INTELLECTUAL PROPERTY

When the products of our mental and artistic efforts were likely to be recorded and distributed on paper, it was relatively easy to determine the source or provenance of that work and to credit its author or creator with any rights or monetary rewards associated with it. With the development of readily available copying equipment and then the advance of digital technology, the creator’s rights to intellectual property have become more complicated to enforce and not fully anticipated by legislators who created the law to protect those rights. The Internet and other forms of electronic communication and information manipulation have had a significant impact in the area of copyright, trademarks, and confidential information. A similar problem was created with respect to the physical creations of inventive minds by significant and unexpected technological advances.

Intellectual property must be contrasted to other forms of property. Real property refers to land and things attached to it. Personal property can be tangible or intangible. Tangible personal property consists of movable things in the form of goods or chattels. Intangible personal property refers to rights or claims that one person has that have value and can be enforced in the courts, such as the right to collect a debt. These rights are often referred to as a *chose in action* or a *right to sue*. Real and personal property is the subject of the following chapter. Intellectual property, the subject of this chapter, is a subcategory of intangible personal property referring to ideas, information, and creative works. When a chattel is stolen or destroyed, it is no longer available for use by the original owner. When an idea is taken and used by somebody else or confidential information is wrongfully communicated to another, the idea or information does not...
change. It is still available to the original holder, although its value might be considerably diminished.

As is the case with tangible personal and real property, the rights attached to intangible property are also defined and protected by law. Intellectual property law attempts to balance the protection of the product of a person’s mental effort on the one side and the free flow of new and innovative ideas, which stimulate the advancement of the commercial environment, on the other. The attention is on both defending the rights of individuals in relation to their ideas, information, and other creative works, and regulating how others use those products of the mind. These different interests often collide, especially now in the digital information age. In recent years important advances have taken place with respect to the law of intellectual property, especially in the area of copyright. A businessperson must not only appreciate the value of their intellectual property assets and ensure that they are adequately protected, but must also appreciate the legal risks involved when intellectual property legislation is infringed.

Most legislation protecting intellectual property is federal, with copyright and patent legislation being exclusively granted to the federal government in the Constitution Act, 1867. The Copyright Act, first enacted in 1928 and amended several times since then, is still in place. The most recent amendment to this statute, the Copyright Modernization Act\(^1\) that came into force in November 2012, was enacted to bring Canadian copyright law in line with international treaties and to address the issues raised by technological advances in the online storage of and access to copyrightable resources. Canadian copyright law specifically protects computer software and also protects original works published on the Internet. Prior to the 2012 amendments the Copyright Act did not adequately address the issues arising from technological change, and it was up to the courts to resolve disputes. The 2012 amendments incorporate several recent Supreme Court of Canada decisions as well as other changes into the Copyright Act, thus addressing important contemporary issues.

Other important federal statutes include the Patent Act, the Trade-marks Act, the Integrated Circuit Topography Act (protecting the three-dimensional shapes of integrated circuits),\(^2\) and the Industrial Design Act (protecting the unique shape and design of manufactured products).\(^3\) A patent gives rights to the inventor to profit from an invention. Trademark law applies to physical symbols, such as brand names and company logos as well domain names and website logos. Some infractions and abuses in the use of intellectual property have been deemed serious enough to merit response under the Criminal Code. Confidential information and trade secrets are protected by common law principles. Passing-off actions provide remedies when parties misrepresent their products or services as those of another, and this protection often overlaps with trademark legislation. These areas will also be discussed in this chapter.

Each of these areas of the law is constantly being challenged as advancements are being made in digital technology. The easy access to information facilitated by the online environment and the enhanced methods for copying not only information but software, music, performances, and inventions makes rights holders vulnerable to those who want to use the products of others for their own personal gain. Personal information is often stored in online databases, and companies holding that information are often asked to share it, thus further denigrating the privacy rights inherent in personal data. Protecting those rights is often up to the holder, who should be aware of the strategies and laws that work in his favour and the tactics of those who want to use that information for their own purposes.

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\(^1\) S.C. 2012, c. 20.
\(^3\) R.S.C., 1985, c.1-9.
COPYRIGHT

Copyright protection is extended to authors and artists for 50 years after their death, and in Canada this protection applies without any formal registration of the copyright. In effect, the owner of the copyright controls the reproduction of the work during that period, after which the work becomes part of the public domain and is no longer subject to anyone’s control. The idea is to give the creator of the intellectual property the exclusive right to profit from and otherwise control her creation for a specified period of time. This period is reduced to just 50 years when a corporation is involved, the author is not known, or the work involves such things as movies, photographs, performances, or sound recordings (with respect to performance if a sound recording is made of it, the period is 50 years from the making or publication of that recording, extending the protection to a maximum of 99 years). Note that there are important exceptions that will be discussed below. The Copyright Act gives the owner of the copyright a monopoly over the use of the created work, prohibiting copying or reproduction of the work without permission. Only the actual work itself is protected, not the ideas or thought behind it. Thus, the actual expression of an idea in a book is protected, but someone else is free to express those same ideas in a different way.

Matters Covered

Only original work that is the product of an artist’s or author’s own mental effort or skill is entitled to copyright protection. Note that it is the expression that has to be original, not the idea. In the past only works that were somehow preserved, be it in writing or in some other manner, were subject to copyright. Now, a performer’s performance is subject to copyright, whether fixed or not.

The Copyright Act gives copyright protection to original works, performer’s performances, sound recordings, and communication signals. The categories of copyrightable materials are summarized in Table 13.1.

Table 13.1 Works Protected by the Copyright Act

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Literary works</td>
<td>“Literary compilations” such as poems, stories, and articles; pamphlets and books; and computer software and hardware</td>
</tr>
<tr>
<td>Dramatic works</td>
<td>Movies, videos, television, and theatre productions and performances, including choreography and scenery that are fixed in some permanent form such as writing</td>
</tr>
<tr>
<td>Musical works</td>
<td>Musical compositions with or without words</td>
</tr>
<tr>
<td>Artistic works</td>
<td>Paintings, drawings, charts, maps, plans, photographs, engravings, sculptures, works of artistic craftsmanship, and architecture</td>
</tr>
<tr>
<td>Performances</td>
<td>Performances by actors, musicians, dancers, and singers</td>
</tr>
<tr>
<td>Sound recordings</td>
<td>CDs, tapes, computer memory, and other methods for reproducing sound</td>
</tr>
<tr>
<td>Communication signals</td>
<td>Radio, television, cable, and Internet broadcasts</td>
</tr>
</tbody>
</table>

In addition to these works, copyright protection has also been extended to:

- Performances
- Sound recordings
- Communication signals

Note that there is considerable overlap, and someone’s creative work might qualify for copyright protection in more than one of these categories.

The problem of whether computer programs are protected by copyright or patent law was partially solved by the 1988 amendment to the Copyright Act that now specifically provides copyright protection for computer software and hardware.

When Is Copying Considered Fair Dealing? Society of Composers, Authors and Music Publishers of Canada v. Bell Canada5; Alberta (Education) v. Canadian Copyright Licensing Agency (Access Copyright)6

Several important cases were handed down by the Supreme Court of Canada in 2012 dealing with fair dealing (see the expanded discussion of this principle later in this chapter). The SOCAN v. Bell case dealt with the practice of music suppliers such as Bell and iTunes allowing potential purchasers to preview music selections before actual purchase and digital download. These free previews allowed the listener to listen to the selected file for a period of between 30–90 seconds before deciding to buy. SOCAN applied to the Copyright Board for the right to collect royalties for these previews in addition to royalties paid on the purchased music. The Copyright Board refused, saying that while SOCAN was entitled to royalties for the actual downloads they were not with respect to the previews. The previews were determined to be an example of “fair dealing” and not subject to copyright protection under section 29 of the Copyright Act.

The matter went to the Supreme Court of Canada, which upheld the Copyright Board’s decision. They held that to find that the previews were covered by the “fair dealing” exception required two steps. First was to determine whether the previews were used for the purpose of “research” or “private study” as set out in section 29 of the Act. (Note that this section has since been amended and now lists research, private study, education, parody, and satire as fair dealing exceptions.) The Court determined that the previews were used for the purpose of research and so satisfied the first step. SOCAN had argued that research should only apply where the object of the research involved some creative purpose, but the Copyright Board and the Supreme Court disagreed. Since the object of the process was the “dissemination” of the work and the preview facilitated that process, it did qualify as research under the Act, thus adopting a broader definition of research than that proposed by SOCAN. The second step was to determine whether the use was “fair.” After looking at several factors, the Court decided that since the purpose of the preview was to facilitate the eventual purchase, and since it was short and immediately deleted, it went no further than necessary to fulfill this purpose; therefore it qualified as fair dealing under the Act and was not subject to the collection of royalties.

In the Alberta v. Access Copyright case, the minister of education argued that copies of materials compiled by teachers to be used by students in secondary and elementary schools also qualified as fair dealing and should not be subject to royalties. The Copyright Board disagreed. Alberta appealed the decision, and the Federal Court of Appeal upheld the Copyright Board’s decision. Alberta then appealed the matter to the Supreme Court of Canada, which overturned the decision of the Federal Court of Appeal and the Copyright Board, holding that the use of these materials in the school

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Chapter 13  Intellectual Property

File Sharing

Copyright law provides the owner of electronic material with the legal right not only to prevent unauthorized copying but also to rent it and otherwise control its use. While the misuse of software causes difficulty, a much greater problem is the unauthorized copying of music, movies, games, and articles found online. The ease of reproducing information has led to massive illegal copying and to dramatic legal steps being taken to stop the process. The ease of downloading free music may have been a boon to music lovers, but it came at a great expense to the producers and musicians. The Napster trial and other high-profile cases have shown that the courts will not tolerate such abuse. The problem, however, continues, with vast amounts of music, movies, and games still being improperly copied. As soon as a more comprehensive regulation or decision is imposed, the copiers try to find ways to get around it, find loopholes, or simply move their operation to a jurisdiction where such regulations or laws can’t be enforced.

Copying music is a massive problem that has resulted in serious litigation. In a landmark decision, the Copyright Board of Canada held that peer-to-peer downloading of music is lawful in Canada under certain circumstances, and it also held that the blank media levy (on recordable CDs, DVDs, tapes, and so on) should not apply to MP3 players (such as the Apple iPod). Blank media levies are collected by the Canadian Private Copying Collective and distributed to various rights holders (such as the Society of Composers, Authors and Music Publishers of Canada [SOCAN]) to benefit recording artists and musicians. While today downloading a song for private use may not infringe the law, downloading for the purpose of sale, rental, distribution, communication by telecommunication, or performance in public is prohibited.

CASE SUMMARY 13.2

When Should a Service Provider Have to Provide Information Regarding Its Customers? Voltage Pictures LLC v. John Doe

Through investigative research, Voltage Pictures, the producer of several movies, including The Hurt Locker and Dallas Buyers Club, managed to obtain the IP addresses of over 2000 subscribers to an Internet service provider, TekSavvy Solutions Inc., which had allegedly improperly downloaded copies of their movies through a peer-to-peer (P2P) system did fall under the fair dealing exception in section 29 of the Copyright Act. Applying the two-step process discussed above, the Supreme Court found that the use of the materials was for the purpose of “research or private study” as required by the Act. They also found that this was an example of “fair dealing” since only parts of textbooks and other material were copied, and it would be unfair to require students to purchase the whole textbook to access the portion determined important for study purposes. (Note that the amendment to section 29 of the Copyright Act also now includes “educational” purposes within the fair dealing exception.)

DISCUSSION QUESTION

Considering the impact on the authors and publishers, has a proper balance been struck between their interests and those of the consumers and students? What would be a better approach?

7. Supra note 2.
9. 2014 FC 161 (CanLII).
Creation

As mentioned, in Canada the creation of the work generates copyright protection automatically. There is no need to register or even publish the work. Still, registration may be wise, since it establishes when the copyright was created and the presumption that the person named in the registration is the owner of the work.  

sharing system using a file-sharing program called BitTorrent. Having the IP addresses didn’t help Voltage since they needed the actual names and addresses of these TekSavvy customers to take action against them. TekSavvy, which was not a party to the action, refused to disclose the required information, and this application was brought to force that disclosure.

