

such as voluntarily applying to the TMO to cancel the registration,²⁴⁵ or circumstantial evidence such as a long period of non-use, coupled with a passive acceptance of widespread infringement, may prove abandonment.²⁴⁶ This possibility is equally true at common law. However, a firm that stops trading may still, at common law, have a residual goodwill in its name. Nobody else can simply pick up that name for its own business.²⁴⁷ This rule helps avert consumer confusion, and also enables receivers and trustees in bankruptcy to have an asset they can sell for the benefit of creditors.

6) Non-use

A mark unused for at least three years can be summarily struck off the register. This power is entrusted to the Registrar of Trade-marks, who can initiate action at any time. Normally, however, the Registrar waits for a written request (accompanied by a \$150 fee) asking that the registered owner be required to file a declaration or affidavit showing (a) that the mark was in use within the last three years or (b) "special circumstances" excusing the absence of use.²⁴⁸

The procedure is there to prune "dead wood" off the register. The registrant need not have abandoned the mark; no use and no excuse is enough for the mark to be summarily expunged. The procedure is often resorted to when an applicant finds conflicting marks on the register or has such marks cited against it in opposition. Registrants also conduct periodic sweeps of the register to clear off marks that threaten the distinctiveness or the strength of their own marks. Since anyone at all can file requests, law firms or trade-mark agents often do so on behalf of clients and become nominal parties while preserving the clients' anonymity.

There need not be heavy use, so long as there is some. Even a single genuine transaction may be enough. An affidavit by the mark owner exhibiting photographs and invoices that show the fact and nature of the use usually suffices.²⁴⁹ Sometimes marks are redesigned to respond to changing times and fashions; although the mark as used is technically not

245 *T Act*, *ibid.*, s. 41(1)(b).

246 D. Vaver, "Summary Expungement of Registered Trade Marks on the Ground of Non-Use" (1983) 21 *Osgoode Hall L.J.* 17 at 19 ["Summary"].

247 *Ad-Lib Club Ltd. v. Granville*, [1971] 2 All E.R. 300 (Ch.).

248 *T Act*, above note 1, s. 45; Vaver, "Summary," above note 246. See section B(2)(c), "Use," in this chapter.

249 *Mantha & Associates/Associates v. Central Transport Inc.* (1995), 64 C.P.R. (3d) 354 (Fed. C.A.); *Shapiro*, above note 84.

the mark as registered, courts have equated the two where the mark retains its dominant features and the differences do not confuse unwary buyers.²⁵⁰ Otherwise, not many excuses for non-use are accepted. The court will consider how long the mark has not been used, whether this arose from circumstances outside the owner's control, and whether the owner intends shortly to resume use. A decision not to use because of industry recession has even failed as a "special circumstance";²⁵¹ but this approach may need reconsideration, since *TRIPs* allows obstacles "arising independently of the will" of the mark owner to be excuses for non-use.²⁵²

The person making the request has standing to be heard by the Registrar and to appeal to the Federal Court. Appeals are in fact quite common and have sometimes turned the summary procedure into a mini-trial, complete with procedural motions, fresh evidence, and cross-examination.²⁵³

7) Consequences of Invalidity

Expungement does not necessarily mean that the mark is now free to be used by anyone. The ex-registrant may still have some rights against others, including the expunger. For example, a ten-year-old registration may be invalid for initial unregistrability ten years ago, but the owner may since then have acquired a reputation in the mark, protectable by a passing-off action. Similarly, a reputation gained since the invalid registration may entitle the owner, even immediately after expungement, to reapply to register the same mark. The mark may have been unregistrable then, but it may be registrable now. The TMO will then consider the new application on its merits. Attempts to short-circuit this process by persuading the Federal Court to maintain the registration or amend it to reflect current realities are therefore usually unsuccessful. The court prefers this task to be performed by the TMO, which will deal with the application in the regular way. This procedure gives those who may not have been parties before the court a chance to oppose registration.²⁵⁴

250 *Promafil Canada Ltée v. Munsingwear Inc.* (1992), 44 C.P.R. (3d) 59 at 71-72 (Fed. C.A.).

251 *Canada (Registrar of Trade Marks) v. Harris Knitting Mills Ltd.* (1985), 4 C.P.R. (3d) 488 (Fed. C.A.); *Lander Co. Canada v. Alex E. MacRae & Co.* (1993), 46 C.P.R. (3d) 417 at 421 (Fed. T.D.).

252 *TRIPs*, above note 163, art. 19(1). Import restrictions or other government requirements are instanced.

253 *Meredith & Finlayson v. Canada (Registrar of Trade Marks)* (1990), 33 C.P.R. (3d) 396 (Fed. T.D.).

254 *Royal Doulton*, above note 176.

I. USERS' RIGHTS

A registrant obviously cannot complain of any acts that are not infringements under the *Act*. Users may also act as they wish in relation to an invalidly registered mark, so long as there is no passing-off.²⁵⁵ International law also allows quite broad leeway for specific exemptions to trade-mark infringement.²⁵⁶ Canada has, however, not expanded on the limited range of permissible activities listed in the 1953 *Act*.

1) Specific Exemptions: Consistent with the *Charter*?

The concluding words of section 20(1) of the *Act* specifically exempt the following:

- (a) any *bona fide* use of . . . [a person's] personal name as a trade-name,
or
 - (b) any *bona fide* use, other than as a trade-mark,
 - (i) of the geographical name of his place of business, or
 - (ii) of any accurate description of the character or quality of
his wares or services,
- in such a manner as is not likely to have the effect of depreciating the value of the goodwill attaching to the trade-mark.* [Emphasis added.]

This provision may limit the freedom of commercial expression guaranteed by section 2(b) of the *Canadian Charter of Rights and Freedoms*.²⁵⁷ If so, would it qualify as a reasonable limit "demonstrably justifi[able] in a free and democratic society" under section 1 of the *Charter*?²⁵⁸ The closing words (italicized above) are the same as those found in section 22(1) of the *Act*, and the same weaknesses that may make section 22(1) constitutionally infirm apply similarly to the closing italicized language in s. 20(1) ("in such a manner . . . trade-mark"). This should not affect registrants much. They are already well protected by the law of passing-off, which applies even where an exempted activity does not infringe a registration, and by the way the exemptions, as well as the notion of confusion,²⁵⁹ have to date been interpreted in their favour. Indeed, some interpretations of the exemptions may overlook the obvious point that

255 Compare section H(7), "Consequences of Invalidity," in this chapter.

256 TRIPs, above note 163, art. 17.

257 *Canadian Charter of Rights and Freedoms*, Part I of the *Constitution Act*, 1982, being Schedule B to the *Canada Act 1982* (U.K.), 1982, c. 11, s. 1.

258 See section G(3), "Dilution," in this chapter.

259 See section G(4), "Confusion," in this chapter.

sections 20(1)(a) and (b) apply only after infringement under sections 19 or 20(1) has been found. This suggests that the exemptions should apply even where some confusion nevertheless remains. Registrants that choose descriptive and geographic marks or names as trade-marks cannot expect to be protected as fully as those that opted for inherently distinctive marks in the first place.²⁶⁰

2) Personal Names

Under section 20(1)(a), echoing the common law, *bona fide* use of a “personal name” as a trade-name is permitted. Different members of a family may trade separately under similar business names, another member may use the surname as a trade-mark, and each may still preserve their own distinct identity in the eyes of the public.²⁶¹ How far someone can use his name in other cases depends on the strength of the mark and the way the second entrant chooses to use his name. Presumably someone born Ronald Ebenezer McDonald cannot now open a hamburger bar under the name “Ronald McDonald” or through a company called “Ronald McDonald Ltd.” This restriction holds true for similar acts by a Ronald Macdonald. These uses would not be held *bona fide* — that is, honest and in good faith — were McDonald’s Corp. to sue for infringement of its RONALD MCDONALD mark. But business names like “Ronald Ebenezer McDonald [Ltd.]” or “R.E. McDonald Foods [Ltd.]” should be acceptable under section 20(1)(a). The use may not be *bona fide* only if the second entrant did something else to suggest a connection with MCDONALD’S restaurants. A purpose like this might well lead to an order that the defendant switch to some completely different trade-name. It may be everybody’s birthright to use his or her own name in business, but not deliberately to cause likely business confusion.²⁶²

3) Accurate Descriptions

Traders may *bona fide* and accurately describe the character of their wares or services, but again this common law right as reflected in section 20(1)(b)(ii) is severely limited, quite apart from the “[no] depreciat[ion] of goodwill” requirement. The need to avoid “use . . . as a trade-mark” is difficult to comply with. Paolo Gucci, a breakaway scion

260 See section B(2)(b), “Distinctiveness,” in this chapter.

261 Heintzman, above note 73 at 14–15.

262 Compare Hurlbut, above note 114. See section C(2)(a), “Names and Surnames,” in this chapter.

of the well-known Gucci family, could not mark furniture as "Designed by Paolo Gucci" because this was to use the registered mark GUCCI as a trade-mark.²⁶³ A philologically constricted view has also been taken on what constitutes an "accurate description." A luggage shop could not call itself "La Bagagerie Willy" because LA BAGAGERIE was a registered mark and because *bagagerie* in "accurate" French meant luggage as contents, not container.²⁶⁴ Yet some dictionaries did show the latter meaning, before it was deleted on representations made by the mark owner. The inference that *bagagerie* may have meant "container" to some was discounted by the court, which preferred an "accurate" meaning the mark owner had contrived to bring about.

