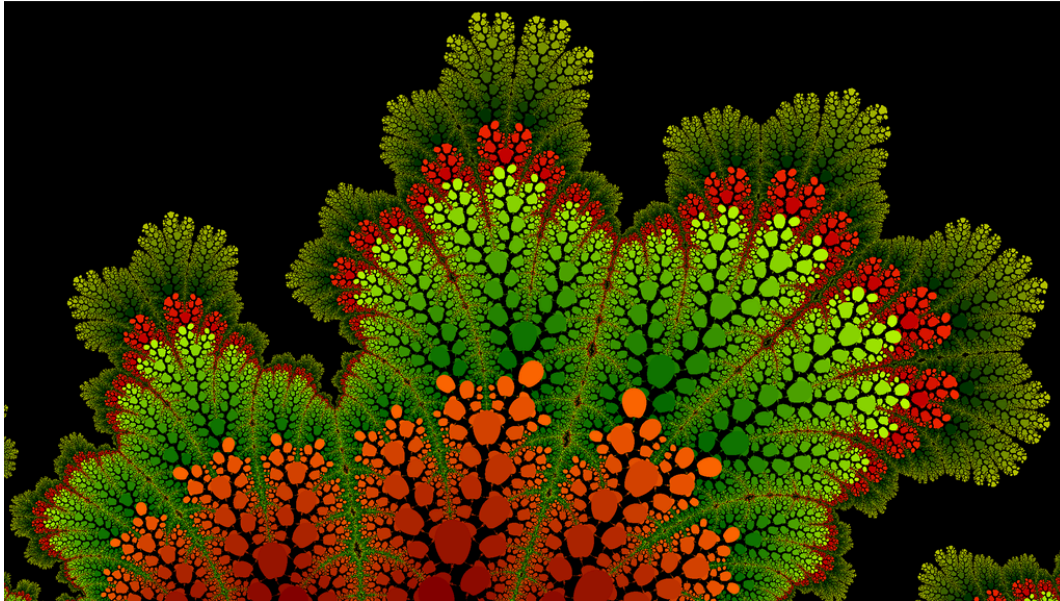
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I. General Introduction

TIFFANY LEUNG

A. Basic Principles of Intellectual Property

To the ordinary passerby, the term “intellectual property” may seem to be an abstract phrase that applies to the world of “academics” and “professionals”—a world beyond that of “ordinary individuals.” However, intellectual property (IP) is, in fact, deeply woven in people’s daily lives.

Consider an object with which most of us are familiar: a video game. When an individual purchases a video game, they acquire ownership of a digital copy of the game, which they can then download onto the game console they own to play. However, even if they own the copy of the game, they have no right over the game’s IP. The content of the game, such as the character designs or background music, are copyrighted by the game company. The player cannot reproduce or upload the game’s contents onto the Internet without the owner’s permission, or else they will infringe on the owner’s copyright. They cannot use the logo design of the game on similar merchandise without permission, or else they will infringe on the company’s trademark rights and copyright. No other game manufacturer can construct or sell a video game console with the same functionality, since this right is reserved for the patent holder. Nor can they reproduce the console’s aesthetic appearance onto another product, since this right is reserved for the industrial design holder. Evidently, many different forms of IP rights can overlap and co-exist in single commonplace objects.

IP and Society

IP, however, is not just a static, finite category of assets that exist in our world. Each new technological development requires us to further create and clarify its boundaries. Take the rise of virtual reality, for example. This technology has generated new questions about the limits of trademark rights and copyright. Do IP rights (IPRs) granted to a trademark holder extend to the virtual world?

In addition, we have begun to more critically assess IPRs and their role in social justice. An area rife with social justice issues is the relationship between IPRs and traditional knowledge. When the basis for many IPRs depends on assigning rights to a single holder, how is this compatible with an Indigenous community’s collective traditional knowledge on medicinal uses for plants? If a researcher appropriates and uses this knowledge to create a product, which they subsequently patent, what recourses can the Indigenous community ask for, since the community did not patent this knowledge?

Issues between IP and access to knowledge, as well as access to medicine, continue to be controversial. How does one balance copyright with access to knowledge? What implications does stricter copyright laws have on access to information? Should governments favour the rights of copyright holders, or the rights of the public to an accessible body of valuable knowledge? Similarly, how should we regulate IP to achieve an appropriate balance between patent rights and access to medicine? Strong patent laws encourage inventors to create more useful products, but these patented products can be too expensive for less developed countries to afford. How do we address the needs of less developed countries who are unable to access even essential life-saving medicine due to IPRs?

How we define and shape IP rights reflects our social values, and it also shapes our social visions of the future. Thus, it is important to gain an understanding of the fundamentals of IP.

What is IP?

IP refers to the socially, culturally, and economically useful products of the human intellect. IP rights are rights that grant the holder the power to legally stop others from using their IP without their consent. Sometimes objects can be protected by more than one IP right, as seen with the video game example above.

IP and the **physical property** that embodies the IP are not the same. IPRs only grant the holder protection of the holder's intellectual assets. IPRs do not grant the holder protection of the physical property that carries their intangible assets. Conversely, an individual who purchases a physical item containing IP owns the physical item but does not own the intellectual content in the physical item.

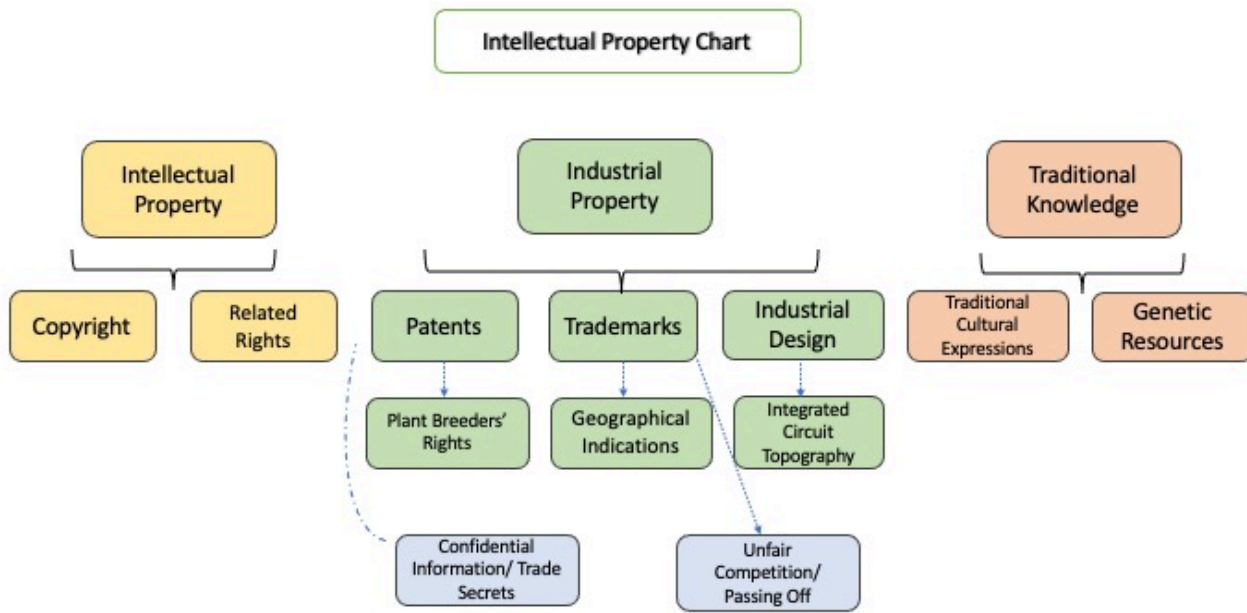
IPRs are **territorial**. An individual who has an IPR in Canada does not automatically have an IPR in any country in the world. In some cases, the individual may need to acquire an IPR in another country by following the other country's IP registration processes. There are some international treaties that simplify these registration processes for patents and trademarks.

Like other property rights, IP rights are **not absolute** and are subject to boundaries. Most IP rights are characterized by three inherent limits: 1) the definition of protectable subject matter; 2) the criteria for protection; and 3) the limited duration. Any object that does not fall within the definition of protectable subject matter, does not meet the criteria or the protection, or is no longer protected, is in the public domain. For example, ideas, facts, legislation, and court decisions do not qualify for copyright protection. Trademark protection will not be conferred on ordinary surnames, generic terms, or trademarks that have since become generic terms, such as escalator. Some unpatentable subject matter include scientific principles, natural phenomena, abstract theorems, and methods of medical treatment. Subject matter in the public domain can be manufactured, used, sold, modified, and distributed without any restriction.

In Canada, the federal Parliament has been given the power to legislate in matters concerning copyright and patents under sections 91(23) and 91(22) of the Constitution Act 1867 ("Copyright" and "Patents", respectively). Provincial legislatures have jurisdiction over passing-off and breach of confidence under section 92(13), "Property and Civil Rights in the Province." Some IP rights fall under either federal or provincial jurisdiction. Industrial design and integrated circuit topography are sometimes seen as covered under copyright. Plant breeders' rights are accepted as covered by patents, and trademarks are normally seen as covered by section 91(2), "Regulation of Trade and Commerce." Both unregistered and registered trademarks are protected by legislation (*Kirkbi AG v Ritvik Holdings Inc.*, 2005 SCC 65).

"IP" is a broad umbrella that can be sub-divided into three branches: intellectual property, industrial property, and traditional knowledge. Intellectual property rights tend to include primarily more artistic and cultural subject matter, industrial property rights tend to include primarily industrial or market-related subject matter, and traditional knowledge involves rights related to Indigenous forms of intellectual innovation. There are also private causes of action related to IP: unfair competition law, passing off, confidential information, and trade secrets.

The three branches of IP:



B. Intellectual Property Rights

Intellectual property rights consist of copyright and related rights. These rights are broadly viewed as applying more often to artistic and cultural subject matter.

Copyright

Copyright is primarily concerned with the right to produce, reproduce and communicate to the public one's own work, although it includes many other rights in relation to the creation, production, and exploitation of artistic, literary, dramatic, musical, and scientific works. The duration of a copyright holder's right is the author's life + 70 years after their death.



The Fall of Phaeton by Rubens (1604/1605)

Some examples of subject matter include novels, paintings, choreography, computer programs, and maps. The subject matter must meet the threshold for 3 requirements: 1) the subject matter must be fixed in a tangible form; 2) it must meet the test for originality, and 3) it must be the owner's unique expression of ideas or facts.

Copyright protection is automatic upon creation of an original work of authorship. According to s. 5(2) of the Berne Convention, formalities on the existence or exercise of copyright are prohibited. Rights owners can take voluntary steps to protect their subject matter, like marking "©" on their work and by registering their work at the Canadian Intellectual Property Office (CIPO).

Related Rights

Related rights, also known as neighbouring rights, is primarily the sole right to reproduce and communicate to the public performances, broadcasting signals, and sound recordings. The criteria for IP protection of related rights and copyright differ. For copyright, one of the requirements is originality, whereas originality is not a criterion for related rights.

A performer is an individual who interprets literary or artistic works. They have rights over their public performances—whether the performances are live, broadcasted, or in the form of phonograms. A producer of sound recordings has rights over their publicly accessible subject matter, and a broadcasting organization has rights over the communication waves emitted from their radio, television, or satellite station to the public. Related rights last for 50 years from the date of fixation or performance. The Copyright Act outlines the criteria for the protection of each subject matter.



Photo by Cesira Alvarado on Unsplash

C. Industrial Property Rights

Industrial property rights include patents, trademarks, industrial design, geographical indications, plant breeders' rights, and integrated circuit topography. These rights are often seen as rights that protect commercial or industrial innovations.

Patent

A patent is the exclusive right to make, use, sell or grant licenses on one's invention for up to 20 years from the date of filing the application. An invention can include the development of new processes, machines, chemical composition, art, products—or improvement on any of these types of existing inventions.

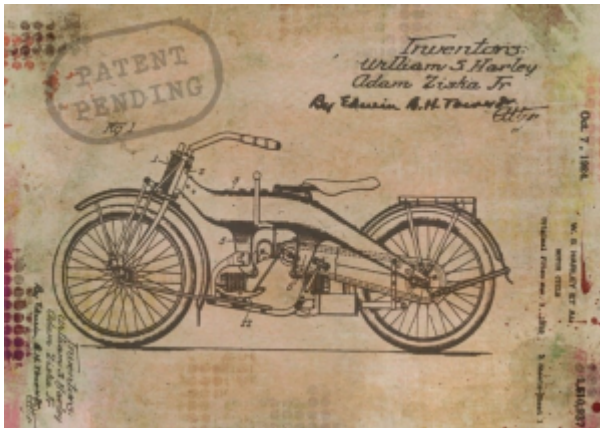


Image by Oberholster Venita on Pixabay

The invention must be 1) new; 2) useful; and 3) inventive to qualify for patent protection. The individual must also have their patent application formally examined by a patent examiner at CIPO to see whether the invention meets the substantive protection criteria, as well as the formal requirements of the Patent Act. In exchange for protection, the inventor must disclose a complete description of their invention to the public.

Trademark

Trademark protection gives the holder the exclusive right to use a sign to distinguish the goods or services of one company from those of another company. This right lasts for up to 10 years, renewable for subsequent periods of 10 years. The sign can be anything from a distinct logo, a distinct colour schematic, or a specific scent. For a sign to

qualify as a trademark, it must fulfill the legal requirements outlined in the Trademarks Act.



A mark does not have to be formally registered with CIPO to be valid. An individual can use the symbol “™” for unregistered trademarks. The symbol “®” indicates that the mark is officially registered.

Industrial Design

An industrial design right is the exclusive right to use, make, and sell the two or three dimensional appearance of a finished product for up to 15 years. This design can be a combination of the product’s shape, pattern, ornament, colour or configuration. A protectable industrial design must be new and unique. Its uniqueness and novelty must come from its aesthetic design alone, not its function or method of construction. The design must be registered with CIPO to acquire protection.



Image by Luis Wilker Perelo WilkerNet from Pixabay

Geographical Indications

A geographical indication (GI) is a mark used to indicate the geographical origin of goods. These goods can be wines, spirits, agricultural products, or food. A GI signals to consumers that the product has characteristics or qualities unique to that geographic location. It can also be an indicator of high-quality and reputable products. GIs are regulated inside the Trademarks Act. For example, the GI “Parmigiano-Reggiano” informs the consumer that the cheese is from the Italian provinces of Parma, Reggio Emilia, Bologna, and Mantua—and it will thus have a nutty flavour and grainy texture. Only if a GI is formally registered with CIPO, can the holder prevent producers or manufacturers from outside the geographical region from using the GI.

Plant Breeders' Rights

Plant breeders' rights (PBR) grant the holder the exclusive right to primarily control the use, production, licensing, importation, and exportation of a new plant variety for up to 25 years— if the variety is a new tree or vine—or 20 years in other cases. The criteria to qualify as a new plant variety are that 1) the plant must be clearly distinguishable from other varieties by at least one characteristic; 2) its distinguishing qualities must be uniform among various plants within the variety; and 3) the distinguishing qualities must be stable—in that these qualities will be reproduced with each subsequent generation. If the holder can satisfy these three qualifications, they must register the variety with the Plant Breeders' Rights Office for protection.

Integrated Circuit Topography

Integrated circuit topography (ICT) grants the owner the sole right to produce and reproduce the topography, as well as control the importation and exportation of products that use the topography, for up to 10 years (*Integrated Circuit Topography Act* SC 1990 c 37 s 5). An ICT refers to the layout of an electronic circuit. To qualify for IP protection, the ICT must be a novel layout and developed through intellectual effort. The holder must register the topography with the Office of the Registrar of Topographies to acquire an IPR.

D. Traditional Knowledge

There is no universally accepted definition for traditional knowledge (TK), although it is generally understood

as the ever-evolving body of intellectual knowledge cultivated by Indigenous people. TK often involves the cultural skills, know-how, practices, and other innovations developed by Indigenous people collectively over generations. Within TK, there are traditional cultural expressions (TCEs) and genetic resources (GRs).

Traditional Cultural Expressions (TCEs)

TCEs are the intangible and tangible cultural manifestations of TK that are passed down generations. This can include oral storytelling, folk dances, symbols, artwork, hunting, and medicine. TCEs facilitate the social and cultural identity formation of Indigenous people.

Genetic Resources (GRs)

Genetic Resources (GRs) are the genetic material of natural resources, including plants and animals, that have economic value. GRs themselves are not IP. However, Indigenous groups have developed unique methods to cultivate, use, and conserve GR over generations, and these GRs have often been used as the basis for their innovations, such as unique medicine.

Relationship between TK and IPRs

There is no formal IP legislation at our national level or at the multinational level that addresses and protects TK, TCEs, or GRs directly. Existing IP statutes, conventions, principles, and private causes of actions have been used instead to provide some form of legal protection. For example, under the Trademarks Act, Indigenous groups can register TCEs as trademarks. Groups can also acquire copyright protection over their ceremonies or folk songs. Some non-IP related international conventions help provide rights to ensure the equitable use and access to GRs, such as the Convention on Biological Diversity (*Convention on Biological Diversity* (adopted 5 June 1992, entered into force 29 December 1993) 1760 UNTS 69 art 19 (2)).

Although existing IP rights can help protect and enforce TK, TCEs, and GRs, they do not adequately provide protection for Indigenous subject matter. Indigenous subject matter often does not fulfill the criteria needed to gain full protection from IPRs. For example, IPRs often require a single owner of a subject matter, yet TK and TCEs are often collectively owned. IPRs are time limited, while TK, TCEs, and knowledge of GRs are passed down generations, and thus, temporally indefinite.

Existing IPRs are based on a Eurocentric conception of IP and thus cannot adequately address the needs of Indigenous goods. The Canadian government must continue to work closely with Indigenous groups to find concrete solutions for adequately protecting Indigenous products. The government has signed the United Nations Declaration on the Rights of Indigenous Peoples, a declaration that asserts Indigenous people's rights, and article 31 specifically addresses Indigenous people's right to control and protect their TK, TCEs, and GRs. However, Canada has not implemented this resolution yet, and thus, has not established proper steps to fulfill this obligation.

It is difficult to develop an adequate TK, TCEs, and GRs legal protection system at the multinational level due to the varying IP-related interests of different countries. Some national initiatives, on the other hand, have been successful. Countries, such as the Philippines, have created national *sui generis* legislation to address the needs of TK, TCEs, and GRs. Canada should seek to address this issue at the national level as well, rather than waiting for a multinational solution.

New committees have been created in response to the increased awareness for the protection of Indigenous subject matter. At the international level, this includes the World Intellectual Property Organization's (WIPO's) Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional

Knowledge, and Folklore. At the national level, Canada has established the Committee on the Status of Endangered Wildlife in Canada's Aboriginal Traditional Knowledge Subcommittee.

For more information on the relationship between IPRs and TK, please refer to the Assembly of First Nations' discussion paper and a booklet prepared by WIPO.

Discussion Questions

- 1: What do you know about TK, TCEs, or GRs? Are there other gaps or barriers you see with regards to existing IPRs' ability to protect this subject matter?
- 2: Could any other non-IPRs provide adequate protection for TK, TCEs, or GRs?

E. Private Causes of Action

Trade Secrets/Confidential Information

Trade secrets/confidential information are not IP rights. They are business information that have high economic value for the owner due to their secrecy. Trade secrets cover anything that is economically advantageous for a business—such as recipes, client lists, chemical compounds, and designs. Examples include Krispy Kreme's doughnut recipe and the New York Times' methodology for determining its Best Sellers list.

Trade secrets do not have a time limit. A trade secret is no longer a secret when the information is discovered by others. Upon loss of secrecy, the owner loses ownership of the trade secret, and the trade secret loses economic value. There is no formal IP registration process to record trade secrets, nor are there formal IP enforcement mechanisms in place to protect them.

Subject matter is generally considered a trade secret if 1) the subject matter is kept secret; 2) it is economically beneficial to a business; and 3) the owner takes reasonable steps to maintain its secrecy. Steps to maintain its secrecy can include requiring employees to sign non-disclosure agreements (NDA) or password-encrypting the information. Should an employee breach an NDA or confidentiality agreement, then the owner can start a private cause of action.

Businesses often choose to have trade secrets if the secret cannot be covered by existing IPRs, if the owner is not ready to apply for formal IP protection, or if the business cannot afford the cost of applying for formal IP protection.

Unfair competition law/Passing off

Unfair competition law refers to a tortious act that is contrary to fair and honest business practices. The purpose of this law is to ensure a fair marketplace. An act that triggers a private cause of action is "passing off," which occurs when a company uses a competitor's trademark without the competitor's permission to mislead consumers about the company's services or goods (*Paris Convention* (adopted 20 March 1883, entered into force 7 July 1884) 828 UNTS 305 art 10bis(3)). Another example of unfair competition is when a company makes false allegations about another competitor with the intent of damaging the competitor's reputation.

F. Intellectual Property and Physical Property

What are the qualities that make something a property? To what extent does intellectual property have or not have these qualities?

Similar to private property, IPRs are primarily private rights. In both cases, the rights holder can legally exclude others from using their subject matter. The subject matter can be licensed and transferred to third parties, and it can also be used as an asset and security. If an individual commits any of the acts protected by IP law without the owner's prior consent, the owner can institute proceedings to stop these acts or obtain damages.

Although both physical property and IP have similar characteristics, there are also significant differences between the two. Most notably, IP is not a tangible asset: Broadly speaking, they are creative products of the mind. This difference has several implications.

Public vs Private Good

IP is commonly seen as a public good, by opposition to physical property which is a private good. A public good has two qualities, they are 1) non-rival and 2) non-excludable. A private good, on the other hand, is both rival and excludable

IP has the quality of non-rivalry, which means that an individual's use of the subject matter does not decrease the subject matter's quality or characteristic over time. Reading the same news article in the newspaper, for example, does not cause the news article to erode. On the other hand, the paper copy of the newspaper may degrade to a point where it can no longer be legible.



The Provincial Newspaper Collection held at the Nova Scotia Archives

In addition, IP has the quality of non-excludability. IP can be used by multiple users simultaneously, whereas this is not possible with a physical product. For example, several individuals can read the same version of the newspaper all over the world, but they cannot use the same paper newspaper simultaneously.

Since IP has the qualities of a public good, it is more susceptible to the “free-rider problem”: Individuals consume and use IP indefinitely without any limitations, such as paying to use the good (Russell Hardin, “The Free Rider Problem,” *The Stanford Encyclopedia of Philosophy* (2013)). As a result, the public good becomes overused, and those who create the public good become less incentivized to continue creating. This is often known as the tragedy of the commons, and it is an indication of the failure of the marketplace.

Duration

Another difference is that all forms of IP are time limited. There are some exceptions to this difference; trademarks, for example, can theoretically exist for an indefinite amount of time as long as it serves to distinguish the goods or services of the owner. GIs are also an indefinitely lasting IP right since the characteristics or qualities a geographical location imparts on the goods are continual and permanent. Nevertheless, nearly all IPRs are limited by time. All physical property, on the other hand, belongs to the owner indefinitely so long as the owner intends to keep it.

Access

Even though IPRs are private rights, these rights do not grant the IP holder complete jurisdiction over their subject matter. At least two rights have the potential to collide: the right of the owner of the tangible object (book, CD, mobile phone) and the right of the IP owner in the intangible work, invention or sign embodied in the object. Once the tangible object is sold to a third party user, the IP owner does not have a legal right to access the IP in that object without permission from the owner. Similarly, the owner of the tangible object does not necessarily have a right of access to the IP embodied therein except as permitted by law or by the IP rights owner.

Balance

The existence and regulation of IPRs revolve around balancing the interests of IP holders and users. IPRs can be a barrier to crucial IP like knowledge, education, and medicine—initially, then, it may seem as though IPRs should not exist. However, although IPRs are a barrier, they are also very important in incentivizing creation and innovation. Such incentivization is important in supporting our information economy as well as facilitating a community's cultural and socio-economic development.

How do we ensure that we do not constrain innovation while also ensuring that we do not hinder the advancement of communities? How do we ensure that we protect an author's right in their work without hindering another community's right to a shared body of public knowledge? How do we balance an IP user's freedom to parody or criticize with the author's right to the moral integrity of their work? Allowing an IP holder to restrict access to such crucial IP requires careful consideration that users should also benefit from access to the holder's IP within reason.

The balancing between the interests of IP holders and IP users takes on many forms. There are inherent limits to each IPRs (i.e. subject matter, criteria for protection, scope of protection, and duration of protection). Copyright, for example, does not cover facts or ideas. It covers expressions of facts or ideas. It must also meet the criteria of originality and fixation for protection. Its scope is narrowed by exceptions and limitations, and the copyright only lasts for the author's life + 50 year before the subject matter enters the public domain.

International organizations such as WIPO have recently become aware of the necessity to place more weight on the needs of users rather than solely concerning itself with the needs of IP holders. For example, the 1971 revision of the Berne Convention included an appendix that offers the option for qualifying less developed countries to depart from international minimum standards of copyright protection. More recently the WIPO adopted the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled.

Courts also ensure that IP rights are properly balanced. For example, in *Society of Composers, Authors and Music Publishers of Canada v Bell Canada* (2012 SCC 36) the Supreme Court of Canada grappled with the interests of musicians, composers, and music publishers against the interests of music purchasers. The issue at hand was whether users should be required to pay royalties to SOCAN when users listened to music previews before purchasing a digital copy of a song. The court balanced the interests of both sides and ruled in favour of users, stating that music previews fall under fair dealing.

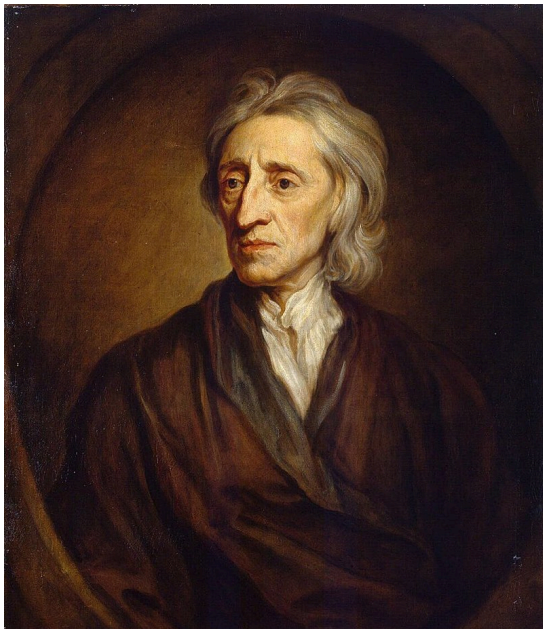
There are various balancing mechanisms to ensure that the interests of different social groups are carefully weighted. This conscious and deliberate concern with balance exists uniquely within the IP sphere, since IP only serves as a cure to symptoms of market failure.

G. Justifications and Theories Supporting Intellectual Property Rights

There are evidently notable differences between IP and physical property, and IP does not suffer from certain issues that affect physical property. Why does IP get “property-like” rights? At first glance, it seems that IPRs unduly hinder public access. What are some justifications and theories supporting IP rights? Are these justifications satisfactory? Four commonly-cited theories are discussed below.

I. Labour Theory

The most prominent philosophical justification for intellectual property in the Anglo-American tradition is the labour theory – sometimes referred to as the “fairness” theory. The labour theory is loosely based upon the writings and philosophy of John Locke. The premise of this theory is that a person should be rewarded – through private property rights – for his or her labour. In the context of copyright, the labour theory posits that the law should be crafted in such a way as to ensure that property interests in literary and artistic works are provided to those who exert a type of *intellectual labour* in creating them.



Portrait of John Locke, 1697 by Godfrey Kneller

One point of clarification worth noting – and which is often misstated – is that Locke himself made very few comments on copyright or intellectual property in devising his theories of property. Instead, intellectual property theorists, jurists and academics have applied Locke’s reasoning to copyright. This small detail is important, because some aspects of Locke’s theory of property appear to be strained when divorced from their context of real property and agricultural lands and placed in the intellectual property realm.

The importance of the historical context in which Locke was writing cannot be understated. Private property rights were understood at the time as a democratising force largely due to the need to overcome the inequities of feudalism. By privately owning and tending to land, Locke thought that individuals could become more free-acting agents and contribute more directly to the economic and political development of society. Given that Locke’s writings were not widely applied to the intellectual property system (namely, copyright) until the 20th century, the divorce of his writings from its historical context is palpable. Nevertheless, the natural right to property put forward by Locke remains a persuasive and pervasive force throughout IP theory.

In many respects, the Labour Theory acts as the impetus for the public domain. Locke conceived of a theoretical source of raw materials which is unowned, known as ‘the common’. For Locke, the right to property comes about through the exertion of labour over materials, land or resources found in the common. The common is property that exists *res nullius* – in other words, belonging to no one. Once a person exerts his or her labour over things found in the common, the theory posits, the value added by that labour forms the basis of private property rights. It is therefore by improving portions of the common that one acquires a natural right to them.

It is important to note the caveats noted by Locke – sufficiency and waste. The theoretical labourer can only rightfully claim a property interest in that which he or she can reasonably use. Further, the natural right to property is only justifiable to the extent it does not deny others reasonable use and exploitation of the common. These caveats introduce a necessary counterbalance to the otherwise limitless notion of natural rights to property.

Despite the pervasiveness and persuasiveness of Locke's philosophy in IP theory, there are some difficulties that become evident when applying his allegory of physical labour over land to the creation of literary and artistic works in the context of copyright:

Intellectual Labour – The concept of intellectual labour is key for applying Locke's theory to copyright, yet we have very little objective criterion to use in valuing this labour. In the context of physical labour over barren land, we can ordinarily apply market principles to determine the extent to which this labour brings about benefit to the land itself or the commodities it is able to produce. This reasoning does not fit easily within the context of intellectual labour.

Threshold for Entitlement – Locke's theory proposes that the labourer obtains a property interest to portions of the common through adding his or her labour. This notion of imbuing ownership through adding labour suffers from ambiguities – namely, what is the threshold for labour added in order to warrant entitlement to property?

Sufficiency – Locke's labour theory of property rests upon the caveat that the labourer must leave enough in the common for others to make use of. This prevents appropriation from the commons from prejudicing others. The difficulty in the IP context is determining when this balance has been achieved. Arguably, portions of the IP system reflect this caveat, including copyright fair dealing, compulsory licensing and term limits on protection. Further, the application of copyright to the digital environment makes it increasingly difficult to measure the sufficiency of the common, and more precisely, the extent of what it contains.

Assumption of Scarcity – While not stated outright, an implicit assumption in Locke's theory is the scarcity of commodities and goods. For Locke, what made labour virtuous was that it brought about some positive benefit or product (e.g., food, building materials) which others could benefit from. While it can be argued that scientific, artistic and literary creations enrich society, this can be distinguished from the notion that there is a scarcity of these things. Even further, it is not clear how such a scarcity could be measured if it did exist.

Despite the above shortcomings in the labour theory justification for intellectual property laws, it remains persuasive throughout many jurisdictions, including Canada. As is discussed further in the Copyright chapter, British and Canadian copyright systems borrow heavily from the labour theory in espousing the “skill, judgment and labour” doctrine. While the precise tests for originality in both jurisdictions have evolved in recent decades, the underlying virtues of entitlement through labour and effort are ubiquitous in Canadian and British copyright jurisprudence.

2. Personality Theory

In contrast to the Labour Theory, the Personality Theory is concerned primarily with cherishing and protecting a bond between the creator and his or her creations. It is most commonly referenced in relation to copyright. By treating works as extensions of the creator's personality, the theory proposes that copyright law is justified on the basis of the protection it provides to authors to control how their work is used, portrayed and monetised.

The Personality Theory is often regarded as being supported by the philosophical writings of Immanuel Kant and Georg Wilhelm Frederick Hegel. These enlightenment thinkers posited that the individual's will is the core of his or her existence. In contrast to Locke's conception of freedom – largely from external restraint imposed by the state – Hegel and Kant's view was more so that freedom should be realised through the individual's unity with a higher objective order (i.e., will, self-realisation and identity). When applied to intellectual property, the Personality Theory holds that private property rights (including copyright) are the most suitable way to ensure that individual authors or creators are able to act in unity with their free will. It is only through the institution of private property – the theory holds – that an agent can become a person and express his or her actual will.

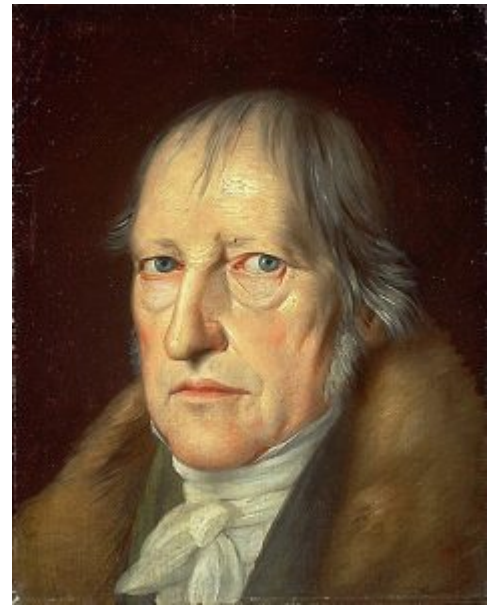
The notion that private property enables self-expression and identity is, in some respects, intuitive. After all, individuals must be able to take control and ownership of some aspects of their physical environment in order to assert themselves and become purposeful agents in the world and society. In the context of intellectual property, this view of property can be equally intuitive. Many creators and innovators would agree that some control over their creative and inventive processes is essential to fostering their creativity and ingenuity.

In Canada, the Personality Theory is exemplified most clearly by the Copyright Act's support and protection for moral rights. As is discussed further in the Copyright chapter, moral rights provide authors a type of continuing control over works which is independent from the economic rights to exploitation. The Act's notion of protecting the author's integrity and granting a right to be associated with his or her creations exemplify the type of normative values that support the Personality Theory.

As morally intuitive as the Personality Theory may seem at first blush, it does leave several issues wanting for further explanation and reconciliation. Firstly, if the primary purpose of intellectual property rights are to protect the individual expression and identity of creators, how then can it explain and protect the practice of licensing and assigning the economic rights to others?

Secondly, the Personality Theory is ambiguous with respect to how the creator's personality must be reflected in the work in order to attract protection. Determining this threshold requires an exploration into highly subjective considerations, including the extent to which particular forms of expression or invention may be regarded as more ideal mediums for individual expression than others. Where the creators' personalities become the focal point of the intellectual property system, it becomes more crucial to place limits on which types of expression can properly fall within the conception of 'authorship'.

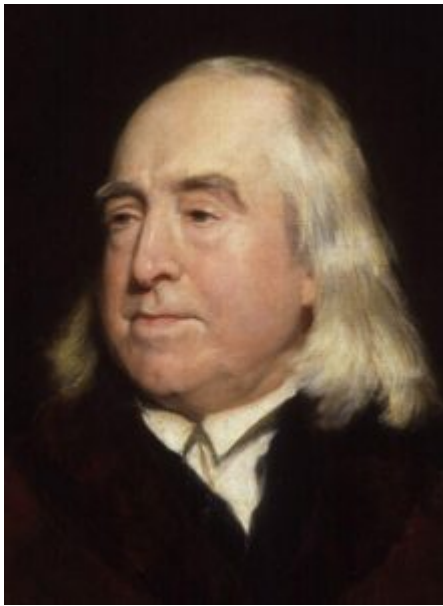
Despite the ambiguities latent in Personality Theory, it continues to be a strong rationale for many aspects of the copyright system, particularly in continental Europe. So long as authorship remains one aspect of the copyright system – at least for measuring the extent of certain economic rights – Personality Theory will remain relevant and morally persuasive.



G.W.F. Hegel (1831)

3. Utilitarianism/Welfare Theory

Utilitarianism is most commonly identified through the writings of British philosophers John Stuart Mill and Jeremy Bentham. These thinkers (among others) crafted an ethical theory which views political and moral decision-making within the lens of economics. Namely, utilitarianism calls for laws and governments to be oriented in such a way as to produce the greatest happiness for the greatest number of people. This is to be done through creating incentives and disincentives to shape behaviour in ways that produce socially beneficial results.



Jeremy Bentham as painted by Henry William Pickersgrill

For Bentham and utilitarian thinkers, the actions of government and the effect of laws should be such that the greatest happiness results. As will be discussed further, the vague notion of “happiness” can in practice become deceptively complex and indeterminate. But save for now the deeper questions of what “greatest good” or “greatest happiness” ought to mean for a given group, utilitarianism is predicated upon fairly simple and intuitive concepts.

In terms of utilitarianism’s application to intellectual property, a key premise is the notion of “public goods”. This notion is borrowed from economic theory. These are things that benefit society and maximise utility for all. The types of inventive, artistic and literary works ordinarily protected by intellectual property laws are generally regarded as public goods under the utilitarian theory. This is because they enrich society, knowledge, and human understanding. Utilitarianism holds that these works, like all public goods, share two characteristics: they are *non-rivalrous*, and *non-excludable*.

Non-Rivalry – Rival goods are those goods which, when used, prevent others from using them concurrently. One example of a rival good is a parking space. When a car occupies the parking space, no one else can make use of it. Public goods, on the other hand, are generally regarded as “non-rivalrous” in that the use by one person does not exclude others from using it concurrently. One example of a non-rivalrous good is a cinema. Unless

ticket holders are lucky enough to find themselves as the only ones visiting the theatre, they will likely be enjoying the film with others. This ability to concurrently make use of a common good makes it “non-rivalrous”.

Non-Excludability – Goods are understood to be excludable when they are capable of being protected in a such a way that only certain people can enjoy them (whether concurrently or not). The cinema is also an example of an excludable good in that only ticket holders are able to watch the film. Public goods generally do not share this characteristic. This means that they are ordinarily free for all to take advantage of and potential audiences or beneficiaries can not be discriminated from one another.

One common example of a public good that is both non-rivalrous and non-excludable is a lighthouse. In maritime navigation, lighthouses are necessary not only to warn mariners of shallow water and rocks, but also to assist in coastal navigation, charting and plotting position. In other words, they act as a crucial benefit for all mariners. They are also expensive to build, establish and maintain.



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Lighthouses are non-rivalrous because their use by one mariner does not preclude others from making use of them. Ostensibly any vessel that is within the range of the light is able to use it as a navigational aid. Lighthouses are also non-excludable because it is impossible to discriminate between mariners and vessels who may come to use the lighthouse as a navigational aid. Similar to FM radio, the lighthouse broadcasts a beam of light in a circular motion for all to see.

Given the example of a lighthouse, it may be tempting to adopt the view that public goods are always provided by the public sector (i.e., government), but this is not always the case. The term ‘public good’, in economic terms, may refer to things that are naturally available in the environment (e.g., air, rain water), and they may also be produced by private individuals and companies for various reasons (e.g., a hydroelectric dam). In this sense, the notion of a public good is principally concerned with the net effect of the good on society.

When applying the concept of public goods to intellectual property, the key premise is that these works and inventions benefit society by enriching knowledge and the human experience. Though difficult to quantify with precision, the utilitarian theory views these contributions to the public sphere as a type of social good that must be fostered and encouraged. From the standpoint of economists, creative and inventive works suffer from the key pitfalls of public goods—non-excludability and non-rivalry. It is for this reason that the law ought to intervene to incentivise their production.

“Public Goods” Example: A Novel

Suppose that you have written an eloquent novel about the tribulations of being a law student that is well-received by your peers. You share it with one of your classmates, and she, out of the desire to allow others to enjoy it, shares it with even more of your classmates. Even if you were able to charge the first classmate with whom you shared your novel, it would be nearly impossible for you to charge successive readers for enjoying it. After all, it was merely lent to them to read. It is in this sense that works subject to copyright protection can be considered “public goods” like lighthouses or national defence. They have social benefits, but they are also generally of high cost to create and can be easily copied and reproduced. Without sufficient incentives and protections afforded by law, it is very likely that they will not be produced in sufficient quantity to achieve maximum utility.

The utilitarian view of copyright is that the law should be crafted in such a way that the state protects authors and creators against competition and provides time-limited monopoly rights. This is considered to be a more efficient use of resources than government creating the public goods itself, or subsidising authors and creators for their works.

The jurisdiction in which we see the strongest uptake of the utilitarian view of copyright law is the United States, where Article I, Section 8 of the United States Constitution provides:

“[the United States Congress shall have the power] To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

By providing the legislature with the power and objective of ‘promoting the Progress’ of science and the ‘useful Arts’, the US constitution refers to the role of patent and copyright law in encouraging the proliferation of socially beneficial goods. Like all theories and justifications supporting intellectual property laws, the utilitarian view of the purpose of copyright law in turn informs how other aspects of the system are interpreted, including inventiveness, novelty, originality, creativity, authorship and moral rights protections.

4. Social/Cultural Theory

The fourth theoretical view of intellectual property laws’ purpose is Social Theory. This theory is the most contemporary and least well-known of each of the four justifications and theories. It’s also the newest in terms of its theoretical underpinnings. Its main proponents are disbursed between legal academics, sociologists, lawyers and policy-makers. Like utilitarianism, Social Theory is prospective in orientation—it looks to how copyright law can be shaped to achieve certain results. It differs from utilitarianism in that its perspective is not one of consumer choice or availability of works for consumption. In contrast, Social Theory proposes that intellectual property laws should strive to foster and support a *just and attractive culture*. In this sense, Social Theory borrows some of the Enlightenment thinking from the Personality Theory in that it identifies a vague (yet morally intuitive notion) set of fundamental human needs that can be supported by artistic and literary creation.

In contrast to the Labour Theory, Social Theory is not focused on an individualised notion of fairness or justice. Rather, as its name would suggest, Social Theory views the fairness or efficacy of the intellectual property system on the results it distributes to *society at large*. This notion of a collective social interest is key to Social Theory. Fair access to the opportunities necessary for human flourishing and the protection of identity are both key tenets.

Social Theory holds that the conditions necessary for the full realisation of a just and attractive culture loosely take shape around life, autonomy, engagement, self-expression, connection, health, privacy, and competence. Some of these may be familiar to you after reading through the main principles of the Personality Theory. But in contrast to Personality Theory, Social Theory is not fixated on the individual author and his or her personhood in the world. Rather, these conditions are more accurately understood at the public level. To achieve these conditions, Social Theory holds that they are best realised by a more equal society through participatory democracy and empowerment of individuals to contribute more directly to society.



Image obtained through an Unsplash licence from www.unsplash.com Photograph by Michele Henderson

Where Utilitarianism is principally concerned with the *availability* of inventive and creative works for members of society to make use of, Social Theory focuses on empowering people to *make use of* these works into new cultural and inventive forms. Indeed, digital technologies have made this increasingly possible in the 21st century. Where copyright law has the tendency to restrict such uses, Social Theory often looks to areas for legal reform. These areas for reform centre around fair dealing, open access, educational uses, protections for traditional cultural expressions, alternative compensation models and moral rights. Each of these aspects of the copyright system is discussed further in the Copyright chapter.

Overall, Social Theory recognises that intellectual property laws can often act to exacerbate social inequality. These rights can be used as an instrument to facilitate or hinder the development of social and cultural identity. Proponents of Social Theory contend that IP protection should seek to promote the welfare of individuals (Giovanni Battista Ramello, “Access to vs. Exclusion from Knowledge: Intellectual Property, Efficiency and Social Justice” in Axel Gosseries, Alain Marciano and Alain Strowel (eds), *Intellectual Property and Theories of Justice* (Palgrave Macmillan 2008)).

It is possible to apply this theory to distinct IP rights as well. With respect to patent rights, the 20 year market monopoly may hinder certain groups’ access to important products. Access to medicine, for example, remains a struggle for many less developed countries that are unable to afford the high price of life-saving medicines produced by pharmaceutical companies or to produce the medicines in their own territory (Peter S. Menell, “Property, Intellectual Property, and Social Justice: Mapping the Next Frontier” (2016) 5 *Brigham-Kanner Property Rights Conference Journal*). The inability to access medicine due to patents exacerbates the existing socio-economic divide between less developed and more developed countries.

IP policy can facilitate or restrict access to knowledge, education, and information (Lateef Mtima, “Copyright and Social Justice in the Digital Information Society: ‘Three Steps’ Towards Intellectual Property Social Justice” (2015) 53 *Houston Law Review*). IPRs have sometimes resulted in perpetuating social injustices. For example, TK-associated GRs have been patented by researchers for economic purposes without Indigenous groups’ consent and knowledge. Social justice theory posits that courts and legislators should use IPRs as a means of achieving social justice goals—particularly by favouring the dissemination of knowledge to a wide community of users. For example, the Marrakesh treaty has advanced social justice objectives by allowing copyright reproduction without the owner’s consent if the purpose of reproduction is to translate print material into other more accessible formats for individuals who are visually impaired, blind, or print disabled.

Trademark rights can exacerbate social injustices. Marks can sometimes be a symbol associated with the cultural, religious, ethnic, or social identity of a community. If another group adopts this symbol and uses it to represent their group’s goods or services, then the community may be negatively affected. For example, some sports teams use Indigenous symbols or words for their team names. However, although trademarks can perpetuate social injustices, the theory purports that trademarks can also be used to further social justice goals. For example, the appropriate use of trademarks can allow Indigenous groups to gain revenue by licensing their trademarks and displaying the authenticity of their TCEs to the public (Brigitte Vézina, “Curbing Cultural Appropriation in the Fashion Industry” (2019) 213 *CIGI Papers*).



Photo by Sharon McCutcheon on Unsplash

In summary, there is no single universal justification to IP rights. Each justification has its strengths and its shortcomings. Different countries’ IP regimes may favour one justification over another. In the United States, the economics justification is heavily emphasized, whereas in France and Germany, the natural rights theory and

the labour theory are more prominent. It is important to be aware of theories and to understand these frameworks. Understanding older and more recent paradigms can help us understand as well as critically assess contemporary IP issues—such as the potential rationales behind how different governmental bodies are handling the protection (or lack thereof) of Indigenous forms of knowledge.

Discussion Questions

- 1: Which justification or theory do you think Canada's IP regime relies on?
- 2: Do you think there are other compelling justifications for IPRs other than those explained above?
- 3: Do you find the recent scholarship on IP justifications more compelling and accurate than the traditional IP justifications? Why or why not?

H. International Legal Framework on Intellectual Property

In the 19th century, the international community began to realize how problematic the territorial application of IPRs was in an increasingly globalized world. Since the legal effect of IPRs was limited to the territory of the jurisdiction in which it was conferred, an individual could freely use and consume IP subject matter originating from another jurisdiction. For countries that began to gain a reputation for being exporters of IP-based goods, the lack of protection resulted in a substantial loss of economic revenue.

The inadequacy of IPR territoriality led several European states to conclude bilateral agreements with one another in the second half of the 19th century. Bilateral agreements allowed both parties to tailor the provisions to their specific IP-related needs, such as mutually beneficial minimum standards of IP protection and scope of protection. Although these agreements were sufficient at the time, the increasingly globalized nature of the markets, alongside the development of new technology that allowed for easier dissemination of IP subject matter across national borders, resulted in the insufficiency of bilateral agreements. Bilateral agreements required time to negotiate between states, and it was too time-consuming to develop these agreements with multiple different states. As a result, multilateral agreements became a necessary response to the technological and economic developments at the end of the 19th century.

The first two international instruments drafted were the Paris Convention on the Protection of Industrial Property (1883) and the Berne Convention on the protection of literary and artistic works (1886). Both treaties aim at determining minimum standards of international IP protection. The Paris and Berne Conventions have a broad scope, compared to other international treaties that pursue narrower objectives, such as establishing an international classification system or simplifying the international registration process.

WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)

WIPO is a United Nations body based in Geneva that handles the regulation of IP on an international level. It was officially established in 1967. WIPO's mission is to encourage international collaboration in IP regulation, as well as to incentivize the creation of more IP to facilitate the cultural, economic, and social development of communities. The WIPO counts 193 Member states. Since international treaties establish a minimum level of protection, Member states are free to implement stricter provisions than provided under the treaties.

The Paris Convention on Industrial Property (The Paris Convention 1883)

The need for an international convention addressing industrial property rights arose after an exhibition held in Vienna in 1873. Inventors did not want to showcase their inventions at this exhibition due to the absence of legal protection for their work. The Paris Convention was established in 1883 to address this concern.

The substantive provisions of the Convention fall into three main categories: national treatment, right of priority, common rules.

(1) The principle of national treatment requires that each Contracting State grant the same protection to nationals of other Contracting States that it grants to its own nationals. Nationals of non-Contracting States are also entitled to national treatment under the Convention if they are domiciled or have a real and effective industrial or commercial establishment in a Contracting State.

(2) in the case of patents, trademarks and industrial designs, the Convention requires that Member States recognize a right of priority. Whenever a regular first application is filed in one of the Contracting States, the applicant may, within a certain period of time (12 months for patents and utility models; 6 months for industrial designs and marks), apply for protection in any of the other Contracting States on the basis of that first application. Subsequent applications will be regarded as if they had been filed on the same day as the first application, giving the applicant a “right of priority” over applications filed by others during the said period of time for the same invention, utility model, mark or industrial design.

(3) The Convention lays down a few common rules that all Contracting States must follow in the area of patents and trademarks.

Berne Convention for the Protection of Literary and Artistic Works (The Berne Convention 1886)

In the 19th century, publishing companies were importing and reproducing foreign works without the IP holders’ permission. The international community agreed that an international instrument that would facilitate the regulation and protection of artistic, cultural, dramatic, and literary work was necessary, and this led to the creation of the Berne Convention in 1886.

The Convention lays down three basic principles: (1) the principle of national treatment; (2) the principle of automatic protection, meaning that protection must not be conditional upon compliance with any formality; and (3) the principle of independence of protection, meaning that protection is independent of the existence of protection in the country of origin of the work. This last principle is subject to three exceptions relating to the term of protection (where countries may apply the rule of the shorter term; art. 7(8)), the protection of works of applied art (where countries may allow the cumulation of copyright and industrial design; art. 2(7)) and the *droit de suite* (art. 14ter). The Convention further contains provisions setting minimum standards of protection relate to the works and rights to be protected, and to the duration of protection, as well as exceptions and limitations.

In the Paris 1971 Revision of the Berne Convention, the states’ primary concern was the effect of copyright on less developed countries. In taking into consideration these countries’ unique technological and educational needs, the Berne Convention added an Appendix which states that if certain conditions are met, the minimum standards of protection may be relaxed for less developed countries. Canada acceded the latest version of the Berne Convention—the Paris 1971 Revision of the Berne Convention, as amended in 1979—in 1998.

The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (The Rome Convention 1961)

In the mid-20th century, increasing concern arose around how best to protect the interests of performers and

phonogram producers. Certain groups, such as the International Confederation of Societies of Authors and Composers, initially attempted to protect producers by proposing amendments to the Berne Convention. In 1960, it was decided that a new international legal convention would be created to address these needs—along with the protection needs of broadcasting organizations—and in 1961, the Rome Convention was established.



Image by Noemi-Italy from Pixabay

The Rome Convention includes provisions on the scope of protection afforded to performers, phonogram producers, and broadcasting organizations, as well as the duration of their rights.

The WIPO Copyright Treaty (WCT 1996) and the WIPO Performances and Phonograms Treaty (WPPT 1996)

The WCT and the WPPT are dubbed the ‘WIPO Internet Treaties’. They were negotiated with the view to adapting the copyright and related rights framework to the emergence of the Internet. The WIPO attempted to modify and revise the Berne Convention as a response to these developments. However, the need for new international norms, rather than modified pre-existing international norms, soon became apparent, and both treaties were signed in 1996. The WCT is a special agreement under the Berne Convention. As a result, its provisions do not supersede those established in the Berne Convention. The WCT addresses a copyright holder’s rights in the digital environment, limitations and exceptions, technological protection measures and rights management information in relation to works made available in the digital environment.

The WPPT was drafted alongside the WCT as a result of negotiations during the WIPO Diplomatic Conference on Certain Copyright and Neighbouring Rights. Similar to the WCT, the WPPT addresses the technological developments that occurred in the late 20th-century in relation to the dissemination and use of performances and phonograms in the digital environment. The need for new international norms, rather than modifications to the Rome Convention, spurred the creation of this new treaty. Provisions in the WPPT do not supersede those established in the Rome Convention.

b) Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC)

Already in the 1960s, there was a growing recognition of the importance of TK, TCEs, and GRs. In particular, the international community recognized that Indigenous subject matter is worthy of protection, that it has value as IP assets, and that the IP regime needed to be more inclusive to non-Western forms of innovation. Along with this recognition came the realization that the development of new technologies facilitated the frequent misappropriation and exploitation of TK, TCEs, and GRs. Existing international conventions, such as the Berne Convention, could not adequately protect Indigenous subject matter due to its unique nature.

In 1997, a new WIPO body called the Global Issues Division was established to assess the needs of Indigenous communities. This resulted in the creation of the IGC in 2000. The IGC is a WIPO body that functions as a forum of discussion for issues related to the development and regulation of protection for TK, TCEs, and GRs. In 2009, the responsibilities of the IGC broadened from its initial role as a forum to a committee that has the authority to propose international initiatives that can further propose initiatives to further TK, TCE, and GRs protection. In 2019 the mandate of the IGC was renewed and expanded, to include among other goals, work towards finalizing an agreement on an

international legal instrument(s), without prejudging the nature of outcome(s), relating to intellectual property which will ensure the balanced and effective protection of genetic resources (GRs), traditional knowledge (TK) and traditional cultural expressions (TCEs).

c) WIPO Development Agenda

In 2004, Argentina and Brazil submitted a proposal to WIPO, requesting that it develop a plan that prioritizes the needs of less developed countries within the context of IP regulation. Other countries subsequently submitted related proposals, and this led to several discussions. In 2005, the WIPO General Assembly established the Provisional Committee on Proposals Related to a WIPO Development Agenda (PCDA) to accelerate the progress of its discussions. The PCDA initially generated 111 proposals. In the 2007 General Assembly, the PCDA and Member States agreed on 45 proposals for its development agenda and established the Committee on Development and Intellectual Property (CDIP).

The proposals range from proposed initiatives to assist less developed countries in their IP-related needs to recommendations for WIPO to follow in order to better assess and understand the impact of IP regimes in Member States. Some recommendations include encouraging WIPO to promote activities that facilitate the growth of the public domain, as well as encouraging the creation of international mechanisms to address the specific needs of TK, TCEs, and GRs.

The CDIP is a committee that oversees the implementation of the 45 proposals. This includes facilitating the implementation of the proposals, as well as monitoring, assessing, discussing, and reporting Member States' progress in the implementation of these proposals with the General Assembly.

WORLD TRADE ORGANIZATION (WTO)/ TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY AGREEMENT (TRIPS)

The introduction of IP into trade-related agreements came about in part because of the realization of the huge economic importance of IP protected industries (pharmaceuticals, films, videogames, trademarked goods) and in part because of the rise in counterfeit and pirated goods which affected international trade. Countries that were net exporters of IP wanted higher IP protection standards from countries with low IP standards. Divergent IP protection levels between countries were also seen as barriers to trade.

Trade-related agreements that included IP provisions exist as an agreed-upon exchange between countries with high- and low-degree IP protection. Countries with high IP protection typically promise better trade deals in exchange for countries with low IP protection to adhere to higher IP protection standards.

In 1993, the national delegates met in Montego Bay, Uruguay, to discuss multilateral trade issues in the context of the GATT (General Agreement on Tariffs and Trade). The former GATT organization morphed into a new multilateral organization now known as the World Trade Organization (WTO). The WTO administers only one IP-related international legal instrument, the TRIPS Agreement, which was signed as Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization.

Any member of the WTO must join TRIPS. This requirement emerged when the international community found that the varied level of IP protection in different countries created economic friction.

The TRIPS is part of a broader trade agreement. Whereas WIPO administers treaties that shape IP regulation directly, TRIPS places the regulation of IP within the fora of international trade. It does not participate in the creation of IP law as such, but it does contribute to its consolidation and codification. Within TRIPS, some provisions ensure that all parties abide by minimum standards of IP protection, like the Paris and Berne Conventions. It also establishes mechanisms to handle IP infringement, including civil, administrative, and criminal procedures, as well as mechanisms to prevent infringement. In addition, TRIPS provides a dispute-settlement system.

WTO and WIPO collaborate to put in place measures to aid less developed countries in fulfilling their obligations to

TRIPS. Such measures can include aiding less developed countries with adopting laws, as well as training personnel to carry out their TRIPS obligations.

BILATERAL INVESTMENT TREATIES AND FREE-TRADE AGREEMENTS

As is made clear by the approaches of both the Berne Convention and the TRIPS agreement, the general approach of these multilateral instruments is to guarantee *minimum* levels of protection. The result is that states are nevertheless free to agree to even higher levels of protection through separate agreements. This approach has become increasingly common in regional and bilateral free-trade agreements, leading to the adoption of the term “TRIPS-Plus” provisions.

The number of regional and bilateral free trade agreements in existence is massive. For reference, the WTO maintains a database of over 300 regional free-trade agreements. Many of these agreements include provisions which expand upon the protections in TRIPS, or otherwise offer protections where TRIPS may be ambiguous. The effect of TRIPS-Plus provisions in these agreements is multifaceted, but largely produces fragmented levels of protection among states and restrictive consequences for third party states. Overall, these consequences run contrary to the purpose and objectives of the Berne and TRIPS frameworks.

The rise in bilateral and regional free-trade agreements in recent decades has been spurred largely by changes in political and diplomatic approaches. It seems that we are now in an environment where large multilateral treaty-making is less palatable. To this end, we are likely to see the trend of TRIPS-Plus provisions in bilateral and regional agreements continue.

Similar to TRIPS, Canada is a party to the NAFTA, CETA, USMCA and CPTPP agreements that primarily deal with investment and trade, but that also include provisions governing IP. The primary purpose of these agreements is to encourage more investment and trade among the member countries by eliminating barriers on the trade of goods and services. These agreements have been developed with an eye to ensuring greater transparency, predictability, and protection for investors. Such treaties and agreements inevitably also ensure that parties who seek the benefits of beneficial trade deals adhere to standards of IP protection agreed to by all parties. The strong focus of the TRIPS and other bilateral agreements on the interests of investors and IP owners keeps on generating unabated criticism from parts of the legal community and from user organizations who denounce the heightened restrictions on access to medicines, knowledge and culture.

a) NAFTA

The North American Free Trade Agreement (NAFTA) was a free-trade agreement signed by Canada, the United States, and Mexico in 1992. Its provisions on IP notably included broadening copyright to include computer programs and databases.

b) CETA

The Canada and European Union Comprehensive Economic and Trade Agreement (CETA) is a bilateral investment treaty signed by Canada and the European Union in 2016. This agreement encourages the movement of goods and services between Canadian and EU markets. Its provisions on IP include enhanced patent protection for pharmaceutical products, and GI protection for agricultural and food products.

c) USMCA

The United States-Mexico-Canada Agreement (USMCA) is often referred to as the updated version of NAFTA. This agreement, signed by all three countries in 2018, updates the provisions established in NAFTA to address modern issues related to trade and investment.

An Act to implement the Agreement between Canada, the United States of America and the United Mexican States

received royal assent on March 13, 2020.

d) CPTPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a comprehensive free-trade agreement between 11 countries in the Asia-Pacific region: Canada, Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. This agreement evolved from the Trans-Pacific Partnership (TPP), an agreement that was abandoned after the United States withdrew from it. The CPTPP, signed in 2018, contains a chapter on IP regulation. In this chapter, it requires all members to ratify several other IP treaties, including the WCT, the WPPT, and the Singapore Treaty. It also outlines extensive provisions on IP rights enforcement, including border enforcement procedures and IP enforcement in the digital environment.

Due to each country's vastly different IP values and regimes, it has become increasingly difficult to negotiate multilateral agreements. As a result, states have shifted towards negotiating bilateral investment treaties and free-trade agreements, since such agreements are meant to reinforce existing IP norms in a trade context rather than creating new law.

I. History and Development of Intellectual Property Regulation in Canada

Copyright and Related Rights

The history of Canada's copyright legislation began with the UK's Statute of Anne, which was also known as the Copyright Act of 1710. This Act addressed the widespread problem of individuals producing and reproducing works without the owner's permission and without remunerating them. The Act granted booksellers and printers the exclusive right to their work's production and reproduction for a set term of 14 years for works that were composed thereafter, or 21 years for works already in print circulation.

Passed by the Parliament of the Province of Lower Canada, the Copyright Act, 1832 was the first Canadian colonial copyright statute. The 1832 Act aimed at encouraging the emergence of "a literary and artistic nation and to encourage literature, bookshops and the local press" by granting copyright to residents of the province. Following the unification of the Provinces of Upper and Lower Canada to form the Province of Canada, the 1832 Act was repealed and replaced by the Copyright 1841. The Act only granted copyright in books, maps, charts, musical compositions, prints, cuts and engravings. Copyright was awarded only if it was registered and if a copy of the work deposited in the office of the registrar of the province before publication. The author was required to be resident in the province in order to obtain copyright under the Act, though the Act was unclear on whether the work needed to have been first published in the Province ("Copyright law of Canada", Wikipedia). The unclear status of British publishers drew the irritation of the Empire. Canada corrected the situation with the enactment of *An Act to extend the Provincial Copyright Act to Persons Resident in the United Kingdom* in 1847, granting British authors protection only if their works had been printed and published in the Province of Canada. The 1841 and 1847 statutes were subject to minor revision in 1859 and the requirement for the works to be printed in Canada, buried in the text, was later noticed and denounced by the imperial British government

Upon Confederation, the British North America Act, 1867 granted the federal government power to legislate on matters such as copyright. The Parliament of Canada passed the Copyright Act of 1868, which granted protection for "any person resident in Canada, or any person being a British subject, and resident in Great Britain or Ireland. This act was modified by the Copyright Act, 1875, which provided for a term of twenty-eight years, with an option to renew for a further fourteen years, for any "literary, scientific and artistic works or compositions" published initially or contemporaneously in Canada, and such protection was available to anyone domiciled in Canada or any other British possession, or a citizen

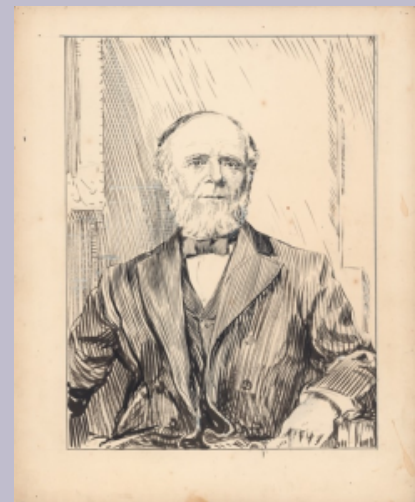
of any foreign country having an international copyright treaty with the United Kingdom, but it was contingent on the work being printed and published (or reprinted and republished) in Canada.

George Munro and the Seaside Library

Where the national copyright laws of countries, like Canada and the United States, restricted protection to works produced by citizens residing in the country's own territory, cross-border publishing ventures blossomed well into the second half of the 19th century. One prominent entrepreneur in these ventures was George Munro.

Munro was born in 1825 in Pictou County, Nova Scotia. He moved to New York in 1856, where he eventually founded the Seaside Library, a publishing company that became renowned for its cheap reprints of British and French literature. The Seaside Library reprinted works of famous authors such as Charlotte Bronte, Charles Dickens, and Jules Verne on quartos that sold at cheap newspaper rates. These serial publications charmed North American readers, and within two years, the Seaside Library had sold over five million works without paying a penny in copyright royalties.

Munro's re-printing practice not only hastened the passage of international copyright law, but he was instrumental in financially establishing of Dalhousie University. His gifts began in 1879 and totaled approximately \$350,000. He endowed professorships in English literature, history, physics, metaphysics, and constitutional and international law. Munro also endowed tutorships in classics, mathematics and left an endowment fund for competitive scholarships. Munro Day is a Dalhousie University holiday that has been celebrated since that time every year on the first Friday of February.



A painting by Arthur Lismer of George Munro (1919). Provided by the Dalhousie Library Digital Exhibits under a CC-BY-4.0 license.

QUESTION: How did the adoption of the Berne Convention change this practice? What principle can authors now invoke to stop ventures like the Seaside Library?

In 1921, Canada parted ways with Imperial copyright laws with the enactment of its own comprehensive domestic copyright legislation, the Copyright Act, which came into force in 1924. Nevertheless, the 1924 Act mirrored very closely the UK Copyright Act of 1911 while acting as Canada's implementation of the Berne Convention's requirements (i.e., absence of formalities for protection, minimum standards of protection and term of protection). This statute laid out all aspects of copyright regulation in Canada, including works protected by the statute, the duration of rights, infringement, and remedies. Most notably, it designated the author's life + 50 years as the copyright term. More recent legislative changes are discussed in the Copyright chapter of this book.

Patent

The 1823 Lower Canada Act marked the first instance of legislation related to patent regulation in Canada. Upper Canada and other dominions of Canada followed suit in adopting similar patent legislation.

The federal government gained jurisdiction over patents after the creation of the Constitution Act in 1867, and two years later, in 1869, Canada enacted its first country-wide patent legislation called the Patent Act.

Soon after, Canada joined the 1883 Paris Convention, which influenced its obligations to patent regulation. In particular, this convention established that patents are territorial rights.

The Patent Act was amended several times since its inception. When it was amended in 1890, it officially established the requirement that a patent must be assessed by patent examiners before protection is granted to an invention. The 1987 Amendment to the Patent Act brought two major changes: it established a 'first to file' system, replacing the long standing 'first to invent' regime, and it set the term of protection to 20 years from the date of filing of the application instead of the previous 17 years from the date of grant. In 1993, one of the current criterion for patentability, non-obviousness, was added to the Act. More recent legislative changes are discussed in Chapter IV of this book.

Trademark

Trademark regulation began with the Constitution Act in 1867. Although neither section 91 nor section 92 address the regulation of trademarks directly, it is commonly accepted that the federal government has jurisdiction over it under section 91(2), "The Regulation of Trade and Commerce."

The first legislation that addressed trademark regulation arrived the year following Confederation. In 1868, Canada developed The Trade Mark and Design Act, an act that established a federal trademark register and supplied provisions related to trademark registration.

The first international treaty that influenced Canada's obligations to trademark rights was the Paris Convention. Notably, this treaty established that trademark rights are territorial.

In 1932, Canada developed the Unfair Competition Act, which repealed most of the 1868 Trade Mark and Design Act. Most of the remaining provisions were related to industrial design rights. Nearly twenty years later, Canada developed a new legislation called the Trade-Marks Act, which repealed the remainder of the provisions related to the 1868 statute. The 1953 Trade-Marks Act established a public registry system for trademarks. More recent legislative changes are discussed in Chapter V of this book.

Clearly multiple distinct sources have influenced the history and development of Canadian IP regulation: UK statutes, Canadian statutes, international treaties, and international agreements. Although Canadian legislation, in its early stages, followed the British IP framework closely, it is not clear that Canadian legislation will follow this framework as closely in the future. European harmonization initiatives have brought major changes to the British legal framework that may not coincide very well with the Canadian approach. On the other hand, the United Kingdom's departure from the European Union may give the British legislative model renewed influence.

* * *

II. Copyright

ANTHONY ROSBOROUGH AND LUCIE GUIBAULT

A. Introduction

Copyright protects literary, dramatic, musical, artistic, and scientific works. Among the countless works protected by copyright law, one can think of the *Beatles* songs, the *Star Wars* movies, the *Harry Potter* book series, *Microsoft Office Suite*, *World of Warcraft* game, or *Google Maps*. But copyright does not protect only commercially successful works. Whether published or unpublished, popular or unpopular, beautiful or ugly, copyright protection arises as soon as an original work is created. Copyright is the sole right of the owner to authorize or prohibit the use of their works, save for the exceptions permitted by law.

While the first copyright law was adopted in England at the beginning of the 18th century, most modern copyright acts in the world were enacted around the turn of the 20th century. The protection granted remained relatively unchanged for decades, until technological developments (most notably computers and the internet) and international harmonization efforts required legislative amendments to be made. The cumulative result is a complex set of rules through which protection extends to a wider range of subject matter, with respect to broader exclusive rights, for a longer period of time. Among the new categories of subject matter covered by the Copyright Act, are performers' performances, sound recordings and broadcast signals; the ensuing rights on these types of subject matter are known as 'related' or 'neighbouring' rights. It is important to note at the outset that no person is entitled to copyright otherwise than under and in accordance with the Canadian Copyright Act, as it is interpreted by the courts.

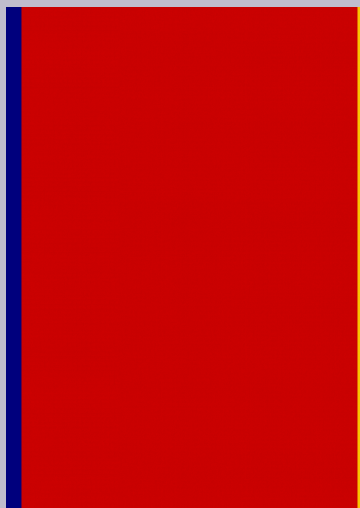
This chapter provides a comprehensive overview of Canada's copyright regime. Following a discussion on the justifications, history, international and national development in this introductory section, the chapter describes in detail the various components of the copyright protection, e.g. the concept of protectable subject matter, making the distinction between works of authorship and other subject matter (B.), the requirements for protection (C.), the concepts of authorship and ownership (D.), economic rights (E.), moral rights (F.), fair dealing and other exceptions (G.), and technological protection measures and rights management information (H.). The last section (I.) shortly discusses the role and functioning of collective rights management organizations, as well as that of the Copyright Board of Canada.

1. Copyright Theory

Why does copyright law exist at all? Theorists and policy makers have pondered on this question in myriad ways, finding influence from numerous theories and philosophical traditions. In surveying the theories and justifications presented in the General Introduction to this book, consider the following two examples of human creativity and expression in weighing the purpose and merits of the copyright system:

Example 1: "Who's Afraid of Red, Yellow and Blue?", Barnett Newman (1967)

Between 1966 and 1970, abstract artist Barnett Newman painted four large paintings using large rectangular sections of red, yellow and blue. The paintings were created without an intended goal or end result. The only objective on the part of Newman was for the result to be asymmetrical. The pieces in this series are held in separate collections, including the Stedelijk Museum in Amsterdam.



The above image is of the first of Newman's works in this series, "Who's Afraid of Red, Yellow and Blue I".

Who's Afraid of Red, Yellow and Blue is widely recognised as a pivotal piece of abstract art. Some art historians have remarked that the work constitutes a comment on prior abstract paintings that was highly critical of the movement's predecessors. One artistic aim thought to be touted by Newman at the time of the work's creation was to confront viewers with a bold arrangement of colour in way that embodies power and security. This was understood as a departure from prior abstract artists who utilised much more subdued colours and shapes in their works.

According to Wikimedia Commons, this image is now part of the public domain. However, see below the section on the idea/expression dichotomy for an explanation of why this may not be the case.

Despite these rather sophisticated observations of art historians and commentators, one can question the degree to which the protection of such works is consistent with the purposes and objectives of copyright protection. After all, their authors utilise relatively common elements of simple colours and shapes. Yet, despite the potential contention that this work may lack originality, it is protected by copyright as an artistic work. It is worth contrasting this dynamic with the following example below.

Example 2: Sand Mandala

In the Tibetan Buddhist tradition, monks ritualistically create a type of painting made from coloured sand. Mandalas are incredibly time intensive projects with a spiritual significance, featuring highly detailed patterns. Often mandalas can take multiple individuals several weeks to complete. The sand is applied using myriad small tools to achieve the desired patterns.



Image provided by user @randomsky under an Unsplash Licence from www.unsplash.com

Ritualistically, mandalas are dismantled and destroyed after their completion. The destruction of mandalas is intended to symbolise the Buddhist doctrinal belief in the transitory nature of material life. Upon dismantling the mandalas, the sand is collected in jars which are wrapped in silk, transported to a body of water, and released back into nature. The release and redistribution of the sand from the mandala is intended to symbolise the temporary nature of life and the world.

Despite the significant degree of time, effort, creativity, and the cultural and religious importance of mandalas to those who create them, they are not protected by copyright. Photographs taken of mandalas or other forms of media which permanently fix the mandala in some tangible form will attract copyright protection, however, the transitory nature of these art pieces preclude copyright protection. In the section on fixation in copyright law, the reasons for why mandalas are generally not protected by copyright is further elaborated upon.

The differential treatment given to *Who's Afraid of Red, Yellow and Blue* and sand mandalas by the copyright system may seem arbitrary, and to some readers, unfair. Why is it that seemingly simple arrangement of colours can attract protection while an incredibly labour-intensive, culturally significant, and creative exercise would not?

The answer to this question is found in both the theoretical justifications for copyright (see the General Introduction chapter for a further discussion of these theories) as well as its objectives. These two aspects of copyright are not entirely distinct. The theoretical lens through which we view the purpose of the copyright system informs its priorities, scope and limitations.

II. The Objectives of Canadian Copyright Law

One might find it surprising that the Act contains no explicit mention of the purposes or objectives of Canadian copyright law. To a large extent, this task has been left to the courts over the past several decades. Beyond relatively vague references to the importance of “protecting authors”, Canadian copyright policy had been left without clear direction until the so-called “trilogy” of Supreme Court of Canada cases decided between 2002 and 2004.

The three cases described in textboxes below illustrate the point repeatedly made by the Supreme Court that the *Copyright Act* seeks to establish a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator. Copyright protection should be such that it prevents someone other than the creator from appropriating whatever benefits may be generated through the exploitation of the rights on the work. On the other hand, the system must also enable public access to and dissemination of artistic and intellectual works, which enrich society and often provide users with the tools and inspiration to generate works of their own.

Théberge v. Galerie d'Art du Petit Champlain inc., 2002 SCC 34

The first of the trilogy cases is *Théberge*. At issue in the case was the nature of “reproduction” as it applies to copyright. The defendant company used a chemical process to lift the ink from prints of the claimant’s famous painted artworks. The prints were lawfully produced, and the ink was then transferred onto canvas. This did not involve an increase in the number of copies, but it did involve transforming the prints of these paintings onto a new medium. The primary issue before the court was whether this activity constituted “reproduction” under the Act. The Supreme Court of Canada seized the opportunity to clarify the purposes and objectives of Canadian copyright law. Beginning at paragraph 30, Justice Binnie wrote for the majority:

[30] The Copyright Act is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator (or, more accurately, to prevent someone other than the creator from appropriating whatever benefits may be generated)...

[31] The **proper balance among these and other public policy objectives lies not only in recognizing the creator’s rights but in giving due weight to their limited nature**. In crassly economic terms it would be as inefficient to overcompensate artists and authors for the right of reproduction as it would be self-defeating to undercompensate them. Once an authorized copy of a work is sold to a member of the public, it is generally for the purchaser, not the author, to determine what happens to it.

[32] Excessive control by holders of copyrights and other forms of intellectual property may unduly limit the ability of the public domain to incorporate and embellish creative innovation in the long-term interests of society as a whole, or create practical obstacles to proper utilization. This is reflected in the exceptions to copyright infringement enumerated in ss. 29 to 32.2, which seek to protect the public domain in traditional ways such as fair dealing for the purpose of criticism or review and to add new protections to reflect new technology, such as limited computer program reproduction and “ephemeral recordings” in connection with live performances.

From these few paragraphs, we detect a clear **utilitarian** underpinning to Canadian copyright law. On the one hand, the regime must strive to incentivise creativity and protect the works of those who choose to create. Incentives and rewards complement one another. On the other hand, these rights must be limited; it would be unfair that the author receive more than their just reward or necessary incentive. The enrichment of the public domain requires that copyright not be used to hinder future creative innovation and the long-term interests of society. The limit set in the *Théberge* case consisted in the Court’s refusal to find infringement of the reproduction right where no new copy of the work had been made. Reaching a different conclusion would have been for the Court the equivalent of over-compensating the author for their creative activity.

CCH Canadian Ltd. v Law Society of Upper Canada, 2004 SCC 13

The second of the trilogy cases was *CCH*. This is one of the most widely-cited cases in Canadian copyright law. Students will undoubtedly become familiar with it for its articulation of the fair dealing framework in significant detail. The case involved facts familiar to many law students. The Great Library at Osgoode Hall in Toronto offered a request-based photocopy service where library visitors could obtain copies of various legal materials. In relying on their copyright, the publisher *CCH* launched an action against the Law Society of Upper Canada for infringement. The dispute eventually made its way to the Supreme Court of Canada.

The SCC's decision is noteworthy for many different reasons. When it comes to the purposes and objectives of Canadian copyright law, the Court continued down the path laid by *Théberge* by focusing on two more specific subjects – “originality” and fair dealing.

[23] As mentioned, in *Théberge*, this Court stated that the purpose of copyright law was to **balance the public interest in promoting the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator**. When courts adopt a standard of originality requiring only that something be more than a mere copy or that someone simply show industriousness to ground copyright in a work, they tip the scale in favour of the author's or creator's rights, at the loss of society's interest in maintaining a robust public domain that could help foster future creative innovation. By way of contrast, when an author must exercise skill and judgment to ground originality in a work, there is a safeguard against the author being overcompensated for his or her work. This helps ensure that there is room for the public domain to flourish as others are able to produce new works by building on the ideas and information contained in the works of others. [emphasis added; sources omitted]

[24] Requiring that an original work be the product of an exercise of skill and judgment is a workable yet fair standard. The “sweat of the brow” approach to originality is too low a standard. It shifts the balance of copyright protection too far in favour of the owner's rights, and fails to allow copyright to protect the public's interest in maximizing the production and dissemination of intellectual works. On the other hand, the creativity standard of originality is too high. A creativity standard implies that something must be novel or non-obvious – concepts more properly associated with patent law than copyright law. By way of contrast, a standard requiring the exercise of skill and judgment in the production of a work avoids these difficulties and provides a workable and appropriate standard for copyright protection that is consistent with the policy objectives of the *Copyright Act*.

(...)

[48] Before reviewing the scope of the fair dealing exception under the *Copyright Act*, it is important to clarify some general considerations about exceptions to copyright infringement. Procedurally, a defendant is required to prove that his or her dealing with a work has been fair; however, the fair dealing exception is perhaps more properly understood as an integral part of the *Copyright Act* than simply a defence. Any act falling within the fair dealing exception will not be an infringement of copyright. **The fair dealing exception, like other exceptions in the *Copyright Act*, is a user's right.** In order to maintain the proper balance between the rights of a copyright owner and users' interests, it must not be interpreted restrictively. As Professor Vaver, *supra*, has explained, at p. 171: “User rights are not just loopholes. Both owner rights and user rights should therefore be given the fair and balanced reading that befits remedial legislation.”

Reiterating the need to reach a balance between the public interest in promoting the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator, the Court discussed two of the essential components of the balance's equation: the concept of originality and the fair dealing defence.

With respect to the first component, the Court was careful, when determining the standard of protection, not to allow rights owners to claim protection over non-original subject matter, as this would have a detrimental effect on future creators. With respect to the second component, the Court in *CCH* made a very bold and consequential statement that echoed far beyond the Canadian boundaries: nowhere else in the world has a court ever made a comparable declaration calling exceptions in the *Copyright Act* to be **a user's right**. The importance of this statement cannot be overestimated: declaring exceptions to be users' rights implies that these rights are not subservient to the copyright owners' rights and

that both rights (the owner's and the user's) must be analysed on equal footing. Only then can the copyright regime's balance between disseminating works and obtaining a just reward for the creator be truly achieved.

Canadian Ass'n of Internet Providers v. Society of Composers, Authors and Music Publishers of Canada, 2004 SCC 45

The final case of the Trilogy is *SOCAN v CAIP*. At issue in this case was the liability of internet service providers ("ISPs") for storing copyright protected materials on their servers. On a technical level, when users share or distribute infringing copies of copyright works online, ISPs incidentally store and provide access to these materials on their servers. This fact was the basis for a dispute launched by SOCAN, alleging that ISPs should pay royalties to SOCAN's members for these reproductions.

The primary focus of the dispute was the "intermediary exception" at section 2.4(1)(b) of the Act which shields ISPs in these types of circumstances. This exception was intended to apply to intermediaries like ISPs who merely relay protected materials rather than store them on their own servers. This prompted the Supreme Court of Canada to both interpret the intermediary exception as well as comment more broadly on the purposes and objectives of Canadian copyright law.

In its decision, the Court found that the caching of the protected copies did not change the nature of the exception. ISPs were to be shielded for liability and not considered parties to infringing communications held on their networks. What is important for better understanding the purposes and objectives of Canadian copyright law is *why* the Court took this approach. Writing for the Court, Justice Binnie made it clear that this reasoning was based largely in an economic analysis:

"[92] Section 2.4(1)(b) of the *Copyright Act* provides that participants in a telecommunication who only provide "the means of telecommunication necessary" are deemed not to be communicators. The provision is not a loophole but is an important element of the balance struck by the statutory copyright scheme... **In this context, the word "necessary" is satisfied if the means are reasonably useful and proper to achieve the benefits of enhanced economy and efficiency.** The "means" include all software connection equipment, connectivity services, hosting and other facilities and services without which such communication would not occur. So long as an Internet intermediary does not itself engage in acts that relate to the content of the communication, but confines itself to providing "a conduit" for information communicated by others, then it will fall within s. 2.4(1)(b). The attributes of such a "conduit" include a lack of actual knowledge of the infringing contents, and the impracticality (both technical and economic) of monitoring the vast amount of material moving through the Internet..."

By interpreting the exception in the context of economy and efficiency, the Court clarified an important aspect about Canadian copyright law. In the end, the law is not there to protect authors or copyright owners at all costs. The law is there, largely to incentivise creation for the public benefit. Protection is part of that larger objective, but it is far from the primary or overarching purpose of the law.

The Trilogy of cases, with *CCH* as the beacon, has long stood as a key source of determining the purposes and objectives of Canadian copyright law. The Supreme Court does not hesitate to reiterate these principles whenever the occasion arises, such as in *Keatley Surveying Ltd v Teranet*.

Keatley Surveying Ltd v Teranet Inc., 2019 SCC 43

The Province of Ontario operates a land registry which offers survey plans for access and download. The registry is operated by Teranet Inc. Keatley Surveying is a surveying company that sought to bring a class action against Teranet for reproducing survey plans in the registry. The common issue between the parties was whether the survey plans were protected by Crown copyright under section 12 of the Act.

The dispute served as an opportunity for the Supreme Court of Canada to provide an update on the purposes and objectives of Canadian copyright law. Justice Abella, writing for the majority, writes:

[44] This Court's post-*Théberge* jurisprudence has sought to calibrate the appropriate balance between creators' rights and users' rights. This balance infused the Court's treatment of fair dealing in *CCH*, for example, where McLachlin C.J. noted that "the fair dealing exception is perhaps more properly understood as an integral part of the *Copyright Act* than simply a defence The fair dealing exception, like other exceptions in the *Copyright Act*, is a user's right"...

[45] In *Society of Composers, Authors and Music Publishers of Canada v. Bell Canada*, 2012 SCC 36, [2012] 2 S.C.R. 326(SOCAN), and *Alberta (Education) v. Canadian Copyright Licensing Agency (Access Copyright)*, 2012 SCC 37, [2012] 2 S.C.R. 345, the Court confirmed that fair dealing – and users' rights – are to be given a large and liberal interpretation. In SOCAN, the Court emphasized the vital role played by users' rights in promoting the public interest. The ability to access and use "works" within the meaning of the *Copyright Act*, are "central to developing a robustly cultured and intellectual public domain"...

[46] Fair dealing is, of course, only one component of Canada's copyright law. It is, however, an emblematic one as it presents a clear snapshot of the general approach to copyright law in Canada – an approach which balances the rights of creators of works and their users...

Justice Abella's summary of the law's development is telling. It shows that since the early intimations of the balance to be struck in Canadian copyright law from the trilogy cases, a complementary framework of rights and principles has developed. These are user rights. This is a recognition that a robust public domain does not happen by accident. It requires careful nourishing and protection from the law, and this too is part of the purposes and objectives of Canadian copyright law.

III. History and International Harmonisation of Copyright

a. History

As alluded to above, Canadian copyright law derives primarily from English copyright law, which in turn owes its development to the introduction of the printing press to England in the late 15th century. With the increase in the use of printing presses, authorities in the United Kingdom sought to control the publication of books by granting printers a near monopoly on publishing in England. This was one of the earliest examples of technological advancement resulting in the progressive development of copyright laws. It led to the UK *Licensing Act* of 1662. It did not aim to protect publishers, let alone authors, but rather to ensure a certain government censorship over the publications in circulation. The *Licensing Act* established a register of licensed books to be administered by the Stationers' Company, a type of guild, which consisted of a group of printers with the authority to censor publications. The 1662 Act expired in 1695, leading to a relaxation of government censorship, and in 1710 Parliament enacted the *Statute of Anne* to address the concerns of English booksellers and printers. By moving beyond mere censorship and into a regime of property rights, the *Statute of Anne* is widely credited for being the earliest iteration of modern copyright legislation.

The *Statute of Anne* established the longstanding copyright principles of authors' ownership of copyright and a fixed term of protection of copyrighted works. It provided for a fourteen-year term of protection, and renewable for fourteen

more if the author was alive upon expiration of the initial term. By imposing these measures, the *Statute of Anne* prevented a monopoly on the part of the booksellers. In limiting the term of copyright, the Statute also created a “public domain” for literature. The Statute also ensured that once a published work was purchased, the copyright owner no longer had control over its use or sale to a third party. This latter tenet of copyright policy would later become known as the principle of “exhaustion”.

As foundational as the *Statute of Anne* was for the overall development of copyright law, some key dimensions of modern copyright laws had not yet coalesced. While the Statute did provide for an author’s copyright, the benefit of this right was minimal because in order to be paid for a work, an author had to first assign it to a bookseller or publisher. As such, the first iteration of copyright law envisioned by the *Statute of Anne* placed publishers in an influential and essential position in the overall framework of rights. To use an analogy to real property law, the rights envisioned by the *Statute of Anne* were occasioned by significant restraints on alienation.

b. International Harmonisation

Despite the existence of numerous multilateral and bilateral agreements affecting the development of copyright around the world, the implementation and enforcement of copyright protection remains a matter of national jurisdiction. As a corollary, no creative or artistic work is capable of automatic “international protection”. Rather, copyright must be asserted by the rights holder in each relevant jurisdiction.

Nevertheless, international instruments have played a significant role in shaping standards of protection and the extent of rights under the copyright umbrella. Further, reforms to national legislation in Canada and in other countries have been influenced strongly by these developments at the international level. To better understand the relationship between international agreements and Canadian copyright law, key international instruments and their context are presented below:

Berne Convention for the Protection of Literary and Artistic Works (1886)

The Berne Convention was the first (and remains the most influential) multilateral agreement addressing copyright. As early as 1886, states such as Belgium, France, Germany, Great Britain, Italy, Spain, Switzerland agreed to a comprehensive framework which set basic standards of protection for copyright. The impetus for such an effort for copyright has much to do with history and trade at the time. This was an era marked by fierce nationalism and, among other things, the production and trade of translated books. To the dismay of many authors and publishers, translated books were often sold in foreign jurisdictions in the absence of any royalties or copyright. It was in this context that states got together to establish reciprocal protections and minimum standards of copyright protection.

The Berne Convention establishes the “Berne Union” of states, which agreed to collectively enact copyright laws that would ensure uniform and minimum standards of protection among its members. The main tenets established by the Berne Convention in this respect are threefold: The first is to establish a minimum term of protection for works, measured by the life of the (longest living) author (in case of joint authorship), plus fifty years after their death [Article 7]. The second is the prohibition on formal requirements for the recognition or exercise of copyrights [Article 5(2)]. In this sense, authors need not take any formal steps to receive copyright protection, such as registration or notification to allege ownership. Rather, copyright automatically vests upon creation of the work. The third is the principle of national treatment, whereby nationals of a Berne Union country receive in any other country of the Union the same protection as the nationals of those other jurisdictions are granted [Article 5(1)]. This ensures that infringements taking place in states other than the home jurisdiction of the copyright owner could be actionable and enforced in the state where the infringement takes place.

In addition to these three basic pillars of international copyright, the Berne Convention of 1971 foresees in a number of exceptions to copyright. The limitations listed are the result of serious compromise on the part of national delegations – between those that wished to extend user privileges and those that wished to keep them to a strict minimum – reached over a number of diplomatic conferences and revision exercises. Consequently, all but one limitation set out in the text of the Berne Convention are optional: except for the right to make quotations, countries of the Union are

free to decide whether or not to implement them into their national legislation. One of the most important provisions introduced in the Convention during the Stockholm Revision Conference of 1967 is article 9(2), which establishes a “three-step-test” for the imposition of limitations on the reproduction right. According to this test, limitations must be confined to special cases, they must not conflict with normal exploitation of the protected subject-matter nor must they unreasonably prejudice the legitimate interests of the author.

Over many decades, the Berne Union has expanded far beyond the original handful of states to now include 178 members, consisting of the vast majority of states in the world. Reservations over its moral rights provisions and other issues prevented some countries, like the United States, from joining the Berne Union until long after it had been originally adopted, but as will be discussed in the context of TRIPS, most of these concerns have been alleviated. The Berne Convention has undergone amendments in the many years following its initial adoption, but it nevertheless remains the central authority for copyright protection at the international level.

Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961)

The Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, signed in Rome in 1961, was the first international legal instrument to recognize a minimum standard of protection for these categories of rights owners, namely **performers, producers of phonograms and broadcasting organizations**. However, the protection granted under this Convention is subsidiary to the protection of copyright in literary and artistic works. Consequently, no provision of this Convention may be interpreted as prejudicing such protection. The Rome Convention, like the Berne Convention, is based on the principle of national treatment.

Due to the position at the time that the rights of performers, phonogram producers and broadcasting organizations were subsidiary to the authors’ copyright, the rights recognized in this instrument are weaker than those laid down in the Berne Convention. In particular, performers pulled the short straw: they were only given the ‘possibility of preventing’ certain acts, which is certainly different to, and lesser than, the absolute ‘right to authorize or prohibit’ granted to phonogram producers and broadcasters. This made some jurists opine that the Rome Convention only grants performers’ a legal position, not a right. On the other hand, the Rome Convention was essential in ensuring performers and phonogram producers a right of equitable remuneration every time a phonogram published for commercial purposes, or a reproduction thereof, is used directly for broadcasting or for any communication to the public. This form of remuneration still accounts for a significant portion of the performers and sound recording producers income today.

Agreement on Trade-Related Aspects of Intellectual Property Rights (1994)

The Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”) was established through the Uruguay Round of the General Agreement on Tariffs and Trade (“GATT”). The GATT is administered by the World Trade Organization. TRIPS addresses not only copyright, but all intellectual property rights. In relation to copyright, it does not *replace* the Berne Convention, but rather sits on top of it by requiring compliance with most of its substantive provisions (Articles 1-21). To alleviate the opposition to moral rights protection from the United States and other countries, TRIPS excludes the moral rights protection in the **Berne Convention** (Article 6bis) from its scope of application. TRIPS also requires the implementation of the **Rome Convention of 1961**.

The reason that TRIPS came about was primarily to address gaps in intellectual property enforcement as between states. While Berne required states to implement minimum standards of protection and offer protections to foreign nationals, it did not create a system of international enforcement *per se*. By relying on diplomacy and institutions of public international law alone to ensure compliance, the enforcement framework put in place by Berne required more effective “teeth”. States approached the solution to this problem initially by proposing a new framework administered by WIPO, but this eventually shifted to a system under the GATT framework and the international trade system. The thought behind this was that by treating intellectual property protections as the subject of international trade negotiations, states could then ensure that consistent levels of protection would be provided by WTO members.

In addition to affirming the protections from Berne (with the exception of moral rights protections), some of the key contributions from TRIPS are the following:

Most-Favoured Nation – [Article 7(8)] – The most-favoured nation principle is a cornerstone of bilateral trade and investment, and is prominent in the WTO system. In essence, the principle holds that any benefit or favourable treatment offered by one state to another must be offered to every other state. In this sense, the most-favoured

nation principle precludes the existence of “special deals” or exceptions among WTO member states with respect to benefits that are offered to each other.

Idea/Expression Dichotomy – [Article 9(2)] – TRIPS codified the idea/expression dichotomy, whereby copyright applies to expressions but not ideas, procedures, methods of operation or mathematical concepts “as such”. This was left somewhat ambiguous in the Berne Convention, which did not directly address the extent to which ideas or processes could be protected. The Idea/Expression Dichotomy is further discussed in relation to the Subject Matter of Copyright.

Formal Protection for Computer Programs – [Article 10] – TRIPS also clarified that computer programs should be protected as literary works under the Berne Convention. This ensured that computer programs would be protected relatively equally among all WTO members and reflected the protection and enforcement concerns of the software industry.

With respect to copyright and related rights, the TRIPS Agreement introduced no new limitation, other than expanding the ‘three-step-test’ to all rights contained in the Berne Convention and to the rights contained in the TRIPS Agreement itself, such as the rental right.

Overall, TRIPS is the most significant intellectual property agreement because its ratification is required for membership in the WTO. The breadth of its membership based upon this requirement, coupled with its enforcement mechanism, renders it the most important multilateral agreement affecting copyright and intellectual property.

WIPO Copyright Treaty / WIPO Performances and Phonograms Treaty(1996)

In response to technological advancement in the 1980s and 1990s (largely digital technologies) the WIPO conducted negotiations among member states for the development of two new treaties, the World Copyright Treaty (“WCT”) and the WIPO Performances and Phonograms Treaty (the “WPPT”). These two treaties were negotiated and established jointly, and are often referred to as the WIPO “Internet Treaties”. The period in which these treaties came about was marked by a sudden realisation that the duplication and distribution of copyright-protected materials could be carried out by consumers at low cost. This decentralisation of the power of reproduction and distribution in the digital environment necessitated a revaluation of copyright protection globally.

The WCT reaffirmed the need to protect computer programs as literary works, along with databases as original selection and arrangement of information. The WCT’s most notable provision deals with the extra-layer of legal protection for technological protection measures (“TPMs”) and rights management information, the former of which are sometimes referred to as “digital locks”. Cumulatively, the overall objective of the WCT was to address the shortfall in copyright protection as it related to the newly (and quickly) evolving digital sphere. In some respects, these protections have remained impactful and significant. Having said that, the fact that the WCT predates the internet quickly rendered it wanting of further protections from the perspective of many rights holders.

Parallel to the WCT, the WPPT brought the protection afforded to the **performer’s and sound recording producers’** – “neighbouring” or “related” rights, into the internet age. The WPPT sought to create uniform protections for these types of rights to ensure their continued protection in the digital environment. It contains similar provisions to the WCT pertaining to the extra-layer of legal protection for technological protection measures (“TPMs”) and rights management information.

As was the case with the WTO/TRIPS Agreement, delegations to the WIPO Diplomatic Conference in December 1996 were unable to reach a consensus on the inclusion of any limitation on copyright and related rights, other than the so-called ‘three-step-test’. Article 10 of the WCT and Article 16 of the WPPT not only confirm the application of this test in the area of copyright – making it applicable to all authors’ rights and not only to the reproduction right – but extend it also to the area of neighbouring rights. The three-step test serves as a general restriction to *all* exemptions presently found, or to be introduced, in the national copyright and neighbouring rights laws. Even if an exemption falls within one of the enumerated categories of permitted exceptions, it is for the national legislatures (and, eventually, the courts) to determine on a case-by-case basis whether the general criteria of the three-step test are met.

Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (2013)

The Marrakesh Treaty establishes a system of exceptions aimed at facilitating the production and most of all, the

cross-border exchanges, of accessible formats and editions of copyright-protected works for persons with visual impairments. The scope of the Treaty is therefore rather limited as it applies only to published and printed works, but it nevertheless clarifies and expands upon the conventional exceptions and limitations to copyright. In order to come into force, the Marrakesh Treaty required that twenty states send their instrument of ratification. Canada was the 20th state to do just that in June of 2016. In accordance with the Marrakesh Treaty, Canada made the necessary changes to its already longstanding exceptions to the benefit of persons with “perceptual disabilities”, so as to allow persons with **print** disability to access published works in accessible formats outside of Canada.

Regional and Bilateral Free Trade Agreements (“FTAs”)

Similar to TRIPS, Canada is a party to the NAFTA, CETA, CUSMA and CPTPP agreements that primarily deal with investment and trade, but that also include provisions governing IP. The primary purpose of these agreements is to encourage more investment and trade among the member countries by eliminating barriers on the trade of goods and services. These agreements have been developed with an eye to ensuring greater transparency, predictability, and protection for investors. Such treaties and agreements inevitably also ensure that parties who seek the benefits of beneficial trade deals adhere to standards of IP protection agreed to by all parties.

c. Canadian Legislative History

The early development of the Canadian copyright framework is described in the General Introduction. The chapter stopped at the 1924 Copyright Act mentioning that the numerous amendments brought to the Act in the subsequent decades were altogether not terribly significant. It was not until 1985, through larger legal and policy reform efforts in relation to the *Charter*, that Canada began to take a serious look at reforming its copyright system. By 1988, significant changes were implemented to the *Copyright Act*.

Key Modernising Changes to the Copyright Act as part of the 1988 reforms:

- definition and protection of “computer programs”;
- enhanced moral rights protections;
- the creation of the Copyright Board;
- increased criminal sanctions for infringement;
- an exhibition right for artistic works;
- measures to strengthen the collective administration of copyright;
- the abolition of compulsory licences for the recording of musical works (i.e., forced licensing upon payment of a fee);
- procedures for licensing works of unknown authorship.

The 1988 reform significantly expanded Canada’s copyright protection. Where the former framework addressed only a narrow class of works, the broadening of the types of works for protection, mechanisms for enforcement and collective administration facilitated new business models and markets for a variety of works.

First phase of reform

In January 1989, following the signing of the *Canada-U.S. Free Trade Agreement*, the Copyright Act was amended to require Canadian cable and satellite companies to pay for the re-transmission of works included in distant broadcast signals. The amendments also expanded the concept of “communication to the public” from broadcasting to include all forms of telecommunication. Further on this trajectory, the 1993 the passage of Bill C-88 further amended the Canadian Copyright Act with the objectives of: (1) redefining “musical work” to clarify that the Copyright Act covered both graphic

and acoustic representations of music; and (2) to ensure that all transmitters—whether broadcasters, specialty or pay services, or cable systems—were liable for royalties.

Concurrent with these developments, the North American Free Trade Agreement (“NAFTA”) was signed in 1992 and on January 1, 1994, the Canadian government’s *North American Free Trade Implementation Act* came into force. The Implementation Act amended the Copyright Act to introduce a rental right for sound recordings and computer programs (a rental right permits copyright owners to authorize or prohibit the rental of their works). It also increased protection against the importation of infringing works (e.g. literary, musical, or dramatic works).

The influence of free trade agreements on copyright law in the early 1990s was not confined to the North American context. Accordingly, amendments in the *World Trade Organization Agreement Implementation Act*, which came into force on January 1, 1996, extended the copyright protection afforded by the Copyright Act to all World Trade Organization (WTO) countries. It also gave performers protection against bootleg audio recordings (an unauthorized recording of a live event) and unauthorized live transmissions of their performances.

Second phase of reform

In 1997, the Act was significantly amended through Bill-C32 and this period marked the second phase of major reforms. Many of the changes to the Act at this time were indicative of a media paradigm in which some of the most lucrative works were being sold on cassette tapes and CDs. In this vein, Bill C-32 introduced significant changes to the Act by expanding protections for musical works to include a rental right of the physical media on which the musical work is stored (i.e., a CD) and the introduction of a levy on the sale of blank tapes.

Bill C-32 also abolished the (then) longstanding principle of perpetual copyright in unpublished works in favour a reformed framework which included term limits and conditions for posthumous works. It also introduced compulsory royalties for performers and makers of sound recordings (i.e., studio musicians and recording engineers). Under the revised framework, these contributors were to be remunerated equitably upon the public performance or communication to the public of the sound recording. With respect to remedies and enforcement, the bill also introduced the statutory damages regime, and a number of new (but limited) exceptions to infringement.

Third phase of reform

The third phase of Canada’s copyright reform process is marked by a shift to the digital realm and the communication of works over the internet. Through a series of changes over nearly 10 years, the government introduced a number of changes to “modernize” the copyright system. In March of 2005 the Ministers of Industry and Canadian Heritage, on behalf of the Government of Canada, responded to the *Interim Report on Copyright Reform* by releasing a *Government Statement on Proposals for Copyright Reform* outlining the proposals for a new Bill to amend the Act. This was the beginning of a long journey toward reforms.

These efforts toward reform saw a number of successive bills dying on the order paper as the result of elections and parliamentary prorogation. This turned the larger efforts toward reforming copyright for the digital environment an even lengthier project. Finally, after a number of stalled attempts toward reform, the Government of Canada introduced and considered Bill C-11 in 2010–2011 (known as the *Copyright Modernization Act*). Bill C-11 passed the requisite House of Commons readings and received Royal Assent on June 29, 2012. Most of the provisions of Bill C-11 were brought into force on November 7, 2012. One of the major changes that came through these reforms was the protection for technological protection measures (“TPMs”), in ss. 41.1 and following of the *Copyright Act*, e.g. one of the amendments necessary to ensure that Canada meets its obligations under the WCT and WPPT.

B. Protectable Subject Matter

Mere information, facts, ideas and data fall outside the scope of copyright protection. Indeed, it is one of copyright law’s most basic tenets that only those forms of expression that meet the requirements for protection are eligible for copyright protection. Ideas are not protected, but original expressions of ideas are. In this sense, one could argue that the free flow of information is the rule, and copyright protection is the exception. Before analysing the requirements

for protection in section C., this section explains what is protectable subject matter under the Copyright Act, opening with a few words on the idea/expression dichotomy, before examining how the Copyright Act and the relevant case law define a ‘work of authorship’ (governed by Part I of the Act) or determine what qualifies as ‘other subject matter’ (governed by Part II of the Act).

Note that while it is conceptually important to understand the distinction between an idea and a form of expression, and to consider what types of subject matter are covered by the Act, this is not an exercise in which courts willingly engage. Too often the issue of the protectable subject matter is subsumed in the discussion of whether the ‘work’ meets the requirement for protection. It appears easier, and many times sufficient, to enquire if a work is original, rather than to first qualify the object of dispute from the lens of the protectable subject matter. This approach is not pure; it risks confusing key concepts, potentially leading to untenable outcomes. The consequence of overlooking this step may skew the copyright balance more to one side, most often to the rights owners’ side. For, an original idea is still just an idea and should not be protected, even if it is original.

I. Idea/Expression Dichotomy

Suppose you wanted to assert copyright in the following:

$$“[(23 - 14) + 43] \times 2 = 104”$$

Would you be successful? The answer is no. This is because one of the cornerstones of copyright protection is that it does not extend to facts, ideas, schemes or methods. It is only when these concepts are arranged or expressed in a manner that is original that they can be protected. While it may be argued that the equation above is arranged in a way that is original (e.g., placement on the page, font, indenting/formatting), this argument is not likely to succeed.

The larger point is that ideas cannot be protected by copyright, only original expressions of them can be. Facts, methods or schemes belong in the public domain, because they do not originate from any author. They must remain in the public domain because they are the building blocks to further creation. Rather than query the extent to which a work is original, the idea/expression dichotomy delineates which things become “works” in the first place. The idea/expression dichotomy is not necessarily as binary as its name would suggest. Indeed, processes, methods, formulae and systems can be protected by copyright when they are expressed or designed in a manner that is original, as we shall see below.

Though the idea/expression dichotomy is a longstanding pillar of copyright law, it does not often form the basis for many copyright disputes. Nevertheless, in the 2013 decision of *Nautical Data International Inc v C-Map USA Inc.*, the Federal Court of Appeal commented on the nature of the principle. Consider the case below:

Nautical Data International Inc v C-Map USA Inc., 2013 FCA 63

The Canadian Hydrographic Service (“CHS”) is part of the Department of Fisheries & Oceans Canada. It collects, assesses and publishes data in relation to Canada’s oceans and waterways, including marine charts, safety notices to mariners, tidal heights, currents and other navigational information. Traditionally, CHS has been the sole distributor of paper marine charts for navigational use. Since the advent of digital technology, CHS’ data has become increasingly attractive for third party software developers and manufacturers to use in their proprietary digital navigational equipment.

Nautical Data International (“NDI”) entered into an agreement with CHS for licensing its raw data to produce its own electronic charts. NDI then created electronic charts that were licenced to its end-users. Likewise, C-Map USA Inc. (“C-Map”) was also in the business of creating proprietary electronic marine charts for use in its navigational equipment. C-Map used the same raw data from CHS to produce its electronic charts, but without a licence. NDI brought an infringement claim against C-Map for its use of CHS’ data, but C-Map contended that NDI had no standing to enforce copyright in the data because it was not the exclusive licensee. At trial, the Federal Court found that NDI did not have standing to bring the claim. It found that though the licence allowed NDI to make use of data, it was not an exclusive licence and there is no copyright in information *per se*. Further, the inconsistency in the licence agreement between NDI and CHS left ambiguities regarding whether NDI had obtained the exclusive right to make digital copies of nautical maps or merely to use the information provided by CHS to create its own digital charts. Overall, the Federal Court found that there was no issue for trial and granted summary judgment to C-Map.



The Canadian Hydrographic Service collects charting and mapping data for Canada's oceans and marine environments. Image obtained through an Unsplash Licence from www.unsplash.com. Photograph by Griffin Wooldridge. Image provided by user @dznggriffin.

The proceeding made its way to the Federal Court of Appeal where the summary judgment was appealed by NDI. The essence of the dispute came down to whether the raw charting data provided by CHS could be the subject of copyright and therefore whether there was a serious issue to be tried.

At paragraph 14, Nadon and Sharlow J.J.A. write:

[14] NDI's statements of claim allege that the Crown “owns” the CHS Data. That allegation presents the same ambiguity. If it is intended to mean that data can be owned in the same way as property can be owned, then there is some question as to whether it is correct as a matter of law. **Generally speaking, data – mere information – cannot be “owned” as though it were property.** It can be kept confidential by its creator or the person who is in possession of it, and a legal obligation can be imposed on others by contract or by legislation to keep the information confidential. However, there is no principle of property law that would preclude anyone from making use of information displayed in a publicly available paper nautical chart, even if the information originated with the Crown or is maintained by the Crown.[Bolding added for emphasis]

Despite the Federal Court of Appeal's clarification that mere information cannot be owned, it found that the trial judge should not have granted summary judgment on the basis that there were ambiguities left by the licence agreement. The Federal Court of Appeal held that there were open questions as to whether NDI was granted a licence only to use the information to make its digital charts or whether it was also granted the exclusive licence to make digital copies of nautical maps. As the maps themselves *could* be the subject of protection (where as the raw data could not) the determination of this question is crucial for resolving the matter. On this basis, the summary judgment motion was dismissed.

(Canada's Copyright Act includes a regime for "Crown copyright". This is discussed below).

Another case on point is the recent decision in *Winkler v. Hendley*, 2021 FC 498, in which the Federal Court discussed the difference between the depiction of nonfictional events and their use in an original publication.

Winkler v. Hendley, 2021 FC 498

[1] In the early morning of August 24, 1875, eight members of the notorious Donnelly family of Lucan, Ontario, armed with nothing more than clubs, won a pitched street battle against eighteen townspeople intent on revenge. Or did they? This and similar questions arise in this copyright infringement action because the plaintiffs assert the battle was the fictional creation of Thomas P. Kelley in his 1954 book *The Black Donnellys*. They claim Nate Hendley's 2004 book *The Black Donnellys: The Outrageous Tale of Canada's Deadliest Feud* infringes copyright in *The Black Donnellys* and its sequel, *Vengeance of The Black Donnellys*, including by copying Mr. Kelley's fictional events, his creative embellishments of historical events, and his cinematic storytelling style.

[2] Mr. Hendley and his publisher, James Lorimer & Company Ltd, admit Mr. Hendley used Mr. Kelley's books, among other sources, in doing research for his own book. But they argue Mr. Hendley's book is an original literary work not copied from Mr. Kelley's books or any other source. They also say Mr. Kelley's *The Black Donnellys* is factual and argue that having represented it as a work of historical nonfiction, Mr. Kelley and his successors cannot now claim copyright in the persons and events described.

[3] I conclude there has been no copyright infringement.

[4] I agree with the defendants that an author who publishes what is said to be a nonfiction historical account cannot later claim the account is actually fictional to avoid the principle that there is no copyright in facts. Having presented the Donnellys' street battle and other facts and events as a true historical account based on "unimpeachable sources," Mr. Kelley could not later assert that he was not to be taken at his word. His successors in title are in no better position and similarly cannot argue the facts were actually fictions and therefore subject to copyright protection.

(...)

[54] Copyright subsists whether an original literary work is one of fiction or nonfiction. The Copyright Act makes no distinction between the two. That said, copyright protection does not extend to "facts or ideas" but to the original "expression of ideas". This does not mean that literary works on historical or factual subjects are less worthy of copyright protection. It simply means that copyright subsists in the "particular means, method, and manner" in which those facts are presented in the work, rather than in the underlying facts themselves. This originality may include the "structure, tone, theme, atmosphere and dialogue" used in presenting the facts.

Depending on the circumstances of each case, distinguishing a non-protectable idea, fact or data from an original expression of ideas can be relatively easy or very difficult. Nevertheless, the determination is essential in order to preserve the balance of interest in promoting the encouragement and dissemination of works of the arts and intellect and granting a just reward to the creator: over-protection would not only risk stifling further creativity, but it would also constitute an unjust reward to the creator.

II. Works of Authorship (Part I of the Act)

Despite the fact that neither ideas, facts, data or miscellaneous information receives protection, copyright law covers a vast array of different forms of expression. The types of “objects” that can be subject to copyright protection are wide ranging and subject to only a few limitations. Copyright protects “works” defined in general terms in section 5(1) of the Act, which states:

5(1) Subject to this Act, copyright shall subsist in Canada, for the term hereinafter mentioned, **in every original literary, dramatic, musical and artistic work** if any one of the following conditions is met...

This reference to “literary, dramatic, musical and artistic” works suggests a somewhat rigid classifications of creative output which may fall into categories capable of protection. It is important to note that this is **not** the case. Though the Act occasionally distinguishes between classes of works, it also includes an all-encompassing definitional provision under section 2 which ostensibly treats any mode of original tangible expression as a “work”:

every original literary, dramatic, musical and artistic work includes every original production in the literary, scientific or artistic domain, whatever may be the mode or form of expression, such as compilations, books, pamphlets and other writings, lectures, dramatic or dramatico-musical works, musical works, translations, illustrations, sketches and plastic works relative to geography, topography, architecture or science...

You may ask why the Act distinguishes between these types of works if ultimately these distinctions are not determinative of whether copyright can subsist in these creations. The answer to this question is found partly in the fact that the Act treats works differently due to market differences and attaches different rights to distinct categories of works. In other words, distinct business models have coalesced around the creation, production and exploitation of works based on their type. As we will see, the Act addresses this (partly) by offering protections, exceptions and limitations that are not always entirely uniform. Though it does not close the door on copyright protection for types of works that do not fit within these categories (e.g., video games), the need to tailor protections to specific markets and business models requires some level of legislative distinction. Therefore, the “types” of works under the Act, are *sufficient* conditions for copyright protection, but not *necessary* ones.

Literary Works

For the most part, the notion of literary works under copyright should be fairly intuitive. They are written works, whether in electronic or physical form. Literary works include not only substantial works of literature such as novels, books or articles, but also smaller written pieces such as emails, letters, pamphlets, poetry, forms, conference proceedings and databases.

literary work includes tables, computer programs, and compilations of literary works;

Literary works also include less obvious subject-matter. Most particularly, **computer programs** and **software code** are protected as literary works. In the 1980s and early 1990s, the prospect of protecting software as literary works

under copyright law was not universally supported among the members of the Berne Union. The disagreement on this point stemmed largely from the fact that object code (the series of 0s and 1s) as opposed to the source code (the algorithm written in computer language) is primarily utilitarian in nature, and that the programs themselves are not sufficiently fixed to warrant protection. The 1994 *TRIPS Agreement*, together with the 1996 *WIPO Copyright Treaty*, ended this debate by requiring formal protection for computer programs as literary works. Despite the harmonisation of this protection among WIPO members, debates at the policy and academic level surrounding the efficacy of copyright protection for software and its implications continue to this day.

Dramatic Works

Like many aspects of the Act, the notion of a “dramatic work” is a term of art. It is not necessarily confined to those types of works which would be orchestrated as part of a High School Drama class. Rather, it includes a broad range of works which contain a scenic arrangement or an acting component, such as plays, operas and musicals (*but not the music*), screenplays, scripts, choreographic notation, choreographic shows and a cinematographic work. The Act defines a dramatic work as including:

“(a) any piece for recitation, choreographic work or mime, the scenic arrangement or acting form of which is fixed in writing or otherwise,
(b) any cinematographic work, and
(c) any compilation of dramatic works;”

In addition, the Act defines a “choreographic work” as including:

“any work of choreography, whether or not it has any story line...”

It is important to note that the above definitions are non-exhaustive, since they begin with the caveat “including”. This is to ensure that the overall approach does not rigidly define which types of creative expression can be recognized as works.

Case Study: Alfonso Ribeiro v Take-Two Interactive Software Inc, et al., [2019]



The Fortnite “Fresh Dance” as captured within the video game in 2019.

Actor Alfonso Ribeiro is famous for playing the character “Carleton” on the 1990s television show *The Fresh Prince of Bel-Air*. On the show, character Carleton became recognisable for his arm-swinging dance and penchant for Tom Jones. Ribeiro created the dance himself, crediting influences from Eddie Murphy’s “White Man Dance”, and Courteney Cox’s dancing in Bruce Springsteen’s “Dancing in the Dark” music video. Since its advent on the *Fresh Prince of Bel-Air*, the Carleton Dance has become recognisable to many who grew up watching sitcoms in the 1990s.

Fortnite, a popular online video game released in 2017 by Epic Games, is a cooperative survival-shooter game. Players can play within a defined team, or individually. *Fortnite* allows players to purchase customisations for their characters that change their appearance in the game. Some of these customisations include the ability for players to direct their characters to perform brief dance sequences or gestures within the game so as to convey emotion. These character customisations or “in-game purchases” are extremely lucrative for video game developers and have the potential to generate substantial revenues.

One of the brief *Fortnite* dance sequences enabled by Epic Games, titled “Fresh Dance”, was modelled very closely on Ribeiro’s Carleton Dance. Seeing this, Ribeiro sought to register his copyright in the dance called ‘the Carleton’ with the U.S. Copyright Office. Ribeiro also launched a suit against Epic Games as well as the makers of *NBA2K26* for similar use of the dance for copyright infringement. This required the U.S. Copyright Office to conduct a review of the Carleton Dance to determine whether it constitute a “choreographic work”. After a lengthy review, it concluded that the Carleton Dance was not choreography, but in fact a “simple dance routine”. The U.S. Copyright Office commented with the following:

“The dancer sways their hips as they step from side to side, while swinging their arms in an exaggerated manner... In the second dance step, the dancer takes two steps to each side while opening and closing their legs and their arms in unison. In the final step, the dancer’s feet are still and they lower one hand from above their head to the middle of their chest while fluttering their fingers. The combination of these three dance steps in a simple routine that is not registrable as a choreographic work.”

Though Ribeiro’s copyright claim is rooted in United States law, the question it raises in relation to the protection of choreographic works is worth considering. In light of the paucity of case law in Canada on the interpretation of choreographic works, the case **Pastor (c.o.b. Cuban Dance Entertainment (Caricas Cubanas)) v Chen** [2002] BCJ No 1123 stands out. The British Columbia Provincial Court accepted that mere “moves” and “dance styles” (when containing sufficient elements of originality) can be properly covered by copyright. Nevertheless, we are left without a clear

delineation between the notion of a simple routine and a choreographic work and Ribeiro's case in the United States provides us with a factual scenario that poses questions for the law in Canada as well.

Artistic Works

Whereas each type of "work" under the Act may be considered to be artistic in a literal sense, the notion of an "Artistic work" under copyright law is more conceptual than literal. Artistic works include creations, such as paintings, drawings, photographs and art prints. Perhaps less obvious things included under Artistic works are maps, plans, stage and costume designs and websites.

