

THE BASICS OF INTELLECTUAL PROPERTY ISSUES FOR INFORMATION TECHNOLOGY

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Introduction

This article is written for the IT.Can Spring Training Program. It accompanies a talk on the basics of intellectual property law. The talk and the paper are to serve as a foundation for three days of more specialized sessions on the application of intellectual property law principles in the information technology world.

I am going to attempt to provide a set of principles which the reader can use as tools to assimilate and ultimately apply all of the detail which will follow. In this way I hope that relative newcomers to the garden of intellectual property can become productive quickly, and that more experienced readers can find some benefit in seeing intellectual property in a different light. Application of the basic principles of intellectual property law can challenge even the most experienced intellectual property lawyer when in the throes of negotiating or applying a complex commercial agreement.

What is not intellectual property?

1) Intellectual property is intangible. It therefore does NOT include physical objects, such as software, prototypes, lab notes, records, books, or films.

It is quite common to find intellectual property treated together with physical property in commercial agreements, sometimes with awkward and unintended results. Some illustrations are given under the heading “**Dealing with intangibles**” below.

2) Intellectual property is NOT the underlying subject matter. A patent is not an invention. It is a right to exclude others from using an invention for limited period of time. A copyright is not a book. It is a prohibition of certain dealings with works of expression such as the translation of the text of a book, the performance of a dance, and the backup of software.

Again, we often see confusion arise in agreements on this point. What does it mean, for example, if a licensee is given the right to “use” a patent? A patent is a document. It is used by reading it. Furthermore, patents are public documents which anyone is free to read. More likely what is intended is the grant of a right to use the invention which is described and claimed in the patent. Not only is it clearer to say so, but understanding what is being licensed permits the drafter to go to the next level and consider, for example, whether it is appropriate to license the invention as described in all claims in the patent, or whether a warranty that a patent is valid means all claims must be valid or only the narrowest claim. (As explained below, the claims in a patent define the invention for which a monopoly is granted).

¹ The author would like to thank Imtyaz Sattar for his assistance with this paper.

A common illustration of this problem arises because in the case of trade marks the right and the underlying subject matter have the same name. They are both called “trade marks”². Thus a grant of a right to use a trade mark does make sense. However, it is often effected as part of a grant of a right to use “intellectual property” as defined to include trade marks, patents and copyrights. While sense can often be made of what was intended, it is preferable to be clear. It is quite common to find in agreements that after defining “intellectual property” to include an assortment of intellectual property rights, the defined term is used in ways which are appropriate for only some of the rights included in the definition.

3) Intellectual property is NOT whatever the parties to a contract wish it to be. The rights are provided by statute and common law. Attempts to work with definitions which do not reflect the underlying legal rights can create serious problems. Sometimes the parties have dealt in rights which simply don’t exist in law. While it may be possible to work back to the legal rights the parties may have intended to include, it adds a layer of complexity and uncertainty to the interpretation of the contract which is better avoided.

4) Intellectual property is the right to exclude others from doing certain acts. It is NOT the right to do those acts oneself. It is not the right to use the invention. It is not the right to copy the software. It is not the right to use the trade mark. This misconception arises very frequently. Some of its consequences are addressed below under the heading “**Dealing with negative rights**”.

An aside as to “positive rights”

This part of the paper will briefly try to explain why the perception prevails that an intellectual property right confers the right to use the underlying subject matter (what I call “positive rights”), and why that is not the case. Those of you who wish to avoid this detour may move on to the next section.

There is a similarity between the concept of the intellectual property right and its underlying subject matter. It is not difficult to imagine that people confuse the two. Some intellectual property statutes are written in a way which perpetuates the misconception that the owner of the intellectual property right possess a positive right.

In the United States, Article I, Section 8, Clause 8 of the Constitution states that “Congress shall have 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.” It has long been recognized in U.S. case law that a patentee does not receive the right to make the patented invention.³

² Trade marks have a variety of names. In the United States they are called “trademarks”, except when used for services, in which case they are called “service marks”. In Canada the Trade Marks Act was mysteriously amended become the Trade-marks Act.

³ *Bloomer v. McQuewan*, 55 U.S. 539, 548 (1855); *Leatherman Tool Group Inc. v. Cooper Indus., Inc.*, 131 F.3d 1011, 1014 (Fed. Cir. 1997).

The Trade-Marks Act provides that the owner of a registered trade mark has the “exclusive right” to its use in Canada.⁴ This has been held not to permit use of the trade mark to falsely advertise.⁵

In Canada, the Copyright Act provides in part:

“3. (1) For the purposes of this Act, “copyright”, in relation to a work, means the sole right to produce or reproduce the work...”⁶ [emphasis added]

This reads like a positive right. However, if the Copyright Act were not in force what permission would the copyright owner or anyone need to reproduce a work? None. The point of the Act is not to enable the owner to reproduce the work. It is to prohibit everyone else.

Looked at another way, if reproducing the work violated some other legal prohibition, would the Copyright Act offer the copyright owner a defence? One of the rights given to the owner in section 3 is the right of first publication. Could a copyright owner publish a work which was

⁴ Trade-marks Act, R.S.C. c. T-13, as amended, s. 19. “Subject to sections 21, 32 and 67, the registration of a trade-mark in respect of any wares or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those wares or services.”

⁵ The Queen v. Discount Broadloom Centre Ltd. (1976), 31 C.P.R. (2d) 110 (Ont. Co. Ct.) The defendant was responding to charge of misleading advertising under the Combines Investigation Act. It contended unsuccessfully that its registration of the trade mark “Factory Carpet Outlet” permitted it to use the mark despite the fact that no factory was associated with its carpet business.