4) Geographical Names

As noted earlier, OKANAGAN VINEYARDS (with OKANAGAN disclaimed) was denied registration over the registered mark OKANAGAN CELLARS.²⁶⁵ Presumably, section 20(1)(b)(i) allows Okanagan Vineyards still to indicate on the labels of its wines that its business is located in the Okanagan Valley and that its wines were made there, if this is true and an acceptable commercial custom. The requirement of *bona fides* seems to protect the registrant adequately against any untoward practices.

5) Resales, Repairs, and Modifications

A person buying genuinely trade-marked goods in ordinary commerce may usually resell them without complaint from the person who affixed the mark. The mark continues to tell the truth about the trade source of the goods, whether they are sold new or used.²⁶⁶ The goods may also be repaired and resold without infringement. Concealing the fact they are repaired or second-hand may, however, amount to dilution²⁶⁷ or passing-off.

A distinction is made between repair and reconstruction. Goods that are reconstructed or substantially modified may no longer rightfully proclaim a connection with the trade-mark owner, and the mark

263 *Guccio Gucci Sp.A. v. Meubles Renel Inc. (sub nom. Meubles Domani's v. Guccio Gucci Sp.A.)* (1992), 43 C.P.R. (3d) 372 (Fed. C.A.).

264 *Bagagerie S.A. v. Bagagerie Willy Ltée* (1992), 45 C.P.R. (3d) 503 (Fed. C.A.).

265 *Calona*, above note 131; see section C(2)(b)(ii), "Geographic Marks," in this chapter.

266 Compare section G(2), "Imports," in this chapter.

267 See section G(3), "Dilution," in this chapter.

may have to be deleted.²⁶⁸ This decision depends on the trade involved. For example, car manufacturers have long tolerated third party modification or rebuilding of vehicles carrying their original nameplates. This indulgence is largely voluntary and may end if a particular practice impairs the mark's image or vehicle safety. Rolls-Royce can object to the placing of its distinctive grille or flying lady emblem on a VW bug's front end as an infringement or dilution of its trade-mark, even where the proverbial "moron in a hurry" would scarcely be confused.²⁶⁹ On the other hand, the sale in Australia of used LEVI jeans was found not to infringe the registered LEVI mark, even though the jeans had been stone-washed, bleached, dyed, patched with decorations or transformed from full-length to shorts. The fact that the jeans' quality or durability had changed did not matter. Once new LEVIS had been sold to a retail buyer, the registrant's power to control how its mark was used was exhausted. The mark owner could only prevent resellers from using marks confusing with LEVI, or passing off altered or used goods as unaltered or unused. Passing-off might be avoided through prominent labels that indicated that the jeans were used and had been altered without the registrant's consent.²⁷⁰

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268 *A.C. Spark Plug Co. v. Canadian Spark Plug Service*, [1935] Ex.C.R. 57.

269 See section H(6), "Repairs and Modifications," in chapter 3.

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MANAGEMENT AND ENFORCEMENT

A. INTRODUCTION

The statutory intellectual property regimes have been deliberately organized to facilitate a free national and international market in rights. The rights can, subject to the occasional minor irritation from competition laws, be bought and sold in combination. They may usually be split up horizontally and vertically — by territory, time, market, and so on — and dealt with accordingly. The maximum extraction of rents is thus assured. The right-holder may also transfer or license some rights while retaining others. So the copyright owner of a book may assign the German translation right for Germany and may license the dramatization right for ten years to someone else, while retaining all other rights. The main obligations on the right-holder are to pay periodic maintenance fees for some rights (e.g., patents), to renew others periodically (e.g., registered trade-marks), and to record title in national intellectual property registries so that a rough database of who holds what in the intellectual property world is provided to buyers, users, and (theoretically) the general public.

The framework is flexible enough to accommodate changes in practice that respond to new distribution and communication methods. The Internet, for example, provides opportunities for freelance authors to deal directly with users without the intervention of middlemen like publishers, record companies, or art dealers. In this milieu, speedy standard licences may become more common than signed transfers of rights.

B. ASSIGNMENTS AND LICENCES

1) Interpretation

What is assigned or licensed is a matter of negotiation, and the ordinary principles of contract interpretation apply to the result. Interpretation is not necessarily a neutral exercise. In copyright and patents, for example, European judges often take a pro-author or pro-inventor stance, construing grants strictly against the grantee and leaving new uses under the control of the grantor (often the author or inventor). Some Canadian courts are similarly inclined,¹ but the occasional swallow does not necessarily make a summer. For example, media distributors with an eye towards electronic delivery and future means of exploitation may ask freelancers to sign contracts that contain a clause transferring "all now or hereafter existing rights of every kind and character whatsoever pertaining to said work, whether or not such rights are now known, recognized or contemplated for all purposes whatsoever" to the distributor. Will Canadian courts "construe" this in a limited way, or will they hold it to mean that the grantor has relinquished all control over the work forever in favour of the distributor?²

Traditional contract principles may allow courts to take some account of how freelancers are often economically dependent on media distributors and so are placed in an inferior bargaining power when dealing with them. There may also be room for manoeuvre if the contract is entered irregularly — for example, if reasonable steps were not taken to bring onerous boilerplate to the other party's attention before the contract was concluded. This principle may invalidate the typical "shrink-wrap" licence found in a pre-packaged computer program.³ But, in the end, an agreement a transferor had ample time to read or get legal advice on before signing will usually be enforced. Avoidance is likely only where there was misrepresentation, fraud, undue influence, unreasonable restraint of trade, unconscionability, or a breach of trust. Only a union or the occasional persistent author with a deep pocket and a finely honed sense of grievance is likely to pursue cases like these.

1 For example, *Bishop v. Stevens*, [1990] 2 S.C.R. 467 [Bishop] (copyright) and *Comstock Canada v. Electec Ltd.* (1991), 38 C.P.R. (3d) 29 at 51ff (Fed. T.D.) [Comstock] (patents and designs).

2 For example, *Muller v. Walt Disney Productions Inc.*, 871 F. Supp. 678 (D.N.Y. 1994).

3 Compare *North American Systemshops Ltd. v. King* (1989), 97 A.R. 46 at 51 (Q.B.) (unenforceable), with *ProCD Inc. v. Zeidenberg*, 86 F3d 1447 (7th Cir. 1996) (enforceable).

2) Assignments

The main constraints on free disposability derive from the character of the particular right involved. For example, some copyrights revert to their author's estate twenty-five years after death notwithstanding any assignments.⁴ Other rights are personal; for example, authors' moral rights⁵ cannot be assigned or licensed, but may be waived or asserted by the author's estate for the duration of the copyright. Provincial legislation preventing misappropriation of personality — the individual's right to control his or her name, voice, or image from being used in advertising — also typically creates a personal right that terminates on the individual's death. Rights in trade secrets and confidential information also are partly rooted in the impulse to protect privacy and personal confidences. Such rights may pass in bankruptcy, but may not be fully transferable: How does the transferor of an idea "deprive" herself of it, short of lobotomy? Trade secrets are nevertheless in practice often "assigned" or "licensed." In law, this may mean only that the transferor promises not to use or resell the idea, or not to sue the "licensee" for committing what would otherwise be a wrong.

a) Trade-marks

The most significant practical constraints on disposability probably apply to registered or unregistered trade-marks. Provisions in the *Trade-marks Act* suggesting that such marks can be freely assigned or licensed are a trap.⁶ The provision may be literally true, but the implication that the assignee, licensor, or licensee can then act freely with the "property" is assuredly false. To survive, a trade-mark must maintain distinctiveness:⁷ it must continue accurately to distinguish one producer from another. The mark a famous artist puts on her works to indicate authorship may be practically unassignable, for nobody else may be able to use it without deceiving the public. The common law right preventing misappropriation of personality, although recently said to be a property right,⁸ may similarly be limited.

Territorially limited assignments, if acted upon, are also suspect: the use of the same mark by different people in different parts of the country

4 See section F (2), "Reversion," in chapter 2.

5 See section I in chapter 2.

6 *Trade-marks Act*, R.S.C. 1989, c. T-13, ss. 48–50 [*T Act*].