When discussing the notion of an "Artistic work", it is important to emphasise that such works do not require an subjective analysis of artistic merit or quality. More accurately, whether a work is considered an Artistic work within the meaning of the Act will be assessed with reference to the creator's intentions and the result of the finished work. For example in **Evans and Hong v Upward Construction**, 2017 BCPC 247, the British Columbia Provincial Court was tasked with deciding over copyright in a home renovation design and whether it could be considered an "Artistic work". In addressing the issue of whether aesthetic quality must be assessed in order to rise to the level of an artistic work, the Court wrote at paragraph 14 that "...[n]o minimal degree of creativity is required for work to be original, nor does it need to display particular artistic quality. It is enough that it is a product of the author's or designer's skill and judgment". The overall point is that the notion of an "Artistic work" does not augment the basic assessment for copyright originality – a non-trivial exercise of skill and judgment is all that is required.

Musical Works

The Act defines a musical work as:

"...any work of music or musical composition, with or without words, and includes any compilation thereof..."

In contemporary times, many works of music are composed at the time of recording. This is partly the result of the fact that more professional equipment has become accessible to consumers for recording and amateur creators or musicians may put their ideas directly to recording without transposing them in written form. It should be noted that the Act was not always receptive to this. The broad notion of a "work of music" in the definition above was changed in a 1993 amendment to the Act. Previously, "musical work" was defined as "any combination of melody and harmony, or either of them, printed, reduced to writing or otherwise graphically produced or reproduced." This older definition required that the musical work be "fixed" and created a distinction between a musical work and a "performance of a musical work". Under this definition, the latter was something merely heard, while the former was something transposed in a manner that could be printed. This change to the definition in 1993 therefore broadened the type of creations that can fall under the umbrella of a "work of music" to include works that are only recorded in an audio format and not necessarily transposed in sheet music.

The broadened definition of a "musical work", as including any work of music or musical composition, with or without words, addresses some of the pre-existing ambiguities. Since a "musical work" can now encompass words, e.g. not only the music composition but the lyrics of a song as well, the entire work is eligible to count as a single work for the purposes of calculating the term of protection (see subsection D.6. below). This would result in a term of protection measured in relation to the longest living author, rather than two separate works with differing terms of protection. Uncertainty remains, however, regarding the ownership of rights on a musical work with words: must both components be considered a single work, two separate works or components of a collective work (see subsection D.1 below)? Who owns the rights on the whole or the parts? In practice, the issue of copyright ownership in different components of a musical work may not arise all that often, knowing that the vast majority of authors of musical works transfer their rights to the collective rights management organization active in the field, e.g. SOCAN. The situation is different, however, when a musical work is integrated into another work, for example in a videogame. Though the videogame itself may

be considered a collective work with many respects (e.g., software, artistic work, and so on), the musical work that accompanies it may be considered a distinct work and be incorporated into the game through a separate licence.

Cinematographic Works

Next to literary works and musical works, cinematographic works – or films or movies – represent the third major sector of the copyright industry. They have not always formed a distinct category of works under the Copyright Act. Prior to the 1993 reform, cinematographic works fell exclusively under the definition of dramatic works, provided that the arrangement or acting form or the combination of incidents represented gave it an original character. If the cinematographic work contained no dramatic element, it was protected as a photograph. Today's definition of a 'dramatic work' still refers to cinematographic works, with the understanding that to be protected as a dramatic work the work must contain an arrangement or acting form or the combination of incidents represented gave it an original character.

The current definition of *cinematographic work* includes any work expressed by any process analogous to cinematography, whether or not accompanied by a soundtrack. The Berne Convention refers to 'works expressed by a process analogous to cinematography' without mention of the soundtrack. According to these two definitions, the important factor in the qualification of a work as 'cinematographic' is the use of a '**process analogous to cinematography**'. Unfortunately, the law does not explain what this process entails. The *Oxford English Dictionary* defines 'cinematography' as 'the process, practice, or art of making film recordings using a cinematograph or similar camera'. In other words, the definition of cinematographic work focuses on the **use of a camera** in the creation of the work. Similarly, the *Oxford English Dictionary* defines 'film' in this context as 'a representation of a story or event recorded on film or, in later use, in digital form, and **shown as moving images** in a cinema or (latterly) on television, video, the internet, etc.; a motion picture, a movie', where 'movie' is defined as 'a motion picture, a film'. From these definitions, we can retain that a cinematographic work is a series of moving images recorded with the use of a camera. The neutral wording of the current definition implies that cinematographic works may attract copyright protection whether or not they contain elements that give them a dramatic character. There is little case law examining the eligibility of non-dramatic cinematographic works for copyright protection. Presumably, nature films, home movies, news programs, sports events, reality TV productions, twitter clips etc. may all fall under this category [see *Canadian Broadcasting Corporation v. Conservative Party of Canada*, 2021 FC 425].

Modern 'cinematographic works' include feature films, TV programs, documentaries, short films, home videos, animated films and cartoons, television commercials, video podcasts and *some multimedia products* such as video games. Video games do not automatically fall under the category of cinematographic work. It depends on whether they depict a series of moving images recorded using a process akin to that of camera. No court has ever examined the nature of a video game closely so as to classify it among the works protected under the Copyright Act. The determination is important since different rights and exceptions attach to different categories of works. If someone challenged a video game as a protectable work, a judge would presumably look at the various components of the game. A video game would necessarily include computer programming and visual effects, but it may also contain a storyline, background music, and camera work. The overall classification of a game may follow its predominant component. For example, a computer game, like Solitaire, would probably fall under the category of artistic work, since the visual aspects of the game are the prominent features of the game. By contrast, a video game, like The Hogwarts Legacy would probably qualify as a cinematographic work.

III. Other subject matter (Part II of the Act)

The 1993 Copyright law reform introduced protection with respect to three new categories of subject matter, in implementation of the provisions of the **Rome Convention**. While literary, dramatic, artistic and musical works qualify as 'works of authorship', performer's performances, sound recordings, and communication signals fall in a different category under the Copyright Act, that of 'other subject matter'. These types of 'subject matter' relate to the execution, production and distribution of works that are granted a special status under copyright law. In other words, despite the fact that sound recordings, performances and communication signals cannot rightly exist without the existence of

some underlying 'work', they are treated as distinct subject-matter of copyright protection.

Performer's Performance

Singers, musicians, actors, comedians all qualify as performers under the Copyright Act. As in the case of works of authorship, the Act defines what the object of protection is, e.g. a performer's performance, rather than the person benefiting from the protection:

performer's performance means any of the following when done by a performer;

- (a) a **performance** of an **artistic work, dramatic work or musical work**, whether or not the work was previously fixed in any material form, and whether or not the work's term of copyright protection under this Act has expired,
- (b) a **recitation** or reading of a **literary work**, whether or not the work's term of copyright protection under this Act has expired, or
- (c) an **improvisation** of a **dramatic work, musical work or literary work**, whether or not the improvised work is based on a pre-existing work;

In respect of a performer's performance, the Copyright Act sets no other requirement than that the performance must relate to a 'work'. Typical performers are singers, actors, comedians, conductors, soloists and (session) musicians who all perform a 'work', whether or not the work's term of copyright protection has expired. The strict application of the 'work' requirement excludes most performances done by sports athletes, news readers, magicians, cooking chefs, reality TV stars or anyone who admittedly 'performs' in public, but not a 'work' in the sense of the Copyright Act. Read the summary of the *FWS Joint Sports Claimants v Canada (Copyright Board)* reproduced in the text box below, which illustrates why the performance of football players does not qualify as a performance of a work.

Exceptions to this general rule exist, of course. Think of figure skaters, synchronised swimmers, or gymnasts who execute a routine. This routine must qualify as a 'work' to give rise to a protectable 'performance'. The same would apply for a theatre or music improvisation piece.

FWS Joint Sports Claimants v. Canada (Copyright Board), 1991 CanLII 8292 (FCA)

[9] The third issue argued by FWS there is a copyright in the playing of a sports game. The board decided there was no such copyright, although there was in the television production of a game. It also held that there was copyright in the coaches' written play books and game plans, as well as in the team crests and uniform designs, but that these were not used by the cable operators. As for the playing of the game itself, even though it is played as much as possible in accordance with those plans, the board found that this was not copyrightable, since it was not a "choreographic work, because, unlike a dance, a sporting event is for the most part a random series of events. The unpredictability of the action is inconsistent with the concept of choreography"

[10] Even though sports teams may seek to follow the plays as planned by their coaches, as actors follow a script, the other teams are dedicated to preventing that from occurring and often succeed. As well, the opposing team tries to follow its own game plan, which, in turn, the other team tries to thwart. In the end, what transpires on the field is usually not what is planned, but something that is totally unpredictable. That is one of

the reasons why sports games are so appealing to their spectators. No one can forecast what will happen. This is not the same as a ballet, where, barring an unforeseen accident, what is performed is exactly what is planned. No one bets on the outcome of a performance of Swan Lake. Ballet is, therefore, copyrightable, but team sports events, despite the high degree of planning now involved in them, are not.

In essence, the notion of a performer's performance gives the performer of a work a distinct set of rights that stand independently from the rights to the actual work being performed. This independence is made quite clear by the fact that performer's rights can exist even where the underlying work is no longer subject to copyright protection (i.e., in the public domain). Think for example of an orchestra playing works by Chopin or Tchaikovsky. The musicians would enjoy a right in their own performance, as distinct from the 'works' themselves.

Sound Recordings

What the Canadian Copyright Act labels as 'sound recordings' are known as 'phonograms' under the Rome Convention and in many other jurisdictions in the world. The Act defines a sound recording as:

"a recording, **fixed in any material form**, consisting of sounds, whether or not of a performance of a work, but excludes any soundtrack of a cinematographic work where it accompanies the cinematographic work..."

Key to the notion of a "sound recording" is the notion of a "maker", which the Act defines as:

"in relation to a sound recording, the person by whom the arrangements necessary for the first fixation of the sounds are undertaken..."

The Act further clarifies these "arrangements" at section 2.11, which provides:

For greater certainty, the arrangements referred to in paragraph (b) of the definition maker in section 2, as that term is used in section 19 and in the definition eligible maker in section 79, **include arrangements for entering into contracts with performers, financial arrangements and technical arrangements required for the first fixation of the sounds for a sound recording.**

The Act does not require that these sounds be musical or have any specific meaning; any type of sound could form the basis for this right. They can be things such as soundscapes, sound effects, nature recordings, sampling compilations, audio books, narrations, audio language lessons, and similar recordings. There is no other requirement for protection of sound recordings under the Act than the mere act of creating an actual recording.

The 'arrangements' referred to in section 2.11 usually refer to producers and those who provide contractual or financial assistance in order to bring the recording about. By 'arrangements' the above definition is not referring to the concept of a *musical arrangement* or composition, but rather the agreements, contracts or other circumstances that bring about the recording of the sounds. Given the ubiquity of audio recording equipment on personal electronic devices, it is equally possible that a "maker" could be a person with a smartphone audio recorder (depending on the circumstances).

In this vein, the maker of a sound recording is not necessarily the author in the same way that a painter is the author of an artistic work. The role of a maker of a sound recording is conceptually different in that he or she need not necessarily create the sound being recorded.

Observe that soundtracks of cinematographic works, where they accompany the cinematographic works, are excluded from the definition of sound recording. The rationale is that ownership and exercise of rights on soundtracks must follow the main work, e.g. the cinematographic work. Only where the music is released as a separate sound recording, independent from the cinematographic work, will it benefit from protection as a sound recording as illustrated in the *Re:Sound v Motion Picture Theatre Associations of Canada* case.

Re:Sound v. Motion Picture Theatre Associations of Canada, 2012 SCC 38

[1] This appeal concerns the interpretation of the definition of “sound recording” in s. 2 of the *Copyright Act*, R.S.C. 1985, c. C-42 (“Act”), and specifically, the interpretation of the undefined term “soundtrack” used in that definition. The Act provides that performers and makers of sound recordings are entitled to remuneration for the performance in public or the communication to the public by telecommunication of their published sound recordings, except for retransmissions. Ultimately, the question this Court must answer is whether the broadcasting of sound recordings incorporated into the soundtrack of a cinematographic work can be subject to a tariff under the Act or whether such broadcasts are excluded by virtue of the definition of “sound recording” in s. 2.

[2] The appellant, Re:Sound, argues that the word “soundtrack” as used in s. 2 refers only to the aggregate of sounds accompanying a cinematographic work and not to the soundtrack’s constituent parts. In its view, since pre-existing sound recordings incorporated into a soundtrack are constituent parts of the soundtrack and not the aggregate of sounds accompanying the work, they do not fall within the scope of the word “soundtrack” as used in s. 2.

[3] For the reasons that follow, the appeal must be dismissed. A proper application of the principles of statutory interpretation leads to the conclusion that the appellant’s argument is untenable.

(...)

[35] According to s. 2, a “sound recording” is a recording consisting of sounds, “but excludes any soundtrack of a cinematographic work where it accompanies the cinematographic work”. Therefore, a “soundtrack” is a “sound recording” except where it accompanies the motion picture. Otherwise, the exclusion would be superfluous.

[36] When it accompanies the motion picture, therefore, the recording of sounds that constitutes a soundtrack does not fall within the definition of “sound recording” and does not trigger the application of s. 19. A pre-existing sound recording is made up of recorded sounds. The Act does not specify that a pre-existing recording of “sounds” that accompanies a motion picture cannot be a “soundtrack” within the meaning of s. 2. In my view, a pre-existing sound recording cannot be excluded from the meaning of “soundtrack” unless Parliament expressed an intention to do so in the Act. It could have done this by, for example, excluding only “the aggregate of sounds in a soundtrack”.

(...)

[39] ... the word “accompanies” qualifies a soundtrack on a CD for remuneration under s. 19, whereas such a soundtrack would not otherwise attract remuneration under that section. It is difficult to imagine that the comment regarding “a soundtrack that is now available on a CD” might concern a CD containing “the entire collection of sounds accompanying the movie as a whole”, which is the interpretation of “soundtrack” the

appellant urges this Court to adopt. If the appellant's interpretation is correct, the CD in question would have to include not only the pre-existing recordings, but also all the dialogue, sound effects, ambient music and noises in the motion picture. It could not contain only the pre-existing sound recordings used in the movie.

Communication Signal

With the development of technology, the signals of broadcasters soon fell prey to 'signal pirates'. Broadcasters argued in the context of the Rome Convention that since they contributed so much in the commercial success of works of authorship and sound recordings, they deserved protection against signal piracy. Put simply, communication signals concern the actual transmission of content, rather than the content itself. The Act defines "communication signal" and "broadcaster" as follows:

communication signal means radio waves transmitted through space without any artificial guide, for reception by the public"

broadcaster means a body that, in the course of operating a broadcasting undertaking, broadcasts a communication signal in accordance with the law of the country in which the broadcasting undertaking is carried on, but excludes a body whose primary activity in relation to communication signals is their retransmission;..."

The broadcaster is presumed to be the first owner of the copyright in its communication signals and this right crystallises upon the first broadcast of the signal [see section 24(c)]. This definition clearly excludes those who provide unlawful broadcasting or retransmit communication signals broadcast by others. These exclusions are intended to ensure that so-called "pirate" broadcasters cannot avail themselves of protection in their own communication signals. The definition of broadcaster expressly excludes undertakings that engage in the 'retransmission of signals', such as cable or satellite distributors, for the very good reason that these entities do not broadcast signals. There is therefore no communication signal to protect.

C. Requirements for Protection

As the last section demonstrates, a vast array of forms of expression are susceptible to benefit from copyright protection as works of authorship, but only if they meet the statutory requirements, discussed in this section. Not all expressions are copyrightable: they need to show a sufficient degree of **originality** (I.), be **fixed** on a tangible medium (II.) and **originate from a Treaty Country** (III.). Note that performer's performances, sound recordings and communication signals need not be original or meet any other threshold of creativity in order to receive protection under Part II of the Act. Moreover, performer's performances benefit from protection even if they are not fixed, as further explained in part E.II below. However, as discussed in section C.III. below, the points of attachment for the grant of related rights differ significantly from those of works of authorship.

I. Originality

Perhaps the most significant factor in determining the existence of copyright protection is the extent to which the work is original. Indeed, this is the cornerstone of copyright law and acts as the gatekeeper of what gets protected and what does not. The requirement of originality is mentioned in three subsections of the Copyright Act, namely in sections 2 and 5(1).

every original literary, dramatic, musical and artistic work includes every **original** production in the literary, scientific or artistic domain, whatever may be the mode or form of its expression, such as compilations, books, pamphlets and other writings, lectures, dramatic or dramatico-musical works, musical works, translations, illustrations, sketches and plastic works relative to geography, topography, architecture or science;

work includes the title thereof when such title is **original** and distinctive;

Conditions for subsistence of copyright

5 (1) Subject to this Act, copyright shall subsist in Canada, for the term hereinafter mentioned, in every **original** literary, dramatic, musical and artistic work if any one of the following conditions is met:

Originality is a term of art. It does not mean that the work must be completely and absolutely distinguishable from other works, nor does it require that the work be 'novel' in the same sense as patent law. Rather, copyright originality refers to the extent to which the work is the product of the author's individual personality, judgment and efforts.

No international agreement defines the concept of originality. The precise legal standard for originality therefore varies across jurisdictions internationally and some distinctions can be drawn between civil law and common law systems. Broadly speaking, civil law systems in continental Europe have adopted an approach more consistent with the personality theory, wherein originality is assessed primarily with reference to an extension of the author's personality. In the Anglo-American common law tradition, the trend has been to weigh the extent to which the author expended effort or labour in creating the work. This bifurcation of priorities evokes slightly different assessments in value when it comes to how works, or the products of creative effort, should be regarded within the copyright system. This also means that a work may be deemed sufficiently original to deserve protection in one country, but not in another. In countries like France and Germany, the threshold for originality is higher than in Canada, which means that obtaining protection in Canada is easier than in those countries.

The earliest iterations of Canada's approach to originality mirrored almost exactly the United Kingdom's assessment of the author's "skill, judgment and labour". While this doctrine remains influential, courts in Canada have since expanded upon the broader purposes of copyright, which have in turn influenced the assessment of originality more broadly.

CCH Canadian Ltd. v Law Society of Upper Canada [2004] 1 SCR 339

McLachlin C.J., set out the test for originality in Canadian copyright law:

[16] ...For a work to be "original" within the meaning of the *Copyright Act*, it must be more than a mere copy of another work. At the same time, **it need not be creative**, in the sense of being novel or unique.

What is required to attract copyright protection in the expression of an idea is an exercise of skill

and judgment. By skill, I mean the use of one's knowledge, developed aptitude or practised ability in producing the work. By judgment, I mean the use of one's capacity for discernment or ability to form an opinion or evaluation by comparing different possible options in producing the work. This exercise of skill and judgment will necessarily involve intellectual effort. **The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise.** For example, any skill and judgment that might be involved in simply changing the font of a work to produce "another" work would be too trivial to merit copyright protection as an "original" work.

[25] ... I conclude that an "original" work under the *Copyright Act* is one that originates from an author and is not copied from another work. That alone, however, is not sufficient to find that something is original. In addition, **an original work must be the product of an author's exercise of skill and judgment.** The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise. While creative works will be definition be "original" and covered by copyright, **creativity is not required to make a work "original".** [Emphasis added]

The test for originality as set out in *CCH* remains the standard test for originality under Canadian copyright law. The notion of a work being the product of an author's "**exercise of skill and judgement**" is helpful, but it raises a number of questions as to what types of exercises could be included under this umbrella. Again, the test for copyright originality is not whether the work is novel or inventive, but rather whether the work is the original expression of its author (originating from the author and no one else). To this end, it is not fatal to copyright's subsistence in a work that is largely derivative of other works, or uses common techniques. The assessment is much more focused on the manner in which the particular work came about. So long as sufficient labour and skill was expended by the author to bring about the work through an exercise which is 'more than trivial', even largely derivative works can be the subject of protection.

Despite the Supreme Court's attempts in *CCH* to ensure that originality is assessed primarily on an objective basis—looking to the circumstances under which a work comes about—there is nevertheless a lingering question regarding the extent to which courts should weigh the aesthetic or artistic value of works. Though the exercise of skill and judgment can be regarded in many respects as factual, it can indeed be strongly influenced by which types of skill, and which sort of judgment, is exercised by the author in creating the work. These considerations become more present when the work at issue possesses utilitarian aspects. See the below case study for a further discussion of this issue:

Case Study: *DRG Inc v Datafile Ltd.* [1988] 2 FC 243

Datafile Ltd. sought to register coloured labels for paper filing systems under the *Copyright Act*. These labels were designed to be attached to file folders to make it easier to find them and to identify misfiling. The colour sequence generally followed the spectrum sequence of the rainbow, but with alternating light and dark tones of the colours used. It took Datafile Ltd. some time to arrive upon its choice of colour sequencing, as it required some repetition to ensure that all letters of the alphabet could be included. DRG Inc. objected to this registration on the basis that these coloured labels are not the proper subject of copyright because they are not an "artistic work" within the meaning of the Act, and that the work is not sufficiently original because it is primarily a functional work.



Image obtained through an Unsplash Licence from www.unsplash.com. Photograph provided by the National Cancer Institute. Image provided by user @nci.

The Federal Court held that the notion of an “artistic work” as defined by the Act at section 2 does not require an assessment of artisticness in a qualitative or subjective sense. Rather, the notion of an “artistic work” under the Act is merely to delineate certain types of works (e.g., sculptures, paintings, and similar creations) from other types of works (e.g., sound recordings, cinematography).

On the issue of originality, the Federal Court addressed arguments put forward by DRG Inc. Namely, it was argued that the coloured filing system was really a culmination of previous filing system elements and therefore could not be original. The Court rejected this notion of originality in relation to copyright. It clarified that while such an assessment may be relevant in the context of patents, copyright originality is distinct from patent *inventiveness*. The Court found that the work originated from the author and that the additions and improvements upon prior works were substantial. For the Court, this finding was sufficient to ground originality in the work.

Colour-coded paper filing systems may seem antiquated today, but their advent allowed for increases in efficiency and ease in document management.

The Court expressed the view that it should not wade into assessments of aesthetic quality or value in determining when works are original. Do you agree with this position? The Court also took the view that Datafile’s cumulation of prior filing system techniques, when combined with its own colour spectrum layout, was a substantial addition or alteration of prior works. This was also sufficient to find originality in the colour-coded filing system. Do you agree with this approach? Do you feel that factual context here may have influenced the Court’s assessment of originality? Do you think that the Court would have taken the same approach had the subject of the dispute been something more traditionally ‘artistic’ than a filing system? Why or why not?

Referring back to Barnett Newman’s *Who’s Afraid of Red, Yellow and Blue* discussed in the opening paragraph of this chapter, does the painting in your opinion meet the threshold of skill and judgment under the Canadian Copyright Act?

II. Fixation

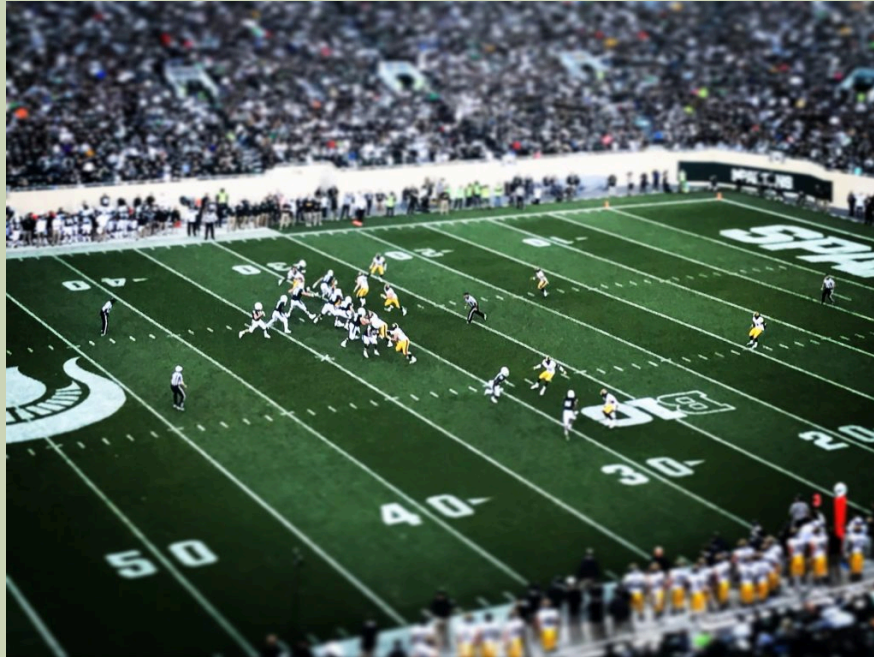
For copyright protection to subsist a work must meet the requirement of *fixation*. In essence, this means that the work must be fixed in some tangible medium that can be perceived by the senses on a semi-permanent medium. This requirement may explain why the sand mandalas described in the opening paragraphs of this chapter may not benefit from copyright protection: unless the mandalas are captured by photography, broadcast, or film, or any other semi-permanent form of fixation, they will not attract protection. The problem of fixation rarely arises in case law, but the requirement ensures that there is an actual object of protection to refer to whenever rights need to be enforced.

In the case of a painting, this means that the paint must have been applied to the canvas (or similar material), and in the case of a novel, that the words and text have been written down (whether on paper or electronically). The nature of fixation as a requirement for copyright protection seems intuitive, but as will be shown, it produces different effects when analysed in relation to various types of works.

Canadian Admiral Corp Ltd. v Rediffusion, Inc., [1954] Ex CR 382

In *Canadian Admiral Corp. Ltd. v Rediffusion Inc.*, the plaintiff obtained the exclusive right to broadcast the Alouettes' football games during the 1952 season and to televise films of the games played by the team while away from Montreal. The defendant, Rediffusion Inc., was able to tap into the broadcast signals used by Canadian Admiral Corp with the use of an antenna. It then broadcasted to its subscribers several of the Alouettes games. Canadian Admiral Corp brought an action for copyright infringement, alleging that copyright subsisted in the radio-frequency signal used to create its broadcasts.

In essence, the dispute came down to whether copyright could subsist in a broadcast signal itself before being fixed, as Rediffusion was capturing the 'raw' signal rather than reproducing the actual broadcast that was assembled and arranged by Canadian Admiral Corp. Broadcast of the the Montreal Alouettes Football Club's games led to a dispute as to the exclusive right to reproduce a live cable signal.



Photograph by Ashton Clark. Image provided by user @official_jeww

Cameron J., writing for the Exchequer Court, held that copyright subsists only in ‘works’ which are expressed to some extent in a material form. The exact language used by Cameron J. at paragraph 28 of the Court’s decision has been repeated throughout subsequent jurisprudence:

“I have given careful consideration to the terms of the Copyright Act and more particularly to the provisions of s. 2 and 3, and the conclusion seems inescapable – at least to me – that for copyright to subsist in a “work” it must be **expressed to some extent at least in some material form, capable of identification and having a more or less permanent endurance**. All the works included in the definitions of “artistic work” and “literary work” (s. 2(b) and (n)) have a material existence; “musical works” by s. 2 (p) must be printed, reduced to writing or otherwise graphically produced or reproduced. Likewise, in regard to “dramatic works” there is the requirement which I have noted, namely, that the scenic arrangements or acting form must be fixed in writing or otherwise. “Cinematographic production” which are also dramatic works are obviously “fixed otherwise”, since, as will be noted later, they involve making of films.” [Emphasis added]

In the end, the Court found that there was no infringement of copyright, despite the clear ‘piratical’ nature of Rediffusion’s actions.

Note that this case took place long before the introduction of related rights in the Canadian Copyright Act.

The Federal Court has since clarified the meaning of ‘material form’ as defined by *Canadian Admiral Corp* to mean merely something that is ‘palpable, perceptible or tangible’. There has also been subsequent debate in the jurisprudence regarding whether the standard used for assessing ‘material form’ should be weighed differently when determining copyright subsistence as opposed to copyright infringement. Leaving that debate aside for now, the larger concept of

fixation should be clear to you. In some regards, fixation relates to the idea/expression dichotomy. When a work is not yet fixed (and therefore not yet a 'work' within the meaning of the Act) it is more aptly understood as an idea rather than an expression. Do you find this concept to be intuitive and satisfactory? Consider the following example:

Chapman Kelley v Chicago Park District, No. 08-3701 (7th Cir 2011)
Copyright Fixation

Elaborate garden arrangements and designs can require extensive planning, creativity and execution, yet the degree to which they are "fixed" is the subject of debate.

During the 1980s, artist Chapman Kelley designed a 1.5 acre wildflower garden in the Northeast Corner of Grant Park in Chicago, Illinois. Much of Kelley's prior work consisted of paintings, but he had designed several wildflower installations throughout the United States as well. Nearly twenty years later, in 2004, the city of Chicago's Park District uprooted most of Kelley's designed garden and made significant changes to his design. In Kelley's opinion, it was unrecognisable. Kelley's original design was based off of one of Kelley's paintings, which showed two large ovals outlined in gravel walking paths, each of which had over sixty varieties of flowers native to the region. The gardens were designed to be self sustaining without watering or fertilisation. The City of Chicago's redesign truncated the garden to two small rectangular gardens which were surrounded by hedges,



grass and rose bushes. Image obtained through an Unsplash Licence from www.unsplash.com. Photograph by Lina Angelov. Image provided by user @linataly1

Kelley launched a suit against the Park District (in part) for breach of his rights under the United States' *Visual Artists' Rights Act*. (The nature of this legislation in the United States will be described in more detail in the section relating to Moral Rights. In any event). Part of the dispute came down to whether copyright could subsist in Kelley's 'living landscape art'. The U.S. Court of Appeals for the 7th Circuit found that Kelley's living garden was not 'fixed' in the copyright sense. What was particularly problematic for the court was the fact that the majority of the garden consisted of living elements that continued to evolve and were 'inherently changeable'. Determining the precise moment of fixation was also difficult for the court, as the very nature of Kelley's design was for the garden to develop and change over time. Exactly when the garden crystallised in its final 'form' was difficult for the court to determine and contributed to its finding that the work lacked sufficient fixation to attract protection.

Though the Kelley case originates from the United States and its *Visual Artists' Rights Act*, it is nevertheless instructive of

the fixation requirement's barrier to protection for certain types of works. Namely, the subject matter of the underlying copyrighted work can be easier or more difficult depending on the type of work. Another example of an artistic work which may find barriers to protection on account of fixation is cuisine. While recipes themselves often fail to be protected on account of the idea/expression dichotomy, the arrangement or style of presentation of a particular dish can also evade copyright protection on account of a lack of fixation.

III. Points of Attachment

Clearly, works created by authors residing in Canada receive protection under the Canadian Copyright Act. But how is protection arranged in relation to works created by foreign authors? As explained in section A. of this chapter, the Berne Convention establishes that protection in the country of origin of the work is governed by domestic law. According to the principle of national treatment, however, if the author is not a national of the country of origin of the work for which protection is granted under the Convention, they shall enjoy in that country the same rights as the national authors of the country where protection is sought. In other words, a British author will enjoy in Canada the same level of protection as Canadian authors, since both Great Britain and Canada are members of the Berne Union. The extent of protection, as well as the means of redress afforded to the author to protect their rights, is governed exclusively by the laws of the country where protection is claimed. Every international treaty in the field of copyright adopted since the Berne Convention, like the TRIPS, WCT & WPPT, rely on the principle of national treatment.

In order to implement this principle in the Canadian legal order, the *Copyright Act* must determine when copyright subsists in Canada and when a foreign work can benefit from the application of the national treatment principle. The criteria are known as 'points of attachment'. This is the purpose of s.5(1) CA. It states that in the case of any work, whether published or unpublished, including a cinematographic work, **copyright subsists in Canada if the author was, at the date of the making of the work, a citizen or subject of, or a person ordinarily resident in, a treaty country.** If a cinematographic work, whether published or unpublished, is made by a corporation, copyright will subsist in Canada if the corporation had its headquarters in a treaty country. In the case of a published work, including a cinematographic work, copyright will subsist in Canada if the first publication in such a quantity as to satisfy the reasonable demands of the public, having regard to the nature of the work, occurred in a treaty country. **The first publication of a published work is deemed to have occurred in a treaty country notwithstanding that it in fact occurred previously elsewhere, if the interval between those two publications did not exceed thirty days.**

Treaty country in the context of works of authorship means a Berne Convention country, Universal Copyright Convention country, WIPO Copyright Treaty country or World Trade Organisation Member. In other words, only a **very small number of works** would **not** qualify as having been made or published in a treaty country. As the case below shows, in disputes involving the copyright protection of works created by foreign authors, a court will always touch upon the points of attachment.

Trimble Solutions Corporation v. Quantum Dynamics Inc., 2021 FC 6

[1] Trimble Solutions Corporation (Trimble) is a Finnish company that sells a number of technology solutions. One of its leading software offerings is Tekla Structures, a program for three-dimensional modelling and design of complex structures used in the construction industry. Trimble has registered copyright in Canada for various versions of this software.

(...)

[6] As is customary in the software business, Trimble provides its customers with new versions (or “releases”) of its Tekla Structures software on a regular basis, as well as regular intermediary updates (or “sub-releases”)

between its main releases. Version 20.0 of Tekla Structures and its associated documentation was released to the public in March 2014. Trimble released Version 20.1 (a sub-release of Version 20.0) in 2014 and then released Version 21.0 of the software in March 2015. Both the main releases (Version 20.0 and Version 21.0) and the sub-release (Version 20.1) involve changes to the software code as well as updates to the associated documentation for each version. All of these were authored by a team of Trimble employees located mainly in Finland, with one member located in Great Britain.

[7] Trimble has registered Canadian copyright for Version 20.0 (Canadian Registration No. 1154535), as well as for Version 21.0 (Canadian Registration No. 1154540). It does not register copyright on each sub-release because they are modifications and improvements built entirely on the base code and documentation for the previous release. Therefore, Trimble considers the pre-existing registration of Version 20.0 to cover its respective sub-releases, including Version 20.1 in issue here.

(...)

[41] They say that in addition to the registered copyright in their main releases, their sub-release, Tekla Structures Version 20.1 software and related materials, qualifies for copyright protection as original literary works pursuant to the *Copyright Act*, RSC 1985, c C-42 [Act]. Version 20.1 contains various new features, updates, modifications and additions that build on the code and documentation for Version 20.0, which has been registered for copyright protection in Canada.

[42] The Plaintiffs submit that the Act defines “literary work” to include computer programs and this has been found to include both source code and object code, as explained in *Matrox Electronic Systems Ltd v Gaudreau*, [1993] RJQ 2449, [1993] QJ No 1228 (QL) (Qc Sup Ct):

With respect to computer software, the keystone to programming is the algorithm which is transformed by a programmer into computer language. The program is first “translated” into a source code and then (in order for the computer to function) the source code is “translated” into object code (a machine readable language). The source code and the object code both embody a set of instructions or statements in a computer. The jurisprudence is consistent in identifying source codes and object codes as being ideas expressed (on disk or in a chip) in a particular form and, therefore, protectable under copyright. [Footnotes omitted].

[43] The Plaintiffs argue that in this case Version 20.1 of the Tekla Structures software meets this definition, and that it meets the definition of originality set out in the jurisprudence (see *CCH Canadian Ltd v Law Society of Upper Canada*, 2004 SCC 13 at paras 16, 25 [CCH]).

[44] Trimble asserts that its copyright in Version 20.1 subsists because that version of the software was developed and written by the same authors who developed Version 20.0. These authors are all employees of Trimble located in Finland and the United Kingdom, which are Berne Convention countries (subsection 5(1) of the Act; see also section 2 of the Act). Trimble submits that it owns copyright in the program developed by its employees, pursuant to subsection 13(3) of the Act.

[45] The Plaintiffs assert that these elements are sufficient to establish that Trimble’s copyright subsists in Version 20.1 of the Tekla Structures program.

[46] I agree. The evidence establishes that Trimble owns the copyright in Version 20.1 of the Tekla Structures program and that its copyright subsists and is enforceable.

[47] The evidence shows that Version 20.1 is an original work that is the product of skill and judgment (*CCH* at para 25), and that it fits within the definition of “literary work” set out in the Act.

The **principle of national treatment** also applies in relation to ‘other subject matter’, e.g. **in relation to performer’s**

performances, sound recordings and broadcast signals. However, the situation is less straightforward for these categories of rights owners than for authors of works, because Canada ratified two international conventions that have **similar but not identical coverage**, the **Rome Convention** and the **WPPT**. For one thing, the WPPT does not cover broadcast signals, contrary to the Rome Convention. Moreover, the rights granted under the WPPT are much broader than under the Rome Convention. Finally, the number of countries that have ratified the WPPT (111) is larger than those that have ratified the Rome Convention (96). Canada can only grant national treatment to parties of the nationals of countries that have ratified the same convention. This explains the two-tiered approach in the definition of ‘treaty country’ for the purposes of related rights owners. The rights granted under s. 15(1) are conferred on Canadians and nationals of a Rome Convention country, while the rights granted under s. 15(1.1) are conferred on Canadians and nationals of a WPPT country. The same two-tiered system of points of attachment applies to sound recordings, pursuant to ss. 18(1) and 18(2) versus ss.18(1.1) and 18(2.2) CA. The protection granted in relation to broadcast signals is conferred on members of the Rome Convention and the TRIPS Agreement in accordance with s.21 CA. Also worth pointing out is s.22 of the Act which allows the Minister to grant protection to performers, makers of sound recordings and broadcasters from non-Rome or WPPT countries on the basis of reciprocity. This means that protection is granted **in Canada to foreign (non-Rome or WPPT) performers, makers of sound recordings and broadcasting organizations only to the extent that the country from which they originate grants protection to Canadian performers, makers of sound recordings and broadcasting organizations on their soil.** Recognition by the Minister is done via the Certification of Countries Granting Equal Copyright Protection Notice. The list contains the names of twenty-two countries.

D. Authorship/ Ownership/ Duration/ Registration

Authorship is a key component of the copyright system. It is both a crucial component of the copyright regime in Canada’s Act as well as a vehicle used to fulfil certain policy objectives. As will be demonstrated in the following section, *authorship* in a work can in certain circumstances be distinguished from *copyright ownership*. This distinction is important, because despite whoever comes to own the copyright in a work through subsequent assignment, one key aspect of the copyright protection is determined by the person of the author: the duration of protection. Despite this important role played by authorship, neither ‘author’ nor ‘authorship’ is defined in the Act. In this vein, the following sections attempt to articulate the nature, limits and policy objectives of the ‘authorship’ construct.

1. Creator Doctrine

Despite the absence of a definition of ‘author’ in the Copyright Act, it is generally admitted that an author is the person or persons who give a work’s ideas their original form or expression. Section 13(1) of the Act states that the author of a work shall be the first owner of the copyright therein, unless ownership is displaced either by employment (see below) or agreement. This rule is known as the ‘creator doctrine’. The author of a novel or poem is the person who writes the work. Likewise, the author of a musical composition is the composer, and the author of a painting is the person who paints it. To allocate the copyright initially to these instrumental people in bringing the work into existence is likely morally and economically intuitive to many people.

Subs.13(1) of the Act makes a clear distinction between the concept of ‘author’ and that of ‘owner’. The wording of the provision denotes that the **ownership of copyright pertains to the abstract work**, not on its physical embodiment. This distinction is a universally accepted concept in copyright law, which in some countries is indicated through the double latin expression ‘*corpus mysticum*’ (abstract work) vs ‘*corpus mechanicum*’ (physical work). In other words, the ownership is in the ‘*corpus mysticum*’ (i.e. the novel, musical composition or feature film), and not in the ‘*corpus mechanicum*’ in which the work is embedded (i.e. the tangible book, CD or DVD). In the case of a painting, the copyright owner need not own the actual physical painting in order to assert copyright in it. The copyright, therefore, is something distinct from the physical thing in which the work is fixed.

Subs.13(1) is complemented by subs. 13(4)-(7) on the transfer of rights (see below) and subs. 14(1) of the Act. This provision is meant to empower the heirs of single authors to regain control over the rights after the expiration of twenty-five years after the author's death. Through a reversion of rights, it is thought that the heirs will be in a position to better exploit the work. Although well-intended, this provision has hardly been exercised in more than a handful of cases and has therefore remained, over the years, little more than a dead letter [see: *Winkler v. Roy*, 2002 FCT 950; and *Anne of Green Gables Licensing Authority Inc. v. Avonlea Traditions Inc.*, 2000 CanLII 22663 (ON SC) at para. 70 and ff.]

Limitation where author is first owner of copyright

14 (1) Where the author of a work is the first owner of the copyright therein, no assignment of the copyright and no grant of any interest therein, made by him, otherwise than by will, after June 4, 1921, is operative to vest in the assignee or grantee any rights with respect to the copyright in the work beyond the expiration of twenty-five years from the death of the author, and the reversionary interest in the copyright expectant on the termination of that period shall, on the death of the author, notwithstanding any agreement to the contrary, devolve on his legal representatives as part of the estate of the author, and any agreement entered into by the author as to the disposition of such reversionary interest is void.

Joint authorship

The determination of who qualifies as author is more difficult in the case of more complex works created by multiple authors. Where two or more authors work collaboratively in the preparation of a work, this results in a work of 'joint authorship'. The Act defines a "work of joint authorship" as follows:

work of joint authorship means a work produced by the collaboration of two or more authors in which the contribution of one author is **not distinct** from the contribution of the other author or authors...

In very general terms, the overarching principle for works of joint authorship is that each author shares jointly in the ownership of copyright in the *whole work*. This arrangement of joint title has the potential to result in disagreement, however. Notably, each author may use the work or licence it unilaterally – meaning, without the knowledge or consent of the other joint author(s). Where the work is licensed or assigned, there is a presumption of equal shares in the licence fees or proceeds of assignment. This is the case even if the contributions by each author to bring the work about were not equal. Where one joint author suspects that he or she has not been provided with equal share of these proceeds, he or she can bring a claim against the other(s) for "accounting" of the copyright. In essence, this requires the joint author who arranged for the licence or assignment to demonstrate an equitable distribution of the proceeds.

Upon the death of one joint author, the interest in the copyright reverts to the deceased author's heirs and *not* the other joint authors. Whereas the most of the ownership structure of joint authorship is akin to a joint tenancy, this aspect of joint authorship resembles more closely a tenancy in common. In other words, while the ownership entitlements of a joint author are not regarded as a fractional interest in the copyright for the purposes of assignment or licence, the conveyance of that interest upon death to the joint author's family, heirs or in accordance with a will is.

In determining *when* a relationship of joint authorship has come about, courts ordinarily make this determination in accordance with three main principles or tenets of joint authorship (as affirmed in *Neugebauer v Labieniec*, 2009 FC 666):

- (a) The existence of a joint authorship arrangement is established by facts and law, and without regard to the

intentions of the parties;

(b) The contributions of each of the parties need not be equal, though each must be substantial;

(c) even if one contribution is inferior to the others, there must be a joint labour in carrying out a common design.

Collective works

Within the category of works of joint authorship, the law treats works that are the product of integrated collaboration, e.g. where the respective contributions of the authors are undistinguishable, differently from those that contain two or more separate contributions. The latter are referred to as 'collective works' and are defined in the Act as follows:

collective work means

(a) an encyclopaedia, dictionary, year book or similar work,

(b) a newspaper, review, magazine or similar periodical, and

(c) any work written in distinct parts by different authors, or in which works or parts of works of different authors are incorporated...

In *Robertson v Thompson Corp* (see below), each daily edition of the newspaper was treated as a "collective work" in that it included contributions from a number of different journalists. Each of these stories or editorial pieces were independent works, but together formed a collective discernible work capable of protection. In this regard, a collective work is distinguishable from a work of joint authorship in that a collective work contains independently identifiable works. For collective works, it must be the case that the constituent works are distinct from one another – precisely the opposite requirement from works of joint authorship.

It is important to briefly note the distinctions between a collective work and a "compilation". The latter is defined separately under the Act as:

compilation means

(a) a work resulting from the selection or arrangement of literary, dramatic, musical or artistic works or of parts thereof, or

(b) a work resulting from the selection or arrangement of data.

Compilations

2.1 (1) A compilation containing two or more of the categories of literary, dramatic, musical or artistic works shall be deemed to be a compilation of the category making up the most substantial part of the compilation.

(2) The mere fact that a work is included in a compilation does not increase, decrease or otherwise affect the protection conferred by this Act in respect of the copyright in the work or the moral rights in respect of the work.

The above definition results in some potential confusion between a collective work and a compilation. It is tempting to adopt the view that a collective work involves selection and arrangement of the constituent works and therefore becomes a "compilation" by necessity. The difference, however, lies in the elements that make up the resulting work and therefore in the nature of the contribution necessary to bring all components together. In the case of a compilation, the elements that are selected and arranged may be the object of independent protection, or not. **Authorship in the compilation is independent of the authorship in the constituent parts. It lies in the act of selecting and arranging**

the various components of the compilation, which will deserve protection if such selection and arrangement show sufficient skill and judgment. Think of a compilation of the best restaurants in the Halifax Regional Municipality: the elements included in the compilation, e.g. the restaurant addresses, the type of cuisine and price range, are presumably not independently protected by copyright law, but an original selection and arrangement of the restaurants would presumably be protected as a compilation. Similarly, the selection and arrangement of Edgar Allen Poe's 25 darkest poems would be eligible for copyright protection as a compilation, even if the poems themselves are in the public domain.

By contrast, the distinguishable contributions of a collective work will attract copyright protection in their own right, provided they meet the originality threshold. Each contributor is the author of their own part and retains ownership of the copyright therein. In *Robertson v Thompson Corp* (see below), the Supreme Court admitted that Thomson Corporation, publisher of the *Globe and Mail*, owned the copyright in the articles written its staff writers, but did not own the rights in the works produced by freelance journalists. The Court further stated that:

"[31] A publisher does not have any rights in freelance articles themselves but **has another, distinct, copyright in the daily newspapers in which the freelance articles appear.** Newspapers are included in the definition of "collective work" in accordance with s. 2 of the *Copyright Act*. A newspaper can also be characterized as a "compilation" pursuant to s. 2 of the *Copyright Act*, which defines "compilation" as a work resulting from "selection or arrangement". We are thus confronted with two different but overlapping copyrights."

The Court explained:

"[37] Similarly, **the Publishers have a copyright in their newspapers, each an original collection of different components reflecting the exercise of skill and judgment.** Section 2 of the *Copyright Act*, as noted above, defines a compilation as an original work that is created as a result of selection or arrangement. This same conception of originality underlies the inclusion of the newspapers in the definition of collective work. We note that the use of the disjunctive "or" in s. 2 is significant. The *Copyright Act* does not require originality in both the selection and arrangement".

Determining whether a work is in fact a 'collective work' versus a 'compilation' will ultimately be a question of fact, and rely largely on an assessment of the circumstances surrounding how the constituent elements of the compilation came together. Note how s.2.11 CA specifies that the classification of a compilation containing different categories of works will be deemed to be a compilation of the category making up the most substantial part of the compilation.

Cinematographic works

Cinematographic works range from the single authored Tiktok film to the multi-million dollar blockbuster collective production. Admittedly, most film productions involve more than one author, which inevitably gives rise to the question of who qualifies as author and who owns the rights in the work. Cinematographic projects are the quintessential example of complex works of **joint authorship**, and in many ways of a **collective work**. Among the people who typically make an original contribution to a cinematographic work are the director, the screenplay writer, the dialogue writer, the camera-person, the director of photography, and the composer of the soundtrack. More elaborate cinematographic projects may also involve the original contribution of the costumer, the make-up artist, the sound or visual effects specialist, the computer animation specialist and the list goes on. The number of people potentially qualifying as authors of a single cinematographic production can be quite high. Since, as for any other category of work, **the determination of those who qualify as authors of a cinematographic work is a matter of fact**, the exercise of identifying authorship can become rather treacherous. Every person wishing to be recognized as co-author of a film work will need to provide sufficient evidence of their original contribution to the work. As the case *Icotop Inc. v. Ferrand* [2005 CanLII 28462 (QC CS)] demonstrates, not all input qualifies as such. In practice, contracts generally govern the issue of ownership.

While the Copyright Act does not define who qualifies by default as author of a cinematographic work, it does contain a substitute for authorship in the person of the 'maker':

maker means

(a) in relation to a **cinematographic work**, the person by whom the arrangements necessary for the making of the work are undertaken, (...)

Conditions for subsistence of copyright

5 (1) Subject to this Act, copyright shall subsist in Canada, for the term hereinafter mentioned, in every original literary, dramatic, musical and artistic work if any one of the following conditions is met:

(a) in the case of any work, whether published or unpublished, including a **cinematographic work**, the author was, at the date of the making of the work, a citizen or subject of, or a person ordinarily resident in, a treaty country;

(b) **in the case of a cinematographic work**, whether published or unpublished, the **maker**, at the date of the making of the cinematographic work,

(i) if a corporation, had its headquarters in a treaty country, or

(ii) if a natural person, was a citizen or subject of, or a person ordinarily resident in, a treaty country; or

(c) **in the case of a published work, including a cinematographic work**,

(i) in relation to subparagraph 2.2(1)(a)(i), the first publication in such a quantity as to satisfy the reasonable demands of the public, having regard to the nature of the work, occurred in a treaty country, or

(ii) in relation to subparagraph 2.2(1)(a)(ii) or (iii), the first publication occurred in a treaty country.

David Vaver explains that the notion of ‘maker of a cinematographic work’ was introduced in the Act to allow Canada to comply with Article 4 of the Berne Convention (e.g. “[t]he protection of this Convention shall apply, even if the conditions of Article 3 are not fulfilled, to: (a) authors of cinematographic works the maker of which has his headquarters or habitual residence in one of the countries of the Union”) and ensure that films are protected in Canada even where none of the authors is a Berne Union national or resident, no matter who owns the work’s copyright. This international obligation is fulfilled through the combination of the definition of ‘maker’ in s.2 and subs.5(1)(b)(i) of the Act.

Authorship is distinct from ownership. The Act identifies when a cinematographic work is eligible for protection, e.g. when the author is a resident or citizen of a treaty country or the maker has its headquarters in a treaty country. Section 5(1) of the Act does not create a presumption of ownership or a transfer of rights to the maker or anyone else. This section does not address the issue of ownership in any way. As Vaver notes, s.34.1(2)(c) reinforces this position by providing that “if, on a cinematographic work, a name purporting to be that of the maker of the cinematographic work appears in the usual manner, the person so named shall, unless the contrary is proved, be presumed to be the maker of the cinematographic work”. This last provision focuses on the identity of the maker, not on the ‘copyright owner’.

Consequently, the ownership of rights in a cinematographic work follows the creator doctrine, unless the presumption of s.13(3) of the Act applies, e.g. where the rights in works created during the course of employment are deemed to be long to the employer.

2. Works created during the course of employment

Consistent with most other countries that follow the Anglo-American copyright tradition, Canada has an exception to the creator doctrine in the case of works created “in the course of employment”. Other jurisdictions refer to this exception as “works for hire” or “employee created works”, but all follow the same general approach. The basis for the attribution of the initial ownership of rights to the employer is that since the latter assumes the major financial,

organizational, and associative risks involved in the creation, production and distribution of the work, they should have full control, including with respect to third parties, over the exploitation of that work. In these circumstances, the author receives compensation for their intellectual creation not in the form of an exclusive economic right in the work – which is presumed transferred to the employer, but in the form of a salary or any other form of agreed remuneration.

The key provision on this point is found at section 13(3) of the Act. That provision states:

Work made in the course of employment

(3) Where the author of a work was in the employment of some other person under a contract of service or apprenticeship and the work was made in the course of his employment by that person, the person by whom the author was employed shall, in the absence of any agreement to the contrary, be the first owner of the copyright, but where the work is an article or other contribution to a newspaper, magazine or similar periodical, there shall, in the absence of any agreement to the contrary, be deemed to be reserved to the author a right to restrain the publication of the work, otherwise than as part of a newspaper, magazine or similar periodical.

Pursuant to the first part of subs.13(3), the employer is deemed to be the first owner of the copyright in its employee's work when the following conditions are met: 1) a work is created in the course of an employment contract; 2) such work is created by the employee in the course of that employment; and 3) there is no stipulation to the contrary.

The absence of a contract establishing a relationship of employment or stipulating that the rights remain with the author leaves the determination of the author's employment status to the judge. In **Amusements Wiltron inc vs Mainville, [1991] RJQ 1930**, the Superior Court of Quebec put forward a set of five factors to determine whether the relationship is one of employment. These factors have been followed in subsequent decisions, and generally make this assessment with a view to:

- (a) ownership of tools or equipment;
- (b) control or direction, and particularly whether there is a degree of subordination;
- (c) risks of loss or chances of profit or personal gain; and
- (d) the degree of integration of the works into the workings of the enterprise.

An employee will more readily use the tools or equipment made available by the employer than an independent contractor. There is no indication of a relation of employment, however, if the author buys or rents their own equipment and assumes all incidental expenses; if the author does not work under the direction or control of another person, but remains at all times free to use their creative flair and to decide, at their discretion, how to create; if the author incurs both the risks of loss or chances for profit without the possibility to receive financial support from or the obligation to share profits with the other party; and if the author's work is distinct and separated from the activities of the other party.

Independent contractors, or “freelancers”, are not covered by subs.13(3) because in technical terms, they are not “employees”. In this case, the creator doctrine applies and all rights remain with the author. Knowing that the absence of contractual provisions does not automatically imply that the author retains their copyright, freelance authors would do well to confirm in a contract their independent contractor status.

Journalists

While the first part of subs.13(3) of the Act applies to all employed authors, the second part applies exclusively to journalists. Journalists earn their living writing articles for newspapers, magazines or other periodicals. The second part of subs.13(3) codifies the customary practice in the news industry of allowing journalists to restrain their employers from re-publishing their articles in a form other than a newspaper, magazine or other periodical. The presumption created by this provision enables journalists to choose whether to republish their works – for example in book form or as a compilation-, or to earn additional remuneration from the re-publication of their works by their employer in a different

format. This provision contributes in promoting the journalists' reputation and outreach, as well as in ensuring their fair remuneration for additional revenues generated from their works. As the Robertson case below shows, the exercise of this right by the journalist hangs on the interpretation of what constitutes a 'different publication format'.

Robertson v Thompson Corp, 2006 SCC 43

In 1995, Robertson wrote a number of articles for *The Globe and Mail* newspaper. Some years later, *The Globe and Mail* included these articles in online databases and on CD-ROMs. The online databases allowed users to search through and read individual articles, whereas the CD-ROM required users to find articles located within each edition of the entire newspaper. Robertson retained the right to restrict further publication of her articles in accordance with section 13(3) of the Act, and brought a claim against *The Globe and Mail* (along with other journalists). The primary issue before the Court was whether either the online databases or CD-ROMs infringed the residual rights of Robertson and other journalists.

Interestingly, the Court drew a distinction between the republication of the articles as part of a searchable database and the digitisation of entire newspaper editions onto a CD-ROM. For the Court, key was the articles' relationship to the rest of the content in the newspaper in which they originally appeared. At paragraph 41, the majority writes:

"...But it does not follow that the articles of the newspaper can be decontextualized to the point that they are no longer presented in a manner that maintains their intimate connection with the rest of that newspaper...These products are more akin to databases of individual articles rather than reproductions of the *Globe*. Thus, in our view, the originality of the freelance articles is reproduced; the originality of the newspapers is not."

Therefore, the online database which allows the user to search for individual articles is a reproduction of the original articles and contrary to section 13(3), while the inclusion of entire editions of the newspaper onto a CD-ROM is not. This is because the reproduction of the entire newspaper is not a reproduction or republication of the original articles *per se*.

Related rights that arise during the course of employment

As you can see, section 13(3) applies in situations where an "author of a work" makes a work during the course of employment. This may leave some ambiguity in the case of performer's performances, which are created during the course of employment.

The result is that performers do not fall subject to the same "works creating during the course of employment" rule found in section 13(3). And from a certain perspective, this is understandable. Performers execute works of authorship and are very often connected to the copyright owners through some sort of contractual arrangement. If the Act created a presumption where those rights are presumptively held by the employer, it would largely defeat the purpose of providing these contributors to works with economic rights. This reality is reflected to some degree in section 16 of the Act, which relates to performers:

16 Nothing in section 15 prevents the performer from entering into a contract governing the use of the performer's performance for the purpose of broadcasting, fixation or retransmission.

The larger point is that related rights are intended to provide performers with specific and targeted economic value that can be exchanged and negotiated. While not stipulated explicitly in the Act, they are an important and noteworthy exception to the general “works created during the course of employment” rule found in section 13(3). The law makes an exception in the case of cinematographic works:

17(1) Where the performer authorizes the embodiment of the performer’s performance in a cinematographic work, the performer may no longer exercise, in relation to the performance where embodied in that cinematographic work, the copyright referred to in subsection 15(1).

(2) Where there is an agreement governing the embodiment referred to in subsection (1) and that agreement provides for a right to remuneration for the reproduction, performance in public or communication to the public by telecommunication of the cinematographic work, the performer may enforce that right against

(a) the other party to the agreement or, if that party assigns the agreement, the assignee, and

(b) any other person who

(i) owns the copyright in the cinematographic work governing the reproduction of the cinematographic work, its performance in public or its communication to the public by telecommunication, and

(ii) reproduces the cinematographic work, performs it in public or communicates it to the public by telecommunication,

and persons referred to in paragraphs (a) and (b) are jointly and severally liable to the performer in respect of the remuneration relating to that copyright.

Whereas the performers engaged in the production of a cinematographic work may or may not qualify as employees, the law removes the possibility to exercise the rights on the performance in a film, as soon as the performers have acquiesced to the inclusion of their contribution into the film. While this makes sense from an economic point of view, the language of s.17(1) of the Act is not clear, especially as it relates to the nature of the legal relationship between the performer and the producer of the cinematographic work. Does the law operate a transfer of rights? To whom? What if there is no agreement, such as mentioned in s.17(2), does it mean that the performer is owed no remuneration at all for the reproduction, performance in public or communication to the public by telecommunication of the cinematographic work? Does this construction leave performers at the mercy of film producers for any type of remuneration?

3. Crown copyright

Like many commonwealth countries, Canada’s Act has a distinct set of rules for works created by or on behalf of the Crown (i.e., government). These rules act as a general exception to the term limit as set out in section 6. The framework for Crown copyright is found at section 12 of the Act, which states:

Where copyright belongs to Her Majesty

12 Without prejudice to any rights or privileges of the Crown, where any work is, or has been, prepared or published by or under the direction or control over Her Majesty or any government department, the copyright in the work shall, subject to any agreement with the author, belong to Her Majesty and in that case

shall continue for the remainder of the calendar year of the first publication of the work and for a period of fifty years following the end of that calendar year.

The rationale for Crown copyright is based upon a number of policy goals. The first of which is to ensure accuracy and integrity of government publications by limiting who may reproduce them. Secondly, the Crown has the ability to provide publications at a lower cost than private publishers. In this vein, it can be argued that Crown copyright ensures supervision and control in the publication of government information and that this is in the public interest.

One point of controversy when it comes to Crown copyright, however, is the first bit of language in section 12, which states “[w]ithout prejudice to any rights or privileges of the Crown”. This is often referred to as the “royal prerogative”, which is a perpetual property right originally found in the United Kingdom’s 1911 *Copyright Act*. This initial caveat to section 12 renders the Crown copyright framework ambiguous given that the latter half of section 12 provides for a defined term of 50 years. Historically, the royal prerogative only applied certain types of acts, including printing – but importantly, there is no determinate list of acts which set limits on the scope of this prerogative. The cumulative effect in practice is that it is extremely difficult to determine which acts of printing and reproduction are exercised by the Crown in accordance with the royal prerogative versus merely ‘prepared by or under the direction of the Crown’ in accordance with section 12.

Numerous aspects of Canada’s Crown copyright regime have invited criticism in recent years. The first is that as we move into the digital era, the premises upon which Crown copyright sits are called into question. Namely, the need to ensure authenticity and supervision of reproducing government documents is not aided by an exclusive rights regime. As almost all public legal materials and government documents are produced in electronic format, there is little utility (or practical capability) to restrict who may engage in the reproduction of these materials. Secondly, the existence of the Crown copyright regime may have the deleterious effect of censorship by creating a disincentive to use and reproduce government works. From a utilitarian perspective, this is antithetical to one of the key objectives of the copyright system.

Professor Elizabeth Judge (University of Ottawa, Common Law) has written extensively on the subject of Crown copyright and has put forward a series of proposals to reform Canada’s framework. Judge authored a chapter titled, “Crown Copyright and Copyright Reform in Canada” in *In The Public Interest: The Future of Canadian Copyright Law* (2005), in which she recommended the following:

- (a) narrowing the scope of Crown copyright to apply to specific types of works;
- (b) exempting public legal materials from protection;
- (c) eliminating the reference to the royal prerogative, or including an exhaustive list of acts through which this prerogative is exercised;
- (d) imposing upon governments a positive obligation to publish such materials in a publicly accessible format so as to ensure access.

What do you think of Canada’s Crown copyright regime? Do you agree with Professor Judge that it should be reformed? In the most recent Statutory Review of the Copyright Act (June 2019), the Standing Committee on Industry, Science and Technology noted that the Crown copyright regime serves two distinct functions:

- (1) to assert ownership over works prepared by or for Canadian governments; and
- (2) to allow Canadian governments to disseminate works that they do not own for policy reasons (i.e., through partnerships with private entities).

While the Committee acknowledged the importance of (2), it largely rejected the notion that asserting ownership of copyright in works prepared by or for governments was necessary or desirable. The Committee reported that “[e]xercising copyright over governmental publications created in the public interest should be the exception rather than the rule.”

Do you agree with the Committee’s position on this? Can you envision circumstances in which it would be desirable

for Canadian governments to assert copyright and restrict reproduction of works which they prepared or had prepared by others?

Keatley Surveying v Teranet Inc, 2019 SCC 43

Ontario's electronic land registration system provides information about who owns (or has rights) to various parcels of land throughout the province. It is a database not only of documents authorising conveyances and transfer of property, but also maps and survey plans. This electronic land registration system is operated by a private company, *Teranet*. It contracted with surveyors to build a database of survey plans throughout Ontario. Through *Teranet's* contract with the province of Ontario, *Teranet* agreed that all documents submitted to the electronic land registration system become property of the Crown.



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One of the surveyors that *Teranet* contracted with to provide survey plans was *Keatley Surveying*. It brought a class action against *Teranet* on behalf of all land surveyors who have provided plans of survey to *Teranet* to be included in the provincial electronic database. It alleged that the individual surveyors (including *Keatley Surveying*) retained copyright in their plans of survey. It took the position that the Crown should only be able to claim copyright in works that it prepared itself or where it specifically directed or ordered another to do so. Conversely, *Teranet* argued that the Crown retains copyright in *everything it publishes* – regardless of the degree to which it prepared or had the plans of survey prepared.

At issue, therefore, was the degree to which direction or control is necessary on behalf of governments over the creation of works in order to ground an assertion of Crown copyright. A secondary concern was the meaning of a “government work”.

The dispute made its way to the Supreme Court of Canada, where it was decided that the province of Ontario possessed Crown copyright in the plans of survey. It found that there was sufficient direction and control over the creation of the database and collection of the materials that were included in it. In looking to whether the survey plans were “government works”, the Court assessed this on the basis of whether the Crown has an important interest in ensuring accuracy and integrity. In the case of land surveys, the Court found that this had been made out.

The Supreme Court of Canada’s decision in *Keatley Surveying v Teranet* affirmed that Crown copyright is still alive and well in Canada, but with some caveats on its potential to be abused. In particular, Abella J., writing for the majority at paragraph 54 clarified:

[54] But Crown copyright cannot be so expansive in scope that it allows for the routine expropriation of creators’ copyright in their works. As was noted in *Théberge*, the other half of the *Copyright Act*’s balance is “obtaining a just reward for the creator”. There is also a danger of Crown copyright undermining the very purpose it was meant to serve if interpreted too expansively. Sweeping classes of works into the scope of Crown copyright, when such rights were heretofore unacknowledged as being subject to copyright at all, risks impeding the public interest in accessing these works and could compromise the existence of a robust public domain (see e.g. Barry Torno, *Crown Copyright in Canada: A Legacy of Confusion* (1981), at Summary). Put differently, the Crown’s public interest in ensuring the accuracy and integrity of government documents cannot lead to such an expansive Crown copyright regime that the public interest in accessing information is harmed.

Overall, the Court emphasised the public interest dimensions of Crown copyright, but largely left the doctrine of Crown copyright in tact. What seemed to be determinative for the finding that the surveys constituted government works was that:

[82] ...[T]he Crown decided to create a single, authoritative registry. These are precisely the types of works over which Crown copyright should subsist – those over which it is necessary for the Crown to guarantee authenticity, accuracy and integrity of the public interest.

* * *

Whereas ss.13(1)–(3) of the Act establish the rules of ownership, subs.13(4)–(7) confirms the **divisibility of the bundle of rights**, as well as the **complete transferability of the rights**. In the case of an assignment, the Act requires that the assignment be laid down in writing. Licenses do not require a written act to be held valid.

Assignments and licences

(4) The owner of the copyright in any work may assign the right, either wholly or partially, and either generally or subject to limitations relating to territory, medium or sector of the market or other limitations relating to the scope of the assignment, and either for the whole term of the copyright or for any other part thereof, and may grant any interest in the right by licence, but no assignment or grant is valid unless it is in writing signed by the owner of the right in respect of which the assignment or grant is made, or by the owner’s duly authorized agent.

Ownership in case of partial assignment

(5) Where, under any partial assignment of copyright, the assignee becomes entitled to any right comprised

in copyright, the assignee, with respect to the rights so assigned, and the assignor, with respect to the rights not assigned, shall be treated for the purposes of this Act as the owner of the copyright, and this Act has effect accordingly.

Assignment of right of action

(6) For greater certainty, it is deemed always to have been the law that a right of action for infringement of copyright may be assigned in association with the assignment of the copyright or the grant of an interest in the copyright by licence.

Exclusive licence

(7) For greater certainty, it is deemed always to have been the law that a grant of an exclusive licence in a copyright constitutes the grant of an interest in the copyright by licence.

Pursuant to these provisions, the author of a work can assign for example the right of reproduction to one party, and give a license for five years to another party for the public exhibition (see section E. Economic Rights, below).

4. Term of copyright protection

Copyright is a time-limited monopoly over the use of protected works. Once copyright protection expires on a work and other subject matter, it can be used without any restriction. For works of authorship (Part I.), the duration is measured in relation to the life of the [longest living] author[s]. In cases where the identity of the author is unknown, the copyright duration is determined by reference to the date of publication of the work. For other subject matter (Part II.), the determination of the duration of protection follows a staggered approach as explained below.

Until very recently, the duration of copyright protection in Canada followed the Berne Convention standard of the author's lifetime plus 50 years after their death. As a result of the Canada-United States-Mexico Agreement ("CUSMA") signed in November 2018, Canada must amend the Copyright Act by extending the minimum general copyright term to **life of the author plus 70 years after their death**. Canada was the only one of the three countries party to the Agreement who must amend its Copyright Act to comply with this obligation, since the two other parties already recognised a longer term of protection. This brings Canada's term of protection in line with approximately 80 countries who have moved to a term of life-plus 70 years or longer, including key trading partners such as the United States (U.S.), Mexico, the European Union (EU), the United Kingdom, Australia, Japan, and South Korea. The process has not been without controversy, however. Organisations representing stakeholders in the music and entertainment industries have been generally supportive of this extension, while user rights groups and academic commentators have been overwhelmingly critical, particularly because of the reduced access to works. Extending the term of protection by twenty years means in practice that no work will enter the public domain in Canada before January 1st, 2043. Worth noting is that, according to the Canadian Copyright Act, authors who are nationals of any country, other than a country that is a party to the Canada-United States-Mexico Agreement, that grants a shorter term of protection are not entitled to claim a longer term of protection in Canada.

In view of the ongoing debate, Canada chose to follow what it called a 'cautious approach' to the implementation of the term extension obligations. It modified the Act in two stages: first, through Bill C-4, *An Act to Implement the Agreement Between Canada, the United States of America and the United Mexican States*, which received royal assent on March 13, 2020; and second, through Bill C-19 *Budget Implementation Act 2022*, which received royal assent on June 23, 2022. In the interval, the government conducted a public Consultation on how to implement a general extended term of copyright protection in Canada. The consultation document asked the public to present views on the impact of extending the term of protection, for example with respect to orphan works (e.g. works for which the rights owner cannot be identified or

located) and out-of-commerce work, and on the measures that could be taken to mitigate the negative impact on the accessibility of works. The provisions in Bill C-19 will come into force on a day to be fixed by order of the Governor in Council, which must still happen. At least, the modifications do not have the effect of reviving the copyright in any work in which the copyright had expired before the day on which they are to come into force. Nevertheless, it is regrettable that despite announcing that it would follow a cautious approach, and notwithstanding the numerous responses to the public consultation, the government went ahead with this second round of legislative amendments through an omnibus bill. This way of proceeding not only withdrew this important matter from any in-depth discussion in Parliament and from public attention, but it also served as a pretext for the Government to refrain from adopting measures that might mitigate the negative impact of the amendments.

The first set of immediate legislative modifications (Bill C-4) extended the term of copyright by twenty years with respect to less controversial matters, including anonymous and pseudonymous works for single authored works (s.6.1) and for joint authorship (s.6.2); with respect to non-dramatic cinematographic works (s.11.1); and with respect to performances and sound recordings (s.23). The second set of legislative modifications (Bill C-19) addressed the general rule of s. 6, as well as posthumous works under s. 7 CA. Note that the protection in a communication signal has remained unchanged and subsists until the end of 50 years after the end of the calendar year in which the communication signal is broadcast.

With respect to **anonymous and pseudonymous** works, where the identity of the author of a work is unknown, copyright in the work shall subsist until the end of 75 years following the end of the calendar year in which the work is made. However, if the work is published before the copyright expires, the copyright continues until the earlier of the end of 75 years following the end of the calendar year in which the first publication occurs and 100 years following the end of the calendar year in which the work was made. Of course, if the author becomes known before the expiration of the term, the general rule will apply.

With respect to **performances and sound recordings**, s.23 of the Act sets out three different trigger points at which the term of protection can be calculated:

- For performances, protection starts when the **performance occurs** and lasts until the end of 50 years thereafter;
- HOWEVER, if the performance is **fixed on a sound recording** before the 50 year term expires, the term of protection on the performance and the sound recording starts on the day the performance is fixed on a sound recording and continues until the end of 70 years thereafter;
- BUT if the fixation of the **sound recording is published** before the expiration of the 70 years, the term of protection on the performance and the sound recording starts on the day the publication occurs and continues until the earlier of the end of 75 years after the end of the calendar year in which the first publication of the sound recording occurs and the end of 100 years after the end of the calendar year in which that first fixation occurs;

S.2.2(1) specifies that for the purposes of the Act, *publication* means in relation to sound recordings, making copies of a sound recording available to the public, but does not include the performance in public, or the communication to the public by telecommunication, of a literary, dramatic, musical or artistic work or a sound recording. The Act does not define what a ‘first fixation’ entails. From the definition of ‘maker of a sound recording’ in s.2.11 CA, e.g. the person by whom the arrangements necessary for the first fixation of the sounds are undertaken (*‘include arrangements for entering into contracts with performers, financial arrangements and technical arrangements required for the first fixation of the sounds for a sound recording’*), we can infer that a first fixation would necessitate some financial and technical arrangements. Whether just any recording would meet this low threshold is unclear.

Example: Calculating the term of protection for performances and sound recordings

Take, for example, Avril Lavigne’s live performance of her ‘Bite Me Canada Tour 2022’, in Moncton on June 1,

2022. The performance she gave that evening is protected for a term of 50 years, ending on January 1st, 2073. If, before January 1st, 2073, the performance is fixed in a sound recording, the term of protection – for both Avril Lavigne and the maker of the sound recording – lasts for 70 years from the first fixation of the performance on a sound recording. Finally, if this sound recording is published before the expiration of the 70 years from first fixation, it will remain protected for the shorter period between 75 years from publication or 100 years from the first fixation.

Admittedly Avril Lavigne's performance on June 1, 2022 may not have been recorded. Perhaps one of the concert evenings in her 'Bite Me Canada Tour 2022' was for the production of a 'live in concert recording', or she might make a studio recording of the same performance. This 'first fixation' would gain an extra 70 years, which would gain an additional term of protection as soon as it would be published.

While the following scenario is highly unlikely, if the studio recording of the 'Bite Me Canada Tour 2022' performance took place only in December 2072 (one month before the expiration of the protection on the performance) and the copies thereof made available to the public only in June 2141 (a few months before the expiration of the protection on the first fixation), the maximum term of protection for this sound recording would last until 2172, which is 100 years from the first fixation (rather than an end date in 2216 which would be the 75 years from publication). In other words, Avril Lavigne's performance on June 1, 2022 has the theoretical potential of being protected for another 150 years, depending on the chain of events.

With respect to **non-dramatic cinematographic works**, s.11.1 of the Act provides for a two-tiered term calculation, similar to that of sound recordings. Protection shall subsist until the end of 70 years following the end of the calendar year in which the cinematographic work or the compilation is made. However, if the cinematographic work or the compilation is published before the copyright expires, the copyright continues until the earlier of the end of 75 years following the end of the calendar year in which the first publication occurs and 100 years following the end of the calendar year in which the cinematographic work or the compilation was made.

The term of protection for non-dramatic cinematographic works is already very long, but the duration of copyright on a dramatic cinematographic work has the potential of lasting even longer. The calculation of the duration of protection on such works follows the **general rule laid down in s.6 of the Act**, according to which copyright subsists for the **life of the author plus 70 years after death**. In case of works of joint authorship, like dramatic cinematographic works, the term of protection is calculated in relation to the longest living author. Recalling that the Copyright Act gives no guidance on who should be recognised as joint author of a cinematographic work, the task of determining who qualifies as author in order to calculate the term of protection is likely to be daunting. Moreover, the statutory reference to the 'maker' of a cinematographic work or the application of the presumption relating to works created in the course of employment are of no help, precisely because the general rule on the calculation of the term of protection is based on the life of physical author(s). Cinematographic works are not the only category of works for which the application of the general term of protection appears problematic: computer programs and video games share in the same difficulties.

5. Copyright Registration

The reader will recall that copyright protection is conferred automatically on the author, by the simple act of creating an original work, or other subject matter. Pursuant to the Berne Convention, neither the existence or the exercise of copyright are to be subject to any formalities, such as registration. Where a registration system exists, it should be entirely optional. Registration has obvious benefits. As s.53 CA indicates, a certificate of registration is evidence that the copyright subsists and that the person registered is the owner of the copyright, just like a certificate of registration of

an assignment of copyright or a license interest is evidence that the right recorded on the certificate has been assigned or licensed and that the assignee or licensee registered is the owner of that right or holder of that interest.

In other words, registration alleviates much of the evidential burden in proving entitlement to copyright. It also signals the author or owner's intention to seek protection.

54 (1) The Minister shall cause to be kept at the Copyright Office a register to be called the Register of Copyrights in which may be entered

(a) the names or titles of works and of other subject-matter in which copyright subsists;

(b) the names and addresses of authors, performers, makers of sound recordings, broadcasters, owners of copyright, assignees of copyright, and persons to whom an interest in copyright has been granted by licence;

Pursuant to s.54 CA, voluntary registration is open not only in relation to works of authorship, but also in relation to other subject matter in which copyright subsists. Registration is also open for assignments of rights and exclusive licences.

In many cases, claimants seek enforcement of their copyright in the absence of registration. While allowing unregistered copyright holders to enforce their rights significantly broadens who may seek the benefits of protection, it makes the evidentiary burden of proving copyright subsistence, ownership and entitlement more onerous. For this, there are a few things that an owner of unregistered copyright will need to demonstrate in order to be successful on an infringement claim:

(a) **Copyright subsistence.** In the absence of a certificate of registration, the claimant will need to establish that copyright protection subsists in the object of the claim, e.g. the work or other subject matter, meets the statutory requirements for protection;

(b) **Authorship.** It may be necessary for a claimant seeking enforcement of certain rights to show that they are the author of the work. Where the economic rights have been licensed or assigned to another party, the question of authorship may not be particularly relevant. In the case of enforcing moral rights, however, the question of authorship will be very relevant. Otherwise, if an issue upon a claim for infringement relates to whether the term of copyright has expired in the work, authorship may be relevant for measuring the appropriate length of that term. In practical terms, authorship can be evidenced through a variety of means, including affidavit evidence and witness testimony. In some instances, the question of authorship may be not simple. Where multiple people brought a work into existence and their relationship during that process was not made clear, there may be contentions that the work is actually one of joint authorship or that it is a collective work.

(c) **Ownership.** In most cases, it will be necessary for the claimant to demonstrate that they own the copyright or related right at issue. Where the copyright has not been licensed or assigned, this may flow naturally from the claimant also being the author. In other cases, the claimant may need to evidence licensing or assignment agreements to demonstrate that they have acquired the rights to seek enforcement of infringing activity. The question of ownership can become less than straightforward when distinct economic rights have been licensed and assigned to multiple parties, leaving the question of who may enforce those rights somewhat ambiguous.

(d) **Authorization.** The claimant will also need to demonstrate that the activity in question rises to the level of infringement. This will require basing the claim upon one of the exclusive rights of the copyright owner and some evidence that the defendant's activity falls within these acts in the absence of authorization. Relevant to this question may be whether the allegedly infringing activity involved a "substantial part" or whether an existing agreement between the parties had impliedly authorized or permitted the activity in question.

This last point takes us to the next section of this chapter where we explore the various economic rights conferred by law.

E. Economic Rights

In general terms, the rights conferred under the copyright regime can be distinguished between *economic* and *moral* rights. Economic rights are those that more closely resemble traditional conceptions of property in that they can be bought, sold, licensed, assigned and subject to various limitations. The economic rights under copyright are principally and primarily directed at promoting the owner's economic interest. By contrast, moral rights are predicated on the notion that creative works are also an extension of the artist's personality and that the preservation or protection of the work itself is needed to protect the dignity interests of the creator. Stemming initially from the civil law tradition, moral rights play a less prominent role in Canadian copyright law than in other jurisdictions, but their underlying rationale has played a role in shaping the overall purpose and objectives of the Canadian framework. Their existence within copyright law is indicative of its parallel concern with non-economic aspects which are derived from natural rights principles.

Like many property rights, copyright constitutes a bundle of rights that can apply differently to specific classes of works and subject matter. The bundle shows significant differences whether the rights are conferred in relation to works of authorship (Part I of the Act) or other subject matter, notably the performers' performances, sound recordings, communication signals (Part II of the Act). In the following pages, we present the most important rights granted by the Copyright Act to the two main categories of rights owners.

1. Rights in Relation to Works of Authorship (Part I of the Act)

All rights granted in relation to works of authorship are set out in s.3(1) of the Act. The introductory paragraph of s. 3(1) contains general rights, namely reproduction, performance and publication, followed by a list of specific rights in ss.3(1)(a) to (j). In its entirety, s. 3(1) states:

3 (1) For the purposes of this Act, copyright, in relation to a work, means the sole right to **produce or reproduce the work or any substantial part thereof in any material form whatever, to perform the work or any substantial part thereof in public** or, if the work is unpublished, to publish the work or any substantial part thereof, and includes the sole right

(a) to produce, reproduce, perform or publish any translation of the work,

(b) in the case of a dramatic work, to convert it into a novel or other non-dramatic work,

(c) in the case of a novel or other non-dramatic work, or of an artistic work, to convert it into a dramatic work, by way of performance in public or otherwise,

(d) in the case of a literary, dramatic or musical work, to make any sound recording, cinematograph film or other contrivance by means of which the work may be mechanically reproduced or performed,

(e) in the case of any literary, dramatic, musical or artistic work, to reproduce, adapt and publicly present the work as a cinematographic work,

(f) in the case of any literary, dramatic, musical or artistic work, to **communicate the work to the public by telecommunication**,

(g) to present at a public exhibition, for a purpose other than sale or hire, an artistic work created after June 7, 1988, other than a map, chart or plan,

(h) in the case of a computer program that can be reproduced in the ordinary course of its use, other than

by a reproduction during its execution in conjunction with a machine, device or computer, to rent out the computer program,

(i) in the case of a musical work, to rent out a sound recording in which the work is embodied, and

(j) in the case of a work that is in the form of a tangible object, **to sell or otherwise transfer ownership of the tangible object**, as long as that ownership has never previously been transferred in or outside Canada with the authorization of the copyright owner,

and to **authorize** any such acts.

The relationship between the rights set out in the introductory paragraph and the subsequent subparagraphs was examined by the Supreme Court in *Entertainment Software Association v SOCAN*, 2012 SCC 34, [ESA] (discussed in greater detail below, under 'right of communication to the public by telecommunication') and later discussed by Prof Elizabeth Judge in her contribution 'Righting a Right: *Entertainment Software Association v SOCAN* and the Exclusive Rights of Copyright for Works', In: *The Copyright Pentalogy: How the Supreme Court of Canada Shook the Foundations of Canadian Copyright Law*, University of Ottawa Press 2013, pp. 403-429.

The question put to the Court in ESA was whether the exclusive rights of copyright are exhaustively defined by the rights set out in the introductory paragraph of section 3(1)—namely, reproduction, performance and publication—implying that rights listed in ss.3(1)(a)–(i) are merely illustrative of those general rights? Or whether all the rights set out in section 3(1) are separate and distinct? In a five to four decision, the majority of the Court concluded that the rights set out in the introductory paragraph are exhaustive, meaning that the rights listed in the following subsections are merely illustrations. The consequence of the majority decision is that a right listed in ss.3(1)(a)–(i) cannot apply simultaneously, for the same act of exploitation, with another right that is part of the same category of general rights in the introductory paragraph. As Prof Judge observes:

'The nature of the disagreement in the closely split Supreme Court arguably goes to the most central principle of copyright law: the nature of the exclusive rights of copyright, which defines how many rights an owner has, how many rights an owner can simultaneously assert, and when the exercise of a right pre-empts other rights'.

She adds later on:

'The conflict between the majority's and dissent's approaches to interpreting section 3 may be attributed in great part to the ambiguity of a statutory definition that employs both "means" and "includes", a conjunction that "inevitably raises a doubt as to interpretation." The majority and the dissent agree that the issue turns on statutory interpretation, but part ways on the preferred interpretation'.

Not only is the majority decision of the Supreme Court in the ESA case difficult to reconcile with the interpretation commonly given to the provisions of the Berne Convention, the TRIPS Agreement and comparable legislation from Commonwealth countries, which all support the view that the listed rights are independent. But it also creates tensions with the later introduced provisions of the *Copyright Modernization Act* of 2012, namely s.3(1)(j) – right of distribution, as well as s.2.4(1.1) – right of making available to the public.

Another way of solving the problem could perhaps have been to rephrase the issue at hand in ESA – e.g. which exclusive rights of the author are engaged by the act of downloading video games with embedded music from the internet? and consider it from the perspective of the goals pursued by the copyright regime. Rather than asking whether all the rights are independent from one another, a better question could have been to ask how the objectives of the copyright regime are best served in this particular case? Where lies, in this case, the balance between encouraging creation and disseminating works of authorship? From the perspective of the rights owner, does the payment of a royalty for the act of reproduction represent a fair remuneration for the specific act of exploitation? From the perspective of the user, does the download of music embedded in a video game entail its communication to the public by telecommunication?

The pages below go on with an analysis of the right of reproduction, the right of public performance, the right of communication to the public by telecommunication, the right of distribution and the right to authorize all of these acts.

Right of Reproduction

The right of reproduction speaks to the heart of what copyright is all about – making copies. The right to restrict others from making copies of works is one of the most basic exclusive rights through which authors and their assignees generate revenue from the exploitation of their works. Ironically, perhaps because this right is so essential, it only made its way into Article 9 of the Berne Convention in the Act of 1967. Before then, Contracting Parties had not seen the need to incorporate it in the text of the Convention. It is only with the advent of the photocopying machine and the tape recorder that the urgency arose to expressly couch this right within the scope of the Convention's minimum standard of protection.

The right of reproduction is contained in the introductory paragraph of section 3(1) of the Act; it states:

3(1) For the purposes of this Act, copyright, in relation to a work, means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever...

In essence, the right of reproduction foresees that only the copyright owner may make any reproductions or copies of the work. One example of an act that would be considered a “reproduction” is (for example) printing or photocopying a textbook. This is sometimes referred to as “mechanical reproduction”. But this is not the only type of reproduction. Production of a similar work may also constitute reproduction if, for example, a person were to watch a film and then write a book with the same plot and characters. Therefore, the concept of reproduction is quite broad in that it refers to any means of replicating an original work, even if the result is not identical to the original. Importantly, it is not necessary that the entire work be copied in order to constitute a reproduction. The language in section 3(1) which refers to “any substantial part thereof” clarifies that it is not only entire works that form the subject of the reproduction right, but any substantial part of them.

The broad scope of the right of reproduction is also apparent from the words ‘in any material form whatever...’ Indeed, the right of reproduction covers any act of reproduction whether on paper, in the memory of a computer, on CD or DVD, on the internet, or in the cloud. In practice, the right of reproduction lies at the basis of numerous modes of exploitation enumerated in publishing agreements, for which royalties are to be paid to the author. Think of the right to print a book in hardcopy, paperback, as a serial, or as an e-book. The general reproduction right also underpins the publisher's obligation to pay royalties for translations, TV or film adaptations of a book etc. – as further specified in ss.3(1)(a), (b) and (c) of the Act.

To demonstrate an infringement of the reproduction right, copyright owners ordinarily have to demonstrate that the following facts are made out:

Factual Copying – There must be an objective similarity between the infringing work and the copyright (original) work, **or** there must be a substantial part of the original work included in the infringing work. This requires an assessment into both the quantity and quality of what was taken from the original work. In order to be considered “substantial”, courts will ordinarily look to the degree to which the parts taken represent the author's skill and judgment (i.e., originality).

Causal Relationship – The original work must be the source for the infringement. In other words, if two identical works are created independently, there will be no finding of infringement. As you will see, this stands in contrast from Patent law, where independent creation is no excuse to a finding of infringement. It is important to note that the causal relationship does not create a type of *mens rea* for infringement. An infringement of the reproduction right is measured on a strict liability basis, but there must be nevertheless some factual evidence to support the notion that the allegedly infringing work was created with reference or influence from the original.

Artist and painter Claude Théberge brought a claim against the Galerie d'Art du Petit Champlain after he found that they purchased and sold printed posters of his work. The art gallery transferred the images found on the posters from paper to canvas using a process that lifted the ink from the printed posters and placing it upon blank canvas. By removing the ink from the “original” poster, it left the poster blank. Importantly, this process did not involve creating multiples or duplicates but rather moved the printed work onto a new medium.

The primary issue before the courts was whether this process constituted “reproduction” within the meaning of the Act. In the lower courts, Théberge obtained an injunction to stop the transfers and to seize existing canvases on the basis that they infringed his exclusive right of reproduction. Finding its way all the way to the Supreme Court of Canada, the case served as an opportunity to clarify the boundaries and purpose of the right of reproduction. Writing for the majority, Justice Binnie articulated the following main takeaways:

- (1) “Reproduction” requires more than a mechanical transfer of an image from one medium to another, in the absence of multiplication (paragraph 47)
- (2) To make a finding of reproduction in the absence of multiplication is to effectively adopt the US doctrine of “derivative works”, which is not part of the Canadian *Copyright Act* (paragraph 47)
- (3) Fixation of a work in a new medium alone does not constitute “reproduction” (paragraph 50)
- (4) To treat the mechanical transfer of an image from paper to canvas is to blur the distinction between economic and moral rights, contrary to the structure of the Act.

Overall, *Théberge* provided an opportunity for the Supreme Court of Canada to clarify many ambiguities latent in Canadian copyright law. You will see many references to it throughout subsequent jurisprudence and commentary. For the purposes of the reproduction right, however, it clarified principally one thing – reproduction requires multiplication.

Do you agree with the Court’s approach that the reproduction right requires some multiplication of the original work? In 2015, the European Court of Justice assessed a case with almost identical facts to *Théberge*, but came to an opposite conclusion. Namely, in *Art & Allposters International BV v Stichting Pictoright*, C-419/13, the ECJ found that the alteration of the medium, regardless of the fact that there was no multiplication, was sufficient to find a ‘new reproduction’. The *Art & Allposters* case must be distinguished from *Théberge*, because it focused largely on the distribution right (as opposed to reproduction). Nevertheless, it poses deeper questions about the multiplication requirement for the reproduction right.

The rights laid down in the introductory paragraph of s.3(1), including the right of reproduction and public performance, apply not only to the entirety of the work, but also to “**any substantial part thereof**”. The requirement of substantiality means that not all unauthorized uses or reproductions will necessarily rise to the level of infringement. This is an important limitation on the right and ability for authors and their assignees to restrict uses of their works which touch upon their exclusive rights. This is especially in the case of modern media creation which involves sampling, mixing and referencing other works in small amounts. Unfortunately, the Act does not define “substantial part” and has instead left this task to the courts.

The *Cinar* case is a classic factual scenario where a proposed idea for a television show is initially rejected and later followed up on without the involvement of the person who originally proposed the concept. Unfortunately for many creators, we often see infringement claims in copyright law which involve a scenario like this.

Claude Robinson had spent several years developing an educational television show for children called “The Adventures of Robinson Curiosity” which was loosely based upon the original novel *Robinson Crusoe* written by Daniel Defoe. Beginning in 1985, Claude Robinson and his company spent years proposing the project for production with various companies, including the Cinar Corporation. During these discussions, Cinar gave copies of Claude Robinson’s concept for the show to Christophe Izard, a French animator and television show creator for children. Claude Robinson’s discussions and negotiations ultimately were not successful and the project was put on hold.

Nearly a decade later, Claude Robinson saw a new television show, “Robinson Sucroë” which he regarded as a blatant copy of his proposal for “The Adventures of Robinson Curiosity”. He later found that Cinar and Izard had been involved in producing Robinson Sucroë. Accordingly, he commenced an action against Izard and Cinar for infringement of his copyright. This led to an analysis at the Supreme Court of Canada as to whether the components used by Cinar and Izard were “substantial parts” of his work.

The Supreme Court of Canada’s unanimous decision sought to clarify how we approach the substantiality analysis. Chief Justice McLachlin writes at paragraphs 26-28:

[26] A substantial part of a work is a flexible notion. It is a matter of fact and degree. “Whether a part is substantial must be decided by its quality rather than its quantity”: *Ladbroke (Football), Ltd. v. William Hill (Football), Ltd.*, [1964] 1 All E.R. 465 (H.L.), at p. 481, *per* Lord Pearce. What constitutes a substantial part is determined in relation to the originality of the work that warrants the protection of the *Copyright Act*. As a general proposition, **a substantial part of a work is a part of the work that represents a substantial portion of the author’s skill and judgment expressed therein.**

[27] A substantial part of a work is not limited to the words on the page or the brushstrokes on the canvas. The Act protects authors against both literal and non-literal copying, so long as the copied material forms a substantial part of the infringed work. As the House of Lords put it,

the “part” which is regarded as substantial can be a feature or combination of features of the work, abstracted from it rather than forming a discrete part. . . . [T]he original elements in the plot of a play or novel may be a substantial part, so that copyright may be infringed by a work which does not reproduce a single sentence of the original.

(*Designers Guild Ltd. v. Russell Williams (Textiles) Ltd.*, [2001] 1 All E.R. 700, at p. 706, *per* Lord Hoffmann; see also *Nichols v. Universal Pictures Corporation*, 45 F.2d 119 (2d Cir. 1930), *per* Learned Hand J.)

[28] The need to strike an appropriate balance between giving protection to the skill and judgment exercised by authors in the expression of their ideas, on the one hand, and leaving ideas and elements from the public domain free for all to draw upon, on the other, forms the background against which the arguments of the parties must be considered.

Based on this reasoning, the Supreme Court of Canada found that Cinar had infringed Claude Robinson’s copyright. This finding was reached despite contentions from Cinar that the portions taken from Robinson’s

concept were merely numerous insubstantial parts. The decision turned on this contextual approach to substantiality which assessed Claude Robinson's skill and judgement in a holistic sense.

The result is that the question of substantiality is not quantitative or mechanical. It relates to the subjective considerations regarding the work itself, and in particular, the extent to which the portions of the work that are used are reflecting of the author's unique contributions or skill and judgement. This is understandable, because it would otherwise be arbitrary to set quantitative limits on substantiality. This is particularly true where the portion of a work used without authorization is small, but they are nevertheless the defining and most original aspect of the work.

On the other hand, this qualitative approach leaves the question of when infringement has occurred sometimes difficult to determine. Similar to the fair dealing analysis, the qualitative approach to substantiality requires both copyright owners and users of insubstantial parts of protected works to engage in a contextual and case-by-case analysis. This qualitative approach is therefore what gives copyright lawyers reason to often answer infringement questions from their clients with, "it depends".

In many cases, infringement is relatively easy to demonstrate. In the case of online file sharing and distribution of entire copyright works, there is no need to engage in a contextual substantiality analysis. The above makes clear, however, that not all cases of infringement will be this simple to determine. The process of creation often involves inspiration and reuse of existing works. Therefore, the question of infringement (much like the fair dealing analysis) involves a deeper inquiry into the nature of what is being used without authorization from the copyright owner.

Right of Public Performance

The right of public performance is distinct from the right of reproduction: rather than aiming at the creation of a "copy", the right covers acts directed at exposing the work to the public. The Act defines "performance" as:

"...means any acoustic or visual representation of a work, performer's performance, sound recording or communication signal, including a representation made by means of any mechanical instrument, radio receiving set or television receiving set..."

The right to perform historically presupposed a live audience that would be present at the site where the performance took place. With the evolution of technology, the right of public performance encompasses performances done 'in public', e.g. in the presence of an actual public, but also performances brought 'to the public' through any means of communication. In the former context, the right of public performance underlies the authors' and their assignees' right to receive royalties for works performed during any kind of live event, like a concert, a play, a festival, in restaurants and discotheques etc. In the latter context, the right of public performance underlies the payment of royalties for the communication to the public on radio and television, over the internet, etc.

Right of Communication to the Public by Telecommunication

Contrary to a performance in public, an act of communication to the public presupposes that the performance does not take place in front of a public, but rather is transmitted to a distant public. With the advent of radio broadcasting, a debate emerged about how this new technology should be treated under copyright law; the debate arose once again in relation to Internet technologies.

The right of communication to the public by telecommunication is found in section 3(1)(f) of the Act. Before the enactment of the *Canada-United States Free Trade Agreement Implementation Act*, Canadian courts had held that 'radio communication' under the former s.3(1)(f) was limited to Hertzian radio waves and did not extend to communication by

co-axial cables. The Free Trade Agreement, in the aftermath of the *Canadian Admiral Corp v Rediffusion* case, required Canada to compensate copyright owners for the retransmission of television signals that were retransmitted via cable networks. The amendments were therefore designed to ensure that cable companies, and not just radio broadcasters, would also be captured under s. 3(1)(f). By substituting the word ‘telecommunication’ in 1988, Parliament did not intend to change the fundamental nature of the communication right, which had for over 50 years been concerned with performance-based activities. Instead, Parliament only changed the *means of transmitting* a communication. The word ‘communicate’ itself was never altered.

While the right of communication to the public by telecommunication was since 1988 thought to be broad enough and technologically neutral enough to cover instances of **communication to the public on the internet**, Canada clarified the matter anyway upon implementing Article 8 of the WIPO Copyright Treaty. Section 2.4(1.1) was added to the Act through the *Copyright Modernization Act* of 2012:

2.4 (1.1) For the purposes of this Act, communication of a work or other subject-matter to the public by telecommunication includes making it available to the public by telecommunication in a way that allows a member of the public to have access to it from a place and at a time individually chosen by that member of the public.

The relationship between this interpretation provision and s.3(1)(f), as well as the types of acts covered by both provisions are discussed below in the context of the *Entertainment Software Association v SOCAN* case of 2012 and 2022.

Section 3(1.1) of the Act also specifies that a work that is communicated in the manner described in paragraph (1)(f) is fixed even if it is fixed simultaneously with its communication. This provision overrules the position of the court in *Canadian Admiral Corp*. The court held that broadcasting *per se* does not “fix” a work in a tangible medium that is capable of protection. Section 3(1.1) states otherwise and therefore, as long as it the signal is recorded at the same time as it is communicated by telecommunication, that is sufficient to consider the telecommunication “fixed”.

Canadian Admiral Corp v Rediffusion Inc., [1954] 20 CPR

In the 1950s, Canadian Admiral Corp acquired the exclusive right to broadcast or “telecast” the games of the Montreal Alouettes. Canadian Admiral then reached an agreement with the CBC to broadcast those games on television. Given the technology at the time, this required CBC to use a production van parked outside of the sports venue to direct cameras inside of the venue and interpret the signal from the cameras. Rediffusion was able to intercept this signal and redirect or “rediffuse” it to its subscribers who had boxes in their homes that could receive this signal. It also screened the telecast in its sales office.

For the court, the issue was whether Rediffusion infringed the public performance rights of Canadian Admiral Corp as the exclusive rightsholder. This required an inquiry into the nature and meaning of “public performance”.

On the issue of performance, the court found that it was clear that this telecast signal was indeed a performance. It caused the work to be represented acoustically and visually and therefore met this test. The larger inquiry was on the meaning of “public”. For this, the court was unequivocal in that the

determination of “public” requires an inquiry into the “character of the audience”. The court found that a performance is “public” where it can be heard by members of the public as opposed to members of a domestic or quasi-domestic group. In sharing the telecast to private homes through its subscription service, the court found that Rediffusion’s performance of the telecast was not necessarily “public”, though its display of it in its public sales office was. This distinction is important and shows that despite there being a large number of cumulative “private” performances in these homes, they do not amount to a “public” performance. With the public sales office being frequented potentially by anyone, the court did find that this display constituted a public performance.

‘Public’

Much of the jurisprudence that has focused on the right of communication to the public by telecommunication has focused on what exactly is meant by “public”, and what is meant by “communicate” and “telecommunication”. Not surprisingly, given technological advances over the past few decades, these analyses have required frequent revisiting that has not always been entirely clear or linear.

One key distinction between the performance right and the right of communication to the public by telecommunication is their respective conceptualizations of ‘public’. Somewhat confusingly, the ‘public’ envisioned by each right is not quite the same thing. As it relates to the public performance right, *Canadian Admiral Corp* shows us that ‘public’ relates to a physical public – that is, an audience that can physically be exposed to the work or performance through direct perceptual means (e.g., auditory, visual). Remember that in that decision, the display of the telecast sports game in the public sales office on televisions is what amounted to a ‘public performance’ rather than the signal sent to private homes.

The communication to the public by telecommunication addresses a conceptually different ‘public’, primarily because that public is ‘remote’ from the person making the performance. Rather than an actual or physical public display of a performance, the communication to the public by telecommunication looks to a *theoretical* public. The Act provides further clarity that individuals in separate apartments, hotel rooms or similar places are indeed part of the “public” in relation to the communication to the public by telecommunication. Notably, section 2.4(1)(a) provides:

“For the purposes of communication to the public by telecommunication,
(a) persons who occupy apartments, hotel rooms or dwelling units situated in the same building are part of the public, and a communication intended to be received exclusively by such persons is a communication to the public...”

The legal question in such cases invariably coalesces around which types of performances can be considered to be ‘public’. The general approach of the courts has been to focus on the *potential* audience rather than the actual audience. In determining which performances are ‘public’, therefore, the correct approach is to consider the scope and breadth of who might be able to freely witness or engage in the performance, even if it does not seem to be a necessarily public place. ‘Public’ can include individualised streaming in relatively private places such as hotel rooms and apartment buildings.

The distinction between a public and private performance as articulated in *Canadian Admiral Corp* is sometimes difficult to discern in practice. Student societies frequently screen films or documentaries to raise awareness about

legal, moral or community issues. In such cases, determining whether these groups are “public” can be tricky. Consider the following case study:

Case Study: Student Screenings of Films

In early 2019, the Environmental Law Students’ Society (“ELSS”) at Schulich sought to screen a documentary film entitled *Freightened: The Real Price of Shipping*. It focuses on the human and environmental impacts of the way much of the world’s goods and commodities are transported.

The ELSS sent out an email to its members in late January 2019 encouraging all interested students to attend the screening in Room W104 on February 20, 2019. On the evening of the screening, a student member of the ELSS obtained access to a streaming version of the film through his Netflix account and connected to the A/V system in room W104 through an HDMI cable. Due to inclement winter weather, only 5 students attended the event to watch the film, each of whom are executive members of the ELSS.

Has the ELSS infringed the documentary copyright owner’s public performance rights?

‘Telecommunication’

The use of the word ‘telecommunication’ is meant to be technology neutral. The Act defines it as:

“...any transmission of signs, signals, writing, images or sounds or intelligence of any nature by wire, radio, visual, optical or other electromagnetic system”

Transmissions covered by the term include things like broadcasting television or radio, as well as transmission of data or signals over the internet. It is a fairly broad and comprehensive concept and is extremely relevant to copyright in modern times. Many works today are not ‘copied’ or duplicated in a traditional sense, but shared through streams or other means that do not require that distinct copies be made. In purely economic terms, it could be argued that communication to the public by telecommunication forms the core of modern copyright.

SOCAN v Canadian Association of Internet Providers, 2004 SCC 45

SOCAN (collecting society) sought to collect royalties for works communicated over the internet. The Association of Internet Services Providers (“CAIP”) argued that they should be exempt from liability because they are merely intermediaries. They do not actually *communicate* the works being shared online. Nevertheless, internet service providers store cached files on their own servers so that users can more quickly access materials on the internet. This volumes of content often include works under SOCAN’s purview. This practice of cache-ing works brought into question whether internet service providers were ‘communicating’ the materials over the internet. The court, the issue boiled down to how ‘communicate’ should be interpreted in relation to hosting content on the internet.

The Supreme Court of Canada found that hosting content online indeed constitutes ‘telecommunication’ within

the meaning of the Act. It found that copyrighted content sent within and receive from outside of Canada are both actionable infringements of the C2P right, so long as there is a 'real and substantial connection' to Canada.

The courts have taken a broad approach to what constitutes 'telecommunication' and this includes sharing or hosting something on the internet. Overall, internet service providers are able to avail themselves of safeguard against being held liable for storing or caching infringing materials under certain conditions. Though the Supreme Court of Canada in *SOCAN v CAIP* found that cached content constitutes 'telecommunication', there is nevertheless an exception for intermediaries now at section 2.4(1)(b) of the Act. This provision states:

"a person whose **only act** in respect of the communication of a work or other subject-matter to the public **consists of providing the means of telecommunication necessary** for another person to so communicate the work or other subject-matter does not communicate that work or other subject-matter to the public..."

Effectively, section 2.4(1)(b) tells us that intermediaries are not liable for merely providing the means of communication. Nevertheless, the distinction that gave rise to the litigation in *SOCAN v CAIP* was the degree to which cached content, in addition to merely providing the means of communication, could rise to the level of 'telecommunication'. Therefore, while internet service providers do not carry liability for the content that is communicated through their networks or systems, they may be liable for storing or caching content so as to make it easier for its users to obtain. This depends on a number of factors in relation to how and what is being cached.

The ESA Cases

In 2012 and 2022, the Supreme Court addressed the nature of acts of exploitation of works on the internet in two related cases. Both cases concerned the internet download of video games incorporating musical works. In 2012, the Supreme Court was asked to consider whether such download constitutes a single act of reproduction or of communication to the public by telecommunication, or both. A decade later, the Supreme Court was asked to decide whether the right of communication to the public encompassed the right of making available to the public. In other words, must a license be obtained only with respect one right or two rights, giving rise to separate royalty payments? How do the two rights relate to each other? As explained below, in both decisions the Court concluded that only one license fee was owed to the rights owner.

Case # 1: *ESA v SOCAN*, 2012 SCC 34

Abella J.

[1] In the video game publishing industry, the royalties for the reproduction of any musical works which are incorporated into the games are currently negotiated before the games are packaged for public sale. Once these rights have been negotiated, the owner of the copyright in the musical work has no further rights when the game is sold. The question in this appeal is whether the rights are nonetheless revived when the work is sold over the Internet instead of in a store. In our view, it makes little sense to distinguish between the two methods of selling the same work.

[2] The Copyright Board concluded that video games containing a musical work, the royalties to which have

already been negotiated with the copyright owner, were nonetheless subject to a new fee when sold over the Internet ((2007), 61 C.P.R. (4th) 353). Its decision was upheld by the Federal Court of Appeal (2010 FCA 221, 406 N.R. 288). In our respectful view, the Board's decision misconstrues the provisions at issue in the *Copyright Act*, R.S.C. 1985, c. C-42, ignoring decades of legislative history, and violates the principle of technological neutrality, which requires that the Act apply equally notwithstanding the technological diversity of different forms of media.

(...)

[37] Even though *Bishop* interpreted the pre-1988 version of the *Copyright Act* (before the “telecommunication” amendment [and before the ‘ephemeral recording exception’ amendment in s.30.8 CA]), the distinction between performance-based and reproduction-based rights established in s. 3(1) is evidenced in the provisions of the current Act. For example, in s. 2.2(1), the term “publication” *includes* “making copies”, but expressly *excludes* “the performance in public, or the communication to the public by telecommunication” of a work. Similarly, the educational institutions exception in s. 29.4(2) refers to the right to “reproduce” and the right to “communicate by telecommunication to the public” as distinct rights. The same is true of s. 15(1), which categorizes neighbouring rights under the Act into two categories: the right to “communicate” and “perform” a performance, and the right to “reproduce” a fixation of the performance.

[38] The distinction between performance and communication rights on the one hand and reproduction rights on the other is also evident in the collective administration of copyright tariffs under the *Copyright Act*. In 1993, SOCAN – a performing rights society – was put in charge of administering the communication right in s. 3(1)(f) in relation to musical works. These provisions are contained in a section of the Act entitled “Collective Administration of Performing Rights and of Communication Rights”: ss. 67 to 68.2 (S.C. 1997, c. 24, s. 45). Even the Copyright Board itself categorizes its decisions relating to musical works into two categories: “Public Performance of Music” and “Reproduction of Musical Works”: <http://www.cb-cda.gc.ca/decisions/index-e.html>.

[39] Therefore, the term “communicate” in s. 3(1)(f), which has historically been linked to the right to perform, should not be transformed by the use of the word “telecommunication” in a way that would capture activities akin to reproduction. Such transformation would result in abandoning the traditional distinction in the Act between performance-based rights and rights of reproduction. There is no evidence either in 1988 or in subsequent amendments to the Act that Parliament intended such abandonment.

[40] SOCAN submits that the distinction between reproduction and performance rights in *Bishop* actually supports its view that downloading a musical work over the Internet can attract two tariffs. Since reproduction and performance-based rights are two separate, independent rights, copyright owners should be entitled to a separate fee under each right. This is based on the Court's reliance in *Bishop*, at p. 477, on a quote from *Ash v. Hutchinson & Co. (Publishers), Ltd.*, [1936] 2 All E.R. 1496 (C.A.), at p. 1507, *per* Greene L.J.:

Under the Copyright Act, 1911 [on which the Canadian Act was based], . . . the rights of the owner of copyright are set out. A number of acts are specified, the sole right to do which is conferred on the owner of the copyright. The right to do each of these acts is, in my judgment, a separate statutory right, and anyone who without the consent of the owner of the copyright does any of these acts commits a tort; if he does two of them, he commits two torts, and so on. [Emphasis added.]

[41] In our view, the Court in *Bishop* merely used this quote to emphasize that the rights enumerated in s. 3(1) are distinct. ***Bishop* does not stand for the proposition that a single activity (i.e., a download) can violate two separate rights at the same time.** This is clear from the quote in *Ash v. Hutchinson*, which refers to “two acts”. In *Bishop*, for example, there were two activities: 1) the making of an ephemeral copy of the musical work

in order to effect a broadcast, and 2) the actual broadcast of the work itself. In this case, however, there is only one activity at issue: downloading a copy of a video game containing musical works.

[42] **Nor is the communication right in s. 3(1)(f) a *sui generis* right in addition to the general rights described in s. 3(1).** The introductory paragraph defines what constitutes “copyright”. It states that copyright “means” the sole right to produce or reproduce a work in any material form, to perform a work in public, or to publish an unpublished work. This definition of “copyright” is exhaustive, as the term “means” confines its scope. The paragraph concludes by stating that copyright “includes” several other rights, set out in subsections (a) through (i). As a result, the rights in the introductory paragraph provide the basic structure of copyright. The enumerated rights listed in the subsequent subparagraphs are simply illustrative: Sunny Handa, *Copyright Law in Canada* (2002), at p. 195; see also *Apple Computer Inc. v. Mackintosh Computers Ltd.*, 1986 CanLII 6820 (FC), [1987] 1 F.C. 173 (T.D.), at p. 197. The rental rights in s. 3(1)(i) referred to by Justice Rothstein, for example, can fit comfortably into the general category of reproduction rights.

[43] In our view, therefore, the Board’s conclusion that the Internet delivery of a permanent copy of a video game containing musical works amounted to a “communication” under s. 3(1)(f) should be set aside.

SOCAN filed for the Copyright Board’s approval of a tariff for the download and streaming of music in video games. The main question at issue was whether s.2.4(1.1) creates an independent right, for which a tariff can be levied, or if the right of making available is included in the right of communication to the public by telecommunication. Like in the previous case, the Copyright Board’s decision was subject to judicial review, all the way up to the Supreme Court.

Case # 2: SOCAN v. ESA, 2022 SCC 30

Rowe J.

[1] Does the *Copyright Act* require that users pay two royalties to access works online, even though accessing the same work offline requires paying only one royalty?

[2] The answer to this question depends on the correct interpretation of s. 2.4(1.1) of the *Copyright Act*. Section 2.4 (1.1) modifies the definition of s. 3(1)(f) by holding a work is *communicated* to the public as soon as it is made available in a way “that allows a member of the public to have access to it from a place and at a time individually chosen by that member of the public”. The Copyright Board of Canada concluded that s. 2.4(1.1) deems the act of making works available to be a separately protected and compensable activity. In practical terms, this meant that users needed to pay two royalties to access works online – a royalty for “making works available” and an additional royalty when the work was actually downloaded or streamed. The Board reasoned that this was the only interpretation that would fulfill Canada’s obligations under art. 8 of the 1996 WIPO *Copyright Treaty*, Can. T.S. 2014 No. 20, which requires that member countries give authors the exclusive right to control the act of making works available.

(...)

[50] The Board concluded that s. 2.4(1.1) deems making a work available to be a “communication” under s. 3(1)(f), regardless of whether any subsequent transmission occurs and regardless of whether a subsequent transmission is a download or a stream. Therefore, the Board reasoned, as soon as a work is made available online, s. 3(1)(f) is triggered and a royalty is payable. If the work is later downloaded or streamed, another royalty is payable. This

interpretation means that distributing works online requires paying two royalties – one when the work is made available and another when the work is downloaded or streamed.

[51] I am not persuaded that this is the proper reading of s. 2.4(1.1). While this interpretation is one means to fulfill Canada's obligations under art. 8, it is inconsistent with the text, structure and purpose of the *Copyright Act*. Further, art. 8 does not require this interpretation. If s. 2.4(1.1) is read as clarifying two things – (1) that s. 3(1)(f) applies to on-demand streams and (2) a work is performed as soon as it is made available for streaming – then Canada would also fulfill its obligations under art. 8. Either interpretation would fulfill Canada's obligations under art. 8, but the latter interpretation is more consistent with the text, structure and purpose of the *Copyright Act*. For that reason, it is the latter interpretation, not the one adopted by the Board, that should be given effect.

[52] My analysis in this section will proceed in five parts. I will explain why the Board's interpretation (1) is inconsistent with s. 2.4(1.1)'s text and structure; (2) undermines the purpose of the *Copyright Act*; and (3) is not required by art. 8. I will then (4) offer my own interpretation of s. 2.4(1.1) and (5) explain why this interpretation allows Canada to fulfill its obligations under art. 8 through a combination of the performance, reproduction, and authorization rights in s. 3(1).

(1) Text and Structure

[53] To understand the text of s. 2.4(1.1), one must understand the basic scheme of the *Copyright Act*.

[54] The opening paragraph of s. 3(1) of the *Copyright Act* exhaustively sets out three copyright interests that authors have in their works: the right to (1) produce or reproduce a work in any material form; (2) perform a work in public; or (3) publish an unpublished work. Section 3(1)(a) to (j) is "illustrative" of these three broad copyrights: ESA, at para. 42. For example, s. 3(1)(f), which gives authors the right to "communicate the work to the public by telecommunication", illustrates an activity that falls within the broader right to perform a work in public. It is not a standalone or *sui generis* copyright in addition to the general rights described in s. 3(1): ESA, at paras. 25-27 and 42.

[55] The rights enumerated in s. 3(1) are distinct. A single activity can only engage one of the three copyright interests. When a song is downloaded, for example, only the author's reproduction right is engaged. Similarly, when a work is streamed, only the author's performance right is engaged: ESA, at para. 41. Authors are entitled to royalties for use of their works when an activity engages one of the copyright interests in s. 3(1).

[56] To determine which copyright interest is engaged by an activity, one must examine what that activity does to the copyrighted work. A performance is impermanent – "[w]hen it is over, only the memory remains": *Bishop v. Stevens*, 1990 CanLII 75 (SCC), [1990] 2 S.C.R. 467, at p. 479. Performances also allow authors to retain more control over their works than reproductions, as performed works can be withdrawn from the user after the performance is over. Accordingly, when an activity allows a user to experience a work for a limited period of time, the author's performance right is engaged. A reproduction, by contrast, gives a user a durable copy of a work. Authors lose significantly more control over their works when they are reproduced. Once reproduced, authors cannot limit when, how, or the number of times a user experiences the work. Accordingly, activities that give users a durable copy of a work engage the author's reproduction right.

[57] An activity that does not engage one of the three copyright interests in s. 3(1) or the author's moral rights is not a protected or compensable activity under the *Copyright Act*. In *Théberge*, for example, this Court held that authors could not prevent users from re-fixing their works on other canvasses because that activity did not engage the author's reproduction, performance, or first publication rights. Even though altering the work in this manner was undoubtedly an "activity" in a physical sense, it was not a protected or compensable activity because there is no right of "fixation" in s. 3(1) of the Act.

[58] The Board's interpretation of s. 2.4(1.1) is inconsistent with the text of s. 2.4(1.1) and the scheme of the Copyright Act. In *ESA* and *Rogers*, this Court explained that, **since downloads and streams were single protected activities, authors could charge one royalty when users access works as downloads or streams – a reproduction royalty for downloads or a performance royalty for streams.** The Board's interpretation is entirely inconsistent with the holdings in *ESA* and *Rogers*. It would allow authors to charge two royalties for a single protected activity. If a work is downloaded, a user would pay (1) a performance royalty for making the work available and (2) a reproduction royalty for the download. If a work is streamed, a user would pay two performance royalties: (1) a performance royalty for making the work available and (2) another performance royalty for the stream.

[59] There is nothing in the text of s. 2.4(1.1) to indicate that this was Parliament's intent. **Section 2.4(1.1) is located in the "Interpretation" Division of the Act. It modifies the scope of an author's performance right by modifying the definition of s. 3(1)(f).** Since a download is a single protected activity that never engages s. 3(1)(f), I fail to see how modifying the definition of s. 3(1)(f) transforms downloads into two separately compensable activities. Similarly, I do not see how s. 2.4(1.1) transforms a single activity like streaming into two separately compensable performances. While I accept that the act of 'making a work available' is a separate *physical* activity from the act of a user downloading or streaming a work, it does not follow that it is a *separately compensable* activity. Had Parliament intended to treat the act of making available as a new separately compensable activity, the way to do so would have been to add "making available" as a fourth copyright interest in the opening paragraph of s. 3(1), rather than as a modification to the scope of s. 3(1)(f).

[60] I do not accept SOCAN's argument that this case is similar to *CBC*. In *CBC*, this Court found that the CBC had to pay separate reproduction royalties each time it made synchronization and broadcast incidental copies of a work. Two reproduction royalties were appropriate in that case because there were two protected activities in issue: (1) synchronization copying and (2) broadcast incidental copying. Since each activity created a separate durable copy of the work, each activity was protected and engaged the author's reproduction interest: *Théberge*. But in this case, like in *ESA* and *Rogers*, there is only one protected activity in issue: either a download or a stream.