Since there was no specific defendant to oppose this application, the Court granted intervenor status to the Canadian Internet Policy and Public Interest Clinic, which opposed in principle Voltage’s application. It took the position that to disclose the requested information would infringe the privacy rights of those parties, and they further argued that Voltage was involved in copyright trolling. This is the practice of companies finding the names of anyone who might remotely be accused of infringement and sending dubious demand letters and launching questionable actions simply to force those individuals to settle to avoid costs, even though they may have a legitimate right to copy the material. This is essentially a business model that uses the courts to earn a profit rather than to advance the purposes of justice.

The order requesting an innocent third party, which is not party to the action, to disclose this sort of information is called a Norwich order, and the judge in this case referred to BMG Canada Inc. v. Doe, where the Federal Court of Appeal stated that to succeed the party applying for a Norwich order must show the following:

a. A plaintiff must have a bona fide case
b. A non-party, in this case TekSavvy, must have information on an issue in the proceeding
c. An order of the Court is the only reasonable means of obtaining the information
d. That fairness requires the information be provided prior to trial
e. Any order made will not cause undue delay, inconvenience, or expense to the third party or others

The Court found that Voltage did have a bona fide case, that TekSavvy did have the required information, and that there was no other reasonable method to obtain it other than requiring its disclosure from TekSavvy. The Court also determined that the requirement of fairness was satisfied and that there was no untoward delay or inconvenience caused to TekSavvy. The Court reluctantly issued the Norwich order requiring TekSavvy to disclose the names and addresses of its subscribers. The judges’ reluctance was because of the potential abuse by Voltage of the information obtained, and because of this several restrictions were placed on the implementation of the order and any subsequent litigation that followed. The Court would supervise the process, including granting reasonable costs to TekSavvy, vetting any demand letters sent to the subscribers, and otherwise making sure no abuse of the justice system took place.

**SMALL BUSINESS PERSPECTIVE**

This case is instructive because it illustrates the process of balancing the rights of privacy against the rights of the copyright holder. It also deals with the danger of abuses, such as the copyright or patent troll, and establishes guidelines to ensure that abuse is avoided. Businesspeople should be careful to keep this balance in mind and be aware that even third parties may be subject to such orders.

10 2005 FCA 193 (CanLii).
Copyright is automatic with the creation of a work, but registration ensures availability of remedies.

International agreements establish common rules.

Copyright can be assigned, but moral rights are retained after assignment.

Ownership

Copyright belongs to the person who created the work or to the employer where the work was created as part of employment, unless there is an agreement otherwise. Once copyright has been created, its owner can assign or license it, all or in part, to someone else. Courts will presume the creator holds the copyright unless there is evidence to show otherwise. The owner of the copyright can assign it to someone else, but even then the author will continue to have moral rights in the work. These moral rights allow the artist, author, or performer to demand that her name continue to be associated with the work as its author, and that the new owner not distort, mutilate, or otherwise change the work in such a way as to degrade it and bring harm to the reputation of the author. For anyone involved in the production of copyrightable material with others, whether employee, partner, or contractor, it is vital to set out in the contract creating the relationship who is entitled to the copyright of the work created.

CASE SUMMARY 13.3

Injunctions Protect Moral Rights: Pollock v. CFCN Productions Limited\(^{12}\); Snow v. The Eaton Centre Ltd.\(^{13}\); Patsalas v. National Ballet of Canada\(^{14}\)

The Copyright Act gives the author the right to restrain any distortion, mutilation, or other modification of his work that would be prejudicial to his honour or reputation.\(^{15}\) In the Pollock case, the plaintiff, a playwright and recipient of the Governor General’s...
In addition, the work may not be used in association with a product, service, cause, or institution that is prejudicial to the reputation of the author and without the author’s permission. For example, Sarah McLachlan demanded that her song “I Will Remember You” be removed from a video that was put together for police-training purposes but which was later made available to the public. McLachlan claimed copyright infringement and asserted that permission would never have been granted because of the “exploitative nature” of the video. The film features aerial images of the Columbine High School in Littleton, Colorado, where two teenagers killed 13 other people and themselves. The song is played while images of the blood-splattered school library are depicted.

Moral rights of authors and artists have been incorporated into the Copyright Act. While the Act prohibits the assignment of moral rights, the author of the work can waive them. Provided the author has not waived these moral rights, the author can seek compensation or obtain an injunction even though someone else owns the copyright. Moral rights exist for the same length of time as copyright and can be passed to the author’s heirs, even when those heirs do not inherit ownership of the copyright itself.

Copyright gives the owner control over the work. No one else can perform, copy, publish, broadcast, translate, or otherwise reproduce the work without the permission of the owner of the copyright. As explained above, this protection extends for the life of the author plus 50 years, with some exceptions. At the expiration of this time, the work becomes part of the public domain and anyone can use it. Note that in the United States the protection period is now for life plus 70 years, which will provide added protection for Canadian works being used in the United States. Refer to MyBusLawLab for further details regarding copyright.

DISCUSSION QUESTION
When dealing with artistic works, how will the courts determine if a modification or performance causes the author of the work irreparable harm? (Note: See section 28.2 [2] of the Copyright Act.)

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2012 Amendments to the Copyright Act

Prior to the passage of the 2012 Copyright Act amendments, several significant Supreme Court of Canada decisions as well as much debate among interested parties took place. These rulings were among the changes incorporated into the Act by the 2012 amendments, but there are several matters that remain the subject of serious debate.

Digital locks, which attempt to secure online content from unauthorized access and use, were not protected prior to the 2012 amendments. Now it is against the law to circumvent access control locks. Software and content distribution companies can now protect what they create and sell. Even where the material is downloaded for personal use, research, or study purposes (which are fair dealing exceptions), the user will be in violation of this provision if he circumvents the locks to gain access. Users must first buy such works before they use them. The new law penalizes commercial infringers by imposing a $20,000 fine per infringement and puts a $5000 cap on fines for an individual who circumvents a lock or shares a prohibited file. A rights holder who notices unauthorized downloading can send a notice to the Internet service provider, who then must forward a notice to its subscriber indicating that they are performing an illegal act. After that notice is served, the Internet service provider is required to provide the offending user’s identity and other information to the copyright holder so that further action can be taken.

The new law is seen as frustrating the right to copy for personal use, so some exceptions are provided to the general rule. Non-commercial users are permitted to use copyrighted content in remixed musical performances, mashup videos (where some copyrighted material is incorporated into a new video), or home movies set to commercial music. This is sometimes referred to as the “YouTube exception.” The user must identify the source of the original, and the result must not substantially affect the commercial value of the underlying work. The Act also clears the way for many formerly illegal activities that have become commonplace, such as time shifting or recording television shows for later viewing, copying for private purposes, transferring content to portable devices, and creating backup copies, provided they don’t override the digital lock if one is present.

FAIR DEALING

The 2012 amendments also broaden the fair dealing exception, expanding the right to use copyrighted work under certain conditions. The Supreme Court of Canada established a standard for fair dealing in CCH Canadian Ltd. v. Law Society of Upper Canada. In that case, a law society library offered a service to lawyers: photocopying reports of court cases to assist them in their research. The publishers of those reports challenged the practice as a breach of copyright, and the matter went to the Supreme Court of Canada. The Court held that, because the publisher added headnotes and other annotated material, this additional material was protected by copyright even though the actual judicial report was not. Still, the Court found that no copyright was infringed, as this was an example of fair dealing exempted under the Act. The Court’s decision has been incorporated into the Act.

The 2012 amendments also added education, satire, and parody to the allowable fair dealing circumstances set out in the Copyright Act (research, private study, news reporting, criticism, and review). There is no infringement of copyright if the copyrighted work is used for any of these purposes, provided the use also meets the

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17 Copyright Modernization Act, supra note 1.
“fairness factors” established by the Court that take into account the purpose, nature, amount, the alternatives, and the effect of the dealing in the work. Thus, the amended Act expands the fair dealing defences, allowing more freely the use of copyrighted materials for educational purposes, parody, and satire without paying royalties.

For education the amended Act sets out a more structured approach to fair dealing, specifying a number of situations in which such fair dealing is allowed. Educational institutions may now reproduce, display, and distribute protected works in any form of media. For example, teachers may copy materials onto blackboards or flipcharts or incorporate materials into exam questions without infringing copyright. But if overhead projection slides have been made available by the publisher, those commercially produced alternatives are to be used. Educators can also record and keep, for a limited period of time, radio, newspaper, and television material. Generally, the exceptions require that students receiving such materials destroy them within a certain period after the course is finished.20

Copyright Infringement

As explained earlier, infringing copyright includes situations where a person tries to obtain a benefit from the sale, reproduction, distribution, performance, broadcast, or other commercial use of the work. Plagiarism (copying another’s work and claiming it as your own) is also a violation of copyright. The moral rights of an author are infringed when someone else asserts authorship21 or if the work is mutilated or modified in such a way that the reputation of the author is harmed. Regardless of who owns the copyright, where moral rights have been infringed the author can seek an injunction or compensation.22

**CASE SUMMARY 13.4**

**Students Are Entitled to Copyright Protection: Boudreau v. Lin**23

Paul Boudreau was a part-time MBA student who was working for a high-tech firm. He wrote a paper for a course based on information gathered at his place of employment and incorporated suggestions from his professor. The professor and a colleague published the paper under a different title with only a few revisions, naming themselves as authors. Boudreau discovered his paper published in a casebook and brought forward an action for copyright infringement against the professor and the university.

The Court found that the student was the author and holder of the copyright. The Court rejected the professor’s claim that the student’s name had been omitted in error. The university was deemed to have knowledge of the infringement, and thus shared liability with its employee. The removal of the student’s name and changed title blocked the professor’s claim of fair dealing. The inclusion of the paper in a casebook defeated the university’s claim that it was for use in private study. Also, the author’s moral rights were infringed because they had interfered with the integrity of the work. The Court noted, “Plagiarism is a form of academic dishonesty which strikes at the heart of our educational system. It is not to be tolerated from the students, and the university has made this quite clear. It follows that it most certainly should not be tolerated from the professors, who should be sterling examples of intellectual rigour and honesty.”

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20. Copyright Modernization Act, supra note 1.
21. See Dolmage v. Erskine, 2003 CanLII 8350 (ON SC), 23 CPR (4th) 495, in which a contract lecturer prepared a case during a school of business case preparation workshop. His moral rights were violated when the case was improperly attributed to others. Damages of $3000 were awarded.
22. Copyright Act, supra note 4, ss. 28.1, 34(2).
24. Ibid., at para. 52.

**DISCUSSION QUESTION**

In the academic environment it is not always clear who can claim copyright. This is especially true where university facilities and grants are involved. But in this case there was no doubt that others had taken credit for the student’s work. So what steps should an author take who wishes to include, within her own work, the written work of another?

From a business perspective the *Boudreau* case raises a troubling issue, namely that of vicarious liability. If an employee infringes the copyright of a third party, will the employer be held vicariously liable? According to Justice Metivier

the University cannot stand idly by while its professors blatantly breach copyright laws. At the very least, the University is a passive participant. As employer of the professor—it is the duty of the University to set policies for the conduct of its employees and to accept responsibility for monitoring, or failing to monitor, the strict observation of these policies and, in this case, of copyright laws.24

Case law both here and in the United States indicates that vicarious liability for infringement of copyright will be imposed.25 In the case brought by MGM against Grokster Ltd., Justice Souter observed that a person “infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it.”26

**REDUCING RISK 13.1**

Should sophisticated employers implement a copyright policy? Will the existence of a policy relieve an employer from liability if its employees infringe copyright while at work?

In light of the fact that vicarious liability is a form of strict liability, even due diligence by the employer will not shield it from liability. So what is the point of implementing a copyright policy? Even if your policy does not exempt you from your employees’ copyright liability, it will help educate those in your enterprise about copyright. In doing so, the policy may lower the occurrences when copyright-protected material is used without permission, and where it is used provides a basis for disciplinary action where appropriate.

**OTHER EXCEPTIONS**

There are a variety of exceptions and specific rules. Laws enacted by the federal government and decisions and reasons for decisions of federal courts and tribunals can be copied without permission and without a fee. Here the only condition is that due diligence be exercised in ensuring that the copy is accurate and is not represented as being an official version. Be careful here; remember that summaries, annotations, and references contained in compilations of these reports that are added by the publisher will be subject to copyright.

Another Supreme Court ruling, discussed in Case Summary 13.1 above, involved photocopying excerpts from textbooks for use in classroom teaching. The Copyright Board found that this was not “fair dealing” under the Act, and the Federal Court of Appeal supported that decision. But this was overturned in the Supreme Court of Canada, and copying for educational purposes has been incorporated into the Act as a separate exception to copyright infringement with specific provisions setting out what is permissible and what is not.