7 See section B(2)(b), "Distinctiveness," in chapter 4.

8 *Gould Estate v. Stoddart Publishing Co.*, [1996] O.J. No. 3288 (Gen. Div.) [*Gould*].

makes it non-distinctive of any one person in Canada and so invalid. Even where the whole interest in the mark is assigned, the assignee must use the mark to convey the same message as before or tell the market of any change. A failure in this respect caused the HEINTZMAN mark for pianos to be lost: the assignee applied the mark to Korean and U.S.-made pianos while buyers still thought they were getting the well-known higher-quality instrument formerly made in Ontario. The mark may have survived had the public immediately been told that henceforth it meant goods, wherever made, selected by the assignee.⁹

b) Formalities

Most assignments should be in writing; and, indeed, writing may be mandatory to effect a legal (as distinct from an equitable) assignment.¹⁰ Writing requirements usually are designed to increase certainty and to protect the imprudent, hasty, or naive; but informal writings may suffice if there are no suspicious circumstances. A simple receipt for money received for "five original card designs inclusive of all copyrights" was held validly to assign the copyright in the designs, which were orally identified.¹¹ A signed writing delivered electronically should also be valid today. The sender's name, put at the end of the message at the instigation of the sender, should be as valid as an illiterate person's "X," if the intention that it operate as a signature is clear.¹²

The writing may operate as an assignment of intellectual property even if intellectual property is not specifically mentioned, so long as an intention to assign it can be discerned or proved. Loose generalities, such as transferring all "property" in a physical asset, should be avoided, since this may not encompass associated intellectual property. A sale of all a firm's business assets and goodwill should usually, however, pass all its intellectual property.¹³ Existing rights of action should

9 *Heintzman v. 751056 Ontario Ltd.* (1990), 34 C.P.R. (3d) 1 at 16-17 (Fed. T.D.).

10 For example, *Copyright Act*, R.S.C. 1985, c. C-42, s. 13(4) [C Act]; *Patent Act*, R.S.C. 1985, c. P-4, s. 50 (1) [P Act]; *Industrial Design Act*, R.S.C. 1985, c. I-9, s. 13(1) [ID Act]; compare *White Consolidated Industries Inc. v. Beam of Canada Inc.* (1991), 39 C.P.R. (3d) 94 at 116 (Fed. T.D.) (writing not needed to assign trademarks). Compare section B(4), "Equitable Assignments and Licences," in this chapter.

11 *E.W. Savory Ltd. v. World of Golf Ltd.*, [1914] 2 Ch. 566 at 568 and 573-74.

12 *Interpretation Act*, R.S.C. 1985, c. I-21, s. 35(1): "Writing, or any term of like import, includes words . . . represented or reproduced by any mode of representing or reproducing words in visible form" [emphasis added].

13 *Massie & Renwick Ltd. v. Underwriters' Survey Bureau Ltd.*, [1940] S.C.R. 218; compare *Webb & Knapp (Can.) Ltd. v. Edmonton (City)*, [1970] S.C.R. 588.

also pass, if the parties so intend, with an assignment of the property associated with the action, although some doubtful case law claims this transfer is impossible at common law.¹⁴ An assignor cannot later contest the validity of any assignment; so back-dating is permissible, although it may not create rights against non-parties.¹⁵

3) Licences

An assignment changes ownership in the right from assignor to assignee. By contrast, a licence is just a consent, permission, or clearance (the terms are all interchangeable) to use intellectual property on the terms specified by the licensor; the licensor remains the owner. A licence may be quite informal and even implied. Posting material, without any stated restrictions, on an electronic bulletin board may, for example, imply a licence to users to download and make a hard copy of it at least for their private use. Licences are usually personal to the licensee unless transfer or sublicensing is clearly permitted or implied from the circumstances.¹⁶

Regrettably, people often speak loosely of "selling rights" without clarifying (or perhaps knowing) whether a licence or an assignment is meant. So documents referring to licensors and licensees can end up being construed as assignments, and *vice versa*: the labels the parties use are not conclusive.¹⁷

a) Exclusive, Sole, and Non-exclusive Licences

Licences can be exclusive, sole, or non-exclusive. An exclusive licence gives the licensee the power to exercise a right to the exclusion of all

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- 14 *Union Carbide Canada Ltd. v. Trans-Canadian Feeds Ltd.* (No. 1) (1967), 49 C.P.R. 7 (Ex. Ct.). Compare *Fredrickson v. Insurance Corp. of British Columbia* (1986), 28 D.L.R. (4th) 414 at 423-424 (B.C.C.A.); Bill C-32, *An Act to Amend the Copyright Act*, 2d Sess., 35th Parl., 1996, introducing cl. 13(6) into the *Copyright Act* [Bill C-32]; *United Artists Pictures Inc. v. Pink Panther Beauty Corp.* (1996), 67 C.P.R. (3d) 216 at 222-24 (Fed. T.D.) (assignment of registered trade-marks passed right to continue opposition to an application to register).
 - 15 *Star-Kist Foods Inc. v. Canada (Registrar of Trade Marks)* (1988), 20 C.P.R. (3d) 46 at 50 (Fed. C.A.); *Cheerio Toys & Games Ltd. v. Dubmer*, [1966] S.C.R. 206 [*Cheerio*].
 - 16 For an unsuccessful attempt to circumnavigate a "no sublicensing" clause, see *Eli Lilly & Co. v. Apotex Inc.* (1996), 66 C.P.R. (3d) 329 (Fed. C.A.). See also M.B. Eisen, "Copyright and the World Wide Web" (1996) 12 Can. Intell. Prop. Rev. 405.
 - 17 *Messenger v. British Broadcasting Co.*, [1928] 1 K.B. 660 (C.A.), *aff'd* (1928), [1929] A.C. 151 (H.L.).

others including the licensor; it is as close to an assignment as a lease of land is to an outright conveyance of the fee simple. For copyrights, patents, and industrial designs, it should be in writing.¹⁸ A sole licence means that the licensee is the only licensee appointed, but does not preclude the licensor from competing with the licensee. A non-exclusive licence implies that other licensees may be appointed to compete with one another and the licensor. The typical permission to download that is found or implied on the Internet likely falls into this last category.

An exclusive distributor will not, however, be an intellectual property licensee unless it is authorized to do an act within the owner's rights. So a distributor authorized to sell patented and copyright goods is a licensee under the patent, but not under the copyright; for a patent holder has, but a copyright holder has not, the sole right to sell patented goods. The distributor may be a copyright licensee if, for example, it is authorized to reproduce the protected material even for limited purposes such as promotion.¹⁹

Unfortunately, the terminology of exclusive, sole, and non-exclusive is not always used consistently, and parties can create hybrid relationships. In any event, whenever a claimant sues for infringement, it must prove that the defendant had no licence or consent to do the acts complained of.²⁰

b) Right to Sue

At common law, all licences — from a simple oral copyright permission to quote extracts from a book, to a comprehensive written exclusive licence covering a complex technology — are treated alike in one respect. Being mere permissions, they are usually thought to convey no proprietary interest in the right and so give the licensee no power to sue for infringement.²¹ The position is largely reversed by statute, but with little rhyme or reason. What is common is that, except for copyright, the owner should usually be joined in litigation as co-plaintiff or co-defendant to avoid double jeopardy. The need for joinder also emphasizes that a licensee's rights are derivative and so are subject to any defence the infringer has against the owner.

18 C Act, above note 10, s. 13(4) (see also Bill C-32, above note 14, cl. 2(7) & 13 (7)); P Act, above note 10, ss. 50(2) & (3); ID Act, above note 10, ss. 13(2)–(3).

19 *Bouchet v. Kyriacopoulos* (1964), 45 C.P.R. 265 at 278 (Ex. Ct.), aff'd (*sub nom. Kyriacopoulos v. Bouchet*) (1966), 33 Fox Pat. C. 119 (S.C.C.), finding (unusually) an implied right to this effect; compare *Avel Pty. Ltd. v. Multicoin Amusements Pty. Ltd.* (1990), 171 C.L.R. 88 at 103–4 (Austl. H.C.) [*Avel*].

20 *Avel*, *ibid.* at 94–95 and 119–20.