[61] For these reasons, I find no textual support for the Board's interpretation of s. 2.4(1.1).

(2) Purpose of the Copyright Act

[62] The Board's interpretation of s. 2.4(1.1) also undermines the purpose of the Copyright Act because it violates the principle of technological neutrality.

[63] The principle of technological neutrality holds that, absent parliamentary intent to the contrary, the Copyright Act should not be interpreted in a way that either favours or discriminates against any form of technology. Distributing functionally equivalent works through old or new technology should engage the same copyright interests. For example, purchasing an album online should engage the same copyright interests, and attract the same quantum of royalties, as purchasing an album in a bricks-and-mortar store since these methods of purchasing the copyrighted works are functionally equivalent. What matters is *what* the user receives, not *how* the user receives. In its summary to the CMA, which precedes the preamble, Parliament signalled its support for technological neutrality, by stating that the amendments were intended to "ensure that [the Copyright Act] remains technologically neutral".

[64] The Board's interpretation of s. 2.4(1.1) violates the principle of technological neutrality because it requires that users pay additional royalties to access works online. To illustrate, consider a retailer that allows customers to purchase a digital or physical copy of an album. Regardless of whether the work is sold digitally or physically, the author's reproduction interest in s. 3(1) is engaged because the user receives a durable copy of the work.

The author is therefore entitled to a reproduction royalty. But under the Board's interpretation of s. 2.4(1.1), purchasing the album online would entitle the author to an additional royalty – a performance royalty for making the work available for online purchase. Similarly, streaming the album online would require paying a “making available performance” royalty and a “streaming performance” royalty. But playing that same album on the radio would only require paying one performance royalty. Requiring that users pay additional royalties based solely on the mode of the work's distribution violates the principle of technological neutrality.

[67] Copyright law does not exist solely for the benefit of authors. Its overarching purpose is to balance users' and authors' rights. It does this by securing just rewards for authors while facilitating “public access to and dissemination of artistic and intellectual works, which enrich society and often provide users with the tools and inspiration to generate works of their own”

[69] Like fair dealing and the idea/expression dichotomy, the principle of technological neutrality is a tool for balancing users' and authors' rights. It ensures that authors retain the same rights over their works regardless of the technological means used to distribute those works. If the *Copyright Act* entitles authors to receive a certain royalty when their work is reproduced or performed offline, technological neutrality preserves an author's right to receive that same royalty when their work is reproduced or performed online. As a corollary, it also protects users by preventing authors from extracting more royalties merely because their work is reproduced or performed online. (...)

[70] With this context in mind, I am not persuaded that, in adopting s. 2.4(1.1), Parliament intended to derogate from the principle of technological neutrality. The principle of technological neutrality is designed to operate precisely in situations like the present case, where a novel technology emerges that has no clear traditional equivalent. In those circumstances, courts must look at what that new technology does to the substance of the work by examining which, if any, of the copyright interests in s. 3(1) are engaged by this new method of distributing a work. If that new technology gives users durable copies of a work, the author's reproduction right is engaged. If the new technology gives users impermanent access to the work, the author's performance right is engaged. What matters is *what* the user receives, not *how* the user receives it.

[73] Since there is no persuasive basis for concluding that Parliament intended to derogate from the principle of technological neutrality, s. 2.4(1.1) should be interpreted in a way that is technologically neutral: reproducing or performing a work online or offline should engage the same copyright interests and require the same royalties.

(3) Section 2.4(1.1)'s Statutory Context: Article 8 [WCT]

[74] The Board did not err when it concluded that art. 8 requires that member countries give authors the right to control the act of making works available, in addition to any download or stream that might later occur. Authors should have recourse against individuals who upload their works online in a way that makes them available for downloading or streaming, even if the work is never actually downloaded or streamed.

[75] But I part company with the Board in its conclusion that this obligation requires imposing additional royalties on downloaded or streamed content. The *WIPO Copyright Treaty* does not demand that member countries create a new compensable “making available right” to satisfy art. 8. Member countries simply need to ensure that authors can control the physical act of making their works available. This control can be provided through any combination of rights. Accordingly, while I agree that the act of “making a work available” is a separate physical activity from a download or stream, I disagree with the view that the act of “making a work available” gives rise to distinct communications to the public (i.e., distinct performances). The making available of a stream and a stream are both protected as a single communication to the public, while the making available of a download is protected as an authorization to reproduce, and the download is protected as a reproduction.

[77] Article 8 has two goals: (1) clarify that on-demand transmissions are captured by the right to communicate works to the public; and (2) ensure that authors can control the act of making their works available online.

[88] To recap, art. 8 obliges member countries to do two things: (1) protect on-demand transmissions and (2) give authors the right to control when and how their work is made available for downloading or streaming. It does not, however, tell member countries how to give effect to these obligations. To accommodate different legal traditions and different drafting techniques among member countries, the *WIPO Copyright Treaty* adopted an “umbrella solution”: each state could decide how to fulfill its art. 8 obligations. Member countries could provide for art. 8 protections through “an explicit making available right or provide effective coverage of the right through a combination of pre-existing rights”.

[90] In sum, the umbrella solution gave “relative freedom [to] national legislators in choosing the right of distribution, the right of communication to the public, the combination of these rights, or a new right, to fulfil obligations under Article 8”. Accordingly, provided that the *Copyright Act* gives effect to art. 8’s goals through any combination of rights, Canada will be in compliance with its obligations under art. 8.

[99] Section 2.4(1.1) ensures that on-demand streams receive similar treatment. Section 2.4(1.1) makes it clear that a work is performed as soon as it is made available to the public for on-demand streaming because, at that point, users are given the opportunity to temporarily experience the work. Once a work is made available for on-demand streaming, all users have to do is tune in to the stream to experience the work. This is the digital equivalent of flipping to a 24/7 television channel that is continuously playing – that is performing – a particular work.

[100] This interpretation does not require treating the act of making the work available as a separate performance from the work’s subsequent transmission as a stream. The work is performed as soon as it is made available for on-demand streaming. At this point, a royalty is payable. If a user later experiences this performance by streaming the work, they are experiencing an already ongoing performance, not starting a new one. No separate royalty is payable at that point. The “act of ‘communication to the public’ in the form of ‘making available’ is completed by merely making a work available for on-demand transmission. If then the work is actually transmitted in that way, it does not mean that two acts are carried out: ‘making available’ and ‘communication to the public’. The entire act thus carried out will be regarded as communication to the public”. In other words, the making available of a stream and a stream by a user are both protected as a single performance – a single communication to the public.

[101] With this interpretation in mind, I conclude that the *Copyright Act* gives effect to Canada’s obligations under art. 8 through a combination of the performance, reproduction, and authorization rights in s. 3(1) [see ‘Right of Authorization’ below].

In both *ESA* decisions, the Supreme Court reiterated the two fundamental principles that underly the Canadian copyright regime: 1) that copyright law’s purpose is to balance users’ and authors’ rights; and 2) that copyright law must comply with the principle of ‘technological neutrality’. The provisions of the Act must be interpreted to give effect to these principles. Any interpretation that would allow rights owners to obtain double royalties on a single act of a user would contravene the balance principle, while any interpretation that would make a distinction between the offline and online mode of delivery of a work would impinge on the technological neutrality principle.

Right of Distribution

Section 3(1)(j) gives the copyright owner the exclusive right to decide whether to put physical copies of a work on the market. Publishing contracts in Canada have undoubtedly provided for the distribution of tangible works for quite a

long time. Nevertheless, the right of distribution was finally recognised in the Copyright Act only through the *Copyright Modernization Act* of 2012.

“...copyright, in relation to a work...includes the sole right....

[...]

(j) in the case of a work that is in the form of a **tangible object**, to **sell or otherwise transfer ownership** of the tangible object, as long as that **ownership has never previously been transferred in or outside Canada with the authorization of the copyright owner.**”

The codification of the right brought clarification regarding the scope of the right under Canadian law to everyone's benefit. Three elements make up the right of distribution:

The right applies only with respect to **tangible objects**, like books, CDs, or DVDs; this means that works that are merely performed or communicated to the public by telecommunication do not fall within the scope of this provision; likewise, works that are solely available in digital form, such as e-books or mp3 songs, probably do not qualify as 'tangible', although this would need confirmation by the courts;

The right gets triggered through the **sale or other transfer of ownership** of the tangible object; this means that the rental (see ss. 3(1)(h) and (i)) of a computer program, sound recording or any other work would not give rise to the application of the right of distribution; a donation or a gift, on the other hand, would;

The **right no longer applies** after **the first sale in Canada or anywhere else in the world with the consent of the rights owner**; this means that, pursuant to this right, rights owners can receive royalties on the sale of books, CDs or DVDs in Canada; however, once a physical copy of the work is sold in Canada or anywhere in the world, the rights owner may not oppose the further sale of that copy.

The last element of the distribution right is known as the 'first sale doctrine' or 'exhaustion doctrine'. The 2012 amendment clarifies that Canada applies an **international** exhaustion, e.g. the sale of a tangible copy in Canada or in any other country suffices to exhaust the right in Canada. As a result, a rights owner is not legally entitled able to stop the importation into Canada of tangible copies lawfully marketed in the United States, the UK, France or on any foreign territory. Consumers benefit from an international exhaustion, because they get better prices from lawfully imported cheaper products. The application of this doctrine is at the root of any 'used' book or CD store.

The determinant factor in the application of the international exhaustion principle is whether the goods were put on the Canadian or foreign market **with the consent of the rights owner**. As you will see, the two examples set out below are rather straightforward. The situation is more complex in the case of multiple party, territorially-bound, exclusive licensing arrangements. It is sometimes difficult to tell whether a licensee acts with the consent of the licensor. Going back to the discussion on the relationship between the rights laid down in the introductory paragraph of s.3(1) and the rights listed in ss. 3(1)(a)–(j) of the Act, one argument in favour of the independence of all the rights is observe that the exhaustion of the right of distribution in no way affects the right of reproduction, of public performance or of communication to the public by telecommunication. For example, buying a book at used bookstore does not entitle the purchaser to make a photocopy of the work or to recite it in public, unless such acts qualify as fair dealing or fall within the scope of an exception (see section G. Fair Dealing and Other Exceptions).

Right of Authorization

The right of authorization is rarely described as a distinct right under the Act, but rather an extension of the explicit set of rights that are enumerated in the Act. The statutory basis for this right is found in the text of section 3(1) itself.

This last part of the provision “to authorize any such acts” effectively creates for an additional right that sets on top of the others. This bit of language affirms that only the copyright owner can authorize others to engage in the activities

enumerated in section 3. While not an entirely distinct right in an economic sense, the right of authorization relates closely to the concept of indirect infringement. The Supreme Court of Canada commented on the nature and scope of the right of authorization in *CCH v Law Society of Upper Canada*, described further below:

CCH Canadian Ltd. v Law Society of Upper Canada, 2004 SCC 13

CCH is one of the leading cases on Canadian copyright law. It has been widely cited as one of the Supreme Court of Canada's most extensive decisions addressing the purpose and role of copyright law.

The dispute arose from the Law Society of Upper Canada's self-service photocopy machines in the Great Library at Osgoode Hall. The Library also made photocopies of *CCH*'s law reports for library members upon request. These actions brought about a claim for infringement on behalf of *CCH*.



Photograph of the Great Library as Osgoode Hall by Mike Nowak, licensed under CC-BY-SA 4.0.

[38] “Authorize” means to “sanction, approve and countenance”: *Muzak Corp. v. Composers, Authors and Publishers Association of Canada, Ltd.*, 1953 CanLII 47 (SCC), [1953] 2 S.C.R. 182, at p. 193; *De Tervagne v. Belœil (Town)*, 1993 CanLII 2960 (FC), [1993] 3 F.C. 227 (T.D.). Countenance in the context of authorizing copyright infringement must be understood in its strongest dictionary meaning, namely, “[g]ive approval to; sanction, permit; favour, encourage”: see *The New Shorter Oxford English Dictionary* (1993), vol. 1, at p. 526. Authorization is a question of fact that depends on the circumstances of each particular case and can be

inferred from acts that are less than direct and positive, including a sufficient degree of indifference: *CBS Inc. v. Ames Records & Tapes Ltd.*, [1981] 2 All E.R. 812 (Ch. D.), at pp. 823-24. However, a person does not authorize infringement by authorizing the mere use of equipment that could be used to infringe copyright. Courts should presume that a person who authorizes an activity does so only so far as it is in accordance with the law: *Muzak*, *supra*. This presumption may be rebutted if it is shown that a certain relationship or degree of control existed between the alleged authorizer and the persons who committed the copyright infringement

Among many issues for consideration, the Supreme Court of Canada opined on the extent to which the Law Society of Upper Canada authorized copyright infringement by offering the photocopy machines. In finding that this did not amount to authorization, the Supreme Court of Canada held that authorization requires more than merely offering services or technology that may have a “dual use” (i.e., both potentially infringing uses and non-infringing uses). The Court also held that a person who authorises activities should be presumed to do so only to the extent that the law allows.

The Court in *CCH* added a policy-driven caveat to the notion of “authorization”. It must be more than merely providing the means for infringement and instead have some degree or participation, collusion or knowledge. Nevertheless, it is not entirely clear whether it is necessary for actual infringement to take place in order for the right of authorization to

be infringed. Overall, the right of authorization provides right holders with the right to authorize others to carry out the economic rights listed in section 3. Through the exercise of this authorization right, rightsholders can take advantage of many aspects of copyright protection.

SOCAN v. ESA, 2022 SCC 30

[See above for the first part of the decision]

[101] With this interpretation in mind, I conclude that the *Copyright Act* gives effect to Canada’s obligations under art. 8 [WCT] through a combination of the performance, reproduction, and authorization rights in s. 3(1).

[102] If works are streamed or made available for streaming, the author’s performance right as illustrated by s. 3(1)(f) is engaged. A user cannot stream a work or make a work available for on-demand streaming without engaging the author’s performance right in s. 3(1).

[103] However, since downloads do not engage s. 3(1)(f) or the author’s performance rights, the *Copyright Act* protects downloads through a different set of rights: the reproduction and authorization rights. If a work is downloaded, the author’s reproduction right is engaged; if the work is made available for downloading, the author’s right to authorize reproductions is engaged. To understand this point, it is necessary to understand the right to authorize reproductions or performances of a work in s. 3(1).

[104] “It is an infringement of copyright for any person to do, without the consent of the copyright owner, anything that by this Act only the owner of the copyright has the right to do”: s. 27(1). This includes the right to “authorize” a reproduction or performance: s. 3(1). To “authorize” means to sanction, approve and countenance. Whether a reproduction or performance has been authorized is a question of fact and can be “inferred from acts that are less than direct and positive, including a sufficient degree of indifference”.

[105] Authorization is a distinct right granted to copyright owners. A user who unlawfully authorizes a reproduction or a performance of a work may be held liable for infringement of that right, regardless of whether the work is ultimately reproduced or performed.

[106] If an individual makes a work available for downloading, that person implicitly authorizes the work’s reproduction. As the Copyright Board recognized in *SOCAN Statement of Royalties, Public Performance of Musical Works 1996, 1997, 1998 (Tariff 22, Internet) (Re)* (1999), 1 C.P.R. (4th) 417,

“[a]uthorization” constitutes a separate protected use under the Act. To authorize is to sanction, approve and countenance. The person who makes a musical work available on an Internet-accessible site authorizes its communication. The work is posted for the sole purpose of being communicated and with full knowledge and intention that such a communication would occur. The person who makes the work available does more than merely provide the means to communicate the work; he/she either controls or purports to control the right to communicate it.

...

Moreover, it is the act of posting that constitutes authorization. By doing so, a person invites anyone with Internet access to have the work communicated to them. [Footnotes omitted; pp. 455-57.]

[107] While the above passage refers to communications, the Board’s comments are similarly applicable to reproductions. If a person makes a work available for downloading without authorization, that person infringes the copyright owner’s right to authorize reproductions. That is so regardless of whether the works are ultimately downloaded.

[108] Together, the performance, reproduction, and authorization rights in s. 3(1) of the *Copyright Act* give effect to Canada's obligations under art. 8 and they do so in a technologically neutral manner. If a work is streamed or made available for on-demand streaming, the author's performance right is engaged. If a work is downloaded, the author's reproduction right is engaged. If a work is made available for downloading, the author's right to authorize reproductions is engaged. There are no gaps in protection.

2. Rights in Relation to Other Subject Matter (Part II of the Act)

As mentioned in section B. of this chapter, the existence of related rights (e.g., performer's performances, sound recordings and communications signals) is dependent on the existence of a work of authorship that is capable of independent protection. The subordinate character of related rights is a remnant of the Rome Convention, and is nowhere more evident than in s.90 of the *Copyright Act*, which states that 'no provision of this Act relating to copyright in performer's performances, sound recordings or communication signals, or the right of performers or makers to remuneration shall be construed as prejudicing any rights conferred by Part I or, in and of itself, as prejudicing the amount of royalties that the Copyright Board may fix in respect of those rights.' In the case of a sound recording of a musical performance, it is important to distinguish between the rights held by the maker of a sound recording, and the rights held by the musicians and/or performers, apart from the rights of the author(s) of the musical work. **All (layers of) rights can potentially subsist on one object simultaneously**, and be owned by different persons, unless these rights are transferred to one person or entity.

Performer's Performances

The notion that performers should have some protection over recordings of their performances dates back to when technology first allowed them to be recorded. As mentioned, this protection is distinct from the copyright protection in the work being performed, but rather in the performance as its own subject matter. In other words, the work being performed could have entered the public domain or not be capable of protection (e.g., not fixed) and the performer's performance rights are nevertheless still valid. The mechanics of protection for performer's performances are set out in greater detail at sections 15(1) – (4) of the Act. Generally speaking however, performers' rights under Part II of the Act are couched in much narrower terms than the rights conferred in relation to works of authorship.



One of the most essential rights granted to performers is to prohibit the unauthorized making, performing and communicating in public of **bootleg copies** of their performances, even if the performances are not fixed on a tangible medium. This explains the longstanding practice at concerts and other live events of prohibiting any audio or video recording of the performance taking place.

Performers also have the right to make reproductions of the fixation of their performances. Note the difference in language between s.3(1) introductory paragraph and s.15(1)(b): the latter provision only covers the **exact copy of the fixation of the performance**. It does not extend to the reproduction of a substantial part of the performance in any manner or form whatsoever, contrary to what authors of works enjoy. In other words, the performer cannot stop anyone from making an imitation of their performance or any other adaptation of the performance.

Rights	Canadian performer/ performance in Canada	Rome country performer/ performance in Rome country	WPPT count performance
Communicate to the public unfixed performance (s.15(1)(a)(i) / s.15(1.1)(a)(i))	✓	✓	
Publicly perform unfixed performance (s.15(1)(a)(ii) / s.15(1.1)(a)(ii))	✓	✓	
Fix unfixed performance (s.15(1)(a)(iii) / s.15(1.1)(a)(iii))	✓	✓	
Reproduce any unauthorized fixation (s.15(1)(b)(i))	✓	✓	
Reproduce fixation for other purpose (s.15(1)(b)(ii))	✓	✓	
Reproduce fixation outside of exception (s.15(1)(b)(iii))	✓	✓	
Rent a performance/ sound recording (s.15(1)(c)) / s.15(1.1)(c))	✓	✓	
Authorize above acts	✓	✓	
Fix performance in sound recording (s.15(1.1)(b))	✓		
Make available sound recording on-demand (s.15(1.1)(d))	✓		
Distribute sound recording (s.15(1.1)(e))	✓		

With the advent of broadband internet, the rental right is no longer a significant source of income for anyone. The market for CD and DVD rentals has collapsed in favour of online streaming services. However, the right of equitable remuneration granted under s.19 still represents interesting income for performers and makers of sound recordings. Section 19 states that ‘if a sound recording has been published, the performer and maker are entitled, subject to subsection 20(1), to be paid equitable remuneration for its performance in public or its communication to the public by telecommunication, except for a communication in the circumstances referred to in paragraph 15(1.1)(d) or 18(1.1)(a) and any retransmission.’ Accordingly, neither the performer nor the maker of a sound recording can stop the public performance or communication to the public of a published sound recording. However, any time that a music CD is played in a restaurant or on the radio, for example, a royalty is paid to the performer and maker of the sound recording. For the purpose of providing the remuneration, a person who performs a published sound recording in public or communicates it to the public by telecommunication is liable to pay royalties,

(a) in the case of a sound recording of a musical work, to the collective society authorized under Part VII.1 to collect them; or

(b) in the case of a sound recording of a literary work or dramatic work, to either the maker of the sound recording or the performer.

The performer(s) and maker(s) of the sound recording are, by law, entitled to fifty percent of the royalties paid pursuant to s.19.

By contrast, both the performer and the maker of a sound recording have the exclusive right to authorize or prohibit the online making available of the sound recording. Whether remuneration must be paid for the communication to the public by telecommunication on the internet boils down in practice to the question of whether the communication is interactive, e.g. whether it a member of the public to have access to it from a place and at a time individually chosen by that member of the public, or not. If the communication is interactive, it falls under the exclusive right; if it is not, it falls under the remuneration right. As illustration, think of the distinction between Spotify (interactive) and RadioPlayer (not interactive).

Sound Recordings

Similarly to performer’s performances, the makers of sound recordings receive protection over their recordings. Once fixed, makers of sound recordings have copyright in the sound recording itself (independently from any copyright in the music or work being recorded). The Act defines this at section 18(1), where it states:

...the maker of a sound recording has a copyright in the sound recording, consisting of the sole right to do the following in relation to the sound recording or any substantial part thereof:

- (a) to publish it for the first time;
- (b) to reproduce it in any material form, and
- (c) to rent it out.

The maker of a sound recording have the exclusive right to publish the sound recording for the first time, to reproduce it in any material form, to rent it out and to authorise these acts. These rights are distinct from the copyright that may be held by the author or composer of the music, and the performers or musicians who are being recorded by the maker in a studio. As mentioned above, following the implementation of the WPPT, sound recording producers from Canada or any WPPT country also enjoy an exclusive right of making available and of distribution.

Communication Signals/Broadcast

In addition to performers and makers of sound recordings, broadcasters may receive protection for the 'communication signals' that form the basis of their broadcasts. This is the result of Canada's implementation of the Rome Convention. It is worth reminding the reader that the WPPT does not cover broadcasting organizations. The rights enjoyed by broadcasting organizations are those listed in s.21(1) of the Act:

21(1) Subject to subsection (2), a broadcaster has a copyright in the communication signals that it broadcasts, consisting of the sole right to do the following in relation to the communication signal or any substantial part thereof:

- (a) to fix it,
 - (b) to reproduce any fixation of it that was made without the broadcaster's consent,
 - (c) to authorize another broadcaster to retransmit it to the public simultaneously with its broadcast, and
 - (d) in the case of a television communication signal, to perform it in a place open to the public on payment of an entrance fee,
- and to authorize any act described in paragraph (a), (b) or (d).

F. Moral Rights

The Act grants authors and performers with moral rights – a set of rights that stand separately from the economic rights of copyright. Moral rights creates a type of dignity interest in how the work is used, treated or portrayed. Moral rights are less concerned with rewarding labour, and are more concerned with protecting a type of bond between the artist and their creations. Some jurisdictions in Europe have very robust moral rights regimes with a number of distinct protections for authors. Canada's framework furthers the Anglo-American copyright tradition which places economic rights at the centre. Nevertheless, Canada conforms to the *Berne Convention* minimum standards by offering protections for two main rights: (1) the right of attribution, and (2) the right of integrity.

At Article 6bis, the *Berne Convention* requires:

...Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation..."

Before delving into the mechanics of these two rights under Canadian copyright law, a few aspects of moral rights protection more generally are worth noting. The first is that moral rights subsist independently from the ownership of the work itself. Therefore, in the case of a unique painting (for example), it does not matter that the work has been purchased from the artist and subject to a change in ownership. The moral rights protections to the work will subsist regardless. Secondly, the duration of moral rights protections last for as long as the copyright in the work or performance. Upon the death of the author or performer, the moral rights may either pass to the author or performer's heirs, or form the subject of a specific bequest in a will or other testamentary document. But it is important to note that the moral rights cannot outlive the copyright term in the work. Thirdly, though moral rights belong exclusively to the author or performer, they cannot be assigned to any one else during the author or performer's lifetime. In this vein, they are distinctly "non-economic". They can, however, be waived in whole or in part where a contract or license explicitly refers to the waiver of moral rights.

The right of attribution and the right of integrity are both addressed in section 14.1 of the Act, which states:

14.1(1) The author of a work has, subject to section 28.2, the right to the integrity of the work and, in connection with an act mentioned in section 3, the right, where reasonable in the circumstances, to be associated with the work as its author by name or under a pseudonym and the right to remain anonymous.

As a result of the implementation of the WPPT, a **performer of a live aural performance or a performance fixed in a sound recording** has, subject to subsection 28.2(1), the right to the integrity of the performance, and – in connection with an act mentioned in subsection 15(1.1) or one for which the performer has a right to remuneration under section 19 – the right, if it is reasonable in the circumstances, to be associated with the performance as its performer by name or under a pseudonym and the right to remain anonymous.

1. Right of Attribution

Sometimes referred to as the "right of paternity", the right of attribution refers to the author's right to be associated with the work as author by name, pseudonym or to remain anonymous. Therefore, unless waived, an artist will always retain the right to choose how they would like to be associated with their work (if at all).

It should be noted that section 14.1 of the Act leaves a caveat. The right of attribution is enforceable where the right to be associated with a work is "reasonable in the circumstances". Effectively, this means that the omission of the author's name or pseudonym alone is not sufficient to find an infringement of moral rights. The author must also prove that it is reasonable for he or she to be associated with the work in those circumstances. Though this standard has not been the subject of much litigation in Canada, one can imagine circumstances where it would not be reasonable to expect attribution. Namely, where the type of work or manner in which it is displayed or perceived does not easily allow for attribution to take place. Overall, the right of attribution lacks guidance as to when (as a matter of fact) the standard of "being associated with the work" is met. It is therefore conceivable that in cases where the author is associated with

the work in an implied manner (e.g., with some pictorial representation of the author or his or her name), such disputes could arise.

2. Right of Integrity

The right of integrity is the more well-known subject of Canadian moral rights. The right refers to the author's right to the "integrity of the work". The integrity right is only infringed if the work is "distorted, mutilated or otherwise modified, used in association with a product, service, cause or institution" in manner that is "to the prejudice of the honour or reputation of the author."

Snow v Eaton Centre Ltd, [1982] 70 CPR (2d) 105

Artist Michael Snow was commissioned by the Eaton Centre in Toronto to create a sculptural work of flying geese that would be hung from the shopping mall's arched glass ceiling. The work, titled "Flight Stop" was completed over several years and eventually hung from the ceiling. During one Christmas holiday, the Eaton Centre placed red ribbons around the necks of the geese. Feeling as though the work had been prejudiced, Michael Snow alleged that the ribbons made his work look ridiculous and were prejudicial to his honor and reputation as an artist.



Photograph by

Anthony Rosborough (2019), licensed under CC-BY-SA 4.0

Snow brought a claim alleging that the red ribbons around the necks of the geese infringed upon his right of integrity under the Act. He analogised the red ribbons to "dangling earrings from the Venus de Milo". Snow's opinion on this point was supported by testimony from a number of other well-respected artists. Writing for the court, Justice O'Brien found that the ribbons do distort or modify Snow's sculptural work. It was further found that Snow's contention that the distortion of the work was prejudicial to his honour and reputation was "reasonable in the circumstances".

The decision in *Snow v Eaton* has been cited very frequently for a number of reasons. One of which is that it is one of the few decisions in Canada addressing moral rights. However, *Snow v Eaton* has been the subject of much discussion and debate also because of the rather difficult exercise of determining when a "distortion or mutilation" occurs, and when it rises to the level of prejudicing the artist's honour and reputation. Though indicative of at least the type of acts that may constitute this treatment of works, the reasoning left behind from *Snow v Eaton* is in some respects problematic.

The Act provides at section 28.2 that:

The author's or performer's right to the integrity of a work or performer's performance is infringed only if the work or the performance is, **to the prejudice of its author's or performer's honour or reputation**,

- (a) **distorted, mutilated** or otherwise modified; or
- (b) used in association with a product, service, cause or institution.

[Bolding added for emphasis]

Therefore, in order to run afoul of the right of integrity, a distortion or mutilation of a work must be also to the prejudice of the author's honour or reputation. It then becomes necessary to determine which acts are distortions or mutilations within the meaning of the Act. What *Snow v Eaton* tells us is that an act becomes a "distortion, mutilation or modification" through prejudice to the artist's honour or reputation. The logic, therefore, is circular.

The uncertainty created by this framework is aided somewhat by section 28.3 of the Act. That provision states:

...For the purposes of this section,

- (a) a change in the location of a work, the physical means by which a work is exposed or the physical structure containing a work, or
 - (b) steps taken in good faith to restore or preserve the work
- shall not, by that act alone, constitute a distortion, mutilation or other modification of the work.

Therefore, in determining which acts constitute "distortion, mutilation or modification", we know that merely a change in location or acts of preservation do not rise to this level. Nevertheless, the question as to what "prejudicial to the author's honour and reputation" means is still largely undefined. These three interpreting provisions in section 28 lead to few answers on this subject.

Case law in more recent years has also provided some help in resolving this problem:

Thomson v Afterlife Network, 2019 FC 545

Afterlife operates a database of online obituaries. Thomson wrote an obituary for her late father which was included in Afterlife's database and used in one of Afterlife's advertisements to market their service online. Thomson (among a class of litigants) brought an action against Afterlife claiming that (among other things) Afterlife infringed her moral rights in the obituary because it suggested that she was profiting from her father's death based on its use to solicit visitors to the website. This claim necessitated that the Federal Court once again delve into the issue of how "prejudice to honour and reputation" should be assessed in the context of section 28.2.

The Federal Court initially distinguished the case from *Snow v Eaton* on the basis that it dealt with the issue of section 28.2(1)(a) [distortion, mutilation or modification]. The dispute in *Thomson v Afterlife Network* was concerned with section 28.2(1)(b) [used in association with a product, service, cause or institution]. Nevertheless,

both infringements of the right of integrity require an inquiry into the question of “prejudice to honour and reputation”.

Writing for the Federal Court, Justice Kane held that section 28.2 of the Act requires both a subjective and objective determination. Prejudice to honour and reputation requires an objective evaluation in the form of expert opinion as to when certain types of distortion, mutilation or association with products and services may prejudice an author’s honour or reputation. In other words, the question is not purely subjective.

For Thomson and members of her class action, the evidence they provided described their own view of the impact on their honour and reputation, including their dignity, but they did not provide any objective evidence. On this basis, Justice Kane found that the moral rights infringement claim failed.

What do you think of the Federal Court’s invocation of an objective test for determining prejudice to honour and reputation? Since the decision in *Thomson v Afterlife Network*, commentators have noted that the requirement of objective evidence pushes the right of integrity more in line with the common law tort of defamation. This tort includes an objective assessment of whether a communication “tends to lower the esteem of the subject in the minds of ordinary members of the public”. Do you think that the right of integrity should include a similar inquiry? Why or why not?

G. Fair Dealing & Exceptions

Though copyright law is concerned primarily with the grant of certain monopoly rights over the use of works, these rights are almost never absolute. As was previously discussed in the introductory paragraph of this chapter, one of copyright’s objectives is to further the use and dissemination of artistic and literary works. This benefits everybody. To achieve these objectives, it is necessary for the copyright system to include a release valve that permits use of works protected by copyright under specific circumstances. Canada’s approach to addressing lawful uses of protected works is bifurcated between the “Fair Dealing” framework and other specific statutory exceptions. The following sections address this framework, which is found in Part III of the Act. Note that Part III applies to the rights granted under both Part I and Part II of the Act.

1. Fair Dealing

Fair dealing is broader than merely a statutory defence to copyright infringement. It is an essential component of the balance between the rights of owners and users. In the widely-cited *CCH* decision, the Supreme Court of Canada described Fair Dealing as a “user’s right” and on this basis, much commentary and speculation has taken place regarding the extent to which the fair dealing of works can be regarded as a positive right. The operative provision addressing Fair Dealing is found at section 29 of the Act, which states:

“Fair dealing for the purpose of research, private study, education, parody or satire does not infringe copyright”.

Before delving into the mechanics of the fair dealing framework, a few aspects of this provision should be addressed. Firstly, Canada’s fair dealing framework is often understood as analogous or interchangeable with the United States’

doctrine of “Fair use”. This is not the case. Students of copyright should understand the clear difference between these frameworks that are evident from a reading of section 29 above. Namely, section 29 provides an exhaustive list of “purposes” for which a dealing could be considered fair. Though the Supreme Court of Canada has called for a liberal interpretation of these purposes, they are nevertheless treated as categories under which a specific dealing must fit to some degree.

These enumerated purposes are research, private study, education, parody or satire. This stands in contrast to the US’ fair use framework, which provides a non-exhaustive list of potentially fair uses. Secondly, the contextual factors used under the United States system to assess whether a use is fair apply to every type of use. In contrast, Canada’s Act provides for a more detailed framework for assessing whether a dealing in relation to each of the enumerated purposes is “fair”. Therefore, while the policy objectives of Canada’s fair dealing and the United States’ fair use may share some common ground, the mechanics of how these two approaches play out in practice is quite different.

Canada’s framework also uses the peculiar term “dealing” rather than “use”. This distinction is important, as it addresses the unique objectives of the fair dealing system in contrast to the United States’ fair use framework. Arguably, the term “use” carries normative implications in the sense that the work must be used in a way that is productive or socially beneficial. This complies most closely with the tradition of Utilitarianism in the United States. “Use” also connotes individual or specific acts as the focus of the framework, whereas “dealing” is capable of extending to processes, systems and practices that are put in place by institutions. These processes, systems and practices are included in the focus of the fair dealing framework, which places both institutions and individuals within its scope. Overall, these systems need not necessarily put the work to “use” in order to avail themselves of the framework.

CCH Canadian Ltd. v Law Society of Upper Canada, 2004 SCC 13



Photograph of the Great Library as Osgoode Hall by Mike Nowak. Image obtained through Creative Commons Attribution-ShareAlike 4.0 Licence (CC-BY-SA 4.0).

The Supreme Court of Canada in *CCH* opined extensively on the purpose and objective's of Canada's fair dealing framework. At paragraphs 48-49 of the Court's written decision, C.J. McLachlin writes:

[48] Before reviewing the scope of the fair dealing exception under the *Copyright Act*, it is important to clarify some general considerations about exceptions to copyright infringement. Procedurally, a defendant is required to prove that his or her dealing with a work has been fair; however, the fair dealing exception is perhaps more properly understood as an integral part of the *Copyright Act* than simply a defence. Any act falling within the fair dealing exception will not be an infringement of copyright. The fair dealing exception, like other exceptions in the *Copyright Act*, is a user's right. In order to maintain the proper balance between the rights of a copyright owner and users' interests, it must not be interpreted restrictively. As Professor Vaver, *supra*, has explained, at p. 171: "User rights are not just loopholes. Both owner rights and user rights should therefore be given the fair and balanced reading that befits remedial legislation."

[49] As an integral part of the scheme of copyright law, the s. 29 fair dealing exception is always available. Simply put, a library can always attempt to prove that its dealings with a copyrighted work are fair under s. 29 of the *Copyright Act*...

This "large and liberal interpretation" is key to understanding the Canadian approach to fair dealing. It is more than a complimentary feature of the Act, but rather an essential component of the overall copyright system. In taking all of the above into consideration, there are two main components to assessing whether fair dealing applies to a specific case:

- (1) Whether the dealing conforms with one of the enumerated purposes in section 29; and
- (2) Whether the dealing was "fair".

The enumerated "purposes" in the Act are addressed below:

Research, Private Study, Parody & Satire

Dealings for the purpose of research, private study, parody and satire are addressed by section 29 under the concept of "Research, private study, etc." That provision states:

Research, private study, etc

29 Fair dealing for the purpose of research, private study, education, parody or satire does not infringe copyright.

As opposed to the other sections addressing the enumerated purposes of fair dealing, section 29 does not include any caveats. It states clearly that fair dealing for any one (or more) of these enumerated purposes will not infringe copyright.

"**Research**" is understood broadly and liberally, and includes commercial, for-profit or private research. It can include numerous activities that do not ordinarily fall within conventional conceptions of 'research', including informal or exploratory work or to ensure authenticity of information.

In *Society of Composers, Authors and Music Publishers of Canada (SOCAN) v Bell Canada*, 2012 SCC 36 at issue was online music services that provide consumers with a free 30-90 second preview of songs before purchase. The previews are streamed online and no copies are created on the user's computer or device. SOCAN sought tariffs from the Copyright Board for the communication of these song excerpts. The Copyright Board determined that the previews do not attract tariffs because they constitute fair dealing for the purpose of "research". The dispute over the meaning of

“research” made its way to the Supreme Court of Canada. The SCC held that “research” (like all aspects of the fair dealing framework) should be given a “large and liberal interpretation”. It found that research is not limited to only creative purposes, but ostensibly any activity that is simply for “personal interest”. This interpretation of the “research” purpose of the fair dealing framework suggests that the concept of research under fair dealing is quite broad.

“**Private study**” and “**Education**” is not is not necessarily confined to education or study that takes place in solitude. As the Supreme Court of Canada affirmed in *Alberta (Minister of Education) v Canadian Copyright Licensing Agency*, 2012 SCC 37 at paragraph 27:

[27] With respect, the word “private” in “private study” should not be understood as requiring users to view copyrighted works in splendid isolation. Studying and learning are essentially personal endeavours, whether they are engaged in with others or in solitude...

Therefore, law students who engage in fair dealing for the purposes of their education will fall within one of the enumerated purposes under the Act. It does not matter that this education may take place collectively or collaboratively.

In a unanimous decision in *York University v. Canadian Copyright Licensing Agency (Access Copyright)* 2021 SCC 32, the Supreme Court recently reiterated that “[a]t the end of the day, the question in a case involving a university’s fair dealing practices is whether those practices actualize the students’ right to receive course material for educational purposes in a fair manner, consistent with the underlying balance between users’ rights and creators’ rights in the Act”.

“**Parody**” and “**Satire**” are relatively new additions to the enumerated purposes under the fair dealing framework. These came through the *Copyright Modernization Act* in 2012. Accordingly, it has received fairly little judicial comment. In 2017, however, the Federal Court addressed the notion of “parody”:

United Airlines, Inc v Cooperstock, 2017 FC 616

The defendant, Cooperstock, operated a website with the URL www.untied.com which hosted consumer criticisms and complaints about the plaintiff airline’s services and operations (United Airlines).

In 2011, Cooperstock revamped the website to look similarly to the plaintiff airline’s website. Evidence from several witnesses was such that significant confusion between the plaintiff’s website and the defendant’s website had been caused by the website design. While the majority of the dispute centered around the *Trade Marks Act* and depreciation of the plaintiff’s goodwill, the Federal Court opined on the notion of “parody” within the fair dealing framework. Writing for the Court, M.L. Phelan J. writes:

[110] ...[The *Copyright Act*] is silent as to the content, meaning, or scope of “parody”. Therefore, the words of the legislation must be “read in their entire context and in their grammatical and ordinary sense harmoniously within the scheme of the Act, the object of the Act, and the intention of Parliament”...

[...]

[119] ...Parody should be understood as having two basic elements: the evocation of an existing work while exhibiting noticeable differences and the expression of mockery or humour. I would also note that the fair dealing exception for the purpose of parody in s 29 of the *Copyright Act* does not require a user to identify the source of the work being parodied. In addition, in my view, parody does not require that the expression of mockery or humour to be directed at the exact thing being parodied. It is possible, for example, for a parody to

evoke a work such as a logo while expressing mockery of the source company, or to evoke a well-known song while expressing mockery of another entity entirely.

[120] In my view, UNTIED.com falls within the definition of parody described above: it evokes existing works (the United Website, the United Logo, and the Globe Design) while showing some differences (such as content and disclaimers), and it expresses mockery (and criticism) of the Plaintiff. Therefore, the first stage of the CCH test has been met in this case.

The Court went on to assess whether Cooperstock's dealing was nevertheless "fair"; the second branch of the fair dealing test. On this branch of the test, the Federal Court found that the defendant's fair dealing claim failed. In particular, the Court found that it was not necessary for the defendant to have copied the plaintiff airline's website so closely if the purpose was to achieve the effect of parody. Though the defendant was not able to avail himself of fair dealing overall, the Court's interpretation of "parody" is instructive.

In reaching its conclusion on the meaning of "parody" within the meaning of the Act, the Federal Court in *United Airlines v Cooperstock* looked to the ordinary dictionary meaning of the term. It also took guidance from the European Court of Justice and case law interpreting the parody exception under the EU's Copyright Directive. Therefore, while "satire" has not been interpreted to the same extent that "parody" has, one could expect a court to take a similar approach.

What do you think of the Federal Court's view that parody requires both the evocation of an existing work and the expression of mockery or humour? Do you think that this is a satisfactory conceptualisation of parody?

Criticism or Review

Criticism and review are addressed at section 29.1 of the Act. That provision states:

s.29.1 Fair dealing for the purpose of criticism or review does not infringe copyright if the following are mentioned:

- (a) the source; and
- (b) if given in the source, the name of the
 - (i) author, in the case of a work,
 - (ii) performer, in the case of a performer's performance,
 - (iii) maker, in the case of a sound recording, or
 - (iv) broadcaster, in the case of a communication signal.

Therefore, it is not enough that the dealing simply make use of the work for the purpose of criticism or review. The dealing must also include reference to the original source work. Similar to the other terms in the fair dealing portion of the Act, "criticism" and "review" are not defined in the Act. For the purposes of fair dealing, both criticism and review can be treated as analogous purposes. In essence, they require some assessment of merit, quality or value. In either case, the passages taken from the underlying work (or performance, sound recording or communication signal) must be included in a new work for the purpose of criticism or review. Where no new work is created, such a dealing could nevertheless be justified on the basis of research (see above).

In *Wiseau Studio, LLC et al v Harper et al*, 2020 ONSC 2504, at issue was the creation of a documentary film called *Room Full of Spoons*. The film's main focus was examine the cult following behind a released film, *The Room*, which received such poor critical reviews that it obtained a type of "so bad it's good" fame. *Room Full of Spoons* used many scenes from *The Room*, along with photographs from behind the scenes footage, but no licence agreement was ever reached with the copyright holder, Wiseau, of *The Room*. The documentary, *Room Full of Spoons*, was eventually screened at film festivals in North America and Europe and received positive reviews.

Wiseau later sought an injunction to prevent further screenings of *Room Full of Spoons* on the basis that it infringed copyright in the *Room*, including Wiseau's moral rights. Wiseau felt strongly that *Room Full of Spoons* was an attack on his character and essentially defamatory. The Ontario Supreme Court, among other inquiries, assessed the degree to which the documentary could be said to be "criticism or review" of *The Room*.

One of the hurdles in conceptualising the documentary as criticism or review was the fact that it was largely seen as a type of *exposé* rather than an exploratory or investigative work. The Court found that the fact that the documentary does not evoke respect for Wiseau does not undermine the allegation that it is a work of criticism or review. The Court cited an older UK decision (Court of Appeal), *Time Warner Entertainments Co LP v Channel Four Television Plc*, [1994] EMLR 1, where Henry LJ commented on the nature of "criticism" under UK fair dealing:

"...'Fair dealing' in its statutory context refers to the true purpose (that is, the good faith, the intention and the genuineness) of the critical work – is the programme incorporating the infringing material a genuine piece of criticism or review, or is it something else, such as an attempt to dress up the infringement of another's copyright in the guise of criticism, and so profit unfairly from another's work?"

Accordingly, the Ontario Supreme Court found that the documentary had at its genuine purpose, review, criticism and news reporting. The Court was not persuaded by the Plaintiffs contention that the negative portrayal of him negated the defendants' claim that their purpose was indeed "criticism or review".

The Court's decision in *Wiseau Studio* sheds light on the potential for subjective considerations to make their way into which purposes are "criticism or review" from those that are quasi-defamatory or accusatory. Clearly the Court was not persuaded by the Plaintiff's sentiments about his character being under attack in the documentary. Do you think that these types of considerations should play a role in determining the fair dealing purposes? Why or why not? What do you think the line should be (if any) between "criticism or review" and character assassination? Should the later be protected by fair dealing?

Your answer to these questions may be informed by subsequent comments from the courts on the nature of "criticism" under fair dealing. The relationship between "criticism or review" and character assassination was addressed again by the Federal Court in *Canadian Broadcasting Corporation v Conservative Party of Canada*, 2021 FC 425:

During the 2019 Federal election, the Conservative Party of Canada ("CPC") produced advertisements that were

critical of Prime Minister Justin Trudeau and the Liberal Party of Canada. These advertisements, sometimes referred to as “attack ads” sampled numerous short clips from news and other television programs, some of which were produced by the CBC. In response, the CBC commenced an infringement action against the CPC.

In its defence, the CPC asserted that its use of portions of CBC programs were merely insubstantial parts, and if they did amount to substantial parts, were allowable on the basis of fair dealing. The CPC asserted numerous allowable purposes under the fair dealing framework, including criticism. On this point, the CBC’s contention was that “criticism” under fair dealing required that the use of the work be limited to criticisms of the work itself (in this case, the news or other television programs).

Pointing to a broad and liberal interpretation for the enumerated fair dealing purposes, the Federal Court disagreed. It found that the CPC’s use of the clips, while substantial parts, were nevertheless valid uses on the basis of criticism. Justice Phelan writes for the Court:

[79] In summary, Canadian jurisprudence has established that it is not merely the text or composition of a work that may be the object of criticism but also the idea set out in the work and the social or moral implications of those ideas (see *Hager*). As held in the UK, a party is entitled to criticize not only the literary style, but also the doctrine or philosophy as expounded in the work. Criticism, satire and review are intellectual challenges to particular thoughts, words and actions.

[80] Section 29.1’s reference to criticism must be read in context of review, parody or satire where fair dealing allows for the challenge to content not just format of the expression. It would be artificial to limit criticisms to the expression of how the work was produced but preclude showing the ideas or actions being challenged.

[81] Criticism is embedded in the CBC Works that the Respondents used. For example, the Advertisement juxtaposed a short clip of the Prime Minister asking the viewer to ““look at what we’ve done”” with the news clip that invited unfavourable conclusion about his performance and the mistakes he supposedly made.

The Federal Court made clear that “criticism” within the fair dealing framework is not to be limited to uses which criticise the production or formal aspects of the work itself, but can also include uses which criticise the ideas or topics expressed in it.

Does the Federal Court’s analysis in *CBC v CPC* (above) change your answers to the questions below *Wiseau Studio*? Do you think that fair dealing should protect and enable personal criticisms or attacks? Why or why not? Intertwined with this question are aspects of defamation law and freedom of expression. To what extent do you think that these external principles should play a role in the fair dealing analysis?

News Reporting

News reporting is given its own provision under the fair dealing framework at section 29.2. That provision states:

29.2 Fair dealing for the purpose of news reporting does not infringe copyright if the following are mentioned:

- (a) the source; and
- (b) if given in the source, the name of the
 - (i) author, in the case of a work,
 - (ii) performer, in the case of a performer’s performance,
 - (iii) maker, in the case of a sound recording, or

(iv) broadcaster, in the case of a communication signal.

In recent decades, the distinction between “news reporting” and other types of expression has become less clear. Undoubtedly this is as the result of the digital environment, content sharing platforms and social media. Exactly when a dealing may be said to be for the purpose of “news reporting” as opposed to some other similar purpose requires further examination. Unfortunately, we are without much input from the courts as to the boundaries and confines of “news reporting” as it relates to fair dealing. Even further still, the “large and liberal interpretation” required for the fair dealing purposes as articulated by the Supreme Court of Canada in CCH implies that such a purpose could ostensibly include less authoritative sources of “news”, including social media or personal blogs. At least one relatively recent case suggests that this would be the case:

Warman v Fournier, 2012 FC 803

Richard Warman held copyright in three works: a speech opposing neo-Nazism, a co-authored article that appeared in the National Post newspaper and a photograph of himself. Each of the three works were reproduced to some degree on a website called “Free Dominion”, including portions of the co-authored National Post article. This website was described by the respondents as an “online political news discussion forum which is accessible to any member of the public and which is used for discussing political issues from a conservative viewpoint.” The viewpoint of Free Dominion appeared to differ significantly from the viewpoint of the applicant, Richard Warman.

Warman brought a claim against Free Dominion before the Federal Court alleging copyright infringement in all three works.

In relation to the National Post newspaper article co-authored by Warman, the Court assessed the degree to which its reproduction could constitute fair dealing under section 29.2 of the Act. Though the Court found some potential issues with the manner in which the article was reproduced, it articulated no difficulty in finding that the purpose of the reproduction was “News Reporting”. Writing for the Court at paragraphs 31, Rennie J writes:

[31] The SCC stated in CCH, at paragraph 51, that the fair dealing purposes (in that case, research) “must be given a large and liberal interpretation in order to ensure that users’ rights are not unduly considered.” **Applying this large and liberal interpretation to news reporting, I find that the respondents’ dealing in respect of the Kay Work falls within this purpose. They posted the excerpts of the Kay Work on Free Dominion to promulgate the facts recounted in that article.** Thus, the first criterion for fair dealing is met. The news reporting exception also requires that the source and author be mentioned, which is also satisfied in this case.

[Bolding added for emphasis]

The Court’s reasoning therefore is demonstrative of the fact that the “large and liberal interpretation” mandated by the Supreme Court of Canada in CCH may extend the types of publications or sources which can avail themselves of the “News Reporting” exception.

Do you agree that the concept of “News reporting” should be given a large and liberal interpretation? Why or why not? With an increasingly blurred distinction between news and opinion and the fragmentation of authoritative sources for news reporting, do you foresee any potentially negative consequences for taking this approach? Remember that the fair

dealing framework is a core part of the copyright system in ensuring users rights. Arguably, fair dealing for the purpose of news reporting serves an important public interest objective. By expanding the notion of news reporting to blogs, opinion forums and other websites, is this public interest objective being met? Why or why not?

“Fair”

Recall from above that the fair dealing analysis requires two primary considerations:

- (1) Whether the dealing conforms with one of the enumerated purposes in section 29; and
- (2) **Whether the dealing was “fair”.**

This second step – whether the dealing was “fair” – is the more complex portion of the inquiry. The Supreme Court of Canada in *CCH* surveyed a number of prior cases in establishing six factors for determining whether a dealing is fair. They are:

- (1) the purpose of the dealing;
- (2) the character of the dealing;
- (3) the amount of the dealing;
- (4) alternatives to the dealing;
- (5) the nature of the work; and
- (6) the effect of the dealing on the work.

(1) **“Purpose of the dealing”**

This first factor in the “fair” analysis is seemingly, from a logical perspective, somewhat redundant. The purpose of the dealing will be considered “fair” if it conforms to one of the enumerated purposes in the Act. While there is no further assessment as to fairness of the purpose at this step in the analysis, it is worth repeating that each of these enumerated categories are to be given broad interpretations. The Court in *CCH* included the caveat that courts should “attempt to make an objective assessment of the user/defendant’s real purpose or motive in using the copyrighted work” (paragraph 54). The point being that a finding that a purpose conforms to one of the enumerated purposes in the Act is not conclusive of whether the dealing was in fact fair. The analysis is contextual.

Secondly, the six factors were again revisited by the Federal Court in the context of York University’s fair dealing guidelines in *Canadian Copyright Licensing Agency v York University*, 2017 FC 669. The dispute centred around copying activities and fair dealing policies put in place by York University library. The Canadian Copyright Licensing Agency (“Access Copyright”) sought to enforce a Tariff issued by the Copyright Board of Canada in respect of these copying activities.

In its decision, the Court acknowledged the overlap between the six fairness factors and the first branch of the fair dealing test. Nevertheless, the Federal Court held that the six contextual factors ought to be considered from the user’s perspective, whereas the initial inquiry as to the “purpose” of the dealing assesses the degree to which the dealing factually conforms with the statutory purposes. On this point, Phelan J., writing for the Court at paragraph 264 opines:

“There is a certain degree of overlap in the case law between the purpose at stage one (“allowable purpose”) and the purpose of the dealing as one of the stage two factors. However, the stage two purpose consideration examines matters from the users’ perspective. In this case, there are two users – the university which is assembling material, copying and distributing the material as the publisher, and the student who is the end user of the material.”

For the Federal Court, a significant factor for examining the “purpose of the dealing” as part of the six contextual factors was the lack of safeguards or standards. The Court viewed this second “purpose of the dealing” in the fair dealing test as being more akin to the “goal of the dealing” than the purpose of the dealing. Viewed in this way, the Court took issue with what it viewed as York University’s cavalier approach to its fair dealing guidelines. At paragraphs 270-272, Phelan J writes:

[270] Under the “goal of the dealing”, the focus is on considering the fairness of the goal for which the permitted activity (e.g., research, education) took place. In this context, the question is the fairness of the goal of allowing students to access required course materials for education. Considered in isolation, this would tend toward fairness (although if considered in tandem with access to alternatives, its character may actually change to less fair). Of course, cost saving could be a goal of this activity as well, but as fair dealing embeds the ability of the user to access the content without compensating the creator that feature would be present in all fair dealing situations.

[...]

[272] It is evident that York created the Guidelines and operated under them primarily to obtain for free that which they had previously paid for. One may legitimately ask how such “works for free” could be fair if fairness encompasses more than one person’s unilateral benefit.

[273] The goal of the dealing was multifaceted. Education was a principal goal, specifically education for end user. But the goal of the dealing was also, from York’s perspective, to keep enrollment up by keeping student costs down and to use whatever savings there may be in other parts of the university’s operation.

It is worth noting that the litigation in *Access Copyright v York* has continued beyond this 2017 decision of the Federal Court. The extent to which York’s guidelines were consistent with fair dealing and the validity of the tariffs was the subject of continued debate in the 2020 decision of the Federal Court of Appeal. In reviewing Phelan J’s decision from 2017, the Federal Court of Appeal found no reason to overturn its findings on fair dealing. Having said that, as of June 2020, both Access Copyright and York University have filed applications for leave to appeal to the Supreme Court of Canada. Much of the dispute on appeal centred around the validity of the Copyright Board’s tariff. The Supreme Court affirmed the Federal Court of Appeal decision in *York University v. Canadian Copyright Licensing Agency (Access Copyright)*, 2021 SCC 32. On the issue of fair dealing, the Court simply stated that “[102] contrary to the Federal Court of Appeal’s view, in the educational context it is not only the institutional perspective that matters. When teaching staff at a university make copies for their students’ education, they are not “hid[ing] behind the shield of the user’s allowable purpose in order to engage in a separate purpose that tends to make the dealing unfair.”

For now, suffice it to say that despite the repetition of the “purpose of the dealing” in the fair dealing analysis, there appears to be some distinction in the questions being asked. Namely, the “purpose of the dealing” within the six

contextual factors asks less about whether the dealing complies with the enumerated statutory purposes, and more so the subjective goals, purpose or objectives of the dealing on behalf of the user(s).

(2) **“Character of the dealing”**

The character of the dealing addresses the circumstances and manner in which the dealing is carried out. For example, if a significant portion of a protected work is reproduced and then quickly destroyed (as is in the case of data mining or data analysis), the character of this sort of dealing may be more easily found to be fair than in cases where such portions are reproduced numerous times and retained indefinitely. The character of the dealing therefore refers to the technical, mechanical or logistical means in which the protected work (or substantial portions of it) are reproduced. The Supreme Court of Canada in CCH also proposed that courts turn to the “custom or practice in a particular trade or industry to determine whether or not the character of the dealing is fair” (paragraph 55).

(3) **“Amount of the dealing”**

The amount of the dealing addresses both the quantity and quality of what is reproduced as part of the dealing. In some instances, it may be that a dealing only reproduces small portions or excerpts of the protected work. In other cases, it may be that the entire work is reproduced. Recall that copyright protects entire works, and “substantial parts thereof”. It does not protect portions of works that are less than substantial. For this reason, it is possible that a dealing which reproduces only small portions of a work does not rise to the level of infringement at all, and therefore the fair dealing analysis is not necessary. In this vein, the amount of the dealing is to be assessed in the context of the other five factors. It can assist in determining the necessity and reasonableness of the amount that is reproduced as part of the dealing.

(4) **“Alternatives to the dealing”**

The alternatives to the dealing focuses on the degree to which it was *necessary* to reproduce parts of the protected work or otherwise engage in infringing activity. The Supreme Court of Canada’s commentary in CCH on this point (paragraph 57) is instructive:

“If there is a non-copyrighted equivalent of the work that could have been used instead of the copyrighted work, this should be considered by the court... [I]t would also be useful for the courts to attempt to determine whether the dealing was reasonably necessary to achieve the same ultimate purpose. For example, if a criticism would be equally effective if it did not actually reproduce the copyrighted work it was criticizing, this may way against a finding of fairness.”

Therefore, fair dealing is not intended to run roughshod over the exclusive rights provided by copyright. It is not a carte blanche licence to reproduce or otherwise infringe works without some degree of reasonable necessity, and the “alternatives to the dealing” factor addresses this aspect.

(5) **“Nature of the work”**

The nature of the work refers to the degree to which the work was already widely available. In essence, courts will look to whether the work the dealing actually furthered wider dissemination of the work. If, for example, the work was already commercially available with relative ease, then this may impact the degree to which it is necessary to reproduce it in its entirety. By contrast, if the work is little known or not widely available through the mainstream modes of dissemination, then it could be the case that the dealing (assuming that the other factors are satisfied) furthers interest or demand in the protected work.

This approach was put forward by the Supreme Court of Canada in CCH. Though intuitive in many regards, it proposes that the degree to which works have already been widely disseminated will impact the fair dealing analysis. Curiously, the Supreme Court of Canada proposed that works which are widely available should *negate* a finding of fairness, and works which have not yet been distributed should *support* a finding of fairness.

While on a purely commercial basis this framework is intuitive, it could be argued that the presumption should be reversed. Many jurisdictions internationally include explicit support for a “right of first publication”. This is in essence a moral right which provides the author with the ultimate decision when to publish or distribute (if at all) their works. Though Canada’s Act does not contain an explicit provision endorsing the right of first publication, there is support for the idea that it this right is implied. Writing further on this point in relation to the “nature of the work” criterion, Professor Giuseppina D’Agostino (York University) compares Canada’s peculiar approach to this criterion in contrast to the United States and the United Kingdom.

(6) “**Effect of the dealing on the work**”

The effect of the dealing on the work addresses the market aspects of the dealing. In particular, it assesses whether the dealing is likely to impact the demand for the protected work by offering others substantially the same thing in the absence of protection. The Supreme Court of Canada in CCH was clear when it held that this is “not the most important factor” in the fair dealing analysis. Nevertheless, it is taken into consideration in the context of the other factors.

Overall, it is worth repeating that the six contextual factors in the fair dealing analysis are to be assessed from the users’ perspective. None of them are determinative, though some weigh more heavily than others. In every case, the fair dealing analysis will be assessed in accordance with the necessary balance between the public interest in the ability to access and disseminate works and the copyright owner’s ability to protect and exploit their works.

2. Statutory Exceptions

Fair dealing is not the only statutory basis for excusing otherwise infringing conduct. The Act contains a number of other statutory exceptions for specific purposes. Each of these exceptions embody distinct policy objectives and respond to specific cultural and educational environments which allow for conduct that would be otherwise infringing copyright. The below sections address a selection of these statutory exceptions:

Educational Institutions

The Act provides a specific exception for “educational institutions” to carry out certain acts that would otherwise be infringing. This exception is in addition to the “educational” purpose under fair dealing. The Act defines “educational institution” as:

- (a) a non-profit institution licensed or recognized by or under an Act of Parliament or the legislature of a province to provide pre-school, elementary, secondary or post-secondary education,
- (b) a non-profit institution that is directed or controlled by a board of education regulated by or under an Act of the legislature of a province and that provides continuing, professional or vocational education or training,
- (c) a department or agency of any order of government, or any non-profit body, that controls or supervises education or training referred to in paragraph (a) or (b), or
- (d) any other non-profit institution prescribed by regulation...

The definition is quite broad, and ostensibly includes all types of “schools” that we may think of. Even private educational institutions are ordinarily licenced under a statutory regime, and therefore fall within this definition. The types of activities that educational institutions can engage in is quite broad, but includes some caveats. For one, none of the permitted actions can be carried out by educational institutions for the purposes of motive or gain (i.e., profit). Secondly, these uses must occur “on the premises” of the educational institution. This essentially means where the education is provided, controlled or supervised. The precise rules on the activities that can be carried out by educational institutions is somewhat complex, but a summary of those actions which can be carried out for specific purposes “on premises”, and “without motive or gain” in the absence of infringement is as follows:

(1) Education and Training

Reproduction “or any other necessary act” in order to display it for the purposes of education or training is lawful under the Act, so long as the work is not otherwise commercially available in a suitable format or medium. This includes, for example, the creation of digital copies of works for which the educational institution has a licence in paper format. In the context of legal education, this would allow a law school to digitize and disseminate to students online electronic copies of loose-leaf resources, provided of course that the school has a licence to make copies to begin with.

(2) Examinations

Educational institutions can also reproduce, translate, perform in public and communicate to the public by means of telecommunication a work as part of a test or examination. This purpose too includes the caveat that the work must be not be otherwise commercially available in a suitable format or medium.

(3) Performances Before Student Audiences

Live performances of works (e.g., dramatic works such as plays), sound recordings, cinematographic works or performer’s performances are permitted so long as the work itself is not an “infringing copy”. For example, a film screened before students for educational purposes cannot itself be an infringing copy. The performance or viewing of the work must be done before an audience primarily of students, teachers, instructors or others involved in delivering the curriculum of the educational institution.

Libraries, Archives and Museums

For similar policy reasons to the exceptions for educational institutions, libraries, archives and museums are exempt from copyright infringement for specific uses of works. This exceptions sit on top of the fair dealing framework which includes research, private study, criticism and review as one of the enumerated fair dealing purposes. The operative provision in the Act covering this exception is found at section 30.1, which states:

30.1(1) It is not an infringement of copyright for a library, archive or museum or a person acting under the authority of a library, archive or museum to make, for the maintenance or management of its permanent collection or the permanent collection of another library, archive or museum, a copy of a work or other subject-matter, whether published or unpublished, in its permanent collection

(a) if the original is rare or unpublished and is

(i) deteriorating, damaged or lost, or

(ii) at risk of deterioration or becoming damaged or lost;

(b) for the purposes of on-site consultation if the original cannot be viewed, handled or listened to because of its condition or because of the atmospheric conditions in which it must be kept;

(c) in an alternative format if the library, archive or museum or person acting under the authority of the library, archive or museum considers that the original is currently in a format that is obsolete or is becoming obsolete, or that the technology required to use the original is unavailable or becoming unavailable;

(d) for the purposes of internal record-keeping and cataloguing;

(e) for insurance purposes or police investigations; or

(f) if necessary for restoration.

Importantly, this exception does not apply where an appropriate copy is “commercially available” in a medium and of a quality that is suitable for maintaining and managing the library, archive or museum’s collection.

Non-Commercial User-generated Content

As part of the amendments to the Act which came into force in 2012, Canada added an exception for “non-commercial

user-generated content” which allows individuals to “use” existing works in the creation of a new work. Canada became the first country in the world to include an exception of this sort. At section 29.21, the Act states:

Non-commercial user-generated content

29.21 (1) It is not an infringement of copyright for an individual to use an existing work or other subject-matter or copy of one, which has been published or otherwise made available to the public, in the creation of a new work or other subject-matter in which copyright subsists and for the individual – or, with the individual’s authorization, a member of their household – to use the new work or other subject-matter or to authorize an intermediary to disseminate it, if

(a) the use of, or the authorization to disseminate, the new work or other subject-matter is done solely for non-commercial purposes;

(b) the source – and, if given in the source, the name of the author, performer, maker or broadcaster – of the existing work or other subject-matter or copy of it are mentioned, if it is reasonable in the circumstances to do so;

(c) the individual had reasonable grounds to believe that the existing work or other subject-matter or copy of it, as the case may be, was not infringing copyright; and

(d) the use of, or the authorization to disseminate, the new work or other subject-matter does not have a substantial adverse effect, financial or otherwise, on the exploitation or potential exploitation of the existing work or other subject-matter – or copy of it – or on an existing or potential market for it, including that the new work or other subject-matter is not a substitute for the existing one.

Interestingly, the provision includes the peculiar term “use” to describe what may be done with the original work in compliance with the exception. The Act then defines “use” in this context as:

use means to do anything that by this Act the owner of the copyright has the sole right to do, other than the right to authorize anything...

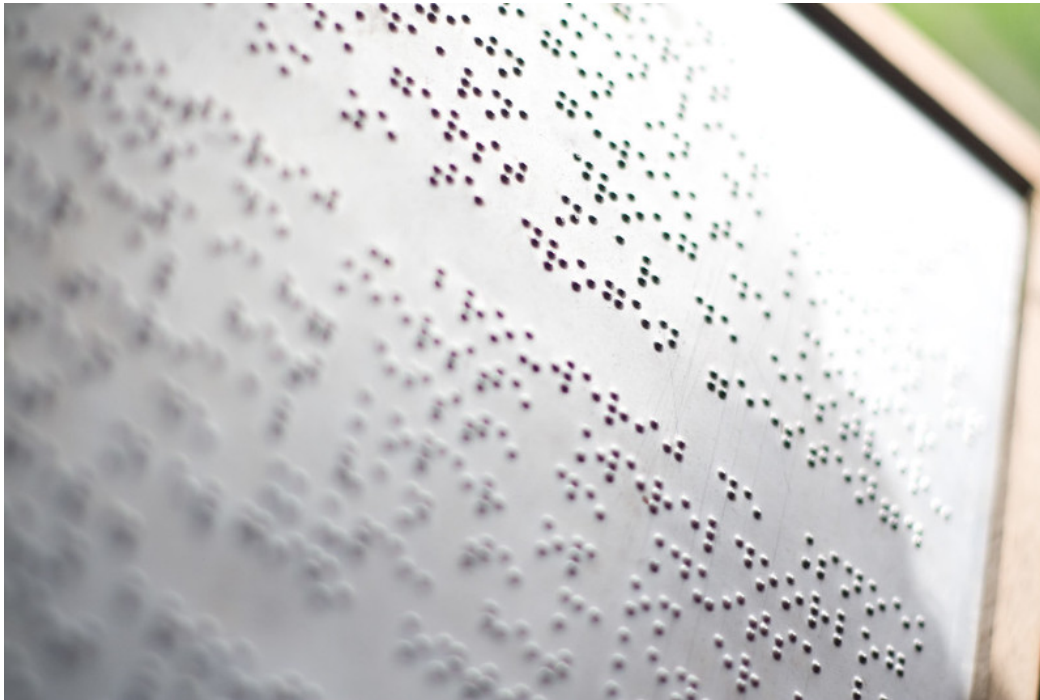
Therefore, the exceptions is quite broad and allows for a wide range of activity.

The user-generated content exception is sometimes referred to as the “mashup” exception, as it permits creators (mostly in the digital environment) to “sample” or reproduce portions of protected works in the creation of new works. The provision requires that these individuals must use these works for “non-commercial purposes” and attribute authorship or the origin of the source work. Users looking to take advantage of this section must also assure themselves that the source work itself is not an infringing work and that their use of the work will not adversely effect (in a broad sense) the original work.

While the policy reasoning behind the provision is straightforward, its practical application may not be. In particular, the notion of “non-commercial purposes” is particularly difficult to delineate in practice. The policy reasoning behind the exception is to address amateur creations online which do not adversely affect rightsholders’ interests. But to assume that amateur creation is also “non-commercial” is an oversimplification. Further still, it is quite difficult to determine when an activity online becomes “commercial” given the myriad ways in which revenues and profits can be garnered through distinct channels online (e.g., crowd funding, advertising revenues, cross promotion of other products or services). While some online services such as YouTube have clearly distinct modes of creation on the basis

of which channels are “monetised” and which are not, this is not always true for online creation. In many cases, it can be exceptionally difficult to determine when a use of a work is done “commercially”. Overall, the provision has embedded within it a certain approach to commercial activity that does not fit well within the contemporary digital environment.

Perceptual Disabilities Exception



Photograph by Bert Heymans (2010). Image obtained through Creative Commons Attribution-ShareAlike 4.0 Licence (CC-BY-SA 4.0).

In some cases, it is necessary to reproduce or change the format of works so that people with disabilities or specific needs can access and make use of them. To address this, the Act also includes an exception to infringement for those with perceptual disabilities. It is primarily intended to assist those who require reproductions of works or conversion of existing works into alternative formats. The Act defines “perceptual disability” as:

...a disability that prevents or inhibits a person from reading or hearing a literary, musical, dramatic or artistic work in its original format, and includes such a disability resulting from

- (a) severe or total impairment of sight or hearing or the inability to focus or move one’s eyes,
- (b) the inability to hold or manipulate a book, or
- (c) an impairment relating to comprehension...

The operative provision for the perceptual disabilities provision in the Act is found at section 32, which states (in part):

It is not an infringement of copyright for a person with a perceptual disability, for a person acting at the request of such a person or for a non-profit organization acting for the benefit of such a person to

(a) reproduce a literary, musical, artistic or dramatic work, other than a cinematographic work, in a format specially designed for persons with a perceptual disability;

(a.1) fix a performer's performance of a literary, musical, artistic or dramatic work, other than a cinematographic work, in a format specially designed for persons with a perceptual disability;

(a.2) reproduce a sound recording, or a fixation of a performer's performance referred to in paragraph (a.1), in a format specially designed for persons with a perceptual disability;

(b) translate, adapt or reproduce in sign language a literary or dramatic work, other than a cinematographic work, in a format specially designed for persons with a perceptual disability;

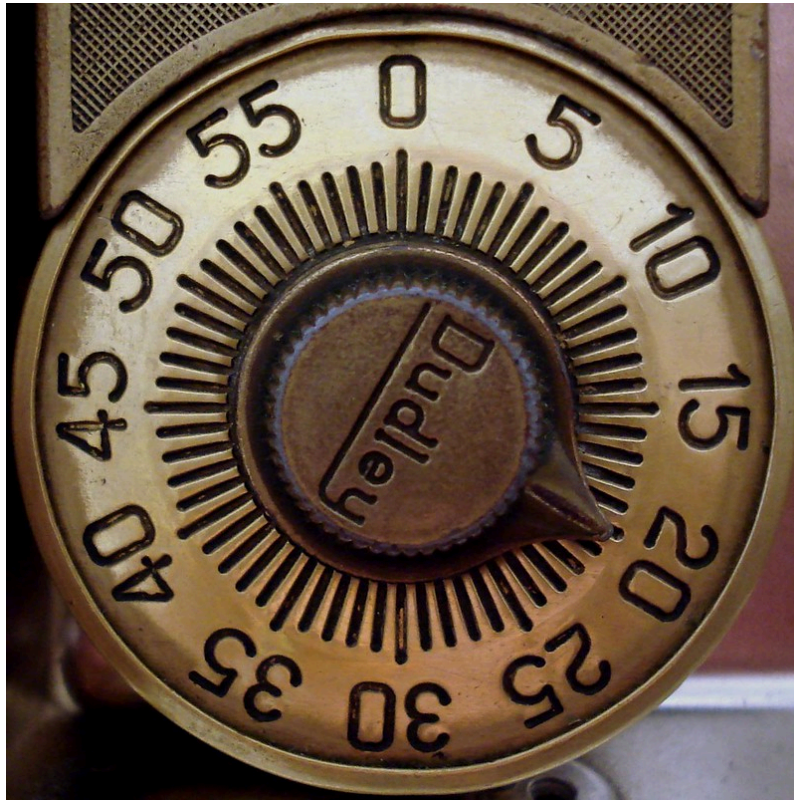
(b.1) provide a person with a perceptual disability with, or provide such a person with access to, a work or other subject-matter to which any of paragraphs (a) to (b) applies, in a format specially designed for persons with a perceptual disability, and do any other act that is necessary for that purpose; or

(c) perform in public a literary or dramatic work, other than a cinematographic work, in sign language, either live or in a format specially designed for persons with a perceptual disability.

In other words, the perceptual disability exception acts as a fairly complete and robust exception to the exclusive rights provided to rights owners under the Act. As is further discussed in the proceeding section on Technological Protection Measures, the perceptual disability framework also includes a series of exceptions allowing circumvention of TPMs to ensure that works are in the appropriate format for those with perceptual disabilities.

Canada's perceptual disability framework, along with other provisions in the Act, operate harmoniously with Canada's larger obligations under the *Marrakesh Treaty*. This included requirements for Canada to also implement changes which would allow cross-border exchange of accessible formats, as found at section 32.01 of the Act. It should be noted that while the perceptual disabilities framework under the Act provides a fairly comprehensive defence to the infringement of economic rights, it does not address moral rights. While there has been no case law in Canada which thoroughly interprets the provisions which comprise this exception, it is theoretically possible for an author to object to the conversion or adaptation of a work on the basis of their moral rights.

H. Technological Protection Measures & Rights Management Information



Photograph by Tom Magliery (2006). Image obtained through Creative Commons Attribution-ShareAlike 4.0 Licence (CC-BY-SA 4.0).

In addition to the economic and moral rights offered by copyright, the law has also come to recognise other types of protection to assist rights owners in curtailing infringement. The most prominent example of this protection are technological protection measures (“TPMs”). Sometimes referred to as “digital locks”, TPMs enable rightsowners to prohibit others from accessing, copying or decoding information relating to a device or piece of software.

An early example of a TPM would be the two holes on the top of an audio cassette tape that would prevent a user from recording over it or using it as essentially blank media. Modern TPMs often take the form of software restrictions that prohibit users from making use of technologies in ways that may infringe copyright. Reminiscent of this approach is the now obsolete notion of “jailbreaking” a smartphone to run non-proprietary software. These sorts of restrictions and the techniques used to bypass them all fall under the umbrella of TPMs and the notion of “circumventing” TPMs.

The Act’s protection for TPMs came about in 2012 as the result of the *Copyright Modernization Act*. These changes were in turn the result of both international developments as part of the 1996 WCT as well as growing trade-related pressure from the United States to adopt protections consistent with its own *Digital Millennium Copyright Act*. The introduction of these protections in Canada was met with considerable controversy at the time, including from academic commentators, lawmakers and the public. The primary focus of concern was that protection for TPMs was seen as independent from any underlying copyright in the work itself. This effectively created for a type of protection with stiff penalties that could potentially bear little relation to the entire statutory scheme under the Act. As will be seen, the protection for TPMs and the penalties for circumvention remain a point of considerable contention within copyright

circles, and as an increasing number of products are being sold with integrated software protected by copyright, the implications of these protections are becoming more prominent.

Definition and Use Cases for TPMs

The Act provides for a very broad definition of what constitutes a TPM at section 41:

technological protection measure means any effective technology, device or component that, in the ordinary course of operation,

(a) controls access to a work, to a performer's performance fixed in a sound recording or to a sound recording and whose use is authorized by the copyright owner, or

(b) restricts the doing – with respect to a work, to a performer's performance fixed in a sound recording or to a sound recording – of any act referred to in section 3, 15 or 18 and any act for which remuneration is payable under section 19...

This very broad definition ostensibly includes a wide range of things that could be considered a TPM, including software encryption, authentication, digital watermarking, proprietary connectors and cables and special screws. The earliest iterations of TPMs in the WCT and at the international level were primarily centred around copy-control technologies, or those whose primary purpose was to inhibit copying works protected by copyright. However, defining TPMs principally as those restrictions or “measures” which “control access to a work”, broadens significantly the role and function that TPMs may have. For example, in some industrial machinery, replacement parts require “authentication” with a central computer in order to become operable. This may require access to system software or proprietary cables which are not widely accessible. Though these restrictions bear little relation to copying in any real sense, they may nevertheless be protected under this conception of an “access control”.

The broad definition of “circumvent” adds to the seemingly limitless subject matter that can fall under protection for TPMs. The Act defines “circumvent” (also at section 41) as:

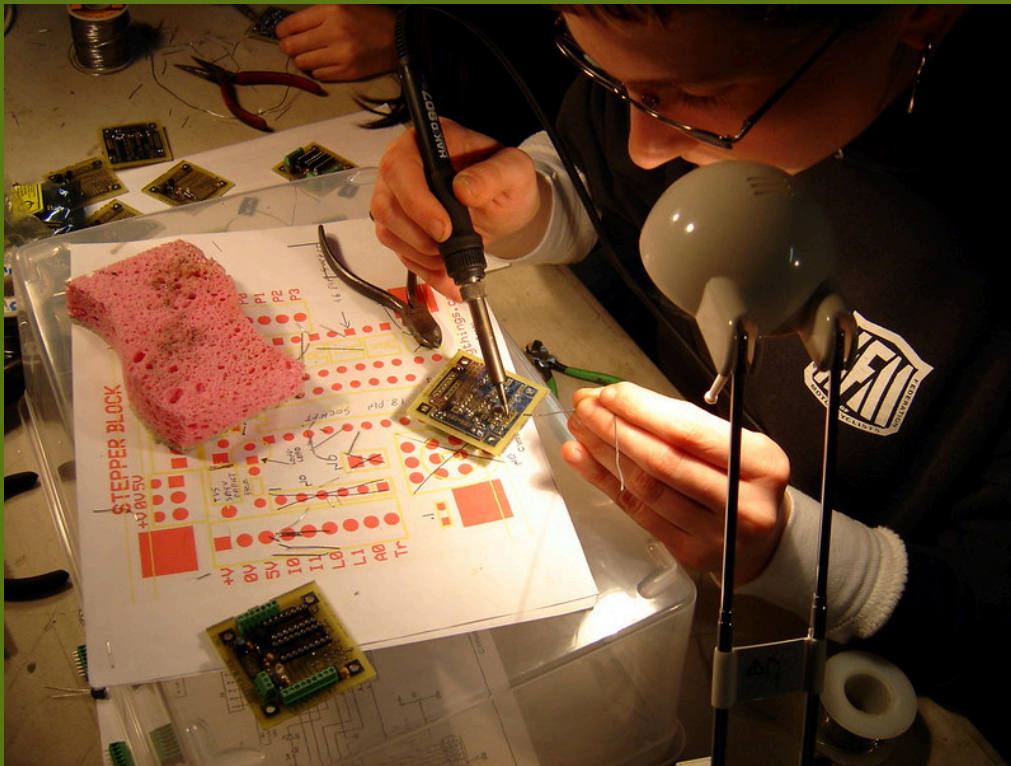
circumvent means,

(a) in respect of a technological protection measure within the meaning of paragraph (a) of the definition *technological protection measure*, to descramble a scrambled work or decrypt an encrypted work or to otherwise avoid, bypass, remove, deactivate or impair the technological protection measure, unless it is done with the authority of the copyright owner; and

(b) in respect of a technological protection measure within the meaning of paragraph (b) of the definition *technological protection measure*, to avoid, bypass, remove, deactivate or impair the technological protection measure...

In other words, any activity that bypasses, circumvents or defeats a TPM constitutes “circumvention”.

There have been relatively few cases in Canada where these provisions have been interpreted and applied, but the Federal Court's 2017 decision in *Nintendo v King*:



Photograph by Eddie Codel (2005). Image obtained through Creative Commons Attribution-ShareAlike 4.0 Licence (CC-BY-SA 4.0).

A company called “Go Cyber Shopping” was a seller and installer of “mod chips”. These were essentially computer hardware chips that, once installed, allowed users to circumvent the technological protection measures on video game consoles. The mod chips installed by Go Cyber Shopping were desirable by consumers because they allowed them to install and play so-called “home brew” games (i.e., games that they made themselves) as well as play games that are not officially supported by Nintendo and other manufacturers. The mod chips could also allow users to play copies of games that infringe copyright. Importantly, the mod chips themselves did not produce reproductions of existing works or directly infringe upon the exclusive rights of game creators or manufacturers.

Nintendo brought a claim against Go Cyber Shopping for their infringement of the TPMs in the consoles. It alleged that the security features in the system’s firmware constituted technological protection. The crux of the dispute centred around the definition of “technological protection measure” in the Act, and particularly whether the firmware constituted an “effective” measure.

The Court found that the mod chips do not have to be necessarily related to copy protection to be “effective” measures. Justice Campbell, writing for the Court at paragraph 84 states:

[84] ... [H]aving regard to Parliament’s express intent to give copyright owners the power to control access to works, the principle of technological neutrality, the scheme of the Act, and the plain meaning of the definitions

for TPM and “circumvent”, it is clear that access control TPMS do not need to employ any barrier to copying in order to be “effective”.

The Court found that Go Cyber Shopping had unlawfully circumvented Nintendo’s TPMS and awarded a total of over \$12-million in damages, including statutory and punitive damages. The decision represents a potentially heavy-handed approach to TPM circumvention under Canadian law and raised eyebrows as to the seriousness of circumvention in the absence of copying.

In the 2019 Statutory Review of the Copyright Act, the Standing Committee on Industry, Science and Technology commented on TPM protections by observing and recommending at that:

The Committee recognizes that the effective use of TPMS remains important in at least some creative industries and that Canada has international obligations in the matter. However, it agrees that the circumvention of TPMS should be allowed for non-infringing purposes, especially given the fact that the *Nintendo* case provided such a broad interpretation of TPMS. In other words, while anti-circumvention rules should suppose the use of TPMS to enable the remuneration of rights-holders and prevent copyright infringement, they should generally not prevent someone from committing an act otherwise authorized by the Act. The committee therefore recommends:

Recommendation 19

That the Government of Canada examine measures to modernize copyright policy with digital technologies affecting Canadians and Canadian Institutions, including the relevance of technological protection measures within copyright law, notable to facilitate the maintenance, repair or adaptation of a lawfully-acquired device for non-infringing purposes.

The Statutory Review recognised the potentially negative effects of over-protection for TPMS. Nevertheless, proponents of TPMS feel that strong and unequivocal protection is necessary to maintain the copyright balance. Do you agree? Why or why not? Do you think that an exception allowing TPM circumvention for “non-infringing purposes” would solve the problem of over-protection? Why or why not?

2. Rights Management Information

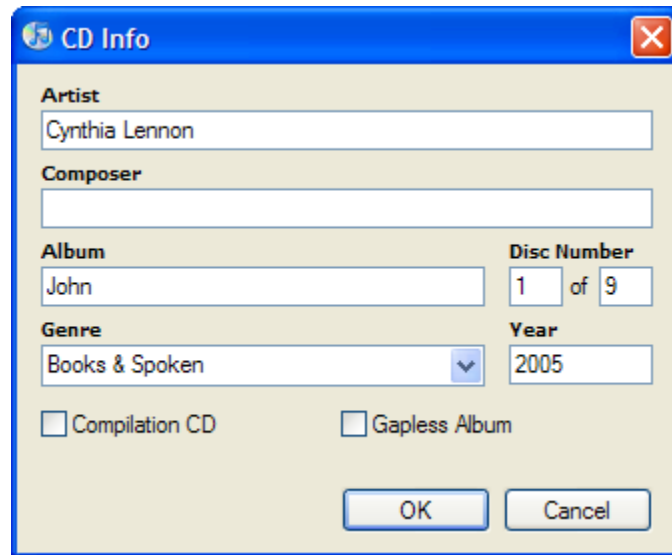


Image by Michael Sauers (2007). Image obtained through Creative Commons Attribution-ShareAlike 4.0 Licence (CC-BY-SA 4.0).

In very general terms, rights management information (“RMI”) is information which identifies the author, performer, performance, producer as well as any information about the terms and conditions of use of the work. Common parlance used to describe RMI is *metadata*, and in the context of RMI, metadata is normally provided for distinct aspects of works:

(1) Descriptive Metadata

Descriptive metadata identifies the performer, author, producer or a particular copy of a recording. This metadata assists in enabling search functionality, recommendations and in the context of audio recordings (for example) may assist in providing recommendations to users or playlist creation.

(2) Ownership Metadata

Ownership metadata signifies the ownership structure of the various rights in a work or performance (e.g., copyright, performance right, broadcast rights, etc). This metadata assists in (for example) facilitating online sales and public performances.

(3) Permissions Metadata

Permissions metadata is data determining the terms of use of the work or performance. Permissions metadata is particularly important in the context of larger digital rights management (“DRM”) structures, where works or performances in the digital environment are only accessible upon the verification of the correct permissions. It should also be noted, however, that permissions metadata is not always restrictive in nature. Creative Commons, for example, utilises permissions metadata to facilitate precisely the opposite effect of restricted use and DRM.

The Act defines “rights management information” as:

...information that

(a) is attached to or embodied in a copy of a work, a performer’s performance fixed in a sound recording or a sound recording, or appears in connection with its communication to the public by telecommunication; and

(b) identifies or permits the identification of the work or its author, the performance or its performer, the sound recording or its maker or the holder of any rights in the work, the performance or the sound recording, or concerns the terms or conditions of the work's, performance's or sound recording's use.

This is a quite broad definition of what RMI is, or could be. Ostensibly, RMI can extend to many different types of works and for many different purposes. To assist in better understanding it, below is an example of a practical application:

Example: Watermarked digital photograph in .jpeg format

Imagine a photograph of the Weldon Law building at the Schulich School of Law taken by a Halifax photographer on a scenic Winter morning. The photographer, Justine Hilfield, places a watermarked image on the bottom right hand corner of the photograph which shows her initials and personal logo. Justine's image is captured in RAW format on her Canon EOS 70D camera and converted into a .jpeg image for sharing on the internet. The .jpeg file includes the date and time that the photograph was taken, the model of Justine's Canon camera (EOS 70D), Justine's name and the geo-location of where it was taken.

In other words, RMI is the information attached to the work which assists in tracking authorship, ownership and facilitating monetisation of the work. In the example above, Justine has a vested interest in ensuring that the RMI attached to her photograph remains in tact so that she can be properly attributed as its author and collect remuneration through royalties for its use. In more commercialised works, RMI may be interpreted by larger systems and databases for the purposes of monetisation. For this reason, the Act protects RMI and imposes a prohibition for removing or altering it. Notably at section 41.22, the Act states:

No person shall knowingly remove or alter any rights management information in electronic form without the consent of the owner of the copyright in the work, the performer's performance or the sound recording, if the person knows or should have known that the removal or alteration will facilitate or conceal any infringement of the owner's copyright or adversely affect the owner's right to remuneration under section 19.

Therefore, section 41.22(1) makes it clear that removal of RMI is prohibited where doing so would clearly prejudice the rightsowners interests. The Act then grants copyright owners quite broad remedies to enforce protections for their RMI at section 41.22(2):

The owner of the copyright in a work, a performer's performance fixed in a sound recording or a sound recording is, subject to this Act, entitled to all remedies – by way of injunction, damages, accounts, delivery up and otherwise – that are or may be conferred by law for the infringement of copyright against a person who contravenes subsection (1).

Therefore, TPMs and RMI share some similarities. They are aspects or components of works (or the manner in which they are distributed) which receive standalone protection. Tampering or removing them can be subject to sanctions under the Act that are independent from the act of infringement. Both TPMs and RMI are generally regarded as tools for copyright owners to not only assist in the enforcement of infringement, but to ensure more direct control over remuneration and use by others.

I. Collective Administration of Rights

Role and Function of CMOs

As demonstrated in the above section on Economic Rights, the many rights included under the copyright umbrella can be complex and overlapping. For many creators, the management of these rights through individual contracts and licensing can be complex, time consuming and inefficient. In economic terms, we refer to these hurdles as “transaction costs”. Many authors, performers, producers and other creators choose to instead work with collective rights management organisations (“CMOs”) to facilitate rights clearance and remuneration with those who are interested in making use of their works. CMOs then are able to act as a single (or among only a few) points of contact with potential licensees of copyright works. By holding vast collections of works under their repertoire, CMOs negotiate on behalf of authors, artists and creators.

For the most part, CMOs are not-for-profit organisations that operate in both the public and private spheres. At the very general level, CMOs ordinarily focus on distinct economic rights under copyright (e.g., mechanical reproduction of music versus performance rights). There are also myriad approaches to how CMOs are governed and organised with respect to their relationship to artists. Some are purely voluntary and contractual as between artists and the CMOs, while others are statutory and mandatory in nature. Regardless of the terms under which they exist, CMOs play an incredibly significant role in the overall copyright system. They are key players in the negotiation and monetisation of various economic rights. In practical terms, much of what is capable of remuneration in creative industries is monetised through some sort of CMO structure.

2. Collective Rights Management Organisations

The story of collective administration of copyright in Canada begins in the early 20th century. Canada's first domestic copyright legislation was the *Copyright Act*, 1921, S.C. 1921, c. 24, which followed the British *Copyright Act*, 1911 (U.K.), 1 & 2 Geo. 5, c. 46. The 1921 Act did not provide for the collective administration of copyright. The first regime regulating any form of collective society in Canada was created in the 1930s in response to the emergence of early performing rights societies, who had acquired control of the vast majority of popular musical and dramatico-musical compositions and were therefore able to exercise monopolistic power

CMOs are defined as “collective societies” under the Act at section 2, which provides:

collective society means a society, association or corporation that carries on the business of collective administration of copyright or of the remuneration right conferred by section 19 or 81 for the benefit of those who, by assignment, grant of licence, appointment of it as their agent or otherwise, authorize it to act on their behalf in relation to that collective administration, and

(a) operates a licensing scheme, applicable in relation to a repertoire of works, performer's performances, sound recordings or communication signals of more than one author, performer, sound recording maker or

broadcaster, pursuant to which the society, association or corporation sets out classes of uses that it agrees to authorize under this Act, and the royalties and terms and conditions on which it agrees to authorize those classes of uses, or

(b) carries on the business of collecting and distributing royalties or levies payable under this Act in relation to a repertoire of works, performer's performances, sound recordings or communication signals of more than one author, performer, sound recording maker or broadcaster...

The distinction between mandatory and voluntary collective management under the Act can be sometimes unclear. In simple terms, sections 19 and 25 of the Act provide a right of remuneration for performers. Collective management of this right is not voluntary, and is administered in Canada by Re:Sound. All other remuneration rights are administered by CMOs voluntarily under the Act. Examples of voluntary CMOs include SOCAN and Access Copyright.

Pursuant to s. 70.12, a collective society operating in the general regime may, "for the purpose of setting out by licence the royalties and terms and conditions relating to classes of uses", either (a) file a proposed tariff with the Board or (b) enter into agreements with users. A collective society that chooses to file a proposed tariff does so under s. 70.13, which permits it to "file with the Board a proposed tariff . . . of royalties to be collected by the collective society for issuing licences".

Copyright Board of Canada – Role and Function

The Copyright Board of Canada is a key player in the effective implementation of collective rights management. It is a statutory body which regulates the collective management of copyright. The gradual expansion of the collective administration regime over time has been to protect creators, who experienced difficulties asserting their rights amidst technological change. Creators were interested in acting collectively but were concerned that without regulation and protection from prosecution for conspiracy, new collective societies would run into competition law problems.

The structure of the Board is addressed at sections 66 of the Act. It consists of five members who act in an adjudicative capacity.

In essence, the Board approves tariffs set by CMOs for the purpose of establishing royalties for the rights that the CMO administers. The Board also has the power to designate a CMO as the "sole collective society" authorized to collect all royalties for sound recordings of musical works. The Act also gives the Board the power to oversee and supervise licensing agreements between CMOs and end users.

When a collective society files a proposed tariff with the Board, s. 70.15(1) requires the Board to "certify the tariffs as approved, with such alterations to the royalties and to the terms and conditions related thereto as the Board considers necessary, having regard to any objections to the tariffs". The Board's power to modify and approve a collective society's proposed tariff is one of three sources of the Board's supervisory and price-setting authority over a collective society's royalties in the general regime. The Board may also fix royalties when a collective society and individual user are unable to agree on terms and one party applies to the Board (ss. 70.2 to 70.4), or alter royalties if the parties make an agreement without Board intervention that is then filed with the Board (ss. 70.5 to 70.6).

The Board's most recent tariff structure can be found on the Board's website. This includes both the current "certified" tariffs and the proposed tariffs which will be implemented some time later. Upon review of these tariffs, you will notice that they are not up to date. The structure of the Board's review process creates this shortcoming, and ostensibly the Board's tariffs are perpetually "out of date". This stands in contrast to other jurisdictions which ensure that tariffs reflect current rates. The result is that in Canada, many artists will not receive remuneration from their CMO until the tariffs are updated by the Board some years later. This constant need for reconciliation of the Board's rates has deleterious effects on artists, who may as a result wait for years before royalty payments are made to them.

IV. Patents

LUCIE GUIBAULT

A. Introduction

Among the most famous inventions for which patent protection has ever been sought are the mousetrap, the lightbulb, the telephone, Aspirin, the compact disk, the recombinant DNA method, the viagra pill and the Covid-19 vaccine. Any new, inventive and useful process or product, in any field of activity, is in principle eligible for protection – or, as the U.S. Supreme Court once uttered: ‘anything under the sun that is made by man is patentable’. Few inventions come about as a stroke of genius. Many more are the result of huge investments in research and development (R&D), representing immense amounts of money, time and expertise. Patent protection is meant to stimulate innovation by allowing owners to recoup R&D investment and turn a profit on their invention. But no empirical evidence convincingly establishes that the patent system generally achieves this goal. Only in specific sectors of industry, like in the pharmaceutical industry, do patents play a clear role in further development. In most sectors, the case for patent protection is inconclusive at best. Paradoxically, the number of patent applications filed in a country is often seen as a proxy for innovation and growth. Nevertheless, the patent system is credited for encouraging the dissemination of knowledge and information to the public through publication of patent applications and granted patents. So, while patent protection has benefits, it also carries drawbacks: for, even if the patent system acts as a stimulus for innovation, the exclusivity it confers leads almost by definition to high(er) consumer prices and limited access to inventions – think of drugs or vaccines, for example. Moreover, powerful corporations are known to use their patent portfolios as a strategic tool to block competitors from coming too close. To reduce such rent seeking behaviour by corporations, it is paramount that the requirements for protection be strictly applied, so as avoid rewarding trivial inventions, also known as ‘patent trolls’.

1. Legislative history

The origin of Canada’s patent legislation can be traced all the way back to the British *Statute of Monopolies* of 1623. The *Statute of Monopolies* declared all monopolies illegal and void save only those few specifically excepted from its operation. This Act was never officially repealed and some commentators believe that it became part of the law of Canada at the time of the *Treaty of Paris*. Although the philosophical underpinnings of the systems in force in Great Britain and on the North American continent eventually diverged, both systems share a common source in the common law of England as expressed in the *Statute of Monopolies*. The case law of Great Britain has been accepted as authoritative in interpreting the patent law of Canada, save where the statutory provisions of the two countries have diverged.

The first Act in respect to patents was enacted by the Legislature of Lower Canada in 1823, which Upper Canada replicated in 1826. Pursuant to these statutes, the inventor of any art, machine, manufacture or composition of matter, was granted the exclusive right and liberty of making, constructing, using and vending to others to be used, the said invention. These two Acts were amended and consolidated on various occasions. Upon Confederation, the British North America Act, 1867 granted the federal government exclusive power to legislate on matters of ‘Patents of Invention and Discovery’, which it did through the enactment of the Patent Act of 1869.

In 1883, the international community signed the *Paris Convention for the Protection of Industrial Property*. The Convention was periodically revised on several occasions between 1900 and 1967. With respect to patents, the Convention recognizes the principle of national treatment, establishes the 12 month priority deadline for the filing of international applications, and permits the imposition of compulsory licences to prevent abuses that may result

from the exercise of the patent rights, for example, failure to work. Canada became a Contracting Party to the Paris Convention in 1923, when it adhered to the Washington Act of 1911.

The modern version of the Canadian Patent Act dates back to 1935. While the Act underwent some revisions in 1952 and 1969, it was extensively amended only on two occasions, in 1987 and again in 1993. The main amendments brought to the Patent Act in 1987 (which entered into force on October 1, 1989) concerned the following: (1) the conversion of the Canadian patent system from a “first-to-invent” to a “first-to-file” system; (2) the almost complete removal of a period of grace in relation to novelty; (3) restrictions to the statutory scheme for the compulsory licensing of pharmaceutical patents; and (4) the implementation of the *Patent Cooperation Treaty* (PCT) into Canadian law, to allow for an easier international patent filing process. The 1993 amendment was meant to solve interpretation problems that had arisen from the 1987 amendments and to bring a few consequential changes, relating to the introduction of the concept of claim date, as distinct from filing date and priority date and consequent amendments dealing with the request for priority, novelty provisions and the codification of the requirement for non-obviousness.

The Canadian Patent Act went through several modifications as a consequence of Canada’s adhesion to international agreements, such as NAFTA (1992) and TRIPS (1994), the *Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure* in 1996 and, most recently, the *Patent Law Treaty* (2000). NAFTA and TRIPS clarify what subject matter qualifies for patent protection and what types of subject matter does not: for example, plants other than microorganisms, as well as therapeutic methods for treatment, do not qualify for patent protection. The Patent Act was amended in 2014 and 2018 and new Patent Rules came into force on October 30, 2019 to allow Canada to implement the *Patent Law Treaty*. This Treaty aims to simplify and harmonize administrative practices among national intellectual property offices with respect to the patent application process. The *Patent Law Treaty* does not seek to harmonize substantive patent law, but rather to address issues such as the grace periods to avoid loss of rights, representation before the intellectual property office and reduction of bureaucratic burden.

2. Objectives of the patent system

Patent protection pursues a clear utilitarian objective, e.g. stimulating the creation and development of new technologies (Vaver 2011, p. 300). Of all IP rights, patent rights afford the strongest protection to their owner. As incentive to produce new inventions, patent owners obtain the right to manufacture, import and use the patented invention to the exclusion of all others, including even those who have developed a similar invention independently from the patent owner.

As the Supreme Court emphasised in the landmark case *Teva v Pfizer* (2012 SCC 60, para. 32), ‘[t]he patent system is based on a “bargain”, or *quid pro quo*: the inventor is granted exclusive rights in a new and useful invention for a limited period in exchange for disclosure of the invention so that society can benefit from this knowledge. This is the basic policy rationale underlying the Act. The patent bargain encourages innovation and advances science and technology.’ The bargain between the State and the inventor requires that patent owners disclose their invention through what is known as a Specification. Provided that the inventors publish their “invention in such a form and in such a way as to enable the public to get the benefit of it, they obtain a monopoly of that invention for a period of [twenty] years. That is the bargain.” (*Tubes, Ltd. v. Perfecta Seamless Steel Tube Company, Ltd.* (1902), 20 R.P.C. 77, at pp. 95-96)

The patent protection is a hard bargain, however. The Supreme Court stressed that “[a] patent is not intended as an accolade or civic award for ingenuity. It is a method by which inventive solutions to practical problems are coaxed into the public domain by the promise of a limited monopoly for a limited time. The public should not be expected to pay an elevated price in exchange for speculation, or for the statement of “any mere scientific principle or abstract theorem” or for the “discovery” of things that already exist, or are obvious” (*Apotex v. Wellcome Foundation*, 2002 SCC 77). Therefore only specific types of inventions (Section B.), that meet the requirements of protection (Section C.) and that are fully described by their inventor showing how they are produced, built or put into operation (Section D.), are worthy of protection. To make sure that the patent bargain is properly enforced, patent rights are granted following an extensive examination process by the patent examiner at CIPO, as described in section E. below.

The key question is whether the public is getting what it ought to be getting in exchange for exclusive monopoly rights. Patent monopolies are granted to encourage people to make inventions and to disclose their nature and working. Unless a full and fair description is given the patent ought not to be held valid. In the same way, the claims of the invention ought to clearly reveal what the scope of protection is, i.e. what may and may not be done with the invention. If the claims are incomprehensible or ambiguous, or do not really relate to the invention which has been disclosed in the body of the patent specification, the patent again should not stand valid. The scope of patent protection is examined in section F. below. This chapter closes with a short description of the laws relating to pharmaceutical patents.

B. Protectable Subject Matter

Not all inventions or discoveries are susceptible of protection under the patent regime. Section 2 of the Patent Act (PA) determines what constitutes the object of patent protection, while section 27(8) defines what is expressly excluded from protection. To be protectable under the Patent Act, not only must an invention fall under one of the categories specified in s.2 PA, but it must also meet the criteria for protection, e.g. it must be novel, useful and non-obvious. These criteria for protection are discussed in section C. below. Interestingly, the definition of ‘invention’ in the Patent Act has remained unmodified since its adoption in 1935, despite the fact that Canada ratified the NAFTA and the TRIPS Agreements. Both international instruments define the patentable subject matter in a more straightforward manner than the Canadian legislation does, saying that an invention is a product or a process in all fields of technology. The same goes for the exclusions to patentability, which are clearly set out in the international agreements, compared to the Canadian legislation. This section examines the types of inventions that qualify as protectable subject matter, and those that do not, under ss.2 and 27(8) PA.

1. Patentable ‘inventions’

TRIPS Agreement

Article 27

Patentable Subject Matter

1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

S.2 invention means any new and useful art, process, machine, manufacture or composition of matter, or any new and useful improvement in any art, process, machine, manufacture or composition of matter;

The Canadian Parliament chose not to implement s.27 of the TRIPS Agreement, probably judging that the long standing definition of invention in the Patent Act already met the international obligations. The list of categories of inventions in s.2 is exhaustive, which means that if an invention does not qualify either as a useful art, process, machine, manufacture

or composition of matter, it will not be patentable. Because the definition of ‘invention’ in the Patent Act is at once detailed and ambiguous, courts have had to construe this statutory provision in the light of the factual situations in front of them. Most ambiguous is the concept of ‘useful art’, but some ‘processes’ and ‘compositions of matter’ can also raise interpretation issues. The question a court will ask is what is the subject matter defined by the claim(s) in the patent application? If the subject matter defined by the claim(s) is neither an art, process, machine, manufacture or composition of matter, or any new and useful improvement thereof, then the application must be refused on the basis of no patentable subject matter, or the patent if previously awarded must be invalidated for the same reason.

Determining what qualifies as a patentable ‘useful art’ can be challenging, especially knowing that mere scientific principles and abstract theorems are unpatentable. ‘Art’ in this context is a ‘way of doing things’, not an artistic expression. The Exchequer Court once explained that “[a]n art or operation is an act or series of acts performed by some physical agent upon some physical object and producing in such object some change either of character or of condition. It is abstract in that, it is capable of contemplation of the mind. It is concrete in that it consists in the application of physical agents to physical objects and is then apparent to the senses in connection with some tangible object or instrument.” (*Lawson v. Commissioner of Patents* (1970), 62 C.P.R. 101).

A ‘useful art’ can also consist in a manifestation, effect, or change of character, as long as it is concrete and tangible. In *Shell Oil v. Commissioner of Patents* (1982 CanLII 207 (SCC)), the Supreme Court accepted the patentability of the new use of known chemical compounds as plant growth regulators. The claimed invention was not the compound itself or its mixture with other compositions, but rather the **new use** for the existing compounds as plant growth regulators. Wilson J. speaking for the Court accepted the view that nothing in the Patent Act precluded a viable claim for the new use of known compounds as an invention within the meaning of the definition. She defined ‘art’ by referring to the word’s general connotation of ‘learning’ or ‘knowledge’. A new ‘art’ advances knowledge compared to the ‘state of the art’ or the ‘prior art’. The appellant’s ‘art’ consisted in the recognition of the compound’s hitherto unrecognised properties and the development of the method whereby these properties could be realised through practical application.

Implicit in the definition of ‘invention’ is that patentable subject matter must be **something with physical existence, or something that manifests a discernible effect or change**. It must have a practical application. However, the mere fact that the claimed invention has a practical application is not sufficient in itself to warrant the issuance of a patent. There needs to be a ‘physicality requirement’. The Commissioner’s identification of the actual invention is to be grounded in **a purposive construction of the patent claims**. Purposive construction ensures that the Commissioner is attuned to the possibility that a patent claim may be expressed in language that is deliberately or inadvertently deceptive. For example, the Commissioner would see through an apparent a claim for an “art” or a “process” which, upon a proper construction, would turn out to be a claim for a mathematical formula and therefore not patentable subject matter (*Schlumberger Canada Ltd. v. Canada (Commissioner of Patents)*, [1982] 1 F.C. 845 (C.A)). Whether the claimed invention hints at a physical existence, or manifests a discernible effect or change from a pre-existing situation, is to be determined through a purposive construction of the patent claims. The interpretation of “patent claims though a purposive construction” is a somewhat abstract endeavour that courts often repeat as a mantra without offering further explanation. The challenge for anyone interpreting patent claims, like a patent examiner or a judge, is to objectively determine what the person skilled in the art would, as of the date of publication of the patent application and on the basis of the particular words or phrases used in the claim, have understood the applicant to have intended to be the scope of protection sought for the disclosed invention (see *Free World Trust v. Électro Santé Inc.*, 2000 SCC 66 at paragraph 50). According to established jurisprudence, the proper interpretation of patent claims consists in reaching a balance between a broad or a narrow interpretation, by looking at the reasonable purpose of the invention as described in the claims.

Canada (Attorney General) v. Amazon.com, Inc. (2011 FCA 328)

The definition of 'art' was put to the test in relation to Amazon.com's 'one-click' method of internet shopping. The Federal Court of Appeal **rejected** both tests put forward by the Commissioner of Patents and Phelan J. of the Federal Court, to determine whether an 'art' was patentable subject matter. The Commissioner of Patents had suggested using a three-step test to enquire (1) whether the invention adds to human knowledge anything that is technological in nature; (2) whether it is merely a business method and a business method is not patentable; and (3) whether it does not cause a change in the character or condition of a physical object.

The Court of Appeal rejected the test considering these to be contextual, but non-determinant, factors that ought to be used with caution on a case-by-case basis. Justice Phelan had proposed asking whether Amazon.com's business model had a practical embodiment or practical application. The Federal Court of Appeal rejected this test saying that 'the difficulty with a bare 'practical application' test for distinguishing patentable from unpatentable business methods is highlighted because the particular business method – itself an abstract idea – is realized by programming it into the computer by means of a formula or algorithm, which is also an abstract idea'.

For the Federal Court of Appeal, the solution lies in a **purposive construction of the claims** to see whether they contain one of a number of essential elements of a valid patent claim. This solution seems less concrete than the two rejected tests, but according to the Federal Court of Appeal, it corresponds more closely to the jurisprudence on the matter.

2. Exclusions from Patentable Subject Matter

Section 27(8) PA contains the only statutory exclusion from patentability in the Canadian patent regime. Other limits to patentability have been developed through case law, through the interpretation of the concepts of invention, scientific principles and abstract theorems. The jurisprudential exclusions include business methods, therapeutics methods and higher lifeforms. These exclusions roughly correspond to those listed in subs. 27.2 and 27.3 of the TRIPS Agreement which allows – but does not oblige – countries to provide for certain exclusions from patentability. Canadian patent law does not provide for the possibility to refuse an application on the basis of public order or morality, however, as we will see below in relation to the *Monsanto v Schmeiser* case.

TRIPS Agreement

Article 27

Patentable Subject Matter

(...)

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect *ordre public* or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

(b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any

combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.

S.27(8) No patent shall be granted for any mere scientific principle or abstract theorem.

While the interpretation of the concepts of invention, scientific principles and abstract theorems may give rise to various types of exclusions from patentability, the pages below focus on three main types of exclusion: 1) Mere Ideas, Plans; 2) Methods of medical treatment; and 3) Higher life forms.

Mere Ideas, Plans

Mere ideas, plans, abstract principles are non-patentable subject matter, pursuant to s.27(8) PA. Logically, no one should be granted a monopoly on ideas that have no use or tangible existence or effect. For the same reason, pure discoveries or natural phenomena are also excluded from patent protection. The discovery of penicillin to combat infections, the double helix DNA sequence, or the discovery of a new element in the periodic table are all excluded from patent protection. Everyone must be free to use or build on ideas, plans or abstract principles. The line between a patentable idea having a physical existence or discernible effect and an non-patentable abstract concept is often difficult to draw. Many patent applications are rejected by the Commissioner of Patents on the ground that they seek protection in relation to ‘mere plans’ or ideas.

How does a business method qualify? Or a computer program? Courts have generally held that business methods are not patentable subject matter because they are abstract ideas. The question has arisen in case law whether one should consider that a business method would become patentable subject matter if it has a practical embodiment or a practical application. As we saw in the *Amazon.com v Commissioner of Patents* case, the Federal Court of Appeal opined that this cannot be a distinguishing test, because it is axiomatic that a business method always has or is intended to have a practical application.

On August 21, 2020, the Federal Court issued its decision in *Yves Chouëifaty v Attorney General of Canada*, 2020 FC 837, granting the appeal from the Commissioner of Patents’ decision that Canadian Patent Application No. 2,635,393 (the ‘393 Application’) entitled “Method and Systems for Provision of an Anti-Benchmark Portfolio” was not patentable subject-matter. The 393 Application claimed an invention of a computer implementation of a new method for selecting and weighing investment portfolio assets that minimises risk without impacting returns. The main issue in the appeal was whether the computer elements referred to in the claims were essential elements. The Court scrutinised and rejected the Commissioner’s approach, and directed the Commissioner to consider the 393 Application afresh in accordance with the Court’s reasons. Most recently, the Commissioner of Patents issued a new decision in which it concluded in favour of patentability by saying:

The subject matter of this case is reminiscent of that in Schlumberger Canada Ltd v Commissioner of Patents, [1982] 1 FC 845 (CA) at 204–06, where the Federal Court of Appeal explained that a mental process of making certain calculations according to certain mathematical formulae is not patentable subject matter, and that merely prescribing the calculations be made by computer cannot transform it into patentable subject matter. The claimed inventions of the second proposed claims can be considered to distinguish from those of Schlumberger, however, in that the computerized calculations here are not merely for yielding information, but for permitting the computer to carry out the portfolio optimization procedures with significantly less

processing and greater speed. There was no suggestion in Schlumberger that the invention lay in the computer calculating its results with less processing or greater speed.

EXAMPLE: A 'Mere Plan'

Decision of the Commissioner of Patents, Canadian patent application number 2,661,758 "UTILIZING PHRASE TOKENS IN TRANSACTIONS", by Amazon Technologies, Inc.

There are 18 claims on file, including independent claims 1, 16, and 18, and dependent claims 2 to 15 and 17. In my view, independent claims 1, 16, and 18 are representative of the claims on file:

1. A system for facilitating transactions comprising:

a computing system, having a processor and a memory, for executing programmable instructions that implement a data store, the data store including processing information associated with one or more transaction phrase tokens, wherein at least one transaction phrase token consists of an unambiguous set of characters selected in their entirety by a transaction phrase token holder; and

a computing system, having a processor and a memory, for executing programmable instructions that implement a transaction phrase token processing service, the transaction phrase token processing service processing a request to complete a transaction from a requestor, wherein the request includes a representation of a selected transaction phrase token provided by a transaction phrase token holder to the requestor;

wherein the transaction phrase token processing service accesses the processing information associated with the selected transaction phrase token;

wherein the processing information associated with the selected transaction phrase token identifies a transaction account associated with the selected transaction phrase token; and

wherein the transaction phrase token processing service processes the request in connection with the transaction account associated with the selected transaction phrase token based on the processing information associated with the selected transaction phrase token.

16. A method for facilitating the processing of transactions comprising:

obtaining a request for completion of a transaction between two parties, wherein a transmitting party is associated with at least one transaction phrase token, wherein the transaction phrase token corresponds to an unambiguous set of characters selected in their entirety by the transmitting party, and wherein the transmitting party solely transmits the transaction phrase token to a receiving party to elicit a debiting of a transaction account associated with the transaction phrase token; and

processing the request for completion of the transaction based upon a configuration of the transaction phrase token, wherein the configuration of the transaction phrase token identifies the transaction account associated with the transaction phrase token, and wherein processing the request comprises completing the transaction in connection with the transaction account identified by the configuration of the transaction phrase token.

18. A computer readable medium encoded with computer program codes for directing a computer to perform any one of the methods of Claims 16 or 17.

The Commissioner of Patents ruled that the essential elements of the claims on file comprise rules regarding performing financial transactions using transaction phrase tokens, which are represented by character sets.

Such subject-matter is directed to a series of abstract rules. These elements do not comprise matter that manifests a discernible effect or change and are outside the definition of invention in section 2 of the *Patent Act*. Therefore, claims 1 to 18 on file do not define statutory subject-matter and thus do not comply with section 2 of the *Patent Act*.

Methods of medical treatment

Methods of medical treatment have long been held to be non-patentable subject matter, following the Supreme Court decision in *Tennessee Eastman Co. v. Commissioner of Patents* [1972 CanLII 167 (SCC)] The method of medical treatment for which a patent was sought concerned a method of closing incisions following surgery by the use of an adhesive substance discovered to have a marked affinity for adhering to living tissue. The Commissioner had refused the patent on the basis that this was not the kind of discovery (the adhesive itself not being new) which fell within the definition of “invention” in the Act. In particular, he found that it was not an “art” because it was useful only in the process of surgical or medical treatment and produced no result in relation to trade, commerce or industry. It was not patentable because it was essentially non-economic and unrelated to trade, industry or commerce. It was related rather to the area of professional skills.

The Supreme Court’s grounds for rejecting the patent application in *Tennessee Eastman* are not very convincing. Wilke [Prohibiting Medical Method Patents: A Criticism of the Status Quo, (2011) 9:1 CJLT], argues that the ground for refusal to grant a patent in this case were somewhat tenuous, as non-commercial activities do not fit within the statutory definition of “invention”. Instead the Court could perhaps have argued that the invention was not patentable, not because it was non-economic, but because it relied too heavily on the exercise of a physician’s skill and judgment. However, in view of the fact that s. 27(3)(a) of the TRIPS Agreement gives Contracting Parties the possibility to exclude methods of medical treatment from patentability, one could argue that the international legal community accepts that this type of invention may, or should, fall outside the scope of protection. The legal rationale for this consensus appears to be a widely shared public policy concern, where allowing for the grant of patents on methods of medical treatment could increase health care costs or put obstacles in the availability of certain patented methods.

Since the *Tennessee Eastman* decision, the issue of the patentability of methods of medical or surgical treatment has been examined on occasion. The Federal Court of Appeal recently summarised the state of the law on this point in *Hospira Healthcare Corporation v. Kennedy Trust for Rheumatology Research*, [2020 FCA 30], saying that “the Federal Court jurisprudence has developed the principle that a claim to a vendible product, including a substance intended for the treatment of a medical condition, can be good subject matter for a patent claim, but not if the claim encompasses the skill of a medical professional”.

Higher Life Forms

The interpretation of “invention” as given in s.2 PA has always excluded new varieties of plants and seeds. Plants and seeds are considered a unique category of creativity, so much so as to warrant an entirely separate act to govern creative contributions of this kind. These are protected under the Plant Breeder’s Rights Act.

Genetic engineering can occur in two ways. The first involves crossing different species or varieties by hybridisation, altering the frequency of genes over successive generations. The main consequence of this intervention is to oppose within the same cell allelic genes, that is, opposing characteristics which replace each other alternately in the hereditary process, as a consequence of the alternate action of their dominant genes. Naturally, the genes only offer a reasonable prospect that the traits will be acquired from one generation to the next. The second type of genetic engineering, which requires a change in the genetic material – an alteration of the genetic code affecting all the hereditary material – since in the latter case the intervention occurs inside the gene itself. The change made is thus a molecular one and the “new”

gene is thus ultimately the result of a chemical reaction, which will in due course lead to a change in the trait controlled by the gene. While the first method implies an evolution based strictly on heredity and Mendelian principles, the second also employs a sharp and permanent alteration of hereditary traits by a change in the quality of the genes. The genetic engineering performed by Hi-Bred was of the first type. The intervention made by Hi-Bred did not in any way appear to alter the soybean reproductive process, which occurs in accordance with the laws of nature. Earlier decisions had never allowed such a method to be the basis for a patent. *Pioneer Hi-Bred Ltd. v. Canada (Commissioner of Patents)*, 1989 SCC 64.