Quotations from the work that are not extensive and are attributed to the author do not amount to an infringement of copyright. Even where fair dealing applies in

24. Ibid., at para. 52.
the case of criticism, review, or news reporting, the user is required to give the source and the name of the author, performer, sound recorder, or broadcaster. (Recall that in the Boudreau case the removal of the student’s name was fatal to the professor’s claim of fair dealing.)

Other categories of users to whom exceptions are granted are (1) libraries, archives, and museums; (2) persons with perceptual disabilities; and (3) people making private copies of commercially recorded music or sound recordings. People who have reading or hearing disabilities can make copies to help themselves access the material, for example, by converting the work to Braille. And, interestingly, anyone can make a recording of music tapes, records, and CDs for his own private use. Royalties are charged on blank tapes and other recording media to compensate artists and producers for this exception, but the individuals can’t override any digital locks to do so.

**Remedies**

The remedies normally available in a civil action, including an injunction, are available when a copyright is violated. Sometimes, an interlocutory injunction is given before the actual trial to prevent further damage. This is an interim measure, and a permanent injunction may or may not be granted at trial. Often, the effect of the interim remedy is so devastating to the offender that no further action is needed. To obtain an interlocutory injunction, the plaintiff must establish a prima facie case: (1) that there has been an infringement of copyright; (2) that if the injunction is not granted, irreparable harm will be suffered that could not properly be compensated for by an award of damages at the trial; and (3) that the balance of convenience is also in the plaintiff’s favour. This refers to which side will suffer the greatest damage if the injunction is granted. Where the plaintiff seeks an order to stop a much larger operation from producing and selling a work in which they claim a copyright, it will normally not be granted if the order would cause that larger business more damage than the plaintiff would suffer if the injunction were not granted.

Sometimes a court will make an order, even before trial, that the offending material be seized. This is called an Anton Piller order. Typically, the application is made without notice to the offending party, because the evidence must be seized by surprise before the goods or relevant documentation can be hidden or destroyed. The court will only issue such an order where there is clear and compelling evidence of the infringement of copyright, the danger of significant damage to the plaintiff, and some indication that surprise is needed to protect the evidence. The seizure of the offending works before trial is provided for in the Copyright Act.

One of the most important remedies is the permanent injunction prohibiting the production, sale, or distribution of any of the infringing products. If the defendants were unaware they were violating copyright, the only remedy under the Copyright Act is an injunction. This restriction does not apply, however, if at the date of infringement the copyright was duly registered under the Act. Thus, while registering is not required for copyright protection in Canada, there are significant advantages in doing so. Often sought together with an injunction is a delivery up order, directing the defendant to deliver all copies of the infringing items in her possession or control to the copyright owner.

Where the infringement took place knowingly, damages or an accounting may be obtained. An award of damages is calculated to compensate the victim for the losses suffered, including the lost profits that would have been earned had the copyright not been infringed. An accounting is often given where it would be difficult to determine what actual damages have been suffered. This remedy requires that any profits made from the sale or rental of the offending product be paid over to the victim, even if this amount exceeds the damages suffered by the plaintiff. The court may also award punitive damages in cases of flagrant violation to punish the offender rather than simply to compensate the victim of the infringement. In any case, it must

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27 Supra note 4, s. 38.
be noted that the limitation period in which an action should be commenced is three years. But if the plaintiff did not or could not have reasonably known of the infringement, that limitation period may be extended to three years from the date the plaintiff discovered or ought reasonably to have discovered the infringement rather than the date of infringement.28

The 2012 amendments to the Copyright Act provide a new tool to deal with online infringements. Rights holders can sue any service provider whose primary purpose is to enable online infringers and service providers, including websites, web hosts, or peer-to-peer file-sharing networks. Damages flowing from copyright infringement can be significant. Consider the case commenced by Viacom and Paramount Pictures against YouTube and Google,29 where the plaintiffs were seeking damages in excess of US$1 billion. The plaintiffs alleged that YouTube had harnessed technology to infringe the copyright of writers, composers, and performers on a vast scale without payment or permission. The plaintiffs identified more than 150,000 unauthorized clips of their copyrighted programming on YouTube that had been viewed an astounding 1.5 billion times. Note that at trial the Court determined copyright had not been infringed, but the case does indicate the potential exposure faced by copyright infringers in this digital age.

The Copyright Act also provides a copyright owner with three additional remedies. The first, statutory damages, enables a court to award damages that it “considers just” in the circumstances, with a general limit of between $500 and $20,000. This remedy was introduced to alleviate difficulties encountered in proving the exact losses suffered by the plaintiff or the net gain reaped by the wrongdoer. The newly amended Act dramatically reduces the damages that can be awarded against a non-commercial infringer of copyrighted material, limiting them to a range of $100 to $5000. The second addition is a wide or enhanced injunction. It allows the court to order a wrongdoer to refrain from future infringements of copyright in other works owned by the plaintiff copyright owner. It even applies to works later acquired by that plaintiff. This remedy saves the plaintiff the time and expense of future litigation and can be obtained if the plaintiff shows it is likely the wrongdoer will engage in such future infringements. Finally, summary procedures are more expedient and less expensive than full court trials, since the court can make a decision based on affidavit evidence.

In addition to these civil remedies, the Copyright Act provides for penalties of up to $1 million in fines and five years in jail for the most serious cases. The provisions set out in the Criminal Code, such as those sections prohibiting theft and fraud, may also apply to infringement of copyright cases.30

**CASE SUMMARY 13.5**

**Statutory Damages Available for Copyright Infringements:** *Trout Point Lodge Ltd. v. Handshoe*31

Charles Leary and Vaughn Perret own Trout Point Lodge in Nova Scotia and were the victims of a vicious and unjustifiable attack by Mississippi resident, Douglas Handshoe, in his blog, Slabbed.org. In that blog, Handshoe relentlessly and consistently accused Leary and Perret of various crimes and improper conduct. In 2012 Leary and Perret launched a successful civil action alleging defamation and other torts, but when they sought to enforce the judgment the State Court determined that the Handshoe attacks were protected by the Fifth Amendment of the US Constitution.

28 Ibid., s. 41(1)(b).
31 2014 NSSC 62 (CanLII).
In this unopposed action, further claims of defamation were advanced. In addition, Leary and Perret have included a claim of copyright infringement and a demand for statutory damages. Handshoe included four pictures of Leary and Perret and Trout Point Lodge in his blog accompanying his vitriolic and defamatory statements. The photos were taken by various photographers, but Leary and Perret have acquired the copyright through assignment and sought statutory damages in this action for the Handshoe infringement.

Of interest for us is the application by the Court of section 38.1(1) of the Copyright Act, which allows the parties to claim statutory damages rather than try to establish the actual damages that have been suffered. In addition to other damages for defamation, the judge awarded statutory damages for copyright infringement. The judge took into consideration the fact that Handshoe had ignored a Nova Scotia court order to stop the defamatory activity and found that Handshoe “snubbed his nose” at all judicial officers and institutions of Nova Scotia.” Further, Handshoe’s conduct toward the applicants over the years amounted to “outrageous and highly reprehensible” conduct. The Court also determined that the blog, Slabbed.org, where the photos and defamation took place was a commercial activity that used the attack on Leary and Perret to further Handshoe’s own commercial purposes. Section 38.1(5) of the Copyright Act states that in awarding statutory damages the court must consider all relevant factors, including:

a. the good faith or bad faith of the defendant
b. the conduct of the parties before and during the proceedings
c. the need to deter other infringements of the copyright in question

After considering these factors the damages awarded were $200,000 for each picture (if it had been non-commercial usage, the total maximum would have been only $5000).

The Act further states that the award of statutory damages will not affect the court’s ability to award punitive damages. Accordingly, the Court awarded a further $100,000 in punitive damages and a total of $180,000 for copyright infringement. It is doubtful that the additional $245,000 damages awarded for defamation can be enforced in Mississippi, given the lack of success in enforcing the 2012 award. But it may well be a different result with respect to damages for infringing copyright.

**SMALL BUSINESS PERSPECTIVE**

The case is instructive in that it is the first case where we have a judge quantifying and awarding statutory damages under the newly amended Copyright Act. Given the difficulty in establishing actual loss in such cases, it is likely that there will be many more such cases. Businesspeople should remain diligent to avoid this kind of risk.

**The Copyright Board**

A Copyright Board with broad powers to handle disputes between individuals and to otherwise supervise and regulate the industry was established under the Copyright Act. It arbitrates tariffs if there is a disagreement between a licensing body and another party, it sets levies on blank audio recording devices (CDs, DVDs, and so on), and it reviews and approves fees for public performance or telecommunication of sound recordings. Tariffs are set fees that users must pay for using certain copyrighted material. Criticisms about how the board functions in light of the new legislation may lead to some modification of how the board applies its regulations. Cable companies pay tariffs for permission to transmit programs. Royalties are sums paid as commission for sales of a work or permission to use it. Royalties are paid to musicians when radio stations play their songs. Several collective societies have been created to represent the owners of copyright in licensing arrangements with others and to assist in the collection of tariffs and royalties. A collective may also commence a civil action on behalf of a member seeking compensation for copyright infringement. SOCAN performs this service in the music industry. Access
Copyright (Canadian Copyright Licensing Agency, formerly CANCOPY) serves a similar function in the literary field. Refer to MyBusLawLab for further information concerning the Copyright Board and copyright collective societies.

PATENTS

A patent is a government-granted monopoly that gives only the inventor the right to produce, sell, or otherwise profit from a specific invention. Unlike copyright, patent protection extends to the physical embodiment of the idea or concept. To qualify the invention must be new, in the sense that no one else has been given a patent for it and that it has not been disclosed to the public in Canada or elsewhere more than a year prior to application. This includes disclosure in an academic paper. The invention must also be the original work of the inventor. Thus, a person could not take an invention found in another country and patent it in Canada as his own. The invention must also be unique and distinguishable from other products. It must be a development or improvement that would not have been obvious to others working with the technology involved. It must have some utility or perform some useful function. It must also be possible to construct and use it on the basis of the information supplied to the patent office. This is the problem that caused the Pfizer patent discussed in Case Summary 13.6 to be invalidated.

A new concern for those wanting to protect their patents is 3-D printing machines that allow individuals working on relatively inexpensive equipment to copy physical products or components. The ease of such 3-D printing now poses a similar problem to patent holders as photocopying did to copyright. How do such actions infringe on the rights of the patent holder, and what permission should be required before such copying is allowed? On the other hand, will it be possible to get a patent on objects created by 3-D printing? Is the patent infringed if the printed product is used only for personal, non-commercial use? It is likely that these technological advances will require some major changes to the Patent Act in the near future to catch up.

CASE SUMMARY 13.6

A Patent Must Disclose All Relevant Information: Teva Canada Ltd. v. Pfizer Canada Inc. 32

Pfizer received a patent in 1997 for the successful and profitable drug used to overcome erectile dysfunction known as Viagra. This application was originally brought by Teva to the minister of health to obtain a Notice of Compliance (NOC) allowing them to manufacture a generic version of Viagra. Pfizer brought an application before the Federal Court for an order prohibiting the issuance of the NOC. Teva claimed that the original Pfizer patent was invalid because of obviousness, lack of utility, and insufficient disclosure. With respect to the Pfizer disclosure in the original patent application, they listed several ingredients in the formula for Viagra but failed to disclose that the only effective and active ingredient was sildenafil. It was determined that this was known to the company at the time of the patent application, but they chose to withhold the information. Because of this failure to properly disclose, the Supreme Court of Canada held that the Pfizer patent for Viagra was invalid and overturned the decision of the Federal Court and Federal Court of Appeal. In the process of reaching that decision, Justice Abella stated that the basic function of the Patent Act was to strike a balance between disclosure and protection. In exchange for the disclosure of information, the patent gave the inventor an exclusive monopoly to profit from it for a period of time. Here the inventor

failed to live up to their side of the bargain. They failed to disclose that the active ingredient was sildenafil, and this was fatal to the patent. That failure to disclose invalidated the patent, and Teva was free to manufacture a generic version of the drug.

**SMALL BUSINESS PERSPECTIVE**

This case is instructive in that it underlines the basic purpose of the *Patent Act*: to disclose the nature of an invention to the extent that it would be possible for someone else relying on the information to manufacture that product. The idea is that the more information that is out there, the better it will be for the economy with other inventors stimulated to make advances encouraged by the disclosed information. Here they intentionally hid the essential ingredients of the invention, defeating the very purpose of the Act, and suffered the consequences. Small businesses are even more likely to make this kind of error as they try to protect their intellectual property.