⁶ Copyright Act, R.S.C. 1985, c. C-42, as amended. The whole of subsection 3(1) reads as follows:

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

and to authorize any such acts.

pornographic, promoted hatred or was libellous if such publication were otherwise prohibited?
No.

The Copyright Act is confusing, however, because it does go on to create a positive right. It does so in the same subsection. Having prohibited everyone but the copyright owner from carrying out a list of acts respecting the work, it concludes by granting the copyright owner the sole right to authorize people to do these acts.⁷ Again, however, the copyright owner's permission to publish will not override a prohibition on publication such as libel law.

Another illustration is provided by the Patent Act.⁸ It provides that

“42. Every patent granted under this Act shall contain the title or name of the invention, with a reference to the specification, and shall, subject to this Act, grant to the patentee and the patentee's legal representatives for the term of the patent, from the granting of the patent, **the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used**, subject to adjudication in respect thereof before any court of competent jurisdiction.” [emphasis added]

The same types of arguments apply here as applied to copyright. The Patent Act itself provides another illustration. It is possible to obtain a patent for an improvement. An improvement is an invention which requires the use of a previous invention. For example, training wheels as applied to bicycles.

The previous invention may be patented. Obtaining a patent for an improvement does not confer a right to use the underlying invention. Neither does the owner of the underlying patent have the right to use the improvement.⁹

Dealing with intangibles

The paper trail is very important in establishing entitlement to intellectual property rights. As they have no physical existence, their existence and ownership cannot be determined from who possesses them. Thus proper record keeping is essential.

The distinction between physical and intellectual property is frequently overlooked by those drafting contracts which deal with intellectual property. It is common to see “intellectual property” defined in agreements to include physical property such as software and business records. This can lead the drafter into peril. The drafter may deal with intellectual property as if it were physical property. Such an agreement can for example warrant that the vendor is in

⁷ See note 2 above.

⁸ Patent Act, R.S.C. 1985, c. P-4, as amended, s. 42.

⁹ Patent Act, s. 32: “Any person who has invented any improvement on any patented invention may obtain a patent for such improvement, but he does not thereby obtain the right of making, vending or using the original invention, nor does the patent for the original invention confer the right of making, vending or using the patented improvement.”

possession of its intellectual property, and require that the intellectual property be delivered on closing. Neither is possible. One cannot possess an intangible as it has no corporeal existence. One cannot deliver something which cannot be physically transferred.

Not only may clauses dealing with physical property be included where they are inappropriate, the drafter may also omit more relevant warranties which would be desirable.

Alternatively, the drafter can deal with the intellectual property, and forget to deal with the tangible property.

Dealing with negative rights

Intellectual property provides the right to exclude others from certain acts for a finite period of time. The right is enjoyed in two ways. One can assert it against others and exclude them from acting. This usually has the object of letting the owner alone perform the acts. Also, the owner can authorize or license others to perform the acts.

Other papers at this conference will canvass how to transfer and license intellectual property. The point here is that the nature of these rights is negative in that it is a prohibition which can be asserted or waived. What happens when intellectual property is treated as if it were an affirmative right to use the underlying subject matter?

In corporate acquisitions there is frequently a representation such as “The vendor owns all of the intellectual property used in its business”. How is “intellectual property” used? It is the right to exclude others from doing something. It is not the right to make or sell something. Intellectual property rights are “used” by asserting them against infringers. Read literally, this warranty would suggest that the business owns the intellectual property rights which it has asserted by threat or action. That not likely to be what was intended. It is more intelligible to represent that the operation of the business does not infringe intellectual property rights of others.

What are intellectual property rights?

I started out by telling you what intellectual property rights are not. What they are is a series of specific rights, each with its own unique characteristics. For most practical purposes, they are monopolies. Here are the ones of most concern to the information technology world.

Patents – Provide their owners with the right to prevent the manufacture, use or sale of inventions. To qualify for a patent, inventions must be new, useful and non-obvious and achieve a physical result. The right to obtain patents is intended to encourage innovation and its widespread adoption by granting a limited term monopoly to make, use and sell inventions in exchange for complete public disclosure of how the inventions work.¹⁰

Trade marks – Trade marks are symbols which are used by their owners to promote recognition of goods and services of the owner and to distinguish those goods and services from those of others. The right to monopolize a trade mark is intended to make commerce more efficient by

¹⁰ Cadbury Schweppes Inc. v. FBI Foods Ltd. (1999), 83 C.P.R. (3d) 289 (S.C.C.)

permitting consumers to recognize products and services by their trade marks rather than having to relearn the attributes of each product or service for each transaction. More simply, trade mark law protects the public from deception.

Copyrights – Copyright provides creators with certain rights to exclude others from exploiting works of self expression. It is intended to encourage the expression of ideas and to reward artistic endeavours.

Moral rights – Rights of creators to preserve their association with their works, the integrity of their works and their reputations as reflected by the use of their works. These rights are intended to preserve the integrity and reputation of artists and their works.

Confidential information / Trade secrets - Provides those with secrets with the ability to restrain others who have learned their secrets in confidence to enforce the confidence and to limit the use made of the secrets. The right to enforce secrets is an equitable cause of action of general application, which is most often used in a commercial context.

There are other intellectual property-related rights of ever increasing diversity. Some of these pertain to integrated circuit topologies¹¹, industrial designs¹², plant breeder's rights¹³, performer's rights¹⁴, privacy rights, and rights of personality.

There is a growing number of international treaties which affect intellectual property law. They provide for recognition of the rights of the citizens of each member state by each other member state. They set minimum standards for what intellectual property protection will consist of in the member states. They provide protocols to simplify obtaining intellectual property rights in each member country.