The qualification of higher life forms as a patentable invention was one of the key issues considered in the landmark decision of the Supreme Court in *Harvard College v. Canada (Commissioner of Patents)* (2002 SCC 76). The invention in this case aimed to produce animals with a susceptibility to cancer for purposes of animal carcinogenic studies. In its patent application, the respondent sought to protect both the process by which the oncomice are produced and the end product of the process, i.e. the founder mice and the offspring whose cells are affected by the oncogene. The question posed to the Court was whether the definition of invention, and more particularly the words “manufacture” or “composition of matter”, within the context of the *Patent Act*, encompass higher life forms such as the oncomouse. In a 5-4 split decision, the majority of the Court concluded against a broad interpretation of the concept of invention that would include higher life forms. While Bastarache J., writing for the majority, reiterated that s.40 PA does not allow the Patent Commissioner to refuse a patent on the basis of public policy considerations, it is interesting to note that the sensitivity of the matter lead him to take a restrictive approach to the interpretation of the words “manufacture” and “composition of matter” in the sense of s.2 PA:

“This conclusion is supported by the fact that the patenting of higher life forms raises unique concerns which do not arise in respect of non-living inventions and which are not addressed by the scheme of the Act. Even if a higher life form could, scientifically, be regarded as a “composition of matter”, the scheme of the Act indicates that the patentability of higher life forms was not contemplated by Parliament. Owing to the fact that the patenting of higher life forms is a highly contentious and complex matter that raises serious practical, ethical and environmental concerns that the Act does not contemplate, I conclude that the Commissioner was correct to reject the patent application. This is a policy issue that raises questions of great significance and importance and that would appear to require a dramatic expansion of the traditional patent regime. Absent explicit legislative direction, the Court should not order the Commissioner to grant a patent on a higher life form.”

In view of the reasons invoked by the majority of the Court for their restrictive interpretation, do you think that it would make sense to introduce in the Act the possibility to exclude inventions from patentability on the basis of morality or public order?

<https://www.genetargeting.com/transgenic-mice/journey-of-the-oncomouse/>

EPILOGUE: on 7 October 2003, Canadian patent 1,341,442 CA 1341442 was granted to Harvard College. The patent was amended to omit the “composition of matter” claims on the transgenic mice. This omission in the claim essentially meant that the patent application no longer claimed the mouse itself, but only the process, or the ‘art’ of genetically altering the genome of a mouse by inserting a cancer-promoting gene.

EXERCISE: PATENTABLE SUBJECT MATTER?

Patent Application: Fitness Trainer System

Abstract

The invention is in the field of physical fitness. The invention provides the user with the flexibility of choosing

their own personal trainer from a group of personal trainers and their own exercise routine to follow in order to get the desired physical body result. When the user chooses the area of interest the invention provides a sequence of exercise routines to follow on different gym equipment to achieve the desired result. The selected trainer graphically demonstrates the use of the gym equipment on the computing device of their choice and the user follows the exercise routine at their own pace and at a place and time of their own convenience.

Claim

A method for providing interactive training application to a user comprising the steps of:

- creating a database, said database comprising information on a) a plurality of trainers, b) a plurality of exercise routines, one or more of said exercise routines providing a result;
- selecting a trainer from said plurality of trainers;
- choosing a result to be achieved;
- creating a sequence of exercise routines to achieve said result; and
- presenting said sequence of exercise routines to said user by said selected trainer.

QUESTION: Is this invention protectable subject matter under s.2 of the Canadian Patent Act? Explain your reasoning, cite sources.

C. Patentability Criteria

Once a patent claim is deemed to qualify as a patentable invention in the sense of s.2 PA, it must still meet the three criteria for patentability, e.g. novelty, non-obviousness and usefulness. Whether an invention meets the patentability requirements is the main aspect of the Patent Commissioner's examination of the patent application. But invoking the lack of novelty, usefulness or inventiveness is also a common defence to a patent infringement claim. The main difference between raising the patentability criteria at the application stage or in defence to an infringement action lies in the burden of proof: at the application stage, the **patent applicant** will need to establish that the invention does meet the patentability requirements, while in defence to a patent dispute, the **defendant** will need to establish that the invention is invalid. The three patentability criteria are assessed by reference either to the claimed invention or to the prior art, e.g. to existing knowledge in the field, from the perspective of the 'person of ordinary skill in the art' or POSITA. For this reason, before discussing the notions of novelty, usefulness and non-obviousness, we first explain who the POSITA is.

I. POSITA

The "person with ordinary skill in the art", or POSITA, is not defined in the Act. It is a fictitious person, identified on a case-by-case basis for the assessment of each invention. The determination of the relevant POSITA will need to occur with respect to at least two key events: first, when the Commissioner of Patents examines the application, including in subsequent proceedings, should the patent application have been rejected; and second, when the patentee enforces their rights against an alleged infringer. Grasping the necessary and relevant characteristics of the POSITA is essential since the patentability of the invention is seen through this person's eyes. The implications of the determination of the POSITA are therefore huge, since the patentability of an invention will depend on the identification of the relevant art, the relevant skills of the person and the common general knowledge (CGK) of that person.

In the context of infringement proceedings, it is not uncommon to see that parties will offer different views on the characteristics of the POSITA, leading of course to different conclusions. Expert witnesses will be presenting the parties' position referring to their own definition of the relevant POSITA and their characteristics. When parties to a dispute disagree on the characteristics of the POSITA, the judge will make the final determination. The fictitious person sometimes turns out to be a composite person, represented by a team comprising one or more professionals, with a multidisciplinary background. From case law it is clear that the POSITA need not be the inventor. The POSITA is typically unimaginative and uninventive, but reasonably diligent in keeping up with advances (*Pfizer Canada Inc v Teva Canada Ltd*, 2017 FC 777 at para 185). The POSITA is not incompetent, nor stripped of the ability to pursue reasonable and logical enquiries. The POSITA brings background knowledge and experience to the workbench (*AstraZeneca Canada Inc v Apotex Inc*, 2015 FC 322 at para 276) and can make deductions based on the information available (*Beloit Canada Ltd v Valmet Oy* (1986), 8 CPR (3d) 289 at 294 (FCA)).

The “common general knowledge” shared by persons skilled in the art (*Free World Trust* at para 44) is the knowledge possessed at the relevant time, and includes what the POSITA would reasonably have been expected to know. The CGK must be established with evidence on a balance of probabilities, and cannot be assumed (*Uponor AB v Heatlink Group Inc*, 2016 FC 320 at para 47). It may include the information presented as background knowledge in the patent itself (*Newco Tank Corp v Canada (Attorney General)*, 2015 FCA 47 at para 10).

The point of view of the POSITA comes into play when reading the claims, in order to evaluate their novelty and utility, and when assessing the non-obvious character of the invention compared to the prior art. When considering the role of the POSITA in respect of disclosure and enablement, the skilled person is “taken to be trying to understand what the author of the description in the prior patent meant.”

EXAMPLE: The POSITA of snowmobiles

Bombardier Recreational Products Inc. v. Arctic Cat, Inc., 2020 FC 691

[9] The Court found that although the disclosure in the 264 Patent is broad enough to include vehicles other than snowmobiles, the claims are limited to the frame assembly of snowmobiles. Given that the invention seeks to enhance the ruggedness of vehicles that operate across a wide variety of different terrains and under a variety of conditions, but that the claims that fence the monopoly sought are restricted to snowmobiles, the Court found that the 264 Patent is addressed at persons of skill who must understand the type of vehicle that is to be improved through this invention. Therefore, it would be appropriate for the person of skill in the art (POSITA) to have experience in the field of snowmobile design, at least; the person of skill will certainly have mechanical engineering expertise or the equivalent expertise acquired through many years of experience in the design of snowmobiles.

[10] Following the determination of the characteristics of the POSITA, the Federal Court had to establish what would have been their common general knowledge. The Court held that the POSITA knows that snowmobiles have seats of a straddling nature, sideboards of various configurations used by riders to set their feet and steering device connected to the skis. Also, the POSITA would have known about two commonly used terms, “engine cradles” and “tunnels”, and about the snowmobile using a seat that is of the straddling variety. The POSITA would know that snowmobiles do not use rear engines: the rider will have the engine in front of him. Furthermore, the fact that the design of most snowmobiles in the 1980's and 1990's was quite similar would have been common knowledge. The differences were more stylistic than anything else. The POSITA would also know about the laws of physics as part as the general knowledge; the concepts of center of gravity, mass centralization and moment of inertia are not new and would have been well known to mechanical engineers. The POSITA would also be familiar with chassis rigidity, and with various methods to increase rigidity. Given the POSITA's

experience with the operation of snowmobiles, the Court determined that she is familiar with snowmobile riding, and accordingly knows about active riding. The POSITA must have an understanding of human factors or biomechanics in designing a new vehicle such as a snowmobile because the position of the rider changes, from ride to ride and during rides.



NOTE: this decision can still be appealed.

2. Novelty

28.2 (1) The subject-matter defined by a claim in an application for a patent in Canada (the “pending application”) must not have been disclosed

(a) before the one-year period immediately preceding the filing date or, if the claim date is before that period, before the claim date by the applicant, or by a person who obtained knowledge, directly or indirectly, from the applicant, in such a manner that the subject-matter became available to the public in Canada or elsewhere;

(b) before the claim date by a person not mentioned in paragraph (a) in such a manner that the subject-matter became available to the public in Canada or elsewhere;

(c) in an application for a patent that is filed in Canada by a person other than the applicant, and has a filing date that is before the claim date; or

(d) in an application (the “co-pending application”) for a patent that is filed in Canada by a person other than the applicant and has a filing date that is on or after the claim date if

(i) the co-pending application is filed by

(A) a person who has, or whose agent, legal representative or predecessor in title has, previously regularly filed in or for Canada an application for a patent disclosing the subject-matter defined by the claim, or

(B) a person who is entitled to protection under the terms of any treaty or convention relating to patents to which Canada is a party and who has, or whose agent, legal representative or predecessor in title has, previously regularly filed in or for any other country that by treaty, convention or law affords similar protection to citizens of Canada an application for a patent disclosing the subject-matter defined by the claim,

(ii) the filing date of the previously regularly filed application is before the claim date of the pending application,

(iii) the filing date of the co-pending application is within twelve months after the filing date of the previously regularly filed application, and

(iv) the applicant has, in respect of the co-pending application, made a request for priority on the basis of the previously regularly filed application.

a. Prior Art & Filing Date

The novelty of an invention is assessed in reference to ‘the state of the art’, or ‘prior art’. Prior art is “the collection of learning in the field of the patent at issue” and “comprises any publicly available teaching, however obscure or not generally accepted” (*Mylan Pharmaceuticals ULC v Eli Lilly Canada Inc*, 2016 FCA 119). ‘Prior art’ is therefore any evidence that someone, somewhere, sometime previously has described or shown or made something that contains a use of technology that is very similar to an applicant’s invention. Anything can be prior art. To find out if an invention is novel, an applicant should not rely on a search for existing products. The primary source of information on prior art is contained in databases of patents and published patent applications, as well as non-patent literature, including magazine articles, newspaper articles, electronic publications, on-line databases, website or Internet publications. A subject matter can also have been made available to the public through an oral presentation at a scientific meeting, a demonstration at a trade show, a lecture or speech, or a statement made on a radio/TV talk show. From this, it is clear that keeping the invention secret is paramount until such time as the patent application is filed.

Normally an application is entitled to priority as of the date of its filing. In the case of convention applications, however, the applicant requests the recognition of an earlier priority date. This procedure exists in the case of an application for a patent for an invention filed in Canada by any person entitled to protection under the terms of any treaty or convention relating to patents to which Canada is a party.

Pursuant to paragraph 28.2(1) PA, the subject-matter of a patent claim must not have been disclosed before the claim date by a person other than the applicant for the patent (or a person who obtained knowledge from the applicant) in such a manner that the subject matter became available to the public. The “claim date”, which effectively defines a cut-off date for citable prior art, is defined in section 28.1 to be the earlier of the Canadian filing date and the filing date of a previously filed application on which a valid priority claim has been made. One of the requirements for a valid priority claim is that the application claiming priority was filed within twelve months after priority application. In addition, subsection 28.4(4) provides that, where there are two or more previous applications on which priority could be claimed, the twelve months counts from the earliest filing.

With the enactment of para. 27(1)(d) on October 1, 1989, which was replaced by para. 28.2(1)(a) on October 1, 1996, the test for anticipation by any means became disclosure of “the subject-matter defined by a [patent] claim” (the invention)

“... in such a manner that the subject-matter became available to the public in Canada or elsewhere”. The change to the legislation, inter alia:

1. Reduced the relevant grace period prior to the filing of the patent application;
2. Made disclosure anywhere, and not just in Canada, relevant;
3. Eliminated use or sale of the invention per se as sufficient evidence of anticipation;
4. As proof of anticipation, required disclosure in such a manner that the invention became available to the public in Canada or elsewhere.

b. Anticipation by publication

An invention will be anticipated if a patent application or any other element of prior art describing the invention was available before the filing date anywhere in the world. The prior publication must contain so clear a direction that a skilled person reading and following it would in every case and without possibility of error be led to the claimed invention. Anticipation requires proof of both disclosure and enablement (see section D. below). To affect the novelty of the patent application, the prior patent must disclose subject matter which, if performed, would necessarily result in infringement of that patent.

... anticipation, or lack of novelty, asserts that the invention has been made known to the public prior to the relevant time. The inquiry is directed to the very invention in suit and not, as in the case of obviousness, to the state of the art and to common general knowledge. Also, as appears from the passage of the statute quoted above, anticipation must be found in a specific patent or other published document; it is not enough to pick bits and pieces from a variety of prior publications and to meld them together so as to come up with the claimed invention. One must, in effect, be able to look at a prior, single publication and find in it all the information which, for practical purposes, is needed to produce the claimed invention without the exercise of any inventive skill. The prior publication must contain so clear a direction that a skilled person reading and following it would in every case and without the possibility of error be led to the claimed invention. (*Beloit Canada Ltd. v. Valmet OY* (1986), 8 C.P.R. (3d) 289 (F.C.A.), per Hugessen J.A., at p. 299)

In *Apotex Inc. v. Sanofi-Synthelabo Canada Inc.*, 2008 SCC 61 (para. 37), the Supreme Court retained the following non-exhaustive factors to be considered in accordance with the evidence in each case.

1. Enablement is to be assessed having regard to the prior patent as a whole including the specification and the claims. There is no reason to limit what the skilled person may consider in the prior patent in order to discover how to perform or make the invention of the subsequent patent. The entire prior patent constitutes prior art.
2. The skilled person may use his or her common general knowledge to supplement information contained in the prior patent. Common general knowledge means knowledge generally known by persons skilled in the relevant art at the relevant time.
3. The prior patent must provide enough information to allow the subsequently claimed invention to be performed without undue burden. When considering whether there is undue burden, the nature of the invention must be taken into account. For example, if the invention takes place in a field of technology in which trials and experiments are generally carried out, the threshold for undue burden will tend to be higher than in circumstances in which less effort is normal. If inventive steps are required, the prior art will not be considered as enabling. However, routine trials are acceptable and would not be considered undue burden. But experiments or trials and errors are not to be prolonged even in fields of technology in which trials and experiments are generally carried out. No time limits on exercises of energy can be laid down; however, prolonged or arduous trial and error would not be considered routine.
4. Obvious errors or omissions in the prior patent will not prevent enablement if reasonable skill and knowledge in the art could readily correct the error or find what was omitted.

Apotex v Sanofi-Synthelabo Canada Inc., 2008 SCC 61

[9]... in the field of chemical patents (which would of course include pharmaceutical compounds), there are often two “sharply divided classes”. The first class of patents, which he called originating patents, are based on an originating invention, namely, the discovery of a new reaction or a new compound. The second class comprises patents based on a selection of compounds from those described in general terms and claimed in the originating patent.

[10]... three conditions that must be satisfied for a selection patent to be valid.

1. There must be a substantial advantage to be secured or disadvantage to be avoided by the use of the selected members.
2. The whole of the selected members (subject to “a few exceptions here and there”) possess the advantage in question.
3. The selection must be in respect of a quality of a special character peculiar to the selected group. If further research revealed a small number of unselected compounds possessing the same advantage, that would not invalidate the selection patent. However, if research showed that a larger number of unselected compounds possessed the same advantage, the quality of the compound claimed in the selection patent would not be of a special character.

[38] The ‘875 genus patent covered over 250,000 possible different compounds. Obviously, every compound was not made or tested. The patent covering those compounds was based on sound prediction. From the specification, it is apparent that 21 examples were made and tested, one of which was the racemate relevant in this case. According to the applications judge, there was no disclosure in the ‘875 patent of the specific beneficial properties associated with the dextro-rotatory isomer of this racemate, nor was there disclosure of any advantages which flow from using the bisulfate salt in combination with the dextro-rotatory isomer.

[41] Since the ‘875 patent did not disclose the special advantages of the dextro-rotatory isomer and of its bisulfate salt, as compared to the levo-rotatory isomer or the racemate and their salts, or the other compounds made and tested or otherwise referred to in the ‘875 patent, the invention of the ‘777 patent cannot be said to have been disclosed and therefore it cannot be said to have been anticipated.

[44] For anticipation, the genus patent must provide enough information so as to allow the selected invention to be performed without undue burden. In this case, the applications judge concluded that the ‘875 patent did not specifically lead to the claimed invention. He noted, on the record before him, that if one were to follow the teachings of the prior art, one would obtain racemates, never their isomers.

c. Anticipation by use or sale

Most instances of anticipation affecting the novelty of a patent application take place through publication. But anticipation can also occur through prior use or sale of the subject matter so as to have become available to the public in Canada or elsewhere. When faced with a case of anticipation by disclosure through prior use or sale under para. 28.2(1)(a), the Court must have regard to the circumstances of prior use or sale, in order to determine how a person skilled in the art might be led, without error, to the invention claimed. The main case on this point is the Federal Court of Appeal’s decision in *Canwell Enviro-Industries Ltd v Baker Petrolite* [2002 FCA 158]. Relying on English jurisprudence,

the Federal Court of Appeal drew eight, non-exhaustive, principles to help determine whether a subject matter has been disclosed in a manner that would destroy the novelty of an invention:

1. Sale to the public or use by the public alone is insufficient to prove anticipation. Disclosure of the invention is required to constitute anticipation under para. 28.2(1)(a).
2. For a prior sale or use to anticipate an invention, it must amount to “enabling disclosure”.
3. The prior sale or use of a [chemical] product will constitute enabling disclosure to the public if its composition can be discovered through analysis of the product.
4. The analysis must be able to be performed by a person skilled in the art in accordance with known analytical techniques available at the relevant time. The person skilled in the art, using available analytical techniques, must be able to find the invention without the exercise of inventive skill.
5. In the context of patent anticipation under para. 28.2(1)(a), when reverse engineering is necessary and capable of discovering the invention, an invention becomes available to the public if a product containing the invention is sold to any member of the public who is free to use it as she or he pleases.
6. It is not necessary to demonstrate that a member of the public actually analyzed the product that was sold.
7. The amount of time and work involved in conducting the analysis is not determinative of whether a skilled person could discover the invention. The relevant consideration, in this respect, is only whether inventive skill was required.
8. It is not necessary that the product that is the subject of the analysis be capable of exact reproduction. It is the subject matter of the patent claims (the invention) that must be disclosed through the analysis. Novelty of the claimed invention is destroyed if there is disclosure of an embodiment which falls within the claim.

3. Utility or Usefulness

The *Patent Act* defines an “invention” as, amongst other criteria, “new and **useful**” (s.2). The utility requirement serves a clear purpose. To avoid granting patents prematurely, and thereby limiting potentially useful research and development by others, the case law has imposed a requirement that an invention’s usefulness be demonstrated or soundly predicted at the time of application, rather than at some later point. This ensures patents are not granted where the use of the invention is speculative. What matters is that an invention “be useful, in the sense that it carries out some useful known objective” and is not merely a “laboratory curiosity whose only possible claim to utility is as a starting material for further research”. The application of the utility requirement in s.2, therefore, is to be interpreted in line with its purpose – to prevent the patenting of fanciful, speculative or inoperable inventions.

A policy of patent first and litigate later would unfairly put the onus of proof of utility on the attackers to prove *invalidity*, without the patent owner’s ever being put in a position to establish validity. If an invention is not useful, it is not an invention within the meaning of the Act. Utility generally means useful for the purpose claimed, not commercial acceptance. If the invention does not work, then it is not useful, and therefore not patentable. The invention must be useful as of the date of the claim or as of the time of filing. Unless the inventor is in a position to establish utility as of the time the patent is applied for, on the basis of either **demonstration** or **sound prediction**, the Commissioner by law is required to refuse the patent (s.40 PA). If a patent sought for is based on the doctrine of sound prediction and is subsequently challenged, the challenge will succeed if the prediction at the date of application was not sound, or, irrespective of the soundness of the prediction, “[t]here is evidence of lack of utility in respect of some of the area covered”. All that is required to meet the utility requirement in s.2 is that the invention described in the patent do what the patent says it will do, that is, that the promise of the invention be fulfilled. Utility is a disclosure requirement, which can be demonstrated by conducting tests. But utility is not a separate requirement for the disclosure.

The concept of ‘sound prediction’ becomes relevant only when an invention’s utility cannot actually be demonstrated by way of tests or experiments, but can nevertheless be successfully predicted. The doctrine of sound prediction balances the public interest in early disclosure of new and useful inventions, even before their utility has been verified by tests (which in the case of pharmaceutical products may take years) and the public interest in avoiding cluttering the public domain with useless patents, and granting monopoly rights in exchange for misinformation.

The main teachings on the sound prediction doctrine flow from the Supreme Court's decision in *Apotex v Wellcome Foundation*, [2002] 4 SCR 153. This case concerned the Wellcome Foundation's patent application for the use of the drug AZT as a treatment for HIV/AIDS. The doctrine of sound prediction has three components:

1. There must be a factual basis for the prediction;
2. The inventor must have at the date of the patent application an articulable and "sound" line of reasoning from which the desired result can be inferred from the factual basis;
3. There must be proper disclosure. Normally, it is sufficient if the specification provides a full, clear and exact description of the nature of the invention and the manner in which it can be practised

The soundness of the prediction is a question of fact. It is an established principle that a patent cannot be refused because an inventor has not fully tested and proved it in all its claimed applications. Only if the inventors have claimed more than what they have invented and included substances which are devoid of utility should the claims be open to attack. *Cabot Corp v. 318602 Ontario Ltd.*, (1988) 20 C.P.R. (3d) 132 (FC Trial Division).

It is worth highlighting the Supreme Court's **firm rejection**, in *AstraZeneca Canada Inc. v Apotex Inc.* [2017 SCC 36], of the "promise of the patent doctrine". This doctrine had emerged in the case law of the Federal Court in relation to the requirement of utility. The "promise of the patent" doctrine held that if a patent application promised a specific utility, *only if* that promise is fulfilled, can the invention have the requisite utility. The Promise Doctrine required the identification of promises based on a review of the entire specification, i.e. both the claims and the disclosure. This approach was contrary to the normal analysis conducted when dealing with issues of validity, such as novelty or non-obviousness. While the analysis should focus on the claims alone, and only consider the disclosure where there is ambiguity in the claims, the Promise Doctrine directed courts to read both the claims and the disclosure to identify potential promises, rather than the claims alone, even in an absence of ambiguity in the claims. Once the 'promises of the patent' had been identified, the requirement of usefulness was fulfilled under the doctrine only if *all* of the promises were met either by demonstration or sound prediction. If not all promises were fulfilled, the patent, in its entirety, was invalid. Speaking for the Court, Rowe J. ruled that the Promise Doctrine ran counter to the scheme of the Act and was therefore unsound.

To require that all multiple uses be met for the patent's validity to be upheld could lead to unfair consequences. It risks depriving an otherwise useful invention of patent protection because not every promised use was sufficiently demonstrated or soundly predicted by the filing date. Such a consequence would be punitive and be devoid of basis in the Act. Furthermore, such a consequence would be antagonistic to the bargain on which patent law is based wherein inventors must give fulsome disclosure in exchange for a limited monopoly (*British United Shoe Machinery Co. v. A. Fussell & Sons Ltd.* (1908), 25 R.P.C. 631 (C.A.), at p. 650).

The correct approach to utility consists in discerning the subject-matter of the invention through a purposive claims construction. Rowe J. specified that the scope of potentially acceptable uses to meet the s.2 requirement is limited – not *any* use will do. By requiring the usefulness of the proposed invention to be related to the nature of the subject-matter, a proposed invention cannot be saved by an entirely unrelated use. For example, it is not sufficient for an inventor seeking a patent for a machine to assert it is useful as a paperweight. To determine whether a patent discloses an invention with sufficient utility, courts should first identify the subject-matter of the invention as claimed in the patent, then ask whether that subject-matter is capable of a practical purpose (i.e. an actual result). The Act does not prescribe the degree or quantum of usefulness required, or that every potential use be realized – a scintilla of utility will do. A single use related to the nature of the subject-matter is sufficient, and the utility must be established by either demonstration or sound prediction as of the filing date.

EXTENSION: The use of AZT drug for treatment of HIV/AIDS – the story of a 'sound prediction'

1. AIDS is one of the great health scourges of the modern world. AZT was one of the earliest and is still one of the most effective drugs for its treatment. The patent on the use of AZT for HIV/AIDS treatment and prophylaxis is held by the respondents, but the appellants, Apotex and Novopharm, two “generic” drug manufacturers, say that in fact the respondents (collectively referred to as “Glaxo/Wellcome”) did not invent anything. (...) Moreover, there was no basis at all disclosed in the patent to claim a “prophylactic” as well as a “treatment” benefit. On any or all of these grounds, they say the patent should be declared invalid.

10. It is important to note that the respondents did not “invent” AZT. It was a known compound...

11. ... In November 1984, during Glaxo/Wellcome’s multiple tests of known compounds, the AZT compound produced surprisingly good results, appearing to eradicate completely the retrovirus in the mouse T-cells. It proved more potent than any other compound tested. In argument in this Court, counsel for Glaxo/Wellcome called this a “eureka moment”, but this seems to be something of an exaggeration. There had been no testing in a human cell line (*in vitro*) or in humans (*in vivo*). The object of the exercise was to eradicate HIV in humans, not a mouse virus in a petri dish.

12. It seems clear, and was found as a fact by the trial judge, that scientists at Glaxo/Wellcome and elsewhere recognized that the immune systems of humans and mice are sufficiently different that it is not possible to predict from studies in mouse cells how a drug would work, if at all, in humans. Senior members of the Glaxo/Wellcome team readily acknowledged the problem of predictability (...)

13. However, some of the Glaxo/Wellcome scientists testified that they *believed* as early as November 1984 that AZT would work in humans against the HIV retrovirus.

15. Glaxo/Wellcome was not equipped to undertake the more sophisticated testing required, and, given the lethal nature of HIV/AIDS, may not have been anxious to do so. (...)

16. The critical testing of the AZT compound was done by Drs. Samuel Broder and Hiroaki Mitsuya, both of the NIH, who were in the forefront of efforts to find medicines that could be used as treatments for AIDS.

18. By February 6, 1985, Glaxo/Wellcome had prepared a draft patent application. At that point, however, AZT had not been tested against HIV *in vitro* (i.e., in a petri dish), let alone administered to a human being in the context of the AIDS research.

19. In mid-February 1985, Drs. Broder and Mitsuya found that AZT did indeed inhibit HIV replication in their *in vitro* HIV assay system, thus vindicating Glaxo/Wellcome’s confidence (justified or not at the earlier date) in the potential benefits of AZT. (...)

20. On March 16, 1985, Glaxo/Wellcome filed in the United Kingdom the patent application from which the Canadian patent claims priority. (...)

21. The argument in support of the patent’s validity is that at least by March 1, 1985, when Glaxo/Wellcome received the results from the NIH showing AZT activity *in vitro* against HIV-infected human T-cells, it had a sound basis to predict all of these matters, and did so predict, and has been proven correct in that prediction by subsequent clinical experience.

(...)

91. HIV offers an incubation period in which the virus is present but vulnerable to attack. It is this specific feature that was targeted by the “chain termination” effect known and disclosed by Glaxo/Wellcome at the time of the patent application, and which afforded the basis for its prediction that AZT had prophylactic properties.

In these circumstances, I do not think the appellants have demonstrated any palpable and overriding error with respect to this finding by the trial judge.

92. There is another reason why I think we should not be too quick to overrule the conclusion that prophylactic benefits were soundly predicted. The appellants seek to place Glaxo/Wellcome in a “catch-22” situation. If Glaxo/Wellcome had not specifically claimed prophylactic properties, the appellants could have sought to obtain their own patent on the basis of claiming “hitherto unrecognized [prophylactic] properties” (relying on *Shell Oil*, *supra*, at p. 549), thereby undercutting Glaxo/Wellcome’s market for treatment, and leaving Glaxo/Wellcome to try to salvage their patent position by arguing that the prophylactic properties were already implicit (or “obvious”) in their own patent as aspects of treatment. If the appellants could lawfully get their AZT to market allegedly for prophylaxis, with or without their own patent, the generic version of AZT would likely be used by cost-conscious health providers in place of the more expensive Glaxo/Wellcome AZT for all aspects of HIV/AIDS treatment at all stages, thus undercutting the commercial value of the Glaxo/Wellcome patent. On the other hand, Glaxo/Wellcome having sought to protect itself from this scenario by claiming prophylactic benefits, the appellants now adopt the opposite strategy and seek to invalidate the entire patent on the ground that the claim to prophylaxis is invalid because it exceeds the invention, and its “covetousness” wipes out all of the combined “treatment and prophylaxis” claims, thereby wiping out the commercial value of the patent.

93. In the particular circumstances of this case, I think Glaxo/Wellcome’s prediction that the “chain terminator” effect disclosed in the patent specification had prophylactic as well as post-infection treatment application was sound. The Commissioner so ruled, and his decision to allow both treatment and prophylaxis was upheld in the courts below. The onus was on the appellants to show that the patent is invalid, not on Glaxo/Wellcome to show that it is valid. I agree with the trial judge and the Federal Court of Appeal that the appellants have not discharged this onus.

4. Non-Obviousness

The recognition and application of the doctrine of non-obviousness, also known as the criterion of inventiveness, ensures that no patent is granted with respect to trivial advancements over the prior art (see M. Herder, “Demythologizing PHOSITA – Applying the Non-Obviousness Requirement under Canadian Patent Law to Keep Knowledge in the Public Domain and Foster Innovation” *Osgoode Hall Law Journal* 47.4 (2009) : 695-750). The question to be asked is whether the POSITA would, in the light of the state of the art and of common general knowledge as at the claimed date of invention, have come directly and without difficulty to the solution taught by the patent. If the inventor reached the invention quickly, easily, directly and relatively inexpensively, in light of the prior art and common general knowledge, that may be evidence supporting a finding of obviousness, unless the level at which they worked and their knowledge base was above what should be attributed to the skilled person. Their course of conduct would suggest that a skilled person, using their common general knowledge and the prior art, would have acted similarly and come up with the same result. Determination of the (non)obvious character of an invention is a matter of fact.

28.3 The subject-matter defined by a claim in an application for a patent in Canada must be subject-matter that would not have been obvious on the claim date to a person skilled in the art or science to which it pertains, having regard to

(a) information disclosed before the one-year period immediately preceding the filing date or, if the claim date is before that period, before the claim date by the applicant, or by a person who obtained knowledge, directly or indirectly, from the applicant in such a manner that the information became available to the public in Canada or elsewhere; and

(b) information disclosed before the claim date by a person not mentioned in paragraph (a) in such a manner that the information became available to the public in Canada or elsewhere.

In *Apotex Inc. v. Sanofi-Synthelabo Canada Inc.*, 2008 SCC 61, the Supreme Court adopted the British Court of Appeal's four-step approach for the obviousness inquiry outlined by Oliver L.J. in *Windsurfing International Inc. v. Tabur Marine (Great Britain) Ltd.*, [1985] R.P.C. 59 (C.A.).

- (1) (a) Identify the notional "person skilled in the art";
(b) Identify the relevant common general knowledge of that person;
- (2) Identify the inventive concept of the claim in question or if that cannot readily be done, construe it;
- (3) Identify what, if any, differences exist between the matter cited as forming part of the "state of the art" and the inventive concept of the claim or the claim as construed;
- (4) Viewed without any knowledge of the alleged invention as claimed, do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?

The obviousness inquiry should be undertaken on a claim-by-claim basis (*Zero Spill Systems (International) Inc v Heide*, 2015 FCA 115 at para 85). If an independent claim is found to not be obvious, then dependent claims therefrom cannot be obvious. In contrast, if an independent claim is held to be obvious, the Court must go on to consider each dependent claim for obviousness.

EXTENSION: "Obvious to try" test

Apotex Inc. v. Sanofi-Synthelabo Canada Inc., 2008 SCC 61

69. In areas of endeavour where advances are often won by experimentation, an "obvious to try" test might be appropriate. In such areas, there may be numerous interrelated variables with which to experiment. For example, some inventions in the pharmaceutical industry might warrant an "obvious to try" test since there may be many chemically similar structures that can elicit different biological responses and offer the potential for significant therapeutic advances. If an "obvious to try" test is warranted, the following factors should be taken into consideration at the fourth step of the obviousness inquiry. As with anticipation, this list is not exhaustive. The factors will apply in accordance with the evidence in each case.

- (1) Is it more or less self-evident that what is being tried ought to work? Are there a finite number of identified predictable solutions known to persons skilled in the art?
- (2) What is the extent, nature and amount of effort required to achieve the invention? Are routine trials carried out or is the experimentation prolonged and arduous, such that the trials would not be considered routine?
- (3) Is there a motive provided in the prior art to find the solution the patent addresses?

70. Another important factor may arise from considering the actual course of conduct which culminated in the making of the invention. It is true that obviousness is largely concerned with how a skilled worker would have acted in the light of the prior art. But this is no reason to exclude evidence of the history of the invention, particularly where the knowledge of those involved in finding the invention is no lower than what would be expected of the skilled person.

71. For example, if the inventor and his or her team reached the invention quickly, easily, directly and relatively inexpensively, in light of the prior art and common general knowledge, that may be evidence supporting a finding of obviousness, unless the level at which they worked and their knowledge base was above what should be attributed to the skilled person. Their course of conduct would suggest that a skilled person, using his/her common general knowledge and the prior art, would have acted similarly and come up with the same result. On the other hand, if time, money and effort was expended in research looking for the result the invention ultimately provided before the inventor turned or was instructed to turn to search for the invention, including what turned out to be fruitless “wild goose chases”, that evidence may support a finding of non-obviousness. It would suggest that the skilled person, using his/her common general knowledge and the prior art, would have done no better. Indeed, where those involved including the inventor and his or her team were highly skilled in the particular technology involved, the evidence may suggest that the skilled person would have done a lot worse and would not likely have managed to find the invention. It would not have been obvious to him/her to try the course that led to the invention.

EXAMPLE: System and method for inspecting railroad track

Georgetown Rail Equipment Company v. Tetra Tech EBA Inc. 2019 FCA 203

This appeal concerns the validity and potential infringement of two patents: one which discloses a system and method for inspecting railroad track, Canadian Patent 2,572,082 (082 Patent), and one which discloses a system and method for determining rail seat abrasion of a railroad track, Canadian Patent 2,766,249 (249 Patent).

[62] As explained above, the Federal Court’s analysis of the differences between the prior art and the invention disclosed in the 082 Patent was confined to its analysis of charts prepared by Georgetown’s expert. Those charts in turn were confined to consideration of the teachings of the six patents and articles attached to Tetra’s expert’s report as evidence of the prior art. The Federal Court then went on to consider whether the differences between the prior art and the invention identified by Georgetown’s expert were obvious.

[63] Missing from the Court’s analysis was any analysis of how the skilled worker would, based on the common general knowledge, have responded in the light of the prior art. This was an error of law. The Federal Court never performed the exercise of looking at the prior art and seeing how the skilled worker, when faced with it, would have addressed the well-known challenges associated with the inspection of railway tracks and drawn from their common general knowledge. Had the Federal Court performed this exercise, it would have found that **the differences between the prior art and the claims of the 082 Patent could be bridged by the skilled worker applying only the common general knowledge which the Court had previously identified.** (emphasis added)

D. Content of a Patent

Commissioner may grant patents

27 (1) The Commissioner shall grant a patent for an invention to the inventor or the inventor's legal representative if an application for the patent in Canada is filed in accordance with this Act and all other requirements for the issuance of a patent under this Act are met.

Application requirements

(2) The prescribed application fee must be paid and the application must be filed in accordance with the regulations by the inventor or the inventor's legal representative and the application must contain a petition and a specification of the invention.

Specification

(3) The specification of an invention must

- (a) correctly and fully describe the invention and its operation or use as contemplated by the inventor
- (b) set out clearly the various steps in a process, or the method of constructing, making, compounding or using a machine, manufacture or composition of matter, in such full, clear, concise and exact terms as to enable any person skilled in the art or science to which it pertains, or with which it is most closely connected, to make, construct, compound or use it;
- (c) in the case of a machine, explain the principle of the machine and the best mode in which the inventor has contemplated the application of that principle; and
- (d) in the case of a process, explain the necessary sequence, if any, of the various steps, so as to distinguish the invention from other inventions.

Claims

(4) The specification must end with a claim or claims defining distinctly and in explicit terms the subject-matter of the invention for which an exclusive privilege or property is claimed.

Separate claims

(5) For greater certainty, if a claim defines the subject-matter of an invention in the alternative, each alternative is a separate claim for the purposes of sections 2, 28.1 to 28.3, 56 and 78.3.

The *Patent Act* requires at s.27 that a specification, including claims, be filed with the application. The claims determine the scope of protection on the invention once the patent is issued, while the specification is meant to fulfil the disclosure requirement. This requirement goes to the essence of the 'patent bargain': the inventor is granted, for a limited time, the exclusive right to exploit their invention. In return, the inventor must disclose the invention to the public so that when the term of the patent expires, the invention may be exploited by anyone." If a person skilled in the art can arrive at the same results only through chance or further long experiments, the disclosure is insufficient and the patent is void. Note that the Commissioner has no discretion, under s.40 PA, to refuse a patent that meets the legal requirements.

1. Claims

When discussing the relationship between the specification and the claims in a patent, the first task in any patent action

is to decide exactly what monopoly the patentee has been granted. Today all patents end with claims. The function of the claims is to define the monopoly. The patent, if valid, enables the patentee to stop other people making anything covered by, or using any process covered by, his claims during the life of the patent. One of the important features of the claims is to make it clear to other people what they are not entitled to do during the life of the patent, and the *Patents Act* expressly provides that the claims must be clear and succinct and must be fairly based upon the matter disclosed in the specification. *American Cyanamid Co. v. Berk Pharmaceuticals Ltd.* (1973), [1976] R.P.C. 231.

The specification of a patent is also required to end with the claims stating distinctly and in explicit terms the things or combinations that the applicant regards as new and of which he claims exclusive property or privilege. A patent cannot be refused because an inventor has not fully tested and proved it in all its claimed applications. Only if the inventors have claimed more than what they have invented and included substances which are devoid of utility should the claims be open to attack.

In *Free World Trust* [para. 31], the Court recalled that the *Patent Act* promotes adherence to the language of the claims in a way that promotes both fairness and predictability. The claim language must be read in an informed and purposive way so as to define the monopoly. Courts should not rely on vague notions such as the “spirit of the invention” to expand the claim language further. As mentioned previously, the claims language will, on a purposive construction, show that some elements of the claimed invention are essential while others are non-essential. The identification of elements as essential or non-essential is made:

- (i) on the basis of the common knowledge of the worker skilled in the art to which the patent relates;
- (ii) as of the date the patent is published;
- (iii) having regard to whether or not it was obvious to the skilled reader at the time the patent was published that a variant of a particular element would not make a difference to the way in which the invention works;
- or
- (iv) according to the intent of the inventor, expressed or inferred from the claims, that a particular element is essential irrespective of its practical effect;
- (v) without, however, resort to extrinsic evidence of the inventor’s intention.

(f) There is no infringement if an essential element is different or omitted. There may still be infringement, however, if non-essential elements are substituted or omitted.

The test for determining whether a claimed element is **essential** is to ask the following two questions set out in *Free World Trust*:

- 1) Would it be obvious to a skilled reader that varying a particular element would not affect the way the invention works? modifying or substituting the element changes the way the invention works;
- 2) Is it the intention of the inventor, considering the express language of the claim, or inferred from it, that the element was intended to be essential? *Whirlpool* states: “The words chosen by the inventor will be read in the sense the inventor is presumed to have intended, and in a way that is sympathetic to accomplishment of the inventor’s purpose expressed or implicit in the text of the claims.”

In order “to establish that a claim element is **non-essential**, it must show both

- (i) that on a purposive construction of the words of the claim it was clearly not intended to be essential, and
- (ii) that at the date of publication of the patent, the skilled addressees would have appreciated that a particular element could be substituted without affecting the working of the invention” *Shire Canada Inc v Apotex Inc*, 2016 FC 382 at paras 134-143

An invention is an element or a combination of elements that provides a solution to a problem. Where a claim includes solutions to more than one problem it includes more than one invention. If a claim includes solutions to more than one problem, examination should focus on one solution to a problem in performing the purposive construction. The initial choice of solution should be guided by the description, selecting the solution given the greatest emphasis by the inventors. If it becomes necessary to consider a different solution, the analysis should be undertaken anew

2. Description

The Patent Act requires an inventor “to describe correctly and fully what is his invention”, and that “necessarily involves the duty of disclosing the best method of so doing as contemplated by him.” There are consequences for failing to properly disclose an invention, for instance, by claiming more than one has. A disclosure that is not correct and full, or states an unsubstantiated use or operation of the invention, may be found to fail to fulfil the requirements of s. 27(3). An overly broad claim may be declared invalid; however, under the operation of s. 58 of the *Patent Act*, remaining valid claims can be given effect. Canadian courts have stated in a number of cases the test to be applied in determining whether disclosure is complete. The applicant must disclose everything that is essential for the invention to function properly. To be complete, it must meet two conditions:

1. it must describe the invention and define the way it is produced or built (Thorson P. in *Minerals Separation North American Corp. v. Noranda Mines Ltd.*, 1949 CanLII 55 (SCC));
2. The applicant must define the nature of the invention and describe how it is put into operation.

The description must set out clearly the various steps in a process, or the method of constructing, making, compounding or using a machine, manufacture or composition of matter, in such full, clear, concise and exact terms as to enable a POSITA, to make, construct, compound or use it. Subsection 3 requires, in the case of a machine, that the inventor describe their best method of making the machine. The ‘best method’ description is not required for anything else than a machine. In the case of a process, the inventor must explain the necessary sequence, if any, of the various steps, so as to distinguish the invention from other inventions. In the case of a machine, or in any other case in which an invention admits of illustration by means of drawings, the applicant must, as part of the application, furnish drawings of the invention that clearly show all parts of the invention.

According to s.38(1) PA, where a specification refers to a deposit of biological material and the deposit is in accordance with the regulations, the deposit shall be considered part of the specification and, to the extent that subsection 27(3) cannot otherwise reasonably be complied with, the deposit shall be taken into consideration in determining whether the specification complies with that subsection. However, a reference to a deposit of biological material in a specification does not create a presumption that the deposit is required for the purpose of complying with subsection 27(3). On the question of disclosure, it found that the depositing of a sample in a microbial culture available to the public was sufficient, since it will be possible for anyone skilled in the art involved in the invention to reproduce, make or use the invention. *Re Application of Abitibi Co.* (1982), 62 C.P.R. (2d) 81. The practice of a deposit is simply intended to require the applicant submitting a process involving a micro-organism unknown and inaccessible to the public as a necessary part of reproducing the invention to deposit a culture of the micro-organism with the authorities.

A failure to meet the first condition would invalidate the application for **ambiguity**, while a failure to meet the second invalidates it for **insufficiency**. The description must be such as to enable a person skilled in the art or the field of the invention to produce it using only the instructions contained in the disclosure (Pigeon J. in *Burton Parsons Chemicals Inc. v. Hewlett-Packard (Canada) Ltd.*, 1974 SCC 2. In the British case *Halliburton Energy Services Inc. v. Smith International (North Sea) Ltd.*, [2006] EWCA Civ 1715, Jacob J. ruled that “Patents are meant to teach people how to do things. If what is “taught” involves just too much [work] to be reasonable allowing for all the circumstances including the nature of the art, then the patent cannot be regarded as an “enabling disclosure.”

Disclosure plays an important role in identifying the steps followed and distinguishing between the discovery of a theoretical principle or of a product occurring in nature and an invention which requires human activity for its development. This distinction is crucial in the field of patents, since only the latter is an invention within the meaning of the Act, unless the former is associated with a new method of implementation giving a new and unique result. In the *Pioneer Hi-Bred Ltd. v. Canada (Commissioner of Patents)*, 1989 SCC 64 case, only paragraphs 2 and 3 mentioned the part played by the inventor in creating this new variety. In this regard the specification was limited to describing the basic materials used for cross-breeding, but there was no indication of the genetic engineering involved. Yet the documentation did demonstrate the existence of various methods of cross-breeding, whether used to improve the yield

of a variety or to make it less vulnerable to disease. The cross-breeding was the only really inventive work, according to the Court, since the selective reproduction was consistent with known Darwinian principles. It was apparent that the steps required for selective reproduction presented no problem. However, an experimenter could only discover the steps involved in crossing through empirical means. The Court concluded that Hi-Bred had not complied with the disclosure requirement, and was either negligent in failing to describe its procedure correctly or it had indeed made the discovery by chance.

EXAMPLE 1: Patent Application No. 2711875 – MANAGING PROFESSIONAL DEVELOPMENT (THE STRATEGIC COACH (Canada))

The Strategic Coach (Re), 2020 CACP 30 1550 (2020-08-06) –

The Applicant received notice from the Patent examiner of a new defect in respect of the sufficiency of the specification and expressed our preliminary view:

In particular, in our preliminary view, the specification does not provide sufficient disclosure of the steps of the method set out in the claims on file such that a person skilled in the art would be able to practice the invention claimed without the exercise of any inventive ingenuity, as required for compliance with paragraph 27(3)(b) of the Patent Act.

In claim 1 on file, a professional goal is identified for a client based on the current status concerning the client's professional task. However, the description only discusses this determination in general terms at para [0031], where it is stated that "a professional goal is identified based on the client information provided." The information provided, per para [0030], may include professional status, current income, working hours, etc., but there is no criteria or relationships disclosed between the client information and the identified goal.

Further, the lack of a disclosed relationship between the provided client information and an identified goal, which would be a concern even for a specific professional field, leads to even more concerns about the level of disclosure given that claim 1 on file and the other independent claims 13 and 19 encompass the management of professional development from a myriad of fields. The same issue applies to the dependent claims on file. Likewise, Figure 3 merely sets out the broad step of determining a professional goal using the supplied client information as well.

Therefore a person skilled in the art would not be able to practice the invention of the claims on file with only the specification of the instant application.

EXAMPLE 2: Sufficiency of disclosure for VIAGRA

Teva Canada Ltd. v. Pfizer Canada Inc, 2012 SCC 60

1. This appeal involves a challenge to the validity of the patent of the Pfizer respondents ("Pfizer") for Viagra, a drug currently on the market for treating erectile dysfunction ("ED"). (...) The appellant, Teva Canada Limited ("Teva"), claims that Pfizer's patent application did not meet the disclosure requirements set out in the Patent Act. Pfizer, on the other hand, submits that it complied fully with those requirements.

2. The main issue in this appeal is whether Pfizer failed to properly disclose its invention when it obtained the patent for Viagra. For the reasons that follow, I conclude that Pfizer's patent application did not satisfy the disclosure requirements provided for in s. 27(3) of the Act . I would accordingly allow the appeal.

3. In 1994, Pfizer applied for a patent for a range of compounds it claimed to be effective for the treatment of ED by oral administration. Pfizer received Patent 2,163,446 ("Patent '446") on July 7, 1998. This patent expires in 2014.

4. The specification for Patent '446 explains that the invention concerns the use of a "compound of formula (I)" or a "salt thereof" as a medicament for the treatment of ED. The specification ends with a number of claims. Claim 1 sets out formula (I), which produces 260 quintillion possible compounds. Claims 2 to 5 are for successively smaller ranges of compounds of formula (I), with Claim 5 being narrowed down to a range of nine compounds. Claims 6 and 7 relate to a single compound each. Claim 7 relates to sildenafil, the active compound in Viagra.

5. At the time of Pfizer's patent application, Pfizer had conducted tests that demonstrated that sildenafil was effective in treating ED. None of the other compounds in Patent '446 had been shown to be effective in doing so. Although Patent '446 includes the statement that "one of the especially preferred compounds induces penile erection in impotent males", neither the disclosure – the descriptive portion of the patent application – nor the claims specify that sildenafil is the compound that works. Nowhere in the patent application is it disclosed that the compound that works is found in Claim 7 or that the remaining compounds in the patent had not been found to be effective in treating ED.



74. The disclosure in the specification would not have enabled the public "to make the same successful use of the invention as the inventor could at the time of his application", because even if a skilled reader could have narrowed the effective compound down to the ones in Claim 6 and Claim 7, further testing would have been required to determine which of those two compounds was actually effective in treating ED. As the trial judge stated, at para. 146, "[a] skilled reader would then conduct tests on those two compounds and determine which of those compounds worked". And as he also stated, at para. 135, "the skilled reader must undertake a minor research project to determine which claim is the true invention".

75. Pfizer argued in the Court of Appeal that Teva had already been able to make the same use of the invention having only the specification, because it had filed a submission with the Minister of Health for a drug product containing sildenafil (F.C.A., at para. 48). However, this does not change the fact that the specification required, at a minimum, "a minor research project" in order to determine whether Claim 6 or Claim 7 contained the correct compound. The fact that Teva carried out this minor research project is irrelevant to Pfizer's obligation to fully

disclose the invention. More importantly, what must be considered is whether a skilled reader having only the specification would have been able to put the invention into practice. The trial judge clearly found that the skilled reader would have had to undertake a minor research project to determine what the true invention was.

(...)

79. Whether or not a specification is sufficient depends on what a skilled person would consider to be sufficient. Expert evidence in this case reveals that there was no basis for a skilled person to determine which of Claim 6 and Claim 7 contained the useful compound. Pfizer's own expert witness admitted that a person skilled in the art who read the patent would not know which compound was shown by the study to be useful in treating ED.

80. I would not make too much of the fact that Claim 1 included over 260 quintillion compounds. The practice of cascading claims – although it may, as in this case, result in claims that are overly broad – is a common one that does not necessarily interfere in every case with the public's right to disclosure. The skilled reader knows that, when a patent contains cascading claims, the useful claim will usually be the one at the end concerning an individual compound. The compounds that do not work are simply deemed invalid. In accordance with s. 58, any valid claim – in this case, Claim 7 – survives despite the existence of invalid claims. However, the public's right to proper disclosure was denied in this case, since the claims ended with two individually claimed compounds, thereby obscuring the true invention. The disclosure failed to state in clear terms what the invention was. Pfizer gained a benefit from the Act – exclusive monopoly rights – while withholding disclosure in spite of its disclosure obligations under the Act. As a matter of policy and sound statutory interpretation, patentees cannot be allowed to “game” the system in this way. This, in my view, is the key issue in this appeal. It must be resolved against Pfizer.

E. Patent Application Process

The role of the Commissioner in scrutinising patent applications is extremely important. The grant of a patent monopoly for 20 years from the date filing of the application creates serious anti-competitive effects. Once the subject matter of the patent is fenced in by the claims, others trespass (intentionally or inadvertently) on the forbidden territory at their own risk. The decision of the Commissioner to grant or refuse a patent application is not a matter of discretion. By virtue of subsection 27(1) and section 40, the Commissioner must grant the application if the statutory conditions are met, and must not grant the application if the statutory conditions are not met. Once the patentability criteria are met, there is no discretion on the part of the Commissioner to deny a patent on a particular subject matter of invention.

1. National Application

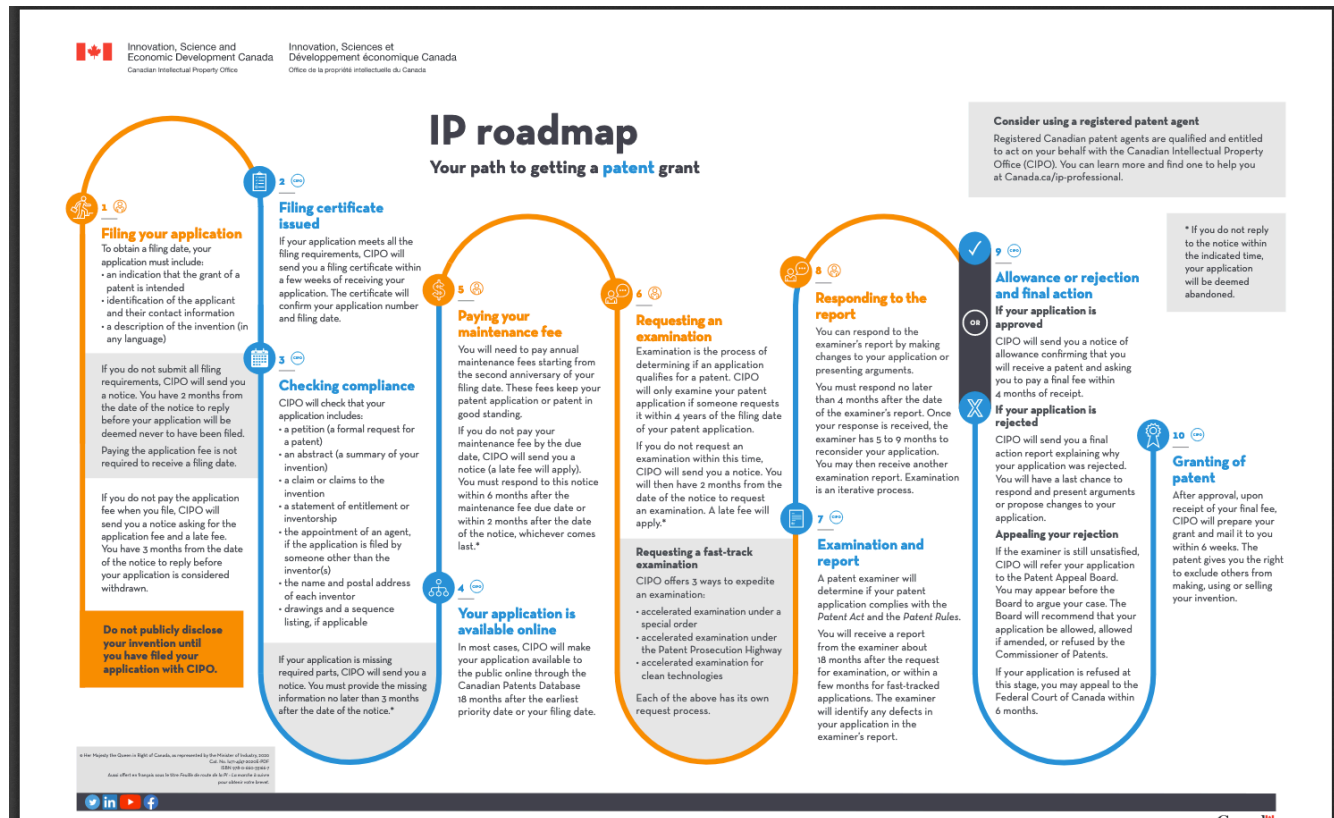


Figure 1: CIPO, IP Roadmap

Filing a Patent Application at the Canadian Intellectual Property Office (CIPO)

To receive an official filing date in Canada, an applicant must comply with the requirements of s.27 PA, as further specified in the Patent Rules.

Submitting an application fee is not a requirement to secure a filing date for your patent application. If the application fee is not submitted when the patent application is filed, the Commissioner will send the applicant a notice requiring the submission of the application fee and the late fee within three months of the date of the notice. If the application fee and late fee are not submitted within the three months after the date of the notice, the application will be deemed withdrawn.

Once CIPO accepts the application for filing, the application is assigned a number and filing date (s.28 PA). From that moment on until the Commissioner reaches a decision, the application will be pending. A complete patent application includes the information required to obtain a filing date as well as the following:

- Formal petition for grant of a patent
- Abstract of the invention
- Claim or claims to the invention
- Any drawings mentioned in the description
- A biological sequence listing, if applicable, in electronic format
- Appointment of a patent agent, when required

- The application fee
- A signed small entity declaration, if applicable
- A statement of entitlement
- Names and addresses of the inventors

Claiming Priority

Normally an application is entitled to priority as of the date of its filing. In the case of convention applications, however, the applicant requests the recognition of an earlier priority date. This procedure exists in the case of an application for a patent for an invention filed in Canada by any person entitled to protection under the terms of any treaty or convention relating to patents to which Canada is a party, who has, or whose agent or legal representative has, previously regularly filed an application for patent for the same invention in any other country which by treaty, convention or law affords similar privilege to citizens of Canada. Such an application has the same force and effect as it would have if filed in Canada on the date on which the application for patent for the same invention was first filed in such other country, provided the application in Canada is filed within 12 months from the earliest date on which any such application was filed in such other country.

Section 10(2) PA states that the application remains confidential for a period of eighteen months from filing, after which it is open to public inspection. If the applicant so wishes, they may request to have their application open to public inspection earlier. The confidentiality period begins on the filing date of the application or, where a request for priority has been made in respect of the application, it begins on the earliest filing date of any previously regularly filed application on which the request is based.

Requesting examination

The application will not automatically be examined. Pursuant to s.35(1) PA, the applicant must formally request examination and pay the examination fee. This request must be made within four years of the Canadian filing date. If a request for examination is not received within the prescribed time limit a late fee will also need to be paid. A Commissioner's Notice will be sent to the applicant shortly after the due date. The notice will require the applicant to make the request, pay the request for examination fee and the late fee before the end of two months after the date of the notice. If the request is not made, the request for examination fee and the late fee are not paid within the late fee period, the application will be deemed abandoned.

There are several reasons why an applicant might file an application and not automatically request examination. One reason may be that the applicant needs time to assess the feasibility or marketability of their invention. If so, filing provides some protection for the invention, possibly making competitors less likely to infringe on it (that is, make, use or sell it) for fear of having to pay retroactive compensation should the patent eventually be granted. However, if the applicant fails to request examination within the four-year period and the reinstatement period has passed, anyone will be able to freely make, use or sell the products or processes described in the application. Once the request is made, the examination process may take more than two years.

In the circumstances mentioned in s.84(1) of the *Patent Rules*, applicants may request an advanced examination of a patent application that is open to public inspection. An extra fee will apply. The *Patent Rules* provide that a request for advanced examination of the application is admissible in cases where failure to do so is likely to prejudice the applicant's rights (primarily in the context of fierce competition) or if the application relates to technology the commercialization of which would help to resolve or mitigate environmental impacts or to conserve the natural environment or natural resources.

Filing prior art and protests

After the patent application is made available to the public, i.e. 18 months after the date of filing, any person may file with the Commissioner prior art, consisting of patents, applications for patents open to public inspection and printed publications, that the person believes has a bearing on the patentability of any claim in an application for a patent (s.34.1 PA). A person who files prior art with the Commissioner must explain the relevance of such prior art. In addition, s.35 PA provides that anyone may request the examination of a patent application by CIPO examiners. Such requests are made available to the public.

(Re)Consideration by the examiner

It is not uncommon for the patent examiner to object to a claim, either because there exists relevant prior art relating to one or more claims in the application, or because some claims are deemed to be obvious to a POSITA. The examiner's report, called a "Patent Office action," may object to the application as a whole or only to some claims, or it may ask for other changes in the application. The applicant may respond to the objections, following which the examiner will prepare a second office action, known as a "notice of allowance" informing the applicant that the application is allowable or it may be a request for further amendments. If further amendments are necessary, the request for amendments may be in the form of a written office action or the examiner may contact the applicant or their patent agent to discuss the amendments required. This exchange may be repeated until the examiner allows the application or states that the action is final.

Grant or Rejection of the Patent

At the end of the examination process, the patent will be granted if the examiner approves the application and if the fees are paid. To maintain the patent rights in effect, annual fees must be paid on or before the prescribed dates.

If the examiner makes a final objection to the application, the applicant has the right to appeal to the Commissioner of Patents, requesting that the Commissioner review the examiner's objection. The review is conducted by the Patent Appeal Board. If the Commissioner objects to your appeal and refuses to grant a patent, the case is subject to judicial review by the Federal Court of Canada.

Once granted, the patentee must pay the prescribed fees on or before the prescribed dates to maintain the rights accorded by a patent issued under this Act in effect. Failure to pay the fees will result in the abandonment of protection.

2. International PCT Application

For any inventor who wishes to obtain patent protection in more than one country, the most efficient way is to apply through the mechanism put in place by the *Patent Cooperation Treaty*.

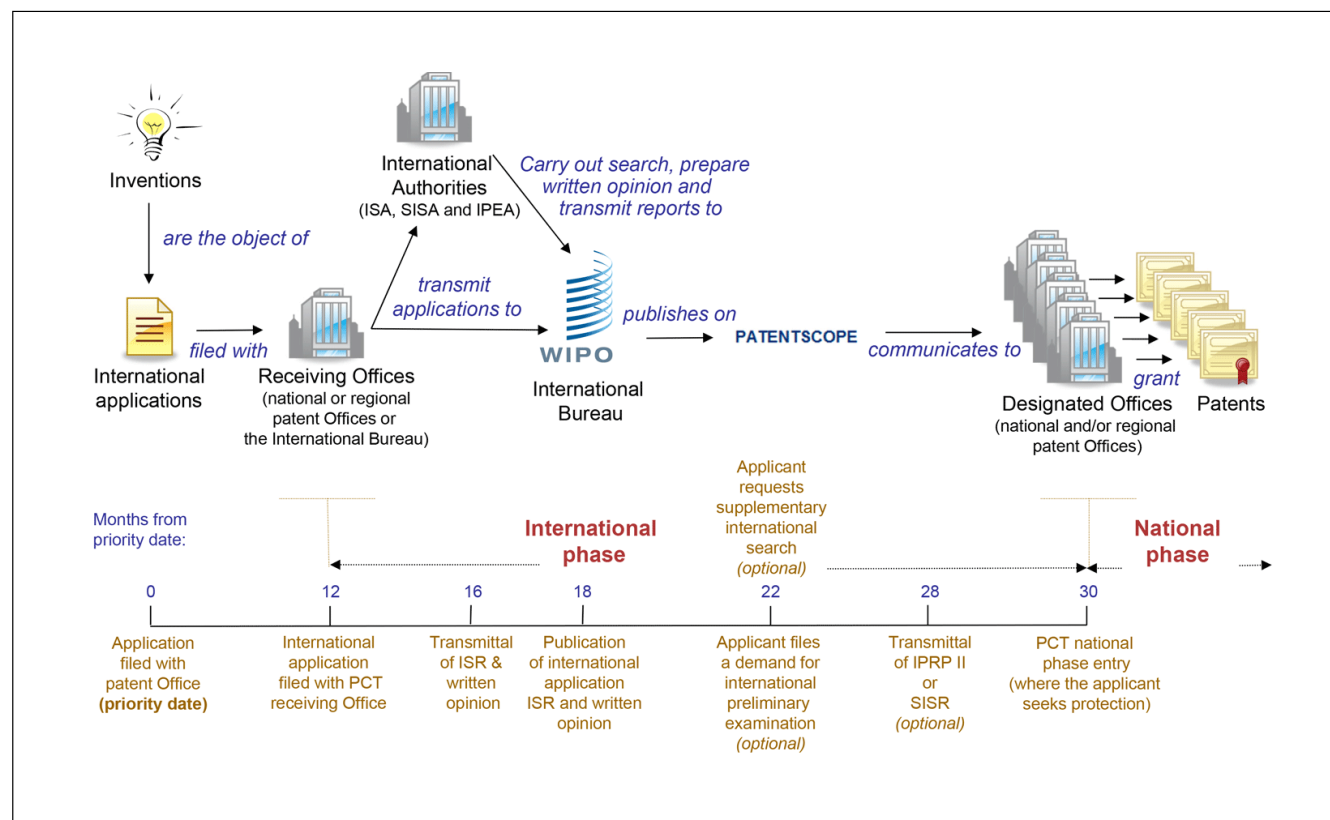


Figure 2: WIPO, PCT application roadmap

This workings of the PCT are best explained by the WIPO itself:

The PCT is an international treaty with more than 150 Contracting States. The PCT makes it possible to seek patent protection for an invention simultaneously in a large number of countries by filing a single “international” patent application instead of filing several separate national or regional patent applications. The granting of patents remains under the control of the national or regional patent Offices in what is called the “national phase”.

The PCT procedure includes:

Filing: you file an international application with a national or regional patent Office or WIPO, complying with the PCT formality requirements, in one language, and you pay one set of fees.

International Search: an “International Searching Authority” (ISA) (one of the world’s major patent Offices) identifies the published patent documents and technical literature (“prior art”) which may have an influence on whether your invention is patentable, and establishes a written opinion on your invention’s potential patentability.

International Publication: as soon as possible after the expiration of 18 months from the earliest filing date, the content of your international application is disclosed to the world.

Supplementary International Search (optional): a second ISA identifies, at your request, published documents which may not have been found by the first ISA which carried out the main search because of the diversity of prior art in different languages and different technical fields.

International Preliminary Examination (optional): one of the ISAs at your request, carries out an additional patentability analysis, usually on a version of your application which you have amended in light of content of the written opinion.

National Phase: after the end of the PCT procedure, usually at 30 months from the earliest filing date of your initial application, from which you claim priority, you start to pursue the grant of your patents directly before the national (or regional) patent Offices of the countries in which you want to obtain them.

<https://www.wipo.int/pct/en/faqs/faqs.html>

F. Scope of Patent Protection

Once a patent application has gone successfully through the entire examination process and the Commissioner of Patents has issued the patent, the protection it offers is very broad. Like for copyright, the law grants the patentee a bundle of exclusive rights on their invention. The following section describes the scope of patent protection in the context of infringement proceedings, as well as the exceptions on these rights.

1. Infringement

Pursuant to s.42 PA, every patent granted under the Act confers on the patentee the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used. The duration of the patent is twenty years from the filing date. The presumption of validity of a patent is established by subsection 43(2) PA. The scope of

patent protection is therefore very broad and anyone outside the patentee or their legal representatives who makes, constructs, uses or even sells the invention without prior permission is liable for patent infringement.

To establish infringement, the patentee must prove, on a balance of probabilities, the following elements:

1. **The carrying out of a prohibited act;**
2. The prohibited act must have been done after the publication of the patent application, or the issuance of the patent where no early publication occurs;
3. The prohibited act must have been done in the country where the patent has been granted;
4. **The prohibited act must be in relation to a product or process falling within the scope of a claim of the patent.**

Of the four elements listed above, two can be easily ascertained, e.g. whether the prohibited act took place after the publication of the patent application and in a country where patent protection was granted. Since the four elements are cumulative, these elements should be established first before going further with the analysis. Of course, this would include checking whether the patent protection is still in force, e.g. whether the patent application was filed less than twenty years prior to the alleged acts of infringement and if so, whether the patentee has paid the prescribed annual fees to maintain protection. The two other elements of a patent infringement claim, regarding the nature of the act and the scope of the claims, are less straightforward and will likely lead to interpretation issues. First, the plaintiff must establish that the defendant's actions with respect to the product or process actually qualify as making, constructing, using or selling the invention without the patentee's consent. Second, the allegedly infringing product or process must be covered by the claims of the patent.

a. Did the Defendant Carry Out a Prohibit Act?

Infringement is generally a question of fact. Answering the question whether a defendant to a patent infringement action has made, constructed, or sold a product is usually not very problematic, compared to establishing whether a defendant has *made use of the invention* in violation of the patentee's exclusive rights. Recognising the difficulty of proving the use of a patented process, the law gives the patentee a helping hand: section 55.1 PA provides that 'in an action for infringement of a patent granted for a process for obtaining a new product, any product that is the same as the new product shall, in the absence of proof to the contrary, be considered to have been produced by the patented process'. The *Saccharin* doctrine [which gets its name from *Saccharin Corporation, Ltd. v. Anglo-Continental Chemical Works, Ltd.* (1900), 17 R.P.C. 307] states that a process patent can be infringed by the importation, and use and sale in Canada, of a product manufactured abroad by another person using the patented process. "By the sale of saccharin, in the course of the production of which the patented process is used, the Patentee is deprived of some part of the whole profit and advantage of the invention, and the importer is indirectly making use of the invention."

"Use" applies both to patented products and processes, and also to their output" [Vaver, *Intellectual Property Law: Copyright, Patents, Trade-marks*, 2011, p. 377]. The guiding principle when investigating whether a use was made of a patented invention is whether the defendant's activity deprived the patentee in whole or in part, directly or indirectly, of the full enjoyment of the monopoly conferred by law. In practice, patentees will miss out on the fruits of their invention and the full enjoyment of their monopoly when another person, without consent, uses the invention to further a business interest. The fact that a defendant benefits from the unauthorised use of a patented invention for its own commercial interests may be an indication that an infringing use has taken place.

The landmark case on the interpretation of the concept of 'use' in s.42 of the Patent Act is *Monsanto Canada Inc. v. Schmeiser* [2004 SCC 34] in which the Supreme Court was asked to give meaning to the word 'use' in relation to a patent on a genetically modified canola seed. Did Mr. Schmeiser 'use' Monsanto's patented invention contrary to s.42 PA, when he harvested canola plants from his fields without having first purchased the patented seeds from the Company? To find for infringement in this case, a legal connection had to be established between the patented seed and the harvested plant. The majority of the Court recalled that 'a defendant infringes a patent when the defendant manufactures, seeks to use, or uses a patented part that is contained within something that is not patented, provided the patented part is

significant or important. In the case at bar, the patented genes and cells are not merely a “part” of the plant; rather, the patented genes are present throughout the genetically modified plant and the patented cells compose its entire physical structure’. Referring to old English cases, the Court pointed out that ‘Exploitation of the stand-by utility of an invention uses it to advantage’.

And, while the intention of the defendant is generally irrelevant to a finding of infringement, intention becomes relevant where a defendant possesses an invention without use, with a view to exploiting the ‘stand-by’ utility of the invention. Admittedly the onus of proving infringement would become impractical and unduly burdensome in cases of possession, if the patent holder was required to demonstrate the defendant’s intention to infringe. As the Court explains, if the patent holder is able to establish that the defendant possessed the patented invention, it is up to the defendant to show the absence of the “additional ingredient”. In other words, a defendant in possession of a patented invention in commercial circumstances may rebut the presumption of use by bringing credible evidence that the invention was neither used, nor intended to be used, even by exploiting its stand-by utility. The defendant’s benefit or profit from the activity may be relevant at the stage of remedy, but not in determining infringement. Applying the law to the facts of the case, the majority of the Court concluded that:

“[72] Monsanto’s patent gives it a monopoly over the patented gene and cell. The patent’s object is production of a plant which is resistant to Roundup herbicide. Monsanto’s monopoly enabled it to charge a licensing fee of \$15 per acre to farmers wishing to grow canola plants with the patented genes and cells. The appellants cultivated 1030 acres of plants with these patented properties without paying Monsanto for the right to do so. By cultivating a plant containing the patented gene and composed of the patented cells without licence, the appellants thus deprived Monsanto of the full enjoyment of its monopoly.”

The next question arising in this case was whether, by cultivating plants containing the cell and gene, Mr. Schmeiser used the patented components of those plants. Citing *Vaver*, the Court ruled in the affirmative saying that the patentee would otherwise be deprived of the full enjoyment of the monopoly granted by the patent.

EXTENSION: *Seeds Blowing in the Wind* – MONSANTO’s Roundup Ready Canola Seeds

Monsanto Canada Inc. v. Schmeiser, 2004 SCC 34

1. This case concerns a large scale, commercial farming operation that grew canola containing a patented cell and gene without obtaining licence or permission. The main issue is whether it thereby breached the *Patent Act*. We believe that it did.

4. Percy Schmeiser has farmed in Saskatchewan for more than 50 years. In 1996 he assigned his farming business to a corporation in which he and his wife are the sole shareholders and directors. He and his corporation grow wheat, peas, and a large amount of canola.

5. In the 1990s, many farmers, including five farmers in Mr. Schmeiser’s area, switched to Roundup Ready Canola, a canola variety containing genetically modified genes and cells that have been patented by Monsanto. Canola containing the patented genes and cells is resistant to a herbicide, Roundup, which kills all other plants, making it easier to control weeds. This eliminates the need for tillage and other herbicides. It also avoids seeding delays to accommodate early weed spraying. Monsanto licenses farmers to use Roundup Ready Canola, at a cost of \$15 per acre.

6. Schmeiser never purchased Roundup Ready Canola nor did he obtain a licence to plant it. Yet, in 1998, tests revealed that 95 to 98 percent of his 1,000 acres of canola crop was made up of Roundup Ready plants. The origin of the plants is unclear. They may have been derived from Roundup Ready seed that blew onto or near Schmeiser’s land, and was then collected from plants that survived after Schmeiser sprayed Roundup herbicide

around the power poles and in the ditches along the roadway bordering four of his fields. The fact that these plants survived the spraying indicated that they contained the patented gene and cell. The trial judge found that “none of the suggested sources [proposed by Schmeiser] could reasonably explain the concentration or extent of Roundup Ready canola of a commercial quality” ultimately present in Schmeiser’s crop.

(...)

8. Canola is a valuable crop grown in Canada and used to make edible oil and animal feed. The respondents are the licensee and owner, respectively, of Canadian Patent No. 1,313,830. This patent, titled “Glyphosate-Resistant Plants”, was issued on February 23, 1993, and expires on February 23, 2010. It discloses the invention of genetically engineered genes and cells containing those genes which, when inserted into plants (in this case canola), dramatically increase their tolerance to herbicides containing glyphosate. Ordinarily, glyphosate inhibits an enzyme essential for plant survival. Most plants sprayed with a glyphosate herbicide do not survive, but a canola plant grown from seed containing the modified gene will survive.

9. Since 1996, canola seed containing the patented gene and cell has been produced in Canada under licence from the respondents; this seed has been marketed to farmers under the trade name “Roundup Ready Canola”, reflecting its resistance to the glyphosate herbicide “Roundup” manufactured by the respondents. Roundup can be sprayed after the canola plants have emerged, killing all plants except the canola. This eliminates the need for tillage and other herbicides. It also avoids delaying seeding to accommodate early weed spraying.

10. In 1996, approximately 600 Canadian farmers planted this Roundup Ready Canola on 50,000 acres. By 2000, approximately 20,000 farmers planted 4.5 to 5 million acres – nearly 40 percent of all canola grown in Canada.

11. Monsanto requires a farmer who wishes to grow Roundup Ready Canola to enter into a licensing arrangement called a Technology Use Agreement (“TUA”). The licensed farmers must attend a Grower Enrollment Meeting at which Monsanto describes the technology and its licensing terms. By signing the TUA, the farmer becomes entitled to purchase Roundup Ready Canola from an authorized seed agent. They must, however, undertake to use the seed for planting a single crop and to sell that crop for consumption to a commercial purchaser authorized by Monsanto. The licensed farmers may not sell or give the seed to any third party, or save seed for replanting or inventory.

12. The TUA gives Monsanto the right to inspect the fields of the contracting farmer and to take samples to verify compliance with the TUA. The farmer must also pay a licensing fee for each acre planted with Roundup Ready Canola. In 1998, the licensing fee was \$15 per acre.

13. A Roundup Ready Canola plant cannot be distinguished from other canola plants except by a chemical test that detects the presence of the Monsanto gene, or by spraying the plant with Roundup. A canola plant that survives being sprayed with Roundup is Roundup Ready Canola.

(...)

59. The trial judge’s findings of fact are based, essentially, on the following uncontested history.

60. Mr. Schmeiser is a conventional, non-organic farmer. For years, he had a practice of saving and developing his own seed. The seed which is the subject of Monsanto’s complaint can be traced to a 370-acre field, called field number 1, on which Mr. Schmeiser grew canola in 1996. In 1996 five other canola growers in Mr. Schmeiser’s area planted Roundup Ready Canola.

61. In the spring of 1997, Mr. Schmeiser planted the seeds saved on field number 1. The crop grew. He sprayed a three-acre patch near the road with Roundup and found that approximately 60 percent of the plants survived. This indicates that the plants contained Monsanto’s patented gene and cell.

62. In the fall of 1997, Mr. Schmeiser harvested the Roundup Ready Canola from the three-acre patch he had

sprayed with Roundup. He did not sell it. He instead kept it separate, and stored it over the winter in the back of a pick-up truck covered with a tarp.

63. A Monsanto investigator took samples of canola from the public road allowances bordering on two of Mr. Schmeiser's fields in 1997, all of which were confirmed to contain Roundup Ready Canola. In March 1998, Monsanto visited Mr. Schmeiser and put him on notice of its belief that he had grown Roundup Ready Canola without a licence. Mr. Schmeiser nevertheless took the harvest he had saved in the pick-up truck to a seed treatment plant and had it treated for use as seed. Once treated, it could be put to no other use. Mr. Schmeiser planted the treated seed in nine fields, covering approximately 1,000 acres in all.

64. Numerous samples were taken, some under court order and some not, from the canola plants grown from this seed. Moreover, the seed treatment plant, unbeknownst to Mr. Schmeiser, kept some of the seed he had brought there for treatment in the spring of 1998, and turned it over to Monsanto. A series of independent tests by different experts confirmed that the canola Mr. Schmeiser planted and grew in 1998 was 95 to 98 percent Roundup resistant. Only a grow-out test by Mr. Schmeiser in his yard in 1999 and by Mr. Freisen on samples supplied by Mr. Schmeiser did not support this result.

65. Dr. Downey testified that the high rate of post-Roundup spraying survival in the 1997 samples was "consistent only with the presence in field number 2 of canola grown from commercial Roundup tolerant seed". According to Dr. Dixon, responsible for the testing by Monsanto US at St. Louis, the "defendants' samples contain[ed] the DNA sequences claimed in claims 1, 2, 5, and 6 of the patent and the plant cell claimed in claims 22, 23, 27, 28 and 45 of the patent". As the trial judge noted, this opinion was uncontested.

66. The remaining question was how such a pure concentration of Roundup Ready Canola came to grow on the appellants' land in 1998. The trial judge rejected the suggestion that it was the product of seed blown or inadvertently carried onto the appellants' land (at para. 118):

It may be that some Roundup Ready seed was carried to Mr. Schmeiser's field without his knowledge. Some such seed might have survived the winter to germinate in the spring of 1998. However, I am persuaded by evidence of Dr. Keith Downey . . . that none of the suggested sources could reasonably explain the concentration or extent of Roundup Ready canola of a commercial quality evident from the results of tests on Schmeiser's crop.

(...)

86. Further, the appellants did not provide sufficient evidence to rebut the presumption of use. It may well be that defendant farmers could rebut the presumption by showing that they never intended to cultivate plants containing the patented genes and cells. They might perhaps prove that the continued presence of the patented gene on their land was accidental and unwelcome, for example, by showing that they acted quickly to arrange for its removal, and that its concentration was consistent with that to be expected from unsolicited "blow-by" canola. Knowledge of infringement is never a necessary component of infringement. However, a defendant's conduct on becoming aware of the presence of the patented invention may assist in rebutting the presumption of use arising from possession.

87. However, the appellants in this case actively cultivated canola containing the patented invention as part of their business operations. Mr. Schmeiser complained that the original plants came onto his land without his intervention. However, he did not at all explain why he sprayed Roundup to isolate the Roundup Ready plants he found on his land; why he then harvested the plants and segregated the seeds, saved them, and kept them for seed; why he next planted them; and why, through this husbandry, he ended up with 1030 acres of Roundup Ready Canola which would otherwise have cost him \$15,000. In these circumstances, the presumption of use flowing from possession stands unrebutted.

(...)

95. Invoking the concepts of implied licence and waiver, the appellants argue that this Court should grant an exemption from infringement to “innocent bystanders”. The simple answer to this contention is that on the facts found by the trial judge, Mr. Schmeiser was not an innocent bystander; rather, he actively cultivated Roundup Ready Canola. Had he been a mere “innocent bystander”, he could have refuted the presumption of use arising from his possession of the patented gene and cell.



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<https://digitaleditions.library.dal.ca/cdn-ip-law/?p=76>

QUESTIONS

1. Do you agree with the Court that Mr. Schmeiser ‘used’ Monsanto’s patented invention?
- 2) If Mr. Schmeiser had brought other evidence about the origin of the seeds planted in his field, would the outcome of the case been different?

b. Did the Prohibited Act Fall within the Scope of the Claims?

Where a defendant is found to have made, constructed, used or sold a product, the following question to be asked is whether that product falls within the scope of the patent claims. If the defendant’s product is not covered by the claims,

then there can be no case of infringement. To answer this question a court will need to interpret the patent claims. This is a question of law. As mentioned previously, patent claims must receive a purposive construction. Such a method of interpretation essentially mandates the consideration of the claims using the modern principles of legal interpretation, which are often grouped under the headings of the literal, contextual and purposive methods. When interpreting patent claims, courts must be wary of the patent bargain: the interpretation should be “fair to both patentee and public.”

The question of infringement is determined by a review of the defendants’ product in the light of the patent in issue and not by a comparison with the plaintiffs’ own commercial product. Although infringement can be found based on the text of the plaintiffs’ patent, even if textual infringement is not present, the trier of fact must move on to determine whether the pith and substance of the plaintiffs’ patent has been infringed. Infringement exists where there is an act which interferes with the full enjoyment of the monopoly granted to the patentee. Keeping with the teachings in *Free World Trust*, patent claims must be interpreted in a manner that gives its just meaning to the patent monopoly, looking at the **essential** and **non-essential elements** of the claims. Four rules of patent interpretation influence the purposive construction of the claims: 1) reliance on the disclosure and drawings; 2) reliance on extrinsic evidence; 3) the claims differentiation principle; and 4) the principle that the claims are not limited by the disclosed embodiments. In *Bauer Hockey Ltd. v. Sport Maska Inc. (CCM Hockey)* [2020 FC 624], Grammond J. draws a useful summary of the rules of interpretation in the context of patent claim construction.

Reliance on the Disclosure and Drawings

In *Bauer Hockey Ltd. v. Sport Maska Inc. (CCM Hockey)*, the plaintiff argued that when interpreting a claim, one should not have recourse to the disclosure and drawings if the language of the claim is clear. Relying on the modern method of interpretation, Grammond J. reminded that ‘the method aims at helping the interpreter find clues about the meaning of a legal writing. There is no hierarchy of these clues, nor any predetermined order in which they are considered. In particular, the modern method rejects what is known as the “plain meaning rule,” or the idea that if one category of clues – the text – provides a “clear” answer, the other categories of clues are to be disregarded.’ In other words, the patent claims must be interpreted in the context of the specification as a whole, including the Disclosure and Drawings. The whole of the specification may provide useful information to understand the meaning of a word or term used in a claim. However, parts of the specification may not be borrowed from to enlarge or contract the scope of the claim as written, as this would affect the patent bargain and reduce legal certainty.

Reliance on Extrinsic Evidence

With respect to the use of extrinsic evidence in the interpretation process, Grammond J. recalls the general rule according to which a legal writing must ‘be interpreted according to information unavailable to its addressees. For that reason, exclusionary rules restrict the scope of the evidence that may be used to assist interpretation’. Extrinsic evidence is in principle inadmissible if it was unavailable to the other party. Patents are public documents. Their meaning should not depend on information that is not accessible to the public. This explains at least in part the general prohibition on the use of extrinsic evidence to construe patent claims. Prohibited extrinsic evidence may include other patents, patent applications and the testimony of the inventor. By contrast, s.53.1 PA states that communications between the patentee and the Patent Office – otherwise known as the patent prosecution history – “may be admitted into evidence to rebut any representation made by the patentee in the action or proceeding as to the construction of a claim in the patent. The Federal Court has since recognised that the purposive construction requires consideration of not only the claims and the disclosure, but also “the substance behind intentional amendments to the claims issued in Canadian patents”. Section 53.1 provides a limited exception to admit as evidence parts of communications between the patentee and the Patent Office during the prosecution of the patent, but only to rebut a representation by the patentee in an action (*Canmar Foods Ltd v TA Foods Ltd*, 2019 FC 1233 at paragraph 71).”

Claims Differentiation Principle

The claims differentiation principle presumes that patent claims are drafted so as not to be redundant. Thus, different claims have different scopes. Independent claims are understood to include more than dependent claims; a limitation in the dependent claim should not be read into the independent claim. In the eyes of Grammond J., this principle is simply an application of the contextual method of interpretation: when looking at context, one should assume that each

component of a legal document plays a specific role and that none is redundant. In *Bauer Hockey Ltd. v. Sport Maska Inc.* (CCM Hockey), Grammond J. further explains that

[68] Sections 60–63 of the *Patent Rules* allow applicants to describe inventions by way of multiple claims. A claim is “dependent” if it includes by reference all the features, or “limitations,” of another claim, as well as additional features. The principle of claims differentiation simply means that the additional feature that distinguishes a dependent claim should not be implied in the independent claim, as that would render the former redundant.

The presumption against redundancy is rebuttable, however, if there is evidence pointing to the contrary.

Claims Not Limited to Preferred Embodiments and Essential Elements

Pursuant to s.27(3)(c) PA and section 56(1)(f) of the *Patent Rules*, the inventor must describe “at least one mode for carrying out the invention.” This is known as the “preferred embodiment” or the “best mode”. It is a settled principle in the case law, however, that “the description of the preferred embodiments is not meant to include all the possible embodiments of the invention claimed”. Some elements of the claims will be considered essential and some will not. When the inventor describes the preferred embodiment or illustrates the invention in a drawing, one should not presume that everything described or shown is essential. There may be other ways of practicing the invention, but this does not mean that the scope of the claims should be widened after the fact.

c. Defence to an Infringement Claim

The most common defence to a patent infringement claim is to invoke the patent’s invalidity. This is expressly allowed under s.59 PA which states that “[t]he defendant, in any action for infringement of a patent may plead as matter of defence any fact or default which by this Act or by law renders the patent void, and the court shall take cognisance of that pleading and of the relevant facts and decide accordingly.”

The validity of a patent can be attacked on one or more of the following grounds:

1. The patented invention is not a patentable subject-matter, contrary to s. 2 PA;
2. The patented invention was not new, non-obvious and/or useful at the time of filing the application contrary to ss. 2, 28.2, & 28.3 PA;
3. The disclosure is insufficient, contrary to s. 27(3)(a) PA;
4. There is a lack of enablement, contrary to s. 27(3)(c) PA;
5. Double patenting [see *Hospira Healthcare Corporation v. Kennedy Trust for Rheumatology Research*, 2020 FCA 30]

Note that these grounds for attack are not exhaustive. A defendant may bring in defence any fact or default which by the Patent Act or by law renders the patent void. Section 60(1) PA allows any interested person to ask the Federal Court to declare a patent or any claim in a patent invalid or void. This is known as an impeachment action. In reverse, s.60(2) allows any person who has ‘reasonable cause to believe that any process used or proposed to be used or any article made, used or sold or proposed to be made, used or sold by him might be alleged by any patentee to constitute an infringement of an exclusive property or privilege granted thereby, he may bring an action in the Federal Court against the patentee for a declaration that the process or article does not or would not constitute an infringement of the exclusive property or privilege’. Through such a declaration of non-infringement, a third party can safeguard their interests and hope to stay clear of further infringement procedures in the future.

EXAMPLE: Patent Dispute over Ice Skates

Bauer Hockey Ltd. v. Sport Maska Inc. (CCM Hockey), 2020 FC 624

This action involves two well-known skate manufacturers, Bauer and CCM. Bauer obtained a patent for a pattern for a component of skates called the quarter. It is now suing CCM for infringement of that patent.

While many issues were canvassed by the parties at trial, two of them are determinative.

First, Bauer's expansive interpretation of the claims of its patent, which would cover a wide range of CCM skates, cannot be accepted. Bauer's proposed interpretation is not grounded in the wording of the claims or the disclosure. It attributes a purpose other than that explicitly identified in the disclosure. It is also incompatible with the patent's prosecution history.

Second, the patent claims asserted by Bauer are obvious. Making the quarter in one piece, whereas it was formerly made of two pieces sewn together, is not an inventive step deserving of patent protection. Even taking into account the surrounding context, a skilled person at the relevant time would have readily come to that solution. As a result, Bauer's action will be dismissed and CCM's counterclaim, which seeks a declaration of invalidity, will be allowed.



2. Exceptions

Like any other property right, patent rights are not absolute. Nevertheless, the Patent Act contains only a limited number of exceptions to the exclusive rights. This stands in sharp contrast with the copyright regime, which recognises numerous exceptions judged to be in the public interest. Patent law's divergent approach to exceptions can likely be explained by the patent regime's utilitarian goal of ensuring the patent owner's full enjoyment of the monopoly conferred by law, in exchange for disclosure of the invention. The fact that patent law is an industrial property right that affords protection for a relatively short period of time against acts of a commercial nature done with respect to the invention gives further justification to the limited need for exceptions. Acts that are of a private nature or that do

not affect the commercial exploitation of the invention would normally not fall under the scope of the owner's exclusive right. This is the case of the 'regulatory review exception' and the 'experimentation exception'. On the other hand, the patent regime must also be fair towards third parties who had, in good faith, started using or producing the patented invention before the claim date. The 'prior use' exception covers this set of circumstances.

a. Regulatory Review Exception

55.2 (1) It is not an infringement of a patent for any person to make, construct, use or sell the patented invention solely for uses reasonably related to the development and submission of information required under any law of Canada, a province or a country other than Canada that regulates the manufacture, construction, use or sale of any product.

This provision of the Patent Act is invoked primarily in relation to patents on pharmaceutical products. A pharmaceutical manufacturer who intends to sell a generic version of a patented medication is pursuant to s.55.2 PA not amenable to being sued for patent infringement solely for having made or tested an allegedly infringing product for the purpose of applying for a Notice of Compliance (see section G. below) before the expiration of the patent. Strict conditions for the exercise of this exemption are set by regulation. Section 55.2(6) affirms that 'for greater certainty, subsection (1) does not affect any exception to the exclusive property or privilege granted by a patent that exists at law in respect of acts done privately and on a non-commercial scale or for a non-commercial purpose'.

Although the Patent Act recognised the 'regulatory review exception', the *Regulations* do create a statutory cause of action – namely, an action pursuant to section 6(1) of the *Regulations* – that may be brought by first persons and patent holders while a drug is awaiting regulatory approval from Health Canada. Absent an actionable act of infringement, a patentee would have no means under the *Patent Act* to pre-emptively sue or seek an injunction to prevent a generic from coming to market with an infringing product, unless it can plead facts showing that the generic is using the invention for purposes other than seeking regulatory approval or unless it can meet the very stringent test for bringing a *quia timet* action.

In *Eli Lilly Canada Inc. v. Apotex Inc.*, [2020 FC 814], Apotex could successfully establish that the material it had produced was only used for regulatory testing, that it was not converted into finished dose, that the material was not tableted, that it was not sold in the Canadian market, that it was not formulated nor sold for export.

b. Experimentation Exception

55.3 (1) An act committed for the purpose of experimentation relating to the subject-matter of a patent is not an infringement of the patent.

An experimentation use exception is commonly found in foreign patent legislation even if it is rarely invoked. The Canadian Patent Act contained an ambiguous provision which could be interpreted in this sense, until it was amended in 2018 to clarify that an act done for the purpose of experimentation relating to the subject matter of a patent does not constitute an infringement. The Governor in Council may make regulations respecting the factors to be considered by the court in determining whether an act is, or is not, committed for the purpose of experimentation. So far, no regulation has been adopted, but no legal dispute involving facts that could fall within the ambit of this provision has arisen either. Other jurisdictions with a similar provision tend to interpret this provision narrowly and demand that the

experimentation be limited to the sole study of the patented product or process and must not be used as a means to develop other commercial products.

c. Prior Use Exception

56 (1) Subject to subsection (2), if – before the claim date of a claim in a patent – a person, in good faith, committed an act that would otherwise constitute an infringement of the patent in respect of that claim, or made serious and effective preparations to commit such an act, it is not an infringement of the patent or any certificate of supplementary protection that sets out the patent, in respect of that claim, if the person commits the same act on or after that claim date.

The rights of prior users have long been recognised in the Patent Act, but this conditions for exercise were seriously revisited in the 2018 round of legislative amendments. The recognition of a third party's prior use is an exceptional event in the patent scheme that has the potential to affect the patent owner's full enjoyment of the monopoly granted by the law. For this reason, it is subject to very strict conditions of exercise, set out in subss. 56(2) to (11) PA. In essence, the third party's scope of action with respect to the subject matter is limited in terms of use and further transfers. To protect patent owners from falling victim to unscrupulous former employees or competitors, the Act now expressly excludes the application of this provision 'if the person referred to in that subsection or that paragraph was able, as the case may be, to commit the act or make the preparations to commit the act only because they obtained knowledge of the subject-matter defined by the claim, directly or indirectly, from the applicant of the application on the basis of which the patent was granted and they knew that the applicant was the source of the knowledge.'

G. Pharmaceutical Patents

The Canadian pharmaceutical market is home to two opposite forces: manufacturers of innovative pharmaceutical products ("innovators") and manufacturers of generic products ("generics"). Innovators invest enormous amounts of money, time and expertise in the research and development of new pharmaceuticals for human and animal consumption. They rely heavily on patent protection for the new drugs they develop, in order to recoup their investments and generate profits. By contrast, the main business of generics is to develop alternative versions of the innovators' drugs, that they sell at lower prices. Generics can afford to sell their products at lower prices, because they are able to create alternative drugs without engaging in the same levels of expenditures in research and development as the innovators.

The rights of innovators are governed in Canada by three sets of regulations: the *Patent Act*, the *Patented Medicines (Notice of Compliance) Regulations*, and data exclusivity in the *Food and Drug Regulations*. The regulatory regime is devised to ensure the safety and efficacy of that medicine but also to preserve the economic interests of the manufacturer. To sell a drug in Canada, a manufacturer must be issued a Notice of Compliance ("NOC") from the Minister of Health under the *Food and Drug Regulations*. An NOC issued by the Minister of Health in respect of a drug gives the manufacturer authorization to market that drug in Canada. In order to obtain an NOC, an innovator must submit a New Drug Submission ("NDS") which confirms the drug is both safe and effective. A generic can submit an Abbreviated New Drug Submission ("ANDS") with a reference to another drug which has received an NOC. The option to submit an ANDS eliminates the need for generics to conduct extensive research and development to bring their products to market.

The PMNOC regime initially came into force on March 12, 1993, under subsection 55.2(4) of the *Patent Act*. It created a Patent Register with Health Canada on which innovators can list patents that are relevant to their drug submissions for

regulatory approval. The goal of the PMNOC Regulations was to prohibit generics from marketing their drugs until the expiry of the associated patents, but not a moment later. Generics can accept that they will not get regulatory approval until expiration of the listed patents. However if a generic would like approval for a generic version of a drug prior to the expiry of the patents associated with it, the generic must send a Notice of Allegation (“NOA”) to the innovator claiming that its product does not infringe the innovator’s patents or, alternatively, that the innovator’s patents are invalid, along with the legal and factual basis for the allegation.

The PMNOC Regulations were amended in 2017. Part of the amendments were brought to take account of the creation of the Certificate of Supplementary Protection (CSP). Canada implemented a sui generis regime of additional “patent-like” protection for pharmaceuticals described in *Comprehensive Economic and Trade Agreement* between the European Union and Canada, Article 20.27, known as a Certificate of Supplementary Protection (“CSP”), in new sections 104-134 to the Patent Act. According to the Amended Regulations, the innovator has forty-five days after the receipt of the NOA to initiate an action in the Federal Court asking for a declaration that the making, constructing, using or selling of a drug in accordance with the NOA would infringe any patent or certificate of supplementary protection that is the subject of the allegation set out in the notice. The generic may bring a counterclaim for a declaration of patent or certificate of supplementary protection invalidity. The Minister of Health shall not issue an NOC to the generic for twenty-four months or the resolution of the court action, whichever arrives first. The Federal Court’s decision on whether the allegations in the NOA are founded is determinative of validity and infringement. If the innovator succeeds, the Federal Court will declare that the actions proposed by the generic in the NOA would result in infringement of the innovator’s patent and the Minister will be prohibited from issuing an NOC to the generic during the life of the patent(s) or CSPs at issue. If the generic succeeds, the Federal Court will declare that the innovator’s patent(s) or CSP are invalid and the Minister will issue an NOC to the generic.

In *ViiV Healthcare ULC v. Canada (Health)*, 2020 FC 756 (Justice Fuhrer), the Court was asked to consider whether the Minister’s refusal to issue a CSP for JULUCA was reasonable? This involves the more granular question: was Minister’s interpretation of Patent Act s 106(1)(c) and Certificate of Supplementary Protection Regulation (CSPR) s.3(2)(a), namely that an eligible patent must claim all the medicinal ingredients in a combination drug to support the issuance of a CSP, consistent with the text, context and purpose of these provisions? The reasons deal only with the appropriate standard of review and whether the Minister reasonably interpreted Patent Act s 106(1)(c) and CSPR s 3(2)(a) in a manner consistent with CETA, as required by CIA s 3, by relying only on the CSPR Regulatory Impact Assessment Statement (“RIAS”) and associated Guidance Document. Fuhrer J. granted the judicial review application ruling that the Minister unreasonably considered ViiV’s submissions based on CETA Article 20.27 regarding the proper interpretation of Patent Act s 106(1)(c) and CSPR s 3(2)(a), by failing to consider CETA itself in addition to the CSPR RIAS and Guidance Document. This matter was remitted to the Minister for redetermination.

Data exclusivity protects innovator data from being used by generic competitors for a set period of time. The data protection regulations are promulgated under the *Food and Drugs Act* to implement Canada’s treaty obligations to protect data associated with the approval of certain pharmaceutical products, so as to encourage the development of new drugs. For the first six years after an innovative drug receives regulatory approval, a generic manufacturer may not submit an NDS or an ANDS on the basis of a direct or indirect comparison between a new drug and an innovative drug. For the first eight years after regulatory approval, the Minister of Health cannot grant market authorization to a product that would directly or indirectly rely on clinical trials funded by the company that obtained the regulatory approval. The eight years can be extended by six months for innovative products that have been the subject of clinical trials in pediatric populations.

V. Plant Breeders' Rights

SONJA GASHUS

A. Introduction

1. What is Plant Breeding?

The act of plant breeding is to intentionally manipulate a plant species to produce a plant variety with desirable characteristics.

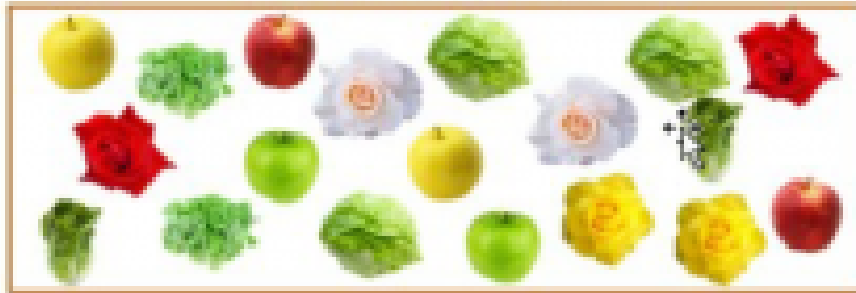
What is a Plant Variety?

The term *species* is a familiar unit of botanical classification within the greater *plant kingdom*. However, it is clear that within a species there can be a wide range of different types of plants. Farmers and growers need plants with particular characteristics and that are adapted to their environment and their cultivation practices.

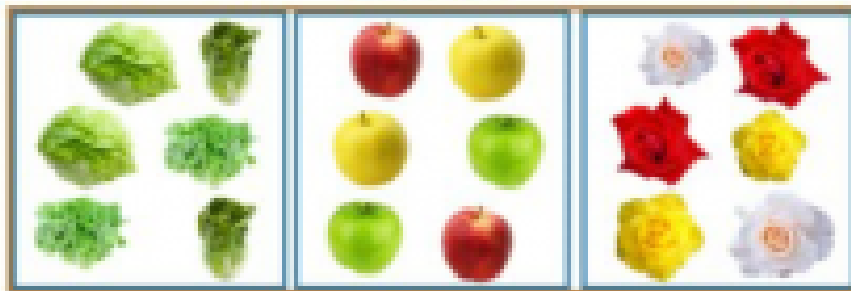
A *plant variety* represents a more precisely defined group of plants, selected from within a species, with a common set of characteristics.

WHAT IS A PLANT VARIETY?

PLANT KINGDOM



SPECIES



VARIETIES

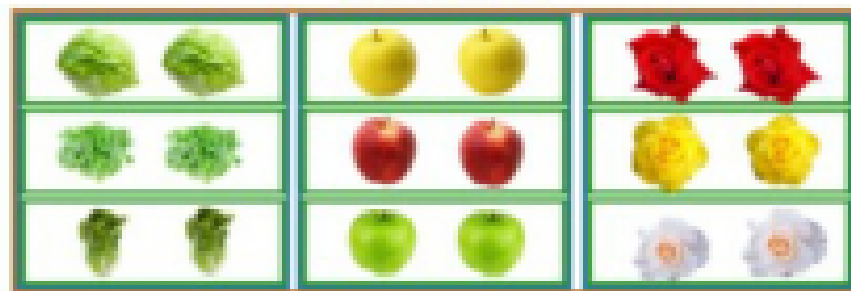


Figure 1: Introduction to UPOV (multimedia presentation)

Plant breeding is conducted by breeders who use various techniques to create new varieties, including those of an agricultural and ornamental nature. Techniques used by plant breeders have developed significantly over time as a result of innovation and technological advancements. Ultimately, the goal of plant breeding is to improve existing plant varieties by breeding new varieties with more beneficial characteristics, such as improved yield, resistance to pests and other environmental factors, as well as varieties with desired aesthetic features.

Importance

Plant breeding is directly correlated to the needs of society. Plants help to feed the human population and can fuel industry and economic growth in developing countries. Developing plants with better performance better allow for such needs to be met.

The second of the United Nations Sustainable Development Goals is to “[e]nd hunger, achieve food security and improved nutrition and promote sustainable agriculture.” However, in 2019 the Food and Agriculture Organization of the United Nations estimated in State of Food Security and Nutrition in the World publication that 690 million of the global population were undernourished and two billion people experienced hunger or did not have access to nutritious food. Coupled with continued population growth, a percentage of the population will not be provided with adequate food, one of the most basic human needs.

Improving plant varieties allow plants to be produced with a higher yield, longer lifespan, and greater tolerance to external factors, in addition to increased nutritiousness. By advancing plant performance in the growing process, accessibility of food is increased as a result of greater quantity and a lower cost of growing and for consumers. More efficient production of plants also may produce greater feed for animals, contributing to food supply.

Another major challenge to food production is climate change. Unstable climate conditions, more frequent and severe drought and flooding, as well as a higher pressure for insects and disease, present a difficult environment for growers and producers. With continuous and innovative plant breeding, the impact of climate change on the food supply can be mitigated as plant varieties can be bred to be more genetically tolerant or resistant to abiotic and biotic challenges.

In addition to agricultural food production, horticulture and ornamental plants are grown for the purpose of beautifying, decorating, and enhancing the environment. The ornamentals industry is distinct from agriculture and food production as these plants focus on aesthetic features such as flowers, leaves, or foliage and are bred to enhance such characteristics in addition to the common stress tolerance and yield. Ornamental plant varieties can include cut flowers, houseplants, trees, and shrubs, and are a keystone for indoor and outdoor gardening, design, and common green spaces in urban areas.

EXAMPLE: Tulip Varieties

Tulips, a part of the *Tulipa* species, are an extremely popular flower in the ornamental plant industry. Tulips are spring-blooming flowers that are usually large, showy, and bright, making them ideal for bouquets and gardens. Through hybrids and cultivars, breeding programs have expanded the original *Tulipa* species (or known as botanical tulips in horticulture) into 15 divisions which include thousands of tulip varieties. Plant breeders continuously develop new varieties of tulips, as demand is constant for this decorative flower.



Figure 2: Homestratosphere, Popular Tulip Varieties Chart

Plant markets can play a crucial role in the health of developing nations. Farming is often the dominant provider of food, income, and employment in poorer countries. Improved plant varieties through plant breeding can also help fuel economies and further economic development. Enhanced efficiency allows farmers to produce a surplus of food for trade and exported goods with reduced costs of labour and higher amounts of production. According to UNCTAD, if intra-EU trade is excluded, developing countries' imports and exports accounted for almost 60% of the global food trade in 2016 and is continuously trending upwards.

In addition to the agricultural plant market, the ornamental plant market accounts for a large portion of the economy in some developing nations, such as Brazil. The ornamental plant market is thriving, as there is high global demand among individuals and city planners who are constantly seeking out improvements to their decorative gardens and landscapes.

2. History of Plant Breeding

The effort to produce plants with beneficial characteristics such as improved quality, increased crop yield, tolerance of environmental pressures, and resistance to viruses, bacteria, insects, and fungi, has occurred since the beginning of agriculture. Since then, it has continued to develop over time.

Today, plant breeding can be accomplished through many different techniques that range from propagating plants with desirable characteristics to molecular techniques that make use of biotechnology and genetics.

Classical Plant Breeding

The most basic plant breeding technique is known as *selective breeding* (or artificial selection) and is performed by simply selecting plants with desirable characteristics for propagation. Selection exploits the naturally occurring variability of plants to discriminate against those with less desirable characteristics. A form of selection is *cross-breeding*, which is the deliberate interbreeding of closely or distantly related plant varieties to produce new varieties with desired properties within the same species. Selection is still practiced today by farmers in poorer countries, where instead of buying entirely new seeds, farmers save seeds from their best looking plants to use for the next season.

EXAMPLE: *Brassica Oleracea*

Brassica oleracea is a plant species that includes many common foods as cultivars, including cabbage, broccoli, cauliflower, kale, Brussels sprouts, collard greens, Savoy cabbage, kohlrabi, and gai lan.

Through artificial selection for various phenotype traits, the emergence of variations of the plant with drastic differences in looks took a few thousand years. Preference for leaves, terminal bud, lateral bud, stem, and inflorescence resulted in selection of varieties of wild cabbage into the many forms known today.

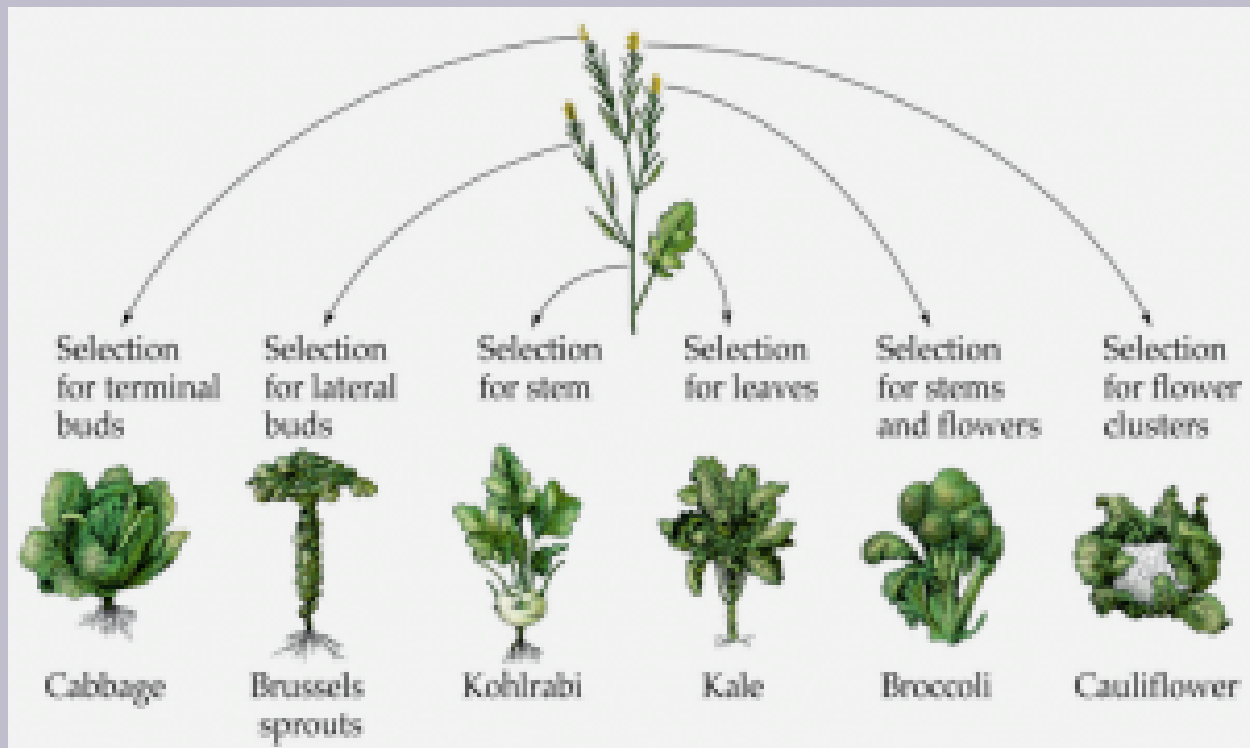


Figure 3: Plant varieties of *Brassica oleracea* species as a result of artificial selection

The Mendel Era

Arguably the most significant development in plant breeding is the principle of genetics. Austrian researcher, Gregor Mendel, is considered the “father of modern genetics” based on his foundational work in the late 18th century describing how factors for specific plant characteristics are transmitted from parents to offspring in subsequent generations.

Mendel’s famous experiment is his ground-breaking work surrounding the inheritance of pea plants. Mendel demonstrated when breeding a pure-bred yellow pea plant with a pure-bred green pea plant, offspring always produced yellow seeds and termed the yellow pea a “dominant” trait. Mendel then bred a second generation of pea plants from the hybrids (the yellow offspring) and found the reappearance of green seeds at a ratio of 3 yellow to 1 green. Mendel found that the green trait, for which he deemed a “recessive” trait, was hidden in the first generation from the dominant yellow trait.

From the results of his experiment, Mendel led the way to understand modern plant breeding by determining how traits are passed from generation to generation. The combination of recessive and dominant traits, known as alleles, produces genes that are passed down to their offspring. The understanding of what alleles the parents hold and what traits will be produced in their genes allow for plant breeders to predictably determine the traits of offspring.

Examples: The Mendel Pea Experiment

Gregor Mendel's published work in 1866, demonstrated the actions of invisible “factors”—now called genes—can predictably determine the traits of an organism.

Characteristics of pea plants Gregor Mendel used in his inheritance experiments						
Seeds		Flower colour	Pod		Stem	
form	cotyledons		form	colour	position of inflorescences	size
 round roundish	 yellow	 white	 full	 yellow	 axial	 long
 wrinkled	 green	 violet-red	 constricted between the seeds	 green	 terminal	 short

Figure 4: Characteristics of Pea Plants

Today, plant breeders use this knowledge to produce plant varieties with beneficial traits more effectively or to remove undesired characteristics. For example, a mildew-resistant pea may be crossed with a high-yielding but susceptible pea, with the intention to introduce mildew resistance to the pea with a high yield. Progeny from the cross would then be crossed with the high-yielding parent to ensure that the progeny was most like the high-yielding parent, known as “backcrossing”. This cyclical process removes most of the genetic contribution of the mildew-resistant parent.

Modern Plant Breeding

The Mendelian laws of genetics marked the beginning of modern plant breeding, which has continuously developed since. In the late 1950s, the tremendous increase of grain yield associated with improved genetics was known as the Green Revolution. In addition to improved farming techniques and the application of plant protection chemicals and mineral fertilizers, the global grain production between 1960 and 2000 was almost double what it was for the entire 10,000 years prior. The Green Revolution raised incomes for farmers, enhanced the economy, and saw a decline in poverty.

As newer technology became available, “DNA” was discovered to be genetic material and was key to understand genetics on a molecular level. The use of biotechnology and genetic engineering facilitates plant breeding by allowing scientists to circumvent the reproduction process of plants and transfer specific DNA from one parent to another. Molecular breeding allows for greater precision when altering plant genetics to produce new and desirable varieties.

Where many different genes can influence a desirable trait in plant breeding, marker-assisted selection is used to identify the location and function (phenotype) of various genes within the genome. The mapping allows plant breeders to screen for desired traits in large populations of plants. Genetic modification of plants is then achieved by adding a specific gene or genes to a plant, or by knocking down a gene to produce a desirable phenotype. Genetic modification can produce a plant with the desired trait or traits faster than classical breeding because the majority of the plant's genome is not altered.

Issues and Concerns

Plant breeding, whether classical or through genetic engineering, raises concerns regarding agricultural plant varieties. Some unintended effects of plant breeding include the safety and nutritiousness of genetically modified organisms (GMOs) and the reduction in plant diversity.

There is a growing skepticism that biotechnology may result in toxins that can be potentially hazardous to human and animal health worldwide, particularly in Europe. Many environmental activist groups in Europe, such as Greenpeace, have been protesting GMOs for many years and voicing their concern about GMOs' potential to cause harm to human and animal health and ecosystems that is fueled by food safety issues such as Mad Cow disease and asbestos. To these organizations, the benefit of enhanced plant varieties through modern plant breeding technologies is outweighed by the potential risks to food safety.

Another issue raised in plant breeding is its effect on nutritional value. A study published on food composition data in the Journal of the American College of Nutrition in 2004 found decreases in six of 13 nutrients measured in the plants studied. The study, conducted at the Biochemical Institute, the University of Texas at Austin, concluded in summary:

"We suggest that any real declines are generally most easily explained by changes in cultivated varieties between 1950 and 1999, in which there may be trade-offs between yield and nutrient content."

Lastly, there exists a concern for biodiversity. Genetically engineering crops can limit biodiversity by reducing the genetic variability within a species. Biodiversity is important for the sustainability of our ecosystem, while genetic diversity is important for sustainable crop production. Another concern is related uncertainty of the long-term effects of a reduction in biodiversity. For instance, if a single gene may be the determinant to provide resistance to a life-threatening disease was lost as a result of genetic engineering. When systems selectively choose genes that are beneficial to increased crop production but loses other traits and characteristics in the process, we could lose potentially valuable traits that we don't yet know are valuable.

Bio and genetic diversity are not only of great importance to the maintenance of our ecosystem and crops but also to the farming industry. Variability within a crop species is essential for the developing traits of disease resistance, tolerance to the environment, yield, and quality improvements, which can be crucial to the success of farmers. In addition, having the ability to select different crop species increases a farmer's arsenal for events, such as pest infestations, climate shifts, or new market pressures.

However, many poor farmers in developing countries do not have access to the resources to capitalize on modern breeding technology. Due to the complexity and infrastructure needed to conduct genetic engineering, many plant varieties are under the control of larger corporations and can be expensive to access due to the price of seed and intellectual property rights. Farmers who do not have the resources to access the improved plant varieties exacerbate the negative effects of poverty in some countries.

Where there are several pros and cons of the advancement of genetic engineering in plant breeding, it is essential to weigh the factors before embarking on the new technology.

3. Intellectual Property Protection: Plant Breeding

Intellectual property protection is offered to plant breeders to reward their knowledge and effort in creating improved plant varieties. Without such protection, there would be little incentive for plant breeders to carry out expensive and time-consuming breeding programs. The development of biotechnology and genetic engineering requires breeders to have a vast array of expert knowledge and technological resources. Intellectual property rights stimulate investment in the research and development of new plant varieties by granting rightsholders exclusive rights and the ability to earn licensing royalties.

International Context

In the early days of plant breeding, breeders protected their newly developed varieties through mechanisms such as

trade secrets and contractual agreements. Plant varieties were seen more as a product of nature than produced by human intervention. As the complexity of plant breeding grew, as did the need for a stronger reward for breeding improved varieties.

In 1938, plant breeders came together to form the International Association of Plant Breeders for the Protection of Plant Varieties (ASSINSEL) which sought to establish a system that could reward plant breeders for their efforts while encouraging them to develop improved plant varieties. The association resulted in governments gaining interest in developing intellectual property protection for breeders that met the goals of ASSINSEL. Today, intellectual property protection for new plant varieties is offered in the form of patents or a *sui generis* form of protection, known as Plant Breeders' Rights (PBR).

The system of protection used in each jurisdiction will be determined by national legislators of each country. Many large countries around the world adhere to the model system of Plant Breeders' Rights set out by the International Union for the Protection of Plant Varieties (UPOV). UPOV was formed in 1961 with the mission to "provide and promote an effective system of plant variety protection, with the aim of encouraging the development of new varieties of plants, for the benefit of society".

The UPOV Convention was established by the *International Convention for the Protection of New Varieties of Plants*, which sets minimum standards of protection for plant varieties in the form of PBR. Given the specific nature of the legal mechanism, national legislation generally follows the UPOV Convention very closely.