You cannot patent a scientific principle or abstract theory, such as Newton’s discovery of gravity; nor can you patent obvious improvements to other products, inventions designed for illegal purposes, things that cannot work, and things generally covered by copyright law. But a non-obvious improvement on an already existing invention is patentable. It is clear that variations on lower forms of life such as plants and bacteria are patentable, but higher forms of life are not patentable in Canada (see Case Summary 13.7).

**CASE SUMMARY 13.7**

***Mice? Untested Drugs? What Is Patentable?***

*Harvard College v. Canada (Commissioner of Patents)*[^34]; *Apotex v. Wellcome Foundation*[^35]

Does a genetically altered mouse fall within the *Patent Act* definition of an “invention”? Scientists injected an oncogene into the embryo of a mouse, thereby creating a mouse that was susceptible to cancer. Harvard College sought patent protection, fearing others might buy an oncomouse and breed it, undermining its market among cancer researchers. The Federal Court of Appeal surprised many when it declared that higher life forms were patentable. For a patent to be available, the legislation requires that the subject matter be a non-naturally occurring composition of matter arising from the application of inventiveness or ingenuity. Arguably, an oncomouse is not merely the product of the laws of nature. The Supreme Court of Canada held otherwise. The Court stated that the patentability of higher life forms should be left to Parliament. So unless the *Patent Act* is amended, higher life forms cannot be patented in Canada.

In June 2006, the patent office published an office practice notice regarding the patentability of fertilized eggs, stems cells, organs, and tissues. Animals at any stage of development, from fertilized eggs on, are higher life forms and are thus not patentable subject matter under section 2 of the *Patent Act*.

Totipotent stem cells, which have the same potential as fertilized eggs to develop into an entire animal, are considered to be equivalents of fertilized eggs and are thus higher life forms and are not patentable subject matter. Embryonic, multipotent, and pluripotent stem cells, which do not have the potential to develop into an entire animal,

[^33]: *Patent Act*, supra note 2, s. 27(8).
are patentable subject matter. Organs and tissues are not compositions of matter for the purposes of the definition of invention under section 2 of the Patent Act and are therefore not patentable subject matter.36

What about drugs, the effectiveness of which has not yet been tested? In Apotex v. Wellcome Foundation, the Supreme Court articulated the doctrine of “sound prediction,” which allows a patentee to claim subject matter not made or tested in certain circumstances. Notably, there must be a factual basis for the prediction and a sound line of reasoning from which the desired result can be inferred from the factual basis. Proper disclosure is likewise required.

The main issue in this case was whether there was really an “invention.” The drug AZT was a compound initially developed in 1964 to combat cancer. In 1985, scientists presented a sound prediction (educated guess?) in the patent application that AZT would be useful in treating AIDS. The Court held that as long as the “guess” is subsequently demonstrated to work, it will be deemed to have been an invention at the time the patent application was made.

**DISCUSSION QUESTION**

Can you think of other inventions or products where the application for a patent might be challenged?

In Canada, as a general rule, computer programs cannot be patented and are now covered by copyright legislation, but such patents have been granted in the United States and may be available in limited situations in Canada in the future. In the United States, it is possible to patent business methods (BMPs), which creates a patent monopoly on a particular process or model of carrying on business. Canadian firms doing business in the United States or even selling products there could be sued for patent infringement for their activities in Canada where the method used infringes the US patent. US patents have been issued for business methods including distribution models, inventory management, service delivery models, training methods, financial models, and models for sharing information. In the past, the Commissioner of Patents in Canada has refused to grant a patent on a business method, but the Federal Court of Appeal has reversed this position in Canada (Attorney General) v. Amazon.com Inc.37 That case did not go to the Supreme Court of Canada, so until that Court says otherwise business methods should also be patentable in Canada.

**Creation**

Unlike copyright, the patent must be registered before conferring rights on the inventor, so it is vital that a patent be applied for right away. If someone else beats you to it, you will not only lose the right to patent but also be prevented from producing or otherwise using or profiting from the invention. Employers are entitled to patent the inventions of their employees unless they have agreed otherwise, and the holder of a patent can assign that patent to others. Joint patents can be obtained when several people have worked on the same invention. This is another area where it is vital to set out in the contract who has the right to a patent.

The process of obtaining a patent is complex. First, the patent records must be searched to see if a patent already exists, and then an application with supporting documentation and the prescribed fee must be submitted to the appropriate patent office. These documents include a petition, specifications, claims statements, an abstract, and drawings that set out not only what the invention is supposed to do but also enough information so that someone looking at them could build and use

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37. 2011 FCA 328 (CanLII).
the item. The patent office then assigns an examiner, who may require further sub-
misions from the applicant, and when all conditions have been met the patent will
be granted. If there are opposing applications, the patent will be granted to the
person who first made an application. This process is usually handled by a regis-
tered patent agent with both legal and engineering training and may take two or
three years to complete.

Pursuant to international agreements, once a Canadian patent has been granted,
application can be made for patents in other jurisdictions, but priority in those
countries will be based on when the application was first made in Canada. The reverse
is also true, and the Canadian patent office will grant a patent to a foreign applicant
who applies in her own country before the Canadian applicant applies here. There
is a limited period of time after obtaining the Canadian patent to make an applica-
tion for a foreign patent, so this should be done without delay. Recent multilateral
agreements have come into effect accelerating the registration in other jurisdictions
once the process has been completed in the original country of application. (For
further information, refer to MyBusLawLab, where numerous external links on this
topic can be accessed.)

Once the patent has been issued, the patent number should be put on the manu-
factured item to which it applies. The use of “patent pending” has no legal effect,
but the phrase is put on goods to warn that a patent has been applied for. A patent
gives its holder a monopoly for a maximum period of 20 years from the date of applica-
cation, but it requires that the inventor publicly disclose how to make the item in
documents that are open to public inspection. Secrecy is surrendered in exchange
for the 20-year protection, the idea being that others will be stimulated to produce
new inventions because of the disclosure of that information. The granting of the
patent gives the patent holder exclusive rights to manufacture, sell, and profit from
the invention for those 20 years. A patent will even protect someone who merely
develops a variation of the product, providing that variation satisfies the three basic
criteria for patentability: (1) it must be new and original; (2) it must be useful, func-
tional, and operational; and (3) it must be inventive, displaying ingenuity on the
inventor’s part and not simply an obvious improvement.

Because a patent protects the idea rather than its expression, another person
would not be able to produce a simple variation of the product without breaching
the patent. An infringement of patent may take place if an unauthorized person
were to manufacture, import, sell, or otherwise deal with or use the invention. The
patent holder is entitled to the same remedies that would be available in any civil
action, including injunction, damages, and accounting, as discussed under the head-
ing “Copyright.”

CASE SUMMARY 13.8
How Far Should Patent Protection Go? Monsanto Canada
Inc. v. Schmeiser 38

Using genetic engineering, Monsanto developed a specific strain of canola seed that was
resistant to Roundup, a herbicide also produced by Monsanto. Farmers planting
“Roundup Ready Canola” would also use Roundup, which would kill all other plant forms
but leave the modified canola plants unscathed. Monsanto licensed farmers to use its
Roundup Ready Canola for a fee of $15 per acre, and licensees agreed to purchase new
seeds every year and not plant seeds from last year’s crop.

38 (CanLII), [2003] 2 FC 165, 2002 FCA 309 (CanLII), 218 DLR (4th) 31; appeal allowed in part, 2004 SCC 34
Schmeiser did not purchase Roundup Ready Canola but noticed that some of his crop was resistant to Roundup. He collected seeds from that section and planted them the next year, giving his entire crop this resistance to Roundup. Through tests on the canola crop grown on Schmeiser’s farm, Monsanto determined that his plants contained the genetically engineered genes it had developed and sued him for patent infringement. Even though Schmeiser used seeds from plants growing on his field, the Federal Court of Appeal held that he was infringing on the Monsanto patent and ordered an injunction and damages. It didn’t matter how the Roundup Ready Canola had originally gotten on his property or even whether he actually used the herbicide Roundup to take advantage of it.

Schmeiser appealed to the Supreme Court of Canada, but was only partially successful. While the Supreme Court confirmed that the farmer, by collecting, saving, and planting the seeds, infringed the Patent Act, it also found that the trial judge erred by awarding an amount for improper profits (as Schmeiser did not make any greater profit as a result of planting Roundup Ready rather than ordinary canola). In essence, the Court confirmed that one can patent genetically altered plant forms. It also warned plaintiffs that if an accounting for improper profits is sought as the remedy, an award will only be made if improper profits are actually made.

Note that a similar case happened in Australia where one farmer growing canola organically (Farmer A) was located beside a farmer (Farmer B) who used genetically modified canola resistant to Roundup. Because of heavy wind during harvest some of the genetically modified seeds escaped and contaminated the field of Farmer A. Because of this contamination that farmer lost his certification for an organically grown crop. He sued, claiming among other things negligence and nuisance. The Supreme Court of Australia found against him, determining that there was no negligence on the part of Farmer B and that because there was no evidence that the genetically modified seeds were in any way harmful there was no damage. If any damage did take place it was purely economic and was not actionable. They observed that the standards imposed by the certification authority were too stringent, and if anyone was negligent it was that organization.39

Note that the Monsanto decision significantly expands the concept of patent infringement. Whereas in the Harvard College case regarding the oncomouse (Case Summary 13.7) the Supreme Court held that higher life forms were not patentable, in Monsanto the Court held that the unlicensed cultivation of plants containing a patented gene infringed the patent. Thus, so long as the gene or cell is patented, use of the organism in which the gene or cell is contained can constitute violation of the patent, arguably accomplishing indirectly what couldn’t be done directly.

Often, the holder of the patent does not have the resources to manufacture or otherwise exploit the invention and will license its manufacture to another company. Where an important invention is involved, there is provision for compulsory licences to be granted by the Commissioner of Patents with the payment of royalties, even over the objections of the inventor.

A 1987 amendment to the Patent Act gave drug manufacturers more control over the production and sale of their products. This was aimed at preventing competitors from capitalizing on the research and development of those manufacturers and producing much cheaper “generic drugs.” A Patented Medicine Prices Review Board was also established with broad powers, including the power to reduce the sales price of patented medicines. Pharmaceuticals obtained increased patent protection, with exclusive control extended to 20 years.40 However, in 2005, Bill C-9 (known as the Jean Chrétien Pledge to Africa [JCPA]) came into force. It facilitates

39 Marsh v Baxter [2014] WASC 187 Supreme Court of Western Australia.
access to pharmaceuticals in the developing world, to address public health problems, especially those resulting from HIV/AIDS, tuberculosis, malaria, and other epidemics. In September 2007, Apotex Inc., a generic drug manufacturer, was granted authorization under Canada’s Access to Medicines Regime to manufacture a pharmaceutical product used in the treatment of HIV/AIDS for export to Rwanda. See links on MyBusLawLab for further details.

The Patent Act is a very old statute and is hard pressed to adequately deal with modern advancements in technology. Former Supreme Court of Canada Justice Binnie described the process of dealing with new science in the old Act as putting “new wine in very old bottles.”

Sophisticated clients should take great care to protect their intellectual property. Whether a process or product is developed by an independent contractor, a consultant, or an employee, a provision in the contract creating that relationship should designate who is entitled to the patent, copyright, or other form of intellectual property developed. Otherwise, when the relationship ends it is quite possible to find that process being given to and used by a competitor. Equally important is the need to ensure that one is not infringing the copyright or patent held by another. Research In Motion (RIM) agreed to pay US$612.5 million to settle its BlackBerry patent dispute with NTP. The US Court of Appeal for the Federal Circuit had earlier declared that RIM infringed upon US patents owned by NTP even though RIM located its equipment and performed its activities in Canada. The case leads Canadian businesses to ask: To what degree are Canadian companies exposed to liability if ecommerce or business method patents issued in the United States are infringed? Could one be infringing a foreign patent if serving a foreign customer over the Internet?