The consequences of the international treaties are significant. They permit us to deal with international intellectual property with much less regard for the specific laws of each country. Treaties lower the cost of intellectual property protection internationally. They introduce new intellectual property rights into member states.

Finally, intellectual property law is complex, and many of its principles are not self-evident. Some illustrations of this principle are attached to this paper as Appendix A. It is wise to obtain expert legal advice before beginning any venture in which intellectual property rights may be critical to success or failure.

¹¹ Integrated Circuit Topography Act, R.S.C. c. I-14.6, as amended. As integrated circuit topographies are rarely registered in Canada under the Integrated Circuit Topographies Act, the Act is not discussed in this paper.

¹² Industrial Design Act, R.S.C. 1985, c. I-9, as amended.

¹³ Plant Breeders' Rights Act, R.S.C. 1985, c. P-14.6, as amended.

¹⁴ Copyright Act, R.S.C. 1985, c. C-42, as amended, ss. 15-17

Patents

Patent law is statutory.¹⁵ There is no common law patent. The authority to legislate in respect of patents is reserved to Parliament under the constitution.

A patent grants the inventors or their assignees, and all those claiming under them¹⁶, the right to exclude others from making, using or selling the patented invention for a period of time. For patents issued from applications filed on or after October 1, 1989, the time begins when the patent issues and ends twenty years after the application date.¹⁷ For patents issued on earlier filed applications the duration is 17 years from the date of issue.¹⁸

Patents granted by each country or region are effective only in that country or region. Thus a Canadian patent cannot be used to stop the manufacture of the invention in the United States or to prevent the US manufacturer from accepting orders for shipment to Canada, although the Canadian importer and the end user in Canada would be liable for infringement.¹⁹

What is an invention? An invention is “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.”²⁰

“New” means that no one has publicly used or disclosed the same invention before the applicant’s filing date or priority date based on a filing in a Paris Union country.

“Useful” means simply that the invention works. It need not be a finished product. It is sufficient to have made a demonstration of the principle or even to have made a “sound prediction” of its operability.²¹

A patentable invention must also be non-obvious.²² This requires that the invention require more inventive ingenuity than would be demonstrated by the ordinary person knowledgeable in the

¹⁵ Patent Act, R.S.C. 1985, c. P-4, as amended.

¹⁶ Even a purchaser of an item made using the invention by or under the authority of the patent owner may sue an infringer for patent infringement: Signalization de Montréal Inc v Services de Béton Universels Ltée, [1993] 1 F.C. 341 (C.A.)

¹⁷ Patent Act, supra, ss. 43 & 44

¹⁸ Patent Act, supra, ss. 43 & 45

¹⁹ Domco Industries Limited v. Mannington Mills Inc. (1990), 29 CPR (3d) 481 (F.C.A.)

²⁰ Patent Act, supra, s. 2

²¹ Wellcome Foundation Ltd. v. Apotex Inc. (1991), 39 CPR (3d) 289; affirmed (1995) 60 CPR (3d) 135.

²² Patent Act, supra, s. 28.3

field to which the invention relates when confronted with the same problem. This does not require that the inventor have a “eureka” experience. Evidence of non-obviousness can include that the invention solved a long-standing problem, that the invention eluded other investigators, and that the invention was a commercial success.

A patentable invention must be repeatable. Plant hybrids, for example, are not patentable because repeating the cross breeding which resulted in the new hybrid is unlikely to produce the same result.²³

What types of inventions can be patented in Canada? Computer software can be patented.²⁴ At the time this is written, genetically modified mammals²⁵ and plants²⁶ can be patented.

No patent shall be granted for any mere scientific principle or abstract theorem. A computer program which does no more than automate a calculation may not be patented in Canada.²⁷

The interplay between the confidentiality of inventions and patent protection is important. The right to obtain a patent is limited to those who have kept their invention secret prior to filing the patent application. A person who has publicly disclosed their invention before filing their application is not entitled to a patent in most industrialized countries.

This limitation derives from the basic premise of the grant of patents. Patents rights are intended to encourage the disclosure to the public of the means of making the invention. If the invention is already known, the inventor has nothing to give in exchange for the patent.

In Canada and the United States, a one year grace period is permitted for an inventor who has publicly disclosed the invention to nonetheless file a patent application.²⁸ This grace period may well disappear as international patent laws become more uniform.

A patent application is retained in confidence by the Commissioner of Patents for 18 months from the filing date.²⁹ An inventor who withdraws the application before that time and before

²³ Pioneer Hi-Bred Ltd. v. Canada (Commissioner of Patents) (1989), 25 C.P.R. (3d) 257 (S.C.C.). The Plant Breeders' Rights Act provides protection for plant hybrids.

²⁴ Re Application 096,284 (1978) 52 CPR (2d) 96.

²⁵ President and Fellows of Harvard College v. Canada (Commissioner of Patents), [2000] 4 F.C. 528 (F.C.A.).

²⁶ Monsanto Canada Inc. v. Schmeiser, [2001] F.C.J. No. 436 (F.C.T.D.)

²⁷ Schlumberger Canada Ltd. v. Commissioner of Patents (1981), 56 CPR (2nd) 204

²⁸ Patent Act, supra, para. 28.2(1)(a)

the patent has issued may prevent its disclosure by the patent office. The application must contain a complete and explicit description of the invention:

“Specification.—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 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.”³⁰

“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.”³¹ The claims are statements of the monopoly claimed by the inventor.

Claims are typically written in series of increasing specificity. If a more general claim is held to be invalid, the next more specific (narrower) claim may remain valid.