21 *Domco Industries Ltd. v. Armstrong Cork Canada Ltd.*, [1982] 1 S.C.R. 907,

Patent, plant breeder's right, and integrated circuit topography licensees are treated best: exclusive, non-exclusive, or even implied licensees can all sue.²² An exclusive or non-exclusive trade-mark licensee may also sue, except to halt parallel imports of its licensor's products; the licensor should usually be given two months' notice to decide whether or not itself to sue, but only the owner (not the infringer) can complain of any failure to give due notice.²³ However, only the exclusive licensee of an industrial design can sue.²⁴ This is also true of copyrights, except the language allowing suits by the "grant[ee of] . . . an interest in the [copy]right by licence" in the *Copyright Act* may include suits by irrevocable non-exclusive licensees who have invested time and money in exploiting the right.²⁵

The right to sue for infringement does not extend to agents who handle rights on behalf of an owner, nor usually to distributors.²⁶ Bill C-32 would, however, allow sole Canadian book distributors the right to prevent unauthorized imports and distribution.²⁷

c) Duration and Estoppel

Licences may be given for free or for consideration. A gratuitous licence may be withdrawn at any time, even if it has a stated expiry date, although reasonable notice is usual. Inequitable revocations should also be preventable, for example, where the grantee has reasonably relied on the consent continuing.²⁸ Contractual licences may be withdrawn only if the contract expressly or impliedly allows, if the contract is avoided

22 For example, *P Act*, above note 10, s. 55; *Signalisation de Montréal Inc. v. Services de Béton Universels Ltée* (1992), [1993] 1 E.C. 341 (C.A.), allowing the buyer of a patented machine to sue for infringement.

23 *T Act*, above note 7, s. 50(3); *Tonka Corp. v. Toronto Sun Publishing Corp.* (1990), 35 C.P.R. (3d) 24 (Fed. T.D.); *Smith & Nephew Inc. v. Glen Oak Inc.* (1996), 68 C.P.R. (3d) 153 at 167 (Fed. C.A.).

24 *ID Act*, above note 10, s. 15.

25 *C Act*, above note 10, s. 13(4) & s. 36; *Ashton-Potter Ltd. v. White Rose Nurseries Ltd.*, [1972] E.C. 689 (T.D.), rev'd on other grounds (*sub nom.* *White Rose Nurseries v. Ashton-Potter Ltd.*) [1972] E.C. 1442 (C.A.); D. Vaver, "The Exclusive Licence in Copyright" (1995) 9 L.P.J. 163 at 189ff.

26 *Bishop*, above note 1; 955105 *Ontario Inc. v. Video 99* (1993), 48 C.P.R. (3d) 204 (Ont. Gen. Div.). The distributor may, however, sometimes be a licensee: see section B(3)(a), "Exclusive, Sole, and Non-exclusive Licences," in this chapter.

27 See section G(10)(a), "Parallel Imports," in chapter 2.

28 *Dorling v. Honnor Marine Ltd.* (1963), [1964] Ch. 560 at 567-68, undisputed on appeal (1964), [1965] Ch. 1 at 13 (C.A.); *Computermate Products (Aust.) Pty. Ltd. v. Ozi-Soft Pty. Ltd.* (1988), 12 L.P.R. 487 (Austl. Fed. Ct.); compare *Katz v. Cytrynbaum* (1983), 2 D.L.R. (4th) 52 at 57 (B.C.C.A.).

for some vitiating factor (e.g., misrepresentation, undue influence, unconscionability), or if the contract is discharged for repudiation or serious breach.

Licences silent on duration usually last until the expiry of the right, presumably the last right, if more than one is licensed. The parties may, however, still be entitled to terminate on reasonable notice, depending on how the licence contract is construed. The ex-licensee must then respect the right on termination of the licence. Sometimes when a long-term licence covering confidential information expires, a licensee who has started up a new business on the faith of the licence may use the information after the licence has run its course; but this depends on what the contract says or implies or the nature of the relationship between the parties.²⁹

A licensee must abide the licence during its term despite the expiry, initial invalidity, or later invalidation of any intellectual property rights.³⁰ This rule of "licensee estoppel," drawn from feudal property law, is hardly self-evident when applied to intellectual property. In the United States, a patent licensee can stop paying royalties if the right is found invalid and can itself challenge the validity of the patent.³¹ The most a Canadian licensee can do is to contest validity once the licence expires, or if the licensee is sued for infringement.

4) Equitable Assignments and Licences

It is sometimes thought that an oral contract gives the assignee or licensee no rights if the statute requires writing. This is not true. Intellectual property laws are passed in the context of mature existing systems of law, including principles of equity. These principles continue to apply, unless they are plainly inconsistent with the right involved. For example, to hold and exercise a trade-mark in trust may cause the mark to lose distinctiveness and become invalid.³² But can it be true that a person who bought, paid for, and acted on an intellectual property right

29 *Chicago Blower Corp. v. 141209 Canada Ltd.* (1990), 30 C.P.R. (3d) 18 at 54-55 (Man. Q.B.); *Cadbury Schweppes Inc. v. FBI Foods Ltd.*, (1996), 69 C.P.R. (3d) 22 (B.C.C.A.) [*Cadbury Schweppes*].

30 For example, *Culzean Inventions Ltd. v. Midwestern Broom Co.* (1984), 82 C.P.R. (2d) 175 at 194 (Sask. Q.B.).

31 *Lear Inc. v. Adkins*, 395 U.S. 653 (1969).

32 *Laflamme Fourrures (Trois-Rivières) Inc. v. Laflamme Fourrures Inc.* (1986), 21 C.P.R. (3d) 265 at 274 (Fed. T.D.). See section B(2)(b), "Distinctiveness," in chapter 4.

gets nothing — except a right to a refund — simply because the seller refused to sign a writing?³³ Equitable principles have operated even further in trying to make sense of bargains that are not inherently unfair, but do not precisely comply with the formalities of the *Acts*. For example, copyright in a non-existent work cannot in law be assigned, any more than one can transfer property in non-existent land or goods. Parties who agree to transfer such copyright are, however, treated in equity as promising to assign the future copyright once the work is created. At that point, the promisee becomes the equitable assignee and beneficial owner of the copyright, and the promisor is the equitable assignor with a bare legal title.³⁴ The assignee should therefore be able to have its interest perfected by a court order that either compels the assignor to put the assignment in writing or authorizes the registrar of the court to sign a writing binding the assignor.

An equitable title is still less than a legal one. For example, the legal owner may divest the equitable owner's interest by a transfer to a *bona fide* buyer without notice. The equitable owner can then sue the assignor only for restitution or breach of contract. And an equitable owner may obtain only interlocutory, not final, relief without joining the legal owner or producing a legal assignment.³⁵ This last point has not always been recognized — for example, by the court that disqualified an oral exclusive copyright licensee from even being a co-plaintiff in an infringement action.³⁶ Decisions like this one require reconsideration.

C. REGISTRATION AND EXPUNGEMENT

A copyright arises once a work is created; a trade-mark or trade-name is protected once it is used and gets known; confidential information is protected once it is produced and guarded. But other rights — patents, designs, registered trade-marks, PBR and ICT rights — exist only when they are first granted or registered by the Canadian Intellectual Property

33 *Western Front Ltd. v. Vestron*, [1987] E.S.R. 66 at 76–78 (Ch.). The buyer should get a refund anyway if the sale occurred in suspicious circumstances — for example, if the seller was tricked or hurried into a transaction that he or she would not have entered on reflection. Equity does not support sharp dealing.

34 *Performing Right Society Ltd. v. London Theatre of Varieties Ltd.* (1923), [1924] A.C. 1 at 13 (H.L.) [*London Theatre*]; *C. Act*, above note 10, s. 63.

35 *London Theatre*, *ibid.* at 14 and 35.

36 *Jeffrey Rogers Knitwear Productions Ltd. v. R.D. International Style Collections Ltd.* (1986), 19 C.P.R. (3d) 217 (Fed. T.D.).

Office and continue until they are expunged by the CIPO or by federal court order. Trade-marks, however, can continue to be protected under provincial law, irrespective of registration or expungement under the *Trade-marks Act*. Moreover, copyright registration is optional. The copyright is affected only if the entry is expunged on the ground of a finding that there is no Canadian copyright in an item: for example, if the work is unoriginal or the copyright has been abandoned.³⁷

1) Failure to Register

The registers usually indicate initial title, changes of title, and (except for trade-marks) the existence of exclusive licences. A failure to record changes differs in seriousness among rights. A discrepancy between the actual and the registered title for a trade-mark may result in the mark lacking distinctiveness.³⁸ the message on the register is not the one conveyed in the market. Elsewhere, a plaintiff may be able to prove its actual title, whatever the register reveals, because the register and any CIPO certificates are only presumptive evidence.

a) Priorities

What effect registration or non-registration has on priorities usually turns on provincial law. Explicit federal priority provisions exist only for patents, copyrights, and PBRs. The provisions are rather simplistic when compared, for example, with the priority schemes that most provinces have adopted for secured transactions — and then the federal provisions differ from one other. For patents, assignments and registrable licences take priority in order of registration: an unregistered grantee is subordinate to a later registered grantee. For copyright and PBR rights, the same applies, except a later registered grantee has priority only where it takes the right for valuable consideration without actual notice. A PBR registration must occur within thirty days. No times are provided for the other rights.³⁹ Transactions that mortgage or charge interests in these rights to secure a debt may, presumably, also fall within their scope.