TRADemarks

A trademark is any term, symbol, design, or combination of these that identifies a business service or product and distinguishes it from a competitor. A trademark identifies the source or manufacturer of the goods rather than the product itself. Registered trademarks are protected by the federal Trade-marks Act. Examples of protected trademarks are such words as “Kodak” and “Xerox”; symbols such as the arm and hammer used on that company’s baking soda box; combinations of words and symbols such as the Apple logo on computers; and even the distinctive design of a product’s container such as the Coca-Cola bottle. The Apple logo, the Nike swoosh, and the McDonald’s arches are memorable examples of symbols that quickly and positively identify brands. Trademarks also include the special marks used by some organizations, such as the Canadian Standards Association, to indicate quality or certification.

A major area of confrontation involves the use of trademarks on the Internet. Brand names and company logos are important company assets and have become even more important as they continually flash across a computer screen. Keeping them in the conscious or subconscious mind of the web browser is a key marketing tool. These assets are protected by trademark, and unauthorized use of a name or mark is prohibited. The posting of material on a website invites viewing, so merely...
accessing such sites does not violate the trademark. Communication by itself is not an infringement, but when the viewer downloads the visual or sound sequence and prints it, creates a link, or otherwise uses it to enhance her own website without permission an actionable infringement has taken place. While people thought the freewheeling nature of the web allowed them to use information in any way they wanted, it is now clear that the traditional rules of trademark and copyright law apply. As always, the problem is with enforcement.

The ease with which people can transfer material from one website to another—or link to other websites, even bypassing that website’s home page—is also a cause for concern. Information on the linked site may be connected, in the viewer’s mind, to the host site.

A business may be worth more than the total of its tangible assets. Its reputation, ongoing relations with customers, and product identification, collectively known as its goodwill, also have value. The name and trademarks associated with the business largely embody that goodwill. The object of trademarks is to protect the value of the goodwill and prevent other parties from misleading the public by using the trademarked words or symbols for their own purposes. Ultimately, businesses seek to prevent the trademark’s value from being diminished through association with other, usually inferior, products.

For a trademark to be protected under the Act it must be registered. As part of the registration process it is published in the Trade-marks Journal, and if any parties believe that it does not qualify they can oppose the registration. Once registered, the trademark gives its owner an exclusive right to use it throughout Canada for 15 years (renewable). The registration also establishes a presumption of ownership so that in an action for infringement, a defendant claiming otherwise must produce strong evidence to that effect. (Using a trademark for a certain length of time can establish your ownership through common law, but use of an unregistered trademark can lead to lengthy litigation.)

Recent changes included in the government omnibus Bill C-31 (Economic Action Plan 2014) will, when the accompanying legislative changes come into force, impact the trademark law in three ways. First, it brings the Canadian trademark law in line with international treaties, which means that Canadian applicants will have to meet more stringent classification requirements and they will have to renew the registration every 10 years. Second, and most significantly, the registrant will no longer need to state that the mark has been used in Canada or that there is an intention to use it in Canada. While this simplifies the registration process, it means that anyone can register a mark even when it has been used or is being used by someone else. The only recourse would be for the original or legitimate user to take steps to oppose the registration, incurring costs in the process. Third, the Bill will also remove the hyphen so that the Trade-marks Act becomes the Trademarks Act.

A trademark can be any word, design, symbol, or packaging that distinctively identifies a business or product. It cannot be obscene or scandalous, but the prohibition of registering sounds as trademarks has recently been changed. Colour, at least at the present time, also cannot be registered, although a colour may be part of the trademark. Nor can it be anything that resembles the insignia, crests, or other symbols of royalty; the government or government agencies (such as the RCMP); service organizations (such as the Red Cross); or even names, portraits, or signatures of individuals (without their consent). There is also a prohibition against using any marks, symbols, or designs that resemble a well-known one, which would cause confusion with the products or services of that other body.

So what about “knock-offs”? Who is to stop a person from imitating another’s product? Evidently, it is up to the party aggrieved by the imitator to take legal action.

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47 The Canadian Intellectual Property office has reversed its opposition and is now inviting registration of sound trademarks. (See the practice notice issued by the registrar on March 28, 2012, at www.ic.gc.ca/eic/site/cipointernet-internettopic.nsf/eng/wr03439.html.)
See, for example, *Hermès Canada Inc. v. Henry High Class Kelly Retail Store.* Hermès was in the process of applying for a trademark for its bags when it discovered a store selling imitation Hermès-style purses. Hermès was successful in obtaining an injunction in this passing-off situation.

### CASE SUMMARY 13.9

**What’s in a Name? Louis Vuitton Malletier S.A. v. Singga Enterprises (Canada) Inc.**

On several occasions in 2008 and 2009, representatives of the plaintiffs and investigators hired by them attended the Singga warehouse in British Columbia and another in Alberta and found a number of counterfeit handbags and other products bearing the Louis Vuitton trademarks and other trademarks that were confusingly similar. Several infringing products were purchased, and more were subsequently ordered and received. There was also a website where similar infringing products were offered for sale and were ordered and received. These products were either look-alike products bearing the Louis Vuitton trademark or one similar, or were actual counterfeits with patterns infringing the Louis Vuitton copyright.

Orders were also placed and received from the Altec warehouse in Toronto for even greater numbers of similarly infringing products. The same process was followed dealing with Burberry products, with similar proof of substantial infringement established. The defendants in this action are the corporations involved and the principals of those corporations. Follow-up investigations determined that these parties were continuing to sell infringing products in 2010. Note that the defendant, Go, operated a retail store that was also involved in selling products infringing both the Louis Vuitton and Burberry trademarks.

After a summary trial, the Court was satisfied that the plaintiffs had established there had been an infringement of the Louis Vuitton trademark and copyright as well as the Burberry trademark. This infringement took place through the importation, manufacture, advertisement, and sale of the offending products. The Court determined that the public had been misled by this offending conduct and that several sections of the Trade-marks and Copyright Acts had been infringed and the reputation of the plaintiffs seriously damaged.

The Court ordered first that any inventory of the offending goods be delivered up to be destroyed and issued an injunction requiring that the infringing conduct must end. In addition, the Court ordered damages against the defendants totalling $1,872,000, plus punitive damages for a further $500,000, as well as prejudgment interest and costs.

**SMALL BUSINESS PERSPECTIVE**

This case is a good example of how much trouble an unsophisticated small businessperson can get into by ignoring trademark and copyright restrictions. Here, all parties knew they were doing wrong and continued to ignore the law and paid the consequences. Where there is any doubt, a wise businessperson can check the trademarks database. The Canadian Trade-marks Database can be accessed online at www.cipo.ic.gc.ca/app/opic-cipo/trdmrks/srch/bscSrch.do?lang=eng.

Normally, simple surnames cannot be registered, so people can use their own surnames in their business without fear of violation. Only where the name has become associated with another product (such as McDonald’s hamburgers,

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48. 2004 BCSC 1694 (CanLII), 37 CPR (4th) 244.  
49. 2011 FC 776 (CanLII).
Campbell’s soup, or Coach handbags) will the applicant run into problems. Traditionally, a word that is descriptive of what the product is used for, such as “food” or “cleaner,” cannot constitute the trademark because it does not distinguish the product. Like a surname, a domain name identifies the user, but because of their descriptive nature, domain names have been subject to considerable abuse. This has led to numerous conflicts over the acquisition and use of the same or a similar name. To make matters worse, cybersquatters (users who buy up certain names just to sell them to others) have tied up domain names that a browser would associate with well-known companies. For example, shortly after Vancouver was granted the 2010 Olympic Games, several domain names (including www.2010-wintergames.com and www.Vancouver2010-Olympicgames.com) were registered and put up for sale on eBay. The organizing committee commenced legal action to protect the domain names, to which they claimed a right. It is important to remember that the registration of domain names and their use on the Internet will not overrule trademark law. In other words, where trademarks are infringed, it will be no defence to show that one registered a domain name first. This is another example of the Internet being subject to general legal principles and statutes.

Domain name disputes are often solved by trademark law

REDUCING RISK 13.3

Private companies, such as Network Solutions Inc., have been given the responsibility of issuing domain names to applicants on a first-come, first-served basis. A helpful article, “How to Get and Register Domain Names,” is available from About.com: Small Business Canada. To facilitate browsing, these names should be closely related to the product or service provided, with the attendant danger that competitors will acquire the name or a similar one first and will divert browsers to their own site. One of the first things a sophisticated client should do in establishing a business is to apply not only for trademark registration but also for all variations of domain names that are likely to be associated with one’s service, product, or website.

CASE SUMMARY 13.10

Bad Faith Established with Demand for Money: Google Inc. v. Fraser

This dispute was resolved under the CIRA Domain Name Dispute Resolution Policy. Google Inc. announced its “froogle” services and “froogle.com” website in December 2002. Coincidentally, the very next day Fraser registered the domain name “froogle.ca.” It was not until months later that Fraser activated a froogle.ca website containing recipes. Nonetheless, she claimed that her domain name had nothing to do with Google’s activities. Google Inc. contacted Fraser and advised that legal action would be taken; it alleged bad faith on Fraser’s part in registering the domain name. Fraser retorted that she had acted in good faith, but that she was willing to sell the domain name to Google Inc. for $25,000. By requesting money from the complainant for the transfer of the registration, it was inferred that the purpose of registering the domain name in the first place was to extort monies from Google Inc. Bad faith was established. Consequently, the domain name was directed to be transferred to the complainant.

50 Susan Ward, “How to Get and Register a Domain Name,” About Money, http://sbinfocanada.about.com/od/domainregistration/a/domainname.htm. A list of certified companies issuing such domain names is available through the Canadian Internet Registration Authority at www.cira.ca.

51 (2005), 42 C.P.R. (4th) 560 (CIRA).
A prudent businessperson must take steps to secure appropriate domain names in a timely fashion. Failure to act quickly may mean that one will have to bring costly legal proceedings alleging "passing-off" or "bad faith" by those deliberately registering confusingly similar domain names to protect one’s presence in the marketplace.

A trademark cannot be a functional aspect of the design of the product. For example, the studs on the tops of LEGO blocks are functional in that they are used to connect one block to another. Because they were functional rather than a distinctive mark, the Supreme Court of Canada refused to recognize them as an unregistered trademark. LEGO's manufacturer had held a patent for LEGO construction sets. Those patents expired and Ritvik, a Canadian toy manufacturer, began selling toy bricks (Micro Mega Bloks) that were interchangeable with LEGO’s product. Justice Lebel clarified that “despite its connection with a product, a mark must not be confused with the product—it is something else, a symbol of a connection between a source of a product and the product itself.”

One cannot trademark the product itself; to do so would be akin to granting a perpetual patent. Trademarks can lose their status through common use. Aspirin, trampoline, kleenex, and linoleum are examples of terms that have lost their unique status because people use them to describe the general type of product. When a trademark becomes generic it can be a two-edged sword. Initially it has the effect of making the product name very valuable since it is so well known. This is especially valuable for a small growing company. However, as it becomes the common generic term applied to that type of product, including those of competitors, it usually results in not only a loss of value for the original product, but also the loss of the ability of the original rights holder to protect those rights. An example is Twitter Inc. when they did their initial public offering. In the documents filed with the US Securities and Exchange Commission they noted the value of their name and the term “tweet” becoming commonly used, but also stated the danger of it becoming generic and being used with reference to similar competing websites. They noted that this risk, if realized, would cause a devaluation of their shares.

Applying for trademark registration is a complicated process requiring the services of an expert, and once registered, a trademark must be used. Failure to do so can result in the loss of the trademark through abandonment. Also, whenever the trademark appears it should be marked with the symbol “®” (indicating that the trademark has been registered). An unregistered trademark can be marked with “TM.”

The object of trademark protection is to preserve the value of the goodwill associated with it by preventing someone from using the mark to mislead others into thinking they are dealing with the owner of the trademark when they are not. To enforce that right, the plaintiff must show not only that he is the owner of the trademark, but also that the public would likely be confused by the wrongful use of the trademark, causing damage to the plaintiff. This process would be both facilitated and made more complex if Bill C-31 passes.

If the action to protect a trademark is successful, the types of civil remedies available are the standard ones discussed under copyrights and patents. An effective remedy in the appropriate circumstances is an order giving the owner of the trademark custody of the offending goods. An action can be brought in the Federal Court when the infringed trademark has been properly registered under the Act, but it may be

52 A purely functional design cannot be the basis of a trademark. See Kirkbi AG v. Ritvik Holdings Inc., 2005 SCC 65 (CanLII), [2005] 3 SCR 302, 259 DLR (4th) 577.
53 Ibid.
more effective to bring the matter before the appropriate provincial court. Such courts are not limited to enforcing the statute (as is the Federal Court) but may rely on common law principles as well.