If the invention being patented concerns a machine, the patent application must describe the best means of carrying out the invention known to the inventor at the time the application is filed. This description is included in the issued patent.

There are also exceptions to the rule requiring filing before disclosure, which apply where public disclosure is implicit in the making of the invention. Some inventions by their nature must be made outdoors where confidentiality cannot be guaranteed.

An administrator of patent rights would do well to cultivate a sense of urgency. When more than one inventor has independently made the same invention, it is the one whose application is filed first who is entitled to the patent.³² Thus every business which innovates would do well to

²⁹ Patent Act, supra, s. 10. If the application claims priority based on a previous application for the same invention filed in a foreign country which is a member of the Paris Union, the 18 month period runs from that date. Paris Union countries are members of the International Convention for the Protection of Industrial Property, which includes most commercially significant countries.

³⁰ Patent Act, supra, ss. 27(3)

³¹ Patent Act, supra, ss. 27(4)

³² Patent Act, supra, s. 28.2(1)(c)

identify its inventions at the earliest possible stage so that decisions can be made as to whether to patent them.

Notice the effect of the passage of time on the patent. The invention to which it relates must have been new and non-obvious as of the time the application was filed.³³ As the years go by the general level of technology tends to increase, as does the general level of knowledge about the technology. Competitors forced to confront the patent during its lifetime often react instinctively that the invention is “old news” and the patent must be invalid. However the Courts are quite strict in refusing to apply later arising technology and perceptions to invalidate issued patents.³⁴

Patents may be enforced by litigation in either the Federal Court Trial Division or the provincial superior courts.³⁵ Once issued, patents are rebuttably presumed to be valid.³⁶ Patents may be held invalid by any of these courts, although only the Federal Court may expunge the patent or order it amended.³⁷

A patent cannot be enforced until it has issued. However, a patent owner can claim reasonable compensation for use of the invention between the date the patent application ceased to be secret and the date the patent issued.³⁸

Once issued, patents are presumed to be valid.³⁹ This presumption can be overcome by suitable evidence.

Remedies for patent infringement can include interlocutory and permanent injunctions to restrain infringement. Interlocutory injunctions are seldom awarded in patent cases as it is unusual for plaintiffs to be able to show that they will suffer irreparable harm if the infringement is not curtailed until trial. A plaintiff typically elects between damages for infringement and an accounting of the profits made by the infringer. A fraction of the cost of the litigation is typically awarded to the successful party.

³³ This is an over simplification. The precise time periods which apply to the consideration of earlier known disclosures are set out in sections 28 to 28.4 of the Patent Act.

³⁴ Free World Trust v. Electro Sante (2000) S.C.C. 66; Beloit Canada Ltee/Ltd v. Valmet Oy (1986) 8 C.P.R. (3rd) 289.

³⁵ Patent Act, supra, s. 54.

³⁶ Patent Act, supra, s. 43(2).

³⁷ Patent Act, supra, s. 52

³⁸ Patent Act, supra, s. 55(1)

³⁹ Patent Act, supra, s. 45

Patents may be assigned by instrument in writing.⁴⁰ The assignment must be filed with proof of its signature and execution by all parties to it, such as an affidavit of a subscribing witness or notarial certificate.⁴¹

The Patent Act requires that every grant and every exclusive license be registered with the Patent Office.⁴² The penalty for failure to register is that the assignment or license will not be enforceable against a subsequent assignee or exclusive licensee without notice who does register their right.⁴³

Trade Marks

Trade mark rights are founded upon the common law tort of unfair competition, and their most common manifestation, the tort of passing off. The tort requires that three elements be shown: the existence of goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff.⁴⁴

The Trade-marks Act enhances and expands these basic rights in a variety of ways.⁴⁵

Unlike patents and copyrights, jurisdiction over trade marks is not expressly conferred upon Parliament in the constitution. It has been held to fall within Parliament's power to regulate trade and commerce. This has caused occasional challenges to parliament's authority to enact various aspects of the Act.⁴⁶

At common law trade marks and trade names are not assignable without the goodwill of the business, meaning the assets to carry on the business to which they relate. The Act permits trade marks (but not trade names) to be assigned with or without the goodwill appurtenant to them.⁴⁷

The Act provides a warranty to all who acquire goods bearing trade marks:

⁴⁰ Patent Act, supra, s. 50(1)

⁴¹ Patent Act, supra, ss. 50(3)

⁴² Patent Act, supra, ss. 50(2)

⁴³ Patent Act, supra, s. 51; Novopharm Ltd. and Apotex Limited v. Glaxo Welcome Inc. et al.

⁴⁴ Ciba-Geigy Canada Ltd. v. Apotex Inc. (1992), 44 C.P.R. (3d) 289 (S.C.C.)

⁴⁵ Trade-marks Act, supra.

⁴⁶ E.g., Macdonald et al. v. Vapour Canada Ltd. et al. (1976), 22 C.P.R. (2d) 1 (S.C.C.); Ital-Press Ltd. v. Sicoli et al. (1999), 86 C.P.R. (3d) 129 (F.C.T.D.)