The Convention was first signed in Paris in 1961 upon creation and was later revised in 1972, 1978, and 1991. While member countries have the principal discretion to decide which version of the Convention they will implement in their domestic laws, a country's decision is often dictated by the level of protection guaranteed by its closest commercial competitors. UPOV 1991 shows a significant difference in the standard of protection offered to rightsholders than its predecessors while allowing for the possibility of dual protection with patent rights if they so choose. Today, most of the 77 Contracting Parties have opted for the most recent version of the Convention.

While the UPOV Convention clearly sets out its requirements, plant variety protection is still flexible. Nations may offer stronger protection to breeders through patent protection for eligible plant varieties. Article 27.3(b) of the TRIPS agreement addresses the patentability of plants, allowing for members to exclude plant varieties from their patent regime. However, the provision requires members of the WTO to provide some protection for plant varieties, "...either by patents or by an effective *sui generis* system or by any combination thereof".

Each jurisdiction must offer some protection to plant varieties but can choose whether they use a tailored form of protection, an existing regime, or a combination of both. The breeding method may also determine the range of different intellectual property rights a breeder can receive. Nations typically seek out stronger protection in the form of patents when a more complex breeding technique is used. For example, a patent may be issued for only genetically engineered plant varieties, as it requires a greater level of human intervention in which a plant variety derived from the selection of propagated material does not.

Canadian Context

Canada is a signatory to the UPOV Convention and in 1990 the Plant Breeders' Rights Act (PBRA) was enacted to provide a *sui generis* system of protection for new plant varieties, based upon the 1978 Act of the UPOV Convention (UPOV 1978). Unlike all other intellectual property regimes in Canada which fall under the purview of the Canadian Intellectual Property Office, the PBRA is administered by the Plant Breeders' Rights Office (PBRO), which is a part of the Canadian Food Inspection Agency (CFIA). The PBRO works independently under the authority of the Commissioner of Plant Breeders' Rights to grant protection to new plant varieties in Canada.

In February 2015, significant changes to the PBRA and the accompanying *Plant Breeders' Rights Regulations* (PBRR) were made to bring into conformity with the Convention's most recent text, the 1991 Act of the UPOV Convention (UPOV 1991). The amendments provide stronger protection for plant breeders by expanding the scope of PBRs. The purpose of the expansion is to create an environment that encourages the development of new plant varieties, harmonizes

protection with major trading partners, and gives farmers greater access to new and innovative varieties, allowing them to be more competitive in the global marketplace.

As discussed in more detail in Chapter IV of this textbook, higher life forms are not patentable in Canada. The Supreme Court decision of *Harvard College v. Canada (Commissioner of Patents)* (2002 SCC 76 at paragraph 189) makes clear that although the Canadian Patent Act can be used to encourage investment in the field of biotechnology, plant varieties are a subset of a higher life form, thus not patentable. The decision argues that if plant varieties were to be patentable under the Patent Act, there would be no need for Canada to pass the PBRA.

However, innovations that happen at a cellular level may be protected by patents. *Monsanto Canada Inc. v. Schmeiser* (2004 SCC 34 at paragraph 168), the Supreme Court of Canada upheld the validity of Monsanto's patent of their "Roundup Ready Canola". The court ruled that the Patent Act protects genetically modified genes and cells, giving the owner exclusive rights to the technology. The decision shows that while the Patent Act does not explicitly protect the plant variety itself, it can be indirectly protected by protecting methods required to reach the final plant variety.

Comparative Nations

The 1991 UPOV Act is the main model for the legislation among most member countries. While the PBRA is the main source of legislation in Canada, other nations with large breeding programs differ in their plant variety protection regimes, some offering stronger protection and different characterizations of plants eligible for protection.

The United States offers the strongest protection to plant breeders, providing both plant variety and patent protection. The American Plant Variety Protection Act (7 USC 2321) mirrors that of UPOV 1991, providing protection to sexually reproduced or propagated varieties. Asexually reproduced plants are then protected under the Plant Patent Act (35 USC 161), which are varieties reproduced by grafting or cuttings, mostly seen in ornamentals and fruit trees. Lastly, both sexually and asexually produced varieties may be protected by utility patents in the United States if the criteria is met, and is the most comprehensive protection of them all.

By contrast, European laws do not allow for patenting of plant varieties, but like Canada can be indirectly patented. The Board of Appeal of the European Patent Office stated in 2000 that when a plant variety is not individually claimed, it is not excluded from patentability. The Board explained that a plant patent could be issued to a gene sequence(s) that characterizes the modified plants rather than one part of its individual genotype. For example, a plant grouping that contains a special disease-resistant gene can be patented because it is characterized as the gene-resistant element, not the plant itself.

B. Requirements

Intellectual property rights granted to the subject matter in Canada work to incentivize the creation of value within society through the development of new ideas and by providing public access to certain goods or services. Intellectual property rights come in different statutory forms and the applicable subject matter and purpose will determine its requirements. The Canadian Plant Breeders' Rights Act closely mirrors the *sui generis* system set out by Chapter III (Articles 5-9) of the UPOV 1991 Act and will be closely used to describe Canadian requirements.

1. Eligibility

To obtain PBRs an applicant must present a plant variety that belongs to a prescribed category and meets the definition and conditions set out in the PBRA, per S.4(1). Prescribed categories are set out in Schedule I of the Plant Breeders' Rights Regulations (PBRR), which lists the known common and botanical names of plants. The list of prescribed categories is not fixed, as item 40 of the list states "all other categories of the plant kingdom, except algae, bacteria, and fungi".

S.4(1) Plant breeder's rights may not be granted except in respect of a plant variety that belongs to a prescribed category and meets all of the conditions set out in subsection (2).

The definition of a “plant variety” is clearly described in detail in the interpretation section of the PBRA.

S.2 plant variety means any plant grouping within a single botanical taxon of the lowest known rank that, whether or not the conditions for the grant of plant breeder's rights are fully met, is capable of being

(a) defined by the expression of the characteristics resulting from a given genotype or combination of genotypes,

(b) distinguished from any other plant grouping by the expression of at least one of those characteristics, and

(c) considered as a unit with regard to its suitability for being reproduced unchanged; (variété végétale)

Explanatory Notes on the Definition of Variety provided by the UPOV Convention in relation to the UPOV 1991 Act clarifies a “plant grouping within a single botanical taxon” means it is one of its own kind. Although a plant variety will be encompassed within larger groups (i.e., species, plant kingdom), it is represented as a smaller group within. In this respect, a plant variety does not refer to one single plant. It will be defined by its own characteristics and/or breeding technologies that are used to produce a single plant.

A set of rules and recommendations dealing with formal botanical names given to different groups of plants and organisms can be found in the International Code of Nomenclature for algae, fungi, and plants (ICN). The ICN is amended every six years at the International Botanical Congress and aims to provide a “stable method of naming taxonomic groups, avoiding and rejecting the use of names that may cause error or ambiguity or throw science into confusion”. Article 4 of the ICN describes a “variety” to be a secondary ranking to “species” and provides further nomenclature for the detailed classification of rankings.

International Code of Nomenclature for algae, fungi, and plants (Shenzhen Code)

Chapter I (Article 4)

Taxa And Their Ranks

4.1. The secondary ranks of taxa in descending sequence are tribe (tribus) between family and genus, section (sectio) and series (series) between genus and species, and variety (varietas) and form (forma) below species.

4.2. If a greater number of ranks of taxa is desired, the terms for these are made by adding the prefix “sub-” to the terms denoting the principal or secondary ranks. An organism may thus be assigned to taxa at the following ranks (in descending sequence): kingdom (regnum), subkingdom (subregnum), division or phylum (divisio or phylum), subdivision or subphylum (subdivisio or subphylum), class (classis), subclass (subclassis), order (ordo), suborder (subordo), family (familia), subfamily (subfamilia), tribe (tribus), subtribe (subtribus), genus (genus), subgenus (subgenus), section (sectio), subsection (subsectio), series (series), subseries

(subseries), species (species), subspecies (subspecies), variety (varietas), subvariety (subvarietas), form (forma), and subform (subforma).

image

Figure 5: The International Code of Nomenclature for algae, fungi, and plants is the set of rules and recommendations that govern the scientific naming of all organisms traditionally treated as algae, fungi, or plants.

The S.2 PBRA definition of plant variety further describes that its characteristics must be capable of being defined and distinguished from other plant groupings within a species with the ability to be reproduced unchanged. When determining if conditions that are required for PBRs to be granted are met, these elements set out by the S.2 definition are extremely important. However, the definition of plant variety may be met and still not be eligible for protection if it is not sufficiently distinct, uniform, and/or stable with regard to its said characteristics.

2. Conditions

A comparable form of intellectual property protection of a plant variety is patent protection, as breeding new varieties is similar to an invention. An invention must be new, useful, and non-obvious, and requires proper disclosure. The disclosure requirement for patents provides public access to the information in return for the exclusive rights of its owner. In contrast, disclosure of a plant variety is not of the same benefit to the public in the case of PBRs, as plants are living things that constantly change and reproduce. The development of new varieties may occur through human intervention, however, its value does not lie with the specificity of one organism at one point in time.

With the help of UPOV and other international organizations, Canada provides a statutory regime that is specifically tailored to the nuances of plant varieties while meeting its purpose of incentivizing the creation of new plant varieties that will benefit society. Conditions set out by subs.4(2) of the PBRA require that a plant variety be new, clearly distinguishable from varieties of common knowledge, stable, and sufficiently homogenous.

S.4(2) Plant breeder's rights may be granted in respect of a plant variety if it

(a) is a new variety;

(b) is, by reason of one or more identifiable characteristics, clearly distinguishable from all varieties whose existence is a matter of common knowledge at the filing date of the application for the grant of plant breeder's rights respecting that plant variety;

(c) is stable in its essential characteristics in that after repeated propagation or, if the applicant has defined a particular cycle of propagation, at the end of each cycle it remains true to its description; and

(d) is, having regard to the particular features of its sexual reproduction or vegetative propagation, a sufficiently homogeneous variety.

Novelty

Subsection 4(2)(a) of the PBRA sets out that a plant variety must be new to be granted PBRs. The determination of novelty

is solely based on whether a plant variety has been sold in the marketplace for a prescribed period set out by subs.4(3) of the PBRA.

S.4(3) A plant variety is a new variety if the propagating or harvested material of that variety has not been sold by, or with the concurrence of, the breeder of that variety or the breeder's legal representative

(a) in Canada, before

(i) the prescribed period preceding the filing date of the application for the grant of plant breeder's rights, in the case of a variety belonging to a recently prescribed category, and

(ii) the period of one year before the filing date of the application for the grant of plant breeder's rights, in the case of any other variety; and

(b) outside Canada, before

(i) the period of six years before the filing date of the application for the grant of plant breeder's rights, in the case of a tree or vine, and

(ii) the period of four years before the filing date of the application for the grant of plant breeder's rights, in any other case.

A new plant variety cannot have been sold in Canada prior to the application being filed if it belongs to a prescribed category, or one year prior if it does not. Prior to the 2015 amendments to the PBRA, no disclaimer existed, and a variety could not be claimed as new if it was sold within Canada prior to its assigned application filing date.

A new plant variety may qualify as new if it has been sold outside of Canada for up to four years prior to the date rights are granted if it is a tree or vine, and up to six years if it is not. The difference in requirements assigned to new varieties inside and outside of Canada exists because it is very common for plant breeders to seek protection in multiple jurisdictions.

When considering whether a variety is "sold", it does not necessarily mean a single plant itself. A variety is considered sold if its propagating or harvested materials have been commercialized. See the definition of "propagating material" below.

S.2 propagating material means any reproductive or vegetative material for propagation, whether by sexual or other means, of a plant variety, and includes seeds for sowing and any whole plant or part thereof that may be used for propagation; (*matériel de multiplication*)

Distinctness, Uniformity, and Stability

Paras. 4(1)(b)-(d) of the PBRA require a plant variety to be distinct, stable, and uniform, respectively, and are known as the DUS requirements. Determination of DUS requirements relies on the characteristics of the plant variety and will vary based on its prescribed category.

The requirement of distinctness in the PBRA act ensures a plant variety is measurably different from varieties whose existence is of common knowledge at the time the application was filed.

International Convention for the Protection of New Varieties of Plants (1991)

Article 7

Distinctness

The variety shall be deemed to be distinct if it is clearly distinguishable from any other variety whose existence is a matter of common knowledge at the time of the filing of the application. In particular, the filing of an application for the granting of a breeder's right or for the entering of another variety in an official register of varieties, in any country, shall be deemed to render that other variety a matter of common knowledge from the date of the application, provided that the application leads to the granting of a breeder's right or to the entering of the said other variety in the official register of varieties, as the case may be.

Although no explicit definition is provided in the PBRA or UPOV 1991 Act, UPOV publication "Varieties of Common Knowledge" explains common knowledge to be considered a worldwide test that uses its natural meaning. In determining common knowledge, documented knowledge and relevant knowledge of communities around the world if credibly substantiated should be taken into account. Canadian legislation provides similar guidance in subs.5(1) of the PBRR, focusing on commercialization and access to the public.

S.5 For the purposes of paragraph 4(2)(a) of the Act, the following criteria shall be considered when determining that the existence of a plant variety is a matter of common knowledge, namely,

- (a) whether the variety is already being cultivated or exploited for commercial purposes; or
- (b) whether the variety is described in a publication that is accessible to the public.

A plant is distinct if when comparing it to all other varieties of common knowledge with similar characteristics, it is clearly distinguishable. The UPOV Convention does not set out clear guidelines as to how members of the union should determine distinctness, but states members "may develop their own systematic way . . . based on the principles laid down in [its "Examining Distinctness"] document."

A plant variety may be deemed to be clearly distinguishable based on its written description and does not necessarily require a complete growing trial. The description must be sufficient to make the distinction. Cooperation with other union members is encouraged, as protection for the same plant variety sought in multiple jurisdictions is common.

Standardization of the level of distinctness required is found in Test Guidelines (TG) provided by the UPOV Convention. Technical questionnaires are provided for prescribed categories of plant varieties tailored to their unique characteristics. Candidate varieties will be found distinct if characteristics are clear, which can be accomplished through qualitative and quantitative characteristics, as well as statistical, measured, and visual assessments.

Uniformity

The requirement of uniformity ensures a plant variety does not vary in terms of its characteristics. Article 8 of the UPOV 1991 Act explicitly uses the term “sufficiently uniform” to describe the requirement.

International Convention for the Protection of New Varieties of Plants (1991)

Article 8

Uniformity

The variety shall be deemed to be uniform if, subject to the variation that may be expected from the particular features of its propagation, it is sufficiently uniform in its relevant characteristics.

The equivalent provision in the PBRA is found in para.4(2)(d) which uses the term “sufficiently homogenous”. Any variation should be predictable to the extent it can be described by the breeder and should be commercially acceptable.

S.4(4) For the purposes of paragraph (2)(d), **sufficiently homogeneous variety** means a variety for which, in the event of its sexual reproduction or vegetative propagation in substantial quantity, any variations in characteristics of the plants so reproduced or propagated are predictable, capable of being described and commercially acceptable.

The UPOV Convention makes clear in its “Examining Uniformity” document that a plant variety cannot vary, so far as it is necessary, in order to be granted protection. A plant is unique to subject matter offered copyright, trademark, or patent protection because it is a living organism subject to some natural variation and is incapable of being precisely defined. Thus, the criterion for uniformity is not absolute and will take into account the nature of the variety. For example, the level of uniformity will differ based on self-pollinated/vegetative propagated varieties, cross-pollinated varieties, and hybrid varieties. Furthermore, it relates only to the characteristics which are relevant for the protection of the variety.

Stability

The stability requirement ensures that a plant variety does not change over time. Para.4(2)(c) of the PBRA sets out that a plant variety must not alter its essential characteristics over successive generations to be deemed stable. In addition, the plant variety must be stable to the degree that further generations of seed or propagating material exhibit the same essential characteristics. Such requirement is closely mirrored in Article 9 of the UPOV 1991 Act.

International Convention for the Protection of New Varieties of Plants (1991)

Article 9

Stability

The variety shall be deemed to be stable if its relevant characteristics remain unchanged after repeated propagation or, in the case of a particular cycle of propagation, at the end of each such cycle.

Testing for stability is not as certain as testing for other DUS requirements because its examination refers to the stability of the variety itself and not its propagating material. To be sure the condition is met, it may be necessary that the candidate variety is tested through growing a further generation or continued testing. However, testing for stability is closely related to testing for uniformity. In many types of variety, if it has shown to be uniform, the material produced will likely confirm the characteristics of the variety over time and meet the stability requirement.

EXAMPLE: *Cucumis Sativus*

Cucumber (*Cucumis sativus*) is a widely-cultivated creeping vine plant that bears cylindrical fruits, which are used as vegetables. Some of the most popular varieties of the *cucumis sativus* species include the English, Slicer, Miniature, and Pickling Cucumber.

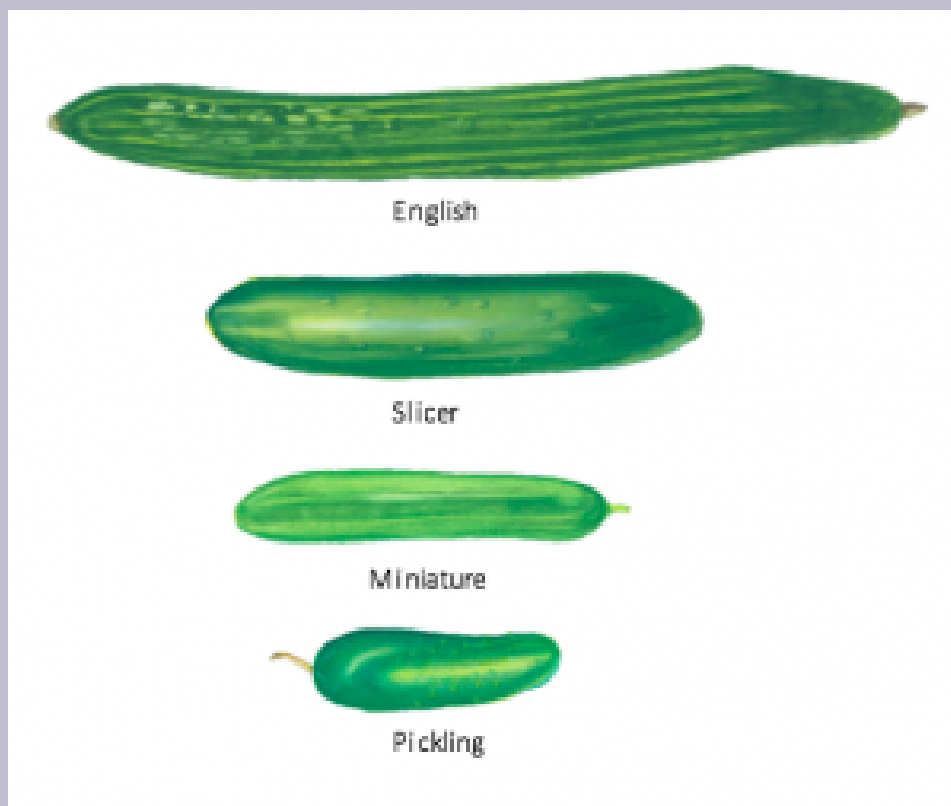


Figure 6: Main varieties of cucumbers

Each variety of cucumber holds its own characteristics. English cucumbers are long, slender, and seedless, whereas slicer cucumbers are generally long and dark green with smooth, thick skin. An applicant seeking PBR protection and conducting DUS testing on a new cucumber variety would be required to show that the new variety's characteristics were **distinct** from similar cucumber varieties, including those of English and Slicer cucumbers.

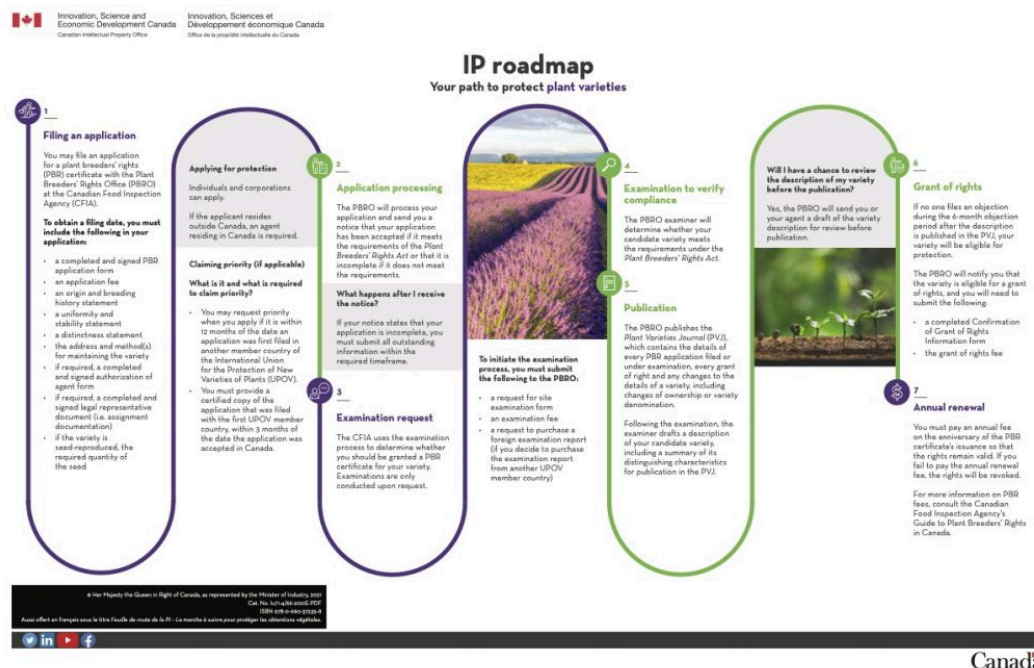
To meet the **uniformity** requirement, the applicant would then need to show that the characteristic which made the cucumber variety distinct existed in each of the cucumbers grown. To meet the **stability** requirement, those

characteristics could not change over time. For example, an English cucumber could meet the DUS requirements if its long, slender characteristics were distinct from other varieties, was the same in each fruit, and did not lose its distinct shape over time.

C. Application Process

The UPOV Convention requires each of its members to establish a PBRO that is in charge of applications for PBR. A PBRO will develop application forms, publish information, and ultimately decide whether a PBR will be granted. The application process will differ based on the formalities set out by each union member and will be necessary to complete for any applicant to be granted PBRs in that jurisdiction. However, UPOV sets out clearly in the “Guidance for Members of UPOV” publication what the steps are for the administration of PBRs.

In Canada, a PBR application will be filed with the PBRO at the CIFA. Upon the completion of an application form and acceptance from the office, an examination of the application will determine whether the variety meets the DUS requirements. If no objections are received, the PBRO will determine whether the applicant will be granted a PBR certificate.



Click on the image to read a full-size version of the IP Roadmap

Figure 3: IP Roadmap

1. Filing the Application

A person interested in filing an application with the PBRO must meet all requirements set out in subs.19(1) of the PBRR by completing the “PBR Application for Filing Purposes” form. For foreign applicants, an authorized agent who is a Canadian resident must be appointed to be a main contact for the PBRO.

S.19(1) An application for the grant of plant breeder's rights shall be made to the Commissioner and contain the following information:

- (a) the name and address of the applicant;
- (b) the name and address of the breeder, if different from the applicant;
- (c) the name and address of any agent or legal representative, where applicable;
- (d) the botanical and common names of the plant variety;
- (e) the proposed denomination;
- (f) whether an application for a protective direction is included;
- (g) a description of the plant variety;
- (h) a statement that the plant variety is a sufficiently homogeneous variety within the meaning of subsection 4(3) of the Act and is stable;
- (i) the manner in which the plant variety was originated;
- (j) where an application for plant breeders' rights respecting the plant variety has been made or granted in any country other than Canada, the name of the country;
- (k) whether priority is being claimed as a result of a preceding application made by the applicant in a country of the Union or an agreement country;
- (l) where the breeder or a legal representative of the breeder sold or concurred in the sale of the plant variety within or outside Canada, the date of the sale;
- (m) where applicable, any request for exemption from compulsory licencing; and
- (n) the manner in which the propagating material will be maintained.

Variety Denomination

Para. 19(1)(e) of the Regulations requires an application to provide a proposed denomination at the time of filing for the candidate plant variety. Section 14 of the PBRA sets out the principles and acceptability of a proposed variety denomination.

S.14(1) A plant variety in respect of which an application for the grant of plant breeder's rights is made shall be designated by means of a denomination proposed by the applicant and approved by the Commissioner.

S.14(2) Where a denomination is proposed pursuant to subsection (1), the Commissioner may, during the pendency of the application referred to in that subsection, reject the proposed denomination, if considered unsuitable for any reasonable cause by the Commissioner, and direct the applicant to submit a suitable denomination instead.

S.14(3) A denomination, in order to be suitable pursuant to this section, must conform to the prescribed requirements and must not be such as to be likely to mislead or to cause confusion concerning the characteristics, value or identity of the variety in question or the identity of its breeder.

S.14(4) A denomination that the Commissioner approves for any plant variety in respect of which protection has been granted by, or an application for protection has been submitted to, the appropriate authority in a country of the Union or an agreement country must, subject to subsections (2), (3) and (5), be the same as the denomination with reference to which that protection has been granted or that application submitted.

S.14(3) A denomination approved by the Commissioner pursuant to this section may be changed with the Commissioner's approval in the prescribed circumstances and manner.

S.14(4) Where a trademark, trade name or other similar indication is used in association with a denomination approved by the Commissioner pursuant to this section, the denomination must be easily recognizable.

Pursuant to subs.14(1) PBRA, a proposed denomination must be approved by the commissioner in order for PBRs to be granted. A suitable denomination to be one that conforms to prescribed requirements is unlikely to mislead or cause confusion to the variety or identity of its breeder. All variety denominations must conform to the detailed guidelines found in the UPOV publication "Explanatory Notes on Variety Denominations Under the UPOV Convention".

If the Commissioner rejects the proposed denomination pursuant to subs.14(2) PBRA, an applicant must submit another proposal (see s.22 PBRR). An applicant may change the proposed variety denomination if proper notice is provided to the Commissioner throughout the application process.

In the case of a plant variety that is protected or is in the process of an application for protection in another jurisdiction, a "one variety, one name" policy is implemented, reflecting the importance of using a single denomination for each variety worldwide. If a denomination accepted in another country is found to be unacceptable in Canada, the foreign denomination will be listed as a synonym to the accepted Canadian denomination.

A variety denomination cannot be trademarked in Canada because the owner of PBRs is required to provide free use of the variety denomination after the rights expire. Where a trademark can last indefinitely, the denomination would not be free of use. However, marking names (that may be trademarked) can be used in association with the variety denomination if the denomination is "easily recognizable".

Among the limited case law surrounding Plant Breeders' Rights, a 2001 Federal Court case *University of Saskatchewan v. Canada (Commissioner of the Plant Breeders' Rights Office)* (2001 FCT 134) demonstrated that an error in denomination may be corrected by the PBR holder pursuant to s.23 of the PBRR, with limited restriction from the Commissioner.

Provisional Protection

S.19(1) Subject to subsection (2), an applicant for the grant of plant breeder's rights in respect of a plant variety has, as of the filing date of the application, the same rights in respect of the variety that he or she would have under sections 5 to 5.2 if plant breeder's rights were to be granted.

Provisional protection, known previously as protective direction, is offered to a candidate plant variety from the day the PBR application is first filed until the date when rights are granted. Applicants may take legal action after rights are granted for any infringements that may have occurred while the application was in progress.

Amendments to the PBRA in 2015 altered the availability of protection during the application process. If an application was filed before February 27, 2015, protective direction could be withdrawn if propagating material sold by the applicant. If an application was filed on, or after, February 27, 2015, there are no restrictions on the sale of variety. However,

pursuant to subs.19(2) of the PBRA, an applicant's right to remuneration exists only if the other party was aware an application had been filed.

Claiming Priority

An application originally filed in Canada may serve as a basis for claiming priority for a PBR application filed in another UPOV, WTO, or agreement country. By claiming priority, the applicant would have precedence over competitors who are applying for rights for a plant variety with identical characteristics. This means that if applications are received for two varieties that cannot be distinguishable from one another after the examination process, the variety with the PBR application that was filed first is granted the rights. The variety that was filed later would not be eligible for protection, as it would not meet the distinctness requirement. The date when the preceding application was filed would be considered as the filing date of the PBR application in Canada.

S.11(1) If an application made under section 7 is preceded by another application made in a country of the Union or an agreement country for protection in respect of the same plant variety and the same breeder, the filing date of the application made under section 7 is deemed to be the date on which the preceding application was made in that country of the Union or agreement country and, consequently, the applicant is entitled to priority in Canada despite any intervening use, publication or application respecting the variety if

- (a)** the application is made in the prescribed form within 12 months after the date on which the preceding application was made in that country of the Union or agreement country; and
- (b)** the application is accompanied by a claim respecting the priority and by the prescribed fee.

A claim for priority must be requested by the applicant within 12 months from the date when the first PBR application was filed in a UPOV member country, agreement country or WTO member country. A copy of the preceding application, certified by an authority from the UPOV member country, agreement country or WTO member country must be submitted within the 3 months following the request for claiming priority. A request for claiming priority must be made at the time of filing a PBR application and include the prescribed fee.

2. Examination Process

Article 12 of the 1991 UPOV Act requires that a plant variety be examined in order to determine it meets the DUS requirements of protection. The examination or the "DUS Test" consists of a series of comparative growing tests which generate a description of the variety. The relevant characteristics of a variety will be described to determine whether the candidate variety meets the DUS requirements.

In Canada, PBRO conducts the DUS test but incorporates a breeder-run testing system, where initial trials are conducted by the applicant. After a Request for Site Examination has been submitted, the applicant can conduct independent comparative tests and trials for the PBRO to review and determine whether an independent trial examination is necessary to verify results.

Successful completion of the examination process requires the applicant for PBRs to submit a completed Test Guideline that is relevant to the plant variety, a description of the comparative tests and trials, and photographs that clearly distinguish the candidate from reference varieties. The three submissions must be submitted to the PBRO within six months of the date on which the examination was conducted.

Test Guidelines

In its document *General Introduction to the Examination of Distinctness, Uniformity and Stability and Development of Harmonized Descriptions of New Varieties of Plants* (TG/1/3), the UPOV Convention sets out principles to be adhered to during DUS examinations. The UPOV principles ensure that testing is being conducted in a harmonized way among all member countries.

The document outlines the usage of “Test Guidelines” (TG) created for individual species or variety groupings. The TGs provide examiners recommendations for the method of DUS examination, a table of relevant characteristics to consider, and particular guidelines relevant to the variety. TGs are not exhaustive, the PBRO has the authority to introduce additional testing criteria as they see fit. However, in practice, TGs used by the PBRO are almost identical to those provided by the UPOV Convention.

The individual TGs are prepared by a UPOV Technical Working Party that is composed of experts appointed by the government of each member of the Union. International non-governmental organizations who are in the field and/or industry of plant breeding are also given the opportunity to comment on the proposed TGs. Once all parties are in agreement, TGs are submitted for final approval by a UPOV Technical Committee.

All TGs are available to the public on the UPOV Test Guidelines Database. In the event that TGs have not been previously established by the Convention or other union members, the DUS examiner is to proceed with similar procedures used to develop the TGs (9.3 TG/1/3).

EXAMPLE: Apple Test Guideline

The Test Guideline for Apple (fruit varieties) of the *Malus Domestica* Borkh species provided by the PBRO outlines the relevant characteristics for the specific plant type. The TG outlines the specific protocols for its examination and groups characteristics into appropriate categories. For Apple varieties, data must be collected for the duration of 1 growing cycle and the plants are to be assessed when at an appropriate maturity level.

The description form for the applicant can be found in Section F of the TG. The table of characteristics highlights those with an asterisk to communicate which characteristics are required for the TG to be accepted.

PBRO **Plant Breeders' Rights Office**

TEST GUIDELINE
APPLE (Fruit Variation)
<i>Malus domestica</i> Borkh.
Version Date: 2019/09

Consent Form (to be returned to):

Plant Breeders' Rights Office
 55 Cumberland Drive
 Ottawa, Ontario, Canada
 K1A 0Y9

Canada

Figure 5: APPLE (Fruit Variation), *Malus domestica*

Examining Distinctness

A variety eligible for PBR protection must be clearly distinguishable from any other variety whose existence is a matter of common knowledge. In testing for distinctness, all varieties of common knowledge will be considered, however, a systematic individual comparison will not be required for varieties for which the candidate variety is sufficiently different.

Supplementary procedures such as publications of variety descriptions, comments from interested parties, or

cooperation between members of the Union to exchange technical information can be used when determining if the candidate variety is distinct from other varieties of common knowledge.

Within the TGs exists a “Technical Questionnaire” which must be submitted with the examination. The questionnaire seeks information on certain characteristics important for distinguishing varieties. Some characteristics will be compulsory and others recommended, and fall within a 1-9 scale. Characteristics used to describe both the candidate variety must also be described for all reference varieties (2.3 TGP/9/1).

Characteristics must be both consistent and clear to be distinguishable (5.3.3 TG/1/3). Consistency may be found when the difference in characteristics is found on at least two independent occasions, taking into account circumstances such as environmental influence. Determining whether a difference in characteristic is clear will be dependent on many factors and should consider the expression of such characteristics (i.e., from qualitative, quantitative, and pseudo-qualitative sources). Section 4 of UPOV publication “Examining Distinctness” provides detailed guidance for the observation of each of the listed characteristics.

Examining Uniformity

A protected variety meets the uniformity requirement if it is sufficiently uniform in its relevant characteristics. All obvious characteristics are relevant, whether set out within the TGs or not. The uniformity requirement is linked to the particular features of the candidate variety’s propagation and the level of uniformity among different variety groups will differ based on the nature of its species.

Testing for uniformity is completed by examining the variation between propagated material through visual assessment and measured characteristics (i.e., length and width). It is possible that a plant variety is a uniform while still producing different plants or “off-types”. In this case, uniformity will be assessed by considering all propagating materials and the overall range of variation, rather than the comparison of propagating material to a single plant (4 TGP/10/2).

Examining Stability

A protected variety meets the stability requirement if its relevant characteristics remain unchanged after repeated propagation. Similar to the examination of uniformity, all obvious characteristics are relevant, including those listed in its appropriate TGs.

In practice, no particular tests are necessary for the examination of stability. If the candidate variety meets the requirement for uniformity, it can also be considered stable. However, if a breeder cannot provide material conforming to the characteristics of the variety at any time, the PBRs may be repealed or not granted (2.3 TGP/11/1).

3. Granting Rights

S.27(1) If the Commissioner approves a denomination proposed by an applicant under section 14 and, after consideration of the application in accordance with subsection 23(1) and evaluation of the results of any tests and trials carried out with the plant variety to which the application relates, the Commissioner is satisfied that the plant variety meets the requirements set out in section 4 and that the application otherwise conforms to this Act, the Commissioner shall grant plant breeder’s rights in accordance with subsection (3).

If after the examination process has been completed, the PBRO deems all requirements have been met, and there are

no valid objections, the applicant will be notified that they are eligible for grant of PBR rights and can continue with the necessary forms and fees to finalize ownership.

In the case of a variety for which PBRs have been granted prior to the amendments to the PBRA in 2015, protection is granted for a period of up to 18 years. In the case of PBRs granted after the 2015 amendments, PBRs are granted for a period of up to 25 years for the variety of a tree and vine, and 20 years for all other varieties. In both cases, rights are effective from the date of issuance of rights. Annual renewal fees must be paid to maintain such rights.

The Commissioner may refuse or reject an application, pursuant to S.17(1) PBRA, if the candidate is not a new variety, the applicant is not entitled to apply for rights, or if any of the requirements set out by the PBRA or PBRR have not been met. However, before rejecting the application, the Commissioner must inform the applicant of the reasons for the intended rejection or refusal so the person has a chance to make representation in support of his/her application.

S.27(2) If the Commissioner is not satisfied as described in subsection (1), the Commissioner shall refuse the application.

(...)

S.27(4) The Commissioner shall not refuse the application of a person for the grant of plant breeder's rights without first giving the person notice of the objections to it and of the grounds for those objections as well as a reasonable opportunity to make representations with respect thereto.

If PBR rights have been granted by the Commissioner, maintenance requirements set out by S.34 and S.35 of the PBRA must be met or rights may be revoked. Similar to a refusal of an application, the Commissioner will inform the rightsholder of the reasons for potential revocation or annulment and will have the opportunity to make representations in support of their PBRs. If the Commissioner requesting information and there no activity within 6 months, an application may be deemed abandoned.

An applicant may withdraw a PBR application at any time prior to the grant of rights. All documents and materials submitted in connection with the application will be returned to the applicant.

Objections

All information concerning PBR application statuses, rights granted, and any changes to the details of varieties is published by the PBRO in the Canadian Plant Varieties Journal (PVJ). The PVJ contains provides an opportunity for interested persons to review information concerning a variety and potentially file an objection to the application or any details thereof.

S.22(1) A person who considers that an application in respect of which particulars have been published under section 70 ought to be refused on any ground that constitutes a basis for rejection under section 17 or that a request in the application for an exemption from compulsory licensing ought to be refused, may, on payment of the prescribed fee, file with the Commissioner, within the prescribed period beginning on the date of publication, an objection specifying that person's reasons. The prescribed fees are not required in the case of an objection made for the purpose of this subsection under the authority of the Minister of Industry after notice under subsection 70(2).

(...)

S.22(3) Where it appears to the Commissioner that there is good reason for rejecting an objection referred to in subsection (2), the Commissioner shall give the person making the objection a reasonable opportunity to show cause why the objection should not be rejected and, if the person shows the Commissioner no such cause, the Commissioner shall reject the objection and give notice accordingly to the person.

An individual who wishes to file an objection must pay a prescribed fee and can file at any time throughout the application process. Subsection 22(1) requires a copy of the objection to be sent to the applicant by the Commissioner unless it is rejected per subsection 22(3).

Once the variety description and comparative trials have been published, an objection must be filed within six months of the publication date. Once the six-month period has ended, there can be no valid objections, and the variety may be granted rights given all requirements have been met.

D. Exclusive Rights

The general nature of plant breeders' rights can be found in subsection 5(1) of the *Plant Breeders' Rights Act*. The provision sets out the range of acts that a holder of PBR is exclusively entitled to perform. The acts apply specifically to propagating material of a plant variety.

S.5 (1) Subject to the other provisions of this Act and the regulations, the holder of the plant breeder's rights respecting a plant variety has the exclusive right

- (a)** to produce and reproduce propagating material of the variety;
- (b)** to condition propagating material of the variety for the purposes of propagating the variety;
- (c)** to sell propagating material of the variety;
- (d)** to export or import propagating material of the variety;
- (e)** to make repeated use of propagating material of the variety to produce commercially another plant variety if the repetition is necessary for that purpose;
- (f)** in the case of a variety to which ornamental plants belong, if those plants are normally marketed for purposes other than propagation, to use any such plants or parts of those plants as propagating material for the production of ornamental plants or cut flowers;
- (g)** to stock propagating material of the variety for the purpose of doing any act described in any of paragraphs (a) to (f); and
- (h)** to authorize, conditionally or unconditionally, the doing of any act described in any of paragraphs (a) to (g).

The 1978 UPOV Act gave owners the exclusive rights only to sell, produce, or make repeated use of propagating material of a plant variety, in addition to allowing others to perform such acts. The amendments in 2015 to the *Plant Breeders*

Rights Act provided protection of rights of those mentioned, as well as the conditioning, export, import, and stocking of propagating material.

It is important to note within the definition of “sell” when considering the scope of protection as it includes clear guidance as to what is allowed under the exclusive right. The right to sell includes the right to “advertise”, which is precisely defined in the PBRA and leaves little room for interpretation.

S.2 sell includes agree to sell, or offer, advertise, keep, expose, transmit, send, convey or deliver for sale, or agree to exchange or to dispose of to any person in any manner for a consideration. (*vente*)

S.2 advertise, in relation to a plant variety, means to distribute to members of the public or to bring to their notice, in any manner whatever, any written, illustrated, visual or other descriptive material, oral statement, communication, representation or reference with the intention of promoting the sale of any propagating material of the plant variety, encouraging the use thereof or drawing attention to the nature, properties, advantages or uses thereof or to the manner in which or the conditions on which it may be purchased or otherwise acquired; (*publicité*)

In addition to extending the range of acts an owner is entitled to perform, amendments in 2015 prolong the duration of the owner’s monopoly. While the *Plant Breeders’ Rights Act* previously granted rights for 18 years beginning the day PBR were issued, subsection 6(1) sets the term to be 25 years in the case of a tree, vine, or any category specified in the *Plant Breeders’ Rights Regulations*, and 20 years in any other case.

1. Harvested Material

Section 5.1 of the *Plant Breeders Rights Act* expands the breadth of the owner’s monopoly as protection set out in 5(1)(a) to (h) applying to propagating material, by applying it to harvested material as well.

S.5.1 Subject to the other provisions of this Act and the regulations, the holder of the plant breeder’s rights respecting a plant variety has the exclusive right to do any act described in any of paragraphs 5(1)(a) to (h) in respect of any harvested material, including whole plants or parts of plants, that is obtained through the unauthorized use of propagating material of the plant variety, unless the holder had reasonable opportunity to exercise his or her rights under section 5 in relation to that propagating material and failed to do so before claiming rights under this section.

Prior to the amendments of the PBR act in 2015, there was no mention of harvested material. Once the buyer planted the propagating material, he or she was free to collect the subsequent material and with it what they wish, without violating the PBR of the owner.

The Canadian *Plant Breeders’ Rights Act* nor the UPOV Convention provide no definition of harvested material. In the UPOV publication “Explanatory Notes on Acts in Respect of Harvested Material”, harvested material includes entire plants and parts of plants, which is material that can potentially be used for propagating purposes. Section 5.1 provides that the exclusive rights to any acts in respect of propagating material only apply to harvested material obtained through “unauthorized use of propagating material” and in the absence of “reasonable opportunity to exercise his or her rights”.

The unauthorized use of propagating material refers to the material used in a territory where authorization is required but was not obtained. Unauthorized acts can occur in the country in which rights were granted, as well as in

other member countries of the union if there is further propagation of the variety or export of the material enabling propagation into a country that offers no protection. Unauthorized acts will occur in relation to the exclusive rights holders are granted in paragraphs 5(1)(a) and 5(1)(b) of the PBRA to produce or reproduce propagating material and stocking propagating material for purposes mentioned in (a) to (f), respectively.

A rightsholder to exercise rights requires that the breeder should first exercise rights on the propagating material, if given a reasonable opportunity to do so, before exercising rights on the harvested material. Article 14(2) of the document provides that in any action for infringement, the defendant would have to prove that the plaintiff (the holder of the right) could reasonably have exercised the right at an earlier stage. However, UPOV clarifies in the same document that the term “his [or her] right” relates to the rights in the country in which rights were granted or “in the territory concerned”. The issue arises here whether the provision creates an obligation for the breeder to protect his variety in all countries where there is a PBR system in place to “exercise” rights.

2. Essentially Derived Varieties

Section 5.2(1)(a) of the PBRA expands the scope of the owner’s monopoly to include control over plant varieties that are “essentially derived from the owner’s initial plant variety. Similar to harvested materials, before amendments to the Act there was no mention at all of “essentially derived” varieties. The amended act provides that an “essentially derived” variety must be a plant variety that is derived predominately from the initial variety and retain its same essential characteristics, is clearly distinguishable from the initial variety, and express those same essential characteristics from the initial variety.

S.5.2(1) Subject to the other provisions of this Act and the regulations, the holder of the plant breeder’s rights respecting a plant variety has the exclusive right to do any act described in any of paragraphs 5(1)(a) to (h) in respect of

(a) any other plant variety that is essentially derived from the plant variety if the plant variety is not itself essentially derived from another plant variety;

S.5.2(2) For the purpose of paragraph (1)(a), a plant variety is essentially derived from another plant variety (in this subsection referred to as the “initial variety”) if

(a) it is predominantly derived from the initial variety or from a plant variety that is itself predominantly derived from the initial variety and it retains the essential characteristics that result from the genotype or combination of genotypes of the initial variety;

(b) it is clearly distinguishable from the initial variety; and

(c) it conforms to the initial variety in the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety, except for the differences that result from its derivation from the initial variety.

The UPOV publication “Explanatory Notes on Essentially Derived Varieties” describes the requirement of predominant derivation, as seen in paragraph 5.2(2)(a) of the Act, to be a variety that is “predominately derived from the initial variety or from a variety itself that has been predominately derived from the initial variety”. The intention that is a variety is only essentially derived when it retains virtually the whole genotype, or else it would not express the essential characteristics of the initial variety. Paragraph 6 of the document provides guidance as to what may be regarded as essential characteristics.

Explanatory Notes on Essentially Derived Varieties Under the 1991 Act of the UPOV Convention

Section I

Predominantly derived from the initial variety (Article 14(5)(b)(i))

6. The following might be considered in relation to the notion of “essential characteristics”:

- (i) essential characteristics, in relation to a plant variety, means heritable traits that are determined by the expression of one or more genes, or other heritable determinants, that contribute to the principal features, performance or value of the variety;
- (ii) characteristics that are important from the perspective of the producer, seller, supplier, buyer, recipient, or user;
- (iii) characteristics that are essential for the variety as a whole, including, for example, morphological, physiological, agronomic, industrial and biochemical characteristics;
- (iv) essential characteristics may or may not be phenotypic characteristics used for the examination of distinctness, uniformity and stability (DUS);

In order for a variety to be essentially derived, it must be one that is clearly distinguishable, per paragraph 5.2(2)(b). Distinctness may be determined at the examination stage, for instance, if a breeder was seeking protection, during DUS testing. However, the two concepts are different in the sense of responsibility. The assessment in DUS testing is taking place by the PBRO office determining the grant of rights, whereas an assessment of essential derivation is based on the assessment by the PBR holder determining infringement of their rights.

Lastly, the requirement for an essentially derived variety to conform to the initial variety, per paragraph 5.2(2)(b), as described by UPOV, “must retain almost the totality of the genotype of the initial variety and be different from that variety by a very limited number of characteristics.

The expansion of rights granted to the holder is a drama with the protection of essentially derived varieties. The *Plant Breeders' Rights Act* in contrast with other Canadian Intellectual Property legislation, such as the *Patent Act*, maintains a low threshold for the granting of rights. Where it is easy for a breeder to meet the requirements for obtaining PBRs, the right of protection of essentially derived varieties prevents breeders from seeking rights for only the slight modifications. In addition, the protection decreases plagiarism in plant breeding because all plagiaristic varieties would fall under the principle.

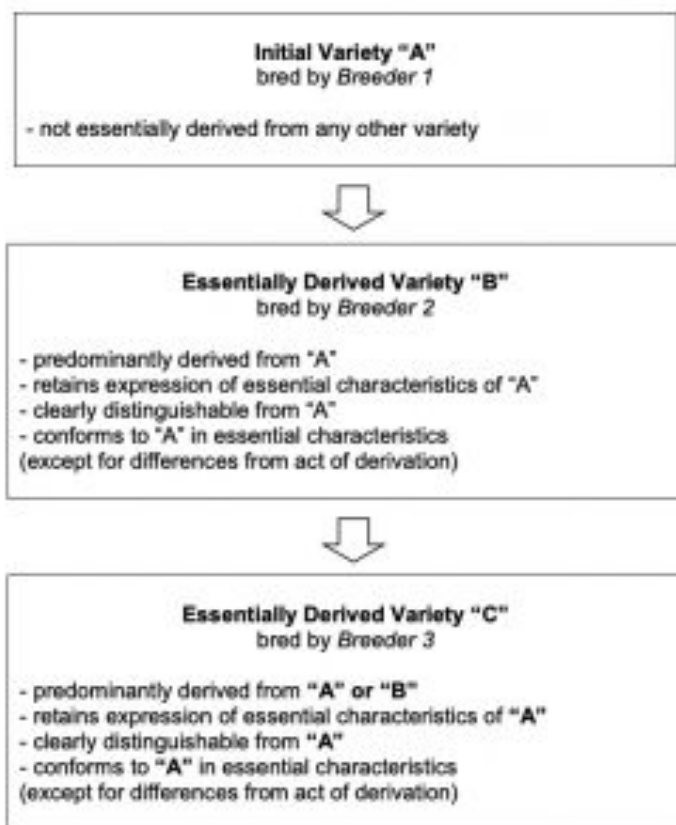


Figure 6: Essentially Derived Varieties (A-C)

3. National Treatment Provision

The national treatment provision provides that when a UPOV union member offers PBR protection that exceeds the minimum requirements set out by the Act, the same protections must be offered to any other union member while operating within the same jurisdiction. The provision allows Canadian residents to enjoy an increased scope of protection offered by other Union members irrespective of whether Canada offers those same protections. This provision is particularly relevant for Canadians when seeking protection in the United States, a major trading partner, as the protection offered in the US *Plant Variety Protection Act* encompasses a wider range of exclusive rights.

1991 Act of the UPOV Convention

Article 4

National Treatment

(1) [Treatment] Without prejudice to the rights specified in this Convention, nationals of a Contracting Party as well as natural persons resident and legal entities having their registered offices within the territory of a Contracting Party shall, insofar as the grant and protection of breeders' rights are concerned, enjoy within the territory of each other Contracting Party the same treatment as is accorded or may hereafter

be accorded by the laws of each such other Contracting Party to its own nationals, provided that the said nationals, natural persons or legal entities comply with the conditions and formalities imposed on the nationals of the said other Contracting Party.

(2) [“Nationals”] For the purposes of the preceding paragraph, “nationals” means, where the Contracting Party is a State, the nationals of that State and, where the Contracting Party is an intergovernmental organization, the nationals of the States which are members of that organization.

E. Exceptions

While the amendments of the *Plant Breeders’ Rights Act* effectively strengthened the rights of the holder, the Act does provide circumstances where the rights do not apply. Subsection 5.3(1) entitles users to make use of propagating material if they do so for private and non-commercial, experimental, or breeding purposes. In addition, subsection 5.2(2) entitles farmers to save propagating material and re-plant it for future harvests.

S. 5.3 (1) The rights referred to in sections 5 to 5.2 do not apply to any act done

- (a) privately and for non-commercial purposes;
- (b) for experimental purposes; or
- (c) for the purpose of breeding other plant varieties.

Private/Non-Commercial or Experimental Purposes

Paragraph 5.3(1)(b) indicates the breeders’ rights does not extend to the use of a protected variety for experimental purposes. Thus, protected varieties may be used in research.

Paragraph 5.3(1)(a) indicates that the acts which are *both* of private nature and for non-commercial purposes are covered by the exception. Thus, non-private acts, even where they are for non-commercial purposes, are outside of the scope of the exemption. Equally, a private act undertaken for commercial purposes.

UPOV document EXN/EXC/1 notes an act falling within the scope of the exception may be that of ‘subsistence farming’, where propagation of a variety by a farmer exclusively to produce a food crop to be exclusively consumed by that farmer and his or her dependents may be considered to fall within the meaning of the acts done privately and for non-commercial purposes.

Most infringements that would be of interest of the owner of PBRs would be those having large effect or are committed by larger entities. Many acts are of often of little consequence and are not injurious to the owner. For example, PBR holders may set aside some acts if it did not lead to commercial exploitation (in the case of experimental purposes) or if the impact is limited (in the case of private and non-commercial purposes).

The Breeders Exemption

Paragraph 5.3(1)(c) states that the rights of the PBR holder will not apply to acts done “for the purpose of breeding

other plant varieties”. This fundamental exception to the scope of protection of PBR owners is known as the “breeders’ exemption” and is a cornerstone of the PBR system.

During the conference that led to the first UPOV Convention of 1961, the founding members agreed unanimously on the “principle of independence” as a basis for the PBR system, meaning that a plant variety bred by a protected plant variety is considered independent of the latter. The breeder’s exemption makes a fundamental distinction from the patent law system, as a patent dependent on an earlier patent is not one that is novel, thus not eligible for patent protection. For the founders of the UPOV Convention, the ability to breed new plant varieties from protected varieties is very important for the stimulation of innovation and creating improved plant varieties for the benefit of society and is logical when considering what plant breeding actually is.

Article 15(1)(iii) aligns with the *Plant Breeders’ Rights Act* but continues to state “and, except where the provisions of Article 14(5) apply”. This part of the provision emphasizes that breeding essentially derived varieties is not protected under the breeder’s exemption.

Explanatory Notes on Exceptions to the Breeder’s Rights Under the 1991 Act of the UPOV Convention

Section I

Compulsory Exceptions to the Breeder’s Rights

(d) Article 15(1)(iii): the “breeder’s exemption”

(...)

11. The following scheme illustrates a hypothetical situation where a breeder uses a protected variety A and a non-protected variety B for the breeding of a new variety C. The scheme demonstrates that no authorization is required to breed variety C. Furthermore, the commercialization of variety C would not require the authorization of the breeder of variety A except where variety C was an essentially derived variety, or was a variety that required the repeated use of the protected variety A or was a variety which was not clearly distinguishable from the protected variety A (see Article 14 (5) of the 1991 Act of the UPOV Convention).

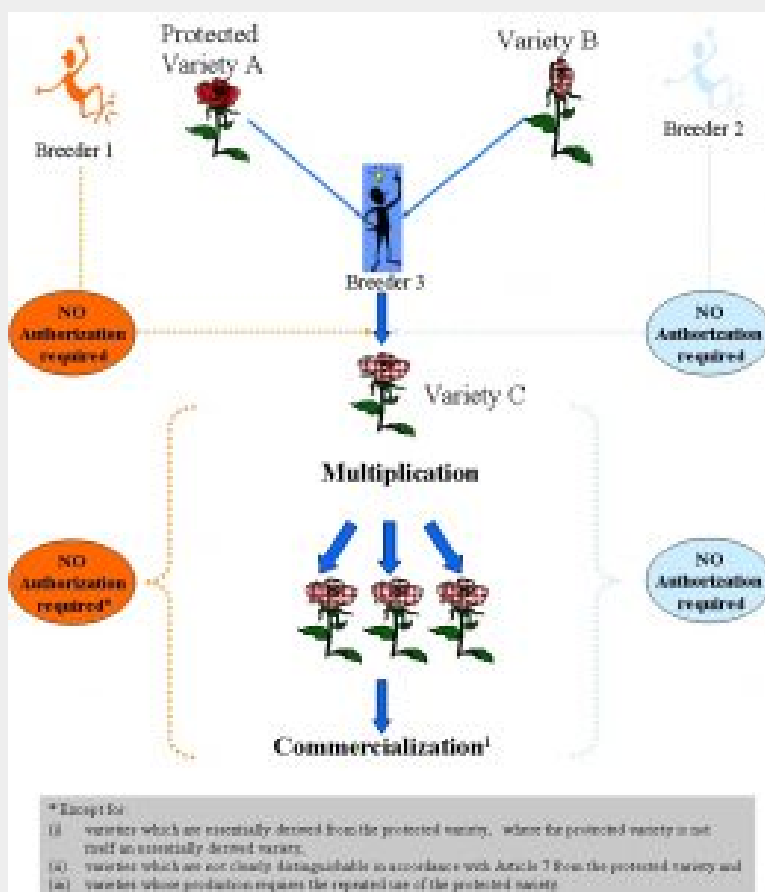


Figure 5: UPOV EXN/EXC/1

Farmer's Privilege

The most controversial exception in the *Plant Breeders' Rights Act* is that of “farmers’ privilege”. Farmers’ privilege provides farmers the right to save seed from propagating material of a protected plant variety and repeat that process without infringing on the exclusive rights of the owner. Prior to the amendments in 2015, Canada aligned with the 1978 UPOV Act and had no explicit mention of the farmers’ privilege. Plant breeders had the option to charge royalties to farmers but still left open the opportunity to farmers to continue the practice of saving and re-using seeds in the absence of an agreement stating otherwise.

When the UPOV Convention created the 1991 UPOV Act, a new provision made explicit mention to the subject of farmers saving seed. Article 15(2) provides guidance on an *optional* farmers exemption, permitting farmers “within reasonable limits and subject to the safeguarding of the legitimate interests of the breeder” to be immune to infringement of exclusive rights of a PBR owner.

Codification of the farmers’ privilege is seen in subsection 5.3(2) of amended *Plant Breeders’ Rights Act*. The provision entitles farmers to produce and reproduce, to condition, as well as to store and stock propagating material of the variety. This captures the practice of saving seeds of protected varieties to reproduce crops.

S. 5.3 (2) The rights referred to in paragraphs 5(1)(a) and (b) and – for the purposes of exercising those rights and the right to store – the right referred to in paragraph 5(1)(g) do not apply to harvested material of the plant variety that is grown by a farmer on the farmer's holdings and used by the farmer on those holdings for the sole purpose of propagation of the plant variety.

The wording of the provision clarifies that the farmers privilege relates to the harvested material that is “grown by a farmer on the farmer's holdings and used by the farmers on those holdings”. This provides that the propagating material must come from the plant variety legitimately acquired and cannot have been from propagating material which was produced on the holding of another farmer.

From the start of agriculture, farmers have saved seed for cyclical propagating purposes. It was common practice because in most instances, there was no other form of seed supply. Today, the progression of modern plant breeding has allowed breeders the dramatically expand the performance of seed. New techniques and technologies have developed innovative plant varieties that cannot simply be replanted and is recognized by the UPOV Convention in then mentioned Article 15(2) optional exception.

The recommendation adopted by the Diplomatic Conference of 1991 indicates that the famers' privilege only be extended to sectors where a privilege is common practice to re-use harvested material for future propagation. For example, small-grained cereals where the harvested grain can equally be used as seed. (EXN/EXC/1). Allowing the optional exception, or farmers' privilege, for all agricultural and horticultural sectors where it has not been common practice to re-use seeds (i.e., fruit, ornamentals, and vegetables) may reduce the incentive for plant breeders to continue improving the quality of seeds which is essential for plant breeding productivity.

The amendments to the *Plant Breeders' Rights Act* have strengthened the rights of plant breeders by codifying the farmers' privilege and explicitly laying out what farmers can do and what they cannot.

Compulsory Licensing

Article 17 of the UPOV 1991 Act contains a compulsory licence provision for a member to restrict breeders' exclusive rights only for reasons of public interest and requires payment of equitable remuneration to the breeder whose rights are limited.

The relevant provisions in the PBRA can be found in s.32, which provides that compulsory licences may be granted to anyone who can demonstrate to the Commissioner that the holder of PBR of a particular variety has unreasonably refused to authorize them to conduct any of the acts which are the exclusive rights of the holder listed under s.5 of the PBRA.

S.32(2) In disposing of an application for, and settling the terms of, a compulsory licence pursuant to this section in relation to any plant variety, the Commissioner shall endeavour to secure that

- (a)** the plant variety is made available to the public at reasonable prices, is widely distributed and is maintained in quality; and
- (b)** there is reasonable remuneration, which may include royalty, for the holder of the plant breeder's rights respecting the plant variety.

If an applicant for PBRs can demonstrate a plant variety is being withheld from the public or being charged at

unreasonably high prices, as well as no other comparable varieties are available to the public, a compulsory licence may be granted. An application can be made by any person pursuant to subs.27(1) of the PBRR.

A request for an exemption from compulsory licensing by the applicant must be made at the time of filing a PBR application. It is important to note that the only reason for which an exemption from compulsory licensing will be granted is that the applicant “requires time to multiply and distribute propagating material of the variety”. A request for an exemption from compulsory licensing will not always be granted and will depend on the length of time required to proceed to the issue of the Certificate of Plant Breeders’ Rights.

2. VI. Trademarks and Passing Off

LUCIE GUIBAULT

A. Introduction

1. Legislative history

Trademark protection has a long history in Canada. It commenced prior to Confederation with the passage on May 19, 1860 by the Legislative Council and Assembly of Canada of *An Act respecting Trade-Marks*. That Act made it a misdemeanour to use the known and accustomed trademark, name, package or device of any manufacturer with intent to deceive, so as to induce the belief that the goods so marked were manufactured by the owner of the mark. Section 2 contained a definition of fraudulent use of trademarks, names, packages, or devices, as being a use identical with or so closely resembling another trademark as to be calculated to be taken for the true trade-mark by ordinary purchasers. Provision was also made for actions by the owner of a mark for damages.

Shortly after the enactment of *An Act respecting Trade-Marks* of 1860, the Act was repealed and replaced by the Act of 1861. The new Act broadened the definition of trademark and created the first system of registration. Section 2 defined trademarks as including all marks, names, brands, labels, packages, or other business devices adopted for the purpose of distinguishing any manufacturer, no matter how applied. A system of registration was created and it was enacted that the person registering the trademark should be entitled to its exclusive use.

Contrary to matters concerning ‘Patents of Invention and Discovery’ and ‘Copyrights’, the *Constitution Act*, 1867 is silent in respect of trademarks. Legislative competence in the area of trademarks and unfair competition can just as easily fall within the provincial power over ‘Property and Civil Rights’, pursuant to s.92(13) of the *Constitution Act*, 1867 or within Parliament’s power over ‘Trade and Commerce’ pursuant to s. 91(2). After Confederation, however, Parliament enacted the Act of 1868, entitled the *Trade Mark and Design Act*. Over time Parliament’s competence over trademarks has been discussed occasionally, but was never seriously contested. Trademark protection is generally seen as being *intra vires* the power of Parliament since it has the power to adopt general regulation of trade affecting the whole country.

This Act repealed the prior trademark legislation. It was periodically amended, until it was subsumed in the *Unfair Competition Act*, 1932. This Act was passed as an attempt to take a broader approach to acts of unfair competition. The Act proved unsuccessful: it had many contradictions, was difficult to interpret, and resulted in some unforeseen complications in jurisprudence. The Unfair Competition Act remained in force for just over twenty years, when it was replaced by the *Trade Marks Act*, 1953. For more than sixty years, the *Trade-marks Act* [r.s.c. 1985, c. P-4] remained relatively unchanged since its passage in 1953. During this period, the only international convention to which Canada was a party in the field of trademark law was the *Paris Convention* of 1883. It allowed Canada to maintain a number of particular features of its trademark registration system, some of which were inspired from the U.S. system, like the use-based registration.

Starting in 2014, the Canadian government passed a flurry of amendments to the Trademarks Act. Some of these were rendered necessary as a consequence of Canada’s decision to (finally!) accede to international treaties in the area of trademark protection, while others were required as measures of implementation of the trade agreements signed with South Korea, the European Union, and the United States and Mexico. The changes brought about a major, long overdue, overhaul of Canadian trademark law. The acts amending the *Trademarks Act* are the following:

- Bill C-8 – *Combating Counterfeit Products Act* [S.C. 2014, c. 32, ss. 7-57]
- Bill C-31 – *Economic Action Plan 2014 Act*, No. 1 [S.C. 2014, c. 20, ss. 317-370]
 - Acceding to the Nice Agreement

- Acceding to the Singapore Treaty
- Acceding to the Madrid Protocol
- Bill C-41 – *An Act to implement the Free Trade Agreement between Canada and the Republic of Korea* [S.C. 2014, c. 28]
- Bill C-59 – *Economic Action Plan 2015 Act, No. 1* [S.C. 2015, c. 36, ss. 66-72]
- Bill C-30 – *Canada-European Union Comprehensive Economic and Trade Agreement Implementation Act*, [S.C. 2017, c. 6, ss. 60-79]
- Bill C-79 – *An Act to implement the Comprehensive and Progressive Agreement for Trans-Pacific Partnership* [S.C. 2018, c. 23, ss. 17-18]
- Bill C-86 – *Budget Implementation Act, 2018, No. 2* [S.C. 2018, c. 27, ss. 214-242]
- Bill C-4 – *An Act to implement the Agreement between Canada, the United States of America and the United Mexican States* [S.C. 2020, c. 1, ss. 108-110]

The most comprehensive modifications were brought through Bill C-31, *The Economic Action Plan Act 2014, No. 1*, and Bill C-30 aiming to implement *Comprehensive Economic and Trade Agreement* (CETA). The revised *Trademarks Act* and *Trademarks Regulations* align Canadian trademark law with that of Canada's major international trading partners including the United States and the European Union. In particular, under the new legislation, Canada adopted the standard procedures of the *Singapore Treaty on the Law of Trademarks* and the *Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks* and ratified and implement the *Madrid Protocol concerning the International Registration of Marks*. Adhering to these internationally used conventions make it easier for Canadian businesses to protect their trademarks internationally and expand their businesses beyond Canada's borders. Canadians are now able to file a single application and pay one set of fees to apply for protection in over 100 countries. Adoption of the standardised international procedures also make it easier for international companies to seek trademark protections for their businesses and marks in Canada, comparable to the mechanism put in place by the PCT in the area of patent protection. The *Trademark Regulations* have been modified accordingly. Both the Amended Act and the Regulations came into force on June 29, 2019.

Among the most outstanding changes are the broadening of the definition of 'sign' for what is considered eligible for trademark registration purposes, the possibility to obtain registration on proposed marks without having to prove the use of the mark, the shortening of the term of protection from 15 to 10 years, as well as the harmonised spelling of the word 'trademark' (which lost its hyphen).

2. Objectives of Trademark Protection

The essential function of a trademark is to indicate the source or attest to the origin of a company's goods or services. In other words, trademarks serve to **distinguish the goods and services** of one company from those of another. Trademarks contribute to a well working competitive market, by ensuring fair competition between suppliers of goods and services and guaranteeing to consumers the identity of the origin of those goods and services.

In *Mattel Inc. v. 3894207 Canada Inc.*, [2006 SCC 22 (S.C.C.) at paras. 21-22], the Supreme Court discussed the purposes of the trademarks regime in the following words:

Trademarks are something of an anomaly in intellectual property law. Unlike the patent owner or the copyright owner, the owner of a trademark is not required to provide the public with some novel benefit in exchange for the monopoly. The trademark owner, by contrast, may simply have used a common name as its "mark" to differentiate its goods from those of its competitors. Its claim to monopoly rests not on conferring a benefit on the public in the sense of patents or copyrights but on serving an important public interest in assuring consumers that they are buying from the source from whom they think they are buying and receiving the quality which they associate with that particular trademark. **Trademarks thus operate as a kind of shortcut to get consumers to where they want to go, and in that way perform a key function in a market economy. Trademark law rests on principles of fair commercial dealing. It is sometimes said to hold the balance between free competition and fair competition.** Fairness, of course, requires consideration

of the interest of the public and other merchants and the benefits of open competition as well as the interest of the trademark owner in protecting its investment in the mark. Care must be taken not to create a zone of exclusivity and protection that overshoots the purpose of trade-mark law.

Note that Canadian law protects both registered and unregistered trademarks, albeit in different degrees. Holders of registered trademarks enjoy the full protection of the Act against another's unauthorized use of an identical or confusingly similar mark, while holders of unregistered trademarks are limited to actions in passing-off. Both registered and unregistered marks may persist for as long as there is commercial use as a trademark, but registration must be renewed every 10 years with the Trademark Office. The following sections of this chapter describe the law applicable to registrable signs (section B.), prohibited marks and official signs (section C.), the registration process (section D.), the concept of use of a trademark (section E.), the concept of confusion (section F.), what constitutes infringement (section G.) and actions in passing off (section H.).

B. Registrable Signs

The recent legislative changes brought to the *Trademarks Act* have a direct impact on what is deemed eligible for trademark protection in Canada. The definition of 'trademark' was amended to now refer to only two categories of marks, e.g. the 'ordinary' trademark and the certification mark. This comes in sharp contrast to the previous versions of the Act that defined trademarks as including 'ordinary' marks, certification marks, distinguishing guises and proposed trademarks. In this section, we examine what is an eligible trademark, looking at the definition of 'sign', the requirement of distinctiveness, and the grounds for refusal of registration, before saying a few words about certification marks.

S. 2 trademark means

- (a) a sign or combination of signs that is used or proposed to be used by a person for the purpose of distinguishing or so as to distinguish their goods or services from those of others, or
- (b) a certification mark;

1. Definition of Sign

Until the recent legislative amendments, the Act did not specifically describe the sort of signs that could be registered as trademarks, except for a definition of 'distinguishing guise'. These were understood as including "(a) a shaping of wares or their containers, or (b) a mode of wrapping or packaging wares, the appearance of which is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others". Typical signs that have always been deemed admissible as registrable trademarks encompass a word, a personal name, a design, a letter, a numeral, colours, a figurative element, a mode of packaging goods, and the positioning of a sign. In recognition of the changing marketing landscape, the evolving consumer habits, and the enhanced technical possibilities, the new definition of 'sign' in s. 2 of the *Trademarks Act* now also includes a range of less traditional signs, such as a three-dimensional shape, a hologram, a moving image, a sound, a scent, a taste, and a texture. With the broadening of the scope of eligible signs for trademark registration, the concept of 'distinguishing guise' was repealed from the Act, since it was no longer needed as separate concept.

sign includes a word, a personal name, a design, a letter, a numeral, a colour, a figurative element, a three-dimensional shape, a hologram, a moving image, a mode of packaging goods, a sound, a scent, a taste, a texture and the positioning of a sign;

2. Distinctiveness

Distinctiveness is the cornerstone feature of a mark: without it, no registration is possible. In order to be distinctive, a trademark must be used in a manner such that it actually distinguishes the goods or services in question. The distinctiveness of a mark can be enhanced by its use and the extent to which it has become known in Canada due to its use and promotion. Whether a trademark is distinctive is a question of fact that is determined by reference to the message it conveys to the ordinary consumer of the goods or services in question when the trademark is considered in its entirety as a matter of first impression. The key question to ask is whether the purchasing public would believe that the goods originated with anyone other than the owner of the trademark.

distinctive, in relation to a trademark, describes a trademark that **actually distinguishes** the goods or services in association with which it is used by its owner from the goods or services of others or that is **adapted so to distinguish them**;

Distinctiveness is a fundamental and essential requirement of a trademark and the **lack of thereof** will be a ground for **refusal to register** the mark (see below), but it may also be raised in **opposition** or in **defence** of a trademark infringement claim. The degree of inherent distinctiveness of a mark is also a factor to be considered when comparing two allegedly confusing trademarks with one another (see section F. below).

the distinctiveness or inherent distinctiveness of signs falls across a spectrum from no distinctiveness to a high degree of distinctiveness. A sign must be inherently distinctive to be considered “adapted to distinguish”. This means that, by its nature, it must be suitable for use as an identifying symbol for the source of goods or services. Although it is sometimes suggested that the determination of whether a sign is inherently distinctive or not is a straightforward yes or no issue, the “inherent distinctiveness” of any sign is better understood as a relative rather than absolute characteristic: the inherent distinctiveness of a mark refers to its originality.

A mark that is composed of a unique or invented name, such that it can only refer to one thing – like the word Apple or the Windows logo for computer software – will possess more inherent distinctiveness than a word that is commonly used in the trade. Marks are inherently distinctive when nothing about them refers the consumer to other sources. Where a mark refers to many things or where it is only descriptive of the goods or of their geographic origin, less protection will be afforded the mark. Conversely, where the mark is a unique or invented name, such that it could refer to only one thing, it will be extended a greater scope of protection.

In *WIC TV Amalco Inc. v. ITV Technologies, Inc.*, 2005 FCA 96 for example, the Federal Court of Appeal confirmed the trial judge’s conclusion that ITV lacks inherent distinctiveness in connection with services other than the appellant’s television station. The conclusion was supported by the fact that the trademark consists of three letters of the alphabet, often used for internet-related services, as supported by the evidence found on the internet of the use of ITV in acronyms related to internet services, and the dictionary evidence tendered by Technologies.

When assessed at the application or opposition stage, distinctiveness is determined at the time of application, based on the unique characteristics of the proposed trademark rather than consumer recognition and goodwill. This change in the law aids business owners who use non-traditional marketing methods to engage consumers and simultaneously

protect their interest in their unusual trademarks. Nevertheless, the Trademark Examiner subjects non-traditional trademark applications to particular scrutiny as regards their distinctiveness. Section 32 TA provides that an applicant must provide the Registrar, at their request, with any evidence establishing that the trademark is distinctive at the filing date of the application for its registration, if the trademark consists exclusively or primarily of one or more of the following signs:

- (i) the three-dimensional shape of any of the goods specified in the application, or of an integral part or the packaging of any of those goods,
- (ii) a mode of packaging goods,
- (iii) a sound,
- (iv) a scent,
- (v) a taste,
- (vi) a texture,
- (vii) any other prescribed sign.

Note that when assessed in the context of an infringement claim, distinctiveness is determined at the time of the infringement proceedings.

According to s.37(1)(d) TA, the Registrar shall refuse an application for the registration of a trademark if he is satisfied that the trademark is not distinctive. As Michele Ballagh explains (Trademark Legislation – 2019 Amendments, Hamilton Law Association, 2020), the sign must be “wholly without” or “bereft” of any distinctive character before the examiner should refuse the application or request evidence.

EXAMPLE # 1: SOUND MARK – 1733564



Sound mark

[Click on the link above to listen to the sound bite]

Registrant

Danjaq, LLC
11400 Olympic Blvd
Suite 1700
Los Angeles, CA 90064
UNITED STATES OF AMERICA

Goods

(1) Pre-recorded audio and video compact discs, DVDS, and motion picture films featuring entertainment, namely, action adventure, drama, comedy, and romance; musical sound recordings, contained on compact discs and digital music (downloadable) provided from web sites or from any other communications network including wireless and cable; computer video games; video and computer game compact discs adapted for use with television receivers; downloadable computer video game software supplied on-line from databases or provided through a global computer network or from

any other communications network including wireless and cable; images and animations via the internet and wireless devices; downloadable videos and films featuring entertainment, namely, action adventure, drama, comedy, and romance via a wireless network for use with mobile devices; downloadable mobile telephone games and graphics via a global computer network and wireless devices.

Services

- (1) Entertainment services, namely, production and distribution of motion pictures.
- (2) Internet services, namely, providing information via an electronic global computer network in the field of entertainment relating to motion pictures, and providing electronic games, not downloadable, via the Internet.

Questions: Can this piece of music be used to distinguish the products and services of the company holding the trademark? What kind of extra evidence do you think was requested from this applicant by the Registrar of Trademarks? Would another IP right provide protection for this sign? What is the advantage for the company of registering a trademark on this sign?

EXAMPLE # 2: A scent – Cannabis odor

Cannabis odor — 2023681

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Application number 2023681

Type(s) Scent

Category Trademark

CIPO status FORMALIZED

TM5 status LIVE/APPLICATION/ Awaiting Examination



The trademark application has been accepted by the Office (has met the minimum filing requirements) and has not yet been assigned to an examiner.

Filed 2020-04-21

Applicant DAVID BOYD
11 Kennedy St West
Aurora
ONTARIO L4G2L3

Trademark description

A pungent skunky, earthy, woody odor with subtle hints of diesel and citrus aromas.

Goods (Nice class & Statement)

31 (1) Live cannabis plants
34 (2) Cannabis for smoking; dried cannabis

Questions: Can the scent mark that is the object of this application be used to distinguish the product of this applicant from those of other producers? What kind of evidence could be adduced to support the registration of this trademark? How likely is it that the trademark will be registered?

2. When Trademark is (Not) Registrable

The Act not only defines what a registrable sign is and when a mark is distinctive, it also lays down the grounds for refusal to enter a trademark in the Register. The expression used in s. 12(1) TA 'When Trademark is Registrable' is somewhat misleading, since the opening sentence is formulated in the negative: 'a sign is registrable if it is not...' What ss. 12 (1) and (2) regulate are actually the grounds for refusal of registration against which the Trademark Office examines every single trademark application.

The most frequently invoked grounds for refusal relate to the **descriptive or deceptively misdescriptive character** of the trademark (s. 12(1)(b) TA) and the existence of a **confusing trademark** in the Register (s. 12(1)(c) TA). That a descriptive trademark not be registrable is logical, since it presumably is incapable of fulfilling the primary function of a trademark, e.g. distinguishing the goods or services of the company using it. The same logic applies to an already registered trademark that would be confusing with the trademark applied for: confusion among the public between two marks is an indication that either one or both marks are not able to distinguish the source of the goods or services. The concept of confusion is examined in detail in section F. below.

Section 12(2) TA prohibits the registration of a trademark where its features are dictated primarily by a **utilitarian function**. This ground for prohibition is not so much connected to the requirement of distinctiveness as to the need to safeguard fair competition in the market: it would give an undue advantage to one company, above its competitors, to

allow it to secure exclusive trademark rights on a functional aspect of a good. This principle is reinforced by s. 18.1 TA which provides that ‘the registration of a trademark may be expunged by the Federal Court on the application of any person interested if the Court decides that the registration is likely to unreasonably limit the development of any art or industry”.

In the course of the registration process, the unregistrable character of a trademark should be raised by the Registrar of Trademark as a matter of law. If it is not, a trademark that is not registrable can be attacked either at the stage of the opposition during the registration process, pursuant to s.38(2) TA, or as a defence to a trademark infringement claim, pursuant to s. 18(1)(a) TA.

When trademark registrable

12 (1) Subject to subsection (2), a trademark is registrable **if it is not**

- (a) a word that is primarily merely the name or the surname of an individual who is living or has died within the preceding thirty years;
- (b) whether depicted, written or sounded, either **clearly descriptive or deceptively misdescriptive** in the English or French language of the character or quality of the goods or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin;
- (c) the name in any language of any of the goods or services in connection with which it is used or proposed to be used;
- (d) **confusing** with a registered trademark;
- (e) a sign or combination of signs whose adoption is prohibited by section 9 or 10;
- (f) a denomination the adoption of which is prohibited by section 10.1;
- (g) – (h.1) in whole or in part a protected geographical indication identifying a wine, a spirit or an agricultural product or food where the trademark is to be registered in association with a wine not originating in a territory indicated by the geographical indication;
- (...)
- (i) subject to subsection 3(3) and paragraph 3(4)(a) of the OLYMPIC AND PARALYMPIC MARKS ACT, a mark the adoption of which is prohibited by subsection 3(1) of that Act.

Utilitarian function

(2) A trademark is not registrable if, in relation to the goods or services in association with which it is used or proposed to be used, **its features are dictated primarily by a utilitarian function.**

Guiding principles have been established by jurisprudence to determine whether the mark is clearly **descriptive** or **deceptively misdescriptive** of the services. The approach to take consists in recognizing:

- (1) that whether a trade-mark is clearly descriptive is one of first impression;
- (2) that the word “clearly” in para. 12(1)(b) of the Act is not a tautological use but it signifies a degree and is not synonymous with “accurate” but means in the context of the paragraph “easy to understand, self-evident or plain”, and
- (3) that it is not a proper approach to the determination of whether a trademark is descriptive to carefully and critically analyse the words to ascertain if they have alternate implications when used in association with

certain wares and to ascertain what those words in the context in which they are used would represent to the public at large, who will see those words and will form an opinion as to what those words will connote: see *John Labatt Ltd. v. Carling Breweries Ltd.* (1974), 18 C.P.R. (2d) 15 at p. 19.

The evaluation of the descriptive nature of the mark must take into account the goods and services in association with which the mark is used. Evidence is key, as the three examples below demonstrate.

EXAMPLE # 1: Descriptive Mark – Orange Maison for Home Made Orange Juice

Home Juice Co. v. Orange Maison Ltée, [1970] S.C.R. 942

Since 1954 respondent has been selling orange juice in the Province of Quebec under the trade mark ORANGE MAISON and, since December 9, 1960, this trade mark has been registered at the Trade Marks Office. After objecting to an application for registration of the trade mark HOME JUICE filed by appellant Home Juice Company, respondent brought an action against the other two appellants claiming infringement of its own trade mark. Appellants then moved in the Exchequer Court to strike out the registration of respondent's trade mark on the ground that it is clearly descriptive in the French language of the character or quality of the wares in association with which it is used.

(...)

In this Court, as in the Exchequer Court, the appellants in support of their contention as to the meaning of ORANGE MAISON relied especially on two dictionaries published in France in 1959: the *Petit Larousse* and the *Robert*. In both, the definition of the word “maison” used as an adjective is given as: [TRANSLATION] “that which has been made at home” and also [TRANSLATION] “of good quality”.

Respondent answered that this meaning is not found in dictionaries published in Canada, namely, the *Bélisle* and the *Larousse Canadien Complet* both published in 1954. In my view, this argument is not valid. Positive evidence drawn from the works of lexicographers who give a certain meaning is in no way destroyed by the fact that others do not report it. A work of this kind is never absolutely complete and negative evidence is always in itself weaker than positive evidence.

Respondent has contended that the current meaning in France is not to be considered, that regard must be had only to the meaning current in Canada and that, in the absence of any evidence, whether by dictionaries or otherwise, that the meaning in question was current in Canada at the date of registration, no account should be taken of a recent meaning found in France only. This contention would have serious consequences if it was accepted. One result would be that a shrewd trader could monopolize a new French expression by registering it as a trade mark as soon as it started being used in France or in another French-speaking country and before it could be shown to have begun being used in Canada.

In my opinion, the wording of s. 12 does not authorize such a distinction. It refers to a description “in the English or French languages”. Each of these two languages is international. When they are spoken of in common parlance they are considered in their entirety and not as including only the vocabulary in current use in this country, a vocabulary that is extremely difficult to define especially in these days when communication media are no longer confined within national boundaries. On this point, I should like to quote what Evershed J. said concerning the word “Oomph” in a case in which he held that “Oomphies” could not be considered as descriptive of the character or quality of shoes (*In the Matter of an Application by La Marquise Footwear, Inc.*):

I should perhaps add this: much argument was addressed upon the footing that, after all, the word, in so far as it is in current use, however short and brutish a life it may have, is American slang rather than, as we would say,

part of our own native tongue. That is a matter upon which one might have debate for hours – whether it is the fact that the English tongue as spoken in these islands and the English tongue as spoken in the United States or in Canada or in Australia or in other parts of the globe is or is not one and the same language. I do not propose to throw any light upon any possible answer to the question, save to say that, where, as here, the word is primarily employed in the film industry, and, as is well known, the products of the American film industry, are shown and seen by hundreds of thousands of people throughout the whole of the English-speaking world, I think that it would be an affectation to say that a word which has gained any currency as an American slang word ought to be treated in these islands, in the absence of any evidence one way or the other, as a foreign word.

The trial judge seems to have considered it of great importance that respondent's trade mark includes only the two words "ORANGE MAISON" while its wares are orange juice, not oranges. He quoted the following words of Lord MacNaghten in the *Solio* case:

...the word must be really an invented word; nothing short of invention will do. On the other hand, nothing more seems to be required. If it is ... "new and freshly coined" (to adopt an old and familiar quotation), it seems to me that it is no objection that it may be traced to a foreign source, or that it may contain a covert and skilful allusion to the character or quality of the goods.

With respect, it must be emphasized that this was said of an invented word. Here, the trade mark is composed of two French words and this is not at all a case of a covert allusion but that of an explicit description indeed. The omission of the words "jus de" (juice) in no way prevents the word "ORANGE" from being descriptive of the character of the wares, because those words are clearly understood through the association with a liquid product. It must also be noted that respondent took care, in his application for registration, to disclaim any right to the exclusive use of the word "orange" by itself. It must therefore be said that the distinctive character of the trade mark is claimed exclusively for the combination "ORANGE MAISON". But, as we have seen, the word "maison" thus placed clearly becomes an adjective descriptive of quality.



Therefore, when the meaning of the trademark is analyzed in respect of the goods to which it is affixed, the only possible conclusion is that the first word is an elliptical description of their character and the second an explicit description of their quality.

In *Kirstein Sons & Co. v. Cohen Bros.*, this Court held that the trade marks "Shur-on" and "Sta-zon" were descriptive of the frames of eyeglasses to which they were affixed and considered them as mere corruptions of descriptive words. If the corruption of a word of the language does not destroy its descriptive character, why should an ellipse do it? This is what appears to have been held in *Channell Co. v. Rombough* where Mignault J. speaking for the majority in this Court said (at p. 604):

...a common English word having reference to the character and quality of the goods cannot be an apt or an appropriate instrument for distinguishing the goods of one trader from those of another. And the mere prefixing of the letter "O" to such a word as cedar certainly does not make it so distinctive that registration gives to the appellants the right to

complain of the use of it by another manufacturer to describe a polish whereof oil of cedar is one of the ingredients.

It having been held that the word “cedar” should be considered as descriptive of a product that included only a small quantity of cedar oil, *a fortiori* the word “orange” should be considered as descriptive of “orange juice”.

For these reasons, I would allow the appeal with costs, set aside the judgment of the Exchequer Court, allow appellants’ motion without costs and order that the registration made for respondent in the Register of trade marks under number 120,375, on December 9, 1960, be amended by restricting it to the territorial area of the Province of Quebec.

EPILOGUE: The trademark Orange Maison was entered in the Trademarks Register, ORANGE MAISON – 0391939 on 23 September 1977 presumably based on the evidence of acquired distinctiveness (see below for explanation on this concept)

EXAMPLE # 2: Deceptively Misdescriptive Mark – Spirit of Cuba Rum produced in the Dominican Republic

Ron Matusalem & Matusa of Florida Inc. v. Havana Club Holding Inc., S.A., 2010 FC 786

1. The present appeal by Ron Matusalem & Matusa of Florida Inc. (the applicant) is made pursuant to section 56 of the *Trade Marks Act*, R.S.C. 1985, c. T-13 (the Act). It exclusively concerns the registrability of the trade-mark “THE SPIRIT OF CUBA” (the Mark), application number 1,154,259, based on proposed use in association with rum (the wares).

2. On October 2, 2009, the Trade-Marks Opposition Board (the Board) found that the Mark is deceptively misdescriptive and is not distinctive when used in association with rum and thus allowed the opposition made by Havana Club Holding Inc., S.A. (the respondent).

3. The applicant now invites the Court to overrule the Board’s decision, to reject the opposition and to grant the application to register the Mark in association with rum.

(...)

12. Paragraph 12(1)(b) of the Act provides that a trade-mark is registrable if it is not either “clearly descriptive or deceptively misdescriptive” in the English or French language of the character or quality of the wares in association with which it is used or proposed to be used.

13. “Distinctiveness” is also a requirement to a valid trade-mark and means a trade-mark that “actually distinguishes” the wares in association with which it is used from the wares of others: see section 2 and paragraph 38(2)(d) of the Act.

14. The present litigation arises from the fact that the word “spirit” has two meanings, both of which are relevant to the wares. The first, the interpretation espoused by the applicant, means a mental condition or attitude; while the second, the interpretation espoused by the respondent, means strong, distilled liquor. There is evidence supporting both of these definitions.

15. When determining whether the Mark in its entirety is deceptively misdescriptive, **the issue is whether the**

general public in Canada would be misled into the belief that the product with which the trade-mark is associated has its origin in the place of a geographic name contained in the trade-mark. One must place oneself in the position of the average Canadian consumer of ordinary intelligence and education who would see the Mark used in association with rum.

16. When determining whether the Mark is descriptive or misdescriptive, a decision maker should not carefully and critically analyze the words to ascertain if they have alternate implications in the abstract. Rather, a decision maker should apply common sense to determine the immediate impression created by the Mark as a whole in association with the wares. In short, the etymological meaning of the words is not necessarily the meaning of the words used as a trade-mark.

17. The Court finds that the Board's decision is reasonable in the circumstances. Moreover, even if the matter would have to be reviewed *de novo*, the Court finds that the additional evidence submitted in this appeal would not justify overruling the result reached by the Board. The Mark, when viewed in its entirety, is deceptively misdescriptive of the place of origin of the wares and is not distinctive.

18. In the case at bar, the Board was faced with two contradictory interpretations of the words used in the Mark in relation to the product, here rum, with which the Mark is associated. The first was to interpret "spirit" as meaning "liquor" and "of Cuba" as meaning "from Cuba." The second was to interpret "spirit" as meaning "soul" or "essence."

19. The Board chose the first interpretation and held:

... we have a trade-mark comprising of two words: one that means alcoholic beverage and the second word being the name of a country known for its rum. I am of the view that the average Canadian consumer of rum confronted with the Mark used in association with rum is more likely, on a first impression, to think that it is rum originating from Cuba.

20. The Board also held, based on the same reasoning, that the Mark was not "distinctive".

21. The findings made by the Board are not clearly wrong and were supported by the evidence on record and the public sources consulted. Moreover, an analysis of the additional evidence presented on appeal, while certainly relevant, demonstrates that it would not have materially affected the Board's decision. In other words, in the Court's opinion, this new evidence does not "put quite a different light on the record" before the Board (*Mattel Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 S.C.R. 772 at paragraph 35) (*Mattel*).

22. The Mark appears on the label and is also embossed on the rum bottle. The applicant does not challenge the fact that the wares are manufactured in Dominican Republic and that Cuba is a producer of rum.

23. The applicant has argued both before the Board and the Court that the Mark, when viewed as a whole, "conveys the attitudes, temperament, disposition and character of the people of Cuba. It refers to the 'soul' or 'essence' of the applicants' history in Cuba embodied in its rum products."

24. According to the Salazar affidavit, the Salazar family has been making rum for a long time. In 1872, his great grandfather, Evaristo Alvarez, began producing rum in Santiago, Cuba under the name Matusalem (the "Matusalem rum"). The original recipe for Matusalem rum was developed in Cuba and uses the Solera system of blending liquor (which involves blending liquors of different ages to produce a final product of a certain average age). This same recipe and system are still used to make Matusalem rum.

25. Matusalem rum was produced in Cuba by Mr. Alvarez Salazar's family from 1872 until 1965 when the company's assets were seized by the Castro regime. Mr. Alvarez Salazar's family was forced to flee Cuba and began producing Matusalem rum in the Bahamas. Eventually, the operation was moved to the Dominican

Republic, where Matusalem rum is produced today by the applicant (of which Mr. Alvarez Salazar is a shareholder and director).

26. In coming to the conclusion that the average Canadian consumer of rum confronted with the Mark used in association with rum is more likely, on a first impression, to think that it is rum originating from Cuba, the Board considered the evidence submitted by the applicant. The Board noted Mr. Alvarez Salazar's affidavit explaining the company's Cuban history, but reasonably held, as there was no evidence to the contrary, that the average Canadian consumer would not be aware of these links.

27. The reasoning of the Board was also supported by the definition of the word "spirit" found in the Webster Ninth New Collegiate Dictionary: "...The liquid containing ethyl alcohol and water that is distilled from an alcoholic liquid or mash; any of various volatile liquid obtained by distillation or cracking...; an alcoholic solution of volatile substance".

28. The applicant contends that the new evidence submitted in this appeal demonstrates that the primary definition of "spirit" is in reference to the soul or to a particular feeling and that any use of the word in relation to alcohol is secondary and usually involves the word "spirits."

Dr. Picard's affidavit

29. The applicant relies on Dr. Picard's affidavit where he expresses his opinion about the usage of the singular "spirit" in modern English. The survey conducted by Mr. Maurice Guertin also demonstrates that English-speaking Canadians, when faced with the word "spirit" in a variety of contexts, associate it with the soul, spirituality and the supernatural far more frequently than with alcohol. Finally, pertaining to the worldwide market, the Auclair affidavit reveals that there is not one specific country known for its rum, but rather an area called the Caribbean (or West Indies).

30. The Court is not convinced that Dr. Picard is a properly qualified expert to provide opinions regarding the definition of "spirit." Dr. Picard's curriculum vitae shows that he specializes in the field of phonology, the science of speech sounds, not lexicology, the study of the meaning and significance of words. Even if the Court would find that Dr. Picard is a properly qualified expert, his affidavit provides little assistance to the Court, as it merely produces pages from two dictionaries with definitions of the word "spirit."

31. The Board was certainly aware of general definitions found in the dictionaries and even quoted the *Webster Ninth New Collegiate Dictionary*. Be that as it may, Dr. Picard's broad statement that the word "spirit" is not used or understood to mean "alcoholic beverage" is contradicted by the dictionaries and other evidence.

32. First, both the American and the British dictionaries entries Dr. Picard supplied list "liquor" or "alcohol" as definitions of "spirit", and one mentions rum specifically.

33. Second, the first sentence of Exhibit MA-1, attached to the affidavit of Marguerite Auclair, uses "spirit" in the singular to describe an alcoholic beverage: "Rum, and its fraternal twin, cane spirit".

34. Third, Exhibit MG-6 attached to the affidavit of Marylène Gendron provides an excerpt from a Manitoba

website that refers to “miscellaneous spirit” and “ready to drink spirit beverage”.

Mr. Guertin’s affidavit

35. With respect to the weight to be given to the internet survey conducted by Mr. Guertin, it is of very little assistance in this case. His survey asked two questions: (1) If you were to read the words “The Spirit” on a product, what would be the meaning of “The Spirit” for you? (2) If you were to read the words “The Spirit of Cuba” on a product, what would be the meaning of the “The Spirit” for you?

36. First, the Court doubts that it is “responsive to the point at issue” (*Mattel*, at paragraph 44) since it never puts the word “spirit” or “THE SPIRIT OF CUBA” in the context of rum. Again, the relevant question in the Court’s opinion is whether the average Canadian consumer of rum would believe that rum sold under the trade-mark “THE SPIRIT OF CUBA” comes from Cuba.

37. Second, the Court notes that only 506 people out of the 1,054 survey had purchased rum in the previous 12 months. Thus only 48% of those surveyed can be considered consumers of rum.

38. Third, the survey is not decisive. Even, when asked out of context, 15% of respondents associated “Alcohol/Drink” with the word “The Spirit” (first question), and 13% associated “Cuban Rum” with the words “The Spirit of Cuba” (second question). Thus, one may argue that on a first impression, a significant number of average Canadian consumers would believe that rum sold under the trade-mark “THE SPIRIT OF CUBA” comes from Cuba.

Ms. Auclair’s affidavit

39. Lastly, the Court finds that the evidence submitted by Ms. Auclair is not significant as it was either rejected by the Board or supports the Board’s factual findings.

40. First, Ms. Auclair’s affidavit introduces evidence pertaining to the history of rum and its industry in the Caribbean, including Dominican Republic and Cuba. However, the Board already took judicial notice of the fact that Cuba is a producer of rum. The fact that there are other producers of rum in the Caribbean does not change the nature of the question related to the geographical origin of the wares since the Mark explicitly refers to “CUBA”, which is known as a producer of rum.

41. Second, with respect to the evidence relating to the scope of the trademarks register, even if considered by the Board, it does not have any probative significance extending beyond the material that was before the Board. The state of the trademark register is useful only when a large number of similar trademarks demonstrate the state of the marketplace (*Kellogg Salada Canada Inc. v. Canada (Registrar of Trade Marks)* (1992), 43 C.P.R. (3d) 349, 145 N.R. 131 (F.C.A.)). In the case at bar, the other trademark registrations are too vague and too few in number to draw any conclusions as to the state of the marketplace.

42. In conclusion, the Board’s conclusion that the Mark is deceptively misdescriptive and not distinctive when used in association with rum is supported by the evidence and fall within the range of acceptable outcomes that are defensible in respect of the facts and the law. It is my opinion, as well, that the additional evidence adduced by the applicant under subsection 56(5) of the Act would not have materially affected the Board’s findings of fact or mixed fact and law.

43. On the one hand, the fresh evidence simply repeats in a more detailed way the arguments previously made

by the applicant to the Board and does not add anything new in respect of the first impression of a potential consumer. On the other hand, this additional evidence corroborates the Board's factual findings that using the word "spirit" on a bottle of rum would lead one to interpret it as "alcoholic beverage" and that Cuba is known for its production of rum.

44. Consequently, the present appeal shall be dismissed. The respondent is entitled to costs.

EXAMPLE # 3: Utilitarian Function of a LEGO brick

Kirkbi AG v Ritvik Holdings Inc., 2005 SCC 65

1. For many years, Kirkbi AG ("Kirkbi") has been a well-known and successful manufacturer of construction sets for children, and at times, for their parents too. The construction sets consist of standardized small plastic bricks, held together by a pattern of interlocking studs and tubes. Patent protection of this locking system has now expired in Canada and in several other countries. Kirkbi now attempts to protect its market share and goodwill against the inroads of competitors by invoking other forms of intellectual property rights. In particular, it is engaged in a long-running dispute with the respondent Mega Bloks Inc., formerly Ritvik Holdings Inc./Gestions Ritvik Inc. ("Ritvik"), a Canadian toy manufacturer. After the expiry of the last LEGO patents in Canada, the respondent began manufacturing and selling similar bricks, using the same locking method.

2. Kirkbi is now relying on an unregistered trade-mark, the "LEGO indicia", which consists of the well-known geometrical pattern of raised studs on the top of the bricks as the basis for a claim of passing off under s. 7(b) of the *Trade-marks Act* (...)

3. Although I hold that s. 7(b) is a valid exercise of the federal power over trade and commerce, I agree that the action should be dismissed and that the majority judgment of the Federal Court of Appeal should be upheld. A purely functional design may not be the basis of a trade-mark, registered or unregistered. The tort of passing off is not made out. The law of passing off and of trade-marks may not be used to perpetuate monopoly rights enjoyed under now-expired patents. The market for these products is now open, free and competitive.

4. The LEGO toy business was founded in 1932. In 1949, Kirkbi produced its first toy building blocks. Those blocks were derived from a British product, the Kiddicraft blocks, which used a system of interlocking blocks. Kirkbi bought the patents covering the Kiddicraft system a few years later. Kirkbi then introduced significant improvements to the blocks. It added tubes underneath the blocks which coupled with the studs on top. This clever locking system increased the friction between the bricks and enhanced their "clutch power", although children could still easily disassemble them. The current LEGO block was thus designed and marketed some 50 years ago. The same pattern of studs on the top of the block with tubes underneath remains in use. The only change was the addition of the mark "LEGO" on the top of each stud in tiny script. Kirkbi managed to keep patent protection of its technology in place for many years. But, in Canada, as elsewhere, patent protection came to an end. In Canada, the last patent expired in 1988. By that time, the quality and originality of its products had earned LEGO bricks a well-deserved reputation amongst parents and children. LEGO toys acquired generations of devoted clients and users in Canada as in many other countries.

5. After the expiry of Kirkbi's patents, clouds gathered on the horizon. New competitors appeared and attempted to market similar if not identical products. The most aggressive was the respondent, a Montreal toy

manufacturer now known as Ritvik. Ritvik had begun manufacturing toys in the 1960s. Later, in the 1980s, it developed and marketed a line of large-size building blocks. Finally, after the expiry of the last LEGO patents in Canada, it decided to use the traditional LEGO technology. It brought to market a line of small blocks, identical in size to LEGO blocks, which used the same geometrical pattern of stubs on top coupled with tubes underneath. They were sold under the name “MICRO MEGA BLOKS”. Ritvik sold its new line in Canada and exported them to several other countries. Over the last 10 years, it has become a significant global competitor to Kirkbi.

6. Facing new competition and now deprived of patent protection, Kirkbi attempted to protect its market position, employing a highly creative and aggressive use of the law of intellectual property and unfair competition, in several different legal systems throughout the world. This ongoing effort led to a substantial amount of litigation in several countries. For example, at times, Kirkbi tried to register its pattern of studs as a trade-mark or a design. Those attempts generally failed. In Canada, after the Registrar of Trade-marks rejected an application to register the pattern as a trade-mark, the appellant resorted to a more subtle and creative use of the resources of the law of intellectual property. This attempt led directly to the present litigation.

7. Kirkbi asserted unregistered trade-mark rights in respect of its use of the “LEGO indicia”. This mark consists of its distinctive orthogonal pattern of raised studs distributed on the top of each toy-building brick. These LEGO indicia are thus the upper surface of the block, with eight studs distributed in a regular geometric pattern (see *Sexton J.A.*, (2003), [2004] 2 F.C.R. 241 (F.C.A.), at para. 11). It alleged that the marketing by Ritvik of its micro and mini lines of small bricks using the same pattern caused confusion with its unregistered trade-mark. It claimed relief under s. 7(b) of the *Trade-marks Act* and under the common law doctrine of passing off. In a statement of claim filed in the Federal Court, Trial Division, it claimed ownership of this unregistered mark and sought a declaration that it had been infringed. It requested a permanent injunction to prevent the marketing of the micro and mini lines of MEGA BLOKS and damages.

(...)

On the facts, the trial judge found that the LEGO indicia and the asserted unregistered mark were purely functional. The mark was the product (see *Gibson J.*, at para. 61). Those findings were accepted by the Federal Court of Appeal and were not challenged in our Court. These findings raised the issue of the application of the doctrine of functionality, which barred the claim of infringement under s. 7(b) of the *Trade-marks Act*, in the view of the trial judge and of the majority of the Court of Appeal.

(3) *The Doctrine of Functionality in Trade-marks Law*

42. The doctrine of functionality appears to be a logical principle of trade-marks law. It reflects the purpose of a trade-mark, which is the protection of the distinctiveness of the product, not of a monopoly on the product. The *Trade-marks Act* explicitly adopts that doctrine ...

43. In these few words, the Act clearly recognizes that it does not protect the utilitarian features of a distinguishing guise. In this manner, it acknowledges the existence and relevance of a doctrine of long standing in the law of trade-marks. This doctrine recognizes that trade-marks law is not intended to prevent the competitive use of utilitarian features of products, but that it fulfills a source-distinguishing function. This doctrine of functionality goes to the essence of what is a trade-mark.

44. In Canada, as in several other countries or regions of the world, this doctrine is a well-settled part of the law of trade-marks. In the law of intellectual property, it prevents abuses of monopoly positions in respect of products and processes. Once, for example, patents have expired, it discourages attempts to bring them back in another guise.

45. The doctrine of functionality is a well-established principle of the Canadian law of trade-marks. Indeed, our Court characterized it in 1964 as a “well-settled principle of law”:

The law appears to be well settled that if what is sought to be registered as a trade mark has a functional use or characteristic, it cannot be the subject of a trade mark. (*Parke, Davis & Co. v. Empire Laboratories Ltd.*, [1964] S.C.R. 351, at p. 354, *per* Hall J.)

46. The Federal Court of Canada has consistently applied this doctrine. As in the present case, it has held time and again that no mark could consist of utilitarian features. Otherwise, it would make the wares a part of the mark and grant a monopoly on their functional features. For example, it is worth quoting MacGuigan J.A., in a discussion of the validity of a mark consisting of the particular shape of a razor head:

The distinguishing guise in the case at bar is in my opinion invalid as extending to the functional aspects of the Philip shaver. A mark which goes beyond distinguishing the wares of its owner to the functional structure of the wares themselves is transgressing the legitimate bounds of a trade mark. (*Remington Rand Corp. v. Philips Electronics N.V.* (1995), 64 C.P.R. (3d) 467 (F.C.A.), at p. 478; see also *Pizza Pizza Ltd. v. Canada (Registrar of Trade Marks)*, [1989] 3 F.C. 379 (C.A.), at p. 381, *per* Pratte J.A.; *Thomas & Betts, Ltd. v. Panduit Corp.*, [2000] 3 F.C. 3 (C.A.), at para. 25.)

This jurisprudence echoes earlier decisions of the Exchequer Court of Canada which applied the doctrine of functionality in respect of trade-marks, under an earlier statute. A combination of elements primarily designed to perform a function may not be the subject matter of a trade-mark (*Imperial Tobacco Co. v. Canada (Registrar of Trade Marks)*, [1939] Ex. C.R. 141 (Can. Ex. Ct.), at p. 145; *Elgin Handles Ltd. v. Welland Vale Manufacturing Co.* (1964), 43 C.P.R. 20 (Can. Ex. Ct.), at p. 24).

47. The Canadian jurisprudence is consistent with legislative and jurisprudential developments in other countries. Some of these jurisprudential developments arose out of the ongoing campaign of Kirkbi to protect its market position in many countries, by other legal means after the expiry of its patents.

48. In the United States, Congress recently incorporated the doctrine of functionality into the law of trade-marks. It is now a part of the *Lanham Trade-Mark Act*: see 15 U.S.C.A. § 1052(e)(5). The Supreme Court of the United States has also held that purely functional features may not become the basis of trade-marks (see, for example, *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (U.S. Sup. Ct. 2001), at p. 34; *Wal-Mart Stores Inc. v. Samara Bros. Inc.*, 529 U.S. 205 (U.S. Sup. Ct. 2000), at p. 211).

49. The European law of trade-marks also applies the doctrine of functionality. A directive of the European Commission does not allow the registration of purely functional trade-marks. It prohibits the registration as marks of signs which consist exclusively of a shape which is necessary to obtain a technical result (First Council Directive 89/104, *Encyclopedia of European Community Law* (EEC), art. 3(1)(e); see also L. Bently and B. Sherman, *Intellectual Property Law* (2nd ed. 2004), at pp. 794-96).

50. The European Court of Justice reached the same conclusion as had been reached in Canada. On the basis of the EEC directive and of the functionality principle, it found that the triangular shape of the Philips razor could not be registered as a trade-mark. It commented that the directive precluded the registration of shapes

whose essential characteristics perform a technical function with the result that the exclusivity inherent in the trade mark right would limit the possibility of competitors supplying a product incorporating such a function or at least limit their freedom of choice in regard to the technical solution they wish to adopt... (Case C-299/99, *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd.*, [2002] E.C.R. I-5475, at para. 79)

51. Kirkbi had registered its indicia as a community trade-mark, under European law. Seized of an application for

cancellation by Ritvik, the Cancellation Division of the Office for Harmonization in the Internal Market (Trade-marks and Designs) applied the principles set out in *Philips Electronics*, and voided the mark (63 C 107029/1 “Lego brick” (3D), July 30, 2004). It found that it had a purely technical function and that the EEC directive barred its registration.

52. At the root of the functionality principle in European law, as in Canadian intellectual property law, lies a concern to avoid overextending monopoly rights on the products themselves and impeding competition, in respect of wares sharing the same technical characteristics. It is interesting to observe that, within two different legal systems, a judge of the English High Court and a French Court of Appeal raised the same concerns and came to similar conclusions, when they had to pass judgment on attempts by Kirkbi to protect its indicia by relying on trade-mark law, the tort of passing off or the delict of unfair competition in French law. In this manner, their judgments confirm the validity and broad relevance of the functionality principle as well as the doggedness of Kirkbi in its efforts to retain its market share by any means.

53. In the English case, *Interlego AG’s Trade Mark Application*, [1998] R.P.C. 69 (U.K. H.L.), INTERLEGO appealed the Registrar of Trade Marks’s refusal to register the LEGO indicia as marks under British trade mark law to the High Court. Neuberger J. dismissed the appeal on this issue. In his opinion, the functional features of the brick could not be a trade mark. Granting rights under trade-mark law would be tantamount to perpetuating a monopoly on the product itself:

In all the circumstances, it seems to me that Mr. Pumfrey was right to contend, that Interlego are not so much seeking to protect a mark on an item of commerce, but are attempting to protect the item of commerce as such. In other words, they are not so much seeking a permanent monopoly in their mark, but more a permanent monopoly in their bricks. This is, at least in general, contrary to principle and objectionable in practice. A trade mark is, after all, the mark which enables the public to identify the source or origin of the article so marked. The function of the trade mark legislation is not to enable the manufacturer of the article to have a monopoly in the article itself. In the present case there is no special reason to conclude that the general approach should not apply. On the contrary, the functional aspect of the knobs and tubes, and the extent of the monopoly in the field of toy building bricks when Interlego might establish if their appeal succeeded, are strong factors supporting the registrar’s decision. [p. 110]

54. During the same period, the appellant had also engaged in a variety of legal proceedings to ward off Ritvik’s entry into the French market. It relied on various grounds, but, in the end, it appears that its efforts foundered on the same grounds as in Great Britain, namely that, in a free market, trade-marks should not be used to prolong monopolies on technical characteristics of products. Competition between products using the same technical processes or solutions, once patent rights are out of the way, is not unfair competition. It is simply the way the economy and the market are supposed to work in modern liberal societies.

(...)

(4) *The Applicability of the Doctrine of Functionality to Unregistered Trade-marks*

56. Kirkbi does not challenge the application of the functionality doctrine to registered marks in this Court. It raises a different argument. It submits that the doctrine does not apply to unregistered marks. In its view, such a mark does not grant its holder monopoly rights, but solely the right to be protected against confusion as to the source of the product. Moreover, it argues that legislative changes which occurred at the adoption of the present *Trade-marks Act* changed the previous law and limited the application of the functionality principle to registered trade-marks.

57. The first prong of the appellant’s argument concerns the nature of the rights granted by an unregistered

trade-mark. In substance, the appellant advances the submission that unregistered trade-marks do not create exclusive property rights, but give rise to a right to be protected against confusion in the market. The appellant says that this right could be enforced against competitors causing confusion in the market place under s. 7(b) of the *Trade-marks Act* and by the tort of passing off.

58. As Sexton J.A. found for the majority in the Court of Appeal, this argument has no basis in law. Registration does not change the nature of the mark; it grants more effective rights against third parties. Nevertheless, registered or not, marks share common legal attributes. They grant exclusive rights to the use of a distinctive designation or guise (*Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 (S.C.C.), at p. 134; Gill and Jolliffe, at pp. 4-13 and 4-14). Indeed, the *Trade-marks Act*, by allowing for the assignment of unregistered trade-marks, recognizes the existence of goodwill created by these marks as well as the property interests in them. Registration just facilitates proof of title (Sexton J.A., at paras. 76, 77, and 81). Sexton J.A. rightly pointed out that the argument of Kirkbi appears to rest on a misreading of a 19th century judgment of the House of Lords, *Singer Manufacturing Co. v. Loog* (1882), (1882-83) L.R. 8 App. Cas. 15 (U.K. H.L.), affg (1880), 18 Ch. D. 395 (Eng. C.A.). This judgment stands only for the proposition that an unregistered trade-mark could be mentioned by competitors in comparative advertising, not that it failed to create exclusive rights to the name for the purpose of distinguishing the products. The functionality doctrine remains relevant, as the legal nature of the marks remains the same.

(...)

61. In the end, the appellant seems to complain about the existence of competition based on a product, which is now in the public domain. As “LEGO” and LEGO-style building blocks have come close to merging in the eyes of the public, it is not satisfied with distinctive packaging or names in the marketing operations of Ritvik. It seems that, in order to satisfy the appellant, the respondent would have to actively disclaim that it manufactures and sells LEGO bricks and that its wares are LEGO toys. The fact is, though, that the monopoly on the bricks is over, and MEGA BLOKS and LEGO bricks may be interchangeable in the bins of the playrooms of the nation – dragons, castles and knights may be designed with them, without any distinction. The marketing operations of Ritvik are legitimate and may not be challenged under s. 7(b). This is enough to dispose of the claim of the appellant, which had grounded its claim of passing off on the existence of a trade-mark. Nevertheless, given the discussion in the courts below, some comments on the common law action for passing off will be useful.

(...)

Conclusion

70. For these reasons, I would dismiss the appeal with costs

Descriptive trademarks can overcome the obstacle of s.12(1)(b) TA, however, if the owner is able to establish that it has acquired sufficient distinctiveness to let the mark fulfil its essential function. This possibility is specifically provided for in s.12(3) TA which states that ‘a trademark that is not registrable by reason of paragraph (1)(a) or (b) is registrable if it is distinctive at the filing date of an application for its registration, determined without taking into account subsection 34(1), having regard to all the circumstances of the case including the length of time during which it has been used.’ The ‘Bon Appétit Banff’ trademark of the Banff Lake Louise Tourism Bureau described in the frame below provides an example of such ‘acquired distinctiveness’.

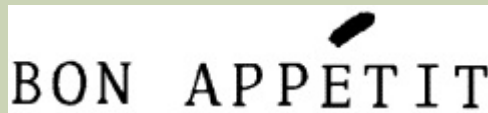
EXTENSION: Acquired Distinctiveness = ‘Secondary Meaning’

Advance Magazine Publishers, Inc. v. Banff Lake Louise Tourism Bureau, 2018 FC 108

1. The Banff Lake Louise Tourism Bureau (“Banff”) wanted to promote tourism during the “shoulder season”, the period after the end of the summer and before the launch of the ski season. It decided to advertise a ten-day event in November during which restaurants in the area would serve a series of special fixed-price meals, all under the name “Bon Appétit Banff”. It signed up local restaurants, set up a website, printed a number of advertisements, and required the participating restaurants to print menus and other material under the banner “Bon Appétit Banff”. It also applied for trademark protection for this name, and that application gave rise to this proceeding.

2. Advance Magazine Publishers, Inc. (“Advance”) opposed Banff’s application on the basis that it had already registered a number of trademarks under the name “Bon Appétit”, and allowing “Bon Appétit Banff” to be registered would likely be confusing for individuals in the marketplace. The Trademark Opposition Board (“TMOB”) granted Banff’s application, finding that the opponent had not filed evidence to support its claims, while Banff had filed evidence to demonstrate a limited use of the mark. Advance launched an appeal under section 56(1) of the *Trade-Marks Act*, and filed new evidence pursuant to s. 56(5) of the Act. Banff was given notice of this proceeding but did not participate.

3. The question in this appeal is whether an ordinary casual consumer, somewhat in a hurry, would look at a menu, notice or website advertising “Bon Appétit Banff” and likely be confused into thinking that the source of the services associated with the “Bon Appétit Banff” trademark was one and the same as the source of the goods or services associated with Advance’s BON APPÉTIT trademarks. If yes, Advance’s opposition to the registration of the Respondent’s trademark should be granted, and the TMOB decision should be overturned.



(registration No. TMA221520, registered June 24, 1977) For

Publications, namely a magazine.



(Application number 1519424)

(1) Inherent and acquired distinctiveness

30. This factor requires consideration of both the inherent distinctiveness of the mark and the extent to which the mark has acquired distinctiveness through use in the marketplace. (...)

31. Inherent distinctiveness depends on the extent to which a trademark is an everyday word or a non-descriptive, distinctive word. Where a trademark is a unique or created name, such that it refers to only one thing, it will be inherently distinctive and given a wide scope of protection.

32. In contrast, a descriptive or suggestive word or phrase will be viewed as a weak mark and given relatively

less protection; thus where a mark refers to many things or is a common reference in the market, or is merely descriptive of the goods or services, it will be given less protection.

33. The TMOB decision refers to the affidavit filed by Advance, which presented “dictionary definitions for the term ‘bon appétit.’ The literal meaning is ‘good appetite,’ however, the connotation is ‘enjoy your meal.’” On the basis of this, the TMOB found that the mark possesses “a fairly low degree of inherent distinctiveness as it is a common phrase comprised of two French words.” No other evidence on this point has been introduced, and I agree with the TMOB that the terms are not particularly unique. Indeed, they are often used at the opening of a meal.

34. Advance argues that the consideration of inherent distinctiveness must be made in the context of the particular goods or services (...). Advance contends that the term “bon appétit” is not inherently descriptive of the character or quality of the goods or services associated with its registrations and applications, namely on-line and print publications, operation of a website and social media activity, educational and training materials, etc.

35. I find that the terms are suggestive, but not particularly unique. They are two ordinary words, commonly associated with food or dining, but not unique or invented. However, there is no evidence that the term is commonly used in the market. I agree with the TMOB that the affidavit filed on this point did not establish that the term had become commonplace in the Canadian market. This does not end the analysis, however; I must consider the second aspect of this factor: whether the term has acquired distinctiveness.

36. On the evidence before me, Advance has established a strong presence in the Canadian market, both through long-standing distribution and sales of its print publication and through significant on-line and social media presence and activity. The affidavit of Ms. Wong Ortiz, on which there was no cross-examination, provides the factual foundation on this point which was missing before the TMOB.

37. The evidence on the reach into the Canadian market of the various components of Advance’s goods and services reflects wider trends over the past decade. While its print publication had ten-year total Canadian sales of 4.1 million copies to retailers and 1.36 million to customers, the annual figures show a decline in print sales over that period. The highest monthly totals in evidence are from 2006, when over 46,000 magazines were sold to retailers, of which over 22,000 were sold to customers. By 2015 this had declined to sales of over 22,000 magazines to retailers, of which 2,900 were sold to customers. In contrast, Advance’s on-line reach through its “Bon Appétit” website and social media presence has shown a steady and continuous growth in Canada during the same period. There are various ways of measuring this, but a few examples will make the point. Since 1997, there have been over 60 million “unique visits” to the website from Canada. As Ms. Wong Ortiz explains, “unique visitors” refers to different individuals annually and does not track repeat visits in any given year by the same unique visitor. Another approach simply measures the number of visitors per month from Canada, and this shows over two million unique visits per month from Canada.