**CASE SUMMARY 13.11**

**If a Trademark Confuses the Public It May Be an Infringement: BBM Canada v. Research In Motion Limited\(^5\); Reynolds Presto Products Inc. v. P.R.S. Mediterranean Ltd.\(^6\)**

The Bureau of Broadcast Measurement provides impartial services to the broadcast industry related to statistical analysis and data collection. These services were not provided or offered to the public and involve no media advertising. The name was changed to BBM Canada, and several trademarks were registered using the BBM Canada name. They also own the registered domain name bbm.ca. These services had been in place for years before RIM started promoting their BlackBerry wireless handheld device, software, and services using BBM (standing for BlackBerry Messenger) in its promotional activities and advertising. BBM Canada brought this application to stop RIM’s infringement of their trademark.

In deciding that there was no infringement the Court looked at the degree of confusion that would be caused by both parties using the BBM acronym. Since BBM Canada offered services only to the broadcast industry and had been doing so for some time, and there was no advertising to the public, there was no likelihood that RIM’s use of BBM would be confused with BBM Canada. The application was dismissed, and RIM was free to continue to use BBM in marketing the BlackBerry Messenger product. (Note that BBM Canada has since changed their name to Numeris.)

On the other hand, in the Reynolds Presto case Reynolds manufactured a honeycomb-shaped polyethylene product using the GEOWEB name. The product was used to stabilize ground and keep it from eroding. When P.R.S. Mediterranean started manufacturing a similar product used for the same purpose in the same market called NEOWEB an application was brought by Reynolds Presto to strike out the NEOWEB entry in the trademark registry. That application was refused, and Reynolds appealed. The Federal Court of Appeal found in their favour. Both companies were in the same business offering the same services. Only one letter of the names used was different, with the N in NEOWEB likely to lead people to think that it was simply a new version of GEOWEB. Because of this the use of NEOWEB would likely cause confusion in the mind of the public and the NEOWEB trademark was struck out.

**SMALL BUSINESS PERSPECTIVE**

These two cases illustrate when the court will determine infringement of a trademark. The most important factor is whether the use of the trademark will likely cause the public to confuse the trademarks with respect to whose product is being promoted. This principle should guide all businesspeople, especially those involved in marketing products and services where trademarks may be involved.

**Passing-off**

In addition to the federal *Trade-marks Act*, this area is also covered by common law in the form of a passing-off action. A passing-off action is founded in tort law and prevents a person from misleading the public into thinking it is dealing with some

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\(^5\) 2012 FC 666 (CanLII).

\(^6\) 2013 FCA 119 (CanLII).
other business or person when it is not. The court can order compensation be paid or that the offending conduct stop. This remedy is available even when an unregistered trademark is involved.

For a passing-off action to succeed, it is necessary to establish that the public was likely to be misled. The plaintiff must show that its mark, name, or other feature associated with its business was used by the offending party in association with its own operation, causing confusion in the minds of the public. It would be an actionable passing-off for an independent hamburger stand operator to put golden arches in front of her place of business so that people would assume it was part of the McDonald’s chain. But if a person were to use an attractive logo developed by someone else who had not yet registered or used it in association with any business, a passing-off action would not succeed because the logo had not become associated with any business and, therefore, the public could not be misled. Finally, the onus is on the plaintiff to establish that actual or potential damage was caused. Note, however, that if the defendant has registered a trademark, it may operate as a complete defence to a passing-off action.57

### CASE SUMMARY 13.12

**Failure to Use Trademark Fatal: Scott Paper Limited v. Smart & Biggar.**58

Scott Paper had not used the trademark “Vanity” for 13 years when, in response to a request from others wanting to use it, the registrar of trademarks served notice requiring information as to when it had last been used and for an explanation. Scott Paper responded with no explanation as to why it had not been used for the prior 13 years; rather, they stated that there were definite plans to use the trademark in the near future and, in fact, at the time of the hearing sales on a new line of products under that name had begun. With no explanation forthcoming, the hearing officer concluded that their failure to use it “was the result of a deliberate and voluntary decision of the registered owner.”

In effect, they had no excuse for their failure to use the trademark over the last 13 years, but because they had plans to use it they argued that their rights in the trademark should be preserved. The hearing officer agreed, finding that this intention was sufficient to qualify as special circumstances within the Act and continued Scott Paper’s right to the trademark “Vanity.” That decision was appealed to the Federal Court, and Justice Strayer found that a plan to use the mark in the future did not excuse their failure to use it in the past and overturned the hearing officer’s decision to preserve Scott Paper’s right in the trademark. The matter was further appealed to the Federal Court of Appeal, which upheld that decision in dismissing the appeal, noting the aptness of Justice Strayer’s statement: “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?”

**SMALL BUSINESS PERSPECTIVE**

A sophisticated businessperson must remember that when a trademark is developed and registered, it must be used.

### Industrial Designs and Integrated Circuit Topography

Two other federal acts protect intellectual property. Through registration under the federal *Industrial Design Act*59 an inventor can protect a unique design, shape, or pattern that distinguishes a manufactured article, such as the Coca-Cola bottle.

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59. Supra note 3.
Registration is particularly important, because unlike trademark and copyright protection, there is no legal protection against imitation unless an industrial design is registered. Registration must take place within one year of the design being published, and items (or their labels or packaging) should be marked with the capital letter “D” enclosed in a circle followed by the proprietor’s name or an abbreviation thereof. Damages are available for infringement if the design is marked; otherwise, only an injunction forbidding others from using the design is available. The Act gives the proprietor protection for a period of up to 10 years, but unless a maintenance fee is paid within five years from the date of registration, the protection expires after five years.

The Act is intended to protect attractive and distinctive patterns or shapes as opposed to useful ones. For example, in the *Benchmade Furniture* case, a uniquely designed sofa was protected by an industrial design registration. As with copyrights, patents, and trademarks, the product involved must be original and not a copy of some product already on the market. Industrial designs can also be assigned to others, or licences allowing usage can be granted, typically for a fee.

The *Integrated Circuit Topography Act*, on the other hand is specifically intended to protect the 3-D design of integrated circuits. These are at the heart of most products manufactured in our increasingly digitized world, and proper registration assures the registrant against copying for a period of 10 years in this and other countries. Remedies available against infringers include, in addition to damages and injunction, the payment of royalties, punitive damages, and the seizure and destruction of the offending product. Registration takes place through the appropriate division of the Canadian Intellectual Property Office.

**REDUCING RISK 13.4**

Intellectual property is fast becoming the most important asset of many businesses, yet many businesses fail to properly protect or exploit these assets. The right to use such resources can also be abused. A party who recognizes the value a name, a domain name, a logo, or a concept might have for an established business might be tempted to register it himself if he discovers that registration has been overlooked. He may then attempt to sell the rights to use the name, domain name, logo, or concept back to the business for a price. A business’s exclusive right to a logo can also be lost through lack of use or not exercising proper control over its use. It is vital that sophisticated clients turn their attention to their intellectual property resources, determining the extent of those resources and taking steps to protect and benefit from them.

**CONFIDENTIAL INFORMATION**

Confidential information is given in circumstances where it is clear that the information is intended to remain confidential and not be disclosed. In business, it may be necessary that insiders, such as managers, investors, and employees, as well as outsiders, such as contractors, consultants, and suppliers, keep confidences. The disclosure of confidential information can prove as devastating to a company as interference with other forms of intellectual property, so its protection is a vital concern of business. For example, keeping confidential the fact that a manager or key employee in a business is terminally ill might be vitally important to a business with shares selling on the stock exchange. For information to be confidential it must not be generally known and must not already be disclosed to others.

In fiduciary and other trust relationships, there is a common law duty not to disclose such information or to use it for personal benefit. Such a duty usually arises because of a special relationship, such as that between a principal and agent, between

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61. Supra note 2.
partners, in some cases between employer and employee or contractor,\(^{62}\) between business and consultant, or between officers and their corporation. The duty not to disclose or misuse confidential information is not restricted to fiduciary relationships. It can also arise in other situations, for example, pursuant to express or implied contracts between the parties.

CASE SUMMARY 13.13

Ordinary Ex-Employees Free to Compete: 
Boehmer Box L.P. v. Ellis Packaging Limited\(^{63}\)

Kurt Harfst was employed as a senior sales account executive and Ralph Spittal as a sales representative when they left their employment with Boehmer Box L.P. and went to work for a direct competitor. Despite their titles, both were simply highly paid salespersons with no management responsibility. Boehmer was in the business of manufacturing cardboard boxes for the grocery industry, and these employees had important information about marketing and its customers. Boehmer had obtained an interim injunction restraining them from soliciting any of their customers and from misusing any confidential information obtained while at Boehmer. This action involved an application from Boehmer to continue that injunction.

The Court refused to continue the injunction. Although these employees were highly paid, it was because of their skill in dealing with customers, not because they had any management responsibility. It is true that management employees after leaving their employ may continue to have a fiduciary duty not to compete, but ordinary employees have no such duty. They do have a duty not to disclose any confidential information they may have learned while there, but there was no evidence before the Court that they had made any such disclosure. They had in fact returned any documents that may have contained such information, such as customer lists, to Boehmer. They did declare their intention of soliciting the former customers they serviced at Boehmer, and since they were no longer employed there they were free to do so for their new employer. In the absence of a restrictive covenant preventing them from doing so, these former employees were free to directly compete with their former employer and solicit any of their customers.

SMALL BUSINESS PERSPECTIVE

A careful employer with important employees would be wise to include a restrictive covenant in their employment contract so that this kind of problem is avoided. Note that the result in this case may have been different if the two employees had been the “exclusive face” of the company when dealing with customers, but they were not. After they had made the sale, others in the company supplied the service to the customer.

One of the most significant legal settlements in Canada arose out of such a duty by LAC Minerals Ltd. not to use information obtained in confidence from International Corona Resources Ltd.\(^{64}\) Essentially, Corona had obtained land claims in the Hemlo district of northwestern Ontario. Representatives of LAC entered into discussions with representatives of Corona with the prospect of a joint venture or partnership. In the process, information was given in confidence to LAC to the effect that Corona did not own the surrounding gold claims but was in the process of negotiating for them.

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\(^{62}\) Gertz v. Meda Ltd., 2002 CanLII 49608 (ON SC), 16 CCEL (3d) 79, involves the duties of an employee. In this case, the information in question was found not to be confidential, no fiduciary duty was found to exist, and since no confidentiality agreement existed, no liability was imposed.

\(^{63}\) 2007 CanLII 14619 (ON SC).

When negotiations broke down between LAC and Corona, LAC independently purchased the surrounding claims and made huge profits from the resulting mines. The Court held that LAC violated its duty (which arose as a result of the special circumstances in which it was obtained) not to disclose or use the information for its own benefit. A trust relationship had been established; the information gained because of it was intended to remain confidential. When the information was used for LAC’s gain at Corona’s expense, the duty of confidentiality was breached. In that case, the courts found that the duty to keep information confidential arose when information was disclosed in circumstances that showed it was to remain confidential. The unauthorized use of that information was a breach of that duty of confidentiality.

**Trade Secrets**

A trade secret is a particular kind of confidential information that gives a businessperson a competitive advantage. Customer lists, formulas, processes, patterns, jigs, and other unique features unknown to competitors are trade secrets. Successful actions for the wrongful disclosure of trade secrets have been brought in such varied matters as recipes for fried chicken and soft drinks, formulas for rat poison, methods to flavour mouthwash, processes for making orchestral cymbals, and even the techniques prescribed in a seminar to help people quit smoking. A trade secret has the additional requirement that it be valuable to the business and not readily available to any other user or manufacturer. Customer lists available through government publication cannot be classed as trade secrets, nor can a process involved in the manufacturing of a product that is plainly discoverable simply by examining or disassembling the product.

It is the conveying of the private information that is wrongful. There is no proprietary right in the idea or information itself. If Deng operated a company manufacturing tiddlywinks and had a secret process by which they could be produced more cost effectively, which she failed to patent, and one of Deng’s employees were to give that information to a competitor, it would be a wrongful disclosure of a trade secret. But if the competitor were to develop the same or a similar procedure independently, Deng would have no complaint since she has no proprietary right in the idea or process.