⁴⁷ Trade-marks Act, supra, s. 48

“Every person who in the course of trade transfers the property in or the possession of any wares bearing, or in packages bearing, any trade-mark or trade-name shall, unless before the transfer he otherwise expressly states in writing, be deemed to warrant, to the person to whom the property or possession is transferred, that the trade-mark or trade-name has been and may be lawfully used in connection with the wares.”⁴⁸

The Act codifies the tort of passing off, which effectively permits passing off actions to be brought in Federal Court.⁴⁹

The Trade-marks Act provides a scheme for the registration of trade marks. There is no requirement that trade marks be registered. The hallmarks of the scheme are that to be registrable, the mark must be in use or made known to obtain registration, the mark must not be generic, clearly descriptive or merely a surname, or be confusing with a mark having priority, such as a previously registered mark of a third party.⁵⁰

The Act encourages registration of trade marks by providing registered trade marks with priority over previously used unregistered trade marks. The usual rule that the first user gets the mark is displaced. If the registration was obtained without knowledge of the previous mark, the owner of the previous mark has five years to seek to expunge the registration and assert priority, failing which the registration becomes incontestable. No time limit applies if the owner of the prior mark can show that the registration was made with knowledge of its prior use.⁵¹ If the owner of the earlier mark does not overcome the registration its right to continue to use the mark may be lost or curtailed.⁵²

The existence of a register permits businesses adopting new names of marks to search the register to assure that their proposed names are free from use. A major advantage of registration is that it deters others from adopting a mark which they might not otherwise know to avoid.

Use and registration of a trademark in Canada also gives Canadians a right to register their trade marks in other Paris Union countries.

The Act defines “trade-mark” to include four kinds of marks.⁵³ A trade mark is used to distinguish one’s goods and services from those of others. A certification mark is used under license from the owner to identify goods meeting certain prescribed quality standards. A

⁴⁸ Trade-marks Act, supra, s. 8

⁴⁹ Trade-marks Act, supra, ss. 7(b) and (c): Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd. et al. 14 C.P.R. (3d) 314 (F.C.A.)

⁵⁰ Trade-marks Act, supra, s. 12

⁵¹ Trade-marks Act, supra, s. 17

⁵² Trade-marks Act, supra, s. 21

⁵³ Trade-marks Act, supra, s. 2

distinguishing guise is the configuration of a product or its packaging. A proposed trade mark is a trade mark which the applicant has not yet begun to use. The Act requires applicants for proposed trademarks to state that they intend to use the trade mark.⁵⁴

Applications for registration are examined in the trade marks office for compliance with the requirements for registrability. At the present time examinations take place over a year after applications are filed. Applicants have an opportunity to respond to objections. Applications which survive this process are advertised in the Trade-marks Journal. Anyone wishing to oppose an application has two months from the publication of the Journal to file a statement of opposition.⁵⁵ The Act provides for an opposition procedure in which both parties may file affidavit evidence, and cross examinations are possible.

Once the opposition period has passed or the opposition has been rejected, the applicant may register its trade mark by paying the registration fee. The registration process takes a minimum of about two years. In the case of an application based upon intended use, it must also file a declaration stating that use of the trade mark has begun.⁵⁶

Trade mark registrations last for 15 years and are renewable without proof of continued use.⁵⁷ There is no limit to the number of times registrations may be renewed.

After a mark has been registered for three years owners may be required to prove that their marks are in use to maintain their registrations. The Registrar acting on his or her own initiative, or at the instance of anyone paying the \$150 fee, may issue a notice to the owner. The notice requires the owner to prove that the mark has been in use during the previous three years for each of the wares and services in the registration, or that non-use has been due to a special circumstance. Any goods and services for which no use or adequate excuse is shown are expunged from the registration.⁵⁸

The owner of a registered trade mark may exclude others from using it for the goods and services for which it is registered throughout Canada.⁵⁹ This embellishes upon the common law of passing off in three ways. It extends the rights to the mark Canada-wide, whereas passing off is limited to the areas in which the mark has achieved a reputation. Further, it extends the monopoly to all of the goods and services listed in the registration, again regardless of the extent to which the trade mark has become known in association with those goods. And finally, there is

⁵⁴ Trade-marks Act, supra, ss.30(e)

⁵⁵ Trade-marks Act, supra, s.38

⁵⁶ Trade-marks Act, supra, ss. 40(2)

⁵⁷ Trade-marks Act, supra, s. 46

⁵⁸ Trade-marks Act, supra, s.45

⁵⁹ Trade-marks Act, supra, s.19

no requirement to prove that the use of the mark by the infringer would cause or be likely to cause confusion or deception.

The Act also creates a category of deemed infringement which applies when the accused mark is not the same as the registered mark, or the goods and services are not the same as those listed in the registration. In this circumstance confusion or likelihood of confusion must be shown.⁶⁰

Finally, the Act contains a prohibition against using a registered trade mark in a manner which “depreciates the goodwill attaching thereto”.⁶¹

The definition of “trade-mark” used in the Act reflects the cardinal property of a trade mark. It must be distinctive of the source of the goods and services in association with which it is used. It is not necessary that those who see the mark know the name of its owner, merely that they recognize the mark in connection with the goods and services emanating from that source, to the exclusion of goods and services from other sources.

The definition perpetuates the common law requirement that a trade mark must identify goods and services from a single source. Where goods or services having the same trade mark come from multiple sources, even related companies, the mark ceases to be a trade mark by definition, and is liable to expungement.⁶² At common law it may become unenforceable.

The Act relieves against this harsh consequence by permitting trade marks and trade names to be licensed provided that the owner retains control of the character and quality of the wares and services.⁶³ A mark could become unenforceable, for example, if the goods so marked by the owner and its licensee were sufficiently different that reliance on the mark was deceptive of what the buyer could expect.