The two courts that have to date dealt with the *Patent and Copyright Act* provisions seem not to have thought much of either. The first court allowed only later non-fraudulent patent registrants to take priority,

37 See chapter 2.

38 See section B(2)(b), "Distinctiveness," in chapter 4.

39 *C Act*, above note 10, s. 57(2); *P Act*, above note 10, s. 51; *Plant Breeders' Rights Act*, S.C. 1990, c. 20, s. 31(3) [*PBR Act*]; *Plant Breeders' Rights Regulations*, SOR/91-594, s. 12.

while the second seemed to subordinate the whole copyright scheme to provincial law.⁴⁰ Careful practitioners accordingly may have to register security documents over patents, copyrights, and PBRs both provincially and federally, and hope for the best.

2) Presumption of Validity

The existence of a registered right is usually proved by producing the CIPO certificate evidencing the right or a certified copy of the register entry. A presumption of validity covering all aspects then applies. For patents, this means that the invention is presumed to be new, useful, non-obvious, adequately disclosed, and properly claimed, and that the persons noted on the register hold the interests stated there.⁴¹ Challengers must plead and prove their case on the usual balance of probabilities standard. Once evidence is introduced, the presumption disappears and the question is simply whether the evidence is sufficient to discharge the onus of proof.⁴² Borderline cases tend to favour the right-holder. For example, judges in patent cases often speak of their "anxiety" to protect genuine inventions when a patent's validity is put in issue.⁴³

a) Copyrights

Certain presumptions apply even to unregistered copyrights. The work is presumed to be protected; its author is presumed to be the owner; the author is presumed to be whoever is so named on a work; the publisher is presumed to be the owner of an anonymous or pseudonymous works; and a film's maker is presumed to be whoever is so named on it.⁴⁴ For registered copyrights, however, the particulars on the register and the certificate of registration oust these presumptions.⁴⁵

⁴⁰ *Colpitts v. Sherwood*, [1927] 3 D.L.R. 7 at 13 (Alta. C.A.) (patents); *Poolman v. Eiffel Productions S.A.* (1991), 35 C.P.R. (3d) 384 at 392 (Fed. T.D.) (copyrights).

⁴¹ For example, *P Act*, above note 10, s. 43(2); *A. Pellerin et Fils Ltée v. Entreprises Denis Darveau Inc.* (1994), 59 C.P.R. (3d) 511 at 515 (Fed. T.D.) (patents); *Silverson v. Neon Products Ltd.* (1978), 39 C.P.R. (2d) 234 at 238-39 (B.C.S.C.) (copyright).

⁴² *Diversified Products Corp. v. Tye-Sil Corp.* (1991), 35 C.P.R. (3d) 350 at 359 (Fed. C.A.).

⁴³ For example, *Kramer v. Lawn Furniture Inc.* (1974), 13 C.P.R. (2d) 231 at 233 (Fed. T.D.).

⁴⁴ *C Act*, above note 10, ss. 34(3) & (4).

⁴⁵ *Ibid.*, s. 53; *Circle Film Enterprises Inc. v. Canadian Broadcasting Corp.*, [1959] S.C.R. 602.

3) Expungement and Correction

A registration that is initially invalid or that has since become invalid can be expunged. What constitutes invalidity for patents or trade-marks was noted in chapters 3 and 4. This section looks more generally at what can be corrected or expunged across all the registers, and who can do it: the CIPO or the federal court.

a) General

The statutes provide a bewildering array of devices to correct mistakes. Take the *Patent Act*: one error in a patent is correctable through five different procedures! The Federal Court can vary or expunge the registration ("void the patent," as the *Act* unattractively calls it); the patentee can itself correct some errors;⁴⁶ it can also apply to the Patent Office to correct some as "clerical error[s]" and others through reissue or re-examination.⁴⁷ The idea that a patent for a genuine invention should not be lost on a technicality is translated into procedures that themselves bristle with technicalities. Meanwhile the Patent Office's attempts at rationalization have been partly foiled by the courts — which have said that patentees can risk choosing whatever procedure suits them⁴⁸ — and the critical question of how third-party rights are affected is not dealt with comprehensively. One may, of course, turn to ancient English practice, which might disallow an amendment unless the applicant accepted a condition to ensure third-party rights, including those in pending litigation, were not affected.⁴⁹ A modern technology code should not, however, have to be administered by resorting to 150-year-old precedents.

b) CIPO Powers to Correct Clerical Errors

The CIPO usually has power to correct a "clerical error" in any document recorded in the office. This does not mean that errors arising from ignorance of fact or law can be corrected. The power relates instead to mistakes made in the mechanical process of writing or transcribing. Typical errors are dropped "nots," or sometimes even whole lines. It does not matter who makes the error: the owner, its agents, or the CIPO

46 See section D(1), "Disclaimer," in chapter 3.

47 See sections D(2) and (3), "Re-examination" and "Reissue," in chapter 3.

48 *Monsanto Co. v. Canada (Commissioner of Patents)* (1974), [1975] F.C. 197 (T.D.), rev'd [1976] 2 F.C. 476 (C.A.); *Bayer AG v. Canada (Commissioner of Patents)* (1980), [1981] 1 F.C. 656 (T.D.) [*Bayer*].

49 *Re Nickels' Patent* (1841), 1 Web. Pat. Cas. 656 at 663–664 (Ch.) [*Nickels*].

itself.⁵⁰ So the old English patent that a dozing Patent Office clerk wrote out as "covering" instead of "recovering" fabric was duly corrected.⁵¹ Since the error usually does not invalidate the right, the CIPO's power to correct may presumably be exercised retroactively. This is not, however, a general power to post-date, ante-date, or extend times; a power like this may have to be found elsewhere in the legislation.⁵²

The CIPO's discretion to correct must be exercised judicially. Inexcusable delay may be a bar, but the CIPO cannot apparently refuse to correct merely because it thinks another remedy may be more appropriate.⁵³ Quite major and unobvious mistakes have been corrected even if these caused the expansion of the initial monopoly.⁵⁴ Perhaps this correction is acceptable where the mistake was the CIPO's, or where terms can be imposed to ensure that the owner gets no unfair advantage from correction. A point like this is explicitly made under the *PBR Act*, where the CIPO can impose terms and correct only if this is "in the interests of the due administration of this Act and is not prejudicial to the interests of justice."⁵⁵ Whether this is implicit in respect of other registers is unclear. It would obviously be better if such a power were spelt out, rather than having to be left to implication.

c) Federal Court Powers

The registers ought continuously to reflect the current picture of the rights and their holders. They do not, of course, since neither the CIPO nor the courts are entitled to conduct any systematic investigations of validity of their own accord. Rectification is typically sought in counterclaims in infringement proceedings or in independent proceedings. Provincial courts can declare registrations invalid between the parties and

50 *Bayer*, above note 48; *Re Macre's Application*, [1962] R.P.C. 182 at 185 (U.K. Patent Office); compare *Integrated Circuit Topography Act*, S.C. 1990, c. 37, s. 19(4) ("typographical or clerical error") [*ICT Act*].

51 *Nickels*, above note 49.

52 *P Act*, above note 10, s. 8; *C Act*, above note 10, s. 61; *ID Act*, above note 10, s. 20; *Trade-marks Regulations*, SOR/96-195, s. 33 (see also *T Act*, above note 6, s. 41(1)); *PBR Act*, above note 39, s. 66(1)(a) (also "error in translation"); *ICT Act*, above note 50, s. 19(4) (also "typographical error"). Compare *Celltech Ltd. v. Canada (Commissioner of Patents)* (1993), 46 C.P.R. (3d) 424 (Fed.T.D.), aff'd (1994), 55 C.P.R. (3d) 59 (Fed. C.A.).

53 *Bayer*, above note 48; *Re Sandoz Ltd.'s Application* (1989), 15 I.P.R. 229 at 236 (Austl. Commissioner of Patents).

54 *Bayer*, *ibid.*; compare *Eagle Iron Works v. McLanahan Corp.*, 429 F.2d 1375 at 1383 (3d Cir. 1970).

55 *PBR Act*, above note 39, ss. 66(1)-(2).

dismiss infringement claims accordingly on any ground that would lead to expungement, but the Federal Court alone can formally expunge for invalidity or amend the register to make it "accurately express or define" these rights.⁵⁶ Only then will other users be free of the risk of infringement.