While an employee may be required, either expressly in the employment contract or by implication, not to disclose trade secrets and confidential information that he acquires in the process of employment, the employee can use the general skills and knowledge he gains on the job in another employment situation. An employee working in a guitar-manufacturing factory who acquires the skills of a luthier would not be expected to refrain from using any of those skills if he were to work for another manufacturer. However, specific processes or jigs used to make guitars might qualify as a trade secret, and these he could not use in his new employment. It is sometimes difficult to draw the line, and in such circumstances it would be wise for the first manufacturer to include a restrictive covenant in the employment contract (a non-competition clause).

Although the courts are reluctant to enforce such covenants against employees, if the covenant is reasonable it may be enforceable, discouraging an employee from seeking subsequent employment with a competitor. In any case, it is good policy to specifically include in the employment contract prohibitions and consequences dealing with the disclosure of confidential information and other forms of intellectual property of the employer. Consultants and independent contractors should also be required to sign such an agreement. The owner of secret information can best maintain its confidentiality by informing the employee or other confidant that she is in a position of confidence and is expected to keep the information private. A person cannot be expected to keep a confidence that she doesn’t know is secret.

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A person cannot be accused of wrongful disclosure of information if it has been widely distributed and is no longer confidential. While Canada’s law related to trade secrets is founded on common law and equity, in some parts of the United States statutes have been passed to govern this area. Whenever foreign jurisdictions are involved, care should be taken to be aware of and comply with the appropriate statutes.

**Remedies**

Where someone wrongfully discloses information causing harm, the remedies of injunction, damages, and accounting may be available. The court, however, is reluctant to grant an injunction that will prevent an employee from earning a living, unless it is clear that the injunction is necessary to prevent the disclosure of confidential information. This usually happens when the employee goes to work for a competitor. Damages or an accounting are also available when confidences have been breached in this way. Even punitive damages have been awarded.

Contract and tort law may be used to give increased protection to the various forms of intellectual property. Non-disclosure provisions in employment and service agreements will provide grounds for remedies such as dismissal, damages, accounting, or an injunction in the event of breach. While it may not be worth the trouble to seek damages from an employee, when the employee has been enticed away or persuaded to disclose the information to a rival business, the employer can sue the competitor for the tort of inducing breach of contract. To succeed in such an action, the plaintiff is not required to establish malice on the part of the defendant, but it must be clear that the interference was intentional (see Chapter 4).

The confidant who uses the information personally, and possibly the recipient who induces its disclosure, can be sued if confidential information is disclosed or used to the detriment of the owner.

**REDDUCING RISK 13.5**

When sophisticated clients have trade secrets and other forms of confidential information to protect, they should impress upon their employees and those with whom they do business the importance of keeping information confidential. The company should reiterate that duty to keep material confidential in its written contracts with such parties. It may require recipients to sign a non-disclosure statement identifying just what is to be kept confidential. Marking documents as “Confidential” is a good idea, but it should not be taken too far or the notification loses its effect. It is also important to remind employees of their obligations with respect to confidentiality when their employment comes to an end.

**REGULATING INFORMATION TECHNOLOGY**

The enforcement of intellectual property rights has been complicated by the ease with which people can transfer material from one computer to another through website links. Information on the linked site may be connected, in the viewer’s mind, to the host site. This was the problem addressed by the Federal Court in the *Imax Corp. v. Showmax* case, when Showmax promoted the grand opening of their large-format theatre and created a link on their website to the Old Port of Montreal website, which in turn included a link and other information to an Imax theatre located at their site. The Federal Court agreed that this caused confusion by linking the Showmax promotion to the Imax site and granted an interlocutory injunction to Imax.

66. 2000 CanLii 14748 (FC), 182 FTR 180.
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Controls have been introduced to try to stop domain name and other forms of Internet abuses. A person wishing to claim a particular domain name or web address applies to the Domain Name Registry operated by the Canadian Internet Registration Authority (CIRA), which for a small annual fee will issue the name if it is available. If someone else already owns it, the parties can negotiate its purchase; an alternative is to bring an application to reverse the original registration on the basis that this new claimant has a better right to the name. Dispute resolution mechanisms are now in place to resolve these conflicts, and a name issued to one party can be rescinded on the basis that the registration was improper because of bad faith. The CIRA, which handles such disputes in Canada, defines bad faith

67. 2014 BCCA 295 (CanLII).

CASE SUMMARY 13.14

Computer Linking Muddies Jurisdictional Claims: Equustek Solutions Inc. v. Google Inc.67

Equustek produced devices that allowed complicated interactions and communication to take place between industrial equipment made by different manufacturers. Equustek alleged that the defendant in the main action, Morgan Jack and Datalink Technologies Gateways Inc., manufactured a competing product with the help of former employees of Equustek, thus improperly using trade secrets of Equustek. This product is known as GW 100. Further, Equustek alleged that Jack sold Equustek’s products passing them off as their own by covering Equustek’s name and logo on the product. In addition, Equustek alleged that Jack, while advertising Equustek’s products on their website, delivered their own product after an order was received instead of Equustek’s. Note that Jack no longer does business in Vancouver but does business as a virtual company operating through various websites where they advertise and sell their products.

An injunction was issued ordering Jack to refrain from selling the GW 100 and Equustek’s product on any website, but the order was ignored. Google, the respondent in this action, voluntarily removed webpages used by Jack with respect to products sold in Canada but refused to remove Jack’s mother sites from the Google worldwide search process. Since most of Equustek’s products were sold outside Canada, they brought this application for an interim injunction to order Google to remove all Jack’s websites and any reference that includes the GW 100 for sale from Google’s worldwide search engine.

A major problem the BC Court faced was jurisdiction. Google is a California company. Is it subject to a BC court order? The Court determined that since Google advertised in British Columbia and sold products here they were subject to the BC Court’s jurisdiction, and after determining that the balance of convenience was in favour of Equustek the Court issued the order.

DISCUSSION QUESTIONS

Do you think that a large corporation like Google should be subject to this kind of order having extraterritorial effect from a BC Court? Remember that there has been no trial of the main issues, only that Equustek was able to show a prima facie case when they obtained an interim injunction. The Court observed that it would be inequitable to force a small company like Equustek to commence litigation in California against such a huge company like Google, which has extensive legal resources. They also noted that Google already had resources in place allowing them to easily comply with the order. Do you agree that this should justify the order?
as obtaining the name to resell at a profit, to prevent someone who has a greater right from using it, or to disrupt another’s business.\textsuperscript{68}

The \textit{Personal Information Protection and Electronic Documents Act} (\textbf{PIPEDA})\textsuperscript{69} necessitated that the CIRA introduce a new privacy policy in 2008, protecting the rights of domain name registrants. Under the new policy, the personal information of individual (as opposed to corporate) domain name registrants, including registrant name, home address, phone number, and email address, is now protected. Exceptions, however, do exist, allowing contact information to be disclosed in situations arising from child endangerment offences, intellectual property disputes (e.g., cybersquatting), threats to the Internet, and identity theft. These rules attempt to strike a balance between privacy and disclosure, but trademark holders may find these new rules an obstacle, making it more difficult to effectively protect intellectual property rights.

\subsection*{Protecting Private Information}

Private information about individuals is now subject to widespread abuse because personal data is collected, stored, and shared through online resources. Privacy protection legislation goes some way to ensure that such information is regulated. The \textit{Privacy Act}\textsuperscript{70} protects information held by government institutions, limits its collection, and provides for limited access where appropriate. The more recent \textbf{PIPEDA} covers all areas of federal jurisdiction and the provinces as well, unless they have passed similar legislation. The acts restrict the use of all health-related information, customer lists, consumer purchasing habits, credit and entertainment information, information gathered from websites, subscriptions to magazines and Internet services, or any other personal information held by a company that relates to identifiable individuals. The federal Act requires companies to develop privacy policies that ensure information they hold on their employees and customers is not improperly disclosed to others.

Apart from government regulation, the onus is still primarily on the company or individual to secure confidential information. Information held in databases, whether on paper or stored in a digital cloud or distributed by email, must use all preservation techniques available to protect it from destruction or disclosure, whether intentional or accidental, including backups, encryption devices, digital locks, and anti-virus and anti-malware software. A company must protect not only its employees from the unlawful release of private information, but also access to its confidential records by unscrupulous or careless employees. Banking information, passwords, electronic signatures, and records that disclose identity can be subject to theft and fraud if they are not properly protected. A company can be held criminally responsible or have civil liability if they do not exercise due diligence in this respect.

\subsection*{Additional Challenges}

The massive expansion of the Internet has led to increasing problems of abuse. These problems range from increasing spam and privacy and security concerns to outright fraud. There have been some attempts to impose regulations to deal with these problems, including the changes to the statutes discussed above. A notable addition is Bill C-56, the \textit{Combating Counterfeit Products Act}.\textsuperscript{71} This Bill, in addition to expanding the definition of trademark, creates additional criminal offences, increases penalties, and also expands the powers of those involved in enforcement.

\begin{itemize}
  \item \textsuperscript{68} For more information on the CIRA, go to www.cira.ca, and for the dispute resolution policy, see http://cira.ca/content/cdrp. The approach used by the CIRA to handle disputes is similar to the Uniform Domain Name Dispute Resolution Policy for dot-com domain name disputes, but with some differences.
  \item \textsuperscript{69} S.C. 2000, c-5.
  \item \textsuperscript{70} R.S.C. 1985, c. P-21.
  \item \textsuperscript{71} S.C. 2014, c. 32.
\end{itemize}
Primarily because of the impossibility of enforcement, the Canadian content rules, generally administered by the Canadian Radio-television and Telecommunications Commission, have been temporarily set aside with regard to the Internet. In areas such as gaming and lotteries, however, federal and provincial regulations are applied, and both the originator of the contest and the Internet service provider (ISP) will be held liable if it is found to infringe these regulations. These services are, however, usually provided by companies operating from offshore locations, making enforcement extremely difficult. Although there are several examples of statutes that apply to companies doing business on the Internet, many Internet transactions and communications remain unregulated.

Another major problem is determining who is subject to these controls and who can be held responsible for violations. An Internet-based business can involve many players—including the retailer or business providing the service, the website developers and operators, the ISPs, and even the advertisers, product manufacturers, and deliverers. The *Nexx Online* case serves as an example of an ISP responding to non-legal pressure. A home furnishing company attempted to advertise by sending out bulk emails. This practice was thwarted when its ISP deactivated the company's website after receiving complaints from other users who received the unsolicited emails. When the home furnishing company, claiming irreparable harm, sought an injunction to force the ISP to reinstate the service, the Court refused. It found that the ISP had included a term in the contract restricting this kind of activity. When, after notification, the home furnishing company refused to stop, the ISP acted within its rights by discontinuing the company's account. Today this activity would be controlled by the anti-spam legislation and regulations just recently enacted (Canadian Anti-Spam Legislation, CASL, and the Electronic Commerce Protection Regulations), which essentially require a business to acquire the consent of the recipient before sending them advertising material. It will likely take a combination of government regulation, the application of traditional law, and this kind of self-regulation by the major players to finally strike the appropriate balance in these new and challenging areas of electronic communication.

Determining jurisdiction is a difficult problem with respect to information technology and the Internet. When an abuse has taken place, such as defamation or infringing copyright or trademark, it is often impossible to determine who committed the act or where they are located. Even were the offender can be located, often they are in another country where accountability is difficult to enforce. This has proved especially true with respect to the improper downloading of music, games, and movies. In the past it was difficult to obtain information from the ISP so that such perpetrators could be identified and pursued. Today the courts have shown a willingness to require disclosure of such information, and legislation such as the Copyright Act has been amended to require the disclosure of the identities of those infringing the Act in this way.

From the point of view of someone offering such services, especially gambling and pornography, they may be operating in a jurisdiction where the activity is legal but still be in violation of the law and subject to prosecution because that activity is illegal where they are received or where customers taking advantage of the service reside. Web messages go into every jurisdiction in the world, but it is now generally accepted that there has to be something more than information delivery or mere advertising to give a particular court jurisdiction to hear a complaint. A passive website will usually not create a problem in any particular jurisdiction where it is viewed. There must be a special link or connection or degree of interactivity to have a local court take jurisdiction. Without that special connection, the courts in a particular

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72. 1267623 Ontario Inc. v. Nexx Online, 1999 CanLII 15070 (ON SC), 45 OR (3d) 40.
73. S.C. 2014.
74. SOR/2012-36.
province may refuse to hear a case. This principle has now been incorporated into legislation in several jurisdictions. Still it would be wise for a business providing such services to include a message in their home page statements to the effect that the service is only available where legal and include in any contracts a declaration that the laws of a particular friendly jurisdiction will apply to the transaction. The problem of jurisdiction has become particularly important where goods and services are being sold over the Internet. This subject will be treated in more detail in Chapter 16.