38. In regard to social media, again there are a number of different ways of measuring the reach into the Canadian market through activity on social media. There are tens of thousands of Canadian “followers” of the Facebook and Twitter accounts held by Bon Appétit, and well over one million “likes” from Canadians for various articles and stories. Other channels measure the number of subscribers from Canada, and these show over ten thousand Canadian users, particularly focused on food, recipes, cooking, and restaurant recommendation features. It is estimated that 200,000 Canadians annually viewed videos presented by Bon Appétit on YouTube over the past decade.

39. In addition, Bon Appétit has licensed its trademark and logo in Canada to outlets such as the Home Shopping Network, Electrolux Major Appliances, and another (un-named) company that creates on-line travel packages.

The trademark was also licenced to Terlato Wines International, a company that distributes wine through an on-line wine shop. In addition to wine sales, this company created promotional events, featuring gourmet meals and wines selected by renowned chefs.

40. In regard to the magazine and website, Ms. Wong Ortiz' affidavit shows a number of feature articles on Canadian cities, with a particular focus on dining and other tourist attractions. This includes travel and restaurant guides for Montréal, Toronto, Québec City, Vancouver, and Niagara-on-the-Lake. Advertisements were placed in the magazine by several Canadian tourism bureaus, including Nova Scotia, Ontario, Québec, Tourism Canada, as well as tourism organizations from Toronto and Montreal. In addition, the magazine carried feature stories on particular culinary events held in various cities in North America. Overall, Bon Appétit's main focus is on tourism, dining, specialty food and drink, food preparation, along with other tourist activities.

41. While there is no evidence of actual recognition in the marketplace by consumers, I find that it is reasonable to infer from the evidence referred to above that the Applicant's use of "bon appétit" for its goods and services has acquired distinctiveness through its various activities in print and on-line, particularly given the evidence of sales and reach into the Canadian market. (...)

42. In many cases the acquired distinctiveness of a trademark is demonstrated by the reach of its presence in the market through both storefront presence and advertising. Consumer awareness can be demonstrated through surveys, or simply inferred from widespread advertising and the number of stores displaying the banner. Here, Advance sought to demonstrate its presence in the market through evidence of the sales of the magazine and the on-line presence through a website and social media vehicles. I find that the evidence of on-line and social media presence and activity is as useful and compelling as evidence of storefront presence and more traditional forms of advertising in print, radio or television.

43. In assessing customer awareness or reach into the marketplace through a website or social media presence, merely posting a website or putting content into a social media platform may not be indicative of any particular reach into the market which would support an argument of acquired distinctiveness through use in Canada. In this case, the more telling evidence relates to the number of visits or activity on the website or social media platforms. This is valuable because it demonstrates both Canadians' awareness of the material and their desire to take some steps to seek it out, which itself reflects a certain recollection or awareness. The on-line impact of the brand is evident because it requires Canadians to take steps to engage, either through visiting the website or taking steps to "follow" it or to "like" a feature article or photograph on one or more social media platforms. This can be equally valuable in supporting an analysis of acquired distinctiveness under the Act.

44. On the basis of all of the evidence presented, I find that Advance has established that its BON APPÉTIT registered and applied-for marks have acquired a degree of distinctiveness in the Canadian market.

[NOTE: The trademark application filed by Banff Lake Louise Tourism Bureau for Bon Appétit Banff was **refused**]

3. Certification Marks

Not all marks are meant to distinguish the goods or services of **one** undertaking from those of another. Some marks, known as certification marks, typically apply to the goods or services manufactured, sold or supplied by **various entities** that meet the standards set by the association holding the mark. Think of CSA, CAA, Fair Trade, Energy Star, FSC, Egg Quality Assurance, Gluten Free, Canada Organic, Non GMO, Dairy Farmers of Canada, 100% Canadian Milk etc. These marks receive the same level of protection as traditional trademarks once they are registered. Certification marks are specifically regulated under ss. 2, 23 to 25 of the Trademarks Act.

2. certification mark means a sign or combination of signs that is used or proposed to be used for the purpose of distinguishing or so as to distinguish goods or services that are of a defined standard from those that are not of that defined standard, with respect to

- (a) the character or quality of the goods or services,
- (b) the working conditions under which the goods are produced or the services performed,
- (c) the class of persons by whom the goods are produced or the services performed, or
- (d) the area within which the goods are produced or the services performed;

Registration of certification marks

23 (1) A certification mark may be adopted and registered only by a person who is not engaged in the manufacture, sale, leasing or hiring of goods or the performance of services such as those in association with which the certification mark is used or proposed to be used.

Licence

(2) The owner of a certification mark may license others to use it in association with goods or services that meet the defined standard, and the use of the certification mark accordingly is deemed to be use by the owner.

That definition must be viewed in the context of the Act as a whole, in that, in order to be a valid mark, any certification mark must be:

1. not clearly descriptive or deceptively misdescriptive of the wares or services in association with which it is used;
2. able to distinguish the wares or services of a defined standard from wares and services of others (ie. be distinctive);
3. not be used by the certification mark owner, but only by authorized licensees, in association with the performance of services, the production of wares or advertising the wares or services of those licensees, at the date relied upon by the owner as a date of first use;
4. not likely to be confusing with any registered or previously applied for trademark, or previously used trademark or trade name, in Canada (for a discussion of the concept of confusion, see section F. below);
5. such that “use” must be in accordance with section 4 of the Act with respect to services, which requires that a trademark (and therefore certification mark) is deemed to be used with services if it is used or displayed in the performance or advertising of these services (for a discussion of the concept of use, see section E. below).

In relation to point 1 above, s.25 TA specifies that a certification mark that is descriptive of the place of origin of goods or services, and not confusing with any registered trademark, is registrable if the applicant is the administrative authority of a country, state, province or municipality that includes or forms part of the area indicated by the certification mark, or is a commercial association that has an office or representative in that area, but the owner of any certification mark registered under this section shall permit its use in association with any goods or services produced or performed in the area of which it is descriptive. In other words, there must be a connection between the description of origin of the goods or services offered and the location of administrative authority or commercial association carries on its affairs. Section 25 carves out a narrow exception to section 12(1)(b) for certification marks that are descriptive of a place of origin [see *Maple Leaf Foods Inc v Consorzio del Prosciutto di Parma*, 2012 TMOB 249.]

Example: FAIR TRADE CERTIFIED & DESIGN – 1421478



Application number

1421478

Registration number

TMA801957

Type(s)

Design

Category

Certification Mark

CIPO status

REGISTERED

LIVE/REGISTRATION/Issued and Active



Filed 2008-12-04 Registered 2011-07-12 Registration Expiry Date 2026-07-12 Registrant Fairtrade Canada Inc. 1145 Carling Avenue Suite 7500 Ottawa ONTARIO K1Z7K4 Index headings FAIR TRADE CERTIFIED	Goods (1) Body soap bars, deodorant soaps, lip balms, hand creams, shea butter. (2) Clothing for infants, namely, sleepwear; fresh flowers; green foliage accompanying fresh flowers in a bouquet. (3) Sports balls, namely, soccer balls, basketballs (4) Chocolate products, namely, chocolate chips, chocolate bars, cocoa powder; cereal-based bars; non-alcoholic beverage, namely, fruit juices; coffee; sugar; molasses; dried fruits. Certification mark text The wares shall be produced, imported, processed and/or distributed in conformity with defined standards as set in the attached Trade Certification- Standard Operating Procedure manual and shall either be sourced from organizations of small producers or from establishments using hired workers. The organizations of small producers shall: be composed mainly of small producers; be able to demonstrate accountability to its members and for the resources used in its activities; use a portion of its income from the wares to invest in community initiatives for the improvement of social and economic conditions of its members; ensure the respect of national norms concerning the use and storage of pesticides; encourage its members to use environmentally sound methods of production; receive a set price or premium over the market price. The hired workers shall: receive minimum wages and benefit from safe and stable working conditions as defined by national legislation in the country of production; have the right and be given the opportunity to form a labour union; determine the use of the funds from the price premium associated with the sale of the wares through their elected representatives on a joint committee of workers and management representatives; use the funds for social and economic initiatives to improve their socio-economic initiatives to improve their socio-economic conditions. Where wares contain ingredients that cannot be sourced according to the above criteria, the wares shall: contain at least 20% Fair Trade Certified ingredients by dry weight; contain only Fair Trade Certified Ingredients where standards exist for those ingredients. AMENDMENT TO REGISTRATION / MODIFICATION A L'ENREGISTREMENT: TYPE OF AMENDMENT / GENRE DE MODIFICATION: Section 45 TMA / Article 45 de la Loi sur les marques de commerce DATE REGISTERED / DATE DE L'ENREGISTREMENT: 2018-01-30 DATE OF CHANGE / DATE DE CHANGEMENT: 2018-01-30 COMMENTS / COMMENTAIRES: THE REGISTER IS HEREBY AMENDING BY MAINTAINING THE GOODS: (1) Body soap bars, deodorant soaps, lip balms, hand creams, shea butter. (2) Clothing for infants, namely, sleepwear; fresh flowers; green foliage accompanying fresh flowers in a bouquet. (3) Sports balls, namely, soccer balls, basketballs. (4) Chocolate products, namely, chocolate chips, chocolate bars, cocoa powder; cereal-based bars; non-alcoholic beverage, namely, fruit juices; coffee; sugar; molasses; dried fruits AND DELETING ALL OTHERS.

The owner of a registered certification mark is responsible for certifying that the products bearing the mark have been produced, imported, processed and/or distributed in conformity with the standards set out in the defined certification standard. The owner's licensees are required in their licenses to conform to the character and quality of the goods set out in the standard. The same obligation exists in relation to a certification mark for services. Failure to conform with the standard can lead to termination of the licensing agreement [see *Robinson Sheppard Shapiro S.E.N.C.R.L./L.L.P. v Fairtrade Canada Inc.*, 2017 TMOB 133].

C. Prohibited Trademarks/ Official Marks

Apart from prohibiting the registration of signs that are descriptive, deceptively misdescriptive, confusing with a registered trademark or embodying a purely functional design, s.12(1) of the Act lists four additional categories of signs that cannot be registered: a sign or combination of signs whose adoption is prohibited by section 9 or 10; plant breeders' rights denominations; geographical indications set out on a list maintained by the registrar; and a mark the adoption of which is prohibited under the Olympic and Paralympic Marks Act. The list of prohibited trademarks laid down in s.9 is quite impressive, ranging from ss.9(1)(a) to (o). Most prohibited marks listed in the section find their origin directly in Article 6ter of the Paris Convention of 1883. It makes sense that the international community would early on have made arrangements to protect one another's state emblems, official hallmarks, as well as the emblems of Intergovernmental Organizations. Official mark can be put on the list of prohibited marks by filing a request with the registrar. Such requests may only be filed by countries who are parties to the Paris Convention, a province, a municipal corporation, Her Majesty's forces, or any university.

Paris Convention 1883

Article 6ter

Marks: Prohibitions concerning State Emblems, Official Hallmarks, and Emblems of Intergovernmental Organizations

(1)

(a) The countries of the Union agree to refuse or to invalidate the registration, and to prohibit by appropriate measures the use, without authorization by the competent authorities, either as trademarks or as elements of trademarks, of armorial bearings, flags, and other State emblems, of the countries of the Union, official signs and hallmarks indicating control and warranty adopted by them, and any imitation from a heraldic point of view.

(b) The provisions of subparagraph (a), above, shall apply equally to armorial bearings, flags, other emblems, abbreviations, and names, of international intergovernmental organizations of which one or more countries of the Union are members, with the exception of armorial bearings, flags, other emblems, abbreviations, and names, that are already the subject of international agreements in force, intended to ensure their protection.

(...)

Compared to the legislation of other jurisdictions, however, the Canadian *Trademarks Act* contains two unique subsections: first with respect to any scandalous, obscene or immoral word or device (s. 9(1)(j)); and second, with respect to the use of any sign used by public authority in Canada (s. 9(1)(n)(iii)). Let us examine the two types of prohibited marks below, looking at signs used by public authorities first.

1. Official marks

This subsection in the Canadian *Trademarks Act* is undeniably its most unique and controversial feature. Because of the broad power it confers on public authorities over the use of their official marks and because of the relative ease of obtaining protection, the application of this provision has always carried an air of controversy. Some have argued for its repeal; most advocate for its narrow interpretation. As a result of the unabated criticism, s.9(1)(n)(iii) was modified in 2018 to create a mechanism aimed at reducing potential abuses in relation to official marks. Sub-paragraphs 9(3) and 9(4)

give the Registrar the power, on its own initiative or at the request of anyone who pays the fee, to issue a public notice indicating that a previously issued notice that reserves the use of an official mark by a public authority no longer applies where the user of the official mark is not a public authority or where the authority no longer exists. The possibility to clean up deadwood in the Trademark Registry and to free some marks for others to use has been created; it must now be put to good use.

9 (1) No person shall adopt in connection with a business, as a trademark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for,

(n) any badge, crest, emblem or mark

(...)

(iii) adopted and used by any public authority, in Canada as an official mark for goods or services,

in respect of which the Registrar has, at the request of Her Majesty or of the university or public authority, as the case may be, **given public notice of its adoption and use;**

(...)

9 (3) For greater certainty, and despite any public notice of adoption and use given by the Registrar under paragraph (1)(n), subparagraph (1)(n)(iii) does not apply with respect to a badge, crest, emblem or mark if the entity that made the request for the public notice is not a public authority or no longer exists.

Notice of non-application

(4) In the circumstances set out in subsection (3), the Registrar may, on his or her own initiative or at the request of a person who pays a prescribed fee, give public notice that subparagraph (1)(n)(iii) does not apply with respect to the badge, crest, emblem or mark.

Despite the controversy, the application for a public notice recognizing a public authority's official mark is a frequently invoked provision in the *Trademarks Act*. Protection of an official mark can be obtained by filing a request with the registrar. In determining whether a body is a public authority, three of the factors which may be taken into account are:

- (1) does the body have a public duty;
- (2) is the body subject to significant public control;
- (3) and does the body direct its profits toward public benefit.

The degree of **governmental control** and the extent to which the body's activities **benefit the public** appear to be the most important factors in determining whether a body is a public authority for the purpose of subparagraph 9(1)(n)(iii). Bodies that qualify as a public authority must also establish that the official mark that is the object of the notice has indeed been **adopted and used prior to the filing of the request** to the registrar. The registrar has no discretion to refuse, not even in cases where the public notice could be deemed not to be in the public interest. Contrary to normal trademarks, requests to have an official mark put on the list of prohibited marks are not subject to the same controls of ss.12(1)(a) to (d), i.e. they can be descriptive, deceptively misdescriptive, or even generic. The inscription of official marks on the register is not subject to the opposition proceeding, nor does the existence of a confusing or identical registered trademark prevent the publication of the notice.

Public notice is given through the Trademark Journal. The purpose of the registrar's giving public notice of the adoption and use of an official mark is to alert the public to that adoption as an official mark by the public authority to prevent infringement of that official mark. It does not bestow upon the registrar any supervisory functions. Once public notice of the adoption and use of an official mark has been given, no person may adopt a trademark consisting of or so nearly resembling the trademark for which notice has been given as to be likely to be mistaken for it.

1 The Registrar of Trade-marks has given public notice that the Association of Architectural Technologists of Ontario ("AATO") has adopted and used as official marks for services, the words ARCHITECTURAL TECHNICIAN, ARCHITECTE- TECHNICIEN, ARCHITECTURAL TECHNOLOGIST, ARCHITECTE-TECHNOLOGUE.

2 As a result, members of the appellant, the Ontario Association of Architects ("OAA"), may be prevented from using any of these words in connection with their professional services, unless they had started to use them before April 28, 1999, the date when the Registrar gave public notice in the *Trade-marks Journal* of their adoption and use by the AATO as official marks.

3 This is an appeal from a decision of the Trial Division in which the Applications Judge dismissed an application by the OAA to reverse the decision to give public notice of the adoption and use of the official marks. He held that the Registrar had committed no reviewable error in concluding that the AATO is a public authority and that it had adopted and used the marks as official marks for services. The decision is reported as *Assn. of Architects (Ontario) v. Assn. of Architectural Technologists (Ontario)* (2000), [2001] 1 F.C. 577 (Fed. T.D.).

4 There are important advantages for a body that is able to claim a mark as an official mark, rather than simply as a trade-mark. However, only a public authority may register an official mark under subparagraph 9(1)(n)(iii) of the *Trade-marks Act*, R.S.C. 1985, c. T-13. The principal issue in this appeal is whether the AATO, a self-regulatory professional body, is a public authority for the purpose of this provision and thus capable of requesting the Registrar to give public notice of its adoption and use of a mark as an official mark.

5 A secondary issue is whether an application for judicial review under section 18.1 of the *Federal Court Act*, R.S.C. 1985, c. F-7, or an appeal under section 56 of the *Trade-marks Act*, is the appropriate proceeding in which an interested person may challenge the public notice given by the Registrar of an official mark. Although this case does not turn on the resolution of this issue, I propose to deal with it in these reasons since there is justifiable uncertainty in the profession on the proper way to proceed in cases of this kind.

(...)

15 It is convenient to describe here the provisions of the AATO Act that are relevant to this appeal. Section 2 sets out the principal objects of the AATO, which are virtually identical to those in its letters patent, which the Act superseded.

2. The objects of the Association are,*

- (a) to increase the knowledge, skill and proficiency of architectural technologists, architectural technicians, building technologists and building technicians and to grant accreditation and certification to such persons;
- (b) to foster the attainment of the highest standard of quality and competence in the field of architectural technology;
- (c) to establish, maintain and enforce strict rules of ethical conduct for members of the Association in the field of architectural technology;
- (d) to inform the public of the purposes and aims of the Association;
- (e) to promote harmonious relationships among members of the Association in order to stimulate the development of the Association and enhance its public reputation.

Any surplus funds derived from its activities are to be applied solely for carrying out the AATO's objects, and shall not be divided among its members : section 13.

16 Section 3 of the Act creates a council to manage the AATO's affairs and provides for the election of council members. Section 4 confers on the council a power to make by-laws, which must be open for examination by members of the public.

17 The AATO must grant membership to all applicants who are Canadian citizens of good character and satisfy its certification board that they have met the membership requirements prescribed in the by-laws or have equivalent qualifications : section 5. The AATO's registrar is under a duty to maintain a register of members in good standing, which must be kept open for public examination (section 7), and to remove from the register the names of members whose registration has been suspended or revoked as a result of disciplinary proceedings or whose membership has lapsed for other reasons (section 8). A copy of the register, certified by the registrar, shall, in the absence of evidence to the contrary, be received in evidence in any proceedings as proof of a person's membership in the AATO : section 11. A person who has been refused membership in the AATO or who has been the subject of a disciplinary sanction may appeal to the Divisional Court on questions of fact or law : section 10.

18 Section 9 defines the scope of the monopoly created by the Act. Subsection 9(1) provides that a registered member of the AATO may use the designation "M.A.A.T.O." and one or more of the designations : "architectural technician" or "architecte-technicien"; "architectural-technologist" or "architecte-technologue"; "registered building technologist" or "registered building technician". It is an offence for those who are not registered members of the AATO to use these designations or to hold themselves out as registered members : subsection 9(2). However, as a result of submissions made by the OAA, subsection 9(3) was added to create an important exception to subsection (2) : it is not an offence for those holding licences or certificates of practice issued under the *Architects Act*, or who are permitted by paragraph 46(8)(c) of that Act to use the title "architect" or "architecte", to use designations that otherwise may be used only by members of the AATO.

19 Section 12 emphasises the relatively narrow scope of the statutory monopoly. It provides that, subject to subsection 9(2), nothing in the Act prevents those who are not members of the AATO from describing themselves as building technologists or building technicians, from being employed in those capacities, or from offering or providing services similar to those offered or provided by architectural technologists or architectural technicians.

(...)

(i) *governmental control*

57 Counsel for the OAA argued that the Judge erred in law in concluding, in effect, that, simply because it is a creature of statute, the AATO is subject to a significant degree of governmental control. The Applications Judge explained his conclusion by saying of the AATO (*supra* at para. 18): "Its enabling legislation is capable of being amended or repealed by the Government of Ontario at any time." Perhaps an even stronger way of putting this point would be to say that the AATO is subject to governmental control because it is a statutory body with no delegated power to alter its corporate powers, objects or functions without an amendment to its statute.

58 Thus, the essential question is whether the fact that the AATO requires an amendment to its legislation to change its objects, powers or duties is a sufficiently significant degree of government control to satisfy this element of the test of whether a body is a public authority. In my respectful opinion, the Judge erred when he concluded that AATO's statutory origin is in itself sufficient to make it a public authority. That conclusion is reviewable for correctness because it is likely to be of precedential effect in future cases where a body's status as a public authority is in dispute: see *Housen v. Nikolaisen*, *supra* at para. 28.

59 Even if the test of governmental control of an otherwise private organization does not require control by the Executive, as opposed to control by the Legislature, it does call for some ongoing government supervision of the activities of the body claiming to be a public authority for the purpose of subparagraph 9(1)(n)(iii).

60 A comparison with the *Architects Act* reveals the kinds of government control often included in Ontario legislation creating self-regulatory professional bodies. For example, section 6 confers powers on the relevant Minister to review the activities of the OAA's Council; to request Council to undertake activities that, in the Minister's opinion, are necessary and desirable for implementing the intent of the Act; and to advise Council on the implementation of the statutory scheme. In addition, the Council's regulation-making power is exercisable with the approval of the Lieutenant Governor in Council: subsection 7(1). The Lieutenant Governor in Council also has the power to appoint between three and five members of the Council (paragraph 3(2)(b)); a member of the Complaints Committee (paragraph 29(1)(b)) and the Discipline Committee (paragraph 33(1)(b)); and the Complaints Review Councillor (subsection 31(1)).

61 Similar provisions are contained in the *Regulated Health Professions Act*, 1991, S.O. 1991, c. 18, sections 2, 3, 5 and 6, and the legislation governing the regulation of the various health disciplines.

62 In my view, this is the kind of government superintendence to which one would expect a self-regulatory professional body to be subject if it is to be characterized as under a significant degree of governmental control for the purpose of subparagraph 9(1)(n)(iii). Counsel for the AATO conceded that the only form of governmental control on which he could rely was that exercisable through the Legislature's exclusive power to change the AATO's statutory objects, powers and duties. This is insufficient to satisfy the governmental control test because it is not a power that enables the government, directly or through its nominees, to exercise a degree of ongoing influence in the body's governance and decision-making similar to that often found in legislation dealing with statutory bodies that regulate the practice of a profession in which only those whom they license may engage, such as architecture and the law.

63 In reaching this conclusion, I have kept in mind the statutory context in which this question is being considered, namely, subparagraph 9(1)(n)(iii) of the *Trade-marks Act*. This provision, it will be recalled, confers very substantial benefits not available to the owners of trade marks, and thus has the capacity to injure both existing trade mark owners and the public. An official mark need not serve to distinguish wares or services, it may be merely descriptive, and it may be confusing with another's mark. Once public notice has been given of its adoption and use, an official mark "is hardy and virtually unexpungeable" (*Mihaljevic v. British Columbia*, *supra* at 89) and, once the Registrar has given public notice under subparagraph 9(1)(n)(iii), no mark may be used that is likely to be confused with an official mark.

64 These considerations persuade me that subparagraph 9(1)(n)(iii) should not be given an expansive meaning by equating the need for legislative amendment with government control. To hold that any body created by statute satisfies the government control test would widen very considerably the range of bodies that may be able to claim the benefit of an official mark. A body that succeeded in securing a private Act of the Legislature would be recognized as a public authority if it could also show that its activities conferred a public benefit. And, according to the Applications Judge, the fact that the body also benefits its members does not preclude a finding of public benefit. Hence, the fact that a self-regulatory body is statutory, and its objects and powers may be amended unilaterally and exclusively by the Legislature that created it, does not in law constitute "governmental control" in this context.

(ii) public benefit

65 In view of my conclusion that the AATO is not subject to a sufficiently significant degree of governmental control to qualify as a public authority, it is strictly not necessary for me to consider whether the activities of the

AATO satisfy the public benefit requirement. Nonetheless, I shall deal with this issue since it was fully canvassed in argument and constitutes the other half of the definition of a public authority.

66 Counsel for the OAA submitted that the Applications Judge committed a legal error when he stated (*supra* at paras. 19 and 22) that the AATO regulated the professions of architectural technician and architectural technologist. He said that, unlike the *Architects Act*, subsection 2(3), the objects of the AATO do not include the regulation of the practice of a profession. At most, the AATO regulates the conduct of its members and, through its powers to set standards and determine membership, controls who may claim membership and use the designations that are reserved almost exclusively for its members.

67 I agree that the AATO does not regulate a profession in the sense of controlling professional activities in which only its members may lawfully engage. However, I do not accept that the Applications Judge committed a legal error in expressing himself as he did. For, as counsel for the AATO pointed out, by setting and enforcing standards of professional competence and ethical conduct of its members, the AATO regulates part of the practice of the profession. That is, it regulates the part of the profession in which practitioners use their membership in the AATO and the statutory designations, including architectural technician or architectural technologist, in connection with the services that they provide.

68 Further, it was entirely reasonable in my opinion for the Applications Judge to conclude that the AATO's regulatory activities benefit the public. By engaging a member of the AATO, a client who requires the services offered by architectural technicians or architectural technologists has some assurance that the person engaged is competent and honest. Moreover, because the registrar of the AATO is under a duty to ensure the accuracy of the register, which must be available for public inspection, potential clients or employers can check whether a given person is a member.

69 I would also agree with the Applications Judge that the fact the activities of the AATO may also benefit its members is not a fatal objection to characterizing them as benefiting the public. The mix of public and private benefit tends to be a feature of professional self-regulation, even when, as in the case of the legal profession for example, a statutory body regulates the practice of the profession and a non-statutory body acts as its advocate. Both perform functions (professional education, for example) that serve the interests of the public as citizens and clients, as well as those of members of the profession.

70 Similarly, I am not persuaded by the further argument that the AATO does not exist for the benefit of the public because section 13 of the AATO Act provides that any surplus that the AATO derives from carrying on its affairs shall be applied to the pursuit of its objects and shall not be divided among the members. Counsel for the OAA argues that paragraph 2(e) of the Act provides that it is an object of the AATO to promote harmonious relationships among members in order to stimulate the development of the AATO and to enhance its public reputation. Accordingly, he argues, all the surplus could be spent on this object, which benefits the AATO's members and not the public.

71 However, in my view this object has a dual function: to encourage the public to seek out the services of members of the AATO by eliminating unseemly conduct among members and thus enhancing the reputation of the AATO and its members, and, thereby, to increase members' professional income. Section 13 and paragraph 2(e) are not, in my opinion, incompatible with a finding that the AATO's activities benefit the public.

72 Accordingly, the Applications Judge committed no reviewable error in concluding that the AATO satisfied the public benefit element of the definition of a public authority for the purpose of subparagraph 9(1)(n)(iii).

73 Finally, I would note that, as with many other statutory self-regulatory professional bodies in Ontario, including the OAA, decisions of the AATO to refuse membership and to discipline members are subject to an appeal on questions of fact and law to the Divisional Court of the Superior Court of Justice. By expanding

somewhat the scope of judicial review to which such decisions would otherwise be subject, the Legislature has provided another indication that the public benefits from the proper performance by the AATO of its functions.

Conclusions

74 In view of my conclusion that the Applications Judge erred in law when he held that the AATO established that it was subject to a significant degree of governmental control simply because it was created by statute, I do not propose to deal with the separate issue of whether the AATO had established that it had adopted and used the marks as official marks for services.

75 The error committed by the Applications Judge requires that the appeal be allowed. Moreover, since the only connection between the AATO and government is its statutory creation, and its consequent inability to amend its objects, powers and duties without an amendment to its statute, the Registrar's decision to give public notice under subparagraph 9(1)(n)(iii) was either an unreasonable application of the statute to the facts or must have been based on a legal error, namely that, as a body created by statute, the AATO was thereby subject to a sufficiently significant degree of governmental control to be a public authority.

76 For these reasons, I would allow the appeal with costs and set aside the order of the Trial Division, grant the application for judicial review with costs, and set aside the public notice given by the Registrar of the marks adopted and used by the AATO as official marks for services.

The public notice of an official mark gives the public authority using it the power to prevent anyone from adopting and using a mark 'so nearly resembling as to be likely to be mistaken for' it. Disputes between public authorities and (potential) trademark applicants are not uncommon, especially since the existence of a public notice relating to an official mark is sufficient ground for the refusal by the Registrar to register a mark that 'so nearly resembling as to be likely to be mistaken for' it, pursuant to s.12(1)(e) TMA. Section 12(1)(e) TMA can also be invoked by public authorities as a ground for opposition to the registration of another undertaking's mark.

A public notice relating to an official mark issued pursuant to subparagraph 9(1)(n)(iii) forbids the future adoption of a trademark 'so nearly resembling as to be likely to be mistaken for' a mark adopted by a public authority in respect of which the Registrar 'has ... given' (past tense) public notice. Consequently, it does not retroactively prohibit the adoption of marks. It is only prospective in operation. Section 12 of the Act, dealing with registration, speaks in the present tense ('a mark of which the adoption is prohibited by section 9'). It therefore renders unregistrable a not yet registered mark, the adoption of which would now run afoul of s. 9, even if that mark had been adopted and used prior to the giving of public notice under s. 9. The wording of the provisions relating to the adoption of an official mark by a public authority and the registration of a similar trademark by another party are not parallel. Whatever rights to the use of a mark may flow from its adoption are undisturbed by the subsequent adoption and use of a confusingly similar official mark; **the right to register the mark is, however, prohibited from the time of the giving of the public notice, irrespective of whether the goods and services are similar or not.** *Cdn. Olympic Assn. v. Allied Corp.*, [1990] 1 F.C. 769 (F.C.A.)

Contrary to the above, a dispute between a previously registered ordinary trademark and a subsequent request for public notice relating to a confusing official mark will be solved in favour of the former. In *Ontario (Energy) v. Quality Program Services Inc.* 2020 FCA 53, the Federal Court of Appeal confirmed that subpara. 9(1)(n)(iii) of the Act prohibits the use of a mark that has been 'adopted and used by any public authority in Canada as an official mark for goods and services' where 'the Registrar has, at the request...of the...public authority...given public notice of its adoption and use', but that it in no way confers on the public authority any particular protection against claims for trademark infringement or other claims under the Act. A public authority that chooses to use a mark that is confusing to a registered trademark does so at its peril. In other words, **holders of official marks may be held liable for damages if their official marks infringe on other previously registered marks.** If the use of an official mark by a public authority causes confusion with

a trademark that was already registered, then the trademark holder may bring an action for infringement. If the official mark is found to infringe on the trademark, the public authority may be forced to pay damages to the trademark holder.

When dealing with an opposition filed by a public authority, the Trademark Opposition Board (TMOB) and the Federal Court have been known to give a narrow interpretation to the official mark. In *Chartered Professional Accountants of Ontario v. American Institute of Certified Public Accountants*, 2021 FC 35, CPA Ontario opposed the registration by AICPA of the mark “THIS WAY TO CPA” under section 12(1)(e) TMA, because it is “a mark of which the adoption is prohibited” by section 9(1)(n)(iii) of the TMA. The TMOB rejected the opposition finding that there was no evidence that CPA Ontario’s official mark was used. As the Federal Court observed, ‘while there was evidence of provincial legislation regulating the use of professional designations by accountants in Ontario, there was no evidence of use of CPA as a designation by accountants, apart from bald assertions’. The Court agreed with the TMOB that the regulation of the use of CPA as a professional designation under provincial statutes does not constitute use of that designation as a trademark within the meaning of section 4 of the TMA [see section E. ‘Concept of Use’ below] and in a trademark opposition proceeding, it is use as a trademark that is of concern.

Example: Official Mark to protect Indigenous signs

Indigenous communities across Canada have been struggling to find adequate legal protection for their cultural heritage. Among the various forms of expression, the use of logos and signs is part of each community’s identity. It makes perfect sense that First Nations would seek to obtain the protection of their official marks under subparagraph 9(1)(n)(iii) TMA on the same footing as any other public authority in Canada.

The Trademark Database currently counts fifty inscriptions of official marks owned by First Nations, including the example below.

MADAWASKA MALISEET FIRST NATION CREST Design — 0922055



Application number

0922055

Type(s)

Design

Category

Prohibited Mark; Official Mark

Section 9 information

Subparagraph 9(1)(n)(iii)

CIPO status

ADVERTISED

Filed

2013-01-09

Advertised

2013-11-13

Responsible Authority

MADAWASKA MALISEET FIRST
NATION 1771 Principale St.
Madawaska Maliseet First
Nation NEW BRUNSWICK
E7C1W9

Vienna information (Code & Description)

22.5.25 Other sculptures -- Note: Including abstract sculptures.

A Native crafts (ex. dream catcher, etc.)

22.5.50

7.1.20 Tents, yurts

A Tepees

7.1.51

6.3.11 Landscapes with running water

A Other landscapes with running water

6.3.20

3.7.1 Eagles, falcons, vultures, condors

3.7.16 Birds in flight or with outspread wings

A Birds or bats stylized or personified

3.7.24

26.1.1 Circles

3.7.19 Heads of birds, parts of birds, feathers, footprints,
skeletons of birds

Classification data

Disclaimer

The classification data is provided for information and searching purposes only. CIPO does not warrant the accuracy of the classes assigned to the trademark. This data has no legal value of any kind.

The Madawaska Maliseet First Nation community obtained the protection of their logo as official mark in 2013.

2. Scandalous, obscene, immoral marks

In the long list of prohibited marks enumerated in s.9(1) TMA are those that are likely to be mistaken for 'any scandalous, obscene or immoral word or device'. This provision knows of no equivalent in the Paris Convention or the TRIPs Agreement.

9 (1) No person shall adopt in connection with a business, as a trademark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for (...)

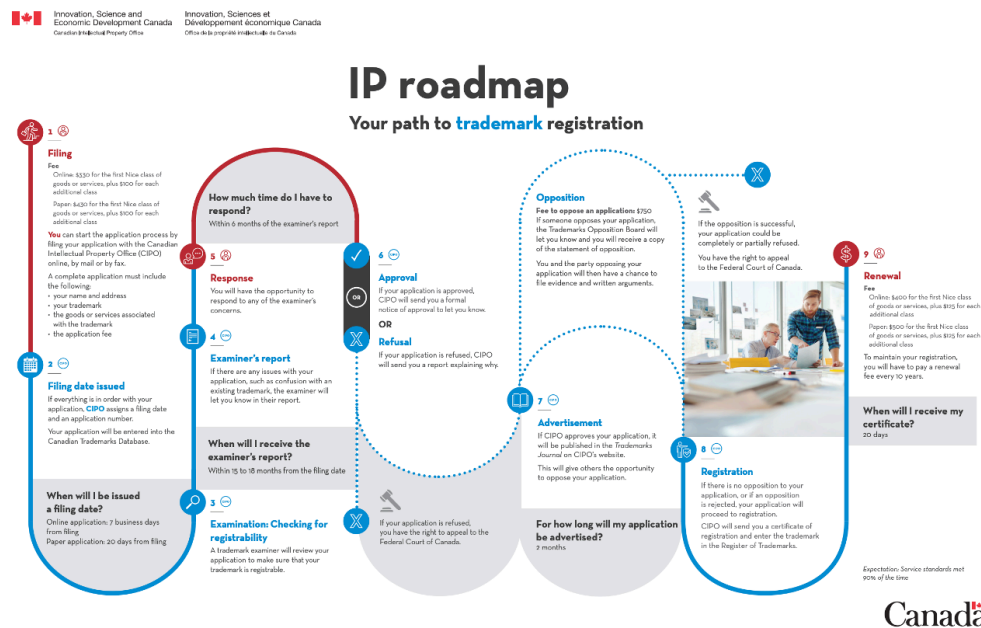
(j) any scandalous, obscene or immoral word or device;

Admittedly, the provision has seldom been invoked before the TMOB or the courts. But it does offer undertakings, and society as a whole, a tool to counter the adoption and use of offensive marks. What constitutes a scandalous, obscene or immoral mark will undeniably change over time, along with societal values. Recent discussions in the media relating

to the use Uncle Ben's, Aunt Jemima and Eskimo trademarks are clear illustrations of how society's views on equality, diversity and inclusiveness have changed. Societal pressure seems to have been sufficient to motivate the trademark owners to reconsider the use of these trademarks. In absence of voluntary action, s.9(1)(j) TMA could perhaps have served as an extra argument towards change.

D. Registration Process

Although non-registered trademarks benefit from a certain degree of protection under the Canadian common law, the full protection of a regular trademark or certification mark is only guaranteed if it is registered at the Canadian Intellectual Property Office. In comparison to the patent application process, registering a trademark is much quicker, and cheaper, and the examination process is much less demanding. A trademark will be registered if it qualifies as a distinctive sign, if it does not fall within the exclusions of s.12 TA, if all formalities are complied with and if no one lodges a successful opposition proceeding. The most important steps in the application process are described in greater detail in the following paragraphs.



CIPO: IP roadmap – Trademark registration process

CONTENT OF A TRADEMARK APPLICATION

Requirements for application

30 (1) A person may file with the Registrar an application for the registration of a trademark in respect of goods or services if they are using or propose to use, and are entitled to use, the trademark in Canada in association with those goods or services.

Contents of application

(2) The application shall contain

- (a) a statement in ordinary commercial terms of the goods or services in association with which the trademark is used or proposed to be used;
- (b) in the case of a certification mark, particulars of the defined standard that the use of the certification mark is intended to indicate and a statement that the applicant is not engaged in the manufacture, sale, leasing or hiring of goods or the performance of services such as those in association with which the certification mark is used or proposed to be used;
- (c) a representation or description, or both, that permits the trademark to be clearly defined and that complies with any prescribed requirements; and
- (d) any prescribed information or statement;

Pursuant to s.30(2) TMA and s.31 of the Trademark Regulations 2018, a complete application includes:

- an application for registration, containing all required information;
- a formal drawing, if needed;
- the filing fee;

A separate application must be filed for each trademark, for example for a word mark and a logo relating to the same goods or services. One application for a trademark can cover multiple goods and/or services. The goods or services are to be grouped according to the classes of the Nice Classification, each group being preceded by the number of the class of the Nice Classification to which that group of goods or services belongs and presented in the order of the classes of the Nice Classification. There are 34 classes of goods and 11 classes of services. The class headings describe in very broad terms the nature of the goods or services contained in each class. Note, however, that the Nice Classification does not supersede the Trademarks Act and Regulations. Consequently, the provisions under the Canadian legislation for specifying all goods and services pursuant to paragraph 30(2)(a) of the Act prevail.

Recall also that additional evidence of the distinctive character of a mark at the filing date of the application for its registration can be requested by the Registrar in any of the situations covered by s.32(1) TMA, including descriptive marks for which secondary meaning must be established, marks that are not inherently distinctive, a trademark that consists exclusively of a single colour or of a combination of colours without delineated contours, and a non-traditional sign as a trademark.

FILING DATE

According to s.33 TMA, the filing date of an application for the registration of a trademark in Canada is the day on which the Registrar has received all of the following:

- (a) an explicit or implicit indication that the registration of the trademark is sought;
- (b) information allowing the identity of the applicant to be established;
- (c) information allowing the Registrar to contact the applicant;
- (d) a representation or description of the trademark;
- (e) a list of the goods or services for which registration of the trademark is sought;
- (f) any prescribed fees.

This filing date is important since it is the date used to assess who is entitled to registration in the case of confusion between co-pending trademarks.

In the case of applications first filed outside of Canada for the registration of the same or substantially the same

trademark in association with the same kind of goods or services, the filing date of the application in or for the other country is deemed to be the filing date of the application in Canada and the applicant is entitled to priority in Canada, if

(a) the filing date of the application in Canada is within a period of six months after the date on which the earliest application was filed in or for any country of the Union for the registration of the same or substantially the same trademark in association with the same kind of goods or services;

(b) the applicant files a request for priority in the prescribed time and manner and informs the Registrar of the filing date and country or office of filing of the application on which the request is based;

(c) the applicant, at the filing date of the application in Canada, is a citizen or national of or domiciled in a country of the Union or has a real and effective industrial or commercial establishment in a country of the Union; and

(d) the applicant furnishes, in accordance with any request under subsections (2) and (3), evidence necessary to fully establish the applicant's right to priority.

THE EXAMINATION PROCESS

When the Registrar receives the application, the Office will:

- search trademark records to find any existing or pending trademark that could conflict with the applicant's trademark
- examine the application to make sure it complies with the Trademarks Act and Regulations, and inform the applicant about any missing requirements or any objection to registering the trademark; pursuant to s.35 TMA, the Registrar may require an applicant for registration of a trademark to disclaim the right to the exclusive use apart from the trademark of such portion of the trademark as is not independently registrable, but the disclaimer does not prejudice or affect the applicant's rights then existing or thereafter arising in the disclaimed matter, nor does the disclaimer prejudice or affect the applicant's right to registration on a subsequent application if the disclaimed matter has then become distinctive of the applicant's goods or services.
- publish the application in the Trademarks Journal, leaving time for opposition (challenges) to the application
- allow and register the trademark if no one files an opposition to the application (or if any opposition filed has been decided in the applicant's favour)

During the examination process, the applicant may amend their application either at the request of the Registrar or voluntarily. For example, pursuant to s.35 TMA, the Registrar may require an applicant for registration of a trademark to disclaim the right to the exclusive use apart from the trademark of such portion of the trademark as is not independently registrable. Such disclaimer does not prejudice or affect the applicant's rights then existing or thereafter arising in the disclaimed matter, nor does the disclaimer prejudice or affect the applicant's right to registration on a subsequent application if the disclaimed matter has then become distinctive of the applicant's goods or services.

Example: Disclaimer text

MEDICAL DISPENSER & Design — 1910601

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Details

[Third-party disclaimer](#)



Application number	1910601
Registration number	TMA1111676
Type(s)	Design
Category	Trademark
CIPO status	REGISTERED
TM5 status	LIVE/REGISTRATION/Issued and Active
	
	The trademark application has been registered with the Office.
Filed	2018-07-20
Registered	2021-10-15
Registration Expiry Date	2031-10-15
Registrant	FAGOR, S.COOP. Barrio San Andres, s/n E-20500 Arrasate-Mondragon SPAIN
Agent	GOWLING WLG (CANADA) LLP 550 BARRARD STREET SUITE 2300 VANCOUVER

Disclaimer text

The applicant disclaims the right to the exclusive use of the words MEDICAL DISPENSER apart from the trademark.

Index headings

MEDICAL DISPENSER

Vienna information (Code & Description)

1.15.9	Luminous sources, rays, shafts of light
1.3.2	Other representations of the sun
29.1.6	White, grey, silver
29.1.4	Blue

Colour claim

Colour is claimed as a feature of the trademark. The words medical Dispenser are in dark grey; the circle design is in medium blue.

Goods (Nice class & Statement)

9	(1) Computer software namely downloadable mobile applications for use in scheduling reminders to administer personal medication, monitoring and recording administration of personal medication, tracking inventories of personal medication, and database management.
10	(2) Automatic electronic medication dispensers designed for organizing, measuring out doses, dispensing, scheduling reminders to administer personal medication and monitoring and recording administration of personal medication regimes.
16	(3) Blister packs for packaging namely blister packs for medication.

Claims

Used in SPAIN

Registered in or for EUIPO (EU) on November 25, 2015, under No. 014414338

Proposed Use in CANADA

The owner of this trademark is not allowed to use the words 'medical dispenser' apart from the word and logo combination. In other words, the trademark owner has no claim against anyone who uses these words, even in relation to similar goods.

According to s.35(1) of the *Regulations*, an application for the registration of a trademark may be amended before the trademark is registered. Some exceptions apply, however, as listed in s.35(2) of the *Regulations*. Requests for amendment can pertain for example to the description of the goods and services sold in association with the trademark, to the entry of a disclaimer, to the correction of an error or to the modification of the standard underlying the use of a certification mark. Pursuant to s.41(1) of the *Act*, once the trademark is entered in the register, the Registrar may, on application by the registered owner of a trademark and on payment of the prescribed fee, make any of the following amendments to the register:

- correct any error or enter any change in the name, address or description of the registered owner;
- cancel the registration of the trademark;
- amend the statement of the goods or services** in respect of which the trademark is registered;
- amend the particulars of the defined standard** that the use of a **certification mark** is intended to indicate;

(e) **enter a disclaimer** that does not in any way extend the rights given by the existing registration of the trademark; or

(f) subject to the regulations, merge registrations of the trademark that stem, under section 39, from the same original application.

Since an extension of the statement of goods and services has the potential of affecting the activities of competitors, applications in this sense are also published in the Trademark Journal, to give notice to anyone of the change. The publication of applications and amendments to registration also serves as a means of informing the general public about the trademark and the associated goods and services.

Example: Application to extend the statement of goods and services (s.41 TMA)

615,034(01)

TRADEMARKS JOURNAL

2021-09-29
Vol. 68 No. 3492

Applications to extend the statement of goods or services ↑

Application Number 615,034(01)
Registration Number TMA370,880
Language of Application English

Filing Date 2019-12-20

APPLICANT AND AGENT DETAILS

Applicant
VINAVIL S.p.A.
Viale Jenner Edoardo 4
20159 Milano
ITALY

Agent
LONNIE BRODKIN-SCHNEIDER
(MILLER THOMSON LLP), 1000, rue de la
Gauchetière Ouest, bureau 3700, Montréal,
QUEBEC, H3B4W5

TRADEMARK DETAILS

RAVIFLEX

Trademark Type
Word

Goods

Class 01

Chemical polymers used in food and pharma industries also utilized as intermediates for production of gum base in the food industry

Original registration certificate:

RAVIFLEX — 0615034

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Details

[Third-party disclaimer](#)

Application number	0615034
Registration number	TMA370880
Type(s)	Word
Category	Trademark
CIPO status	REGISTERED
TM5 status	LIVE/REGISTRATION/Issued and Active
	 The trademark application has been registered with the Office.
Filed	1988-09-12
Registered	1990-07-20
Registration Expiry Date	2030-07-20
Current owner	VINAVIL S.p.A. Viale Jenner Edoardo 4 20159 Milano ITALY

Index headings

RAVIFLEX
RAVI FLEX

Goods (Nice class & Statement)

1 (1) Chemicals, chemical precursors and additives for the manufacture of rubber, plastics and plasticizers.

Claims

Priority Filing Date: April 13, 1988, Country or Office: {unknown address} in association with the same kind of goods
Used in ITALY
Registered in or for ITALY on April 13, 1988, under No. 497,115

Recordals (known also as Footnotes)

CHANGE IN TITLE / CHANGEMENT EN TITRE:
TYPE OF CHANGE / GENRE DE CHANGEMENT: Assignment / Cession
DATE REGISTERED / DATE DE L'ENREGISTREMENT: 2005-08-11
DATE OF CHANGE / DATE DE CHANGEMENT: 1994-07-08
COMMENTS / COMMENTAIRES: FROM: ENICHEM SYNTHESIS S.P.A.,
TO: VINAVIL S.p.A.
Voir Preuve au dossier/See evidence on File No. 615034

OPPOSITION

Pursuant to s.38 TA, any person with a reasonable argument for doing so can oppose a trademark application advertised in the Trademarks Journal. The person must make the opposition within two months of the publication date by either filing a statement of opposition or asking for more time to oppose. The proper fee must be sent with the statement of opposition or request for more time. The Registrar will not allow any opposition that it considers to be frivolous.

Statement of opposition

38 (1) Within two months after the advertisement of an application for the registration of a trademark, any person may, on payment of the prescribed fee, file a statement of opposition with the Registrar.

Marginal note: Grounds

(2) A statement of opposition may be based on any of the following grounds:

- (a) that the application does not conform to the requirements of subsection 30(2), without taking into account if it meets the requirement in subsection 30(3);
- (a.1) that the application was filed in bad faith;
- (b) that the trademark is not registrable [**see s.12(1) TMA**];
- (c) that the applicant is not the person entitled to registration of the trademark [**see s.16(1) TMA**];
- (d) that the trademark is not distinctive [**see s.32(1) TMA**];
- (e) that, at the filing date of the application in Canada, determined without taking into account subsection 34(1), the applicant was not using and did not propose to use the trademark in Canada in association with the goods or services specified in the application; or
- (f) that, at the filing date of the application in Canada, determined without taking into account subsection 34(1), the applicant was not entitled to use the trademark in Canada in association with those goods or services.

Opposition is a complex and often long process. Opposition proceedings are held before the Trademark Opposition Board. They are adversarial in nature and similar to court proceedings. Both parties may file evidence and counter-arguments, cross-examine the evidence of the other party, and appear at an oral hearing. After a final decision is made, it may be appealed to the Federal Court of Canada.

The opposition proceeding is a powerful, strategic, tool in the hands of competitors mostly, who use it to assert their own rights against those of other applicants whose marks risk impeding their activities, or to put limits on the scope of protection that would be conferred on the applicant.

Subparagraph 38(2)(a.1) TMA, i.e. allowing oppositions against applications filed in bad faith, was added through the 2018 legislative amendments as a result of the 2014 removal of the requirement of actual use as a condition for the registration of a trademark in Canada. Until that time, applicants were required to provide evidence of use of the mark in connection with all the goods or services claimed in the application, before the Registrar would issue the certificate of allowance. Upon ratifying the *Singapore Treaty on Trademark Law*, Canada changed its age-old practice of requiring proof of use as a condition for registration, in favour of allowing applications based on actual use or intent to use. Some expressed fear that this change would open the door to bad behaviour, including *mala fide* 'trademark squatters' who would herd registrations for trademarks they never intend to use before selling them back to their legitimate owners at an exorbitant price. No decision has been rendered to date on the basis of the new language of s.38(2) TMA. Time will tell whether this specific provision will need to be invoked frequently.

Of the grounds for opposition, the three most commonly invoked are **subparagraph 38(2)(b) TMA**, i.e. the applied for mark is not registrable for one of the reasons listed in s.12(1) TMA; **subparagraph 38(2)(c) TMA**, that the applicant is not the person entitled to registration of the trademark; or **subparagraph 38(2)(d) TMA**, i.e. that the applied for mark is not distinctive. A person may file an opposition pursuant to s.38(2)(b) TMA, for example because the mark applied for is descriptive, deceptively misdescriptive, or confusing with a registered trademark. A person may file an opposition against the registration of a trademark on the ground that they, rather than the applicant, are entitled to register the trademark (s.38(2)(c) TMA). This occurs, for example, when the opponent can establish that they had already used the mark or made it known in Canada before the application filing date. Subparagraph 38(2)(d) most often comes into play when an opponent contests that the applicant's trademark has acquired sufficient distinctiveness so as to give it secondary meaning.

If successful, an opposition proceeding instituted within the two month window from the date of publication is more effective than a later action for trademark infringement, because it prevents the registration of a mark that would not deserve protection at all. In an opposition proceeding, the applicant bears the burden to prove that the application

complies with s.12, e.g. that the mark is registrable, while the opponent must provide sufficient admissible evidence from which it could reasonably be concluded that the facts alleged to support each ground of opposition exist, e.g. that the mark should not be registered. The evidence is assessed on a balance of probabilities.

An example of oppositions on one or more of the three most commonly invoked grounds are provided in the boxes below.

Example: Opposition against a mark that is not registrable and not distinctive (s.38(2)(b) and 38(2)(d) TMA)

PODS Enterprises, LLC v Qwik Contain Solutions Inc., 2020 TMOB 130

[1] PODS Enterprises, LLC (the Opponent) is an international business that provides moving and storage services, including the provision of containers for the storage and transportation of goods. The Opponent conducts its business in Canada in association with the registered trademarks PODS (TMA672,471) and PODS Logo (TMA721,151).

[2] The Opponent has opposed application No. 1,742,509 (the Application) filed by Qwik Contain Solutions Inc. (the Applicant) for the trademark MODPOD & Design (the Mark), depicted below, in association with similar goods and services to those of the Opponent.



[3] For the reasons set out below, the Application is refused as the Applicant has not met its burden to demonstrate that there is no likelihood of confusion between the parties' trademarks.

The Record

[4] The Application was filed on August 19, 2015 and lists the following goods and services (the Goods and Services):

Goods

(1) Collapsible modular metal containers for the storage, warehousing, transportation of household, commercial, industrial purposes and waste.

(2) Storage container accessories, namely, metal storage containers for the modular storage containers, large or small ramps, metal security doors, shelving sets, skylight panel, windows of metal, window shutters, packaging containers of metal, packaging containers of plastic, all purpose scouring powder, down insulation, fiberglass insulation, vandal bars.

(3) Portable metal and plastic fence panels and portable waste disposal bins.

(4) Printed and electronic instructional publications, namely booklets, handouts, pamphlets, brochures, in relation to assembling and disassembling collapsible modular metal containers.

Services

(1) Moving and storage services, namely, rental, storage, delivery, installation and pick-up of portable storage containers namely, hydraulic lifts for use in respect of transportation and installation of storage containers.

(2) Operation of an Internet website providing information on modular storage containers to the general public.

[5] The Application is based on use of the Mark in Canada since at least as early as September 2013 in association with Goods (1), (2), (4) and the Services, and proposed use of the Mark in Canada in association with Goods (3).

[6] The Application was advertised for opposition purposes in the *Trademarks Journal* on February 22, 2017. On July 19, 2017, the Opponent filed a statement of opposition against the Application pursuant to section 38 of the *Trademarks Act*, RSC 1985, c T-13 (the Act). I note that the Act was amended on June 17, 2019. All references in this decision are to the Act as amended, with the exception of references to the grounds of opposition which refer to the Act as it read before it was amended (see section 70 of the Act which provides that section 38(2) of the Act as it read prior to June 17, 2019 applies to applications advertised prior to that date).

[7] The Opponent raises grounds of opposition based on registrability under section 12(1)(d), entitlement under sections 16(1)(a) and 16(3)(a), distinctiveness under section 2, and non-compliance with sections 30(b) and 30(i) of the Act. For the grounds of opposition based on an alleged likelihood of confusion, the Opponent relies on its use and registration in Canada of the trademarks PODS (TMA672,471) and PODS Logo (TMA721,151), details of which are included as Schedule A to this decision. The Opponent also relies on its use of the trademark PODS in the design format depicted below.



[8] The Applicant filed a counter statement on September 20, 2017 denying the grounds of opposition.

[9] The Opponent filed as its evidence the Affidavit of David Metcalf sworn January 11, 2018 (the Metcalf Affidavit). Mr. Metcalf is the Vice President, Marketing of the Opponent. He attests to the Opponent's use in Canada since 2006 of its trademark PODS, and design versions thereof, in association with the goods and services set out in the Opponent's registrations. His evidence is discussed further in the analysis of the grounds of opposition. Mr. Metcalf was not cross-examined.

Onus and Material Dates

[12] The Applicant bears the legal onus of establishing, on a balance of probabilities, that the Application complies with the requirements of the Act. However, there is an initial evidential burden on the Opponent to adduce sufficient admissible evidence from which it could reasonably be concluded that the facts alleged to support each ground of opposition exist [*John Labatt Limited v The Molson Companies Limited* (1990), 1990 CanLII 11059 (FC), 30 CPR (3d) 293 (FCTD) at 298].

[13] The material dates with respect to the grounds of opposition are as follows:

- Sections 38(2)(a)/30 of the Act – the filing date of the Application [*Georgia-Pacific Corp v Scott Paper Ltd* (1984), 3 CPR (3d) 469 (TMOB) at 475];
- Sections 38(2)(c)/16(1)(a) of the Act – the claimed date of first use of the Applicant's Mark;

- Sections 38(2)(c)/16(3)(a) of the Act – the filing date of the Application; and
- Sections 38(2)(d)/2 of the Act – the filing date of the opposition [*Metro-Goldwyn-Mayer Inc v Stargate Connections Inc*, 2004 FC 1185, 34 CPR (4th) 317].

(...)

[16] In the present case, the Application contains the requisite statement and there is no evidence that this is an exceptional case involving bad faith or the violation of a Federal statute. Accordingly, the section 30(i) ground of opposition is dismissed.

Section 12(1)(d) ground

[17] The Opponent pleads that the Mark is not registrable because it is confusing with the Opponent's registered trademarks PODS (TMA672,471) and PODS Logo (TMA721,151). I have exercised my discretion to check the Register and confirm that these two registrations remain extant [see *Quaker Oats Co Ltd of Canada v Menu Foods Ltd*(1986), 11 CPR (3d) 410 (TMOB)]. The Opponent has also filed evidence of its use of these two trademarks in Canada by way of the Metcalf Affidavit. The Opponent has therefore met its initial evidential burden with respect to this ground of opposition. As a result, the Applicant bears the legal burden of demonstrating on a balance of probabilities that there is no likelihood of confusion between the Mark and the Opponent's registered trademarks.

[18] In considering the issue of confusion, I will focus my analysis on the Opponent's registered word trademark PODS (TMA672,471), as in my view that represents the Opponent's best case.

[Note: confusion analysis reserved for section F. 'Concept of Confusion,' below]

Conclusion regarding the Section 12(1)(d) ground

[41] Having considered all of the surrounding circumstances, I conclude that the Applicant has not satisfied its legal burden to show that there is no reasonable likelihood of confusion between the parties' trademarks. I reach this conclusion considering that each of the statutory factors favour the Opponent, including the degree of resemblance between the parties' trademarks, the extensive use of the Opponent's trademark in Canada, and the overlap in the parties' goods and services.

[42] Consequently, the section 12(1)(d) ground of opposition succeeds in respect of the Opponent's registration TMA672,471. In addition, in my view, the outcome of the confusion analysis is the same when considering the Opponent's registration TMA721,151, for essentially identical reasons to those set out above, and so the Opponent's section 12(1)(d) ground of opposition succeeds based on that registration as well.

Sections 16(1)(a) and 16(3)(a) grounds of opposition

[43] The Opponent pleads that the Applicant is not the person entitled to registration of the Mark because it is confusing with the Opponent's trademark PODS, and design versions of that trademark (such as that shown in paragraph 7 of this decision, above, and registration TMA721,151), that have been previously used in Canada.

[44] The Opponent has met its initial evidential burden by way of its evidence demonstrating extensive and continuous use of its trademark PODS in Canada since 2006, well prior to the material dates for the non-entitlement grounds of opposition (namely, September 2013 for the section 16(1)(a) ground and August 19, 2015 for the section 16(3)(a) ground).

[45] In my view, the earlier material dates for the non-entitlement grounds of opposition do not alter the confusion analysis set out above for the section 12(1)(d) ground of opposition. Thus, the Applicant has not met its legal burden to demonstrate no likelihood of confusion as of the material dates for the non-entitlement grounds, and the section 16(1)(a) and 16(3)(a) grounds of opposition are also successful.

(...)

[47] In view of the above, pursuant to the authority delegated to me under section 63(3) of the Act, I refuse the Application pursuant to section 38(12) of the Act.

ALLOWANCE AND REGISTRATION

If there is no opposition, or if an opposition has been decided in the applicant's favour, the Registrar will allow the application and will not look at any further challenges. The applicant will receive notice of allowance and be asked to pay a registration fee. The final step is for the Registrar to give you a certificate of registration and enter the trademark in the Register of Trademarks.

Section 46 TMA states that the registration of a trademark is on the register for an initial period of 10 years beginning on the day of the registration and for subsequent renewal periods of 10 years if, for each renewal, the prescribed renewal fee is paid within the prescribed period.

E. Concept of Use

The concept of use is the second cornerstones of trademark law, after the concept of distinctiveness. Until the legislative amendments of 2014 [proclaimed in force in 2019], trademarks could only be registered in Canada if the applicant could establish actual 'use' of the mark in the course of trade. This meant that no trademark was entered on the Register without evidence being brought either through affidavit or samples that the mark was actually used. This condition for registration has been abandoned, opening the door to registration of future trademarks. Even if the use of a mark no longer plays a role at the registration stage, the continued use of a mark by its owner is still a key element in the mark's continued protection. For example, use of a trademark reinforces its distinctiveness in the eyes of the public. Use of a trademark by one undertaking can stop the registration of the same or similar mark by another, while failure to use a registered trademark opens the door to its expungement from the Register. The concept of use also underlies any infringement action under ss. 19, 20 and 22 TMA, where the examination of the use of a mark will occur from both the plaintiff's and the defendant's perspective.

Not all forms of use qualify as a 'use' in the sense of the Act, however. In this section, we explore what 'use' entails pursuant to s.4 TMA and how such use affects who may be entitled to register the mark under s.16(1) TMA. We also discuss the concept of 'making a mark known in Canada', pursuant to s.5 TMA. Finally, we consider the legal consequence of the non-use of a trademark, pursuant to s.45 TMA.

1. Use in Canada

The definition of 'use' laid down in s.4(1) TMA contains several elements which deserve clarification. To qualify as a use in the sense of s.4(1), a mark must be associated with goods in the context of a transfer of property or possession, in the normal course of trade. What constitutes a 'normal course of trade'? What kind of transfer of property must take place and in whose benefit to count as a use?

When deemed to be used

4 (1) A trademark is deemed to be **used in association with goods** if, at the time of the **transfer of the property** in or possession of the goods, **in the normal course of trade**, it is **marked on the goods themselves or on the packages** in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.

(2) A trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

(3) A **trademark that is marked in Canada on goods** or on the packages in which they are contained is, **when the goods are exported from Canada, deemed to be used in Canada in association with those goods.**

Use of a trade mark is deemed to have occurred if, at the time property in or possession of the wares is transferred, in the normal course of trade, it is 'marked on the wares themselves or on the packages in which they are distributed'. Would the definition include trademark bearing goods that are sold to consumers through a professional intermediary, like a patient consuming medicine prescribed by a physician? In an often cited decision of the Federal Court, *Syntex Inc. et al. v. Apotex Inc.*, [1984] 2 F.C. 1012, the Court recalled that to qualify as 'use', a mark may come to the attention of the transferee in a direct way at the time of transfer which is the critical point in time. But notice can also be given in any other manner of association at that same point in time. This could occur, for example, through the appearance of a trademark in written material inserted in a package containing the goods even though not marked on the package or on the goods themselves, like a flyer inserted in a magazine. In the case at hand, the flyer at issue had a dual function, serving as a piece of promotional material and as an order form. For the Court, however, the presence of the plaintiffs' marks on the comparative shade charts of the defendants' brochures was not a use of such marks within the meaning of section 4(1) since the brochures were neither the wares themselves nor the packages in which the wares were distributed. Nothing could be regarded as notice to any person purchasing the defendants' wares of any association of the plaintiffs' marks with those wares, since no such act ever occurred in any use to which the brochure or its chart could be put at the time of the transfer of the property or possession of the defendants' goods to their purchaser.

Case law has established that a **passive website** cannot constitute a use in association with goods if no transfer of ownership is possible through that medium (*Pro-C Ltd. v. Computer City Inc.*, 2001 CanLII 7375 (ON CA)). In order to prove 'use' as a trademark at a certain date, one cannot rely on **bald statements**. One must produce actual evidence demonstrating use of the alleged trademark in association with one's goods or services. For example, one can produce invoices of sales of goods or of services under the trademark bearing a date within the relevant period, or actual advertisements made during the relevant period.

Is the distribution of **promotional goods** to a small circle of individuals an instance of 'normal course of trade'? Does the use of the mark require transfer of the marked goods be sold for profit? The Federal Court ruled that promotional goods distributed free of charge per se do not meet the requirements of s.4(1) of the Act in *Riches, McKenzie & Herbert LLP v. Cosmetic Warriors Limited*, 2018 FC 63. Transfers of property merely for the acquisition of goodwill are insufficient to constitute a transfer or use in the normal course of trade. However, while free distribution of goods typically is not considered use in the ordinary course of trade under s.4(1), if such use is part of an overall course of action for a business, carried out for the purpose of deriving profits and developing goodwill for the goods, it may constitute use in the normal course of that business, particularly if the goods freely distributed are the goods in which the business normally deals. In the present case, employees were paying money to purchase the t-shirts; there had therefore been some payment or exchange for the goods supplied. However, such an exchange does not on its own establish use in the normal course of trade. For the use of a mark in advertisement and promotional material to be sufficiently associated with a good to constitute use, the advertisements and promotional material would have to be given at the time of transfer of the property in or possession of the goods.

Example: Promotional material per se insufficient to amount to use

[2] The appellant, Nissan Canada Inc. (“Nissan”), is in the business of selling, distributing and promoting automobiles, parts and accessories in Canada. Nissan is the owner of a number of registered Canadian trade-marks, including registration No. 612,708 for M45 and registration No. 640, 144 for M35, both for use in association with motor vehicles. The two marks are used for two series of Infiniti vehicles, Infiniti being the luxury division of Nissan. Nissan uses the unregistered marks M and M6 for promoting and advertising its automobiles, parts and accessories.

[3] The respondents, BMW Canada Inc. and Bayerische Motoren Werke Aktiengesellschaft (“BMW”), are also in the business of manufacturing, selling, distributing and promoting automobiles, parts and accessories throughout the world. BMW Canada Inc. sells, distributes and promotes automobiles, parts and accessories in Canada under the authority of BMW AG. BMW AG is the owner of the registered Canadian trade-marks, including registration No. 544, 922 for M3, registration No. 561, 482 for M5 and registration No. 336, 985 for M & Design. These trade-marks are registered for use in association with automobiles and their parts. BMW AG claims to also be the owner of the unregistered marks M and M6. Both marks were, at the time of trial, the subjects of applications for registration by BMW.

(...)

[22] The trial judge appears to have assumed that BMW’s limited use of the M mark was sufficient to amount to “use” of a trade-mark under subsection 4(1) without providing any analysis on the issue. In doing so, I believe the trial judge erred. In my view, there was no probative evidence on the record demonstrating an association at the time of transfer of the property in or possession of the wares.

[23] The evidence indicates that the letter M is used in many BMW trade-marks in association with numbers, letters or words. In addition to the registered trade-marks M3, M5, M & Design owned by BMW, the trial judge noted BMW’s interest in other marks containing the letter M at paragraphs 9 to 11: (...)

[24] I agree with the trial judge, as held at paragraph 37, that use of the M mark in association with numbers, letters or words is not equivalent to use of M alone as a trade-mark. I also agree with the trial judge’s conclusion at paragraph 59 that use of the M & Design mark cannot be considered use by BMW of the M mark.

[25] Based on the evidence, BMW’s use of the M mark was limited to advertisements and promotional type materials. Such use of a mark is not in itself sufficient to constitute “use” under subsection 4(1) of the Act. For the use of a mark in advertisement and promotional material to be sufficiently associated with a ware to constitute use, the advertisements and promotional material would have to be given at the time of transfer of the property in or possession of the wares: see *Clairol International Corp. et al. v. Thomas Supply & Equipment Co. Ltd. et al.* (1968), 55 C.P.R. 176 at 190 (Can. Ex. Ct.) and *General Mills Canada Ltd. v. Procter & Gamble Inc.* (1985), 6 C.P.R. (3d) 551 (T.M. Opp. Bd.).

[26] In this case, some of the evidence in itself was problematic. For instance, the BMW Product Guide 2003, although it contained the M mark, was intended for use within the BMW organization, i.e. for retailer sales personnel, and therefore would not have been given to purchasers. There were other types of promotional material which were apparently intended for wide-spread distribution; however, there is no evidence indicating when the advertisements and promotional materials containing the M mark were distributed in Canada, if at all, such that notice of the association was given at the time of transfer.

[27] Similarly, with respect to the M6 mark, the only evidence is that M6 was used in an owners’ handbook (date unknown), a 1989 owners’ manual and a 1988 technician bulletin. Again, there was no evidence as to how many,

if any, of these handbooks, manuals or bulletins were distributed in Canada and when, if at all, and if they were available at the time of transfer of property or possession.

[28] Quite simply, in the absence of evidence indicating whether the advertisements or promotional materials were given to purchasers at the time of transfer of BMW's wares, there is no evidence to support a finding of use of the M and M6 marks as that term is defined in the Act.

[29] In light of the foregoing and on the basis of the record, I find there is no evidence of use on which the trial judge could rely to conclude that the M and M6 marks are unregistered trade-marks in accordance with section 2 of the Act and for the purposes of determining the passing off claim under subsection 7(b) of the Act. I find the trial judge erred in law in pursuing a paragraph 7(b) analysis without first establishing the existence of the M and M6 marks as trade-marks.

With respect to the **use of a mark in relation to services**, s.4(2) TMA states that a trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services. The mere advertising of services in Canada will not constitute use in Canada in association with a service. Some aspect of the services must be performed or delivered in Canada. In *Ontario Dental Assistants Association v. Canadian Dental Association*, 2013 FC 266, the concept of use was examined in relation to the alleged use of a professional designation that had been registered as a certification mark. According to the Court, the use of a professional designation by licensed users (dental assistants), while performing the services, would satisfy the "use" requirements set out in s.4(2). In this case, however, the applicant **only made bare allegations** of such use, without any valid evidence to support that use. No evidence was adduced that pointed to use by licensees at the relevant claimed date of first use. Since not one license evidencing use was offered by the applicant, either before the Board or on appeal through any new evidence, the Court found that the applicant had not shown use of the CDA acronym as a certification mark since as early as 1965.

In a country as big as Canada, the issue of the location of the use of the mark in association with goods or services deserves attention. It arose in *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, where the Supreme Court must determine whether the trademark "Masterpiece Living", proposed and subsequently registered by Alavida Lifestyles Inc. ("Alavida"), a company entering the retirement residence industry **in Ontario**, was then confusing with the unregistered trademarks or trade name previously used by another company, Masterpiece Inc., in the retirement residence industry **in Alberta**. In the context of a confusion analysis [see section F. below], s.6(2) TMA specifies that 'the use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks **in the same area** would be likely to lead to the inference that the wares or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.' In this context, the Supreme Court emphasised:

[30] It is immediately apparent from these words, "if the use of both . . . in the same area", that the test for confusion is based upon the hypothetical assumption that both trade-names and trade-marks are used "in the same area", irrespective of whether this is actually the case. As a result, geographical separation in the use of otherwise confusingly similar trade-names and trade-marks does not play a role in this hypothetical test. This must be the case, because, pursuant to s. 19, subject to exceptions not relevant here, registration gives the owner the exclusive right to the use of the trade-mark throughout Canada.

Where a mark may be recognized as being associated with a good within the course of trade, it must also be 'used' in accordance with the registration specifications. In the below example, we see that the Federal Court has given a flexible interpretation of the concept of use in relation to software products, so as not to disadvantage the trademark owner because of a change of technology.

Example: Use of mark in association with software = good or service?

Specialty Software Inc v Bewatec Kommunikationstechnik GMBH, 2016 FC 223

[1] In 1992, Specialty Software Inc registered the trade-mark “MEDINET” in association with computer software programs. Specialty registered its mark in relation to wares rather than services.

[2] In 2011, Specialty assigned its mark to Medinet Health Systems Inc.

[3] In 2013, Bewatec Kommunikationstechnik GMBH initiated proceedings before the Registrar of Trademarks to expunge Specialty’s mark from the register. In order to avoid expungement, Specialty was asked to show evidence of its use of the mark for the period between November 22, 2010 and November 22, 2013. Specialty failed to file any evidence and, accordingly, the Registrar granted Bewatec’s application.

[4] Specialty now appeals the Registrar’s decision and has presented fresh evidence of use. The parties do not dispute that evidence. It is clear that Specialty and Medinet have used the mark during the relevant period, particularly in relation to software used by hospitals and physicians to track patients’ medications. However, Bewatec argues that the mark has been used in relation to services, not wares. This means, according to Bewatec, that Specialty is no longer entitled to its mark.

[5] At its heart, this dispute arises as a result of technological change. Specialty used to sell its software in a tangible form on disks. This is no longer necessary. Clients can now obtain access to the software over the internet from Specialty’s computer server after installing an icon on their computers. Bewatec argues that this change means that Specialty is now providing a service in the form of access to a website. Specialty has not proved, Bewatec submits, that any transfer of property or possession has taken place, as is required by s 4 of the *Trade-marks Act*, RSC 1985, c T-13 (all provisions cited are set out in an Annex).

[6] I disagree with Bewatec’s argument. In my view, there has been no real change in what Specialty is selling. The change relates to the means by which the software is transferred to clients, not to the actual nature of Specialty’s use of its trade-mark. Specialty has shown compliance with its legal requirements. Therefore, I must grant Specialty’s appeal and order the Registrar to maintain its registration.

[7] The issue is whether Specialty has shown any transfer of the property in, or possession of, a ware, as required by the Act. (The word “wares” has since been replaced with the word “goods” in the Act. Nothing turns on this change and I will use the words “goods” and “wares” interchangeably).

1. Has Specialty shown any transfer of the property in, or possession of, a ware?

[8] Bewatec argues that Specialty’s mark is associated with data and software available only through an internet browser. Specialty has not met, in its view, its burden of demonstrating that there has been a transfer of ownership or possession of any goods. It points out that Specialty’s clients do not download or install or physically acquire anything. In reality, Bewatec says, clients merely obtain access to a service that Specialty provides over the internet.

[9] Bewatec relies on *MyLife.com Inc. v. Grbic*, 2014 TMOB 175 (T.M. Opp. Bd. (s.45)). There, the Board concluded that providing free access to a website, without any evidence of any form of transfer of software to users, was a service. It struck the trade-mark owner’s registration in relation to wares, but maintained it in respect of services.

[10] Bewatec argues that Specialty’s online software is also situated on a website and that Specialty has failed to

show an actual transfer to users, whether in the form of installation or registration of the software, during which the MEDINET mark is visible.

[11] I disagree.

[12] According to s 4 of the Act, a “trade-mark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, ... it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred”.

[13] Even though Specialty used to sell its software on disks – which are obviously tangible and easily identified as wares – it was always really selling a license to use the software, which is an intangible good. Specialty did not actually sell the software itself; it sold an entitlement to obtain access to it by way of licenses. The disks merely represented the means by which the transfer of the goods occurred. The real goods were, and are, the licenses.

[14] The evidence demonstrates that Specialty’s trade-mark has been used in a manner that shows an association between the mark and the goods that are sold – the licences themselves:

- The software is sold to health care workers, including doctors, clinicians, and hospital staff, on an annual subscription basis.
- The software is situated on Medinet’s server, and purchasers obtain access to it by way of a web browser on their own computers.
- After the sale, purchasers receive an invoice showing the MEDINET mark. They then receive a license agreement by e-mail.
- When purchasers log on to the software, they are linked to a screen showing the MEDINET mark.
- If a purchaser chooses not to renew a subscription, the purchaser’s license to access the software is cancelled.

[15] In my view, this evidence shows that the mark is used in a manner that gives notice to purchasers of software licenses of an association between those goods and the registered mark and therefore, the requirements of the Act regarding use have been met.

[16] Specialty’s operations closely resemble those carried out by companies selling software and whose trade-marks have been upheld in respect of wares. For example, the Board has accepted that a mark could be considered to have been used in association with software if there was evidence that purchasers would have seen the mark at the time the software was transferred to them, that is, when it was installed on their computers: *Brouillette Kosie Prince v. Axon Development Corp.* (2005), 50 C.P.R. (4th) 273 (T.M. Opp. Bd.). The Board struck the trade-mark in that case because there was no actual evidence of any transfers during the relevant period.

[17] Similarly, the Board found an association between the mark in question and wares based on evidence of sales and renewals of software, including evidence of licensing agreements: *Baker & McKenzie LLP v. Genesistems Inc.* (2009), 74 C.P.R. (4th) 75 (T.M. Opp. Bd.). In another case, dealing with the same mark, the Board found the required association existed based on the appearance of the mark on license agreements that customers would see before installing the software, and on the installation screens themselves: *Clark Wilson LLP v. Genesistems, Inc.*, 2014 TMOB 64 (T.M. Opp. Bd. (s.45)). In the latter case, the Board observed that “institutional computer software is not a physical object, and thus a computer software company experiences unique difficulties when attempting to associate a trade-mark with its software” (at para 10).

[18] Certainly, Specialty has experienced those difficulties in this case. However, as the President and CEO of

Medinet, Ms Katherine Linda Culter, put it: “License agreements for software products are license agreements for software products, however you want to provide access”.

[19] I am satisfied that the evidence before me meets the fairly low threshold that a registered owner must meet to demonstrate that its mark is not merely “deadwood” on the register: *Performance Apparel Corp. v. Uvex Toko Canada Ltd.* (2004), 31 C.P.R. (4th) 270 (F.C.), at 282.

[20] The Applicant has demonstrated that there has been a transfer of property in a ware. The ware in question is the license to use the software. The property is the entitlement to enjoy the use of the licence. The transfer has occurred through the granting of access, on payment of a subscription fee, in the form of login credentials. The mark is visible to purchasers before, during and after the transfer. Accordingly, the requirements of s 4(1) of the *Trade-marks Act* have been met.

III. Conclusion and Disposition

[21] Specialty has demonstrated an association between its mark and the transfer to purchasers of the means to acquire access to and make use of its software. I must, therefore, allow this appeal, with costs.

The reader will notice that Parliament has created two regimes under s. 4 TMA in relation to trademarks used in association with goods destined for the **domestic Canadian market** (s.4(1) TMA) and trademarks used in association with **goods destined for exportation to foreign countries** (s.4(3) TMA). The question arose whether the use tests in the two provisions are the same. In *Molson Co v Moosehead Breweries Ltd*, [1990] FCJ No 602, the Federal Court ruled that ss. 4(1) and 4(3) TMA set out two different standards. the purpose of s.4(3), which is to protect Canadian entities who would be entitled to protection under the Act but for the fact that their sales take place exclusively outside of Canada. Subsection 4(3) requires that the goods to which a trademark is affixed in Canada, or to their containing packages on which it is affixed, be sent out of Canada to another country in a commercial transaction, if use of the trade mark on exported wares is to be deemed use in Canada. The gravamen of s.4(3) is not to deem that any exportation of goods bearing a trademark is a “use” of that trademark, but rather to provide that where there is actual use such use shall be deemed to have occurred “in Canada”. This subsection does not incorporate the condition of subsection 4(1), that the transaction be “in the normal course of trade”.

Intrinsically connected to the concept of use is the identity of the user. Being the **first user of a trademark** on the market normally guarantees that the registration of the trademark will not go to anyone else. Section 16(1) TMA determines who, between the applicant of a trademark or a prior user a confusing trademark, can claim the right to register the trademark.

Entitlement to registration

16 (1) Any applicant who has filed an application in accordance with subsection 30(2) for the registration of a registrable trademark is entitled, subject to section 38, to secure its registration in respect of the goods or services specified in the application, unless at the filing date of the application or the date of **first use of the trademark in Canada**, whichever is earlier, it was confusing with

- (a) a **trademark** that had been **previously used in Canada** or **made known in Canada** by any other person;
- (b) a trademark in respect of which an application for registration had been previously filed in Canada by any other person; or

(c) a **trade name** that had been **previously used in Canada** by any other person.

Disputes involving the determination of which undertaking started first using a trademark are frequent. *The Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27 is prime example of this. The Supreme Court ruled in favour of Masterpiece, judging that because Masterpiece Inc.'s use preceded Alavida's proposed use, Alavida was not entitled under s. 16(1) to registration of its trade-mark. As a result, Alavida was not "the person entitled to secure the registration" of its trade-mark under s. 18(1) and this ground of invalidity has been made out.

The use must of course qualify as use under s.4 TMA, as demonstrated in the example below with *Archmetal Industries Corporation v. JAG Flocomponents N.A.*

Example: Person entitled to register a mark

Archmetal Industries Corporation v. JAG Flocomponents N.A., 2011 FCA 235

FACTS

[4] The trial judge described the corporate parties as follows (Reasons at paras. 3-4):

JAG Flocomponents N.A. Inc. is an Alberta general partnership and JAG Flocomponents (North America) Inc. is its majority partner. JAG Flocomponents (North America) Inc. is the successor to the original company JAG Flocomponents Inc. (JAG), which initiated the business arrangements and other material matters in this lawsuit.

Archmetal Industries Corporation (Archmetal) is a British Columbia corporation registered extra-provincially in Alberta. Archmetal is wholly owned by Fortune Manufacturing Co., Ltd. (Fortune Manufacturing), a Chinese company. Both companies are either directly or indirectly owned and controlled by the Defendant, Jerome Chen. Archmetal was a 30% shareholder in the original company, JAG. Archmetal was also Fortune Manufacturing's importer of valves into the North American market.

[5] JAG was owned jointly by John McCrae and Gary Williams, two individuals with experience in the oil patch who wished to go into the business of supplying high quality valves to the oil and gas industry. Mr. McCrae was largely responsible for the business aspects of the venture while Mr. Williams was responsible for the technical aspects, including valve design and testing.

[6] In order to fund the development of the high quality valves that it wished to bring to market, JAG needed a lower end, high volume product line to generate cash flow. Mr. McCrae was aware that Fortune produced a line of valves which would suit JAG's purposes.

[7] JAG and Fortune met and agreed to do business together. Both parties signed a Letter of Intent dated November 28, 2001, which largely governed their subsequent conduct. For present purposes, the material portion of the letter of intent provided that JAG was to be Fortune's exclusive Canadian distributor of its current and future industrial valves. Archmetal, who had previously functioned in this capacity, was to refer its current industrial valve customers to JAG and to concentrate its business on non-industrial markets. Archmetal introduced JAG to its existing industrial clients and designated it as its "Canadian Master Distributor".

[8] JAG and Archmetal also entered into a Consignment Agreement dated January 1, 2002, setting out the terms of their business arrangement. The parties proceeded by way of consignment because JAG did not have the

capital to pay for the valves when they were delivered. Like most such agreements, the Consignment Agreement required JAG to pay for the product only after it was sold, and stipulated that all product would remain the property of Archmetal pending sale by JAG.

[9] In December 2001, within one month of signing the Letter of Intent, JAG identified market resistance to valves marketed under names indicating that the valves were manufactured in China and suggested that the high quality valves under development be marketed with the Fortune logo next to the JAG name (Appeal Book Vol. 1 at 244). Fortune rejected this suggestion as it wished to continue making and marketing these valves if its relationship with JAG should founder. At the end of January 2002, Mr. McCrae suggested to Fortune that FUSION would be a suitable name for the new valves (Appeal Book Vol. 1 at 340). The documentary record is not clear as to when Fortune agreed to use FUSION in connection with its valves but it is clear that it did and that Fortune eventually manufactured valves which carried the FUSION mark and the Fortune logo.

[10] In January 2003, at a time when there were obvious strains in the relationship between the parties, the question of the ownership of the FUSION trade-mark became an issue. Mr. McCrae undertook to consider JAG's position and to report back. Fortune was not content to wait, however, and on March 27, 2003 Archmetal (on Fortune's instructions) applied to register FUSION as its trade-mark based on its first use in Canada as early as September 2002. On April 24, 2003, JAG NA, the successor in interest to JAG, applied to register FUSION as its trade-mark, based on a first use in Canada of February 22, 2002. Prior to these trade-mark applications, on June 6, 2002, JAG registered FUSION as its trade name under the relevant Alberta legislation (Appeal Book Vol. 2 at 342).

[11] JAG NA did not file any material in opposition to Archmetal's trade-mark application though Archmetal did oppose JAG NA's application and filed the affidavit of Henry Chen in support of its opposition. One exhibit to that affidavit was an invoice purporting to establish a sale of FUSION valves to JAG by Archmetal on or about September 12, 2002. The Trade-marks Opposition Board allowed Archmetal's application for registration and dismissed JAG NA's application. The relationship between the parties ended acrimoniously and spawned extensive litigation, one aspect of which was JAG NA's application for expungement of Archmetal's registration of FUSION as its trade-mark.

[12] Finally, the evidence established that Archmetal's only role in the transactions in issue was to import the valves into Canada (see paragraph 4 above) and to serve as a conduit between Fortune, as the manufacturer of the valves, and JAG, as the intended marketer in Canada. Archmetal had no technical expertise, had no input into the design of the valves, and made no contribution to the selection of FUSION as a trade-mark. It did not market the valves in question in Canada beyond forwarding product it received from Fortune to JAG.

(...)

[16] The trial judge found that the transfer of the valves to JAG did not amount to a sale because, pursuant to the Consignment Agreement in effect between Archmetal and JAG, Archmetal (or Fortune) did not intend to transfer property in, or possession of, the goods to JAG until JAG had sold them to a third party (Reasons at para. 90). According to the trial judge, JAG held the goods only "as a trustee and not in its own right" (Reasons at para. 91). The heart of the trial judge's conclusion on this issue is found in the following two paragraphs (Reasons at paras. 92-93):

The parties did not contemplate that delivery of product to JAG meant anything close to "use in Canada" as that term is understood in the Act. The "use in Canada" would occur when JAG sold products to the next level of trade. The trade-mark benefits of that sale would inure to the benefit of the registrant.

Therefore, the use relied upon to support registrability was not "use in Canada" pursuant to s. 4 of the Act.

There is no reliable evidence of further sales in September 2002 and therefore the date of first use cannot be sustained.

(...)

[21] On the basis that JAG was the importer of Fortune's FUSION valves, the trial judge properly concluded that JAG did not have the right to registration of the FUSION trade-mark.

[22] By the same logic, if Archmetal were the importer of the goods, then the September 2002 transaction did not give it the right to registration of the FUSION trade-mark either.

[23] In the end, whoever imported Fortune's FUSION valves gained no right to registration since any subsequent use of the FUSION trade-mark was to the credit of Fortune and not the importer.

[24] On the basis of this analysis, Archmetal was not the person entitled to registration of the trade-mark as the person who had first used or made known the trade-mark in Canada. It follows that Archmetal's registration is invalid since it was not the person entitled to secure the registration.

2. Marks Made Known in Canada

Article 6bis of the Paris Convention requires the Countries of the Union to provide protection for well known marks. Although Canada is long standing party to the Paris Convention, the protection of well-known marks in Canada is only conferred by virtue of s.5 TMA. The *Trademarks Act* does not define well-known trademark. Generally speaking, a trademark is well-known if it enjoys "a high degree of consumer recognition." The exact scope of the wider or extended protection accorded to famous trademarks in Canada remains unclear, however.

Article 6bis

Marks: Well-Known Marks

(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

In two key decisions, *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 (see below) and *Pink Panther Beauty Corp. v. United Artists Corp.*, 1998 CanLII 9052 (FCA), the Supreme Court recognized the fact that famous or well-known trademarks may receive greater protection than non-famous trademarks. A famous trademark is particularly deserving

of extended protection if it “casts an aura that is not circumscribed by association with its traditional“ products. But the extra protection is not limitless.

When deemed to be made known

5 A trademark is deemed to be made known in Canada by a person only if it is used by that person in a country of the Union, other than Canada, in association with goods or services, and

- (a) the goods are distributed in association with it in Canada, or
- (b) the goods or services are advertised in association with it in
 - (i) any printed publication circulated in Canada in the ordinary course of commerce among potential dealers in or users of the goods or services, or
 - (ii) radio broadcasts ordinarily received in Canada by potential dealers in or users of the goods or services,

and it has become well known in Canada by reason of the distribution or advertising.

Example: Mattel's Famous BARBIE trademark

Mattel, Inc v 3894207 Canada Inc, 2006 SCC 22

[1] The BARBIE doll is said by the appellant toy manufacturer to be an iconic figure of pop culture. And so, within limits, it is. The sale of various BARBIE products annually exceeds \$1.4 billion worldwide, representing 35 percent of the appellant's sales. The appellant advises that Canadian girls aged three to eleven years are given an average of two BARBIE dolls per year. The appellant therefore opposes the respondent's application to register trade-marks in connection with its small chain of Montreal suburban “Barbie's” restaurants on the basis that use of the name (albeit in relation to different wares and services) would likely create confusion in the marketplace. On a casual acquaintance with both marks, it is contended, there is a likelihood that consumers would think that the doll people had something to do with a restaurant called “Barbie's”. Or, as the appellant framed its point in a consumer survey by asking the following question “Do you believe that the company that makes Barbie dolls *might* have *anything* to do with the restaurant identified with this sign or logo?” (emphasis added.).

[2] Merchandising has come a long way from the days when “marks” were carved on silver goblets or earthenware jugs to identify the wares produced by a certain silversmith or potter. Their traditional role was to create a link in the prospective buyer's mind between the product and the producer. The power of attraction of trade-marks and other “famous brand names” is now recognized as among the most valuable of business assets. However, whatever their commercial evolution, the legal purpose of trade-marks continues (in terms of s. 2 of the *Trade-marks Act*, R.S.C. 1985, c. T-13) to be their use by the owner “to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others”. It is a guarantee of origin and inferentially, an assurance to the consumer that the quality will be what he or she has come to associate with a particular trade-mark (as in the case of the mythical “Maytag” repairman). It is, in that sense, consumer protection legislation.

[3] The appellant advises that the name BARBIE and that of her “soul mate”, Ken, were borrowed by their original

designer from the names of her own children. The name, as such, is not inherently distinctive of the appellant's wares. Indeed, Barbie is a common contraction of Barbara. It is also a surname. Over the last four decades or so, however, massive marketing of the doll and accessories has created a strong secondary meaning which, in appropriate circumstances, associates BARBIE in the public mind with the appellant's doll products.

[4] The appellant's argument is that the trade-mark BARBIE now transcends the products which originally it served to distinguish. Moreover, the appellant says, its fame goes *beyond* wares and services aimed at girls in the 3- to 11- year-old age group (its primary market) to the diverse products set out in various of its registrations ("cologne, hand lotion and body lotion"), food products ("spices, breads, cakes, cereal, coffee, crackers, flour, fresh herbs, pies, ice cream, pizza"), as well as bicycles, backpacks, books and construction pads. Of course, nothing prevents the appellant from using its BARBIE trade-mark to boost (if it can) sales of everything from bicycles to cologne, or for that matter lawn mowers and funeral services, but the question is whether the appellant can call in aid trade-mark law to prevent other people from using a name as common as Barbie in relation to services (such as restaurants) remote to that extent from the products that gave rise to BARBIE's fame.

[5] Unlike other forms of intellectual property, the gravamen of trade-mark entitlement is actual use. By contrast, a Canadian inventor is entitled to his or her patent even if no commercial use of it is made. A playwright retains copyright even if the play remains unperformed. But in trade-marks the watchword is "use it or lose it". In the absence of use, a registered mark can be expunged (s. 45(3)). There was no credible evidence that BARBIE has been used in Canada either by the appellant or by one of its licencees in connection with the services for which the respondent made trade-mark application, namely "restaurant services, take-out services, catering and banquet services".

[6] In opposition proceedings, trade-mark law *will* afford protection that transcends the traditional product lines unless the applicant shows the likelihood that registration of its mark will *not* create confusion in the marketplace within the meaning of s. 6 of the *Trade-Marks Act*. Confusion is a defined term, and s. 6(2) requires the Trade-marks Opposition Board (and ultimately the court) to address the *likelihood* that in areas where both trade-marks are used, prospective purchasers will infer (incorrectly) that the wares and services – though not being of the same general class – are nevertheless supplied by the same person. Such a mistaken inference can only be drawn here, of course, if a link or association is likely to arise in the consumer's mind between the source of the well-known BARBIE products and the source of the respondent's less well-known restaurants. If there is no likelihood of a link, there can be no likelihood of a mistaken inference, and thus no confusion within the meaning of the Act.

[7] The substance of the appellant's argument (set out at para. 48 of its factum) is that "Mattel's BARBIE trade-marks are famous in Canada and worldwide, instantly evoking the image of the brand in the minds of consumers. Having acquired such fame, marks such as ... BARBIE may not now be used in Canada on *most consumer wares and services* without the average consumer being led to infer the existence of a trade connection with the owners of these famous brands" (emphasis added). Some trade-marks may have that effect, but the Board found BARBIE's fame to be tied to dolls and doll accessories. At this stage, its fame is not enough to bootstrap a broad zone of exclusivity covering "most consumer wares and services". The Board was not required to speculate about what might happen to the BARBIE trade-mark in the future. It was required to deal with the respondent's application on the facts established in the evidence.

[8] The appellant relies on Professor J. T. McCarthy's *dictum*, discussed below, that "a relatively strong mark can leap vast product line differences at a single bound" (McCarthy on *Trademarks and Unfair Competition* (loose-leaf ed.), at p. 11-150.1). However, the evidence before the Board was that, for BARBIE, the present case was a leap too far, and that on the evidence prospective consumers will likely *not* infer that whoever owns the BARBIE

doll trade-mark is associated in some way with the restaurants identified by the applied-for mark. This is a conclusion that was open to the Board.

[9] As is permitted under s. 56(5) of the Act, the appellant sought to introduce fresh evidence before the applications judge about the likelihood of confusion but the proffered evidence was found to be unresponsive to the statutory test and on that account it was rightly rejected.

[10] On this appeal, the Board's decision should be upheld unless it is shown to be unreasonable. On the admissible evidence, the Board was not shown to be clearly wrong in its decision that the respondent restauranteur has established that it is *not* likely that prospective consumers will draw the mistaken inference. I would therefore affirm the reasonableness of the decision of the Board to accept registration of the respondent's trade-mark and dismiss the appeal.

1. Facts

[11] The respondent opened its first Barbie's restaurant in Montreal in 1992. Over the years it has added three more (one of which subsequently closed). These are medium-priced "bar-and-grill" type operations, with meals including ribs, smoked meat, souvlaki, steak, chicken, seafood and pizza, much of which is barbecued (or, as the menu puts it, done on the "barbie-Q"), along with alcoholic beverages. There are also breakfast and lunch menus. The bulk of the business is sit-down clientele. The decor is predominantly geared to adults and the bar is an important feature of each location. The restaurants do offer a kids' menu and a "kids eat free" promotion one night of the week but the Board found its target clientele to be adults. Compared to that of the appellant, it is a modest operation. Total restaurant sales for the six years 1992-1997 inclusive totalled about \$11 million. Advertising expenses, including television, radio and newspaper advertising, amounted to about \$616,000 for the same time period. In September 1993, an application (now assigned to the respondent) was made to register the trade-mark BARBIE'S & DESIGN in association with "restaurant services, take-out services, catering and banquet services". The applicant's mark is prominently displayed on the exterior of the restaurants and on menus, napkins, matchbooks, receipts, order forms and business cards. The mark, as now applied for, looks like this:



[12] There are clearly significant points of resemblance between the trade-marks of the appellant and the trade-marks applied for by the respondent. The appellant's registered trade-mark looks like this

BARBIE

[13] The appellant's trade-marks enjoy an extensive worldwide reputation for dolls and accessories primarily targeted at the market of 3- to 11-year-old girls. There are some adult collectors of BARBIE doll products. By 2001, sales, promotion, and advertising of BARBIE products across Canada generated annual sales revenue approximately \$75 million, annual licensing revenues approximately \$5 million, and annual advertising expenses approximately \$5 million. The appellant describes itself in these proceedings as being "in the business of building brand equity". Licensing of the BARBIE trade-mark is commonplace and the wares or goods to which the trade-

mark is attached are growing. The appellant sees licencing of the BARBIE trade-marks as an expanding and lucrative commercial opportunity. To date, BARBIE has not been used in Canada by the appellant or any of its licencees for restaurant services, take-out services, catering and banquet services. I generally will refer to the appellant's trade-marks collectively as the BARBIE mark.

[...]

1. Analysis

[21] Trade-marks are something of an anomaly in intellectual property law. Unlike the patent owner or the copyright owner, the owner of a trade-mark is not required to provide the public with some novel benefit in exchange for the monopoly. Here, the trade-mark is not even an invented word like "Kodak" or "Kleenex". The appellant has merely appropriated a common child's diminutive for Barbara. By contrast, a patentee must invent something new and useful. To obtain copyright, a person must add some expressive work to the human repertoire. In each case, the public through Parliament has decided it is worth encouraging such inventions and fostering new expression in exchange for a statutory monopoly (i.e. preventing anyone else from practising the invention or exploiting the copyrighted expression without permission). The trade-mark owner, by contrast, may simply have used a common name as its "mark" to differentiate its wares from those of its competitors. Its claim to monopoly rests not on conferring a benefit on the public in the sense of patents or copyrights but on serving an important public interest in assuring consumers that they are buying from the source from whom they think they are buying and receiving the quality which they associate with that particular trade-mark. Trade-marks thus operate as a kind of shortcut to get consumers to where they want to go, and in that way perform a key function in a market economy. Trade-mark law rests on principles of fair dealing. It is sometimes said to hold the balance between free competition and fair competition.

[22] Fairness, of course, requires consideration of the interest of the public and other merchants and the benefits of open competition as well as the interest of the trade-mark owner in protecting its investment in the mark. Care must be taken not to create a zone of exclusivity and protection that overshoots the purpose of trade-mark law. As Professor David Vaver observes:

On the one hand, well-known mark owners say that people should not reap where they have not sown, that bad faith should be punished, that people who sidle up to their well-known marks are guilty of dishonest commercial practice. These vituperations lead nowhere. One might as well say that the well-known mark owner is reaping where it has not sown when it stops a trader in a geographic or market field remote from the owner's fields from using the same or a similar mark uncompetitively. (D. Vaver, "Unconventional and Well-known Trade Marks", [2005] *Sing. J.L.S.* 1, at p. 16).

[23] The purpose of trade-marks is to create and symbolize linkages. As mentioned, s. 2 of the *Trade-marks Act* defines "trade-mark" to mean

(a) a mark that is used by a person *for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others...*

To the same effect is art. 15 of the World Trade Organization's *Agreement on Trade-Related Aspects of Intellectual Property Rights*, 1869 U.N.T.S. 299, which defines "trade-mark" in part as

Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings...

[24] As the Court put it in *Kirkbi AG v. Ritvik Holdings Inc. / Gestions Ritvik Inc.*, [2005] 3 S.C.R. 302, 2005 SCC 65(S.C.C.), a trade-mark is "a symbol of a connection between a source of a product and the product itself"

(per LeBel J., at para. 39). If, as the Board found, it is not likely that even casual consumers will make a connection between the source of BARBIE dolls and the respondent's restaurants, then the appellant's marks have received the protection to which the law entitles them.

(...)

[28] Under the *Trade-marks Act*, however, the appellant's protected commercial space is not so limited. It relies in particular on the 1953 amendments and the antecedent *Report of Trade Mark Law Revision Committee to the Secretary of State of Canada* chaired by the redoubtable Dr. Harold G. Fox, Q.C. ("Fox Report"). The appellant contends that "[t]he scope of protection of famous marks in Canada was an important justification for the enactment by Parliament and proclamation" of the amendment and notes the following passage in the Fox Report:

Some trade marks are so well known that the use of the same or similar trade marks on any wares of any kind would cause the general purchasing public to believe that the original user and owner of the trade mark was in some way responsible for the wares to which the use of the mark has been extended. [Emphasis added.] ((1953), 18 C.P.R. 1, at p. 34)

Parliament recognized the truth of that statement in 1953 and the subsequent experience of more than 50 years has borne out its wisdom. The problem is to apply the broad principle to particular situations in a way that is fair to all concerned.

[29] In my view, with respect, the appellant's case is based on an overgeneralization. The fact that Parliament has recognized that *some* trade-marks are so well known that use in connection with *any* wares or services *would* generate confusion is not to say that BARBIE has that transcendence. As the Fox Report (1953) also stated:

In a proper case this [new] ambit of protection can be widened to include the whole of the course of trade or restricted to a field limited by the use which has been made of a trade mark or trade name and the reputation acquired by it. The particular ambit of protection will in the future so far as applies to registration, be a matter for determination, having regard to all the circumstances, by the Registrar in the first instance, and by the Exchequer Court on appeal. (p. 40)

[30] No doubt some famous brands possess protean power (it was submitted, for example, the distinctive red and white "Virgin" trade-mark has now been used in connection with such a diversity of wares and services that it knows virtually no bounds), but other famous marks are clearly product specific. "Apple" is said to be a well-known trade-mark associated in separate markets simultaneously with computers, a record label and automobile glass. The Board's conclusion that BARBIE's fame is limited to dolls and dolls' accessories does not at all mean that BARBIE's aura cannot transcend those products, but whether it is likely to do so or not in the context of opposition proceedings in relation to restaurant, catering and banquet services is a question of fact that depends on "all the surrounding circumstances" (s. 6(5)). Neither the "Virgin" nor "Apple" situations are before us and I make no pronouncement on either except to note them as illustrations that surfaced in the course of argument.

3. Non-use of a Mark

No use keeping non-used trademarks in the Register! Subsection 45(1) of the Act authorizes the Registrar, either on her own initiative or in response to a request made by a third party, to issue a notice requiring that the owner of a registered trademark **show use of the mark in Canada in the three years immediately preceding the date** of the notice (the relevant period). In accordance with subsections 45(3) and (5) of the Act, a trademark registration may be expunged if

the owner fails to show use in Canada within the relevant period, or the existence of “special circumstances” justifying the non-use of the mark. This procedure has gained new importance following the removal of the requirement of actual use as precondition for the registration of trademarks and the allowance of registration of future marks. Without the possibility to challenge a registration based on future use, the register would potentially become cluttered with unused marks, putting barriers on other undertakings that would want to make legitimate use of those marks.

In 2019-2020, a total of 702 requests for expungement under s.45 TMA were filed with the Registrar. Section 45 provides a simple and expeditious method of removing from the register marks which have fallen into disuse or proposed marks which have not been used after registration. It is not intended to provide an alternative to the usual *inter partes* attack on a trademark envisaged by s. 57 [see section G. ‘Infringement & Expungement’ below]. The fact that an applicant under s. 45 is not even required to have an interest in the matter speaks eloquently to the public nature of the concerns the section is designed to protect.

Registrar may request evidence of use

45 (1) After three years beginning on the day on which a trademark is registered, unless the Registrar sees good reason to the contrary, the Registrar shall, at the written request of any person who pays the prescribed fee – or may, on his or her own initiative – give notice to the registered owner of the trademark **requiring the registered owner to furnish** within three months **an affidavit** or a statutory declaration showing, **with respect to all the goods or services specified** in the registration or to those that may be specified in the notice, **whether the trademark was in use in Canada at any time during the three-year period immediately preceding the date of the notice and, if not, the date when it was last so in use and the reason for the absence of such use since that date.**

(...)

Effect of non-use

(3) Where, by reason of the evidence furnished to the Registrar or the failure to furnish any evidence, it appears to the Registrar that a trademark, either with respect to all of the goods or services specified in the registration or with respect to any of those goods or services, **was not used in Canada at any time during the three year period immediately preceding the date of the notice** and that the absence of use has **not been due to special circumstances that excuse the absence of use, the registration of the trademark is liable to be expunged or amended accordingly.**

Exception

S.53.2 (1.1) If, **within a period of three years beginning on the date of registration of a trademark**, the owner of the registered trademark makes an application claiming that an act has been done contrary to section 19, 20 or 22, **the owner is not entitled to relief unless the trademark was in use in Canada** at any time during that period or special circumstances exist that excuse the absence of use in Canada during that period.

Mere assertions of use are not sufficient to demonstrate use in the context of a section 45 proceeding [*Plough (Canada) Ltd v Aerosol Fillers Inc* (1980), 1980 CanLII 2739 (FCA), 53 CPR (2d) 62 (FCA)]. Sufficient facts must be provided to permit the Registrar to arrive at a conclusion of use of the trade-mark in association with each of the wares or services specified in the registration during the relevant period. In *Plough*, the Federal Court of Appeal stated the following with respect to the type of evidence required in response to a section 45 notice:

What subsection 44(1) [now section 45(1)] requires is an affidavit or statutory declaration not merely stating but “showing”, that is to say, describing the use being made of the trade mark within the meaning of the definition of “trade mark” in section 2 and of “use” in section 4 of the Act. The subsection makes this plain by

requiring the declaration to show with respect to each of the wares and services specified in the registration whether the trade mark is in use in Canada and if not the date when it was last used and the reason for the absence of such use since that date. The purpose is not merely to tell the Registrar that the registered owner does not want to give up the registration but to inform the Registrar in detail of the situation prevailing with respect to the use of the trade mark so that he, and the Court on appeal, can form an opinion and apply the substantive rule set out in subsection 44(3) [now section 45(3)]. There is no room for a dog in the manger attitude on the part of registered owners who may wish to hold on to a registration notwithstanding that the trade mark is no longer in use at all or not in use with respect to some of the wares in respect of which the mark is registered.

In an appeal by FFAUF S.A. from a decision of the Registrar of Trademarks [2015 TMOB 3] expunging the Applicant's PASTA ZARA & DESIGN mark from the Register, the Federal Court ruled in favour of the applicant, saying that the use of the trademark had been demonstrated in Canada during the period between December 18, 2009, and December 18, 2012. The evidence establishes that FFAUF exercised control over the character and quality of the goods produced and sold in association with its mark by its licensee Pasta ZARA, namely pasta. The evidence also established that these goods were sold in packaging displaying the mark to Canadian distributors during the relevant period. Finally, the display of the mark in the form shown on the product packaging, invoices, and shipping labels, as well as the product catalogues constitute use of the mark, even though the design is a slight deviation from the mark as registered. The dominant features of the design are the words "Pasta ZARA" in an ellipse and the picture of the woman holding sheaves of wheat, and these are preserved and very evident in the mark as it was actually used. The mark as used maintains its identity and remains recognizable as the registered mark. *FFAUF S.A. v. Industria di Diseno Textil, S.A.*, 2020 FC 520 (Justice Pentney)

In *Miller Thomson LLP v. Hilton Worldwide Holding LLP*, 2020 FCA 134, the Federal Court of Appeal determined that while foreign trademark owners can register their marks in Canada and thereby enjoy the benefits of exclusivity, maintenance of a registration depends on the use of the mark in Canada. The principal issue raised by this appeal was whether Hilton could establish "use" of the WALDORF ASTORIA trademark in Canada for the purposes of section 45 of the Trademarks Act in the absence of a "bricks and mortar" hotel operating under that name in this country. The Court emphasised that "the concept of performing services is key", and that "it is essential that some aspect of the services must be offered directly to Canadians or performed in Canada". Weighing all the evidence before it, the Court of Appeal agreed that the term "hotel services" includes ancillary services such as reservation and payment services, in addition to access to hotel rooms. On the evidence before it, the Court was satisfied that some aspects of "hotel services" were performed in Canada, and that Canadians could receive a meaningful benefit in this country from those services. Hilton had established use of the WALDORF ASTORIA mark in Canada.

Extension: Special circumstances excusing non-use

Scott Paper Limited v. Smart & Biggar, 2008 FCA 129

[1] Does evidence of an intention to resume use of a trade-mark which has been absent from the marketplace for some 13 years, coupled with evidence of a single sale transaction amount to "special circumstances" that justify the absence of use of the trade-mark for the purposes of section 45 of the *Trade-marks Act*, R.S.C. 1985, c. T-13 (the Act)? The Senior Hearing Officer before whom this matter was raised found that it did. On appeal, pursuant to subsection 56(5) of the Act, Strayer D.J. asked the rhetorical question "Would one excuse a truant schoolboy for an absence of a month because, when confronted, he demonstrated that although he had no explanation for his past absences he genuinely intended to go to school the next week?" before going on to allow the appeal. In my view, his question was apt. I would dismiss the appeal.

(..)

[3] In accordance with the procedure set out in subsection 45(1), on April 29, 2002, the Registrar, at the request of Smart & Biggar, gave notice to Scott Paper Limited (Scott Paper) to show whether the registered trade-mark VANITY had been used in Canada in the three years preceding the giving of the notice, and if not, to show the date of last use and the reasons for the absence of use.

[4] Scott Paper responded by filing the affidavit of one Mr. Teijeira, its Marketing and Legal Affairs Manager, who deposed as to Scott Paper's plans and activities with respect to the trade-mark in question. That affidavit did not provide the date of last use of the trade-mark in Canada nor did it provide any reason for the absence of such use. Instead, the affidavit set out that as of the date of the section 45 notice, plans were already well underway to commence use of the mark in 2002 and that, as of the date of the affidavit, October 28, 2002, such sales had already begun.

[5] According to Mr. Teijeira, Scott Paper's Away from Home Division began to discuss and review the re-introduction of the VANITY brand as early as late summer 2001. These plans were referred to in Scott Paper's 2002 Marketing Plan, which was circulated and discussed at a Scott Paper marketing meeting held in October 2001. The decision taken at that meeting was to launch products bearing the VANITY mark beginning in the second quarter of 2002, with all products being on the market by the fourth quarter of 2002.

[6] Sales of the VANITY products began in June 2002 as evidenced by copies of two invoices bearing the same purchase order number showing sales to a distributor. The affidavit also included a copy of labels showing the use of the VANITY mark.

[7] The Senior Hearing Officer reviewed Scott Paper's evidence. Given the absence of any evidence of use, the Senior Hearing Officer considered that the date of last use was the date of acquisition of the trade-mark by the registered owner, March 28, 1989, approximately 13 years prior to the date of the decision. This determination is not challenged.

[8] Given the absence of any evidence as to the reason for non-use, the Senior Hearing Officer concluded that the reason for non-use was a deliberate and voluntary decision of the registered owner. This determination was not challenged.

[9] The Senior Hearing Officer identified three criteria to be used when considering special circumstances: the length of non-use, whether the non-use was due to circumstances beyond the registered owner's control and whether there was an intention to resume use of the mark in the near term. The origin of these criteria is the decision of this Court in *Canada (Registrar of Trade Marks) v. Harris Knitting Mills Ltd.* (1985), 4 C.P.R. (3d) 488 (*Harris Knitting Mills*).

[10] Having concluded that the date of last use was some 13 years previously and that the non-use was due to a deliberate decision to suspend use, the Senior Hearing Officer then considered whether there was evidence of a serious intention to shortly resume use of the trade-mark. The Senior Hearing Officer reviewed the affidavit of Mr. Teijeira and concluded that it was sufficient to show that the registered owner had a serious intention to resume use of the trade-mark prior to being served with the section 45 notice. The Senior Hearing Officer concluded that this amounted to special circumstances within the meaning of section 45. In the Senior Hearing Officer's view, the fact that the registered owner took steps to use the mark before having received the section 45 notice and made sales shortly after the notice date were of paramount importance in showing that the trade-mark was not deadwood and should not be expunged.

(...)

[21] ... Writing for the Court, Pratte J.A. analyzed the elements of section 45 in a comprehensive manner,

expressing his reasoning in the following paragraphs, whose reproduction below, though lengthy, is necessary to fully appreciate the conclusions to which he came:

Under section 44 [now section 45], where it appears from the evidence furnished to the Registrar that the trade mark is not in use, the Registrar must order that the registration of the mark be expunged unless the evidence shows that the absence of use has been “due to special circumstances that excuse such absence of use”. The general rule is thus that absence of use of a mark is penalized by expungement. For an exception to be made to this rule, it is necessary, under subsection 44(3), for the absence of use to be due to special circumstances that excuse it. With regard to this provision, it should be noted first that the circumstances it mentions must excuse the absence of use in the sense that they must make it possible to conclude that, in a particular case, the absence of use should not be “punished” by expungement. These circumstances must be “special” [See *John Labatt v. Cotton Club Bottling Co*, 25 CPR (2d) 115.] in that they must be circumstances not found in most cases of absence of use of a mark. Finally, these special circumstances that excuse the absence of use must, under subsection 44(3), be circumstances to which the absence of use is due. This means that in order to determine whether the absence of use should be excused in a given case, it is necessary to consider the reasons for the absence of use and determine whether these reasons are such that an exception should be made to the general rule that the registration of a mark that is not in use should be expunged. I would add, finally, that the absence of use that must thus be excused is the absence of use before the owner receives the notice from the Registrar.

It is impossible to state precisely what the circumstances referred to in subsection 44(3) must be to excuse the absence of use of a mark. The duration of the absence of use and the likelihood it will last a long time are important factors in this regard, however; circumstances may excuse an absence of use for a brief period of time without excusing a prolonged absence of use. It is essential, as well, to know to what extent the absence of use is due solely to a deliberate decision on the part of the owner of the mark rather than to obstacles beyond his control. It is difficult to see why an absence of use due solely to a deliberate decision by the owner of the mark would be excused.

[22] The conclusions to be drawn from this analysis are, it seems to me, the following:

- 1- The general rule is that absence of use is penalized by expungement.
- 2- There is an exception to the general rule where the absence of use is due to special circumstances.
- 3- Special circumstances are circumstances not found in most cases of absence of use of the mark.
- 4- The special circumstances which excuse the absence of use of the mark must be the circumstances to which the absence of use is due.

[23] The fourth of these factors is sufficient to dispose of this appeal. The special circumstances which excuse the absence of use of the mark must be the circumstances to which the absence of use is due. As one would expect, this is consistent with the statutory language which requires that the absence of use “*has not been due to special circumstances that excuse the absence of use*”. The French version is even clearer when it too requires that « le défaut d'emploi n'a pas été attribuable à des circonstances spéciales qui le justifient ». The point here is not the nature of the special circumstances, but simply that the special circumstances refer to the cause of the absence of use, and not to some other consideration.

[24] Pratte J.A. makes this clear when he speaks of the nature of the inquiry required by subsection 45(3):

... in order to determine whether the absence of use should be excused in a given case, it is necessary

to consider the reasons for the absence of use and determine whether these reasons are such that an exception should be made to the general rule that the registration of a mark that is not in use should be expunged ...

[25] The relevant inquiry as to whether special circumstances exist is an inquiry into the reasons for the non-use.

[26] Here, it is clear that the 13 year absence of use was due to a deliberate decision not to use the mark. (...)

[27] The facts of this case illustrate the wisdom of this policy.

[28] It is apparent from this analysis that a registrant's intention to resume use of a mark which has been absent from the marketplace, even when steps have been taken to actualize those plans, cannot amount to special circumstances which excuse the non-use of the trade-mark. The plans for future use do not explain the period of non-use and therefore, cannot amount to special circumstances. No reasonable construction of the words used in section 45 could lead to that conclusion.

(...)

[37] I would therefore dismiss the appeal with costs.

F. Concept of Confusion

The concept of confusion is the third cornerstone of the *Trademarks Act*. Confusion between trademarks or between a trademark and a trade name must be avoided as much as possible, for confusing marks are not distinctive; they are incapable of fulfilling their essential function, that of distinguishing the goods or services of one undertaking from those of another. The concept of confusion plays a role at the registration stage, as well as infringement proceedings. Confusion with a registered trademark is an absolute ground for refusal to register an applicant's trademark under s.12(1)(d) TMA. It is also a ground for opposition under s. 38(2) TMA, and invalidation under s.18(1) TMA. Finally, it is certainly a ground for a finding of infringement under s.20 TMA, as well as passing off under s.7(b) TMA.

This section first describes the reference consumer used in the confusion analysis. We then review the different components of the test for confusion as laid down in s.6(5) TMA and interpreted and applied by the courts. The final part of this section discusses the sort of evidence admissible to establish whether confusion exists between marks.

When mark or name confusing

6 (1) For the purposes of this Act, a trademark or trade name is confusing with another trademark or trade name if the use of the first mentioned trademark or trade name would cause confusion with the last mentioned trademark or trade name in the manner and circumstances described in this section.

Confusion – trademark with other trademark

(2) The use of a trademark causes **confusion with another trademark** if the use of both trademarks **in the same area** would be likely to lead to **the inference that the goods or services** associated with those trademarks are manufactured, sold, leased, hired or performed **by the same person, whether or not the goods or services are of the same general class** or appear in the same class of the Nice Classification.

Confusion – trademark with trade name

(3) The use of a trademark causes confusion with a trade name if the use of both the trademark and trade name in the same area would be likely to lead to the inference that the goods or services associated with the trademark and those associated with the business carried on under the trade name are manufactured, sold, leased, hired or performed by the same person, **whether or not the goods or services are of the same general class** or appear in the same class of the Nice Classification.

Confusion – trade name with trademark

(4) The use of a trade name causes confusion with a trademark if the use of both the trade name and trademark in the same area would be likely to lead to the inference that the goods or services associated with the business carried on under the trade name and those associated with the trademark are manufactured, sold, leased, hired or performed by the same person, **whether or not the goods or services are of the same general class** or appear in the same class of the Nice Classification.

What to be considered

(5) In determining whether trademarks or trade names are confusing, the court or the Registrar, as the case may be, shall have regard to **all the surrounding circumstances including**

- (a) the inherent distinctiveness of the trademarks or trade names and the extent to which they have become known;
- (b) the length of time the trademarks or trade names have been in use;
- (c) the nature of the goods, services or business;
- (d) the nature of the trade; and
- (e) the degree of resemblance between the trademarks or trade names, including in appearance or sound or in the ideas suggested by them.