Not everyone has standing to apply to correct the register. The government of course may apply, through the CIPO or the Attorney General, depending on the statute. So may any "aggrieved" or "interested" persons, presumably meaning anyone "affected or [who] reasonably apprehends that he may be affected by any entry in the register."⁵⁷ And once there is an application, the court can even expunge or amend on grounds not raised before it or the CIPO: for parties may be loath to raise points that may come back to haunt them in other cases, or may even be legally barred from challenging validity.⁵⁸ This judicial spontaneity rarely occurs in practice because of the risk of injustice in dealing with points the parties have not addressed by argument or evidence.⁵⁹

i) *Grounds of Invalidity and Correction*

What constitutes invalidity varies among rights. At one end of the spectrum, the grounds for invalidating PBRs are exhaustively listed.⁶⁰ Further along, the grounds for invalidating trade-marks, though also listed, have effectively been added to by the courts.⁶¹ At the other end of the spectrum is the formula for patent invalidity: "any fact or default which by this Act or by law renders the patent void." These grounds may

56 For example, *ICT Act*, above note 50, s. 24(1). The *ID Act*, above note 10, s. 22(1), is more narrowly drawn and raises a question whether jurisdiction exists to expunge for post-registration events: compare *Bayer Co. v. American Druggists' Syndicate Ltd.*, [1924] S.C.R. 558 with *General Electric Co. v. General Electric Co. Ltd.*, [1972] 2 All E.R. 507 (H.L.).

57 This is how "interested person" is defined in s. 2 of the *T Act*, above note 6 (see also s. 57(1)). This statutory definition seems effectively to summarize the jurisprudence on what constitutes an "aggrieved" or "interested" person in the absence of a definition: compare *P Act*, above note 10, s. 60(1); *ID Act*, above note 10, s. 22(2); *ICT Act*, above note 50, s. 24(3).

58 See sections B(3) and B(3)(c), "Licences" and "Duration and Estoppel," in this chapter; *Cheerio*, above note 15.

59 Compare *Natural Colour Kinematograph Co. Ltd. (in Liq.) v. Bioschemes Ltd.* (1915), 32 R.P.C. 256 (H.L.) with *Imperial Oil Ltd. v. Lubrizol Corp.* (1996), 67 C.P.R. (3d) 1 at 11 (Fed. C.A.) [*Imperial Oil*].

60 *PBR Act*, above note 39, s. 44(3) (failure of subject matter, prior use, or failure to maintain deposits of propagating material).

61 *T Act*, above note 7, s. 18(1); *Unitel Communications Inc. v. Bell Canada* (1995), 61 C.P.R. (3d) 12 at 51-54 (Fed. T.D.) [*Unitel*].

include an unclosed category of common law grounds of invalidity beyond those the *Act* makes explicit or implicit.⁶²

Expungement is the standard remedy for registrations that are initially invalid or that have since become invalid. Registrations that infringe earlier registrations or result from a material misrepresentation may also be expunged.⁶³ Rightful owners can be substituted for interlopers if the initial application was otherwise in order,⁶⁴ and even modest changes to the right itself can be made. Thus the court can redraw the contours of design registrations in “non-essential” particulars, and add or strike details in patent specifications or drawings that are unintentionally too cryptic or verbose.⁶⁵ This power is, however, rarely exercised.

Although the court’s powers are at least as wide as the CIPPO’s,⁶⁶ it has shied away from becoming a parallel forum. Thus, whether a defective patent should or should not be amended may be better decided according to established Patent Office practice than in an *ad hoc* decision in a hotly contested infringement action.⁶⁷ For similar reasons, the court has not switched trade-mark owners or amended trade-mark registrations. The Trade-mark Office can better deal with issues of title, registrability, and third-party rights on an application to re-register. Where, however, an issue has been fully ventilated in court — for example, whether a mark was used and who used it first — the court may make a declaration to avoid relitigation of the point before the TMO.⁶⁸

62 *P Act*, above note 10, s. 59 [emphasis added]; see chapter 3 and section H, “Invalidity,” in chapter 4.

63 *Unitel*, above note 61; *Billings & Spencer Co. v. Canadian Billings & Spencer Ltd.* (1921), 20 Ex.C.R. 405; *Findlay v. Ottawa Furnace & Foundry Co.* (1902), 7 Ex.C.R. 338 at 349. This depends on the nature of the right. For example, a patent may validly be granted for an improvement on another patented product, even though the working of one patent within the other’s claims may infringe the latter.

64 *Gold v. Downs* (1988), 19 C.P.R. (3d) 292 (Fed. T.D.); *Geodesic Constructions Pty. Ltd. v. Gaston* (1976), 16 S.A.S.R. 453 at 469 (S.C.); *Comstock*, above note 1. The court cannot act before registration: *Cellcor Corp. v. Kotacka* (1976), [1977] 1 F.C. 227 (C.A.).

65 *ID Act*, above note 10, s. 23(1); *P Act*, above note 10, s. 53(2).

66 *Lightning Fastener Co. v. Canadian Goodrich Co.*, [1932] S.C.R. 189 at 195–96.

67 See *Electrolytic Zinc Process Co. v. French’s Complex Ore Reduction Co.*, [1930] S.C.R. 462; compare *B.V.D. Co. Ltd. v. Canadian Celanese Ltd.*, [1937] S.C.R. 221, aff’d (sub nom. *Canadian Celanese Ltd. v. B.V.D. Co.*) [1939] 1 All E.R. 410 (P.C.).

68 *Royal Doulton Tableware Ltd. v. Cassidy’s Ltd./Ltée* (1984), [1986] 1 F.C. 357 (T.D.); *Pitney Bowes Inc. v. Canada (Registrar of Trade Marks)* (1993), 49 C.P.R. (3d) 5 (Fed. T.D.).

D. ENFORCEMENT

Most intellectual property disputes settle without going to court. The incentives for settlement or informal dispute resolution are high because infringement litigation can quickly become prohibitively expensive. Alternative dispute resolution through mediation or arbitration is also possible, but as yet uncommon.

If litigation is pursued, trials are often bifurcated: liability is tried first, and the question of remedy is then litigated only if the claimant has been successful on liability. Infringements attract the usual remedies. Those most commonly sought are final injunctions, interlocutory injunctions, damages, accounts of profits, and delivery up.⁶⁹ These remedies are now discussed. A paragraph on limitation periods then concludes this section.

1) Court Selection

Litigation may be brought in either the provincial courts or the Trial Division of the Federal Court, depending on the right infringed. For infringement of a registered federal right or copyright, the plaintiff can usually choose between the provincial or the Federal Court; both have concurrent jurisdiction. The Federal Court is sometimes preferred because its judges are more experienced in this litigation, the case can often be more quickly heard and appealed, and the Federal Court's orders are enforceable Canada-wide. It is the only forum if amendment or invalidation of a federal register is sought.

The Federal Court, however, lacks jurisdiction over disputes involving provincial law. Suppose a licensee is not paying royalties or a party to an agreement settling an intellectual property dispute does not observe its terms. Since the dispute is merely over whether a contract has been broken, the Federal Court cannot hear it.⁷⁰ The court may, however, decide contractual points incidentally to an infringement action. If, for example, a defendant pleads that an infringement is permitted by its contract with the claimant, the court has jurisdiction to interpret the contract to determine if there has indeed been an infringement.⁷¹ However, no claim in tort, unless arising from a valid federal

69 Claimants sometimes seek declarations, and of course always want their costs and pre- and post-judgment interest. These remedies are not discussed here.

70 *Sabol v. Haljan* (1982), 36 A.R. 109 (C.A.).

71 *Titan Linkabit Corp. v. S.E.E. See Electronic Engineering Inc.* (1993), 44 C.P.R. (3d) 469 (Fed. T.D.).

statute,⁷² can be attached to an infringement claim. It is therefore quite possible for two sets of litigation over the same matter to be pending, one in a provincial court, the other in the Federal Court. There may even be two infringement actions started. For example, a threatened party may start an action seeking a declaration of non-infringement from a provincial court, and the right-holder may respond by bringing its own infringement action in Federal Court. One or other court may then stay the case before it, if the issues and relief sought are essentially the same; otherwise both cases may proceed.

2) Whom to Sue

The *Copyright Act* extends liability beyond direct infringers to those who "authorize" infringement.⁷³ Otherwise, intellectual property legislation is typically silent on precisely who can be implicated. General common law principles of complicity and vicarious responsibility should apply. Those who directly participate in a wrong, therefore, are as liable as the main actor. Principals, partners, and employers may be jointly and severally liable for infringements committed by their agents, co-partners, and employees acting in the scope of their authority or employment. Parent corporations should not automatically be liable for their subsidiaries' acts unless these acts are done as agents. Nor may directors, officers, and managers be liable for a corporation's wrongs, unless they formed the corporation to infringe, or directly ordered, authorized, or procured infringement. Not preventing an infringement within one's power to control, or not fulfilling one's duties to the corporation, apparently does not in itself attract liability.⁷⁴

Those who merely "contribute" to infringement may not themselves be infringers.⁷⁵ Sellers of videocassette recorders may not be responsible for the unlawful copying of tapes by buyers. Similarly, suppliers of chem-

72 For example, a claim for statutory passing-off under s. 7(b) or (c) of the *T Act*, above note 6.

73 *C Act*, above note 10, s. 3(1); see chapter 2.