Trade marks may be enforced by suit in either the Federal Court of Canada or provincial superior courts.⁶⁴ While any court may hold a trade mark registration to be invalid, only the Federal Court may order a registration amended or expunged.⁶⁵

Remedies for trade mark infringement can include injunctions to restrain further infringement. The plaintiff may recover damages or profits. The court will also order the destruction or other disposition of the offending goods and marked materials.⁶⁶

⁶⁰ Trade-marks Act, supra, s.20

⁶¹ Trade-marks Act, supra, s.22

⁶² Wilkinson Sword (Canada) Ltd v Juda, [1968] 2 Ex CR 137

⁶³ Trade-marks Act, supra, s. 50

⁶⁴ Trade-marks Act, supra, ss.55, 58

⁶⁵ Trade-marks Act, supra, s.57

Copyright

Parliament is provided with the exclusive right to legislate in respect of copyright law by the constitution. The Copyright Act expressly precludes copyright from arising otherwise than under the Act.⁶⁷

Copyright is a series of rights attaching to tangible forms of self expression, known as “works”. Copyright attaches to works which meet the qualifying tests.

The work must be a literary, artistic, musical or dramatic work. Each of these classes is defined in more detail in the Act.⁶⁸ These classes include novels, photographs, sculptures, cinematographic works (movies), architectural works, choreographic works, and computer software.

The work must be original, in the sense that it is the product of the skill, labour and judgement of the author.⁶⁹ The test of originality is extremely low: only the most commonplace material will not pass the test.⁷⁰ Even a work which was intended to and did replicate another work has been held to be original.⁷¹

The author of the work must have been a citizen or resident in a treaty country when the work was made.⁷² The treaties include the Berne Convention, The Universal Copyright Convention and the Members of the World Trade Organization. Most countries qualify. The Minister of Industry may also extend recognition to other countries.⁷³

It is useful for this and other reasons to record the names and citizenship of the authors when a work is created.

⁶⁶ Trade-marks Act, *supra*, s. 53.2

⁶⁷ Copyright Act, R.S.C. 1985, s. C-42, as amended, s. 89.

⁶⁸ Copyright Act, *supra*, s. 2

⁶⁹ Copyright Act, *supra*, ss. 5(1)

⁷⁰ Tele-Direct (Publications) Inc. v. American Business Information, Inc. (1997), 76 C.P.R. (3d) 296 (F.C.A.)

⁷¹ U & R Tax Services Ltd. v. H & R Block Canada Inc. (1989), 62 C.P.R. (3d) 257 (F.C.T.D.)

⁷² A corporation may be deemed to be the author of a photograph if it owned the negative or, if there is no negative, the photograph, at the time it was made. Copyright Act, *supra*, ss. 10(2).

⁷³ Copyright Act, *supra*, ss. 5(2)

Even if the author does not qualify by citizenship, residency or head office location, a work may qualify for copyright protection in Canada if it was first published in a treaty country.⁷⁴

For most types of works, including computer software copyright lasts for 50 years after the end of the calendar year in which the last surviving author dies.⁷⁵ The Act provides for means of determining the term when the work is posthumous or where one or more co-authors is unknown.⁷⁶ Copyright in photographs owned at the time of their making by corporations (other than corporations in which one person votes most of the shares) lasts fifty years from the end of the year in which the photograph is made.⁷⁷ Copyright in works prepared for the Crown lasts for fifty years from the end of the year in which it is made.⁷⁸ Copyright in movies and compilations of movies which lack a dramatic character is up to one hundred years depending upon the publication date.⁷⁹ Copyright in performer's performances, sound recordings and communication signals runs fifty years from the end of the calendar year in events giving rise to the type of work occurred.⁸⁰

The owner of the copyright is generally the author.⁸¹ The Act goes on to deal with various special cases and exceptions.

A major exception arises if the author is employed. The copyright belongs to the employer if the author's employment duties involve the creation of the work, and the author and employee have not made a different arrangement.⁸²

In the case of photography there are two exceptions. The person who commissions a portrait, photograph or etching is the first owner of the copyright.⁸³ The owner of the negative or

⁷⁴ Copyright Act, supra, ss. 5(1)(b) and (c), 5(1.1)

⁷⁵ Copyright Act, supra, s. 6

⁷⁶ Copyright Act, supra, s. 7(1), s. 6.1

⁷⁷ Copyright Act, supra, s. 10(2)

⁷⁸ Copyright Act, supra, s.12

⁷⁹ Copyright Act, supra, s.11.1

⁸⁰ Copyright Act, supra, s. 23

⁸¹ Copyright Act, supra, ss. 13(1)

⁸² Copyright Act, supra, ss.13(3)

⁸³ Copyright Act, supra, ss. 13(2)

photograph at the time the picture is taken (not necessarily the photographer). is deemed to be the author.

The first owner of copyright in a sound recording is the maker of the recording (as distinct from the person making the sound). The first owner of copyright in a communication signal is a broadcaster. The first owner of copyright in a performer's performance is the performer.⁸⁴

Copyright may only be transferred or an exclusive license granted by written assignment signed by the assignor or its agent. Copyright may be assigned in whole or in part.⁸⁵

A curious limitation persists on the ability of an author to assign copyright. Where the author was the first owner of the copyright, ownership of the copyright reverts to the author's estate 25 years after his or her death. This provision cannot be overcome by contract. According if one is have a work created which may have value in the long term, it would be wise to provide that the person commissioning the work will be the first owner of the copyright.

Registration of the copyright in a work is inexpensive at \$65.00. Registration is not mandatory. A registration serves as evidence that copyright subsists in the work and belongs to the registered owner.⁸⁶

There is no obligation to mark a work as being subject to copyright. Under one of the conventions, the Universal Copyright Convention, marking is required to extend the copyright into the other convention countries. However most of the countries also subscribe to the Berne Convention which effectively ends the marking requirement. Marking is still useful however to give notice that copyright is claimed in the work. The marking required by the U.C.C. takes the form of the letter "c" in a circle or the word "copyright", the name of the copyright owner, and the year of first publication. For example, this paper is

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The Act defines "copyright" in section 3:

"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,

⁸⁴ Copyright Act, supra, s. 24.