Dispute Resolution

It has been suggested that problems with monitoring the Internet make it a prime area for the use of alternative dispute resolution (ADR) mechanisms, thereby avoiding the bureaucratic red tape that would come with government regulatory bodies. Independent dispute resolution processes have already been used with success. For example, the National Arbitration Forum has been very effective in handling domain name disputes, as has the CIRA, which handles disputes through British Columbia International Commercial Arbitration Centre and Resolution Canada Inc. Also, negotiation and mediation services such as World Intellectual Property Organization (WIPO) or Cybersettle are now available online, offering the same savings in time and money that have characterized the ADR forums discussed in Chapter 3. These services are intended to handle not only domain name disputes, but also all disputes arising from the use of the Internet.

Regulatory Trends

Web users often impose sanctions on each other and report offenders to ISPs or groups who patrol illegal activities on the net. This is one aspect of netiquette and is a form of self-regulation used by applications such as Usenet (which distributes news posted by users, but also enables users to request the removal of a posting). Another example of self-regulation is the code of ethics and standards of practice established by the Canadian Direct Marketing Association, with which its members must comply.

Complete self-regulation is a failed dream, and governments will continue to impose ever more effective regulations. There will be more comprehensive international treaties, leading to a more unified approach to law creation and enforcement. To avoid pitfalls that could be disadvantageous, astute businesspeople need to understand the law with respect to electronic commerce and Internet communication.

Criminal Activity and Other Abuses

In addition to the problems related to the fraudulent uses of electronic technologies and the outright piracy of computer programs, businesses must contend with computer viruses that interfere with the operation of programs and corrupt or destroy data. Hackers can steal telephone services and access confidential or secret information through misuse of the telecommunications systems and computers of other businesses. Outright piracy of computer programs, music, and videos is a huge problem. Other common Internet and computer offences include pornography, theft, gambling, criminal defamation and harassment, pedophilia, hate literature, and other human rights violations.

General Criminal Code provisions such as theft and fraud, specialized provisions prohibiting the unauthorized use of computers (section 342.1), mischief relating to computer data (section 430 [1.1]), and the specific offences included in the

75 For example, BC's Court Jurisdiction and Proceedings Transfer Act, S.B.C. 2003 c. 28, s. 3, 4, and 10.
Copyright Act and Trade-marks Act are used to deal with these problems. R. v. Cheung is a good example of a criminal prosecution under the Competition Act and the Criminal Code. In that case, those charged participated in a telemarketing scheme directed toward US residents in which several misleading and deceptive statements were made about the product being sold, and they also falsely led the customers to believe that a prior business relationship existed between them and the sellers. It is interesting to note that just because the victims of the deceptive marketing scheme were in the United States, this didn’t make it any less of a crime in Canada. Also note that sections 183 and 184 of the Criminal Code prohibiting the interception of private communications apply to the Internet as well as to more traditional methods of communication. But relying on criminal prosecution is not a very reliable way to protect a business from these activities. Matters are made worse by the global nature of the web and other forms of electronic communication and data transfer, which require international cooperation to prosecute. It is hoped that the recommendations made in an international treaty on cybercrime now being implemented in various jurisdictions (Canada signed on in 2005) will eventually lead to much greater control and regulation of electronic communication.

The authorities are to be commended for several successful prosecutions, extending from hackers to numerous child pornography convictions. The most significant breach of US government security, of course, was the WikiLeaks scandal involving disclosure of a huge amount of highly sensitive government information. Julian Assange, the creator of WikiLeaks, was subsequently arrested in the United Kingdom for extradition to Sweden where he faces investigation on sex-related charges. Some say that this is simply a method to get him to a country from which he can be extradited to the United States where he will face serious charges with respect to the WikiLeaks disclosure. When released, still facing extradition to Sweden, he took refuge in the Ecuadorian Embassy where he still remains at the time of writing. His prosecution has been applauded by many, but caused outrage in others. Assange was not the hacker or source of the government leaks; rather, he was the publisher who made that information available on his website. His arrest and extradition (some say persecution) is a matter of considerable controversy, balancing the interests of privacy and security against the interests of freedom of speech and free access to information on the Internet. Many opposed the government response, with some committing crimes themselves in support. For example, Visa and PayPal were hacked and shut down for a period of time because those companies refused to continue to support the WikiLeaks website and operation.

Despite their many successes, law-enforcement agencies are overwhelmed, and businesses cannot count on help from that quarter for effective prevention. Civil litigation is often not much more attractive. Although the person bringing the action is in control of the process, there are still many inherent disadvantages. For example, determining the identity of perpetrators is often impossible, and even then they usually have limited resources, making a civil action a waste of time and money.

**REDUCING RISK 13.6**

Usually, the best solution is a defensive one. Internet technology continues to outstrip the law, and businesses must take active steps to protect their data and their communications. Effective security is vital, but this measure must go further than simply changing passwords frequently. A sophisticated client will use encryption coding of data and other special software to protect against viruses and hackers; these programs also require constant updating.

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76. 2011 ABQB 225 (CanLII).
77. Cristin Schmitz, "Government Plans Massive Expansion of ‘Lawful Access,’” Lawyers Weekly 22 (September 13, 2002). 18. Canada was the first non-European country to sign the Council of Europe’s Cybercrime Treaty Protocol (focusing on Internet hate). This protocol is a side agreement to the larger COE Cybercrime Treaty.
SUMMARY

Intellectual property
- Protected by both federal legislation and common law
- Comparison of the Five Main Types:

<table>
<thead>
<tr>
<th>Type</th>
<th>Copyright</th>
<th>Trademarks</th>
<th>Patents</th>
<th>Industrial Designs</th>
<th>Confidential Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is protected</td>
<td>Original works</td>
<td>Marks used to</td>
<td>Inventions</td>
<td>Shapes and patterns</td>
<td>Trade secrets and other private information</td>
</tr>
<tr>
<td>Registration required</td>
<td>No</td>
<td>Recommended</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A</td>
</tr>
<tr>
<td>Length of protection</td>
<td>Life of author</td>
<td>Renewable, so</td>
<td>20 years</td>
<td>10 years</td>
<td>Indefinitely, if secrecy is maintained</td>
</tr>
<tr>
<td></td>
<td>plus 50 years</td>
<td>long as being used</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Copyright:
  - Protects literary, artistic, dramatic, and musical works, as well as performers’ performances, sound recordings, and communication signals, from being copied or used by unauthorized parties
  - Generally lasts for the author's life to the end of the calendar year, plus 50 years
  - Producing the work creates the copyright
  - Registration ensures international protection
  - Remedies include injunctions, Anton Piller orders, damages, and accounting of profits
  - Copyright Modernization Act changes rules on digital locks, making it illegal to circumvent them
  - The amendments impose new penalties for infringement and requires ISPs to provide notice to and information about infringers
  - Fines for non-commercial infringers have been reduced
  - Fair dealing rules expanded to include education, satire, and parody
  - Fairness factors are established by court decisions

- Patents: Registration gives international monopoly protection on the use of an invention for 20 years
- Trademarks: Registration protects certain terms, symbols, and designs associated with a business or product; prevents deception of consumer; and protects goodwill. Passing-off action may provide similar protection
- Industrial designs: Visual appeal of an object is protected by federal legislation
- Confidential information:
  - Trade secrets and other private or sensitive information can be protected contractually
  - In common law, an employee or associate under a fiduciary obligation is prohibited from disclosing confidential information, including trade secrets
Chapter 13 Intellectual Property

• Damages or an injunction may be awarded when such confidences are breached
• Current copyright and other intellectual property statutes apply to the Internet
• Measures to protect private information online should be undertaken
• Criminal Code can be applied to copyright infractions online

QUESTIONS FOR REVIEW

1. What two principles does the law of intellectual property try to balance?
2. Explain how a copyright is obtained and the qualifications that must be met to obtain such protection.
3. Summarize the nature of the protection given to the holder of a copyright and indicate what remedies are available to enforce such rights.
4. How long does copyright protection last?
5. Discuss under what circumstances an Anton Piller order would be given and indicate how this remedy might be more valuable than other remedies that might be available.
6. What is the purpose of patent law, and why is registration required for protection?
7. How long does patent protection last?
8. What kinds of things are protected by trademark legislation, and how is that protection obtained or lost?
9. What options are available when someone registers a domain name that conflicts with your trademark?
10. How long does trademark protection last?
11. Explain what constitutes passing-off and what course of action is available to the victim.
12. What type of protection extends to industrial designs? How is this protection obtained?
13. What steps should an employer undertake to protect confidential information?
14. How does the duty of confidentiality arise, and what protection or remedies are available to the confider?
15. What federal statutes have been enacted to protect privacy rights?
16. What are some of the problems related to enforcing copyright and trademark law when the medium for transmitting information is the Internet?
17. What steps should a company take to protect itself and its data from internal and external threats?
18. Indicate how criminal law, tort law, and contract law can be used to protect intellectual property. How effective are such alternatives when dealing with online infractions?

CASES AND DISCUSSION QUESTIONS

Mars, the manufacturer of M&M candies, had held its trademark in Canada since the 1950s. M&M Meats operated a retail chain across Canada selling specialty foods, including desserts. In 1991, M&M Meats applied to register a new logo with just the letters
M&M. Mars opposed the application largely because M&M Meats had dropped the words “Meat Shops” from its logo. Eventually, the parties reached an agreement under which Mars agreed to withdraw opposition in exchange for M&M Meats’ promise not to use marks in association with candy or toys and not to use letters in a style similar to that used by Mars for M&M candies. Subsequent amendments to the agreement resulted in M&M Meats agreeing to restrict the sale of ice cream and baked goods to company-owned or franchised stores trading under the name M&M Meat Shops. M&M Meats entered into an arrangement with Mac’s Convenience stores in 2001, whereby Mac’s became an M&M Meats franchisee. When Mars learned of the arrangement, it took the position that the sale of M&M Meats ice cream and dessert products in Mac’s stores breached the agreement between Mars and M&M Meats.

Should M&M Meats be allowed to continue selling its ice cream and baked goods through Mac’s outlets? In each Mac’s franchise, M&M Meat Shops had separate signs, counters, displays, fixtures, and equipment. Does this additional information have any impact on your opinion?

2. Black v. Molson Canada, 2002 CanLII 49493 (ON SC), 60 OR (3d) 457

Black obtained the use of the domain name Canadian.biz through proper registration with the intention of using it for a website catering to Canadian businesses and entrepreneurs. This site was not yet established as it awaited resolution of the dispute over who had the right to use this domain name. Molson, which produces a product called “Molson Canadian,” claimed the exclusive right to the use of the domain name on the basis that it was identical to its trademark. The brewer demanded its transfer from Black, and when he refused Molson complained to the National Arbitration Forum, the body that deals with these kinds of issues. The forum agreed with Molson, concluding that the name had been registered in bad faith by Black, who had no legitimate claim to its use, and ordered its transfer to Molson. Black brought this application to the Court to have that decision overturned.

Who do you think should be entitled to use this domain name?

3. Rains v. Molea, 2013 ONSC 5016 (CanLII)

Rains is a Canadian artist who has created a series of images that depict crumpled paper in various guises. Molea is also a Canadian artist who, quite independently, also created a series of works depicting crumpled paper in various forms. Rains claimed that he has copyright in the whole (the series of crumpled paper works he has created) and that Molea was in violation of that copyright.

What do you think? Does Rain have a copyright in the series or only in each individual work? Would it affect your answer to know that Rains claims that his series, consisting of over 200 works, is a reflection of Greek and Roman architecture; that the series is entitled the “classical series”; and that each work features crumpled paper against a dark background? Also, each work is titled with a reference to a specific Mediterranean location. On the other hand, Molea produced his work, “The Molea crumpled paper works,” as a process of using simple material to create drama by contrasting light, shadow, and volume.


Wenzel was an inventor who had patented and produced a tool containing bearings that could better handle the download in well-drilling operations. National-Oilwell manufactured an identical product, and Wenzel sued for patent infringement.

Explain the appropriate remedies available to Wenzel. How would it affect your answer to know that Wenzel manufactured a tool sold to the industry that contained the bearing at the time of the patent application? Note as well that National-Oilwell also claimed that the development of the bearings was an obvious development to anyone in the industry.