1. Standard Consumer

Like patent law where the validity of an application is examined through the eyes of the POSITA, confusing trademarks are assessed from the perspective of a 'reference consumer'. Like for the POSITA, the characteristics of this reference consumer have been developed through case law. What, then, is the perspective from which the likelihood of a "mistaken inference" is to be measured? As Justice Binnie colourfully described in *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22, 'It is not that of the careful and diligent purchaser. Nor, on the other hand, is it the "moron in a hurry" so beloved by elements of the passing-off bar. It is rather a mythical consumer who stands somewhere in between, dubbed in a 1927 Ontario decision of Meredith C.J. as the "**ordinary hurried purchasers**" (*Klotz v. Corson* (1927), 33 O.W.N. 12 (Sup. Ct.), at p. 13). It is now settled jurisprudence that confusion is a matter of **first impression** in the mind of **a casual consumer somewhat in a hurry** who sees the mark, at a time when he or she has **no more than an imperfect recollection of the prior trademarks**, and **does not pause to give the matter any detailed consideration or scrutiny**, nor to examine closely the similarities and differences between the marks.

The question arose in *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27 whether the higher price or more luxury nature of the goods or services has any bearing on the degree of scrutiny exercised by the consumer. The Supreme Court had already affirmed in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23 that consumers in the market for expensive goods may be less likely to be confused when they encounter a trademark, but the test is still one of "first impression". The **importance and cost of expensive goods and services does not change the likelihood of**

confusion test from one of first impression of a trademark to a test of consumers being “unlikely to make choices based on first impressions”.

As Justice Binnie further explained in *Mattel Inc. v 3894207 Canada Inc*, 2006 SCC 22

[58] A consumer does not of course approach every purchasing decision with the same attention, or lack of it. When buying a car or a refrigerator, more care will naturally be taken than when buying a doll or a mid-priced meal: General Motors Corp. v. Bellows, 1949 CanLII 47 (SCC), [1949] S.C.R. 678. In the case of buying ordinary run-of-the-mill consumer wares and services, this mythical consumer, though of average intelligence, is generally running behind schedule and has more money to spend than time to pay a lot of attention to details. In appropriate markets, such a person is assumed to be functionally bilingual: Four Seasons Hotels Ltd. v. Four Seasons Television Network Inc. (1992), 43 C.P.R. (3d) 139 (T.M.O.B.). To those mythical consumers, the existence of trade-marks or brands make shopping decisions faster and easier. The law recognizes that at the time the new trade-mark catches their eye, they will have only a general and not very precise recollection of the earlier trade-mark, famous though it may be or, as stated in Coca-Cola Co. of Canada Ltd. v. Pepsi-Cola Co. of Canada Ltd., 1942 CanLII 344 (UK JCPC), [1942] 2 D.L.R. 657 (P.C.), “as it would be remembered by persons possessed of an average memory with its usual imperfections” (p. 661). The standard is not that of people “who never notice anything” but of persons who take no more than “ordinary care to observe that which is staring them in the face”: Coombe v. Mendit Ltd. (1913), 30 R.P.C. 709 (Ch. D.), at p. 717. However, if ordinary casual consumers somewhat in a hurry are likely to be deceived about the origin of the wares or services, then the statutory test is met.

Lord Diplock in *General Electric Co. v. The General Electric Co. Ltd.*, [1972] 2 All E.R. 507 (H.L.) distinguished between goods sold in a specialized market of sophisticated consumers engaged in a particular trade, e.g., large industrial electrical machinery, on the one hand, and those sold to the general public, on the other. Where the market is specialized, evidence about the special knowledge or sophistication of the targeted consumers may be essential to determining when confusion would be likely to arise. However, where goods are sold to the general public for ordinary use, the normal test would apply. In *Masterpiece Inc. v Alavida Lifestyles Inc.*, 2011 SCC 27, J. Rothstein added:

*Properly framed, consideration of the nature of the wares, services or business should take into account that there may be a lesser likelihood of trade-mark confusion where consumers are in the market for expensive or important wares or services. The reduced likelihood of confusion is still premised on the first impression of consumers when they encounter the marks in question. Where they are shopping for expensive wares or services, a consumer, while still having an imperfect recollection of a prior trade-mark, is likely to be somewhat more alert and aware of the trade-mark associated with the wares or services they are examining and its similarity or difference with that of the prior trade-mark. A trade-mark, as Binnie J. observed in *Mattel*, is a shortcut for consumers. That observation applies whether they are shopping for more or less expensive wares or services.*

The perspective of the **first impression of the casual consumer in a hurry with imperfect recollection** is taken into consideration for all types of confusion analyses, whether in the context of an application for registration or an infringement action.

2. Confusion Test

The five circumstances making out the confusion test, listed in s.6(5) TMA, pertain to:

- (a) the inherent distinctiveness of the trademarks or trade names and the extent to which they have become known;
- (b) the length of time the trademarks or trade names have been in use;
- (c) the nature of the goods, services or business;
- (d) the nature of the trade; and

(e) the degree of resemblance between the trademarks or trade names in appearance or sound or in the ideas suggested by them.

The list of circumstances is not exhaustive and different circumstances will be given different weight in a context-specific assessment. Although the last factor listed in s. 6(5), the degree of resemblance is the statutory factor that is often likely to have the greatest effect on the confusion analysis, because without resemblance between the marks, there is no need to examine the other factors. When several trademarks are targeted in an opposition or infringement proceeding, courts must conduct a separate analysis for each of them.

Subsections 6(2) to 6(4) provide that the confusion test must take account of *all* the surrounding circumstances under which the prospective purchaser may be led to the mistaken inference that the goods or services associated with those trademarks are manufactured, sold, leased, hired or performed by the same person, whether or not the goods or services are of the same general class. This by no means implies that the nature of the goods or services is irrelevant. Section 6(5)(c) specifically identifies “the nature of the wares, services or business” as a relevant consideration. However, the wording of s. 6(2) clarifies that the general class of goods and services, while relevant, is not controlling. The difference in goods or services will generally be an important consideration, but certainly not always a dominant consideration. Where a court is called upon to decide if there is a likelihood of confusion between that registered trademark and any registered or previously used unregistered trade-marks, the analysis should address the proposed trademark for which the registration was ultimately obtained.

Comparison can be approached by considering only those characteristics that define the relevant trademarks or trade-name. It is only these elements that will allow consumers to distinguish between the two trademarks or between the trademark and the trade-name.

Example: Application of the Confusion Test

Hershey Chocolate & Confectionery Corporation v Promotion in Motion, Inc., 2020 TMOB 56

[1] On February 5, 2013, Promotion in Motion, Inc. (the Applicant) filed applications to register the following two trademarks:

Application No. 1,612,723 for SWISSKISS (the Word Mark)

Application No. 1,612,724 for SWISSKISS & Design (the Design Mark – shown below)



[3] The Applications are each based on proposed use in Canada in association with the goods “Chocolate of Swiss origin” (the Goods).

[4] The Word Mark Application was advertised for opposition purposes on March 12, 2014 and the Design Mark Application was advertised on October 23, 2013.

[5] Hershey Chocolate & Confectionery Corporation (the Opponent) filed statements of opposition against the Applications pursuant to section 38 of the *Trademarks Act*, RSC 1985, c T-13 (the Act). (...)

[6] The statement of opposition against the Word Mark Application was filed on April 28, 2014, and the statement of opposition against the Design Mark Application was filed on December 23, 2013. The grounds of opposition are identical in both matters and are summarized below:

b) Contrary to section 12(1)(d) of the Act, the Marks are not registrable because they are confusingly similar with the Opponent's registered trademarks which include the terms KISS or KISSES. While the Opponent relies on numerous registrations identified in the statements of opposition, as discussed in further detail, below, this decision focusses primarily on registration Nos. TMA733,263 (KISSES) and TMA833,060 (KISS) identified in Schedules "A" and "J" in the statements of opposition;

(...)

Inherent distinctiveness of the trademarks and extent to which they have become known

[58] The trademarks KISSES and KISS relied on by the Opponent have a relatively low degree of inherent distinctiveness, in view of the evidence put forward by the Applicant of the historical descriptive use of the term "kiss" in the candy industry to describe a small piece of candy.

[59] However, in my view, the Opponent's evidence demonstrates that with respect to chocolate specifically, the trademark KISSES has acquired a fairly substantial degree of distinctiveness in Canada through extensive sales and advertising over decades. The Opponent's evidence suggests that the trademark KISS (singular) has been used to a much lesser extent than KISSES, and so I attribute less acquired distinctiveness to the trademark KISS than to the trademark KISSES.

[60] I note that the Applicant takes the position that any distinctiveness in the trademarks KISSES/KISS resides in their combination with the trademark HERSHEY'S. I disagree with that submission for two reasons. First, it is well established that two trademarks can be used together on a single product [*AW Allen Ltd v Canada (Registrar of Trade Marks)* (1985), 6 CPR (3d) 270 (Fed TD), at 272]. Second, in the present case, based on the evidence submitted by the Opponent, it is apparent that the trademarks KISSES/KISS are depicted in a manner that conveys to the purchaser that KISSES/KISS are separate trademarks in their own right (for example, Exhibit "D" to the Vanslyke Affidavit includes multiple packaging samples in which the trademark KISSES is depicted on a different line and much larger font than the trademark HERSHEY'S).

[61] With respect to the Applicant's Word Mark, in my view, it also has a low degree of inherent distinctiveness. It is comprised of the word "SWISS", which is descriptive of the geographic origin of the Goods and thus not inherently distinctive [see *London Drugs Ltd v International Clothiers Inc*, 2014 FC 223, 120 CPR (4th) 1, at para 49], and "KISS", which has a relatively low degree of inherent distinctiveness for the reasons discussed above.

[62] The Applicant's Design Mark has a slightly higher degree of inherent distinctiveness than the Word Mark in view of the mountain design element; however, I do not consider this design element to be a dominant feature or to lend much inherent distinctiveness to the Design Mark as a whole. Similarly, I do not consider the descriptive tag line "FINEST SWISS CHOCOLATES" to add any inherent distinctiveness to the Design Mark. Overall, I consider the Design Mark to have a low degree of inherent distinctiveness for the same reasons as the Word Mark.

[63] There is no evidence that either of the Applicant's Marks have been used or become known to any extent in Canada.

Length of time the trademarks have been in use

[64] The Opponent has provided evidence of extensive use in Canada for decades of the trademark KISSES in association with chocolate. The Opponent's evidence suggests that the trademark KISS is used to a much lesser extent than KISSES; nevertheless, the Opponent's evidence includes a limited number of examples of its use of the trademark KISS [see Exhibits "E", "F" and "P" to the Vanslyke Affidavit].

[65] There is no evidence that the Applicant has ever used its Marks in Canada.

[66] Therefore, this factor favours the Opponent.

Nature of the goods and services; nature of the trade

[67] In my view, the nature of the parties' goods, namely, chocolate, overlap directly, as do the likely channels of trade.

[68] The Applicant suggested that its product, because it derives from Switzerland, would be a premium product and thus cater to a different market segment than the Opponent's products. However, given that the Applicant has not used the Marks in Canada, and the Applicant's evidence provides no specific pricing information, that position strikes me as entirely speculative at this point and I see no reason to place any weight on that purported distinction. Indeed, I note that Exhibit "E" to the Vanslyke Affidavit includes images of KISSES brand chocolates in close proximity on retail store shelves to numerous other chocolate brands, including imported brands such as GODIVA identified at paragraph 7 of the Rosenberg Affidavit.

[69] Consequently, this factor favours the Opponent.

Degree of resemblance

[70] As indicated by the Supreme Court of Canada in *Masterpiece*, *supra*, in most instances, the degree of resemblance between the trademarks at issue is the most important factor. One must consider the degree of resemblance between the marks from the perspectives of appearance, sound, and ideas suggested. The preferable approach is to begin by determining whether there is an aspect of each trademark that is "particularly striking or unique" [*Masterpiece*, *supra*, at paragraph 64].

[71] With respect to the trademarks KISSES and KISS relied on by the Opponent, it is apparent that the most striking element is the word "KISS".

[72] With respect to the Applicant's Marks, while the first portion of a mark is often the most significant [see *Conde Nast Publications Inc v Union des Editions Modernes* (1979), 46 CPR (2d) 183 at 188 (FCTD)], in this case, I do not consider the first portion of the Marks (i.e. "SWISS") to be particularly striking or unique, given that word describes the geographic origin of the goods [see *Caterpillar Inc v Supacat Ltd*, 2011 TMOB 161 at paras 21-23, where this Board held that "CAT" was the most striking or unique aspect of the mark SUPACAT, given that the prefix "SUPA" was non-distinctive].

[73] In my view, the word "KISS" is the most striking aspect of the Applicant's Marks. I am reinforced in this view by the Applicant's evidence regarding the development of the name SWISSKISS. In particular, at paragraph 9 of the Rosenberg Affidavit, Mr. Rosenberg describes how the Applicant originally sold its Swiss chocolate product under the trademark SUISSE (i.e. "Swiss" in French). However, Mr. Rosenberg states that "[a]lthough I thought that the SUISSE name effectively communicated the origins of our chocolate products, I did not believe that the designation was sufficient to enable [the Applicant] to achieve its strategic goals in the Swiss chocolate category." The Applicant then developed the name SWISSKISS. In my view, this evidence highlights the importance of the "KISS" component to the Applicant's Marks as a whole, and suggests that it is the "KISS" component that is particularly striking.

[74] The presence of the word "SWISS" in the Applicant's Marks of course leads to a visual and auditory

difference with the trademarks relied on by the Opponent, and conveys an idea that is absent from trademarks relied on by the Opponent. However, for the reasons set out above, I do not think this weighs strongly in the Applicant's favour, given that "SWISS" is descriptive of the geographic origin of the Goods.

[75] While the Applicant argues that I should consider SWISSKISS as a single, coined term, and recognizing that I must consider each of the Applicant's Marks as a whole, it nevertheless is apparent that each of the Applicant's Marks will be read and sounded as two separate words – i.e. "Swiss Kiss". The combination of upper and lower case letters in the Design Mark (i.e. SwissKiss) reinforces that view.

[76] Ultimately, in my view, the word "KISS" is the most striking or unique aspect of both the Applicant's Marks and the trademarks relied on by the Opponent, and therefore there is a meaningful degree of resemblance.

Surrounding circumstances

Family of trademarks

[77] The Opponent in its statements of opposition asserts that it owns a "family" of trademarks. However, in order to benefit from the wider scope of protection that may be afforded to a "family" of trademarks, an opponent must prove use of each of the marks in the family [see *McDonald's Corp v Alberto-Culver Co*(1995), 61 CPR (3d) 382 (TMOB)]. In the present case, while the Opponent's evidence demonstrates extensive evidence of use of the trademark KISSES, and limited use of the trademark KISS, in my view, the evidence does not demonstrate the use of other trademarks sufficient to constitute a family of marks that would assist the Opponent in this case. Thus, in my view, this is not a surrounding circumstance which assists the Opponent.

Conclusion regarding the section 12(1)(d) ground

[78] Ultimately, the question in this case is whether the average Canadian consumer, with an imperfect recollection of the trademark KISSES and/or KISS in association with chocolate, when they see a Swiss chocolate product bearing the trademark SWISSKISS (or SWISSKISS & Design), would think that the products come from the same source. In my view, if I am to afford any scope of protection to registrations TMA733,263 and TMA833,060, I must answer that question in the affirmative.

[79] The Applicant's Marks are comprised of a descriptive term "SWISS" preceding the term "KISS" for which there are already registered rights in Canada in association with chocolate. I find it reasonable to assume that consumers familiar with the trademark KISSES and/or KISS in association with chocolate would think that Swiss chocolate bearing the trademarks SWISSKISS and SWISSKISS & Design comes from the same entity as the owner of the registered marks, or has been, at the very least, approved, licensed or sponsored by the owner of those registered marks.

[80] In considering this issue, I must take into account that the Applicant's Word Mark Application and Design Mark Application are not circumscribed by any particular colour or packaging style that might help to reduce the likelihood of confusion in the marketplace. To the contrary, registration of the Applicant's Word Mark and Design Mark would entitle the Applicant to depict the Marks in any colour or get-up the Applicant might choose.

[81] Thus, I find that the Applicant has not satisfied its onus on a balance of probabilities to demonstrate no reasonable likelihood of confusion between the Marks and the registered trademarks KISSES (TMA733,263) and KISS (TMA833,060). Consequently, the section 12(1)(d) ground of opposition succeeds with respect to both the Word Mark Application and the Design Mark Application.

3. Survey Evidence

Survey evidence, as a species of expert evidence, must meet the following conjunctive criteria for the Court to

find it admissible: (a) relevance; (b) necessity in assisting the trier of fact (in the sense that the evidence is outside the experience and knowledge of a judge); (c) the absence of any exclusionary rule; and (d) a properly qualified expert. Further, to be considered relevant, the survey must be both reliable (in that if it were repeated it would produce the same results) and valid (in that the right questions were put to the right pool of survey participants in the right way and in the right circumstances to produce the evidence sought)

The Federal Court concluded that an online survey was not admissible in determining whether the parties' respective trademarks were confusing (*Tokai of Canada Ltd. v. Kingsford Products Company, LLC.*, 2021 FC 782).

Example: Inadmissible survey evidence

Mattel, Inc v 3894207 Canada Inc, 2006 SCC 22

[42] Before the applications judge, the appellant sought to adduce fresh evidence in the form of a survey which purported to show that:

- For 57 percent of the participants, BARBIE dolls came to mind when they saw the Barbie's restaurant logo.
- 36 percent of the participants believed that the company that manufactured BARBIE dolls might have something to do with the logo of Barbie's restaurant.
- 99.3 percent of the participants were familiar with the BARBIE dolls. (Rouleau J., at para. 10)

[43] Until comparatively recently, evidence of public opinion polls was routinely held to be inadmissible because it purports to answer the factual component of the very issue before the Board or court (i.e. the likelihood of confusion), and in its nature it consists of an aggregate of the hearsay opinions of the people surveyed who are not made available for cross-examination, see, e.g., *Building Products Ltd. v. BP Canada Ltd.* (1961), 36 C.P.R. 121 (Ex. Ct.); *Paulin Chambers Co. v. Rowntree Co.* (1966), 51 C.P.R. 153 (Ex. Ct.). The more recent practice is to admit evidence of a survey of public opinion, presented through a qualified expert, provided its findings are relevant to the issues and the survey was properly designed and conducted in an impartial manner.

[44] The principal attack on the survey evidence in this case rests on relevance. The issue in these opposition proceedings is the *likelihood* of confusion. The survey question ("Do you believe that the company that makes Barbie dolls might have anything to do with the restaurant identified by this sign or logo?" (emphasis added)) addresses the wholly different issue of possibilities. If the survey is not responsive to the point at issue, it is irrelevant and should (as the Federal Court of Appeal held) be excluded on that ground alone.

[45] As to the usefulness of the results, assuming they are elicited by a relevant question, courts have more recently been receptive to such evidence, provided the survey is both reliable (in the sense that if the survey were repeated it would likely produce the same results) and valid (in the sense that the right questions have been put to the right pool of respondents in the right way, in the right circumstances to provide the information sought). See *Canadian Schenley Distilleries Ltd. v. Canada's Manitoba Distillery Ltd.* (1975), 25 C.P.R. (2d) 1 (F.C.T.D.), at p. 9; *Joseph E. Seagram & Sons Ltd. v. Seagram Real Estate Ltd.* (1990), 33 C.P.R. (3d) 454 (F.C.T.D.); *Walt Disney Productions v. Fantasyland Hotel Inc.* (1994), 1994 CanLII 5264 (AB QB), 20 Alta. L.R. (3d) 146 (Q.B.). Thus, in *Cartier Inc. v. Cartier Optical Ltd.* (1988), 20 C.P.R. (3d) 68 (F.C.T.D.), the court accepted as helpful a survey found to be properly designed and impartially administered and whose findings were directly relevant to the likelihood of confusion. This was also the case in *Sun Life Assurance Co. of Canada v. Sunlife Juice Ltd.* (1988), 1988 CanLII 4550 (ON SC), 22 C.P.R. (3d) 244 (Ont. H.C.J.).

[46] On the other hand, surveys have been excluded

(i) where the individuals surveyed did not constitute the relevant population, see *Joseph E. Seagram*, at p. 472; *New Balance Athletic Shoes, Inc. v. Matthews* (1992), 45 C.P.R. (3d) 140 (T.M.O.B.); *National Hockey League v. Pepsi-Cola Canada Ltd.* (1992), 1992 CanLII 2324 (BC SC), 70 B.C.L.R. (2d) 27 (S.C.), at para. 44; *McDonald's Corp. v. Coffee Hut Stores Ltd.* (1994), 55 C.P.R. (3d) 463 (F.C.T.D.), at p. 475, or only included a subset of the relevant population: *Unitel Communications Inc. v. Bell Canada* (1995), 92 F.T.R. 161, at para. 117;

(ii) where the trade-mark used in the survey was not precisely the trade-mark applied for: *Canada Post Corp. v. Mail Boxes Etc. USA, Inc.* (1996), 77 C.P.R. (3d) 93 (T.M.O.B.);

(iii) where the wrong question is asked, e.g. a survey done for Coca-Cola was excluded on the basis that it was not directed to the issue of confusion but rather to measure public recognition of the word Classic as part of soft drink names: *Coca-Cola Ltd. v. Southland Corp.* (2001), 20 C.P.R. (4th) 537 (T.M.O.B.). See also: *Molson Companies Ltd. v. S.P.A. Birra Peroni Industriale* (1992), 45 C.P.R. (3d) 28 (T.M.O.B.); *Molson Breweries v. Swan Brewery Co.*, [1994] T.M.O.B. No. 253 (QL); *Toys "R" Us (Canada) Ltd. v. Manjel Inc.* (2003), 229 F.T.R. 71, 2003 FCT 283;

(iv) where the survey had not been carried out in an impartial and independent manner: *Unitel Communications*, per Gibson J., at para. 120.

[47] In the present case, the appellant retained a reputable and qualified firm to conduct the survey. However, the evidence showed that the persons questioned by the pollsters were merely shown without any context the respondent's Barbie's design logo, subsequently had it removed from their sight, and were then asked a series of questions, some of them suggestive. The key question, which the Federal Court of Appeal found to be irrelevant, was "Do you believe that the company that makes Barbie dolls might have anything to do with the restaurant identified by this sign or logo?" (emphasis added). The Montreal respondents were posed the question in French: "*Croyez-vous que la compagnie qui fabrique les poupées Barbie pourrait avoir quelque chose à faire avec le restaurant identifié par cette enseigne ou ce logo?*" (Emphasis added.)

[48] Other alleged shortcomings included:

(i) the lack of information provided to those who responded to the survey;

(ii) the survey *excluded* anyone who was even aware of the respondent's Barbie's restaurants. It is pointed out that such people were part of the relevant universe of individuals in the market for the respondent's services and are therefore *potentially* some of the people who may or may not "likely" be misled by the applied-for trade-mark. The survey need not be limited to such people of course, but nor should they be excluded. A similar objection was sustained in both *McDonald's Corp. v. Coffee Hut Stores Ltd.* and in the *Fantasyland Hotel* case which referred with approval to *Safeway Stores, Inc. v. Safeway Insurance Co.*, 657 F. Supp. 1307 (M.D. La. 1985), in this respect;

(iii) the survey methodology included questions suggestive of the answers the appellant apparently wanted to hear.

[49] The appellant has not made any application to adduce the survey testimony or results as fresh evidence in this Court, and in my view the exclusion of that evidence by the applications judge does not constitute reversible error in light of the broad power given to him under s. 56(5), which provides:

(5) On an appeal under subsection (1), evidence in addition to that adduced before the Registrar may be adduced and the Federal Court may exercise any discretion vested in the Registrar.

The use of the word “might” (or “pourrait”) in the survey question was directed to a mere possibility, rather than a probability, of confusion. The respondents who answered “yes” to this question may merely have believed that it was within the realm of possibility that the appellant had something to do with the restaurant, rather than actually inferring from the trade-marks that it was *likely* that the two trade-marks represented wares or services emanating from the same source. It is relevant if even a limited percentage of the population surveyed is confused, but evidence that a lot of people *might* or *could* possibly make the mistaken inference is not. The other grounds of objection go to the weight rather than to admissibility of the survey evidence and, subject to assessing that weight (or the lack of it), the survey evidence could have been admitted over the respondent’s other objections. Lack of relevance, however, was fatal.

[50] At most, the proffered survey indicated that the BARBIE trade-mark is well known. Even without the survey however, the courts below were content to proceed on the basis that BARBIE is a “well known” if not “famous” mark, and I do so as well.

G. Infringement & Expungement

The registration of a trademark carries definite advantages for the holder compared to an unregistered trademark. The *Trademarks Act* offers indeed a wider ambit of protection than the common law remedy of passing off which is the only recourse available for unregistered marks (see Section H. Passing Off, below). First, the plaintiff in an infringement proceeding need not show that the goods or services are marketed in the same area as the common law doctrine does. The registered trademark is valid across Canada and, along with it the owner possesses the right to its exclusive use in association with specified wares or services nationwide. As well, no damages need to be proven, nor indeed must an attempt to deceive be made out in order to succeed. Besides the action in passing off discussed in the following section, the exclusive rights granted under the *Trademarks Act* allow a trademark owner to institute proceedings against anyone who uses an identical mark (s.19 TMA), a confusingly similar mark (s.20 TMA) or a mark that is likely to have the effect of depreciating the value of the goodwill attaching their mark (s.22 TMA). A request for expungement of an allegedly invalid mark (s.57 TMA) can be filed before the Federal Court either as a distinct cause of action, or in defence of a claim of infringement. Each cause of action is discussed separately in the below subsections.

1. Identical Use of a Trademark

Pursuant to s.19 TMA, the owner has the exclusive right to use the trademark throughout Canada in respect of the goods or services mentioned in the registration, unless the trademark is shown to be invalid. Once the owner obtains the certificate of registration, a presumption of validity exists in favour of the trademark owner. This protection serves to protect the public as well as the owners of trademarks by affording transparency, stability and certainty of the trademark system in Canada.

Rights conferred by registration

19 Subject to sections 21, 32 and 67, the registration of a trademark in respect of any goods or services, unless

shown to be invalid, gives to the owner of the trademark the exclusive right to the use throughout Canada of the trademark in respect of those goods or services.

An action brought on the basis of s.19 does not require evidence of confusion. This section is concerned with the use by a defendant of a trademark that is identical to the plaintiff's registered trademark; the exclusive right that it protects is the right to the trademark as registered. In the section 19 context, identical simply means the same, not merely similar. In assessing whether the trademarks are identical, it is necessary to take into account that the trademarks in each case contain the same words or depict the same logo. [see *Group III International Ltd. v. Travelway Group International Ltd.*, 2020 FCA 210]

As the basic provision through which rights are conferred in relation to a registered trademark, s.19 TMA is invoked in most trademark infringement cases, usually in conjunction with other statutory provisions. Instances of exact trademark imitation are relatively scarce. Exact imitation of a mark primarily arises in relation to the unauthorized sale of goods, for example through an unlicensed seller or unauthorized importer. One form of unauthorized importation is known as **parallel importation**, or grey market, where goods are lawfully produced, labelled and purchased – usually at a lower price – on a foreign market before being re-sold in Canada without the Canadian trademark owner's consent. Another form of unauthorized importation is **counterfeiting**, where goods are produced illegally abroad and sold on the Canadian market. Counterfeit goods are usually of lower quality and sold at a cheaper price. Before the legislative amendments of 2014, the *Trademarks Act* did not clearly prohibit the unauthorized importation or exportation of goods bearing a trademark that is identical or cannot be distinguished from a registered trademark. Before then, the legal grounds for requesting the prevention of **parallel importation** are shaky at best. Trademark owners can now stop parallel importation on the basis of s. 20(1.01) TMA which creates a presumption of infringement under paragraph 20(1)(b), unless the contrary is proven, if a person who is not entitled to use a registered trademark imports goods on a commercial scale that bear a trademark that is identical to, or cannot be distinguished in its essential aspects from, the trademark registered for such goods.

Example: Enforcing trademark rights parallel importation case

Mattel Canada Inc. v. Pierce (1989) 27 C.P.R. (3d) 552 (FC – Trial Division)

APPLICATION to strike out a statement of claim asserting infringement of the trade mark NINTENDO for video games, dismissed.

Jerome A.C.J.:

[1] These applications for orders pursuant to r. 419(1) of the *Federal Court Rules*, striking the plaintiff's statement of claim, came on for hearing before me at Toronto, Ontario on June 30, 1989. At the conclusion of argument, I indicated that the applications would be dismissed and that these written reasons would follow.

[2] Essentially, the plaintiff's claims are for injunctions and interim interlocutory injunctions restraining the defendants from:

- 1) infringing trade marks used in association with the sale and distribution of video games owned by Nintendo of America, of which the plaintiff is the registered user in Canada; and
- 2) importing, using, distributing, displaying or selling video games in Canada bearing the said trade marks.

[3] According to the plaintiff's statements of claim, the plaintiff and Nintendo of America reached an agreement on July 25, 1986 which granted the plaintiff the exclusive right to use the trade marks of Nintendo of

America to purchase, import and distribute in Canada products bearing these trade marks, and to use in Canada all copyrights pertaining to the products. Pursuant to the agreement, the plaintiff claims to have purchased from Nintendo of America and distributed throughout Canada video games bearing the trade marks in connection with the trade mark “Mattel”, and to have expended a substantial sum of money in promoting the products.

[4] The plaintiff alleges, relying on ss. 19 and 50 of the *Trade Marks Act*, R.S.C. 1970, c. T-10, that the defendants have infringed their exclusive right to use the trade marks in question, by selling and distributing in Canada video games bearing these trade marks. In support of this assertion, the plaintiff relies also on ss. 6, 7, 19, 20, 22 and 50 of the *Trade Marks Act*. Since the plaintiff claims that the video games distributed by the defendants are of a quality, appearance and packaging which is unacceptable for video games sold in Canada, the plaintiff asserts, relying on s. 22 of the *Trade Marks Act*, that the defendants have used the trade marks in a manner likely to depreciate the value of the goodwill attached to them.

[5] The plaintiff alleges that the infringement of the trade marks by the defendants was calculated to destroy confidence in the plaintiff's reputation, that it is deceptive to consumers, and is embarrassing to the plaintiff. The plaintiff claims that this has resulted in damages to its reputation, and that while it has suffered a loss as a consequence of the defendants' acts, the defendants have made a profit.

[6] The applicants seek orders pursuant to r. 419(1) of the *Federal Court Rules* striking out the statements of claim filed by the plaintiff, on the basis that the statements of claim, as a whole, disclose no reasonable cause of action or, in the alternative, are immaterial, scandalous, frivolous and vexatious and an abuse of process of the Court. In the alternative, the applicants seek orders striking out portions of the statements of claim on the basis that specified paragraphs disclose no reasonable cause of action or are immaterial, scandalous, frivolous, vexatious, prejudicial and embarrassing and are an abuse of the process of the Court.

(...)

[10] Applying this jurisprudence to the facts at hand, I am not satisfied that this is a situation in which the plaintiff should be deprived of the right to bring this litigation forward. The situation before me is one of parallel importation, the complexities of which become apparent on examination of the decision in *Wilkinson Sword (Canada) Ltd. v. Juda* (1966), [1968] 2 Ex. C.R. 137, 34 Fox Pat. C. 77, 51 C.P.R. 55, wherein the Canadian subsidiary of a British parent company holding trade mark rights that imported the parent company's wares into Canada sought to restrain another company from doing the same thing. The relationship between the Canadian trade mark owner and the parent company became a key issue in the case. Indeed, as Jackett P. commented, at p. 59:

The plaintiff's case depends ... upon a recognition of the separate personalities of the two companies.

[11] In every case involving a situation of parallel importation, there is a subtle difference in the relationship between the Canadian trade mark owner and the foreign parent company. The present litigation may constitute the first time that a plaintiff in the position of a registered user, with a separate corporate identity from the parent company, has appeared to assert its rights in this specific legal relationship. I must be sympathetic to the right of this plaintiff to explore its distinct relationship with the parent company through to a legal conclusion.

[12] In argument, counsel for the applicants conceded that for a finding that the alleged infringing use is not a use within the terms of the *Trade Marks Act*, the acquisition of the merchandise must have occurred in the ordinary course of trade. This too will require a factual determination since, clearly, the plaintiff disputes the suggestion that the merchandise was acquired in the ordinary course of trade. This dispute is articulated in the statements of claim and is also evident from the text of the affidavit of Ian Bradley, vice-president and general manager of the plaintiff company.

[13] With respect to issues of law, it was suggested by the applicants that the use of the trade marks by the defendants is not an infringing use within the terms of current trade mark law. In support of this position,

counsel for the applicants relied upon a number of decisions defining “use” in the context of an application for registration. A finding of use for the purposes of an application for registration may involve different factors than those relevant to a determination of use constituting an infringement.

[14] *Remington Rand Ltd. v. Transworld Metal Co.*, [1960] Ex. C.R. 463, 19 Fox Pat. C. 204, 32 C.P.R. 99 is a decision by former Chief Justice Thurlow in support of the plaintiff's position that the use made by the defendants of the trade marks is an infringing use. On a motion to continue an interim injunction and order restraining importation by the defendant, it was noted at p. 100 (C.P.R.):

Notwithstanding the relationship between the plaintiff and its United States parent corporation, the evidence of use of the marks by the defendants in Canada, in my opinion, shows a strong *prima facie* case of infringement of the marks.

[15] In *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*, [1987] 3 F.C. 544 (C.A.), Mr. Justice MacGuigan quoted from *Oshawa Holdings Ltd. v. Fjord Pacific Marine Industries Ltd.* (1981) 55 C.P.R. (2d) 39 (Fed. C.A.):

It is not necessary in my view for there to be actual use of the conflicting marks in the same area, nor for there to be evidence of actual confusion. The test of s.-ss. (22) and (3) of s. 6 is not what has happened in fact but what inference would likely be drawn if the appellant and respondent did use conflicting marks and trade names in respect of the different classes of goods in the same area.

Mr. Justice MacGuigan in considering the words of Heald J. reiterated at p. 331 (C.P.R.):

[O]nce the plaintiff has introduced at least some evidence of actual confusion, that is adequate to support an inference of the likelihood of confusion, whatever the evidence is on the other side.

[16] The decision of Jaccett P. in the *Wilkinson Sword* case, to which I earlier referred, also lends some support to the plaintiff's position. In *Wilkinson Sword*, the Court was called upon to consider the question of whether the plaintiff, by virtue of the transfer to it of its parent's Canadian trade marks, could prohibit third persons from importing and selling in Canada goods manufactured abroad by the parent and bearing the trade marks placed thereupon by the parent. As Jaccett P. concluded that the trade marks were not “distinctive” at the time of the commencement of the proceedings, and the registrations of the trade marks were, therefore, invalid, it was not necessary for him to come to a final conclusion with regard to the question originally raised. He did, however, indicate his rejection of the three arguments advanced by counsel for the defence to the effect that there had been no infringement of the trade mark, namely that: a) the plaintiff and the British parent company were carrying on business jointly, with one acting as an agent for the other; b) the transfer of the trade marks in question was without consideration and there was therefore a resulting trust in favour of the parent company so that a sale of goods in Canada manufactured and sold by that company under the trade marks was not an infringement; and c) that the plaintiff cannot rely on sales in Canada prior to the date on which the plaintiff became registered as owner of the trade marks as an act of infringement.

[17] A plaintiff is entitled to pursue an action where a distinct legal relationship and factual dispute exist, provided, as is the case here, that the statements of claim adequately identify the dispute. This is not a situation where the plaintiff ought to be deprived of the right to bring this litigation forward. Previous jurisprudence is no more supportive of the defendants than it is of the plaintiff, and it is in no way “plain and obvious that the action cannot succeed.”

[18] For these reasons, the applications to strike the statements of claim must fail and I so ordered at Toronto on June 30, 1989. Costs in the cause.

Combating **counterfeiting** was made easier with the adoption of the *Combating Counterfeit Products Act* (“CCPA”) in 2014. The legislative amendments created a new part entitled “Importation and Exportation,” by adding new sections 51.02 to 51.12 to the *Trademarks Act*. These amendments change the law concerning the importation and exportation of counterfeit goods bearing a registered trademark. Section 51.03 TMA now gives trademark owners a direct cause of

action in such circumstances, subject to the exceptions provided in subsection (2). Section 51.04 provides that the owner of a registered trademark may file with the Minister a request for assistance in pursuing remedies under the *Trademarks Act* with respect to goods imported or exported in contravention of new section 51.03. Sections 51.05 to 51.09 contain measures relating to detained goods and deal with the disclosure of information that may be made between a customs officer and an owner of a registered trade-mark.

No importation or exportation

51.03 (1) Goods shall not be imported or exported if the goods or their labels or packaging bear – without the consent of the owner of a registered trademark for such goods – a trademark that is identical to, or that cannot be distinguished in its essential aspects from, that registered trademark.

Exception

(2) Subsection (1) does not apply if

- (a) the trademark was applied **with the consent of the owner** of the trademark in the country where it was applied;
- (b) the sale or distribution of the goods or, in the case where the trademark is on the goods' labels or packaging, of the goods in association with the labels or packaging **would not be contrary to this Act**;
- (c) the goods are imported or exported **by an individual in their possession or baggage** and the circumstances, including the number of goods, indicate that the goods are intended **only for their personal use**.

The new provision was recently tested in court in an *ex parte* case of counterfeit computer components.

Example: Unlicensed importation of trademarked goods into Canada

Apple Inc. v. Waseah (Mobile Q), 2021 FC 542

APPLE INC.

Plaintiff

and

ABDUL WASEAH

OPERATING AS MOBILE Q

Defendant

ORDER AND REASONS

UPON CONSIDERING the Plaintiff's *ex parte* motion for default judgment against the Defendant, brought pursuant to Rules 210 and 369 of the *Federal Courts Rules*, SOR/98-106 ("Rules");

AND UPON BEING SATISFIED that the Defendants have failed to serve and file a Statement of Defence within the time set out in Rule 204 of the *Rules*;

AND UPON REVIEWING the evidence and submissions of the Plaintiff;

THE COURT ORDERS THAT the Plaintiff's motion for default judgment is granted.

[1] I find the following Canadian registered trademarks are owned by the Plaintiff (collectively, the "Subject Trademarks"):



(a) **(APPLE DESIGN)** (TMA690,668);

(b) **AIRPODS** (TMA989,948); and



(c) **USB Power Adapter** (TMA1,066,319).

[2] I find the Defendant, without the consent, license or permission of the Plaintiff, imported into Canada and sold goods bearing marks that a casual consumer somewhat in a hurry would likely confuse for the Subject Trademarks (*Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23 at para 20). Considering the factors enumerated under subsection 6(5) of the *Trademarks Act*, RSC 1985, c T-13 (the "Act"), I find the Defendant has infringed the exclusive rights of the Plaintiff to the use in Canada of the Subject Trademarks, contrary to sections 19 and 20 of the Act. In addition, I find the Defendant has imported into Canada counterfeit Apple merchandise, contrary to section 51.03 of the Act.

[3] In light of the above determinations, I order that the Defendant is restrained from offering for sale, importing, displaying, advertising, selling, manufacturing, distributing, or otherwise dealing in merchandise not being that of the Plaintiff, bearing one or more of the Subject Trademarks.

ORDER AND REASONS IN T-409-20

THIS COURT ORDERS that:

1. The Plaintiff's motion for default judgment is granted.
2. The Defendant is restrained from offering for sale, importing, displaying, advertising, selling, manufacturing, distributing, or otherwise dealing in merchandise not being that of the Plaintiff, bearing one or more of the Subject Trademarks.

2. Confusing Use of a Trademark

Outside of parallel importation and counterfeiting circumstances, instances of exact trademark imitation are rare. Generally speaking, claims for infringement arise where the mark used by one undertaking in association with its goods or services comes, intentionally or not, too close to another undertaking's registered trademark. Such cases revolve around the concept of confusion, as discussed in the previous section of this book. Therefore, the most commonly invoked provision in support of a trademark infringement claim is s.20 TMA, which creates a presumption of infringement in favour of the trademark owner, in cases where a person not entitled to use it sells, distributes or advertises wares or services in association with a confusing trademark.

Pre-2014 version of section 20 TMA

Infringement

20 (1) The right of the owner of a registered trade-mark to its exclusive use shall be deemed to be infringed by a person not entitled to its use under this Act who sells, distributes or advertises wares or services in association with a confusing trade-mark or trade-name, but no registration of a trade-mark prevents a person from making

(a) any bona fide use of his personal name as a trade-name, or

(b) any bona fide use, other than as a trade-mark,

(i) of the geographical name of his place of business, or

(ii) of any accurate description of the character or quality of his wares or services,

in such a manner as is not likely to have the effect of depreciating the value of the goodwill attaching to the trade-mark.

This section was substantially expanded and reinforced to the benefit of registered trademark owners through the legislative amendments of 2014 adopted in the context of the *Combating Counterfeit Products Act* (“CCPA”). Section 20(1) now expressly covers all instances of use of non-identical trademarks, including the sale, distribution or advertising of any goods or services or the manufacture, possession, importation, exportation, sale, distribution or advertising of any goods in association with a confusing trademark. With the use of the words ‘**any goods**’, the legislator intended to specifically extend protection under the *Trademarks Act* to goods and services that are not listed in the register of trademarks.

Section 20(1.01) TMA establishes a new presumption of infringement under s. 20(1)(b) TMA of a registered trademark, where a person who is not entitled to its use the mark imports goods on a commercial scale that bear a trademark or trade name that is identical to, or cannot be distinguished in its essential aspects from, the trademark registered for such goods.

Protection also extends to the sale, offer for sale or distribution of **any label or packaging**, in any form, bearing a trademark or trade name if there is actual or constructive knowledge that such labels or packaging is intended to be associated with goods or services that are not those of the owner of the registered trademark owner. This provision was introduced in the law to counter the practice by some counterfeiters of importing goods and labels bearing trademarks separately and attach them once in Canada, instead of importing goods with counterfeit trademarks already attached to them.

Infringement

20 (1) The right of the owner of a registered trademark to its exclusive use **is deemed to be infringed** by any person who is not entitled to its use under this Act and who

(a) sells, distributes or advertises **any goods** or services in association with a **confusing trademark or trade name**;

(b) manufactures, causes to be manufactured, possesses, imports, exports or attempts to export **any goods** in association with a **confusing trademark or trade name**, for the purpose of their sale or distribution;

(c) sells, offers for sale or distributes any label or packaging, in any form, bearing a trademark or trade name, if

(i) the person knows or ought to know that the label or packaging is intended to be associated with goods or services that are not those of the owner of the registered trademark, and

(ii) the sale, distribution or advertisement of the goods or services in association with the label or packaging would be a sale, distribution or advertisement in association with a **confusing trademark or trade name**; or

(d) manufactures, causes to be manufactured, possesses, imports, exports or attempts to export any label or packaging, in any form, bearing a trademark or trade name, for the purpose of its sale or distribution or for the purpose of the sale, distribution or advertisement of goods or services in association with it, if

(i) the person knows or ought to know that the label or packaging is intended to be associated with goods or services that are not those of the owner of the registered trademark, and

(ii) the sale, distribution or advertisement of the goods or services in association with the label or packaging would be a sale, distribution or advertisement in association with a **confusing trademark or trade name**.

Deemed infringement under paragraph (1)(b)

(1.01) An infringement under paragraph (1)(b) is presumed, unless the contrary is proven, if a person who is not entitled to use a registered trademark imports goods on a commercial scale that bear a trademark that is identical to, or cannot be distinguished in its essential aspects from, the trademark registered for such goods.

Exception – bona fide use

(1.1) The registration of a trademark does not prevent a person from making, in a manner that is not likely to have the effect of depreciating the value of the goodwill attaching to the trademark,

(a) any bona fide use of his or her personal name as a trade name; or

(b) any bona fide use, other than as a trademark, of the geographical name of his or her place of business or of any accurate description of the character or quality of his or her goods or services.

Exception – utilitarian feature

(1.2) The registration of a trademark does not prevent a person from using any utilitarian feature embodied in the trademark.

The new subsection 20(1.1) adds an exception to the general rule stated in the first subsection by providing that the registration of a trade-mark does not prevent a person from making, in a manner that is not likely to have the effect of depreciating the value of the goodwill attached to the trade-mark:

- any *bona fide* use of his or her personal name as a trade-name; or
- any *bona fide* use, other than as a trademark, of the geographical name of his or her place of business or of any accurate description of the character or quality of his or her goods or services.

Lastly, the new subsection 20(1.2) provides a new exception to the infringement of the right to the exclusive use of a registered trademark allowing the use any utilitarian feature embodied in the trademark.

Compared with s.19 TMA, s.20 captures use by a defendant of a trademark that is confusing in light of the plaintiff's registered mark. Where s.20(1) creates a presumption of infringement, the burden of proof on the balance of

probabilities is on the defendant to establish that the use of their trademark or trade name is not confusing with the registered trademark of the plaintiff. In determining the claims for trademark infringement under s.20, a court must consider all of the non-exhaustive factors listed in s.6(5) TMA.

Example: Advertising of services in association with a trademark that is confusing with a registered trademark

Responsive Brands Inc. v. 2248003 Ontario Inc., 2016 FC 355

I. Overview

[1] This is an action for trade-mark infringement and passing off brought by Responsive Brands Inc., owner of the “Mister Transmission” trade-mark, against Marc Picard, Michael Urquhart and their corporation, 2248003 Ontario Inc. During the trial of this matter, the action as against Mr. Picard and Mr. Urquhart in their personal capacities was withdrawn by Responsive Brands Inc., and an Order to that effect was issued on March 3, 2016. Consequently, the action is now only as against the Defendant, 2248003 Ontario Inc., and that is the party referred to as the Defendant in the reasons that follow.

[2] An Order to bifurcate the liability and damages aspects of the action was issued prior to commencement of the trial, so these reasons deal only with the issue of liability.

[3] Responsive Brands Inc., the Plaintiff, alleges that the Defendant is infringing on its trade-marks because the Defendant’s trade names, which they allege are “Master Transmission” and “Master Transmission & Driveline”, are confusingly similar to “Mister Transmission.” The Plaintiff further alleges that the Defendant is passing off its goods and services as those of the Plaintiff and, because of the confusion and passing off, the goodwill associated with the Plaintiff’s trade-marks has been depreciated. The Defendant denies having used the name “Mister Transmission” and pleads that the logo and branding of Master Transmission & Driveline is not confusingly similar to Mister Transmission, particularly since the words “mister” and “master” have different meanings, with master referring to the skills and abilities of Mr. Picard and Mr. Urquhart.

II. Background

[4] Since the 1970s, Mister Transmission [Mister] has been advertising on radio and television and, now, also utilizes the internet and social media. Mister is a well-known, national brand for transmission services for vehicles. According to Randall A. Moore, the President and Chief Executive Officer of Mister Transmission International, Mister’s advertising budget is approximately \$800,000 to \$1,000,000 per year. This budget is largely spent promoting the various Mister trade-marks, design, and jingle. Mister’s franchisees contribute to an advertising fund which is used with other corporate funds to advertise Mister’s transmission services in some 65 locations across Canada, including approximately 45 locations in Ontario.

[5] Mister advertises heavily in sports broadcasts. Its radio ads always end with its jingle. Its television commercials end with an orange-coloured logo or its name and, sometimes, several seconds of the jingle. Mister has done tests of consumer awareness. It also conducts a customer service index campaign; when a customer gets work done, the customer is asked how they heard about Mister. Mr. Moore testified that, outside of the French market area, the concentration of people who know Mister as a brand for transmission services is over 90 percent, and also that most people who can sing Mister’s jingle have never been in a Mister store.

[6] Mister has a franchise location in Orillia, Ontario, which is also where the Defendant [Master] operates its business. Mister spends over \$500,000 of its annual advertising budget in the greater Toronto area; this advertising reaches into the Orillia area, so many residents of Orillia see and hear Mister’s national ads. Chris and

Christina Jansen, who operate Mister's outlet in Orillia, testified at trial that they spend approximately \$20,000 per year for their local advertising, using such forms as ads in local newspapers and on local radio stations, the telephone book, and attending car shows. Their local advertising does not advertise for engine repairs, oil changes, exhaust or brake work, suspension repairs, or general automotive services.

[7] Mr. Urquhart testified that when Master started its business in Orillia in June 2010, he and Mr. Picard had limited funds. Their advertising started with the Yellow Pages and local flyers, and they advertised in the local Perkulator newsletter every week for a couple of years. They also established a webpage and a Facebook presence. Master does not use any jingles. Mr. Urquhart says their slogan is "Building Relationships One Transmission at a Time." Master advertises on one billboard on Highway 12 between Rama and Brechin, Ontario; it says "'Transmission problems,' with a question mark, lifetime warranty, Memorial Avenue, and the phone number." Master's name is not on this billboard. Mr. Picard testified that Master attracts a lot of customers from individuals working at a nearby casino, as they offer discounts to casino employees and advertise in the employee handbook.

[8] Prior to starting their business, Mr. Urquhart and Mr. Picard worked together at a Mister store located in Barrie, Ontario, Mr. Urquhart as a transmission rebuilder for many years and Mr. Picard as store manager for about six months. Sometime in late 2009 or 2010, they approached Mark D'Angeli, a representative of Mister, about the possibility of establishing a Mister location in the Huntsville area, but they never put together a formal franchise application because the customer base in that area was too small.

[9] Mr. Moore testified that sometime after Mr. Urquhart and Mr. Picard opened their business in Orillia, Mr. D'Angeli informed him that the Defendant's business name was "Master Transmission", which prompted Mr. Moore to phone Mr. Urquhart. Mr. Moore says he told Mr. Urquhart he had to find some other name, whether Orillia Transmission or Mike's Transmission, but not Master Transmission because it is confusing. According to Mr. Moore, Mr. Urquhart told him he would have to speak to Mr. Picard about the matter. Mr. Urquhart, however, testified that he first learned that Mister took issue with Master's name when he received a cease-and-desist letter. He says he did not receive a phone call from Mr. Moore.

[10] In any event, after Master received the cease-and-desist letter dated August 31, 2010, Mr. Urquhart says he and Mr. Picard wondered whether there was a plot to bury Master's business because they did not consider the names confusing. He says they thought about changing their name, but really did not believe it was confusing because it is a different word with a completely different meaning. In choosing their business name, Mr. Urquhart said they had bounced around a bunch of names. When "master" was brought up – possibly by Mr. Picard – Mr. Urquhart thought it said everything he wanted to say about his abilities, and it was more than just a generic name like "Mike's Transmission." He testified that, to him, "master" meant everything he needed to say about his ability, and that you are very good at whatever is involved in accomplishing your job. Master's logo was drawn by a former customer of the Midas muffler shop Mr. Picard had managed in Orillia before starting the Master business with Mr. Urquhart.

III. Evidence of Confusion

[11] During cross-examination, Mr. Moore said he has not heard of Mister's head office being contacted about Master's taxes or harmonized sales tax. He also has not heard of credit card companies, creditors, insurance companies, or other persons contacting Mister's head office about Master's financial and business affairs. He further acknowledged that he did not know of any banking errors concerning Mister and Master, and that as far as he knows he has not been contacted about the Casino Rama employee discount programs offered by Master or by the Better Business Bureau or Yellow Pages concerning Master. He is not aware of any media related mix-ups, or of credit going to Mister for Master's charity work in Orillia. He is also not aware of a business

called Master Transmission and Engine Rebuilders, or one called Master Transmission and Diagnostic Import and Domestic Limited.

[12] The Plaintiff called as a witness Mr. Robert Roxburgh, the general manager of King-O-Matic Industries, which according to Mr. Roxburgh is the largest distributor of transmission and driveline components in Canada. At the Plaintiff's request prior to trial, Mr. Roxburgh searched King-O-Matic's database of speciality transmission shops in Canada, and aside from Master's name his searches revealed customers called Master Auto and Transmission and Auto-Master Transmission Automatic as well as several Master Mechanic franchises. During cross-examination, he stated his search did not reveal a Master Transmission Inc. in Verdun, Quebec, and that he has never heard of Master Transmission and Engine Rebuilders, or Master Transmission and Diagnostic Import and Domestic Limited, or Masters Automotive. Mr. Roxburgh did not recall any issues about being unable to correctly fill orders made by Master Transmission & Driveline and those made by Mister Transmission.

[13] Mr. Jansen testified as to one incident where a parts supplier, Inter-Continental Gear & Brake, mistakenly invoiced and delivered parts to his Mister store which had been ordered by Master. He and Ms. Jansen also testified about the frequency of courier deliveries received by them which were intended for Master and telephone inquiries as to whether the location of their business was on Memorial Drive.

[14] It was Ms. Jansen who, during the week prior to the trial of this matter, answered the phone when a potential customer named Josiah Smith called looking for directions to the Mister store in Orillia. The Plaintiff called Mr. Smith as a witness at trial to offer evidence as to him being confused by the transmission services offered by Master and those of the Mister store in Orillia. However, Mr. Smith's testimony was tainted by the fact that, unbeknownst to Mr. Jansen, Mister Transmission International had agreed to cover Mr. Smith's transmission repair costs in return for his testimony. Nevertheless, his testimony presented, at best, confusion only as to the location of Mister's store and not as to him being confused by the names and services of Master and Mister. Indeed, after being referred to the Mister store by someone at Blaine's Automotive where he first went to have his truck inspected, Mr. Smith did some price shopping which included a telephone call to Master, where he spoke with Mr. Picard and was told that his truck could not be looked at that day.

[15] As further evidence of confusion, the Plaintiff submitted an affidavit of Mr. Donald Gilks, a retired member of the Toronto Police Service. At the trial, he was cross-examined on his affidavit about how his vehicle came to be repaired by Mr. Picard at the Master store instead of at the Mister store in Orillia. Following a golf tournament the previous day, Mr. Gilks began experiencing a problem with his truck. He asked the concierge at the hotel where he had stayed the night before if there was a Mister Transmission in Orillia, and asked if they would call for him. Mr. Gilks gave his cellphone number and he was called back by a young lady stating she was from Mister Transmission and would call a tow truck. The tow truck driver showed up and took Mr. Gilks and his truck to Master's store on Memorial Drive, not Mister's store on Brodie Drive. Ms. Jansen testified that the tow truck driver subsequently apologized to her for this mix up and that an incident like that involving Mr. Gilks has not happened again.

[16] Upon review and consideration of the evidence as to whether there has been any actual confusion amongst consumers between the trade-marks and business names of Mister and Master, I find there is, at best, insufficient evidence that any consumer has actually been confused or misled since Master opened its business in Orillia some five and a half years ago. It was the tow truck driver, not Mr. Gilks as a consumer of transmission services, who apparently was confused as to Mister's location. Mr. Gilks had never even heard of Master's business before he was unknowingly transported there.

[17] Mr. Smith's evidence, despite its tainted nature, shows confusion only about Mister's store location in Orillia and not confusion caused by the names of Master and Mister or the transmission services they offer. In addition,

while misdirected courier deliveries do show some confusion by various courier delivery personnel, again that is not evidence of actual confusion amongst consumers of the parties' respective services; nor, for that matter, is the misdirected delivery and charge to Mister for parts ordered by Master evidence of actual confusion because this appears to be more of an error on the part of someone at Inter-Continental Gear & Brake, a third-party supplier, than an instance of actual confusion by a potential purchaser of transmission services.

IV. Likelihood of Confusion

[18] Despite the absence of any persuasive or sufficient evidence that any consumer has actually been confused or misled, it is necessary nevertheless to consider and analyze the likelihood of confusion between the trade-marks and trade names of the parties.

[19] Mister has several registered trade-marks, the first one being obtained in 1980 for "Mister Transmission" (TMA239868) relating to services described as "repairing, replacing, renewing and installing automobile transmissions, [and] the operation of a transmission repair and replacement centre." The parties have agreed in the agreed statement of facts in the joint trial record that the first use of this mark in Canada was on August 1, 1974. Mister's domain name on the internet is "mistertransmission.com."

[20] Mister has also registered trade-marks for "Hey Mister Mister Transmission You're A Friend Of Mine" and for the trade-mark and design below, the background colour of which is a bright orange:



[21] Master has not registered a trade-mark. It registered a business or trade name, "Master Transmission & Driveline," under the *Business Names Act*, RSO 1990, c B17, on June 29, 2010, with the activity being carried out stated as "automotive and transmission service." There was some evidence at trial that the Defendant also uses and is referred to simply as "Master Transmission." Mr. Moore indicated during his testimony that Master was known by the short-form of its trade name. Mr. Roxburgh stated that since King-O-Matic's database only takes a limited number of characters, Master is listed as "Master Transmission"; however, he did acknowledge that all invoices to Master use its full business name, and it was not Master's choice as to how they are referred to in the database.

[22] In addition, Master's domain name is "mastertransmission.ca." Its uniform resource locator (URL) for Facebook is "www.facebook.com/mastertransmission", although the name on its Facebook page is Master Transmission & Driveline. One of the packing slips from Thor Motors Limited in the joint trial record also shows the name "Master Transmission", although there is no evidence as to how or why this name was used. Lastly, Master's logo, on the visual inspection report sheet it uses (with a dark background) at its store located on Memorial Drive in Orillia, and on its webpage, looks like this:



(...)

[31] Before turning to whether the Plaintiff in this case has established a likelihood of confusion, the general principles noted by the Federal Court of Appeal in *Philip Morris Products SA v Marlboro Canada Ltd*, 2012 FCA 201, 216 ACWS (3d) 994; leave to appeal refused, [2012] SCCA No 413 [*Philip Morris*] warrant mention. In *Philip Morris*, Justice Johanne Gauthier observed (at para 59) that:

- A mark symbolises a linkage between a product and its source. When assessing the likelihood of confusion, the focus is on such mental link in the head of the mythical consumer (*Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 S.C.R. 772 [*Mattel*]). The full factual context including the factors set out in subsection 6(5) of the Act must be considered.
- It is not relevant that consumers are “unlikely to make choices based on first impressions”. It is an error to discount the likelihood of confusion by considering what actions the consumer might take after encountering the mark in the market place (*Masterpiece Inc.*, paragraphs 71, 73 and 74).
- Confusion as to the source (no need for it to be precisely identified) will arise if the public (mythical consumer) would likely infer that the source of the two products (senior mark or junior mark) is the same (this includes in appropriate circumstances associated sources such as licensor and licensee).
- Steps taken to avoid confusion are irrelevant in the context of an infringement action pursuant to section 20 of the Act (*David Vaver, Intellectual Property Law: Copyright, Patents, Trade-marks*, 2nd ed. (Toronto: Irwin Law, 2011) [Vaver] at page 533, *Pink Panther Beauty Corp. v. United Artists Corp.*, 1998 CanLII 9052 (FCA), [1998] 3 F.C. 534 (C.A.)).
- Proof of actual confusion or the absence of such confusion over a long period of time is a very weighty factor that must be considered as part of the surrounding circumstances pursuant to subsection 6(5) of the Act (*Mr. Submarine Ltd. v. Amandista Investments Ltd.*, (1987) 19 C.P.R. (3d) 3, [1988] 3 F.C. 91 (C.A.) [Mr. Submarine], at paragraph 34, *Mattel*, at paragraph 55).

[32] In view of the foregoing statutory provisions and case law, it is appropriate now to turn and determine whether there is a likelihood of confusion between the Plaintiff’s registered trade-marks and the Defendant’s business and trade names.

C. Inherent distinctiveness

[33] The first factor to assess is the inherent distinctiveness of the parties respective trade-marks and trade names and the extent to which they have become known. In terms of distinctiveness, this factor weighs against the Plaintiff and favours the Defendant. “Mister Transmission” is not an invented or unique word; the second half

of the two-word mark is merely descriptive of the services performed. As noted by the Federal Court of Appeal in *Pink Panther*:

23 ...Marks are inherently distinctive when nothing about them refers the consumer to a multitude of sources. Where a mark may refer to many things or...is only descriptive of the wares or of their geographic origin, less protection will be afforded the mark. Conversely, where the mark is a unique or invented name, such that it could refer to only one thing, it will be extended a greater scope of protection.

[34] Furthermore, trade-marks which utilize words common to a trade or industry have little distinctiveness (see: *Tradition Fine Foods Ltd v Oshawa Group Ltd*, 2004 FC 1011 at para 38). There was evidence at trial in this case that the words “mister” and, for that matter, “master” are not uncommon in the automotive repair industry. One of the Plaintiff’s marks contains a generic image of a transmission (as does the Defendant’s logo and its signage), and it is difficult to see how the Plaintiff’s mark is original and distinctive in the manner which an invented or unique word or original design would be.

[35] Nonetheless, the evidence adduced at trial and in the joint trial record shows that the Plaintiff’s trade-marks and name are well-known in and across Canada. They are, in a word, ubiquitous. So, while the Plaintiff’s marks and name may not be inherently distinctive, they have definitely acquired significant distinctiveness through use and recognition across Canada during the last several decades. This aspect of the first statutory factor favours the Plaintiff, such that the acquired distinctiveness of the Plaintiff’s marks counterbalances their lack of inherent distinctiveness.

[36] On balance, therefore, the dual aspects of this factor, inherent and acquired distinctiveness, favour neither party.

D. Time in Use

[37] The second statutory factor is the length of time the trade-marks or trade names have been in use. Mr. Moore testified that the Plaintiff’s marks and names have been in use since the 1970s. The Defendant has acknowledged and agreed in the agreed statement of facts that the date of first use for “Mister Transmission” was August 1, 1974. Master’s trade name has been in use only since June 2010. Consequently, this factor favours the Plaintiff.

E. Nature of the Goods, Services and Business

[38] Mr. Picard testified that about 50 percent of Master’s repair orders involve transmissions, and that the balance would be for repairs to such things as a vehicle’s brakes, suspension or front end. Mr. Jansen told the Court his Mister location did not advertise for engine repairs, oil changes, exhaust or brake work, suspension repairs, or general automotive services, and that he did not do general automotive service. Nonetheless, there is a significant degree of overlap in the transmission services provided by Mister and by Master even though Master does offer some other sorts of vehicle repairs and maintenance.

[39] In assessing this factor, the Supreme Court has offered the following guidance in *Masterpiece* [see para. 67-70]

[40] What evidence there was at trial as to the cost or price of a transmission repair was, at best, that the nature of the required repair and the time to complete it dictated the cost. Furthermore, there is no evidence of any material difference with respect to the quality of the transmission work or services provided by Master or by Mister. This factor tends to favour the Plaintiff in this case because, while Mister’s business is more centered on transmission services and repairs than that of Master, both of them operate a business offering transmission services and repairs to consumers in the Orillia area.

F. Nature of the Trade

[41] This factor looks to the customs and usages of the trade and the character of the markets where the trade-marks are intended to serve their purposes (see: *Joseph E Seagram & Sons Ltd v Canada (Registrar of Trade Marks)*, [1990] FCJ No 909 at para 36, 23 ACWS (3d) 486). It also looks to the manner by which goods or services are marketed and sold (see: *Lesters Foods Ltd c Lesters Delicatessen and Hot Smoked Meat Inc*, 2008 QCCS 2010 at paras 64-65, [2008] QJ No 4197).

[42] There is a Mister location in Orillia, and geographically and service-wise it targets the same market for transmission services as Master, such that the nature of the trade overlaps. Each of Master and Mister advertise through local media. However, Mister benefits from national advertising which focuses heavily on radio and television and the use of a distinctive jingle, whereas Master does not so benefit. According to Mr. Moore, Mister's overall business is comprised of about 15 percent with the fleet industry such as UPS; about 30 to 40 percent is local automotive garages and places like Midas which refer their customers to a Mister location, and 45 percent is retail. Master's business is locally focused, whereas the Plaintiff's is not except insofar as its Orillia location is one of the three places where consumers in Orillia can obtain transmission services.

[43] This factor also favours the Plaintiff because, while Mister's business is more centered on transmission services than that of Master, both of them operate a business offering transmission services to consumers in the Orillia area such that the nature of the trade and their markets overlap.

G. Degree of Resemblance

[44] The final statutory factor looks to the degree of resemblance between the trade-marks and trade name in appearance or sounds or in ideas suggested by them. In this regard, the Court of Appeal in *Pink Panther* noted:

34 Obviously, where the marks are identical this analysis is not needed. But where the marks are similar, the Registrar or the Court must assess the likely impression made by the marks on the public. While the marks must be assessed in their entirety (and not dissected for minute examination), it is still possible to focus on particular features of the mark that may have a determinative influence on the public's perception of it.

[45] In *Masterpiece*, Justice Marshall Rothstein stated (at para 64) that: "While the first word may, for purposes of distinctiveness, be the most important in some cases, I think a preferable approach is to first consider whether there is an aspect of the trade-mark that is particularly striking or unique."

[46] In this case, because "transmission" is a generic word, the word "Mister" constitutes the unique or distinctive part of the Plaintiff's trade-mark, even though it does not possess a significant degree of inherent distinctiveness. The same can be said for the Defendant's trade name to the extent that it is referred to simply as "Master Transmission." The words "mister" and "master" are similar in appearance, just one letter in the difference. Their respective internet domain names differ only as to this one letter difference (though one domain name is .com and the other is .ca).

[47] Moreover, a consumer might well misread these words, whether at a distance or with only a quick or hurried look, and perhaps be confused by these similar words. For example, in view of the prominence of the words "Master TRANSMISSION" over the words "& DRIVELINE" on the Defendant's sign on Memorial Avenue, a consumer might mistake the reference to "Master TRANSMISSION" for "Mister TRANSMISSION" and fail to see or pass over the reference to "& Driveline" which is in a smaller font than the words "Master TRANSMISSION."

[48] Taken as a whole, "Mister Transmission" and "Master Transmission & Driveline" do not sound similar. However, "Mister Transmission" and "Master Transmission" do sound similar, although they are certainly not homonyms or identical such that one might be as easily mispronounced as the other. That being said, for the

casual consumer in a hurry, perhaps they would be, considering there is just a single letter difference between the first words of each name and the sound of those first words is similar.

[49] Beyond the appearance and sound of the trade-marks and trade names, the ideas suggested by them or the “concept” behind them can also be differentiating factor. For example, in *Ikea Ltd/Ikea Ltee v Idea Design Ltd*, [1987] FCJ No 104, 3 ACWS (3d) 244 [*Ikea*], Justice Jean-Eudes Dubé found that while the marks IKEA and IDEA were similar phonetically, there was nevertheless no likelihood of confusion because “the letter ‘k’ in Ikea comes out strongly and gives the mark a very strong Scandinavian flavour, whereas the mark IDEA evokes mostly a concept, or a thought (at page 478)”. Although Mr. Urquhart testified as to why the word “master” was chosen to be part of the Defendant’s business name, that is, to convey his expertise as a transmission mechanic, a member of the public would not be aware of this. On their face the words “mister” and “master” are both prefixes for a man’s name. Unlike the names in *Ikea*, the words “mister” and “master” are not substantially different as to the idea or concept they convey.

[50] This last statutory factor favours the Plaintiff. The degree of resemblance between the Plaintiff’s trade-marks and the business and trade names of the Defendant, especially as used on their respective websites, is such that there is a likelihood of confusion amongst potential consumers of transmission services in the Orillia area. A somewhat hurried consumer with imperfect recollection of the Plaintiff’s trade-marks who is ordinarily cautious, but who does not pause to examine closely the similarities or differences between those trade-marks and the Defendant’s trade or business names, might well be confused as to who is actually offering the transmission services.

H. Surrounding Circumstances

[51] Subsection 6(5) of the Act requires that “all the surrounding circumstances” must be considered in determining whether trade-marks or trade names are confusing. The factors explicitly listed in subsection 6(5) are not exhaustive of what surrounding circumstances may be relevant or determinative in a particular case. Surrounding circumstances may include evidence of actual confusion. As noted by the Court of Appeal in *Christian Dior*:

[19] ...While the relevant issue is “likelihood of confusion” and not “actual confusion”, the lack of “actual confusion” is a factor which the courts have found of significance when determining the “likelihood of confusion”. An adverse inference may be drawn when concurrent use on the evidence is extensive, yet no evidence of confusion has been given by the opponent. (See *Pink Panther*, supra, at paragraph 36; *Multiplicant Inc. v. Petit Bateau Valton S.A.* (1994), 55 C.P.R. (3d) 372 (F.C.T.D.); *Bally Schuhfabriken AG/Bally’s Shoe Factories Ltd. v. Big Blue Jeans Ltd.* (1992), 41 C.P.R. (3d) 205 (F.C.T.D.); *Monsport Inc. v. Vêtements de Sport Bonnie (1978) Ltée* (1988), 22 C.P.R. (3d) 356 (F.C.T.D.).)...

[52] Surrounding circumstances may also include consideration of the existence of other trade-marks or trade names which use features of either parties’ trade-marks or trade names (see: e.g., *Advance Magazine Publishers Inc v Farleyco Marketing Inc*, 2009 FC 153 at para 104, 175 ACWS (3d) 215). The evidence in this case suggests the words “mister” and “master” are associated with and used in the automotive industry with reference to goods and services other than transmission services. Despite there being a transmission service provider in Georgetown, Ontario, called “Auto-Master Transmission Automatic”, that business name does not infringe the Plaintiff’s trade-marks in the same manner as the Defendant’s does because the word “master” is part of a hyphenated word, whereas that of the Defendant prefaces the word “transmission” simply with the word “master.”

[53] Similar names in a telephone directory can also be an aspect of the surrounding circumstances in assessing the likelihood of confusion. In *Mr. Submarine*, the Court observed:

29 ...In my view it is not unlikely that someone, whether vaguely or even precisely, familiar with MR. SUBMARINE on looking for it in a telephone directory whether it is not listed ... and finding MR. SUBS'N PIZZA could mistakenly conclude that the name, if not indeed that of the appellant, was in some way associated with MR. SUBMARINE as licensee or otherwise. The same applies where they appear close together in ordinary telephone listings. ... It follows in my view that the appellant's trade mark is infringed by the respondent's use of its trademarks and trade names.

[54] In this case, the Yellow Pages listing in the joint trial record shows Master's name immediately above that of Mister; there is, for instance, no intervening name listed.

[55] Proof of actual confusion or the absence of such confusion over a long period of time is "a very weighty factor that must be considered as part of the surrounding circumstances" (*Phillip Morris*, at para 59). In this case, the confusion evidence adduced at trial shows some minimal confusion among third parties during the five years or so since Master started its business. The Plaintiff was unable to produce any evidence of actual confusion by which a purchaser of transmission services had mistaken Master's services for those of Mister, although the Plaintiff did adduce some evidence of confusion among courier delivery personnel, something which may be considered as evidence of actual confusion (see, e.g. *Precision Door & Gate Services Ltd v Precision Holdings of Brevard Inc.*, 2012 FC 496, at paras 36-37). The absence of actual confusion among consumers of transmission services leans in Master's favour.

[56] Nevertheless, in the circumstances of this case, an adverse inference should not be drawn from the lack of evidence of actual confusion. Such evidence is not necessary to establish an infringement of the Plaintiff's trade-marks. The relevant issue is "likelihood of confusion" and not "actual confusion."

[57] It is the likelihood of confusion, not actual confusion, which is the test. If ordinary, casual consumers of transmission services in the Orillia area, somewhat in a hurry, are likely to be misled about the source of such services, the statutory test is met. Mister and Master are each engaged in the provision of transmission services and have similar sounding names, particularly when the emphasis is placed on the first words of the name. Despite the limited distinctiveness of Mister's trade-marks because of a lack of originality, its trade-marks have gained substantial distinctiveness over several decades. Mister and Master each operate a business offering transmission services to consumers in the Orillia area and the nature of the trade and their markets overlap. In short, I find that there is a likelihood of confusion between the Plaintiff's trade-marks and the Defendant's trade and business names.

3. Depreciation of Goodwill

Part of protecting a trademark's distinctiveness is also to protect the goodwill attached to it. Depreciation, disparagement, dilution, or tarnishing of a mark's image may affect the mark's distinctiveness in the eyes of the average consumer. The idea that someone can depreciate the goodwill attached to a trademark necessarily implies that that trademark enjoys a better reputation on the market than the one referring to it. While the action in passing off exists for both registered and unregistered trademarks [see Section H. Passing Off below], the *Trademarks Act* affords registered trademarks the benefit of a separate ground of protection under s.22(1) in addition to the actions possible under ss. 19 and 20 TMA. Protecting a mark's image is also a manner prevent acts of free-riding, or unfair competition, by less scrupulous competitors.

One of the most cited decisions in the area of trademark law is *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006

SCC 23. In this case, the Supreme Court was asked to assess whether the use of the name Boutiques Cliquot in connection with a chain of mid-priced women's fashion depreciated the goodwill of the well-known champagne etiquette known as Veuve Clicquot Ponsardin. Justice Binnie summarized the appellant's argument regarding the depreciation of its brand as follows:

[15] With respect to the s. 22 depreciation claim, the appellant says that the fame of the VEUVE CLICQUOT mark for upmarket luxury goods is such that associating the name CLICQUOT (albeit misspelled as Cliquot) with a mid-range women's clothing store robs the appellant's mark of some of its lustre, blurring its powerful association with top quality luxury goods, and thereby diluting the distinctive qualities that attract high-end business. If the champagne mark becomes associated in the public mind with a group of mid-priced women's clothing shops, the "brand equity" the appellant has been building in France since the 18th century, and in this country since the 19th century, would be devalued and whittled away. Again, however, **the onus of proof to establish the likelihood of such depreciation rested on the appellant. Despite the undoubted fame of the mark, the likelihood of depreciation was for the appellant to prove, not for the respondents to disprove, or for the court to presume.**

Depreciation of goodwill

22 (1) No person shall use a trademark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

The depreciation of goodwill is to be determined by the four-part test [*Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23 para. 46]:

- (1) a claimant's registered trademark is used by the defendant in connection with wares or services – whether or not such goods and services are competitive with those of the claimant.
- (2) the claimant's registered trademark is sufficiently well known to have significant goodwill attached to it.
- (3) the claimant's mark was used in a manner *likely* to have an effect on that goodwill (i.e. linkage) and
- (4) the *likely* effect would be to depreciate the value of its goodwill (i.e. damage).

Section 22 presupposes the existence of significant goodwill capable of being depreciated by a non-confusing use. Goodwill is not defined in the Act. In ordinary commercial use, it connotes the positive association that attracts customers towards its owner's goods or services rather than those of its competitors. Without such a link, connection or mental association in the consumer's mind between the respondents' display and mark, there can be no depreciation of the latter. In *Inland Revenue Commissioners v. Muller & Co.'s Margarine Ltd.*, [1901] A.C. 217, 224, the Court mentioned "the attractive force which brings in custom"; it may reside not only in trade connections, but in many other aspects, such as particular premises, long experience in some specialised sphere, or the good repute associated with a name or mark. It is something generated by effort that adds to the value of the business.

On the elements to consider to know if a trademark enjoys a sufficient degree of goodwill, Justice Binnie explained in *Veuve Clicquot*:

[54] While "fame" is not a requirement of s. 22, a court required to determine the existence of goodwill capable of depreciation by a "non-confusing" use (as here) will want to take that approach into consideration, as well as more general factors such as the degree of recognition of the mark within the relevant universe of consumers, the volume of sales and the depth of market penetration of products associated with the claimant's mark, the extent and duration of advertising and publicity accorded the claimant's mark, the geographic reach of the claimant's mark, its degree of inherent or acquired distinctiveness, whether products associated with the claimant's mark are confined to a narrow or specialized channel of trade, or move in multiple channels, and the extent to which the mark is identified with a particular quality.

The word “depreciate” is used in its ordinary dictionary meaning of “lower the value of” as well as to “disparage, belittle, underrate”. In other words, disparagement is a possible source of depreciation, but the value can be lowered in other ways, as by the lesser distinctiveness that results when a mark is bandied about by different users [Veuve Clicquot, para 63].

Example: Depreciation of goodwill

United Airlines, Inc. v. Cooperstock, 2017 FC 616

[3] The Plaintiff is a commercial airline that was formed by the merger of two predecessor airlines, United Air Lines, Inc. [UAL] and Continental Airlines [Continental]. This merger was announced in 2010 and finalized on March 31, 2013. United and its predecessor UAL have been operating commercial flight services in and out of Canada since 1939 under the brand name of UNITED. UAL used the domain name www.ual.com for its online presence until December 17, 1998, when it began using www.united.com.

[4] Following the merger between UAL and Continental, the Plaintiff unveiled its brand name and logo in August 2010: the United brand name with the United Logo (previously used by UAL) and the Globe Design (previously used by Continental). At that time, UAL began to use the United brand name and United Logo, including on its website. Continental continued to use its own branding, including the Globe Design. On November 30, 2011, UAL and Continental started operating under a single operating certificate, and on March 3, 2012 they merged their consumer-facing platforms (i.e., their websites). The new, merged website was located at www.united.com and it used the design of the previous Continental website, which had used the same basic design and artwork since 2006.

[5] The Plaintiff has made use of a number of trademarks in association with its services [the United Marks or United Trademarks], including:

- a) The UNITED word mark (Registration TMA204,456) [UNITED Mark], which was registered by UAL in January 1975 and renewed in January 2005. This trademark has been used in Canada in relation to air transportation services for passengers since as early as 1939.
- b) The UNITED AIRLINES word mark (Registration TMA367,179) [UNITED AIRLINES Mark], which was registered by UAL in March 1990 and renewed in March 2013. This trademark has been used in Canada in relation to air transportation of passengers, property, and mail since as early as 1939.
- c) The Globe Design (Registration TMA492,886), which was registered by Continental in April 1998 and renewed in April 2013. This trademark has been used in Canada in relation to air transportation of persons and property since as early as 1995.



[6] The Plaintiff also claims copyright with respect to the following logos and designs:

a) The United logotype (Registration 1099766) [United Logo], which was first published on August 11, 2010 and was registered on October 29, 2012.



b) The Globe Design (Registration 1099765), which was first published on February 1, 1991 and was registered on October 29, 2012.



c) The INTERNET WEBSITE CONTENT INCLUDING, WITHOUT LIMITATION: (TEXT, IMAGES, DESIGNS, LAYOUT, DOMAIN: WWW.united.com) (Registration 1099767) [United Website], which was first published on July 29, 2006 and was registered on October 29, 2012.

[7] The Defendant operates UNTIED.com, which was registered and launched on or about April 24, 1997. UNTIED.com is the successor to a personal webpage operated by the Defendant titled “Poor Show”, which was launched around the summer of 1996. The “Poor Show” webpage displayed information about the Defendant’s negative experience with United (then UAL) and United’s purportedly inadequate responses. After launching this webpage, the Defendant began to receive letters from other travellers regarding their negative experiences with United and he posted these on his webpage. The content related to United was removed from the “Poor Show” webpage around March 24, 1997; about one month later, the Defendant launched UNTIED.com. The Defendant chose the domain name UNTIED.com as a play on the word “United”, so as to highlight the disconnection and disorganization that he perceived in the company. The Defendant continues to maintain UNTIED.com as a consumer criticism website where visitors can find information on the Plaintiff, submit complaints about the Plaintiff, and read complaints about the Plaintiff dating back to 1998 in the database of complaints.

[8] Between August and September 2011, the Defendant redesigned UNTIED.com – it was at this time that graphics similar to the current graphics [the Untied Marks] were displayed in the top left-hand corner of the website, including an “UNTIED” logo [Untied Logo] (a blue sans-serif rendering of the word “UNTIED” in evenly spaced capital letters) and a globe logo covered with a frown [Frowning Globe Design]:



[9] At this time, UNTIED.com also adopted, for the first time, a design similar to the design of the United Website.

[10] Following the redesign of UNTIED.com in September 2011, the Plaintiff became aware of the strong resemblance between UNTIED.com and the United Website. UNTIED.com was updated again in June 2012 to mirror the United Website design launched in March 2012.

[11] The Plaintiff contacted the Defendant on July 16, 2012, to request that changes be made to the appearance of UNTIED.com so as to diminish the potential for confusion in the minds of visitors. The Defendant responded on July 17, 2012, indicating that he would “study” these concerns; at this time, he also offered his services to the Plaintiff as a consultant.

[12] The Plaintiff contacted the Defendant again on September 10, 2012 to restate its request and to “formally” put the Defendant on notice with respect to the Plaintiff’s intellectual property rights. The Defendant responded on September 25, 2012 but did not address the request to change UNTIED.com’s appearance.

[13] The Plaintiff contacted the Defendant for a third time on October 2, 2012. The Defendant responded on October 12, 2012, but he did not alter UNTIED.com’s appearance as requested. However, in October 2012, the Defendant made certain alterations to UNTIED.com: he changed the colour of the T and I in the Untied Logo to red (from blue), changed the frown on the Frowning Globe Design to red (from blue), and added a disclaimer and a pop-up dialogue box to the website indicating that this was not the website of United. The disclaimer, stating “(This is not the website of United Airlines)”, was placed at the top of the website in small black type – next to the graphic identifying “Untied” as “An Evil Alliance Member”.

[14] The Parties to this litigation are not unfamiliar with each other. Proceedings have taken place before the Superior Court of Quebec with respect to the Defendant’s practice of making the personal information of United employees available on UNTIED.com. On September 27, 2016, in *United Airlines inc v Cooperstock*, 2016 QCCS 4645, 2016 CarswellQue 9046 (WL Can), the Superior Court issued an injunction requiring the Defendant to remove the contact information of employees with no customer care responsibilities from his website. The Superior Court found that the employees in question (co-plaintiffs in that proceeding) had no responsibility for customer care and had received phone calls, voice messages, and e-mails following the publication of their contact information on UNTIED.com, causing “significant prejudice” (para 75). The Superior Court further found that the publication of such information served “absolutely no purpose whatsoever” with respect to resolving customer complaints, and that it had a negative influence on the job performance of at least one employee (paras 70, 78). In reaching its conclusion, the Superior Court noted that the Plaintiff was not seeking to shut down the Defendant’s website, and rejected the Defendant’s contention that he would be forced to shut down his website if the injunction were granted.

[15] The Court of Appeal of Quebec upheld this injunction on January 16, 2017 in *Cooperstock v United Airlines Inc*, 2017 QCCA 44, 2017 CarswellQue 223 (WL Can). The Court of Appeal stated:

[4] In effect, the Appellant wants to continue harassing employees without anyone benefitting from

the exercise: certainly not the customers who complain to someone who is unable to respond to their complaint and certainly not the employees who are not meant to handle such complaints.

[5] It is our unanimous view that the appeal is doomed to fail.

[16] The Court of Appeal rejected Cooperstock's contention that the injunction limited his freedom of speech, commenting that the injunction simply allowed United non-customer care employees to do the tasks that they were hired to perform. Likewise, this Court is of a similar view in respect of the Defendant's suggestion that freedom of speech is at issue in this litigation.

[17] In September 2015, the current design for the United Website was launched. It continues to make use of the United Logo and the Globe Design, as well as the domain name www.united.com. Although the design of UNTIED.com had not been updated at the time of the trial in December 2016, a "beta" website (www.untied.com/beta) operated by the Defendant directs visitors to a website that closely resembles the current United Website.

(...)

C. Depreciation of Goodwill

[90] There are four elements to consider in the analysis of the depreciation of goodwill pursuant to s 22 of the *Trade-marks Act*: the use of a plaintiff's registered trademark by a defendant in connection with wares or services, the presence of goodwill attached to the trademark, the plaintiff's trademark was used in such a way as to have a likely effect on that goodwill (i.e., linkage), and the likely impact would be to depreciate the value of the goodwill (i.e., damage) (*Veuve Clicquot* at para 46).

(1) Use

[91] As discussed in detail above, the Defendant has made use of the Plaintiff's registered trademarks on UNTIED.com.

(2) Goodwill

[92] As discussed in detail above, there is goodwill in the United Marks [[see below in Section H. Passing off](#)]

(3) Effect/Linkage

[93] The third requirement, linkage, is assessed from the perspective of a somewhat-hurried consumer; for example, in the case of *Veuve Clicquot*, "[i]f the somewhat-hurried consumer does not associate what is displayed in the respondents' stores with the mark of the venerable champagne maker, there can be no impact – positive or negative – on the goodwill attached to VEUVE CLICQUOT" (para 56). This is not a speculative exercise and evidence must be produced to show that the trademarks in question were used in such a way as to have an impact on goodwill.

[94] Confusion is not a required element of s 22. However, in my view, the evidence of confusion put forward in this case establishes that customers would be likely to "associate" the marks on the United Website and the marks on UNTIED.com. As discussed above, the evidence of Ms. Proietti was that she associated the marks on UNTIED.com with United – in fact, she believed that she was on the United Website when she was actually on UNTIED.com.

[95] In *Future Shop Ltd v A & B Sound Ltd*, 1994 CanLII 1068 (BC SC), the British Columbia Supreme Court stated:

[12] The question, depending on the evidence in any particular case, is whether the use of the competitor's trademark is for a purpose which stresses the similarities or the differences with the trademarked competition. If the purpose is to stress the similarities, the value of the goodwill

associated with the trademark is appropriated in a manner contrary to the intent of s. 22. If use stresses the differences with the trademark, then the use is for the purpose of distancing the trademarked ware or service and s. 22 is not offended.

[96] It is clear that the Defendant intended to stress the similarities between the United Marks and his own. In his testimony, he indicated that he “transformed elements of United’s logo and I made changes to it... I would say that my purpose was to identify the target of my criticism as that of United”. The Defendant therefore appropriated the goodwill associated with the United Marks.

[97] In my view, the somewhat-hurried consumer would be likely to associate the marks displayed on the Defendant’s website with the Plaintiff’s registered trademarks.

(4) Depreciation

[98] The final requirement, likelihood of depreciation, was described in *Veuve Cliquot* thus:

[63] The word “depreciate” is used in its ordinary dictionary meaning of “lower the value of” as well as to “disparage, belittle, underrate”: *The New Shorter Oxford English Dictionary* (5th ed. 2002), at p. 647. In other words, disparagement is a possible source of depreciation, but the value can be lowered in other ways, as by the lesser distinctiveness that results when a mark is bandied about by different users. Although the appellant makes much of the licencing provisions in the Act, the fact is that a trade-mark owner can depreciate its value by spreading the mark too thinly over too many products of differing quality. ...

[67] These references to U.S. cases are made for the purpose of illustration. Our Act is differently worded and I do not suggest that the concept of “depreciation” in s. 22 is necessarily limited to the notions of blurring and tarnishment. Canadian courts have not yet had an opportunity to explore its limits. Nevertheless, the key question remains. Acknowledging that the VEUVE CLICQUOT trade-mark carries an aura beyond its particular products, and that the extended aura carries significant goodwill, in what way is the value of that goodwill likely to be diminished by the respondents’ “use” (if use there be) of the appellant’s registered trade-mark? Acceptance of the argument that depreciation *could* occur, is not acceptance of the assertion that on the facts of this case depreciation is *likely* to occur, still less that depreciation *did* occur. The appellant need only prove *likelihood* but there is nothing in the evidentiary record from which likelihood could be inferred.

[99] The Defendant’s position at trial was that any depreciation of goodwill caused by UNTIED.com was not attached to the attractive force of the United Marks, but rather to the Plaintiff’s business reputation. He argued that it was “ludicrous” to suggest that the Plaintiff has experienced depreciation of goodwill due to his actions, and argued that the evidence of goodwill adduced did not establish that there was goodwill associated with the Plaintiff’s logo, its name, or its image.

[100] In my view, the Plaintiff has established that there is a likelihood of depreciation of goodwill. The Defendant reproduces and disparages the Plaintiff’s registered trademarks on UNTIED.com, as shown by the “frown” on the Globe Design (and the “angry eyes” on the Globe Design on the beta website). Further, the crudeness of UNTIED.com is likely to depreciate the goodwill of United’s marks. In *Thoi Bao Inc v 1913075 Ontario Limited (Vo Media)*, 2016 FC 1339 at para 38, 275 ACWS (3d) 375, Justice McDonald found, similarly, that “Mr. Vo used the THOI BAO’s trade-mark for the name of a website of inferior quality, which projects an unprofessional character which is therefore likely to depreciate the value of the goodwill attached to TB Inc.’s trade-mark”. The unprofessional nature of the Defendant’s website similarly tarnishes the goodwill attached to United’s trademarks.

[101] Further, the Defendant's use of marks confusingly similar to the United Marks decreases the distinctiveness of the United Marks. The similarities between the United Marks and the United Marks is likely to confuse some members of the public and may discourage others from continuing their search for the Plaintiff's customer service website due to anger, frustration, or the mistaken belief that the Plaintiff does not have a "complaints" page.

(5) Conclusion

[102] Therefore, I find that the Defendant has intentionally attempted to attract the Plaintiff's online consumers to his own website for notoriety. In doing so, he has depreciated the value of goodwill attached to the United Trademarks contrary to s 22 of the *Trade-marks Act*.

4. Expungement

Section 19 TMA confers on the trademark owner the exclusive right to use the mark as registered in respect of the goods and services mentioned in the registration, **unless the trademark is shown to be invalid**. These words open the door to a defence of invalidity of the registration of the trademark in dispute. Raising the registration's invalidity is in fact a frequently used defence to a trademark infringement claim. Requests for expungement need not only arise in the context of infringement claims, however, as shown in *Masterpiece Inc. v Alavida Lifestyles Inc.*, 2011 SCC 27.

Pursuant to s.57 TMA, the Federal Court has exclusive original jurisdiction, on the application of the Registrar or of **any person interested**, to order that any entry in the register be struck out or amended on the ground that at the date of the application the entry as it appears on the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the trademark. The grounds for invalidation are laid down in s.18 TMA. These grounds are similar to those set out in s.38(2) TMA in the context of opposition proceedings.

When registration invalid

18 (1) The registration of a trademark is invalid if

- (a) the trademark was not registrable at the date of registration; [see s.12(1) TMA]
- (b) the trademark is not distinctive at the time proceedings bringing the validity of the registration into question are commenced;
- (c) the trademark has been abandoned;
- (d) subject to section 17, the applicant for registration was not the person entitled to secure the registration; [see s.16(1) TMA] or
- (e) the application for registration was filed in bad faith.

Masterpiece Inc. had invoked both ss.18(1)(a) and (d) in its request for expungement of Alavida Lifestyles trademark. In the case reproduced as example below, the applicant invoked every ground for invalidity listed in s.18 TMA.

Example: Expungement of a trademark

I. Background

[5] The following background facts are affirmed in the Lin Affidavit with reference to extensive exhibits that include operational and sales records, photographic evidence, and relevant correspondence. Mr. Lin's evidence is uncontested and, in my opinion, is presented factually and is based on reliable source and documentary evidence.

[6] Since October 2014, ThousandShores has operated an online retail store in Canada (the OHUHU Storefront) in association with its trademark OHUHU via the e-commerce platform Amazon.ca. The OHUHU trademark is a coined word that is meaningless in English and French. ThousandShores sells a wide variety of goods in association with the OHUHU mark to consumers in Canada via the OHUHU Storefront including art supplies, garden and outdoor tools, furniture and accessories, home and kitchen tools, and sports and outdoor equipment (the OHUHU Goods). Since the launch of the OHUHU Storefront, ThousandShores has made sales of OHUHU Goods in excess of \$25 million CAD to customers with shipping addresses located in Canada.

[7] Also since October 2014, ThousandShores has operated an online retail store in association with the trademark OHUHU via Amazon.com for U.S. consumers (the U.S. OHUHU Storefront). ThousandShores has sold in excess of \$150 million USD of OHUHU Goods via the U.S. OHUHU Storefront to customers with shipping addresses located in the United States.

[8] Since its 2014 launch, ThousandShores has spent more than \$450,000 CAD advertising and promoting the OHUHU Storefront and OHUHU Goods in Canada. ThousandShores' OHUHU mark appears on the OHUHU Goods sold in Canada, on their packaging, and on the invoices that accompany the OHUHU Goods when shipped to Canadian customers.

[9] The Respondent is the owner of the Impugned Registration. He filed the application to register the Impugned Registration on February 27, 2017 claiming use since January 1, 2015. The Impugned Registration contemplates a long list of goods and services from apparatus for recording, transmission or reproduction of sound or images, to bicycle equipment, furniture, household and kitchen utensils, industrial and household storage goods, textiles and clothing, and services related to the rental, recording and live performance of music. The full description of the goods and services referenced in the Impugned Registration is set out in Schedule A to this judgment.

[10] In early August 2020, ThousandShores received a first notification from Amazon.ca informing it that many of its OHUHU Goods had been removed from the OHUHU Storefront. The Respondent had requested the removal of the goods based on his representation to Amazon.ca that the OHUHU Goods infringed the Impugned Registration. The notification sent to ThousandShores referred to the OHUHU Goods as inauthentic and the infringement type as counterfeit. ThousandShores received similar notifications removing additional OHUHU Goods in September and November 2020. I will refer to the Canadian notifications collectively as the "Takedown Requests".

[11] As a result of the Takedown Requests, ThousandShores lost in excess of \$348,000 CAD in sales and \$68,000 CAD in profits between August 2020 and December 2020. ThousandShores also incurred fees imposed by Amazon.ca to store the affected OHUHU Goods in excess of \$1,400 CAD.

[12] In parallel, ThousandShores received correspondence from Amazon.com stating that a significant number of its OHUHU Goods had been removed from the U.S. OHUHU Storefront based on a U.S. takedown request by the Respondent. In that instance, the Respondent relied on two (now cancelled) United States trademark registrations, U.S. Reg. No. 5296058 and U.S. Reg. No. 5127600, for goods such as firearm attachments, riflescopes and telescopic sights (the U.S. Registrations).

[13] On October 6, 2020, ThousandShores' Canadian counsel wrote a detailed cease and desist letter (the October 2020 Letter) to the Respondent objecting to the Impugned Registration based on invalidity and informing him of ThousandShores' prior rights to the OHUHU trademark in Canada. The October 2020 Letter also demanded that the Respondent acknowledge ThousandShores' prior rights in the OHUHU mark, cancel the Impugned Registration and cease his interference with its business.

[14] Despite receiving confirmation of delivery of the October 2020 Letter, ThousandShores received no response from the Respondent.

[15] On November 19, 2020, ThousandShores filed this application to strike in reliance on subsection 57(1) of the Act.

[16] In response to the U.S. takedown request, ThousandShores filed a petition for cancellation of the Respondent's U.S. Registrations with the U.S. Patent and Trademark Office, Trademark Trial and Appeal Board (TTAB). The petition was based on ThousandShores' prior and ongoing use of the identical OHUHU trademark, the absence of any use by the Respondent of the OHUHU mark in the United States and the argument that continued registration of the Respondent's U.S. Registrations was likely to cause confusion and adversely affect ThousandShores' U.S. business. The Respondent failed to respond to the cancellation proceedings and, on November 23, 2020, the TTAB cancelled the U.S. Registrations.

[17] Since 2014, ThousandShores has conducted regular internet and marketplace searches and investigations to identify third-party use of any of its trademarks including the OHUHU trademark, or similar trademarks. Most recently, Mr. Lin conducted internet searches using the search terms "OHUHU" and "OHUHU + LIN". Despite its searches, ThousandShores has not identified any use of the OHUHU name or trademark or any confusingly similar name or trademark by any other person, including the Respondent.

[18] ThousandShores has filed two Canadian OHUHU trademark applications, each in association with a broad range of goods (the full description of the goods and services referenced in the applications is set out in Schedule B to this judgment):

1. Trademark Application No. 1951858, filed March 18, 2019 and based on use in Canada since October 20, 2014; and
2. Trademark Application No. 2049036, filed September 2, 2020, containing no date of first use due to the 2019 amendments to the Act.

II. Issues

[19] The following issues are before the Court:

A. Does ThousandShores have standing to bring this application because it is a person interested within the meaning of section 57 of the Act?

B. Is the Impugned Registration invalid because:

1. the OHUHU trademark was not distinctive of the Respondent as of November 19, 2020 in light of ThousandShores' prior and ongoing use of the identical mark in Canada?;
2. the Respondent was not the person entitled to secure registration of the OHUHU trademark on the basis that, at January 1, 2015, it was confusing with ThousandShores' OHUHU trademark that ThousandShores had previously used and made known in Canada?;
3. the Respondent has abandoned the OHUHU trademark in Canada?;
4. it was obtained on the basis of fundamental material misstatement that the Respondent had used the OHUHU trademark in Canada since January 1, 2015?; and/or

5. the application to register the OHUHU trademark was filed in bad faith?

C. Has the Respondent, directly or indirectly, made false and misleading statements tending to discredit ThousandShores' goods, services and business in violation of subsection 7(a) of the Act? [see Section H. Passing Off below]

III. Analysis

[20] For ease of reference, subsection 57(1) of the Act provides that:

57(1) The Federal Court has exclusive original jurisdiction on the application of the Registrar or of any person interested, to order that any entry in the register be struck out or amended on the ground that at the date of the application the entry as it appears on the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the trademark.

57(1) La Cour fédérale a une compétence initiale exclusive, sur demande du registraire ou de toute personne intéressée, pour ordonner qu'une inscription dans le registre soit biffée ou modifiée, parce que, à la date de cette demande, l'inscription figurant au registre n'exprime ou ne définit pas exactement les droits existants de la personne paraissant être le propriétaire inscrit de la marque de commerce.

A. Does ThousandShores have standing to bring this application?

[21] The Registrar and any "person interested" in an entry in the register of trademarks may bring an application under subsection 57(1). Section 2 of the Act defines "person interested" as including "...any person who is affected or reasonably apprehends that he may be affected by any entry in the register, or by any act or omission or contemplated act or omission under or contrary to this Act...".

[22] The issue of whether ThousandShores has standing can be addressed quickly. A "person interested" is a *de minimus* threshold (*Beijing Jingdong 360 du E-commerce Ltd. v Zhang*, 2019 FC 1293 at para 11). The term is to be interpreted broadly and includes a party whose rights may be restricted by a trademark registration or who has a reasonable apprehension of prejudice or whose business is likely to be hampered by a trademark registration (*Apotex Inc. v Registrar of Trademarks*, 2010 FC 291 at para 7; *TLG Canada Corp v Product Source International LLC.*, 2014 FC 924 at para 38).

[23] ThousandShores argues it is a person interested for the purpose of bringing this application because its commercial interests have been prejudiced by the Respondent's reliance on the Impugned Registration to support the Takedown Requests. ThousandShores also argues that it is reasonable to expect that the Trademark Office will review and cite the Impugned Registration during examination of its two pending trademark applications in Canada for the identical mark OHUHU, which may prevent ThousandShores from registering and effectively enforcing its OHUHU mark in Canada. I accept these arguments. Accordingly, I find that ThousandShores is an interested person under section 57 of the Act and has standing to bring this application.

B. Is the Impugned Registration invalid?

[24] The starting point for my assessment of ThousandShores' submission that the Impugned Registration is invalid is the presumption that trademarks are valid until proven otherwise (*Beyond Restaurant Group LLC v Wang*, 2020 FC 514 at para 24 (*Beyond Restaurant*); *Mr P's Mastertune Ignition Services Ltd v Tune Master Inc.*, [1984] 82 CPR (2d) 128 (FC) at 134). The presumption underlines the normal burden of proof borne by an attacking party to present evidence that establishes that the trademark at issue is invalid (*Bedessee Imports Ltd. v GlaxoSmithKline Consumer Healthcare (UK) IP Limited*, 2019 FC 206 at paras 14-15 (*Bedessee*), citing *Cheaptickets and Travel Inc. v Email.ca Inc.*, 2008 FCA 50 at para 12).

[25] The Respondent's use or failure to use the OHUHU trademark in Canada is the determinative issue in a number of ThousandShores' invalidity submissions (paragraphs 18(1)(b) (distinctiveness), 18(1)(c) (abandonment)

and 18(1)(e) (bad faith)). Due to the Respondent's failure to participate in this proceeding or to respond to the October 2020 Letter, ThousandShores must attempt to prove a negative (that the Respondent has not used the OHUHU mark in Canada). Evidence of the Respondent's use can reasonably be expected to exist and to lie within his ability to access, if indeed the Respondent has used "OHUHU" in Canada as claimed in the Impugned Registration. The absence of such information from the Respondent is a factor in my assessment of whether ThousandShores' evidence has established non-use by the Respondent on a balance of probabilities (*Corporativo De Marcas GJB, SA DE CV v Bacardi & Company Ltd.*, 2014 FC 323 at paras 35-37).

[26] I accept ThousandShores' evidence that the company has routinely conducted Internet and marketplace searches and investigations since October 2014 to identify use of its trademarks or similar trademarks by third parties. At no time during that period has ThousandShores identified any use of the OHUHU trademark in Canada by a third party, including the Respondent. In addition, Mr. Lin attaches to his affidavit searches he conducted in 2020 through Google using the search terms "OHUHU", a coined word, and "OHUHU + Lin" that do not reveal any use of the OHUHU mark by the Respondent.

[27] In the absence of evidence from the Respondent, Mr. Lin's evidence is uncontradicted and establishes, on a balance of probabilities, that the Respondent has not used the OHUHU trademark in Canada.

i. Is the Impugned Registration invalid because the OHUHU trademark was not distinctive of the Respondent as of November 19, 2020 in light of ThousandShores' prior and ongoing use of the identical mark in Canada?

[28] Paragraph 18(1)(b) of the Act provides that a trademark registration is invalid if the trademark is not distinctive at the time proceedings questioning the validity of the registration are commenced. In this case, that date is November 19, 2020. Pursuant to section 2 of the Act, a trademark is distinctive if on the relevant date it "actually distinguishes the goods or services in association with which it is used by its owner from the goods or services of others or that is adapted so to distinguish them".

[29] The three conditions for distinctiveness are: (i) the mark and the goods or services must be associated; (ii) the owner of the mark must use this association in manufacturing and selling the goods or services; and (iii) the association must enable the owner of the mark to distinguish its goods or services from those of others (*Bedesseeat* para 36; *Roots Corporation v YM Inc. (Sales)*, 2019 FC 16 at para 56).

[30] ThousandShores argues that the OHUHU trademark cannot be distinctive of the Respondent as the source of the goods and services listed in the Impugned Registration because ThousandShores has continuously used the OHUHU trademark in Canada since October 2014. ThousandShores relies on its evidence that the Respondent has not used the OHUHU trademark in Canada or the United States in association with any goods or services to argue that the first two conditions for distinctiveness have not been met. I agree.

[31] As stated above, ThousandShores has established, on a balance of probabilities, that the Respondent has not used the OHUHU trademark in Canada since at least October 2014. It follows that (a) the mark is not associated with any goods or services listed in the Impugned Registration, and (b) the Respondent does not rely on that association in manufacturing and selling any such goods and services.

[32] Further, the third condition for distinctiveness is that the association of the goods and services listed in a trademark registration must enable the owner to distinguish its products from those of other parties. A trademark's distinctiveness resides in its ability "to indicate the source of a particular product, process or service in a distinctive manner, so that, ideally, consumers know what they are buying and from whom" (*Kirkbi AG v Ritvik Holdings Inc.*, 2005 SCC 65 at para 39). In other words, a trademark must be distinctive of a single source. It cannot lead to confusion as to the source of the goods and services associated with it.

[33] The well-known legal test for confusion was set out by the Supreme Court of Canada in *Masterpiece Inc. v Alavida Lifestyles Inc.*, 2011 SCC 27 at paragraph 40 (*Masterpiece*):

[40] At the outset of this confusion analysis, it is useful to bear in mind the test for confusion under the *Trade-Marks Act*. In *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824, Binnie J. restated the traditional approach, at para. 20, in the following words:

The test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the [mark], at a time when he or she has no more than an imperfect recollection of the [prior] trade-marks, and does not pause to give the matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks.

[34] ThousandShores' arguments regarding distinctiveness (paragraph 18(1)(b)) and the Respondent's entitlement to register (paragraph 18(1)(d)) both require an assessment of the issue of confusion. Under paragraph 18(1)(b), confusion is assessed as of the date ThousandShores filed its Notice of Application, November 19, 2020 and, under paragraph 18(1)(d) in combination with paragraph 16(1)(a), confusion is assessed as of the earlier of (A) the date the Respondent applied to register the OHUHU trademark, February 27, 2017; and (B) its claimed date of first use of the mark in Canada, January 1, 2015. In this case, there is no material difference in the confusion analysis as of November 19, 2020 and January 1, 2015.

[35] Subsection 6(5) of the Act requires the Court to have regard to all the surrounding circumstances in assessing a likelihood of confusion between two trademarks, including a list of prescribed factors. The factor that often has the greatest effect on a confusion analysis is the degree of resemblance between the two marks at issue (*Masterpiece* at para 49).

[36] Degree of resemblance: ThousandShores' OHUHU mark is identical to the Respondent's impugned OHUHU trademark. This factor strongly favours ThousandShores.

[37] Distinctiveness: Distinctiveness requires consideration of both the inherent distinctiveness of a mark and the extent to which the mark has acquired distinctiveness through use in the marketplace (*United Artists Corp. v Pink Panther Beauty Corp.*, 1998 CanLII 9052 (FCA), [1998] FCJ No. 441 (CA)). A trademark is inherently distinctive if it is unique or is an invented or coined name. Thousand Shores' OHUHU trademark is a coined word with no dictionary definition and no geographic connotation. I agree with ThousandShores that the mark has a high degree of inherent distinctiveness. Further, ThousandShores' evidence establishes that it has continuously used the OHUHU trademark in Canada in association with sales of over \$25 million CAD of its OHUHU Goods through the OHUHU Storefront since October 2014. As discussed above, there is no evidence of the Respondent's use of the mark since January 1, 2015. This factor strongly favours ThousandShores.

[38] Length of time the trademarks have been in use: Again, ThousandShores has established extensive and continuous use of its OHUHU trademark in Canada in association with the OHUHU Goods since at least October 2014. There is no evidence that the Respondent has used the mark since January 1, 2015. As a result, this factor also strongly favours ThousandShores.

[39] Nature of the goods, services or business and nature of the trade: ThousandShores uses its OHUHU trademark in Canada in association with a wide range of goods. The Respondent's Impugned Registration encompasses a long and broad list of goods and services. The range of goods does not directly overlap but the parties' goods fall at least in part in the same or similar broader categories such as household goods and furniture, and textiles and clothing. There is also likely overlap in the channels of trade for sales of the goods to consumers. I conclude that this factor slightly favours ThousandShores or is neutral.

[40] Conclusion on confusion: I have concluded that the majority of the factors identified in subsection 6(5) of

the Act, including that of resemblance, strongly favour ThousandShores. There is no evidence before me of any other relevant surrounding circumstances that would diminish or otherwise affect the likely degree of confusion between the two marks. I find a likelihood of confusion between the parties' marks as of the material dates of November 19, 2020 (paragraph 18(1)(b)) and January 1, 2015 (the earlier of the material dates for paragraphs 18(1)(d) and 16(1)(a)).

[41] Accordingly, I find that, as of November 19, 2020, the OHUHU trademark did not enable the Respondent to distinguish its goods and services from those of ThousandShores. The OHUHU trademark is not distinctive of the Respondent as of November 19, 2020 and I find the Impugned Registration invalid under paragraph 18(1)(b) of the Act.

ii. Is the Impugned Registration invalid because the Respondent was not the person entitled to secure registration of the OHUHU trademark on the basis that, at January 1, 2015, it was confusing with ThousandShores' OHUHU trademark that ThousandShores had previously used and made known in Canada?

[42] Pursuant to paragraph 16(1)(a) of the Act, any applicant who has filed an application to register a registrable trademark is entitled to secure its registration unless, on the earlier of the date of filing of the application or the date of first use of the trademark in Canada, it was confusing with a trademark that had been previously used or made known in Canada by another person. Paragraph 18(1)(d) works in combination with paragraph 16(1)(a) to render invalid the registration of a trademark where the applicant for registration was not the person entitled to secure the registration.

[43] The issue of the Respondent's entitlement to register the applied-for OHUHU trademark in Canada turns on whether it was confusing with ThousandShores' OHUHU mark on January 1, 2015, the date of the Respondent's claimed first use. The confusion analysis is virtually the same as that set out in the prior section of this judgment, although the evidence in ThousandShores' favour is marginally less compelling as it covers a shorter period of time. Nevertheless, the evidence supports a conclusion of a likelihood of confusion between the parties' marks.

[44] As a result, I find that the Respondent was not entitled to secure registration of the OHUHU trademark. The Impugned Registration is invalid under paragraph 18(1)(d) of the Act.

iii. Is the Impugned Registration invalid because the Respondent has abandoned the OHUHU trademark in Canada?

[45] Paragraph 18(1)(c) of the Act provides that the registration of a trademark is invalid if it has been abandoned. The relevant date for the purpose of considering invalidity of a trademark due to abandonment is the date of the application to strike: November 19, 2020 (*Bedessee* at para 43; *Cross Canada Auto Body Supply (Windsor) Limited v Hyundai Motor America*, 2007 FC 580 at para 10).

[46] A finding of abandonment turns not only on non-use of a trademark but also on an intention to abandon (*Iwasaki Electric Co. Ltd. v Hortilux Schreder B.V.*, 2012 FCA 321 at para 18 (*Iwasaki*)). However, in the absence of any evidence of use, an intention to abandon may be inferred from a person's failure to use the mark for a long period of time (*Iwasaki* at para 21).

[47] ThousandShores submits that it can be inferred from the record that the Respondent has abandoned the OHUHU trademark in Canada. The Respondent was not using the OHUHU trademark in Canada as of November 19, 2020 and, at a minimum, has not used the mark since or prior to October 2014. ThousandShores relies on the absence of any indication of use of the OHUHU trademark by the Respondent in the regular Internet and marketplace searches it has carried out since 2014. In addition, the Respondent has been given numerous opportunities to establish his use of the OHUHU mark but has failed to respond to the October 2020 Letter or to participate in any way in the U.S. cancellation proceedings or in this expungement proceeding.

[48] I agree with ThousandShores' submissions and find that the Impugned Registration is invalid pursuant to paragraph 18(1)(c) of the Act on the basis that it has been abandoned.

iv. Is the Impugned Registration invalid because it was obtained on the basis of fundamental material misstatement that the Respondent had used the OHUHU trademark in Canada since January 1, 2015?

[49] ThousandShores submits that the Respondent's application to register the OHUHU trademark, filed on February 27, 2017, contained a material misrepresentation that was fundamental to the application: the Respondent's claim of use of the mark since January 1, 2015. The Respondent did not include any other basis for registration in the application. On this basis, ThousandShores argues that the Impugned Registration is invalid and void *ab initio*.

[50] The jurisprudence establishes that a fundamental misstatement in an application may render a registration invalid and void *ab initio* (*Coors Brewing Company v Anheuser Busch, LLC*, 2014 FC 716 at para 38; *WCC Containers Sales Ltd. v Haul-All Equipment Ltd.*, 2003 FC 962 at para 25). There is no requirement to establish fraud or an intent to deceive in these circumstances. A false statement of use has been recognized as a fundamental misstatement because the registration could not have been secured without the misstatement.

[51] Consistent with my prior analysis of use, and emphasizing the Respondent's failure to participate in this proceeding and to adduce any proof of use, I find that ThousandShores has established, on a balance of probabilities, that the Respondent's claimed date of first use is false. Therefore, I find that the Impugned Registration is invalid and void *ab initio*.

v. Is the Impugned Registration invalid because the Respondent's application to register the OHUHU trademark was filed in bad faith?

[52] ThousandShores submits that the Impugned Registration is invalid pursuant to paragraph 18(1)(e) of the Act because it was filed in bad faith. Paragraph 18(1)(e) came into force on June 17, 2019 but subsection 73(1) of the Act provides that matters arising after that date in respect of a trademark registered before June 17, 2019 are to be addressed according to the current provisions of the Act.

[53] ThousandShores argues that the Respondent has attempted to usurp the OHUHU name and trademark in both Canada and the United States. ThousandShores also argues that bad faith need not be egregious and that an action taken with intent to block or otherwise disrupt a business is sufficient to establish bad faith. In the current circumstances, when the Respondent applied to register the OHUHU mark in February 2017, ThousandShores had already used the mark extensively in Canada for over two years. In the absence of any evidence of use by the Respondent of the trademark and in light of the business disruption and losses it has suffered, ThousandShores states that an inference of bad faith could and should be drawn.

[54] I do not agree. There is no evidence in the record that the Respondent purposely filed his trademark registration in 2017 to usurp the OHUHU trademark. ThousandShores has not established that the Respondent was then familiar with ThousandShores' business or its OHUHU trademark and brand, or that he intended to harm its business. The U.S. TTAB's cancellation of the Respondent's U.S. Registrations is not necessarily indicative of bad faith. According to the evidence, the U.S. Registrations were cancelled because of the Respondent's failure to respond. While the Respondent's actions in Canada and the United States may suggest a burgeoning pattern of conduct from which an inference of bad faith could be made, I am not convinced that it should be made on the record before me.

[55] I find that there is insufficient evidence in the record to warrant a finding of bad faith on the part of the Respondent.

H. Passing Off

As mentioned in the introduction to this chapter, the protection of trademarks in Canada was subsumed into the *Unfair Competition Act* for the period extending between 1932 and 1953. This is no longer the case, where acts of unfair competition are regulated under the *Competition Act*. Nevertheless, section 7 of the *Trademarks Act* remains a powerful tool in the hands of private persons against anyone who makes misleading statements or passes off their goods or services for those of another. Actions and remedies based on s.7 TMA must relate to the use of a trademark, whether registered or unregistered. Section 7 describes four circumstances of unlawful behaviour, the most commonly invoked of which is s.7(b) TMA that prohibits anyone from directing public attention to their goods, services or business in such a way as to cause or be likely to cause confusion in Canada.

In *Pink Panther Beauty Corp. v. United Artists Corp.*, 1998 CanLII 9052 (FCA), Justice Linden explained the origins of the action for passing off in the following terms:

The protection of trade-marks as property is based in the common law action for passing off. Historically, the marketplace has been very concerned with guaranteeing consumers the quality of goods that they had come to rely upon in the course of trade. To further that guarantee, the common law developed the tort of passing off, which helped to assure that a person was representing his or her goods as being his or her own goods and not the goods of someone else. A necessary element of the tort of passing off was always an attempt to deceive. When this attempt to deceive caused confusion and damage, it was actionable. While the rationale for the tort was to protect the public, it was not the consumer who sued, but the owner of the trade-mark who brought the action, thereby protecting the public, as well as its own interest.

In the following subsection, we take a brief look at the prohibitions under ss. 7(a), (c) and (d) before exploring the unlawful act of directing public attention to their goods, services or business in such a way as to cause or be likely to cause confusion in Canada under s.7(b) TMA. First, we need to say a few words about the constitutionality of s.7 TMA.

Unfair Competition and Prohibited Signs

Prohibitions

7 No person shall

- (a) make a false or misleading statement tending to discredit the business, goods or services of a competitor;
- (b) direct public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his goods, services or business and the goods, services or business of another;
- (c) pass off other goods or services as and for those ordered or requested; or
- (d) make use, in association with goods or services, of any description that is false in a material respect and likely to mislead the public as to
 - (i) the character, quality, quantity or composition,
 - (ii) the geographical origin, or
 - (iii) the mode of the manufacture, production or performance of the goods or services.

[(e) do any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada – repealed]

The constitutionality validity of section 7 of the *Trademarks Act* has been challenged in several key decisions, most notably in *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, in the particular context of an unregistered trademark. At issue is whether Parliament has power to enact s.7 TMA or whether the object of regulation under this section falls under the provincial power of property and civil rights in the province (s. 92(13) *Constitution Act* 1867). Speaking for the Court in *Kirkbi AG v. Ritvik Holdings Inc.*, Justice Lebel confirmed the validity of the provision in the *Trademarks Act* insofar as it is invoked and applied in relation to a trademark.

The determining the constitutionality of s.7 TMA is not a purely theoretical question. Because the Federal Court has no inherent jurisdiction, it can only hear actions that fall under express competence granted to it through federal legislation. The Federal Court has therefore no constitutional jurisdiction to entertain any common law actions, unless it is intertwined or incidental to matters which fall within its area of jurisdiction. Passing off actions can be heard by the Federal Court as long as they are based on s. 7 of the Act and on a trademark scheme.