⁸⁵ Copyright Act, supra, ss. 13(4)

⁸⁶ Copyright Act, supra, ss. 53(2)

- (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, and
- (i) in the case of a musical work, to rent out a sound recording in which the work is embodied,
and to authorize any such acts.”

The Act makes it an infringement for anyone not authorized by the copyright owner to do anything the Act provides that only the Copyright owner may do.⁸⁷ Certain acts respecting commercialization and importation of works are also made infringements.⁸⁸

The Act also contains a series of exceptions to copyright, or to infringement of copyright. For example, making copies of recorded musical performances for private use is not infringement.⁸⁹

The rights and exceptions attaching to particular kinds of works are often the result of the representations of various interested groups. The Act becomes more complex, and significant rights appear and disappear, with each amendment. Before relying on a particular right or exemption it is wise to become, and remain, current on the Act and its jurisprudence.

The Act also provides a regulatory scheme relating to the operation of copyright collectives. Copyright collectives act to grant licenses such as the right to perform musical compositions. By collecting the right to grant such licenses on behalf of a large number of owners the acquisition

⁸⁷ Copyright Act, supra, ss. 27(1)

⁸⁸ Copyright Act, supra, ss. 27(2)-5, 27.1

⁸⁹ Copyright Act, supra, ss. 80

of licenses becomes much easier and individual rights holders are more likely to receive licensing revenue. However the centralized power of a copyright collective could lead to abuses. A Copyright Board is empanelled to regulate license terms offered by collectives, among other things.

Although it is Parliament which prohibits the doing of certain acts in relation to copyright works, it is the copyright owner who is given the right to seek private remedies for the conduct of those acts without the owner's consent. The remedies include the right to claim damages, and to claim such part of the infringer's profits as were not taken into account in calculating damages as the court considers just.⁹⁰

The Act also provides a scheme of statutory damages. A plaintiff may renounce its right to regular damages and profits, and claim statutory damages for each work infringed (not each infringing copy or act of infringement) of between \$200 and \$20,000.⁹¹

A successful plaintiff may also receive an injunction to restrain further infringement. In cases where a plaintiff can show that the infringer will likely infringe other copyrights of the plaintiffs unless enjoined from doing so, an injunction can issue to prohibit infringement in works other than those in respect of which infringement has taken place.⁹²

The Federal Court has concurrent jurisdiction with the provincial superior courts to hear and determine all civil proceedings. It cannot hear quasi-criminal proceedings.⁹³ The Federal Court has exclusive jurisdiction to amend or expunge copyright registrations.⁹⁴

The Act also provides for quasi-criminal enforcement of copyright against certain knowing acts of commercialization of infringing works.⁹⁵

Moral Rights

The Copyright Act also includes a series of "moral" rights for the benefit of authors.

The author has the right to have their name associated with the work, the right to remain anonymous or to have a pseudonym associated with the work.⁹⁶

⁹⁰ Copyright Act, supra, s. 35

⁹¹ Copyright Act, s. 38.1

⁹² Copyright Act, supra, s. 39.1

⁹³ Copyright Act, s. 37

⁹⁴ Copyright Act, s. 57(4)

⁹⁵ Copyright Act, supra, ss. 42 & 43

⁹⁶ Copyright Act, supra, ss. 14.1(1)

The author has the right to the integrity of the work.⁹⁷ This right is infringed if the author's honour or reputation is prejudiced by either:

distorting, modifying or mutilating the work⁹⁸, or

using the work in association with a cause, product, service or institution.

Moral rights may not be assigned. They may however be waived in whole or in part.⁹⁹ The waiver may be in favour of a copyright owner or licensee of the copyright, in which case such person may invoke the moral right.¹⁰⁰

Moral rights subsist for the same term as the copyright in the work. They may be bequeathed.¹⁰¹

Trade Secrets /Confidential Information

The protection of confidential information is not statutory. It is based upon a civil cause of action. While in common law jurisdictions it was originally based upon a doctrine of the law of equity, it is now recognized as a *sui generis* cause of action having attributes drawn from all parts of the law and crafted for it as required.¹⁰²

The three essential elements of the cause of action are¹⁰³:

There must be information held by the plaintiff in confidence,

It must have been disclosed to or learned by someone in circumstances giving rise to an obligation of confidence, and

It must have been used or disclosed in a manner inconsistent with the obligation of confidence.

⁹⁷ Copyright Act, supra, ss. 28.2

⁹⁸ This right is also available at common law: Snow v Eaton Centre Ltd. (1982), 70 CPR (2d) 105 (Ont. H.C.)

⁹⁹ Copyright Act, supra, ss. 14.1(2)

¹⁰⁰ Copyright Act, supra, ss. 14.2(1)

¹⁰¹ Copyright Act, supra, ss. 14.2(1) and (2)

¹⁰² Cadbury Schweppes Inc. v. FBI Foods Ltd. (1999), 83 C.P.R. (3d) 289 (S.C.C.)

¹⁰³ Coco v. A.N. Clark (Engineers) Ltd., [1969] R.P.C. 41 (Ch. D.)

To assert a breach the information must be identified with specificity.¹⁰⁴ This is a practical stumbling block in many situations. It is useful to focus on this requirement before entering into confidentiality obligations to put them into context.

What kind of information can be protected? The threshold is low. Protected information has in the past included business ideas which have failed.¹⁰⁵ An early and often repeated formulation in the case law is that to be protected the information must be “some product of the human brain”¹⁰⁶.