74 *Reading & Bates Construction Co. v. Baker Energy Resources Corp.* (1986), 13 C.P.R. (3d) 410 (Fed. T.D.); *Mentmore Manufacturing Co. v. National Merchandise Manufacturing Co.* (1978), 40 C.P.R. (2d) 164 (Fed. C.A.) (patents); *C. Evans & Sons Ltd. v. Spritebrand Ltd.*, [1985] 2 All E.R. 415 (C.A.) and *King v. Milpururru* (1996), 34 I.P.R. 11 at 35 (Austl. Fed. Ct.) (copyright); *Halocarbon (Ont.) Ltd. v. Farbwerke Hoechst AG*, [1974] 2 E.C. 266 (T.D.), aff'd (sub nom. *Farbwerke Hoechst AG v. Halocarbon (Ont.) Ltd.*), [1979] 2 S.C.R. 929 (parent & subsidiary).

75 Compare *Hatton v. Copeland-Chatterton Co.* (1906), 10 Ex.C.R. 224, aff'd (1906), 37 S.C.R. 651.

icals for use in process patents or of parts for incorporation in a patented product or combination may not be responsible if a buyer uses the items to infringe.⁷⁶ On the other hand, providers of online bulletin board services may perhaps be liable for infringing material posted by subscribers. The possible hardship such a rule may entail, especially for non-profit operators, has led to the suggestion that liability should exist only if the operator knew or should have known that posted material infringed copyright and had not acted reasonably to limit potential abuses.⁷⁷

It is not only the new technology that is threatening traditional rules of immunity. Courts themselves have sometimes chosen to extend liability incrementally. So a seller who supplies all the parts of a combination patent for the buyer to assemble may infringe either directly or jointly with the buyer if a common design to infringe is proved.⁷⁸ Whether such a common design between A and B can readily be inferred merely because A deliberately persuades or induces B to infringe is more doubtful. This comes close to insinuating the common law tort of inducement into an intellectual property statute by renaming it "joint infringement." If it is *ultra vires* to use provincial tort law to bolster a federal right, doing so indirectly should fare no better. Arguments that the persuader is acting immorally and deserves condemnation can be met by the rejoinder that intellectual property rights "are derived from statute and not from the Ten Commandments" and that it is for Parliament, not "the clergy or the judiciary," to define those rights.⁷⁹

Defendants must therefore be selected with care. Strategies like taking out newspaper ads warning off the trade, or sending letters or copies of threatening correspondence to retailers and wholesalers, should be avoided. If the right later proves invalid, the plaintiff may itself be sued

76 *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 at 70-83 (Ex. Ct.); *CBS Songs Ltd. v. Amstrad Consumer Electronics*, [1988] A.C. 1013 (H.L.) [CBS].

77 Information Highway Advisory Council, *Final Report: Connection, Community Content: The Challenge of the Information Highway* (Ottawa: The Council, 1995) at 120; *R. v. M. (J.P.)* (1996), 67 C.P.R. (3d) 152 (N.S.C.A.); computer bulletin board operator, knowingly making infringing copies of computer software available to selected users, held guilty of "distribut[ing]" them to the copyright owner's prejudice: C Act, above note 10, s. 42(1)(c). Compare J. Ginsburg, "Putting Cars on the Information Superhighway: Authors, Exploiters, and Copyright in Cyberspace" (1995) 95 Colum. L. Rev. 1466 at 1492ff; *Religious Technology Centre v. Netcom On-Line Communications Services Inc.*, 33 I.P.R. 132 (D. Cal. 1995).

78 *Windsurfing International Inc. v. Trilantic Corp.* (1985), 8 C.P.R. (3d) 241 (Fed. C.A.).

79 CBS, above note 76 at 1057; similarly, *Compo Co. v. Blue Crest Music Inc.* (1979), [1980] 1 S.C.R. 357 at 372-73.

for the wrong of injurious falsehood and may have to pay damages for business disruptions. At common law, the plaintiff is liable only if it knew its right was invalid or otherwise acted inexcusably. Knowledge or dishonesty need not be proved where a federal right is shown to be invalid and the injured party relies on section 7(a) of the *Trade-marks Act*; this provision requires only proof of injury to business caused by a competitor's false or misleading statement.⁸⁰

3) Remedy Selection

There is a trend in the general law towards synthesizing common law and equitable remedies and making the combined schedule available to all wrongs, while keeping things flexible so as to be able to do justice in the individual case. This trend should apply equally to intellectual property law. Perhaps courts should usually award the claimant's remedy of choice if he is otherwise entitled to it, but some courts appear more interested in awarding whatever remedy the court thinks most appropriate in the circumstances. This may occur partly through the application of equitable considerations. Innocent infringers, particularly those who change their position after long delay by the right-holder, may be let off entirely, may have to pay only damages (no injunction or account), or may be enjoined but pay no money to the claimant.⁸¹ Particular intellectual property statutes may encourage even greater flexibility. Thus the court is given a very broad remedial discretion for moral rights infringements and trade-mark dilution.⁸² Language like that in the *Trade-marks Act* — the court "may make any order that it considers appropriate in the circumstances" — may also prompt judges to tailor relief more precisely to the circumstances of each case instead of mechanically granting whatever a claimant wants.⁸³ This approach may deserve to be endorsed more widely.

80 *S. & S. Industries Inc. v. Rowell*, [1966] S.C.R. 419, on *T Act*, above note 6, s. 7(a), and the common law; compare *M & I Door Systems Ltd. v. Indoco Industrial Door Co.* (1989), 25 C.P.R. (3d) 477 (Fed. T.D.); *Safematic Inc. v. Sensodec Oy* (1988), 21 C.P.R. (3d) 12 (Fed. T.D.).

81 *Habib Bank Ltd. v. Habib Bank AG Zurich*, [1981] 2 All E.R. 650 (C.A.); *Seager v. Copydex Ltd.*, [1967] 2 All E.R. 415 (C.A.) [Seager]; *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947).

82 *C Act*, above note 10, s. 34(1.1); *T Act*, above note 6, s. 22(2); compare *Clairol International Corp. v. Thomas Supply & Equipment Co.*, [1968] 2 Ex.C.R. 552 at 577.

83 *T Act*, *ibid.*, s. 53.2. See, for example, *Gray Rocks Inn Ltd. v. Snowy Eagle Ski Club Inc.* (1971), 3 C.P.R. (2d) 9 at 26 (Fed. T.D.) (trade-marks); *Omark Industries Inc. v. Sabre Saw Chain (1963) Ltd.* (1976), 28 C.P.R. (2d) 119 at 140-41 (Fed. T.D.) (patents).

4) Final Injunction

An intellectual property right-holder has, by statute, a sole or exclusive right, which makes the injunction an appropriate remedy unless it is barred by statute⁸⁴ or by some equitable reason such as acquiescence, lack of clean hands, or unconscionability. A breach of common law or provincial statutory rights — for example, passing-off, misappropriation of personality, breach of confidence — can similarly be enjoined. Injunctions have issued even against unknown defendants — for example, street vendors selling fake ROLEX watches on the run.⁸⁵

Although injunctions are discretionary, the Federal Court of Appeal once said that only the claimant's conduct can bar relief and the fact that no loss is suffered is irrelevant. To refuse an injunction otherwise is "tantamount to the imposition of a compulsory licence . . . [in] the absence of legislative authority."⁸⁶ The court accordingly granted the federal government an injunction against an unauthorized abridgment infringing copyright. This holding, to the extent that it fetters the equitable discretion, should be treated with caution. Thus, injunctions have been refused in breach of confidence cases where a good-faith confidant had expended money in ignorance of the confider's rights, but the claimant could recover the market value of the secret as damages.⁸⁷ Similarly in the US, damages instead of an injunction were suggested in a case where videorecorder manufacturers were said to be abetting copyright infringement by home-tapers.⁸⁸ More recently, damages instead of injunctions in copyright infringement cases have been encouraged as one way to minimize incursions on free speech.⁸⁹ This flexibility seems preferable to the restrictive approach suggested by the Federal Court of Appeal.

84 For example, a building should not be halted in mid-construction, even if it infringes copyright: *C Act*, above note 10, s. 40(1).

85 *Montres Rolex S.A. v. Balshin* (1992), [1993] 1 F.C. 236 (C.A.).