Constitutionality of s. 7 TMA – *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65

[15] The grant of legislative authority to the Parliament of Canada listed in s. 91 of the *Constitution Act*, 1867 does not specify that trade-marks are a component of the federal government's power to legislate. Patents and copyrights are explicitly allocated to federal legislative power (s. 91(22) and (23)). Pursuant to s. 91(2), the federal government has exclusive jurisdiction in relation to trade and commerce. In *Citizens Insurance Co. of Canada v. Parsons* (1881), 1880 CanLII 6 (SCC), 7 App. Cas. 96, the Judicial Committee of the Privy Council distinguished two branches of federal power under s. 91(2): (1) the power over international and interprovincial trade and commerce, and (2) the power over general trade and commerce affecting Canada as a whole ("general trade and commerce"). This interpretation of s. 91(2), which limits the scope of the federal trade and commerce power to these two branches, is intended to ensure a proper constitutional balance between the otherwise overlapping federal power over trade and commerce (s. 91(2)) and the provincial power over property and civil rights in the province (s. 92(13)).

[16] The "general trade and commerce" category requires an assessment of the relative importance of an activity to the national economy as well as an inquiry into whether an activity should be regulated by Parliament as opposed to the provinces. To determine whether a particular issue requires national rather than local regulation, this Court has set out five criteria to be considered. These criteria are integrated into an assessment of whether federal legislation can be supported on the basis of Parliament's authority over general trade and commerce. They reflect principles which help distinguish the federal trade and commerce power from the provincial property and civil rights power. In two comprehensive decisions dealing with the second branch of s. 91(2) (*Attorney General of Canada v. Canadian National Transportation, Ltd.*, 1983 CanLII 36 (SCC), [1983] 2 S.C.R. 206; *General Motors of Canada Ltd. v. City National Leasing*, 1989 CanLII 133 (SCC), [1989] 1 S.C.R. 641), Dickson C.J. adopted and extended the three indicia initially set out by Laskin C.J. in *MacDonald v. Vapor Canada Ltd.*, 1976 CanLII 181 (SCC), [1977] 2 S.C.R. 134. These requirements "serve to ensure that federal legislation does not upset the balance of power between federal and provincial governments" (*City National Leasing*, at p. 662).

[17] The jurisprudence of our Court now recognizes that the following factors are hallmarks of a valid exercise of Parliament's general trade and commerce power: (i) the impugned legislation must be part of a regulatory scheme; (ii) the scheme must be monitored by the continuing oversight of a regulatory agency; (iii) the legislation must be concerned with trade as a whole rather than with a particular industry; (iv) the legislation should be of a nature that provinces jointly or severally would be constitutionally incapable of enacting; and (v) the failure to

include one or more provinces or localities in a legislative scheme would jeopardize the successful operation of the scheme in other parts of the country (...)

[18] The federal government's power to legislate with respect to trade-marks has never been the target of a direct constitutional challenge. The issue was raised in the Privy Council in a 1937 decision examining the constitutionality of federal trade-mark legislation. The Privy Council judgment relies, albeit implicitly, on the second branch of the trade and commerce powers under s. 91(2) to confirm Parliament's jurisdiction to enact trade-mark legislation: *Attorney-General for Ontario v. Attorney-General for Canada*, 1937 CanLII 366 (UK JCPC), [1937] A.C. 405. (...)

(2) Determining the Constitutionality of Section 7(b): The Test to be Applied

[20] In *General Motors of Canada Ltd. v. City National Leasing*, 1989 CanLII 133 (SCC), Dickson C.J. set out the proper framework for analysis to determine the characterization of an impugned provision for constitutional purposes. He stressed that the mere fact that a provision codifies a civil cause of action does not necessarily make it *ultra vires* the federal government. Although the creation of civil causes of action is generally a matter of property or civil rights in the province, a finding that a provision standing alone, in its pith and substance, intrudes on provincial powers does not determine its ultimate constitutional validity. At the same time, a provision will not be valid merely because the main provisions of an Act are valid. It is necessary to consider both the impugned provision and the Act as a whole when undertaking constitutional analysis. The nature of the relationship between a provision and the statute determines the extent to which the provision is integrated into otherwise valid legislation. If the legislation is valid and the provision is sufficiently integrated within the scheme, it can be upheld by virtue of that relationship: a provision may take on a valid constitutional cast by the context and association in which it is fixed as complementary provision serving to reinforce other admittedly valid provisions (*Vapor Canada*, at pp. 158-59, *per* Laskin C.J.).

[21] The three-part test for determining whether the impugned provision is within the constitutional powers of the enacting legislature was restated by this Court in *Kitkatla Band v. British Columbia (Minister of Small Business, Tourism and Culture)*, [2002] 2 S.C.R. 146, 2002 SCC 31, at para. 58, here paraphrased to reflect the facts of this case:

1. Does the impugned provision intrude into a provincial head of power, and to what extent?
2. If the impugned provision intrudes into a provincial head of power, is it nevertheless part of a valid federal legislative scheme?
3. If the impugned provision is part of a valid federal scheme, is it sufficiently integrated with that scheme?

(3) Application to the Facts of This Case

[22] ... In this section I will apply the analytical framework set out above to determine the constitutional validity of s. 7(b).

(a) Characterization of the Impugned Provision: Does Section 7(b) Encroach on Provincial Powers?

[23] The first stage of the analysis requires a characterization of the impugned provision in isolation from the rest of the statute. We look to its purpose and its effect to determine whether the provision encroaches on provincial powers, and if so, to what extent: *City National Leasing*, at p. 674; *Kitkatla*, at para. 59. Section 7(b) creates a civil cause of action that essentially codifies the common law tort of passing off: *Vapor Canada*, at p. 147; *Asbjorn Horgard A/S (F.C.T.D.)*, at p. 241. Standing alone it appears to encroach on provincial power, namely property and civil rights in the province (s. 92(13)). As Dickson C.J. noted in *City National Leasing*: "This

provincial power over civil rights is a significant power and one that is not lightly encroached upon” (pp. 672-73). As explained above, if s. 7(b) is sufficiently integrated into the scheme of the *Trade-marks Act* as a whole, then it will nonetheless be *intra vires* Parliament.

[24] In *City National Leasing*, this Court found that the intrusion of s. 31.1 of the *Combines Investigation Act*, R.S.C. 1970, c. C-23, into provincial jurisdiction was minimal. In coming to this conclusion Dickson C.J. highlighted the following three factors: (i) the provision was remedial and was not in itself a substantive part of the Act; the provision did not create a general cause of action; (ii) its application was limited by the provisions of the Act; and (iii) Parliament was not constitutionally precluded from creating rights of civil action where such measures are shown to be warranted (p. 673).

[25] These factors apply equally to s. 7(b) of the *Trade-marks Act*. First, s. 7(b) is remedial; its purpose is to enforce the substantive aspects of the *Trade-marks Act* relating to unregistered trade-marks:

The tort of passing off is in many respects the equivalent cause of action for unregistered trade-marks as infringement [s. 20 of the Act] is to registered trade-marks. The overall legislative scheme of the *Trade-marks Act* is the protection, identification, and registration of trade-marks, whether registered or unregistered. (Gill and Jolliffe, at p. 2-22)

[26] Second, the passing-off action protects unregistered trade-marks and goodwill enjoyed by the trade-marks. Section 7(b) is therefore limited by the provisions of the *Trade-marks Act*: it does not expand the federal jurisdiction in relation to trade-marks and trade-names but merely rounds out an otherwise incomplete trade-mark scheme (*Asbjorn Horgard A/S* (F.C.T.D.), at p. 237). Unlike s. 7(e), which was found to be *ultra vires* Parliament because it did not have any connection with the enforcement of trade-marks or trade-names (*Asbjorn Horgard A/S* (F.C.T.D.), at p. 242) and was significantly broader in application, the creation of a statutory action for passing off in s. 7(b) is limited in its application.

[27] Finally, as regards federal statutory civil actions, Dickson C.J. reminds us in *City National Leasing* that “[i]t is also important to recognize that while the Court in *Vapor Canada*, *supra*, struck down one civil cause of action, the Court did not preclude other federally created private actions from being sustained under federal heads of power” (p. 693). Not only has this Court sustained federally created civil causes of action in a number of cases, but the test developed by this Court in *City National Leasing* and in *Kitkatla* (outlined above) makes clear that **civil causes of action are *intra vires* Parliament if sufficiently integrated into valid federal legislation**. In sum, although the impugned provision encroaches on an important provincial power, the intrusion is minimal. **We must now determine whether the *Trade-marks Act* is valid and, if so, ascertain whether s. 7(b) is sufficiently integrated into the federal scheme of regulation to be sustained as an exercise of Parliament’s general trade and commerce power.**

(b) *The Validity of the Federal Trade-marks Act*

[28] In the second stage of the analysis, the Court must determine whether the *Trade-marks Act* is a valid exercise of Parliament’s general trade and commerce power. The analysis is guided by the five indicia of validity set out above. In *Asbjorn Horgard A/S*, MacGuigan J.A. of the Federal Court of Appeal noted that:

All of the criteria of Chief Justice Dickson are verified in the Act: a national regulatory scheme, the oversight of the Registrar of Trade Marks, a concern with trade in general rather than with an aspect of a particular business, the incapability of the provinces to establish such a scheme, and the necessity for national coverage. [p. 559]

The parties do not dispute Parliament's constitutional power to regulate registered trade-marks. Rather, it is Parliament's right to create a civil remedy in relation to an unregistered trade-mark that is in issue. The respondent's position is that the only regulatory scheme in the *Trade-marks Act* is the scheme governing registered trade-marks. In my view this is an incorrect characterization of the Act. The *Trade-marks Act* establishes a regulatory scheme for both registered and unregistered trade-marks.

[29] The protection of unregistered trade-marks is integral to the legitimacy, legal standards and efficacy of registered trade-marks. The *Trade-marks Act* is clearly concerned with trade as a whole, as opposed to within a particular industry. There is no question that trade-marks apply across and between industries in different provinces. Divided provincial and federal jurisdiction could mean that the provincial law could be changed by each provincial legislature. This could result in unregistered trade-marks that were more strongly protected than registered trade-marks, undermining the efficacy and integrity of the federal Parliament's *Trade-marks Act*. The lack of a civil remedy integrated into the scheme of the Act, applicable to all marks, registered or unregistered, might also lead to duplicative or conflicting and hence inefficient enforcement procedures.

[30] The *Trade-marks Act* includes numerous provisions relating to unregistered trade-marks: "Parliament by sections 1 to 11 of the *Trade Marks Act* has prescribed a regime concerning what constitutes a trade mark and the adoption thereof, whether registered or not" (*Royal Doulton*, at p. 374). The primary difference between registered and unregistered trade-marks under the Act is that the rights of a holder of a registered trade-mark are more extensive:

At common law the right to a trade mark thus arose through the use of a mark by a business to identify its products to the public. There was no need for the business to register its mark in order to protect its right to use the trade mark and prevent the misuse of its trade mark by other businesses. The passing off action was the enforcement mechanism available for the protection of trade mark rights. Without the passing off action, common law trade mark rights would have little value.

The Canadian Act, as the statutory history set out by Laskin C.J.C. in the *MacDonald* case, *supra*, showed, has traditionally been concerned with the protection of unregistered as well as registered trade marks. In this it is like the *Copyright Act* [R.S.C. 1970, c. C-30], whose coverage is broader than registered copyright. In both Acts what registration does is to provide additional benefits over and above those available at common law. (*Asbjorn Horgard A/S* (F.C.A.), at pp. 560-61)

Registration of a trade-mark gives the registrant the exclusive right to the use throughout Canada of the trade-mark and a right of action to remedy any infringement of that right: ss. 19-20. In addition, in order to exercise those rights, the existence of the mark itself does not have to be established. Registration is evidence enough. Nonetheless, marks remain marks, whether registered or unregistered, because their legal characteristics are the same.

[31] There is no reason to believe that the registration regime under the *Trade-marks Act* was intended to create two separate enforcement regimes. The scheme set out in the *Trade-marks Act* regulates both registered and unregistered trade-marks. It regulates the adoption, use, transfer, and enforcement of rights in respect of all trade-marks. **If trade-marks are intended to protect the goodwill or reputation associated with a particular business and to prevent confusion in the marketplace, then a comprehensive scheme dealing with both registered and unregistered trade-marks is necessary to ensure adequate protection.** The inclusion of unregistered trade-marks in the regulatory scheme is necessary to ensure the protection of all trade-marks. The *Trade-marks Act* is more than simply a system of registration.

(c) *The Extent of Integration*

[32] The final step in the analysis is to determine whether the provision is sufficiently integrated into the

otherwise valid statute. The inquiry has two parts. First, it is necessary to determine the appropriate test of “fit”, namely “how well the provision is integrated into the scheme of the legislation and how important it is for the efficacy of the legislation” (*City National Leasing*, at p. 668). Once the correct standard is determined, the test is applied on a case-by-case basis. If the provision passes this integration test, it is *intra vires* Parliament as an exercise of the general trade and commerce power. If the provision is not sufficiently integrated into the scheme of regulation, it cannot be sustained under the second branch of s. 91(2). To determine the degree of integration required, it is necessary to consider the extent to which the provision encroaches on provincial powers: “The degree of relationship that is required is a function of the extent of the provision’s intrusion into provincial powers” (*City National Leasing*, at p. 683). If the encroachment is minimal, then a “functional relationship” is sufficient to sustain the constitutionality of the provision (p. 669). If the provision is highly intrusive, a stricter test is applied: the provision must be “truly necessary” or “integral” to the federal scheme (pp. 669 and 683). Consideration of the seriousness of the encroachment on provincial powers and of the proper standard for the relationship between a legislative provision and a valid federal scheme ensures that the balance of constitutional powers is maintained and focuses the analysis on the “pith and substance” of the provision.

[33] As outlined above, s. 7(b) of the Act only minimally intrudes into provincial jurisdiction over property and civil rights. It is a remedial provision limited to trade-marks as defined in the Act (ss. 2 and 6). As this Court observed in *Vapor Canada* and the Federal Court of Appeal held in *Asbjorn Hogard A/S*, s. 7(b) “rounds out” the federal trade-marks scheme. In this regard s. 7(b) is, in its pith and substance, directly connected to the enforcement of trade-marks and trade-names in Canada because it is directed to avoiding confusion through use of trade-marks.

[34] In *Vapor Canada*, this Court struck down s. 7(e) of the *Trade-marks Act* on the ground that it was unrelated to trade or to trade-marks, or other forms of intellectual property subject to federal legislative authority. Laskin C.J. concluded that s. 7(e) “is not directed to trade but to the ethical conduct of persons engaged in trade or in business, and . . . such a detached provision cannot survive alone unconnected to a general regulatory scheme” (p. 165). Although the majority found that, standing alone, s. 7 was not valid federal legislation, Laskin C.J., who wrote for the majority, wrote the following:

Section 7 is, however, nourished for federal legislative purposes in so far as it may be said to round out regulatory schemes prescribed by Parliament in the exercise of its legislative power in relation to patents, copyrights, trade marks and trade names. The subparagraphs of s. 7, if limited in this way, would be sustainable, and, certainly, if s. 7(e) whose validity is alone in question here, could be so limited, I would be prepared to uphold it to that extent. [p. 172]

Section 7(e) could not be sustained on this basis because its subject matter was not related to or connected with the enforcement of trade-marks or trade-names. This connection was found to exist, however, in relation to s. 7(a), (b), and (d). The Court suggested that these subparagraphs did relate to and give effect to valid federal legislative subjects, namely trade-marks, patents and copyrights (p. 157).

[35] The respondent submits that the civil action in s. 7(b) has no functional connection to the registered trade-mark scheme in the *Trade-marks Act*. Having concluded that the Act creates a scheme regulating both *registered* and *unregistered* trade-marks, the functional relation of s. 7(b) to the scheme in the *Trade-marks Act* is apparent. **In its pith and substance, s. 7(b) is directly connected to the enforcement of trade-marks and trade-names in Canada: the civil remedy in s. 7(b) protects the goodwill associated with trade-marks and is directed to avoiding consumer confusion through use of trade-marks.** As Gill and Jolliffe note: “No provision of s. 7 is more inextricably linked to the overall scheme of the *Trade-marks Act* than is s. 7(b)” (p. 2-22).

[36] Unlike breach of confidence and appropriation of confidential information (s. 7(e)), the passing-off action

plays a clear role in the federal scheme. Without this provision there would be a gap in the legislative protection of trade-marks. This would create inconsistencies in the protection of registered and unregistered trade-marks and lead to uncertainty. Section 7(b) is sufficiently integrated into the federal scheme and, in this respect, is significantly different from s. 7(e). I conclude that s. 7(b) lies within the federal government's legislative competence. I will now turn to the issues of interpretation and application of the Act raised by the present appeal.

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II. False discrediting statements/ False description

Section 7(a) TMA aims at preventing acts of unfair competition in the form of false or misleading statements tending to discredit the business, goods or services of a competitor. This subsection cannot be read as generally prohibiting the making of false or misleading statements tending to discredit the business, wares or services of a competitor, but only as prohibiting the making of such false and misleading statements in association with a trade mark or other intellectual property. The essential elements to establish a claim under s. 7(a) are set out by the SCC in *S & S Industries Inc v Rowell*, 1966 CanLII 53 (SCC), [1966] SCR 419 at 424:

1. A false and misleading statement;
2. Tending to discredit the business, [goods] or services of a competitor; and
3. Resulting damage.

To establish that the false or misleading statement was made, the evidence of malice or knowledge of the statement's falsity is not required, but it is necessary to show that statement amounts to discredit and causes damage. Even if the other essential elements of a violation of s. 7(a) of the Act are present, a plaintiff must prove resulting damages to succeed in their action. In order to be actionable, whether at common law or under section 7(a), the plaintiff must be identified in the allegedly untrue statement or be understood as the reasonable target of the inference. Section 7(a) is invoked primarily in the context of disputed claims made in comparative advertisements. The use of another undertaking's trademark in comparative advertising is allowed under Canadian law, as long as it is not false or misleading.

Example: Pet insurance plans – false and misleading statements?

Petline Insurance Company v. Trupanion Brokers Ontario Inc., 2019 FC 1450

[1] The applicant, Petline Insurance Company, and the respondents, Trupanion Brokers Ontario, Inc and Trupanion Inc (Trupanion), are competitors in the pet health insurance market.

[2] Petline submits that Trupanion has infringed the *Trademarks Act*, RSC 1985, c T-13 and the *Competition Act*, RSC 1985, c C-34 by publishing false and misleading comments about Petline for the purposes of promoting Trupanion's product. Petline seeks a declaration that Trupanion has acted contrary to those laws, an injunction preventing Trupanion from making further statements against Petline, and damages.

[3] In my view, Petline is not entitled to the relief it seeks.

[4] At issue is a publication by Trupanion containing a comparison between its insurance and that offered by Petline (under its registered trademark PETSECURE). The comparison appeared on Trupanion's website and in pamphlets. Petline submits that the statements contained in the comparison are false and misleading, and had a detrimental impact on the goodwill attached to its trademark.

[5] There are three separate legal grounds on which Petline relies. First, it contends that Trupanion's statements are contrary to s 7(a) of the *Trade-marks Act*, (all statutory provisions cited are set out in an Annex). To succeed on that ground, Petline has to establish that Trupanion made a false or misleading statement tending to discredit Petline that resulted in actual or potential damage.

[6] Second, Petline argues that Trupanion's statements included a false or misleading representation for the purpose of promoting Trupanion's insurance product, contrary to s 52 of the *Competition Act*.

[7] Third, Petline maintains that Trupanion's comparison made improper use of the PETSECURE trademark contrary to s 22 of the *Trade-marks Act*. To succeed on this ground, Petline must establish that Trupanion used the PETSECURE trademark in a manner that would likely have a negative effect on Petline's goodwill.

[8] In my view, Petline fails on the first two grounds because it has not shown that Trupanion's statements were false or misleading. It fails on the third ground because it has not shown harm to its goodwill. Therefore, I cannot grant the relief Petline seeks.

II. Issue One – Are the statements in the comparison false or misleading?

[9] Comparative advertising helps consumers make better choices (*Kirkbi AG and Lego Canada Inc v Ritvik Holdings Inc et al*, 2003 FCA 297 at para 71, *aff'd* 2005 SCC 65). Still, the statutes relied on by Petline in this case set parameters on the ways in which comparisons can be made. Most important in this case is the requirement that a competitor's comparison not be based on false or misleading statements.

[10] There are nine Trupanion statements in the comparison that are in dispute. As I explain below, two of them were removed from Trupanion's website after Petline clarified its policies. Still, I consider all nine, and find that none of them is false or misleading.

(i) ““We can pay your veterinarian directly – usually within 5 minutes””

[11] Petline suggests that this statement is misleading because it implies that Trupanion usually pays veterinarians directly and that Petline cannot do so. In fact, says Petline, the evidence shows that Trupanion pays veterinarians directly only in 30% of cases, and that Petline also offers this service.

[12] I disagree with Petline. Petline concedes that it does not have an equivalent service. It uses a “standard reimbursement model” in which policy holders pay their veterinarian bills and are compensated for the insurable amount later by cheque. In some special circumstances, Petline will arrange to pay veterinarians directly, but policy holders would have to contact Petline to make those arrangements. The availability of this process is not mentioned in Petline's policies or on its website. By contrast, Trupanion's default payment service involves paying veterinarians directly. The statement is not misleading.

(2) ““We process your co-insurance fairly””

[13] Petline says this statement is misleading because it implies that Petline is unfair to its policy holders, in particular, by paying out less to pet owners.

[14] I disagree. The evidence shows that the two companies process claims differently. Petline processes the co-insurance before the deductible which, all else being equal, results in pet owners receiving less reimbursement on claims than Trupanion's policy holders. In addition, Trupanion's website shows a simple calculation of the reimbursement on a \$1000.00 claim. The resulting payment to Petline customers is \$550.00 and the amount paid to Trupanion policy holders is \$675.00. There are other factors that can affect the reimbursable amount – the eligible costs, the degree of coverage, etc. But there is a reasonable basis for the statement in the comparison; it is not misleading.

(3) ““We don't change coverage or rates for submitting claims”” whereas PETSECURE ““punishes unlucky pets for filing claims””

[15] Petline maintains that this statement is misleading because Trupanion does, in fact, increase premiums in response to claims. In addition, Trupanion denies coverage to pets that had an illness or injury twice in the eighteen months prior to enrolment.

[16] I disagree. Again, the two companies have different approaches to managing risk. Petline increases individual premiums for policy holders who make claims. Trupanion increases premiums on the basis of the number of claims within a given class of pets, on a going-forward basis. In other words, if statistics show a rise in claims in respect of dachshunds, the premiums for new policies for dachshunds may increase. However, the premiums for existing policy holders will not change. Accordingly, Trupanion's statement is not misleading.

(4) PETSECURE can cancel a policy for ““absolutely no reason at all”” whereas ““we don't drop coverage””

[17] Petline states that this statement is false because it is contrary to insurance law. Insurance companies cannot cancel policies capriciously.

[18] This is perhaps somewhat of an overstatement, but it is not false. Trupanion was seeking to distinguish its policies, which define the situations where a policy can be cancelled, from Petline's, which provide a non-exhaustive list of circumstances that could result in cancellation. According to Petline, its policies reflect the possibility that cancellations could result from unforeseen circumstances. In reality, however, Trupanion's policy holders know when their policies can be cancelled, but Petline's will not be entirely sure. Their policies could be cancelled for some unknown reason. On its website, Trupanion allows that Petline may choose not act on that authority.

[19] In my view, this statement is not false or misleading. There was a reasonable basis for it.

(5) ““We don't exclude conditions we've covered for your pet in the past just because you change your coverage””

[20] Petline claims that this statement is misleading because it does not reflect the fact that Petline does not withdraw coverage when a policy holder wants to increase coverage. However, coverage for a particular condition cannot be increased after diagnosis.

[21] I disagree. Petline, agreeing that the language in its policies was unclear, changed it after seeing Trupanion's characterization. Trupanion's original statement was not misleading. In any case, it has now been removed from Trupanion's website.

(6) ““We don’t dictate how your veterinarian should treat your pet””

[22] Petline contends that this statement is misleading because Petline does not advise veterinarians on treatment. It does, however, put limits on the duration of medication covered.

[23] I disagree. Trupanion’s statement was an accurate characterization of Petline’s policy on medication. Petline has now clarified that its policies limit coverage for medications to six months at a time. Coverage can be renewed in six-month installments. Given the clarification, Trupanion has removed this statement from its website.

(7) ““We don’t cover wellness””

[24] Petline submits that this statement is misleading because it suggests that Petline covers things like toys and leashes.

[25] I disagree. Petline is taking the reference to toys and leashes on Trupanion’s website out of context. Trupanion explains that its policies focus on providing the best value to pet owners by not covering expenses that they would expect to pay themselves. Trupanion states in the comparison that there are costs that pet owners know they will have to cover – checkups, vaccines, food, leashes, and toys. It goes on to say that insurance should be used for unexpected costs. I do not read the statement as suggesting that Petline pays for toys and leashes; I see nothing misleading about the statement.

(8) ““We’re here for you 24/7””

[26] Petline submits that this statement is misleading because its coverage is available outside of call-centre hours.

[27] I disagree. Trupanion has a call centre that is open 24/7. Petline does not. There is nothing misleading about the statement.

(9) ““You pick your deductible no matter your pet’s age”” Trupanion does not ““penalize pets for aging””

[28] Petline maintains that this statement is misleading because both companies factor age into their premiums.

[29] I disagree. Again, the companies deal with age differently. Petline increases premiums and deductibles as pets age. Trupanion, however, takes account of a pet’s age only at the date of enrolment. Premiums and deductions do not rise as the pet ages. As such, the statement is not misleading.

[30] I have found no false or misleading statements in the comparison; there was a reasonable basis for each of them (*Purolator Courier Ltd v United Parcel Service Canada Ltd* [1995] OJ No 876 (OCJ Gen Div) at para 63).

[31] It follows that Petline cannot succeed on its claims that Trupanion’s statements are contrary to s 7(a) of the *Trademarks Act* and s 52 of the *Competition Act*.

[32] Petline asserts that its goodwill was harmed by Trupanion’s use of the PETSECURE trademark in the comparison of the insurance policies offered by the two companies.

[33] I have insufficient evidence of harm. Petline must show that the likely effect of Trupanion’s use of Petline’s trademark was to depreciate Petline’s goodwill (*Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23 at para 67).

[34] Petline has not filed any evidence from customers, employees or others about the impact of Trupanion's statements. Ms Carolyn Baker, from Petline, testified that she sometimes hears customers use language that echoes the statements in the comparison. She conceded, though, that it is difficult, if not impossible, to calculate the harm caused to Petline. Her own affidavit shows that both Petline and Trupanion grew in terms of the gross value of premiums over the years 2016 to 2018, although Petline's market share declined while Trupanion's rose.

[35] Ms Baker claims that 33 Petline customers switched to Trupanion in 2017, but did not provide any information about why they might have done so, or what the data shows for other years. Trupanion states that in 2017 at least 42 of its policy holders moved over to Petline, some of them citing lower costs, a desire for wellness coverage, a wish to consolidate all pets under the same insurer, or a move to obtain a policy with an annual deductible. The evidence shows, in essence, that policy holders may move from one insurer to another for any number of reasons, which is conceded by Ms Baker.

[36] The evidence does not persuade me that there has been any depreciation in Petline's goodwill owing to Trupanion's comparative statements.

IV. Conclusion and Disposition

[37] Trupanion's comparison of its insurance with Petline's did not include any false or misleading statements. Further, Petline has failed to show any depreciation of its goodwill. Therefore, I dismiss Petline's application, with costs.

Section 7(d) TMA prohibits the making use, in association with goods or services, of any description that is false in a material respect and likely to mislead the public as to, among other things, the character of the goods or services. Section 7(d) involves deceit in offering goods or services to the public, deceit in the sense of material false representations likely to mislead in respect of the character of goods or services.

III. Act of Passing off

A necessary element of the tort of passing off has always been an attempt to deceive. When this attempt to deceive causes confusion and damage, it is actionable. While the rationale for the tort was to protect the public, it was not the consumer who sued, but the owner of the trademark who brought the action, thereby protecting the public, as well as its own interest. The essential question, in such an action, is not whether anyone has in fact been deceived, but whether the circumstances are such as to render deception probable. Today, even though the common law remedies are still available, trademarks are protected statutorily and the action for passing off has been codified in paragraph 7(c) of the Act. *Pink Panther Beauty Corp. v. United Artists Corp.*, 1998 CanLII 9052 (FCA).

In order to establish a claim of passing off a plaintiff must prove three necessary components:

- (1) the existence of goodwill associated with the mark;
- (2) deception of the public due to a misrepresentation; and
- (3) actual or potential damage

To meet the requirements of the first component, evidence must be presented of the existence of goodwill associated with the trademarks. As the Court of Appeal noted in *Sandhu Singh*, goodwill for purposes of passing off requires that a mark is distinctive and possesses reputation. Factors considered for this purpose may include inherent distinctiveness, acquired distinctiveness, length of use, surveys, volume of sales, advertising and marketing, and intentional copying.

The second component requires that "confusion in the minds of the public be a likely consequence by reason of the sale, or offering for sale, by the defendant of a product not that of the plaintiffs making, under the guise or implication that it was the plaintiff's product or the equivalent" (see: *Consumers Distributing Co. v Seiko*, 1984 CanLII 73 (SCC), [1984] 1 SCR 583 at 601, [1984] SCJ No 27). Subsection 7(b) requires the defendant's conduct to cause or be likely

to cause confusion between the goods, services and business of one trader and those of another. The second element of passing off is therefore sometimes described as misrepresentation creating confusion (Kirkbi at para 68). While the misrepresentation element of a claim of passing off often pertains to the use of a confusing trademark, it is impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on. At the same time, any misrepresentation must be related to a registered or unregistered trademark given the constitutional limitations of subs.7(b) TMA. The plaintiff must establish that there was likelihood of confusion at the time defendant commenced to direct public attention to his wares, services or business.

To satisfy the third component for a passing off claim, a plaintiff must demonstrate it has suffered or is likely to suffer “damage as a result of the erroneous belief created by the defendant’s misrepresentation that the source of the goods or services is the same as those offered by the plaintiff”. Passing off occurs when a company’s business reputation or goodwill will or will likely be injured by a misrepresentation through which a competitor creates an illusion of sameness or similarity to its wares or services, causing confusion in the consumer’s mind to the effect that one’s goods or services are someone else’s or sponsored by or associated with that other person. It is effectively a “piggybacking” by misrepresentation. *Distrimedic Inc v Dispill Inc*, 2013 FC 1043

The three components for a passing off action at common law are often discussed as part of an analysis under subsection 7(b) of the Act. However, passing off at common law differs from a claim that subsection 7(b) has been contravened because the Act only applies where there are enforceable trademarks at issue. The Federal Court of Appeal in *Kirkbi AG v Ritvik Holdings Inc*, 2003 FCA 297 at para 38, stressed that

“in order to use paragraph 7(b) a person must prove that they have a valid and enforceable trade-mark, whether registered or unregistered. The thing that distinguishes the common law action of passing off from a passing-off action under paragraph 7(b) of the Act is that in the common law action a litigant need not rely on a trade-mark to make use of an action. To bring a passing-off action under the Act, one must have a valid trademark within the meaning of the Act. The definitions in section 2 of the Act are integral to any trade-mark passing-off action under paragraph 7(b)....”

Example: Passing off another company's prescription drug as its own

Ciba-Geigy Canada Ltd. v. Apotex Inc., 1992 SCC 33 (J. Gonthier for the Court)

I Facts and Proceedings

The plaintiff Ciba-Geigy Canada Ltd. (“Ciba-Geigy”) is a pharmaceutical laboratory which since 1977 has manufactured and sold metoprolol tartrate (“metoprolol”) in Canada under a licence from AB Hässle of Sweden. Metoprolol is included in the list contained in Schedule F of the *Food and Drug Regulations* of drugs which can only be sold on prescription. Since 1977 this beta-blocker product, the trade name of which is “Lopresor”, has been prescribed by doctors in Ontario and Canada for low or moderate hypertension; since 1981 it has been prescribed in Ontario for patients suffering from angina. Hypertension is one of the diseases and disorders listed in Schedule A of the *Food and Drugs Act*, R.S.C., 1985, c. F-27 (formerly R.S.C. 1970, c. F-27), for which the advertising and sale of therapeutic products are prohibited. The drug is given in two doses, each of which has a specific get-up. Fifty mg Lopresor is an oblong pink tablet and 100 mg Lopresor is a tablet of the same shape, only blue.

The respondents, Apotex Inc. (“Apotex”) and Novopharm Limited (“Novopharm”), obtained licences under the *Patent Act*, R.S.C., 1985, c. P-4 (formerly R.S.C. 1970, c. P-4), to manufacture and sell metoprolol in Canada.

From July 1984 to June 1986, the product sold by Apotex, the trade name of which is “Apo-metoprolol”, took the form of white circular, biconvex 50 mg and 100 mg tablets. Since June 1986 the tablets sold by Apotex have had the same get-up – shape, size and colour – as those of the plaintiff.

The drug manufactured and sold by Novopharm since 1986, “Novo-metoprolol”, available in two doses – 50 mg and 100 mg – also has the same get-up as that of the plaintiff.

The parties’ metoprolol tartrate tablets have been designated interchangeable pharmaceutical products pursuant to the *Prescription Drug Cost Regulation Act*, 1986, S.O. 1986, c. 28. Accordingly, a pharmacist may give a patient the products of either of the respondents in place of Lopresor when the prescription does not bear the notation “no substitution”.

In June 1986 the plaintiff brought two passing-off actions, one against Apotex and the other against Novopharm, alleging that its metoprolol tartrate tablets have a unique get-up by reason of their size, shape and colour and that this get-up has become associated with its product.

As often happens in such a case, the plaintiff sought an interlocutory injunction to prevent Novopharm from manufacturing and marketing blue capsule-shaped and pink capsule-shaped metoprolol tablets. The injunction was denied by J. Holland J. of the Supreme Court of Ontario on September 8, 1986 as Ciba-Geigy had not shown there was any “serious issue to be tried”: (1986), 12 C.P.R. (3d) 76. Leave to appeal to the Ontario Divisional Court was refused by Osler J. on November 21, 1986.

The respondents filed motions for summary judgment in the Supreme Court of Ontario in response to the plaintiff’s actions. They submitted that there was no genuine issue for trial as Ciba-Geigy was unable to establish that physicians and pharmacists prescribe or dispense metoprolol tartrate on the basis of its appearance or that physicians and pharmacists were confused in choosing the brand of metoprolol to give patients because of the similar appearance of the parties’ tablets.

In the alternative, the respondents asked the court to rule on the following question of law:

... with respect to the marketing of prescription drugs, a plaintiff in an action for the alleged passing-off of a prescription drug must establish that the conduct complained of is likely to result in the confusion of physicians and pharmacists in choosing whether to prescribe or dispense either the plaintiff’s or the defendant’s product.

In February 1989 Fitzpatrick J. denied the motions but answered the question of law in the affirmative. Ciba-Geigy appealed to the Ontario Court of Appeal as, it argued, the trial judge had erred in excluding patients, who are consumers of the drugs, from those affected by the confusion. The Ontario Court of Appeal dismissed the appeal: (1990), 1990 CanLII 6794 (ON CA), 75 O.R. (2d) 589, 45 O.A.C. 356, 32 C.P.R. (3d) 555.

On May 16, 1991, leave to appeal to this Court was granted, [1991] 1 S.C.R. vii.

IV – Analysis

A. Passing-off Action

(1) General Principles Developed by the Courts

The concept of passing-off was developed in 1842 in *Perry v. Truefitt* (1842), 6 Beav. 66, 49 E.R. 749, which seems to have been the first case in which the expression “passing-off” appeared: “A man is not to sell his own goods under the pretence that they are the goods of another man” (p. 752 E.R.). In *Singer Manufacturing Co. v. Loog* (1880), 18 Ch. D. 395 (C.A.), aff’d (1882), 8 App. Cas. 15 (H.L.), James L.J. described passing-off and its origins, at pp. 412-13:

... no man is entitled to represent his goods as being the goods of another man; and no man is permitted to use

any mark, sign or symbol, device or other means, whereby, without making a direct false representation himself to a purchaser who purchases from him, he enables such purchaser to tell a lie or to make a false representation to somebody else who is the ultimate customer. . . . [H]e must not, as I said, make directly, or through the medium of another person, a false representation that his goods are the goods of another person.

The House of Lords has set out the requirements for a passing-off action on many occasions. In *Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd.*, [1980] R.P.C. 31, Lord Diplock identified five conditions, at p. 93: there must be (1) misrepresentation (2) by a trader in the course of trade (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader, and (5) which causes actual damage to the business or goodwill of the trader bringing the action.

More recently, in *Reckitt & Colman Products Ltd. v. Borden Inc.*, [1990] 1 All E.R. 873, Lord Oliver reaffirmed, at p. 880:

The law of passing off can be summarised in one short general proposition, no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying “get-up” (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff’s goods or services. Second, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. . . . Third, he must demonstrate that he suffers or, in a *quia timet* action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant’s misrepresentation that the source of the defendant’s goods or services is the same as the source of those offered by the plaintiff. [Emphasis added.]

The three necessary components of a passing-off action are thus: the existence of goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff.

In Canada the Supreme Court has also had occasion to rule on a passing-off action, in particular in *Oxford Pendaflex Canada Ltd. v. Korr Marketing Ltd.*, *supra*, in which the issue turned primarily on the similar get-up of the parties’ products. In that case this Court stated that in any passing-off action the plaintiff, in order to succeed, must establish that its product has acquired a secondary meaning.

In *Consumers Distributing Co. v. Seiko Time Canada Ltd.*, 1984 CanLII 73 (SCC), [1984] 1 S.C.R. 583, this Court noted at p. 601 that the requirements of a passing-off action have evolved somewhat in the last hundred years:

. . . attention should be drawn to the fact that the passing off rule is founded upon the tort of deceit, and while the original requirement of an intent to deceive died out in the mid-1800’s, there remains the requirement, at the very least, that confusion in the minds of the public be a likely consequence by reason of the sale, or proffering for sale, by the defendant of a product not that of the plaintiff’s making, under the guise or implication that it was the plaintiff’s product or the equivalent.

A manufacturer must therefore avoid creating confusion in the public mind, whether deliberately or not, by a get-up identical to that of a product which has acquired a secondary meaning by reason of its get-up.

Outside the common law countries passing-off has no exact lexicological equivalent and in general is not a delict as such. In France, for example, it is one aspect of unfair competition to which civil liability sanctions apply.

The passing-off rules in Quebec are derived largely from the common law. Remedies may be sought in federal as well as provincial law:

[TRANSLATION] Unlawful or unfair competition causing an unjust injury to another person falls within civil liability under art. 1053 C.C. Actions for damages for unfair competition are heard under not only the federal legislation but also the general principles of delictual civil liability. (Nadeau and Nadeau, *Traité pratique de la responsabilité civile délictuelle* (1971), at p. 221.)

(2) Purposes of the Passing-off Action and Target Clientele

In considering those upstream and downstream of the product, two separate aspects must be distinguished. I refer in this regard to the persons who manufacture or market the products, on the one hand (“the manufacturers”), and on the other to those for whom the products are intended, the persons who buy, use or consume them (“the customers”).

It is clear that however one looks at the passing-off action, its purpose is to protect all persons affected by the product.

(a) Protection of Manufacturers

This corresponds to the third point mentioned by Lord Oliver. The right to be protected against the “pirating” of a brand, trade name or the appearance of a product is linked to a kind of “ownership” which the manufacturer has acquired in that name, brand and appearance by using them.

In *Pinard v. Coderre*, [1953] Que. Q.B. 99, Marchand J.A. of the Quebec Court of Appeal noted at p. 103:

[TRANSLATION] It would seem that the first occupant of this name or these words acquired a right to use them exclusive of all other persons, comparable in many ways to a true right of ownership. [Emphasis added.]

Accordingly, to begin with, from what might be called the individual or manufacturer’s standpoint, the passing-off action is intended to protect a form of ownership.

There is also the concept of ownership, protected by the passing-off action in relation to goodwill, a term which must be understood in a very broad sense, taking in not only people who are customers but also the reputation and drawing power of a given business in its market. In *Consumers Distributing Co. v. Seiko Time Canada Ltd.*, *supra*, Estey J., at p. 598, cites *Salmond on the Law of Torts* (17th ed. 1977), at pp. 403-4:

The courts have wavered between two conceptions of a passing-off action – as a remedy for the invasion of a quasi-proprietary right in a trade name or trade mark, and as a remedy, analogous to the action on the case for deceit, for invasion of the personal right not to be injured by fraudulent competition. The true basis of the action is that the passing off injures the right of property in the plaintiff, that right of property being his right to the goodwill of his business.

. . .

Indeed, it seems that the essence of the tort lies in the misrepresentation that the goods in question are those of another; . . . [Emphasis added.]

It will then be necessary to look at the relationship between the various merchants or manufacturers, and it is at that point that questions of competition have to be considered. As Chenevard says (*Traité de la concurrence déloyale en matière industrielle et commerciale* (1914), vol. 1, at pp. 6-7), [TRANSLATION] “[c]ompetition is the soul of commerce; it requires unceasing effort and as such is the chief factor in economic progress”. Drysdale and Silverleaf (*Passing Off: Law and Practice* (1986)) are substantially of the same opinion, at p. 1:

In countries with a free market system the proper functioning of the economy depends upon competition between rival trading enterprises. It is the mechanism of competition which controls the price, quality and availability of goods and services to the public.

However, merchants must observe certain rules which, quite apart from being legal, are ethical at the least:

[TRANSLATION] Just as an effort made to dislodge an opponent from the position he occupies, to attract sales to oneself by offering better goods on better terms, is legitimate when only fair methods are used, so such conduct is objectionable when it infringes the rules of honesty and good faith that underlie commercial transactions. (Chenevard, *supra*, at p. 11.)

The author describes at p. 10 certain situations which, if the manufacturer succumbs to temptation, will easily lead him to commit the tort of passing-off:

[TRANSLATION] Seeing the success of his competitor's product, he had the idea of profiting from it: since this article, this shape, this packaging had met with public favour, why not copy it?--since this trade name had made its way in the world, why not adopt a similar one?

The purpose of the passing-off action is thus also to prevent unfair competition. One does not have to be a fanatical moralist to understand how appropriating another person's work, as that is certainly what is involved, is a breach of good faith.

Finally, another more apparent, more palpable aspect, a consequence of the preceding one, must also be mentioned. The "pirated" manufacturer is very likely to experience a reduction in sales volume and therefore in his turnover because of the breaking up of his market. When such a situation occurs in the ordinary course of business between rival manufacturers that is what one might call one of the rules of the game, but when the rivalry involves the use of dishonest practices, the law must intervene.

(b) Protection of Customers

In the Anglo-Saxon legal systems, [TRANSLATION] "the person chiefly concerned is the competitor affected by the unfair act" (Mermillod, *Essai sur la notion de concurrence déloyale en France et aux États-Unis* (1954), at p. 176). He is frequently in fact the first party affected by the practice or aware of it.

However, "[i]t should never be overlooked that . . . unfair competition cases are affected with a public interest. A dealer's good will is protected, not merely for his profit, but in order that the purchasing public may not be enticed into buying A's product when it wants B's product" (*General Baking Co. v. Gorman*, 3 F.2d 891 (1st Cir. 1925), at p. 893). Accordingly, "the power of the court in such cases is exercised, not only to do individual justice, but to safeguard the interests of the public" (*Scandinavia Belting Co. v. Asbestos & Rubber Works of America, Inc.*, 257 F. 937 (2d Cir. 1919), at p. 941). The ordinary customer, the consumer, is at the heart of the matter here. According to the civilian lawyer Chenevard, *supra*, at p. 20, in a case of unfair competition it is [TRANSLATION] "the buyer who is the first to be injured".

The customer expects to receive a given product when he asks for it and should not be deceived. It often happens that products are interchangeable and that a substitution will have little effect. However, the customer may count on having a specific product. There are many reasons for such a choice: habit, satisfaction, another person's recommendation, the desire for change, and so on. I have no hesitation in using the classic saying, taken from popular imagery: "the customer is always right". Merchants must respect his wishes, choices and preferences as far as possible. Where this is simply not possible, no substitution must be made without his

knowledge. That is the minimum degree of respect which manufacturers and merchants, who we should remember depend on their customers, should show.

There is no shortage of fraudulent or simply misleading practices: one may think, for example, of products having a similar get-up, the use of similar labelling, use of the same trade name, counterfeiting, imitation of packaging. These are all possible ways of attempting, deliberately or otherwise, to mislead the public. The courts and authors have unanimously concluded that the facts must be weighed in relation to an “ordinary” public, “average” customers:

... you must deal with the ordinary man and woman who would take ordinary care in purchasing what goods they require, and, if desiring a particular brand, would take ordinary precautions to see that they get it. (Neville J. in *Henry Thorne & Co. v. Sandow* (1912), 29 R.P.C. 440 (Ch. D.), at p. 453.)

The average customer will not be the same for different products, however, and will not have the same attitude at the time of purchase. Moreover, the attention and care taken by the same person may vary depending on the product he is buying: someone will probably not exercise the same care in selecting goods from a supermarket shelf and in choosing a luxury item. In the first case, the misrepresentation is likely to “catch” more readily.

In *The Law of Passing-off* (1990), Wadlow gives the following definition at p. 351:

The term “get-up” is normally used in passing-off to mean the whole visible external appearance of goods in the form in which they are likely to be seen by the public before purchase. If the goods are sold in packages, then their get-up means the appearance of the pack taken as a whole. If they are sold or displayed unpackaged, then the get-up relied on can only be that inherent in the goods themselves.

The look, the appearance, the get-up of a product play a crucial role in the purchase process since they are the chief means at the manufacturer’s disposal to attract customers. The importance of visual impact is well known: what appeals to the eye is crucial.

The product’s appearance or its packaging, shape, size or colour, may be characteristic of a particular manufacturer and have the effect of marking out the product or making it recognizable as his own. In the mind of the customer appearance is not always linked to a trade mark, that is, the consumer may rely on the appearance rather than the trade mark to indicate the use of the product. For example, when he needs removable self-stick notes, he will look for small blocks of yellow paper. He may not know the name of the product or manufacturer, but he does not need to in order to recognize what he wants to buy. What he has noticed and what he has retained is the specific colour of the merchandise; or he will know that a particular product contained in a tin with an exotic bird on the lid is polish, without necessarily having to know the trade name or brand, and when he wishes to purchase that polish it is the image of the bird on the packaging that will assist him in recognizing the product. With a few exceptions, the external features of a product are not sought for themselves, but because they are the means of recognizing the satisfactory product, for example. They are a source of information associated with reputation for a consumer or a group of customers. Appearance is thus useful not only in product recognition but also to distinguish one product from another with the same uses.

Of course, it may be that appearance is associated with a specific brand in the consumer’s mind. When he wishes to have a product of that brand he will look for that get-up.

The question now is as to who lies beyond the product, that is who must be protected, who must not be confused by manufacturers, for example, by a similar appearance. As business is organized at present, it is very seldom that an individual deals directly with the manufacturer or producer: he is not generally the immediate customer. The route taken by a product between the time of its manufacture, to use a broad term, and the time it reaches

the consumer can be compared to a chain made up of several links which must all be there and be in a particular order. Manufacturer, wholesaler, retailer and consumer are all links in this chain.

The first person who buys the product is not generally the one for whom it is ultimately intended. Assuming that there are three links in the chain, with the producer and the consumer at the two ends, the “retailer” (grocer, bookseller, garage owner and so on) is an intermediary between the producer and the consumer. I would without hesitation describe him as a “trade customer”, that is a person who obtains a product not for his own use but with a view to passing it on to a third person in the course of his business. There is little need to dwell at length on the case of such merchant intermediaries, who are in fact part of the manufacturer’s or producer’s clientele. There may at times be some question whether the passing-off action really affects them as customers. The closer they are, that is the more direct contact they have with the manufacturer or producer, the less likely they are to be misled. This is indeed what Viscount Maugham found in *Saville Perfumery Ltd. v. June Perfect Ltd.* (1941), 58 R.P.C. 147 (H.L.), at pp. 175-76: “It is, for example, quite a common occurrence . . . to find that retail traders are not misled while ordinary customers are”.

Outside the field of pharmaceutical products, the courts and authors have unquestionably recognized that the consumer, or the person who might be called the ordinary customer--the last link in the chain--is also part of the “clientele” in whose minds any confusion must be avoided.

The English common law has long recognized this principle very explicitly. I shall again quote a passage from James L.J. mentioned above to emphasize the use of certain terms:

. . . no man is permitted to use any mark, sign or symbol, device or other means, whereby, without making a direct false misrepresentation himself to a purchaser who purchases from him, he enables such purchaser to tell a lie or to make a false representation to somebody else who is the ultimate customer. [Emphasis added.] (*Singer Manufacturing Co. v. Loog*, *supra*, at p. 412.)

Further, when Lord Diplock in *Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd.*, *supra*, set out the conditions for the passing-off action at p. 93, he used the very words “ultimate consumers”.

There is no question that confusion, which is the essence of the tort of passing-off, must be avoided in the minds of all customers, whether direct – here one thinks of the retailers – or indirect in that case the consumers. Proof of reputation or secondary meaning and of misrepresentation has never been limited by the courts to direct customers of the person claiming a right.

In civil law jurisdictions, including Quebec, the concept of a clientele is expressed still more broadly where misrepresentation is involved, as indicated by this passage from the reasons of Pelletier J.A. in *République française v. S. Hyman Ltd.* (1920), 31 Que. K.B. 22, at p. 23:

[TRANSLATION] [What is at issue is] the means of enforcing the principle that while a person may sell his own goods as he wishes, he is not entitled to offer them for sale in such a way as to lead buyers and the public in general to think that the goods he is selling are those legitimately manufactured and sold by someone else. [Emphasis added.]

Nadeau and Nadeau, *supra*, at p. 224, state in connection with passing-off: [TRANSLATION] “It is not necessary to establish that buyers have been misled, but simply that an attempt was made to mislead the public”. (Emphasis added.) This language indicates that it is necessary to avoid confusing anyone who has an actual or potential, immediate or remote, connection with the product. The tendency in Anglo-Saxon law appears to be to discontinue use of the expression adopted by Lord Diplock, “ultimate consumers”, and, as he himself has

increasingly done, to refer to the concept of the public. (See *inter alia* Wadlow, *supra*, and Fleming, *The Law of Torts* (7th ed. 1987), at pp. 675-76.)

Moreover, we must not lose sight of the fact that the ordinary clientele includes “consumers”. I use this word in its juridico-sociological meaning, which to Western minds in the late 20th century inevitably implies the need for protection. The passing-off action is entirely consistent with the plethora of present-day protectionist provisions, even though it existed long before they did!

B. *The Principles of Passing-off Applied to the Pharmaceutical Field*

(1) Preliminary Observations

There is no need to dwell at length on the purposes of the passing-off action in this field as they are essentially the same as those I have just considered. Adapting the principles set out to cases such as that now before this Court leads to the conclusion that competing laboratories must avoid manufacturing and marketing drugs with such a similar get-up that it sows confusion in the customer's mind.

First, I should make a few observations on the get-up of the products at issue here. As Wadlow points out (*supra*, at p. 379), pharmaceutical companies are limited in the choice of ways to distinguish the get-up of their products. As pharmacists buy such products in bulk and dispense them to the public in standard containers which are transparent and anonymous, the only way of drawing the attention of patients to the origin of the product is the capsule or tablet itself. There are not many possibilities: what is written on tablets is often too small to be legible, at least not readily so, and that leaves only the shape, size and colour of the products as a means of distinguishing them. Here again pharmaceutical laboratories have little room for manoeuvre. The size and shape of drugs cannot depend solely on imagination, since they must meet certain functional requirements resulting from physiological necessities such as ingestion and digestion. As to colour, owing partly to the small size of the products, combinations which might be original or characteristic are also relatively limited.

Further, the same is true for the composition of drugs as for that of any other product. What I would call the basic components of two competing products are quite often identical while it is the incidental ingredients that are specific to each, and it is often the quantity and quality of such ingredients which make the difference in taste, consistency, texture and so on. In the pharmaceutical field, drugs consist of an active ingredient, the basic medicinal substance, and an excipient which plays a role *inter alia* in get-up, ingestion and digestion. Understandably, two remedies which must achieve the same therapeutic result will contain the same active ingredients. In the case at bar, the parties' products all contain a beta-blocker, metoprolol tartrate. At the same time, the incidental substances in which the active ingredients are embodied may well be different.

(2) Target Clientele

Of course, the passing-off action is meant to protect manufacturers. In the case at bar, these are the pharmaceutical laboratories which manufacture and market the drugs. There is no need to consider this point further, as it presents no problem here. One must instead look at the other links in the chain, those who “buy” or “consume” the products, in order to determine who are the customers to be protected by the passing-off action. There are those who argue that only physicians, dentists and pharmacists are included. I will begin by reviewing the cases which have given a limited definition of the clientele and then consider several aspects of the question, an analysis of which will inevitably lead in my opinion to a preference for a broad clientele. Finally, I will cite decisions of the courts and authors who consider that the patient is included in the clientele of pharmaceutical laboratories for the purposes of a passing-off action.

(...)

V – Conclusion

There is no reason in law to depart from the well-established rule that the final consumer of a product must be taken into account in determining whether the tort of passing-off has been committed. In the field of prescription drugs, therefore, the customers of pharmaceutical laboratories include physicians, pharmacists, dentists and patients.

X. Enforcement and Liability

HALEY MACLEAN

A. Introduction

As important as it is to acquire intellectual property rights, it is equally as important that these rights be enforceable in practice. Without an effective enforcement regime in any intellectual property system, any effort put towards the creation of a work, trademark, or invention can be exploited by infringers to steal any actual or potential revenue from the rights holder or disparage their reputation in the process. With the proper mechanisms, rights holders can take action against infringers to recover the losses from actual infringement and prevent any further infringements from happening in the future. WIPO states, “[w]ithout a proper system for both enforcing rights and also enabling the grant of rights to others to be resisted, an intellectual property system will have no value.”

This chapter focuses on how the Canadian judicial system approaches and deals with both civil and criminal offenses related to the infringement of intellectual property rights, and the proper jurisdictions in which these claims can be heard. It also explores the different classifications of liability imposed by intellectual property law. Gaining a better understanding of the enforcement of intellectual property rights aids a broader comprehension of IP rights and their justifications

B. Jurisdiction of the Canadian Courts

Despite the federal courts hearing most intellectual property disputes, (some estimate approximately 95% of all IP cases in Canada are heard at the Federal Court) the *Constitution Act*, 1867 affirms jurisdiction is shared between both the provincial and federal courts with overlap existing in some areas.

Since Canada follows a federalism system wherein both a general government and regional government are fixed within one single political system, disputes relating to intellectual property law can be heard at the federal courts, the provincial courts, or potentially either depending on the nature of the issue.

Determining the appropriate jurisdiction to bring an intellectual property case can be done by consulting statute, or by following the precedent of past case law decisions. Exercising the proper jurisdiction for an IP issue is necessary to ensure the general and regional governments are not hearing the same problems and creating contradictory results with their decisions. It also ensures the breadth of the power and resources of the federal government is only used for IP issues where it is necessary, allowing more straightforward IP cases to be heard at the provincial level such as simple contractual disputes.

1. Exclusive jurisdiction of the Federal Court

As per the *Constitution Act*, 1867, patent and copyright law are under the exclusive jurisdiction of the federal government. Trademark law is not specifically mentioned under the *Constitution Act*, but it is generally accepted that granting federal jurisdiction to ‘the regulation of trade and commerce’ encapsulates trademarks under that definition as well. The purpose of s.91(2) is to allow the federal government to enact legislation that applies to nation-wide trade sectors, and this would naturally extend to trademarks via their inherent associations with trade and business.

The history of the Federal Court of Canada begins in 1971 when it succeeded the previous Exchequer Court of Canada. The Federal Court is governed by the *Federal Courts Act* and was originally comprised of a Trial Division and an Appeal division until 2003 when it was divided into two separate courts being the Federal Court and the Federal Court of Appeal. Since both divisions are guided by statute, they have jurisdiction conferred onto them pursuant to statutory provisions. In the case of IP law, the applicable statutory acts warranting federal jurisdiction include the *Copyright Act*, the *Trademarks Act*, and the *Patent Act*.

The federal courts would also have exclusive jurisdiction over IP related disputes relating to statutory provisions found in the *Industrial Design Act*, the *Integrated Circuit Topography Act*, and the *Plant Breeders' Rights Act*.

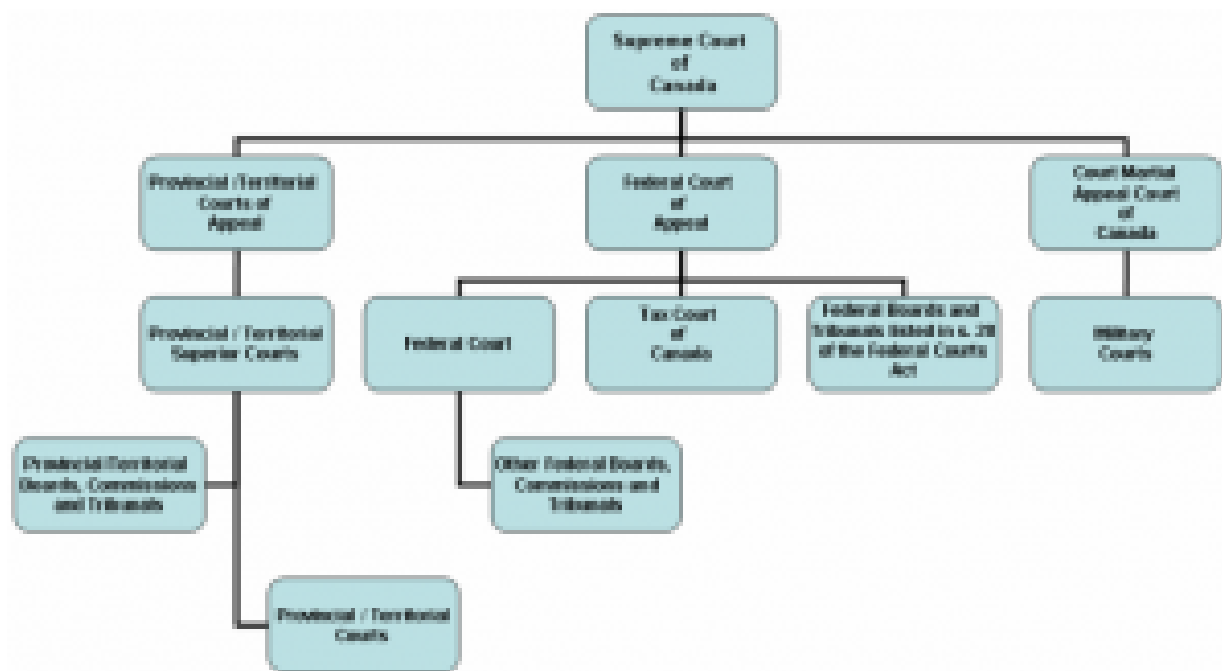


Image from The Federal Court of Appeal.

S.20 of the *Federal Courts Act* addresses the exclusive jurisdiction of the federal courts, as well as the concurrent jurisdiction between both the federal and provincial courts. Developments in Canadian IP case law has also narrowed down certain examples of IP disputes that would naturally fall under the exclusive jurisdiction of the federal court. Examples include:

- Changes to the register of trademarks
- Expungement of registrations of intellectual property rights
- Invalidation of patent
- Intellectual property disputes where the Federal Crown is a party itself

They are commonly three main reasons why the Federal Government hears most intellectual property cases.

Firstly, is the concept of the **differences between in rem versus in personam jurisdictions**. Only the Federal Courts have the power to invalidate, expunge, or impeach intellectual property rights, and therefore have the ability to make decisions that are in rem ('against the thing') while the provincial courts can only make decisions *in personam* ('against the person'). The Federal Government can make decisions affecting intellectual property

itself, while the Provincial Government is aimed at making decisions towards that actual parties within the litigation. Therefore, the Federal Government will often be found to be the appropriate jurisdiction with IP matters since it offers a longer list of accessible remedies. However, if a plaintiff who is fearful that their rights might be invalidated if taken to court might opt to pursue a provincial jurisdiction instead, meaning potentially their ‘intellectual property lives to see another day’.

Secondly is the fact that traditionally the **Federal Court has seen the majority of these cases** in the past, so it makes sense to continue to see these cases within that jurisdiction because the federal judiciary already has experience dealing with these issues resulting in more efficient and predictable outcomes.

And the final reason why the Federal Courts hear most IP related cases is because it has a **national jurisdiction that extends to all provinces**. Specifically, this can be helpful in issuing injunctions because the Federal Courts have the power to enforce injunctions nationwide. For example, in the 2017 case of *Google Inc. v Equustek Solutions Inc* the Supreme Court of Canada successfully granted an interlocutory injunction against Google that extended not only to the entirety of Canada but globally as well. Google, who was a third-party to the dispute, was forced to de-index the defendant’s domain from all Google searches in order to prevent irreparable harm to the plaintiff’s intellectual property interests. Broad and encompassing injunctions of this nature can only be achieved at the federal court level.

2. Joint jurisdiction with common jurisdiction courts

Both the federal and provincial courts share jurisdiction for the application of intellectual property law. Specifically, the provincial superior courts have concurrent jurisdiction for the enforcement of these rights. The statutory basis for this shared jurisdiction is found in s.20(2) of the *Federal Court Act* which states, “[t]he Federal Court has concurrent jurisdiction in all cases, other than those mentioned in subsection (1), in which a remedy is sought under the authority of an Act of Parliament or at law or in equity respecting any patent of invention, copyright, trademark, industrial design or topography referred to in paragraph (1)(a).”

Concurrent jurisdiction simply means that two different courts have the authority to hear the same case, which applies to both civil and criminal trials. An example of concurrent jurisdiction in intellectual property law can be basic issues of determining infringement, which can be seen by either the federal or superior provincial courts. So, a trademark infringement proceeding under s.19, 20, and 22 and passing-off and unfair competition proceedings under the *Trademark Act* could be seen by either the federal or provincial jurisdiction.

The existence of concurrent jurisdictions allows for the possibility of what lawyers call ‘forum shopping’. This is when litigants will choose to have their legal case heard in the court they believe will result in the most favourable judgement. While this is not as much of an issue in Canada, (as previously stated almost all IP related cases are taken to the federal courts), the US has seen more and more case law in the last few years trying to address this issue of forum shopping in American IP law.

US Forum Shopping

In 2017, the US Supreme Court case of *TC Heartland LLC v Kraft Foods Group Brands LLC* greatly affected the ways in which patent law jurisdiction was decided within the country. Prior to the decision, the Eastern District of Texas heard almost half of all patent cases for the whole country. Because that court was considered very patentee friendly, patent holders would opt to pursue their cases there in the hopes it would increase

their chances of success. The US patent venue statute under 28 U.S.C. §1400(b) stated “[a]ny civil action for patent infringement may be brought [1] in the judicial district where the defendant resides...”, with ‘where the defendant resides’ given a very broad interpretation by the Federal circuit which essentially covered anywhere the business has made a sale throughout the country. TC Heartland narrowed that definition to define where a domestic corporation ‘resides’ as the state of its incorporation.

American publisher Law Journal Newsletters reports that only a few months after this decision, the Eastern District of Texas went from seeing 39.61% of all patent cases to 15.04%. Meanwhile, the District of Delaware where more than half of all publicly traded domestic companies are incorporated went from seeing 12.06% of patent infringement cases to 27.91% after the TC decision. A narrower definition of the jurisdiction in which litigants can bring IP-related disputes will ensure parties spend less time and resources challenging jurisdiction before the case has even seen a courtroom.

Discussion Question: Why do you think the US has issues with forum shopping for IP related disputes while Canada does not? What differences exist between the two IP regimes to explain this distinction?

Example: Salt Canada Inc. v. Baker, 2020 FCA 127

This is an appeal from the judgment of the Federal Court (*per* Boswell J): 2016 FC 830. The Federal Court dismissed an application brought by the appellant for an order directing the Commissioner of Patents to vary the records of the Patent Office to reflect it as owner of Canadian Patent No. 2,222,058. The question on appeal is whether the Federal Court had jurisdiction to hear the application, which required it to adjudicate a contractual dispute, a matter reserved exclusively to the provincial superior courts.

After a review of numerous decisions in matters of federal jurisdiction (tax, intellectual property, administrative law, maritime law, privacy and access to information), the Federal Court of Appeal ruled that when dealing with an application under section 52 of the *Patent Act*, the Federal Court remains free to carry out the task Parliament has given to it—to determine who should be reflected on the records of the Patent Office as the owner of a patent—even if that involves interpreting agreements and other instruments. In reaching its decision, the Federal Court of Appeal emphasized:

[31] The bounds of the Federal Court’s jurisdiction do not rest on the nebulous exercise of assessing whether something is “‘primarily a case in contract’” or whether contractual interpretation will “‘dictate’” the end result.

[44] If the Federal Court does not have jurisdiction in this case—and by extension in any case where contractual interpretation is central to the disposition—the problem of divided proceedings will once again become a feature of the Federal Court system despite Parliament’s intention. If the Federal Courts always need the provincial courts as a crutch to determine a matter leaning on contractual considerations or other private rights, its very core and purpose, as encapsulated by John Turner, the architect of the first Federal Courts Act, would be eviscerated.

There are also a few instances in intellectual property law where the provincial courts have inherent jurisdiction. This includes when a dispute has no statutory act covering its governance and/or is centered on an issue in tort or contract

law. For example, only the provincial courts have inherent jurisdiction to the interpretation of contracts related to intellectual property rights since contract law is governed by the common law courts.



Nova Scotia Provincial Court. Image by cphoffman42 on Flickr

The 2018 case of *Farmobile, LLC v Farmers Edge Inc.* further clarified when the provincial courts have jurisdiction to contractual disputes related to IP law. It decided that in order to determine jurisdiction for IP contractual disputes one must determine whether the contract issue at hand lies at the essential nature of the claim, or if that issue is ancillary to the claim. If the contractual issue is the center issue at trial, then the superior provincial courts will have jurisdiction. However, if the contractual issue is simply one aspect of a broader issue then the federal courts can (and often always will) have jurisdiction. In the *Farmobile* case, the defendant was trying to claim the issue was a contractual one and therefore the provincial courts had jurisdiction. However, the court reasoned instead the essential nature of the issue was that of patent infringement and it was not *prima facie* within the provincial court's jurisdiction.

Exercise – Choosing the proper jurisdiction

Choosing between federal, provincial, or both, which do you think is the proper jurisdiction to hear the following IP-related disputes, and why?

1. Patent infringement cases.
2. Review of Copyright Board decisions.
3. Misuse of a trade secret.

Answers.

3. Administrative standard of review

Within Canada, Parliament has delegated power to various administrative boards and agencies within the intellectual property regime to aid in the implementation and administration of law surrounding IP.

For trademarks, power has been delegated to:

- The Registrar of Trademarks
- The Trademarks Oppositions Board

The Registrar of Trademarks is the administrative body that reviews and approves of trademarks sent in by applicants who have followed the step-by-step process laid out by the Canadian Intellectual Property Office. It can render decisions but does not have the jurisdiction to award costs to a winning party. S.56 of the *Trademarks Act* allows for any decision given by the Registrar to be appealed to the federal courts within two months of the time the decision was dispatched to the parties by the Registrar, or for an extended time after that date if it is permitted by the courts.

The Registrar receives applications and gives them a filing date if they meet the preliminary requirements. The granting of a filing date is a crucial process to gaining a trademark, as this is the date which is used for future cases of confusion between co-pending trademarks. The Registrar publishes applications in the *Trademark Journal* which lists trademarks advertised under s.37(1) of the *Trademarks Act*. The Canadian Trademarks database also collects and compiles all active trademarks as well as all inactive marks that were cancelled, expunged, abandoned, or refused after 1979. Once an application is published in the *Trademark Journal*, any member of the public may then file an opposition to the trademark.

The Trademark Opposition Board acts on behalf of the registrar for two specific types of proceedings, basic opposition proceedings and s.45 proceedings under the *Trademarks Act*. Opposition proceedings allow a person to object to the registration of a trademark in Canada, which if successful would prevent a trademark application from issuing to registration. s.45 proceedings allow a person to send a request to remove (expunge) a trademark registration if the owner is unable to prove the use of the trademark within Canada during a three-year period, so long as there are no special circumstances that warrant the lack of use during that period. An easy way to remember the difference between the two is opposition proceedings are used before a trademark is registered, and s.45 proceedings are used after it is registered. However, they are both seen before the Registrar and governed by the Trademark Opposition Board.

The Trademark Opposition Board lists its responsibilities as:

- Assessing initial opposition requests
- Corresponding with both parties in the opposition
- Ruling on various interlocutory matters (oppositions proceedings only)
- Scheduling and conducting hearings; and
- Rendering decisions.

The Government of Canada lists the standard stages for s.45 proceedings including (1) the issuance of the s.45 notice stage wherein any person or the registrar itself sends a request to remove a registered trademark of three or more years from the registrar. The notice can also be limited to only cover the particular goods or services set out in the registration. (2) The evidence stage, where the owner of the trademark in question files and serves evidence in the form of affidavits or statutory declarations to attempt to prove the use of their trademark during that period. And (3), the argument stage, where the trademark owner and the opposing party are given an opportunity to file written representations and make representations at an oral hearing. After these three stages, the Registrar gives a written decision which can be appealed to the Federal Court if need be.

In relation to opposition proceedings, the recent 2020 case of *The Clorox Company of Canada, Ltd. v Chloretec*, the Federal Court of appeal addressed a new standard of review in the hearing of trademark opposition appeals. It was decided that the finding in the previous 2019 SCC case of *Canada (Minister of Citizenship and Immigration) v Vavilov* (which clarified the standard of review analysis to be applied in administrative decisions) would have no effect to on the way in which the Federal Court of Appeal should apply the applicable standard of review when it reviews federal court decisions relating to the materiality of new evidence, as was the circumstance with the Clorox case. Put more simply, in more recent years case law has been acknowledging that applying normative administrative law standards to intellectual property law regimes doesn't make sense, as the two systems differ too greatly to place them under the same legal umbrella.

Discussion Question

What inherent differences between the administrative and intellectual property legal regimes warrant differential treatment between them? Should major decisions affecting administrative law in general be automatically applied to intellectual property law? Why or why not?

For patents, power has been delegated to:

- The Commissioner of Patents
- The Patent Appeal Board

The Commissioner of Patents grants authorization of patent applications, with their decisions being quasi-judicial in nature. All the decisions made by The Commissioner of Patents are posted online on the CIPO website. S.4(1) of the *Patent Act* states the Government in Council appoints the Commissioner who then acts under the direction of the Minister. S.4(4) then lists the duties of the Commissioner stating, "The Commissioner shall receive all applications, fees, and documents relating to patents, shall perform and do all acts and things requisite for the granting and issuing of patents, shall have the charge and custody of the books, records and other things belonging to the Patent Office and shall have, for the purposes of this Act, all the powers that are or may be given by the *Inquiries Act*." Part II of the *Inquiries Act*, which governs public and departmental inquiries, then lists the powers and departmental investigations granted to the Commissioner.

The Patent Appeal Board is an advisory body made up of senior Patent Office officials that have been mandated by the Commissioner since 1970. The Government of Canada lists the responsibilities of the Patent Appeal Board as:

- Conducting independent reviews
- Providing recommendations and advising the Commissioner during reviews of rejected patent applications
- Reviewing rejected applications for the reissue of a patent
- Determining first inventorship in patent conflict situations
- And aiding the Commissioner in their more straightforward duties such as:
 - Patent re-examination procedures
 - Accessing the terms and conditions for use of patented inventions by governments
 - Granting authorizations under Canada's Access to Medicines Regime (CAMR)
 - Administration of the procedures related to an alleged abuse of patent rights
 - Administration of the annual Patent Agent and Trademark Agent Examinations
 - Dealing with complaints of misconduct by patent agents.

For copyright, power has been delegated to:

- The Copyright Board

Unlike patents and trademarks, there is no registrar or commissioner that approves of copyright protections because copyright exists in the work from the moment it is created. There is however an economic regulatory body called The Copyright Board which has several administrative responsibilities within Canada's copyright regime delegated to it by the federal government. A list of The Copyright Board's responsibilities can be found on its website, some of which include certifying tariffs, supervising agreements between users and licensing bodies, and establishing royalties to be paid for the use of copyrighted works for collective-administration societies.

The Copyright Board was created in 1989 as a replacement to the 1935 Copyright Appeal Board. Amendments to the *Copyright Act* then significantly expanded the Board's mandate and responsibilities in 1997 via Bill C-32. The *Copyright Modernization Act* (Bill C-11) in 2012 then added new rights and exceptions to the Copyright Board's authority. The Copyright Board states its duties are, "to render fair, equitable and timely decisions that require dealing with increasingly complex legal and economic issues. Its decisions must be based on solid legal and economic principles, reflect a solid understanding of constantly evolving business models and technologies, and be fair and equitable to both copyright owners and users." Decisions of the board are not appealable but are subject to judicial review, and year-by-year both the Federal and Supreme courts add to the legal and policy issues the Board must address.

There are also several copyright collecting societies that administer the rights of collective copyright owners. The use of collecting societies is quite popular in Canada for industries relating to performance rights, reprography rights, and mechanical reproduction rights. Some examples of copyright collecting societies listed on the Copyright Board website include the Canadian Screenwriters Collection Society (CSCS), Access Copyright, the Canadian Copyright Licensing Agency, and Society of Composers, Authors and Music Publishers of Canada (SOCAN). Collecting societies essentially act as umbrellas for groups of copyright holders with similar types of works within the same industry to administer, grant permission for the use, and set the conditions for the use of the rights of their protected member's copyrights.

The 2020 case of *York University v The Canadian Copyright Licensing Agency (Access Copyright)* saw a decade long battle between a major university and Access Copyright in determining the scope of enforcement for tariffs imposed by copyright collecting societies. York University decided to opt-out of a licence with Access Copyright, which included a tariff that permitted the use and copying of materials by faculty and students under certain circumstances. Instead, York relied on the defence of fair dealing under s.29 of the *Copyright Act* for the purpose of research, private study, and/or education in relation to the use of copyright materials under Access Copyright's protection. Access Copyright sued York, claiming the tariff was not optional and York should be held to the limitations proposed within the tariff. The main question at issue was whether these tariffs apply to any groups that use a copyrighted work protected by Access Copyright, or only to those that hold a licence with Access Copyright specifically.

The Federal Court of Appeal decided that tariffs proposed by Access Copyright and other copyright collecting agencies are not mandatory, stating in paragraph 205, "[a]cts of infringement do not turn infringers into licensees so as to make them liable for the payment of royalties. Infringers are subject to an action for infringement and liability for damages but only at the instance of the copyright owner." Since York opted out of the licence with Access Copyright, it was not liable to the tariff and can only be sued for copyright infringement by the copyright holder themselves, not the broader collecting agency. This decision ultimately limits the inherent scope of enforcement held by copyright collecting agencies and has the potential to be appealed to the Supreme Court of Canada for further clarification.

C. Secondary & Intermediary Liability

Before considering liability, it is important to remember that liability cannot be determined unless there is an infringing act. Without a finding of infringement tied to a statutory violation under any of the governing intellectual property acts, there can be no liability and therefore by extension no remedies granted to the IP holder. Only once you connect the actions of an allegedly infringing party to an infringing act can you then determine liability for that specific act of infringement whether it be copying, selling, importation, etc. of the protected work in question.

1. Direct liability

Pursuant to the Patent Act, anyone who uses, manufactures or imports a patented invention without the consent of the patent owner commits an infringement and must compensate all damage sustained.

Section 3 of the *Copyright Act* provides that the copyright owner has the sole right to reproduce “the work or any substantial part thereof”. A substantial part of a work is a flexible notion. It is a matter of fact and degree. What constitutes a substantial part is determined in relation to the originality of the work that warrants the protection of the *Copyright Act*. As a general proposition, a substantial part of a work is a part of the work that represents a substantial portion of the author’s skill and judgment expressed therein. In *Cinar v Robinson*, the Supreme Court reminded that what constitutes a substantial part is determined in relation to the originality of the work that warrants the protection of the *Copyright Act*. As a general proposition, a substantial part of a work is a part of the work that represents a substantial portion of the author’s skill and judgment expressed therein. Canadian courts have generally adopted a qualitative and holistic approach to assessing substantiality.

2. Secondary Liability Contrasted from Direct Liability

Under Canada’s intellectual property regimes, a single party can be held directly liable for infringement and other contributing parties can be found secondarily liable if their omissions or actions are responsible in some way for the act of infringement. For example, in the case of *Google v Equustek* we saw a case of infringement upon a trademark in order to confuse customers into buying an inferior product by the infringer would be found directly liable. However, Google was also found to be secondarily liable as it failed to de-index infringing websites when it otherwise could have in a timely manner, thereby allowing the infringing work to persist. Google was not directly responsible for the infringement, but it aided the infringement and therefore some liability shifted onto the intermediary as well.



Image by Mitchell Luo from Unsplash.

Under s.27(1) of the *Copyright Act*, general (or direct) infringement is defined as the act of doing, without the consent of the copyright owner, anything that this act states only the copyright owner has the right to do so. This would include the moral rights of attribution and integrity as well as the economic rights of reproduction, distribution, communication to the public by telecommunication, public performance, authorization, translation, and adaptation. Secondary infringement is directly below under s.27(2) and states a person is guilty of secondary infringement if they are; a) selling or renting out the work, b) distributing the work to such an extent it prejudicially affects the owner of the copyrighted work, or by way of trade distribute, expose, offer for sale/rental, or exhibit the work in public. You would also be secondarily liable if you process the work or import it into Canada for the purpose of doing any act under s.27(2)(a-c). There can only be secondary infringement if there has first been direct infringement.

According to *CCH v Law Society of Upper Canada*, three elements are required to prove a claim for secondary infringement for copyright under s.27(2). First, the copy of the work must be the product of primary infringement. Secondly, the second infringer must have known or ought to have known that they were dealing with a product of infringement. And finally, the secondary dealing must have been established meaning there must have been a sale of the infringing product. In *CHH* there was no finding of secondary infringement because there was no preliminary finding of direct infringement, therefore failing the first of the three required elements.

In patent law, the Supreme Court case of *Monsanto Canada Inc v Schmeiser* outlines the main questions when accessing liability for infringement, "...did the defendant, by his acts or conduct, deprive the inventor, in whole or in part, directly or indirectly, of the advantage of the patented invention?" Direct infringement under s.42 of the *Patent Act* grants the patent holder the exclusive right to make, construct, use, and sell the invention. There is no specific statute laying out what constitutes indirect infringement under the *Patent Act*, but it is often tied to the action of an indirect party in supplying parts to a direct infringer to facilitate the creation of the infringing work.

In his article *Contributory Infringement in Canadian Law*, Siebrasse notes that the Canadian courts have yet to fully recognize liability of an indirect party in supplying a product that has no other use but for a patent infringing work. Like in copyright law, proving indirect infringement under patent law requires further inducement that implies there was an additional motive by the indirect party to provide supplies to the direct infringer. The 2008 patent infringement case of *MacLennan v Produits Gilbert Inc* affirms this saying, "[i]n Canada, the courts have consistently held that selling a

component intended to be incorporated in a patented combination (or process) without anything further, does not constitute an inducement to infringement, even where this component cannot be used for any other purpose.”

While there can be a concern for overbroad enforcement of secondary liability when dealing with components that have more than one purpose besides use in an infringing product, the Canadian courts have yet to establish a sound policy for dealing with secondarily infringing components that have no non-infringing use. Siebrasse states on page 31, “[w]hen a court is squarely faced with a case in which the defendant has supplied a product with no substantial non-infringing use, knowing and intending that it be used in the patented invention...the court should hold that the supply of a product especially adapted to infringe is, in itself, sufficient inducement to ground liability for indirect infringement.”

Within trademark law, s.20 of the *Trademarks Act* lays out infringing activities including:

- Selling, distributing, or advertising goods or services in association with a confusing trad mark or trade name;
- Manufacturing or causing to be manufactured, possessing, importing or exporting (or attempting to do so) in association with a confusing trademark or trade name, and
- Selling, offering for sale, distributing, manufacturing or causing to be manufactured, possessing, importing or exporting (or attempting to do so) any label or packaging bearing a trademark or trade name if the person knows or ought to know that the label or packaging is intended to be associated with goods or services that are not those of the owner of the registered trademark

To undergo one of these activities under this section would make you directly liable to an act of infringement. Contributory liability for trademarks is a common and judicially created doctrine in US trademark law, whereas in Canada it is almost entirely absent. There is little to no case law referencing indirect liability in Canadian case law.

US Contributory Liability for Trademark Infringement

The US courts however have developed a four-factor test to determine contributory liability for trademark infringement. Those factors from *Inwood Labs., Inc. v Ives Labs., Inc* include:

- Was there control over the instrumentality used to infringe?
- Did the alleged contributor possess knowledge (knew, ought to have known, was wilfully blind) of trademark infringement activity?
- Did the alleged contributor continue to supply its goods/services despite said knowledge?
- Did the alleged contributor take sufficient remedial steps to stop the infringing activity?

Liability for contributory trademark infringement in the United States was largely developed in response to the rise of the Internet and the role of intermediaries. With digital storefronts becoming as commonplace as brick and mortar stores, case law relating to trademark liability has had to adapt to consider the role of larger intermediaries which will be discussed in the following section. US case law relating to contributory liability of trademark infringement has thus far largely been applied to domain name registrars, Internet service providers, search engine companies, and general websites. Canadian case law has yet to develop a policy for indirect or contributory infringement of a trademark and either the statutory or common law level.

Discussion Question

Why has American case law felt a need to develop a policy for accessing contributory trademark infringement liability, while Canadian case law has not? Will this be something Canada's trademark case law will have to address in the future, why or why not?

3. Intermediary Liability

As one could guess from their name, intermediaries are entities that provide intermediary services that could potentially be held secondarily liable for intellectual property infringement as a result of their acts or omissions during their business practices. In relation to intellectual property issues today, intermediaries are businesses that operate online. WIPO recognises that internet intermediaries are key players in the delivery of online content. "They host, locate and search for content and facilitate its distribution. Their increasing influence in recent years, as well as their evolving role has led to a debate regarding their liability in relation to online copyright infringement."

There are several trade agreements between Canada and other countries that outwardly address the role of intermediaries and their potential for secondary IP infringement. One of which is the Canada and European Union Comprehensive Economic and Trade Agreement (CETA) is a bilateral investment treaty signed by Canada and the European Union in 2016. It governs the movement of services and goods between Canada and the EU, with provisions relating to intermediaries and their liabilities in relation to intellectual property under Article 20.11. Under this article, both Canada and the EU must provide limitations or exceptions to secondary liability placed on intermediaries for infringing acts occurring on their online platforms and businesses.

The *Copyright Act* specifically has been updated to meet these CETA requirements under s.31.1 stating "[a] person who, in providing services related to the operation of the Internet or another digital network, provides any means for the telecommunication or the reproduction of a work or other subject-matter through the Internet or that other network does not, solely by reason of providing those means, infringe copyright in that work or other subject-matter." An exception to this provision is found under s.2.4(3) which states, "[a] work is not communicated in the manner described in paragraph (1)(c) or 3(1)(f) where a signal carrying the work is retransmitted to a person who is a retransmitter within the meaning of subsection 31(1)".

There is also the US-Mexico-Canada Agreement (USMCA) that was ratified by each participating country in 2018 and went into effect on July 1, 2020, includes some strong protections for online tech platforms, affecting how Canada deals with intermediary liability for online companies such as Facebook, Youtube, Google, etc. Article 19.17 of the USMCA states you cannot "...treat a supplier or user of an interactive computer service as an information content provider in determining liability for harms related to information stored, processed, transmitted, distributed, or made available by the service, except to the extent the supplier or user has, in whole or in part, created, or developed the information."

Put more simply, no party is allowed to hold an internet intermediary liable for the content that a user posts on their platform. To avoid an influx of lawsuits prior to this distinction, online platforms had to either heavily moderate all content on their platforms or opt to not moderate at all. The USMCA clarification that online companies are not the communicators of user-generated content on their platforms allows them to moderate with more flexibility without the looming fear of lawsuits.

4. Safe Harbours and the Role of Intermediaries in the Digital Environment

The key issue surrounding the determination of the scope of enforcement for intermediary liability lies in the

recognition that a balance must exist between effective enforcement of intellectual property rights to the benefit of the rights holder and the interests of the intermediaries to support a free and accessible Internet. An efficient intellectual property regime will have both of these issues in mind whenever determining the extent to which an intermediary will be found liable for secondary infringement. Therefore, several countries have developed laws that set out conditions to allow intermediaries to be exempt from secondary infringement originally caused by their users, referred to as safe harbour laws.

The preconditions for a finding of infringement for provision of services under s.27(3) of the *Copyright Act* would apply to intermediaries. This states “[i]t is an infringement of copyright for a person, by means of the Internet or another digital network, to provide a service primarily for the purpose of enabling acts of copyright infringement if an actual infringement of copyright occurs by means of the Internet or another digital network as a result of the use of that service.” The factors for a finding under this provision include:

- (a) whether the person expressly or implicitly marketed or promoted the service as one that could be used to enable acts of copyright infringement;
- (b) whether the person had knowledge that the service was used to enable a significant number of acts of copyright infringement;
- (c) whether the service has significant uses other than to enable acts of copyright infringement;
- (d) the person’s ability, as part of providing the service, to limit acts of copyright infringement, and any action was taken by the person to do so;
- (e) any benefits the person received as a result of enabling the acts of copyright infringement; and
- (f) the economic viability of the provision of the service if it were not used to enable acts of copyright infringement.

I. Policy Models

Safe harbour laws will vary from country to country, with different conditions that warrant protection for intermediary action. While some might require intermediaries to comply with requirements to remove content as soon as a complaint is filed with their business, others only require the removal of infringing material once the court has confirmed the validity of the claim by the rights holder.

These differing policy models require that online businesses in multiple jurisdictions be aware of various different requirements under each country’s intellectual property regime in which they conduct business. To not follow the policy model of the country in which an intermediary does business means they can be found secondarily liable for material hosted, sent, sold, etc. by their users on their websites. Some countries don’t have any safe harbour protections for intermediaries in their IP regime at all.

For example, s.36(1) of the *Malaysian Copyright Act* offers no safe harbours for intermediaries infringing copyright stating that copyright is infringed by any party “who does, or causes any other person to do...without the license of the copyright owner, an act the going of which is controlled by copyright in the Act”. The language of this section, specifically the ‘causes any other person to do’, would allow the Malaysian court to find an intermediary secondarily liable if the situation arose. Therefore, intermediaries in Malaysia would have to go to greater lengths to moderate the content on their online platforms to avoid liability compared to Canada that has legally recognized safe harbour protections like s.31.1 of the *Copyright Act* which states Internet service providers are exempt from liability when they act strictly as intermediaries in caching, communication, and hosting services.

Two of the most well known safe harbour policies include the notice-and-notice and the notice-and-takedown policy. The notice-and-notice regime is laid out in the Canadian *Copyright Act*, while the notice-and-takedown regime is found in the United States and European Union law in the governance of limited liability.

a. Notice-and-Notice

Canada's *Copyright Act* was amended in 2012 via the *Copyright Modernization Act* (CMA) to address issues of liability arising for intermediaries as a result of the prevalence of the Internet. The CMA adopted the notice-and-notice procedure for copyright infringement cases occurring on intermediary platforms, as opposed to the already existing notice-and-takedown procedures popularized by the United States IP regime.

Both notice-and-notice and notice-and-takedown procedures begin with an intermediary receiving a notice of claimed infringement on their platform from the copyright holder, however, they differ in the requirements to how the intermediary must respond to that notice. Upon receiving a notice of alleged infringement from a rights holder in Canada, intermediaries must forward the notice to the alleged infringer as provided by s.41.26(1)(a) of the CMA. They are required to actually *remove* the content from their services in a notice-and-notice procedure.

S.41.25 of the CMA lays out the requirements the copyright holder must follow when sending the notice to the intermediary, including specifying the work to which the claimed infringement relates, the electronic location to which it relates, and the infringement itself that is claimed. If these requirements are not met, the intermediary does not have to forward the notice to the alleged infringer. S.41.26(1)(b)) then requires the intermediary to retain the records that would allow the identification of the alleged infringer for a period between 6 months to a year from the start date of the reception of the notice by the alleged infringer. After the allotted time period, the intermediary no longer has to retain identifying information.

If an intermediary fails to follow the notice-and-notice requirements laid out in CMA at any point of the procedure, the rights owner is entitled to statutory damages between \$5000-\$10,000 CAD as per s.41.26(3).

b. Notice-and-Takedown

Notice-and-takedown (or notice-and-action) procedures are similar to notice-and-notice procedures, as both begin with a notice from the rights holder being sent to an intermediary indicating the possibility of infringing content existing on their online platform. However, they differ in that notice-and-takedown procedures require an intermediary to immediately remove the allegedly infringing material following the notice.

Notice-and-takedown procedures are statutorily enforced within the U.S. and are generally used in the EU as well. However, in the EU it is viewed as a quasi-legal instrument for online infringement cases with non-strict enforcement. Article 14 of the *Electronic Commerce Directive* 2000, a directive of European Parliament to set up an internal market framework for online services, outlines the base structure for notice-and-takedown procedures. However, it does not formally state the procedural obligations for that system within the EU. Although a recent report from the European Commission confirms that state member of the EU are free to layout their own procedures for notice-and-takedown measures for specific content whether that be copyrighted material, libel, or other types of illegal content at their discretion. If you're curious about which of the 28 EU countries have enacted notice-and-takedown procedure requirements for varying types of illegal information (including infringements of intellectual property), see Table 4 in on pages 81-96 of the report for a full breakdown.

U.S. Notice-and-Takedown Procedure via the DMCA

The *Digital Millennium Copyright Act* (DMCA) was signed into law in 1998. It was made to address several copyright-infringement issues within intellectual property law in the United States, including the implementation of WIPO treaties and making exemptions for making a copy of a computer program. However, the most prevalent inclusion is under Title II labeled the *Online Copyright Infringement Liability Limitation Act* that offers limitations on the liability of online service providers for copyright infringement when engaging in certain types of activities.

The DMCA sets out the procedures for online service providers to acquire limited liability, referred to colloquially as the notice-and-takedown procedures codified in §512 of *Title 17 of the United States Code*. If OSP's follow these procedures for any business with jurisdiction within the United States, they will not be held liable for monetary relief for cases of copyright infringement that occurs on their platforms.

Like notice-and-notice, §512's procedures first begin with the OSP receiving a notice of alleged infringement from the copyright holder. Before sending a takedown notice one must establish the sender is the owner of the copyrighted work and therefore has the right to assert infringement, the alleged infringement is not covered by an exception under *Title 17* such as fair use, and the content is capable of being infringed online (i.e. a photo, music, audio, etc.). Once these things have been established, §512(c)(3) lists the statutory requirements for an infringement notice to be considered valid including:

- (i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed
- (ii) Identification of the copyrighted work claimed to have been infringed
- (iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, with enough information that allows the OSP to find the material effectively
- (iv) Sufficient information so the OSP can contact the complaining party
- (v) A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law
- (vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed

If a takedown notice includes all these requirements, the OSP is required to takedown the allegedly infringing material without having to resort to litigation. If the work was taken down in error, the DMCA also has a procedure wherein the affected party may file a counter-notification. Often referred to as a 'put-back procedure', with the requirements for a valid counter-notification listed in §512(g)(3).

Businesses run under both the notice-and-notice and notice-and-takedown procedures have independently developed systems and practices to further limit infringing actions from occurring on their platforms. IP protection programs that seek to aid rights holders with tools to find infringing material include:

- Google Search Trusted Copyright Removal Program – tools that allow IP holders with a successful track record of accurate takedowns to submit huge amounts of links with potentially infringing content to be delisted in bulk. As of 2017, 178 TCRP partners submitted the vast majority of removal notices on Google.
- eBay Verified Rights Owner Program, allows IP holders to submit reports on listings that may infringe on their rights.
- Facebook Rights Manager – tools for publishers and creators on Facebook to maintain copyright control over their videos.
- Facebook Commerce & Ads IP Tool – allows brands to search Facebook Marketplace and sale group posts to find infringing content more easily.
- YouTube Content ID – allows copyright holders to identify and manage their content on YouTube, to qualify you must own exclusive rights to a substantial body of original material that is frequently uploaded by the YouTube creator community.

Discussion Question

What are the pros and cons between the notice-and-notice and notice-and-takedown procedures? Should Canada continue to maintain the requirements in the CMA, or adopt procedures similar to the DMCA? Why or why not?

c. Upload Filtering

Upload filtering processes use automated technology to scan user-uploaded content to determine if it contains copyrighted material to either request the user pay royalties to use that work or block its use altogether.

The statutory enforcement of upload filtering has faced significant criticism among legal critics. In 2019 the EU passed a contentious Copyright Directive under Article 17 by 348 votes to 274 that would make intermediaries liable if they did not show best efforts to acquire licences for copyrighted works uploaded by their users. The goal of this article was to ensure journalists, musicians, and other smaller content creators could make money more effectively online via their copyrighted works. However, the residual effect of this uploading filtering process could be seen as a threat to freedom of expression within the Internet if only larger companies are able to afford the licences for the copyrighted materials to be used on their websites, thus preemptively blocking out new competitive OSPs from entering the market. It also would influence OSPs to be more cautious about content they allow on their platforms and opt for automatic takedowns instead of procedures that require an OSP to better balance the rights between users and copyright holders.

Canada has yet to statutorily enforce upload filtering, and copyright committees are suggesting for Canada to take a 'wait and see approach' to see how the EU's directive with Article 17 plays out. In summer 2019 the Canadian Parliament's Standing Committee on Industry, Science and Technology (INDU) released a report that included recognitions of recommendations to include upload filtering requirements for intermediaries within Canada similar to the EU Article 17 Directive. However, the committee stated there was a lack of evidence to support the merits of including similar provisions within the Canadian Copyright Act saying on page 83 of the report, "[w]e are yet to see, for example, how EU members will implement the Directive and what results different approaches will yield. The Government should take the time to learn from the successes and failures of these initiatives to determine whether they serve the long-term interests of all Canadians."

Regardless of whether upload filtering is statutorily required by OSPs, some online platforms have developed independent systems to automatically filter out infringing items from being shown on their platforms. For example, the Amazon Brand Registry proactively removes suspected infringing or inaccurate content sold on Amazon's online storefront if it is using branded trademarks of a member of the registry and the aforementioned YouTube Content ID has functionality that scans uploads for copyrighted music and video automatically.

5. Bifurcation Orders

It can sometimes be in the best interest of the IP holder to seek an order for a bifurcation, or splitting, of the issues at trial. If a defendant is found not liable, then there is no need to continue the trial in the assessment of damages, saving time and money not just for the parties but for the judicial system as well. This is permitted under Rule 107 of the *Federal Court Rules*, and in IP cases this would make the determination of liability and the determination of remedies/damages become separate issues at trial instead of being determined together as one issue. In 2011 the Federal Court also posted similar order solely for matters relating to intellectual property called the 'model bifurcation order'.

The court will allow a bifurcation order if it satisfies the following factors from the 2003 case of *Realsearch Inc. v Valone Kone Brunette Ltd* listed in paragraph 10, including:

- Whether issues for the trial are relatively straightforward;
- The extent to which the issues proposed for the first trial are interwoven with those remaining for the second;
- Whether a decision at the first trial is likely to put an end to the action altogether, significantly narrow the issue for the second trial or significantly increase the likelihood of settlement;
- The extent to which the parties have already devoted resources to all of the issues;
- The timing of the motion and the possibility of delay;
- Any advantage or prejudice the parties are likely to experience; and
- Whether the motion is brought on consent or over the objection of one or more of the parties.

While there are some notable benefits to model bifurcation orders, some have rightly critiqued the issues they can sometimes create for the plaintiff's wishing for a speedy resolution to IP infringement. Splitting up the issues might save the parties' costs and time if the defendant is found non-liable in the first issue, but if they are found liable the plaintiff does not have to engage in a second proceeding with its own time constraints.

Exercise – When should you use a bifurcation order?

Should you request a model bifurcation order for the following situations? Yes/no, and why?

1. The order may affect the ability of a party to prove or defend liability.
2. It is later in the proceedings and the affidavits of documents have already been exchanged.
3. You are representing the defendant and they have expressed to you they hope to publicly release as little information regarding their financial situation as possible.
4. You are representing the plaintiff who is suffering irreparable harm from infringement and is hoping to have a speedy trial to stop it from damaging their business as quickly as possible. However, they expressed interest in splitting the issues because they want to make sure they don't waste legal costs on accessing damages if the defendant is found not liable. Could they 'have their cake and eat it too'?

Answers.

D. Civil Remedies

While criminal remedies for intellectual property infringement do exist (and will be explored later in this chapter), the vast majority of IP cases are civil and require owners of intellectual property to enforce their rights against infringers in private civil actions to utilize civil remedies. Examples of civil remedies for intellectual property enforcement include injunctions, award of costs, damages or an account of profits, delivery up, destruction of infringing items (and possibly the items used to make them), tracing orders, and Norwich orders.

1. Injunctions

Injunctions are very common in the world of IP law, and are legally defined as a warning or order by the courts that

restrains or prevents a person from undergoing or continuing an action that would threaten or infringe upon the legal right of another person. They are often used as remedies when it's determined monetary damages are insufficient to fully remedy the damage for the intellectual property holder. For example, if a person is infringing a trademark and disparaging the goodwill of a brand in the process, issuing monetary damages would only account for the harm that has already been committed. A prohibitive injunction would prevent continued infringement from causing irreparable harm to the company in the future. Prohibitive/permanent injunctions are extremely common in IP proceedings and help IP holders protect the monopoly of their works.

Injunctions are expressly permitted as a remedy to infringement in s.57 of the *Patent Act*, s.34(1)(2) of the *Copyright Act*, and s.53.2(1) of the *Trademarks Act*.

Interlocutory injunctions function similarly to prohibitive injunctions but differ in that they are court orders prohibiting or enforcing activities that are issued before the final determination of the case and remain in effect until trial. If there is a fear that damage will be caused even in the time before an interlocutory injunction can be awarded, a rights holder can seek an interim injunction which are very short injunctions that are obtained *ex parte*. They are used strictly for the short interim time before both parties can attend court for the formal application of an interlocutory injunction. However, under federal law interim injunctions cannot be maintained for a period longer than 14 days and they are used for only extremely urgent matters.

Other *ex parte* injunctions that can be requested alongside interim injunctions include a Mareva injunction that prevents a defendant from liquidating or moving their assets in case the plaintiff might be entitled to those funds and an Anton Piller seizure order that prevents a defendant from destroying evidence before the trial.

The test for the granting of an interlocutory injunction comes from the 1994 case of *R.J.R. Macdonald Inc. v Canada (Attorney General)* and requires a plaintiff to prove irreparable harm would occur if not for the application of an interlocutory injunction. The three-part test asks (1) whether there is a serious issue to be tried, (2) will the applicant suffer irreparable harm if the injunction is not granted; and (3) often called the balance of conveniences, asks which of the two parties which would suffer the most harm from granting or receiving the remedy pending a decision on the merits?

The first step has a low threshold, with the court stating so long as an application is not 'vexatious nor frivolous' the judge will move onto step two even if the plaintiff seems unlikely to succeed at trial. The second step requiring proof of evidentiary harm is a much higher bar to meet and is the step where most applications fail. While there is no specific legal definition for irreparable harm under this test, an applicant must essentially show that harm cannot be compensated with monetary value and an interlocutory injunction is the only possible process to prevent the harm. The final balance of conveniences step is determined based on the facts of the case, with instances where there is a greater potential harm to be suffered by the plaintiff pointing towards the necessity for an interlocutory injunction.

Exercise: Applying the interlocutory injunction test from R.J.R. MacDonald

Using the test outlined in *R.J.R. Macdonald*, determine whether the courts granted an interlocutory injunction in the 2017 case of *Sleep Country Canada v Sears* based on the facts.



Imagine from Creative Commons within the public domain.

Facts: Sleep Country Canada is a mattress retailer that is quite well known in Canada for its trademarked slogan, “Why buy a mattress anywhere else?” complete with a commercial jingle. The defendant Sears, which also sells mattresses, began using a slogan “There is no reason to buy a mattress anywhere else” for its own marketing purposes. Sleep Country commenced a trademark infringement action, and sent in an application for an interlocutory injunction alleging the slogan will cause irreparable harm to its company by causing confusion for its customers, a depreciation the goodwill of brand of Sleep Country, and a loss of distinctiveness of its own trademark. A motion for an interim injunction was dismissed. Additional facts include:

- At the time, Sleep Country had 234 stores and 17 distribution centres in Canada
- Sleep Country had used the slogan for TV, radio, print, and online advertising
- Sleep Country noted that its slogan, which is sometimes in a musical jingle, has national recognition and has reached iconic proportions
- The jingle was ranked as one of Canada’s 25 catchiest jingles by the Huffington Post
- Sears has sold mattresses for at least the past 40 years
- Sears used its slogan in online flyers on Instagram and Facebook, in printed flyers for a period of two months, in radio advertisements, and in Black Friday advertisements in November 2016

Answer.

2. Award of Costs

Litigation can be extremely expensive, so the Canadian courts have developed an award of costs system that seeks to compensate the winning party for costs incurred during the process. All provinces in Canada have adopted this system. Commercial litigation lawyer Grant Vogeli states in his blog that historically, successful litigants were awarded approximately 40-50% of their actual legal expenses under this English system. It is uncommon for a successful

party to be awarded full indemnity or solicitor-client costs, which would cover all legal expenses, unless the losing parties' actions were especially dishonest, scandalous, or outrageous.

As previously discussed, the federal courts hear most IP cases in Canada and Part 11 of the *Federal Court Rules* lays out the process of granting award of costs in the federal jurisdiction. If an IP related case were to be considered at a provincial level (for tort or contract related disputes for example), you would consider the processes laid out in the province's respective Civil Procedure Rules. Specifically, in Nova Scotia, Rule 77 of the *Nova Scotia Civil Procedure Rules* dictates the appropriate calculations to determine cost awards for the winning party under Tariffs A-F.

3. Damages or an Account of Profits

Damages are awarded as compensation for the loss incurred by the rights holder caused by the infringement by the defendant's actions. Since a rights holder has a monopoly on their work and the profits it may incur during a defined period of time allotted by the respective acts for each right (20 years for patents, 50 years after the death of an author for copyright, 10 years for trademarks with the option to renew), any infringement of that right within that time frame warrants monetary compensation for a loss of that monopoly. The onus to prove damages lies with the plaintiff and is assessed based on the facts of the case.

Damages are expressly permitted as a remedy to infringement in s.55 of the *Patent Act*, s.34, 35, 38 and 38.1 of the *Copyright Act*, and s.53.2 of the *Trademarks Act*.

IP holders can also be entitled to an account of profits based on the circumstances, which requires the infringer to hand over all profits made by the process of infringement. S.35(1) of the *Copyright Act* allows for an account of profits while s.35(2) lays out the shifting onus wherein the plaintiff must first prove the receipts or revenues derived from the infringement and then the defendant must prove every element of cost that the defendant claims. If a defendant refuses to be cooperative with the court and prove every element of cost, the plaintiff may still obtain the information elsewhere to all the court to make a fair judgement in the evaluation of total profits.

In trademark law, it is more difficult to make an evaluation of lost profits since the profits gained by infringement could arguably have gone to another competitor in the same market besides the trademark holder in question. However, an account of profits can still be granted if the circumstances allow for a fair assessment of net profits loss. For example, if the trademark which was infringed has a monopoly in the market or if the product it represents is unique in its appearance, quality, or price compared to all other competitors, then an evaluation of lost profits could be determinable.

For patent law, the timeline of when the right was granted to the patent holder plays a bigger role in the determination of an account for profits compared to trademark and copyright law. According to s.55(2) of the *Patent Act* if an infringement occurs in the period between the publication and granting of a patent, then the holder is only compensated for damages accounting for infringement and not any account of profits simply because the patented invention has not yet formally entered the market. However, after the granting of a patent a case of infringement can allow for an account of profits if the courts deem it appropriate. To determine the profits lost the court would consider the position of the patent holder if the defendant had not infringed their work.

In *Colonial Fastener Co. Ltd. v Lightning Fastener Co. Ltd.*, the Supreme Court affirmed that only royalties can be awarded for patent infringement if the patent holder either does not manufacture or sell the patent-protected item, normally grants licences under the patent, or cannot prove the loss of a sale due to the activity of the infringer. In those instances, the patent holder would not be awarded lost profits and instead would receive a figurative royalty with the amount granted based on the price the infringer would have paid if they had taken the proper channels and entered into a licencing agreement with the patent holder.

4. Delivery Up and Destruction of Infringing Items

Delivery up is defined as the act of giving a piece of property back to its original owner. In intellectual property law, this often means with the intention of destroying the item if it was made as a result of the infringement of an IP right. The purpose of delivery up is to aid prohibitive injunctions in their application, with the effect allowing the rights holder to avoid continued infringement issues in the future. Delivery up and destruction of items are remedies that apply to all types of intellectual property including patents, trademarks, and copyright. An order for the destruction of goods is granted only after a finding of infringement has occurred.

Delivery up is expressly permitted as a remedy to infringement in s.34, 41.1(2), and 41.22(2) of the *Copyright Act*, and s.53.2(1) of the *Trademarks Act*. There is no specific provision in the *Patent Act* that references delivery up, but it is still often used as a remedy in the recognition of the exclusive rights granted to the patent holder under s.42.

The *TRIPS Agreement* has two provisions relating to this remedy under Article 46 and 59. Article 46 is a general application remedy that relates to the destruction of infringing goods in general. It also applies to items whose primary purpose was/is to make the infringing goods in question, stating the judicial authorities have the authority to, "...order that materials and implements the predominant use of which has been in the creation of the infringing goods be...disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements." Whereas Article 59 specifically relates to the destruction of imported counterfeit goods in the possession of customs authorities under the same principles of Article 46. Article 59 also specifies that in regards to trademarks, "...the authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances."

5. Tracing and Norwich Orders

Tracing orders are used to force an infringer to tell the courts where they received their supplies of infringing goods in order to track further infringement cases. If an infringer were to refuse compliance with a tracing order, they can be found in contempt of court.

A Norwich order on the other hand is a pre-trial remedy that is commonly used in copyright infringement cases against intermediaries like internet service providers to force them to provide their private information in order to identify infringers online. Norwich orders are a very intrusive remedy and must be used only in certain circumstances. They are also commonly used in cases of online defamation, like in the 2009 case of *York University v Bell Canada Enterprises* wherein York was requesting an order requiring Bell and Rogers to disclose info necessary to obtain the identity of anonymous authors of allegedly defamatory emails. This case laid out the requirements for an allowance of a Norwich order including sufficient evidence to show a bona fide reasonable claim, the applicant must establish the third-party is somehow involved in the acts, the third-party is the only practical source of info, the third-party can be indemnified for costs, and the interests of justice favour obtaining the disclosure. In *York University*, the Norwich order was granted because the internet service providers offered the platform for the defamatory emails to be sent, there were little to no costs associated with providing the information, and there was no other practical source to determine the identities of the defendants in this instance.

Prior to 2015, ISPs could charge a fee against the copyright holder for the work associated with the compliance of a Norwich order. The 2018 case of *Rogers Communications Inc. v Voltage Pictures* addressed the issue of whether fees should still be required (as per common law) or if ISPs should be exempt from charging fees for their services in identifying users on their platforms (as per the notice and notice provisions under s. 41.25 and s.41.26 in the *Copyright Act*). Film production company Voltage Pictures requested a Norwich order on ISP Rogers to disclose the identities (including personal and contact information) of unidentified Internet subscribers who were sharing their films online using peer to peer file-sharing networks. The order was allowed and the federal court decided for Rogers stating it was able to recover all costs associated with identifying the individuals. However, the Federal Court of Appeal disagreed and

stated the *Copyright Act* already requires ISPs to collect user identification information regardless of the presence of a Norwich order, so there should be no fees associated with requirements already existing under the act. However, Rogers did take on additional steps when collecting information on its users that was not required under the act, and it could be compensated with fees for any additional steps taken to collect information that are not expressly required under the notice and notice regime. In this case, those additional steps included connecting the IP address to the person's real-life identity and sharing that specific person's identity with the copyright owner.

Another example of a request for a Norwich order during an intellectual property infringement case is the 2019 case of *ME2 Productions, Inc. v Doe*, wherein the plaintiff companies were seeking a Norwich order against TekSavvy Solutions Inc. to obtain the names and addresses of some of TekSavvy's users who were allegedly illegally downloading and sharing ME2's films. TekSavvy questioned the motion stating ME2 had not produced sufficient evidence to warrant a Norwich order to obtain the identities of the alleged infringers. The courts decided there was not sufficient evidence to warrant a Norwich order calling it an "...equitable, discretionary and flexible remedy...an intrusive and extraordinary remedy that must be exercised with caution", with TekSavvy being awarded partial costs. ME2 was still free to file a new Norwich order after this decision so long as it was filed with sufficient evidence to warrant its use.

E. Criminal Sanctions

While civil remedies are available for all types of intellectual property infringement, only in certain circumstances can criminal sanctions be available for violating certain forms of IP. With criminal proceedings, the burden of proof is significantly higher than that of civil proceedings being beyond a reasonable doubt as opposed to on a balance of probabilities.

In Canada there are criminal sanctions for specific actions relating to trademarks and copyright, but there are no criminal sanctions for infringement of patents in any manner.

1. International Requirements

Article 61 of the TRIPS agreement states, "[m]embers shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale." For deterrence purposes the penalties must include monetary fines and/or imprisonment "... consistent with the level of penalties applied for crimes of a corresponding gravity." The agreement then leaves it to the discretion of the members to decide whether criminal sanctions will be used for other forms of intellectual property infringement.

Trademark counterfeiting differs from trademark infringement under TRIPS as it requires, as Article 61 specifies, a 'wilfulness' to deceive or confuse the consumer with an identical or fairly indistinguishable trademark. For basic trademark infringement in Canada, a wilfulness to infringe a trademark is not a requirement for a plaintiff to collect the profits made by an infringer as an equitable remedy.

2. Trademark Criminal Sanctions

Sections 406-410 of the *Criminal Code* reference criminal offences of trademark forgery, passing off, and other more specific offences. s.406 lays out the preconditions for the forgery of a trademark, which includes (a) making or reproducing, without the consent of the proprietor of a trademark, a trademark or a mark so nearly resembling it as to be calculated to deceive or (b) falsifying, in any manner, a genuine trademark. To do either of these actions would make you liable for an offence under s. 407.

S. 408 references the common law tort of passing off. It seeks to target persons who are attempting to convey a false sense of origin, likely to trick the consumer into thinking their product is of equal quality to the trademarked product

they are attempting to pass off. The provisions states that a person commits an offence who, with intent to deceive or defraud the public or any person, whether ascertained or not:

- (a) passes off other wares or services as and for those ordered or required; or
- (b) makes use, in association with wares or services, of any description that is false in a material respect regarding
 - (i) the kind, quality, quantity or composition;
 - (ii) the geographical origin; or
 - (iii) the mode of the manufacture, production or performance of those wares or services.

The remaining provisions in the *Criminal Code* relating to trademarks reference the forbiddance of instruments used to forge trademarks, defacing, concealing or removing a trademark without consent, and manufacturing bottles of liquid using a trademark for the purposes of sale or traffic.

3. Copyright Criminal Sanctions

Under the TRIPS act, copyright piracy differs from copyright infringement in that it is for commercial purposes and requires the infringer to make an 'illicit copy'. In Canada this was implemented into the *Copyright Act* under s.42(1) stating every person is guilty of a criminal offence who knowingly:

- (a) makes for sale or rental an infringing copy of a work or other subject-matter in which copyright subsists
- (b) sells or rents out, or by way of trade exposes or offers for sale or rental, an infringing copy of a work or other subject-matter in which copyright subsists;
- (c) distributes infringing copies of a work or other subject-matter in which copyright subsists, either for the purpose of trade or to such an extent as to affect prejudicially the owner of the copyright;
- (d) by way of trade exhibits in public an infringing copy of a work or other subject-matter in which copyright subsists;
- (e) possesses, for sale, rental, distribution for the purpose of trade or exhibition in public by way of trade, an infringing copy of a work or other subject-matter in which copyright subsists;
- (f) imports, for sale or rental, into Canada any infringing copy of a work or other subject-matter in which copyright subsists; or
- (g) exports or attempts to export, for sale or rental, an infringing copy of a work or other subject-matter in which copyright subsists.

s.42(2) lists the possession and performance offences and punishment for every person who knowingly, "...makes or possesses any plate for the purpose of making infringing copies of any work in which copyright subsists [or] for private profit causes to be performed in public, without the consent of the owner of the copyright, any work in which copyright subsists is guilty of an offence and liable."

Under these provisions, the accused is liable either on summary conviction to a fine not exceeding twenty-five thousand dollars or to imprisonment for a term not exceeding six months or to both. Or on conviction on indictment, to a fine not exceeding one million dollars or to imprisonment for a term not exceeding five years, or to both. The final provisions under s.42(3) states that the court has full discretion to determine the infringing copies or plates for the purpose of making infringing copies be destroyed or delivered up to the copyright owner or dealt with in other methods as the court sees fit.

The 2014 case of *R v Strowbridge* saw a conviction for both the criminal sanctions within the *Copyright Act* and within the *Criminal Code* for trademark infringement. The accused was selling counterfeit brand-name car products from a van when \$500 worth of product was seized. He plead guilty and was sentenced to 15 months in prison, six of which were for copyright and trademark infringement while the remaining nine were for fraud.

F. Border Measures

Canada has developed measures to ensure people and businesses can protect their IP rights both inside and at the Canadian borders. In January 2015, Canada adopted a new border enforcement system under the *Combating Counterfeit Products Act* that amended the copyright and trademark acts. It empowers officials of the Canada Border Services Agency (CBSA) to detain suspected counterfeit or pirated products as per s. 101 of the *Customs Act*. CBSA officials work with the RCMP at the border to prevent infringing importation. S. 44.04(1) of the *Copyright Act* lays out the prohibitions for import and exportation of copyrighted works. It states that copies of a work or other subject-matter in which copyright subsists shall not be imported or exported if, “(a) they were made without the consent of the owner of the copyright in the country where they were made; and (b) they infringe copyright or, if they were not made in Canada, they would infringe copyright had they been made in Canada by the person who made them.” An exception to this provision under s.44.01(2) states it does not apply to “...copies that are imported or exported by an individual in their possession or baggage if the circumstances, including the number of copies, indicate that the copies are intended only for their personal use.”



Image by Andrew Scheer from Flickr.

S. 51.03(1) of the *Trademarks Act* also sets prohibitions regarding the import and exportation of goods bearing protected trademarks stating, “[g]oods shall not be imported or exported if the goods or their labels or packaging bear – without the consent of the owner of a registered trademark for such goods – a trademark that is identical to, or that cannot be distinguished in its essential aspects from, that registered trademark.”

Exceptions for this provision under s.51.03(2) state it does not apply if (a) the trademark used had the consent of the owner of the trademark in the country where it was applied. (b) the sale or distribution of the trademarked goods in association with the labels or packaging would not be contrary to this Act, or (c) the individual who is importing or exporting the trademarked good(s) indicate that they are only intended for their personal use.

Under this section, there are also provisions that specify it is a violation of the act to import or export a wine, spirit, food, or agricultural product that bears a geographical indication if that product is not from the territory indicated by

the indication or is from that territory but was not produced or manufactured in accordance with the law applicable to that territory.

S. 51.06 then empowers a CBSA officer who has reasonable grounds to suspect that the importation or exportation of the goods is prohibited under s.51.03 to provide the trademark owner with a sample of the goods and with information about the goods that could assist them in pursuing a remedy under the *Trademarks Act*.

There are no express provisions under the *Patent Act* (or the *Industrial Design Act*) that empower CBSA officials to act on allegations of infringement during the process of import and exportation. However, a trademark owner can still obtain a final order declaring unlawful importations by specific defendants to prevent them from doing so.

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