It is misleading to think of or refer to confidential information as being owned or as being property. The courts in most commonwealth countries focus instead on the nature of the relationship between the parties and the kind of information to determine entitlement to enforce confidentiality and appropriate remedies.¹⁰⁷

The remedies for misappropriation of confidential information are adapted by the courts to the circumstances. “In short, whether a breach of confidence in a particular case has a contractual, tortious, proprietary or trust flavour goes to the appropriateness of a particular equitable remedy but does not limit the court’s jurisdiction to grant it.”¹⁰⁸

Confidential information is distinct from patented inventions. Patents publicly disclose the inventions to which they relate. It is an infringement to make, use or sell the invention regardless of how the infringer learned of it. By contrast, secrets may be protected without disclosure. However, they may only be enforced against people who learned of them from their holder. Secrets are capable of being independently derived and disclosed by any third party without restraint. In fact, where the secret is an invention, a third party making the same invention may obtain a patent and exclude the first inventor from making, using and selling the invention. It is important to bear this in mind when deciding to protect an invention by keeping it secret.

The competing policy of patent and trade secret law should be considered. Patent law aims to encourage the public disclosure of inventions, and thus their use after the patent expires. Trade secret law is sometimes justified as operating on the conscience of the parties, and as preventing people from taking a free ride on the work of others.

This distinction limits the remedies available in some trade secret cases. “If a

¹⁰⁴ Corrs Pavey Whiting & Byrre v. Collector of Customs (Vic.) (1987), 14 F.C.R. 434 at 443.

¹⁰⁵ Nichrotherm Electrical Co. Ltd. v. Percy, [1957] R.P.C. 207

¹⁰⁶ Coco v. A.N. Clark (Engineers) Ltd., [1969] R.P.C. 41 (Ch. D.) at 47

¹⁰⁷ E.I. Du Pont de Nemours Powder Co. v. Masland, 244 U.S. 100 (1917) (U.S.S.C.); Moorgate Tobacco Co. v. Philip Morris Ltd. (1984), 156 C.L.R. 414 (Aus. H.C.); Cadbury Schweppes Inc., supra.

¹⁰⁸ Cadbury Schweppes Inc., supra, at p. 302 per Binnie, J.

court were to award compensation to the respondents on principles analogous to those applicable in a case of patent infringement, the respondents would be obtaining the benefit of patent remedies without establishing that their invention meets the statutory criteria for the issuance of a patent, or paying the price of public disclosure of their secret.” Binnie, J., in Cadbury Schweppes at page 311¹⁰⁹. The case dealt with the misappropriation of a beverage formulation. The British Columbia Court of Appeal had ordered a permanent injunction. The injunction was dissolved on appeal to the Supreme Court of Canada.

A remedy for breach of confidence may be available even after the information is no longer secret. “As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a spring-board for activities detrimental to the person who made the confidential communication, and spring-board it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public.”

Roxburgh, J. in Terrapin Ltd. v. Builders’ Supply Co. (Hayes) Ltd.¹¹⁰

A breach of confidence may be restrained by a permanent injunction where the information remains confidential, is of more than marginal importance and where the breach cannot be entirely compensated for by damages.¹¹¹ Other remedies include damages or the award of profits made by the disclosee as may be appropriate.

Conclusion

We have briefly toured the main intellectual property rights which arise in information technology. I have tried to provide basic information needed to follow the remainder of the program, and to permit you to learn to recognize intellectual property rights and to learn to apply them.

¹⁰⁹ Cadbury Schweppes Inc., supra, at p. 311 per Binnie, J.

¹¹⁰ [1967] R.P.C. 375 (Ch. D.), at p. 391.

¹¹¹ Seager v. Copydex Ltd., [1967] 2 All E.R. 415 (C.A.): Coco v. A.N. Clark (Engineers) Ltd., [1969] R.P.C. 41 (Ch. D.).

Appendix A

Eleven unexpected things about intellectual property law.

1. You cannot buy or sell a business name separately from the business at common law.
2. Sharing your name or trade mark may extinguish all rights in the name or mark unless licensed in accordance with the Trade Marks Act. This is true even if you share with a related company.

In general the owner must specify the manner in which the name or mark will be sued and means of supervising compliance, and insure that its specifications are followed.
3. Inventions by employees do not necessarily belong to the employer.

The employee's duties must include a duty to resolve the type of problem which led to the invention, and there must be no agreement which would negate ownership by the employer. It is best to get a written agreement.
4. Copyright in works by employees does not necessarily belong to the employer.

The employee's duties must include a duty to create the work in issue, and there must be no agreement which would negate ownership by the employer.
5. Copyright in works created for you by others probably does not belong to you.

Copyright must be transferred by assignment in writing signed by the assignor, except in the limited circumstance of works by an employee described above, or where you have commissioned a photograph, engraving or portrait.
6. Intellectual property is not "used" in a business.

Many agreements for the sale of a business purport to transfer all of the intellectual property "used" in the business. Intellectual property is not the right to use something such as an invention or a trade mark. It is the right to exclude others from using it.

Neither is it right to transfer, for example, all inventions "used" in a business. Most businesses use inventions such as computers, paper clips, paper, etc. in which they have no rights to convey.
7. Trade secrets are risky.

If you keep your invention to yourself, some one else can invent and patent it, and stop you from using it. Consider either patenting it yourself (the first applicant gets the patent) or, if it isn't worth patenting, publishing the secret so no one can patent it.
8. Having a patent is no defence to infringing someone else's patent.
9. Having a corporate name or business name registration does not by itself provide any rights or defence to an infringement claim by a third party.

10. Unintentional infringement is not a defence.

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