86 *R. v. James Lorimer & Co.*, [1984] 1 F.C. 1065 at 1073 (C.A.).

87 *Seager*, above note 81; D. Vaver, "What Is a Trade Secret?" in R. Hughes, ed., *Trade Secrets* (Toronto: Law Society of Upper Canada, 1990) 1 at 37–39.

88 *Universal City Studios v. Sony Corp.*, 659 F.2d 963 at 976 (9th Cir. 1981), rev'd 5:4 on liability (*sub nom. Sony Corp. of America v. Universal City Studios Inc.*), 464 U.S. 417 (1984), the dissenters agreeing with the lower court on remedy, at 499–500.

89 P.N. Leval, "Campbell v. Acuff-Rose: Justice Souter's Rescue of Fair Use" (1994) 13 *Cardozo Arts & Ent. L.J.* 19 at 23–26.

5) Interlocutory Injunction

Quickly seeking interlocutory relief is almost *de rigueur* in intellectual property cases. Delay may, after all, defeat an application, even if the claimant otherwise seems to have a good case. Many parties also settle or are loath to go to trial (sometimes years later) for a final adjudication of their rights, especially if the court has indicated a tentative view on the parties' respective merits. Intellectual property cases have in fact largely figured in settling the principles for interlocutory relief for the whole range of disputes throughout the Commonwealth. The original *Anton Piller* injunction — a pre-trial order allowing seizure of infringing material that a defendant might otherwise hide — involved breach of copyright and confidence.⁹⁰ And *American Cyanamid Co. v. Ethicon Ltd.*,⁹¹ settling when interlocutory injunctions should be granted, was a U.K. patent case, where an injunction was issued to prevent a defendant from commencing to market surgical sutures. The House of Lords, concerned that interlocutory hearings were turning into full-scale trials on incomplete evidence, instructed judges merely to satisfy themselves that there was a "serious question to be tried" or that the applicant had a "real prospect of succeeding in . . . [its] claim for a permanent injunction at the trial".⁹²

The Supreme Court of Canada has recently endorsed this approach: judges should not ask whether a *prima facie* case was made out, but must deal with applications "on the basis of common sense and an extremely limited review of the case on the merits."⁹³ Once past that threshold, the applicant faces two major hurdles. First, it must show it would suffer injury that cannot be adequately compensated in damages ("irreparable harm"). Second, the balance of convenience must favour an injunction. This means the court must consider which party would suffer more from the grant or refusal of an injunction, and how third parties might be affected (i.e., the public interest). Ultimately, the overall equities should be reviewed without the strait-jacket of any set formula, including, it seems, any imposed by *American Cyanamid* itself.

90 *Anton Piller KG v. Manufacturing Processes Ltd.*, [1976] Ch. 55 (C.A.), followed in *Nintendo of America Inc. v. Coinex Video Games Inc.* (1982), [1983] 3 E.C. 189 (C.A.).

91 [1975] A.C. 396 (H.L.) [*American Cyanamid*].

92 *Ibid.* at 407–8.

93 *RJR-MacDonald Inc. v. Canada (A.G.)*, [1994] 1 S.C.R. 311 at 348 (*Charter* challenge to legislation restricting tobacco advertising).

A British court recently made this point forcefully in an intellectual property case involving allegations of misappropriation of computer software. The claimant's allegations were only weakly supported by evidence. The court thought *American Cyanamid* did not preclude taking into account the claimant's likely merits as an important factor. Courts should not try to resolve difficult issues of fact or law on interlocutory applications, but they should be able to assess the relative strengths of each party's case as it appears from any credible evidence then produced. This helps parties reach settlements and reduces litigation costs. The court summarized its views on interlocutory injunction as follows:

1. The grant of an interlocutory injunction is a matter of discretion and depends on all the facts of the case.
2. There are no fixed rules as to when an injunction should or should not be granted. The relief must be kept flexible.
3. Because of the practice adopted on the hearing of applications for interlocutory relief, the court should rarely attempt to resolve complex issues of disputed fact or law.
4. Major factors the court can bear in mind are (a) the extent to which damages are likely to be an adequate remedy for each party and the ability of the other party to pay, (b) the balance of convenience, (c) the maintenance of the status quo, (d) any clear view the court may reach as to the relative strength of the parties' cases.⁹⁴

Whether these views will ultimately prevail in the United Kingdom, or how they may affect Canadian courts, remains to be seen. Meanwhile, it is clear that there is no presumption for or against interlocutory injunctions in intellectual property cases or any particular class of them.⁹⁵ For example, a pre-*American Cyanamid* practice developed of not granting injunctions for recently issued patents where validity was challenged, but it no longer holds. The prospect held out by *American Cyanamid* that interlocutory hearings would become much quicker and cheaper has not, however, fully materialized. Each party still tries to stack the balance of convenience in its favour with kilos of evidence, as if physical and legal weight were equations; and each now argues that some nuance in *American Cyanamid* or the reams of jurisprudence applying it favours it more than the other party. *American Cyanamid* is thus honoured more in letter than in spirit.

94 *Series 5 Software Ltd. v. Clarke*, [1996] F.S.R. 273 at 286 (Ch.) [Series 5].

95 See *Turbo Resources Ltd. v. Petro-Canada Inc.*, [1989] F.C. 451 (C.A.), summarizing principles and refusing a trade-marks injunction; compare *826129 Ontario Inc. v. Sony Kabushiki Kaisha* (1995), 65 C.P.R. (3d) 171 (Fed. T.D.), granting an injunction.

It is worth recalling that the *American Cyanamid* trial judge, after dealing with the threshold question, exercised his discretion, with the House of Lords' approval, in less than two paragraphs to dispose of the case in the applicant's favour:

The defendants, as already stated, are not yet on the market and so have no business in these sutures which will be brought to a stop; no factory will be closed down; and no workpeople be thrown out of work. The plaintiffs, on the other hand, have a substantial and growing market; and . . . I see no reason why the defendants should be allowed . . . to jump the gun and establish themselves in the market before the trial. If they were allowed to do, it would not only disrupt the plaintiffs existing and future business, but might well mean that the plaintiffs, even if they succeeded at the trial, as a commercial matter could not in practice ask for a permanent injunction.

. . . [O]nce doctors and patients have got used to the defendants' product on the market in the period prior to the trial, it would be, as a commercial matter, hardly possible for the plaintiffs, even if successful, by the grant of an injunction at the trial to deprive the public of it. . . .⁹⁶

Judges today could do worse than emulate this brevity. The attempt earlier noted to reorientate the law,⁹⁷ if generally accepted, should not be taken as an encouragement to return to the days of trying (and appealing) cases twice: once on an interlocutory injunction application, and a second time at the final trial on the merits.

6) Damages

Damages for infringement track those for tort generally. The claimant should receive monetary compensation (general and aggravated damages) restoring it to the position in which it would have been had the infringement never occurred. The claimant's present economic position is compared with that hypothetical state; the difference — excluding reasonably avoidable and "remote" losses (i.e., those not flowing naturally and directly from the wrong) — is what the infringer owes.⁹⁸ But every case will have its own peculiarities. The object is to compensate

96 *American Cyanamid Co. v. Ethicon Ltd.* (1973), [1975] R.P.C. 513 at 520 (Ch.), aff'd above note 91 at 409–10.

97 Series 5, above note 94.

98 *Colonial Fastener Co. Ltd. v. Lightning Fastener Co. Ltd.*, [1937] S.C.R. 36 at 41 [Colonial]; *General Tire & Rubber Co. v. Firestone Tyre & Rubber Co. Ltd.*, [1975] 2 All E.R. 173 (H.L.) [General Tire].

this claimant — not some other claimant, who could have lost more or less from the same infringement — for the particular wrong and, if appropriate, to award punitive damages against egregiously bad infringers.⁹⁹

Every infringement is a separate wrong. So a patent covers rights to make, use, or sell the invention. Each unit made infringes, each unit further sold or used infringes again, and the patentee should technically get compensation for each wrong. A sense of proportion must, however, be retained, and double or overlapping recovery should be avoided. Some complaints are trivial and deserve no award: overcompensation is as much a vice as undercompensation.

The following are some guidelines to assess damages.

a) Lost Sales

If a right-holder's business is selling the protected products, it can obviously recover its lost net profit on sales the infringer took from it by selling competing products. The infringer cannot escape by proving it could have sold a non-infringing substitute. A publisher once sold a school anthology containing a major section of a novel without obtaining copyright clearance. It had to compensate both the author for lost royalties and a rival publisher, who owned the copyright, for the latter's profit on sales lost from the competition.¹⁰⁰ An infringer may also undercut prices because it does not have the claimant's start-up cost (e.g., research, development, and market creation). A claimant reducing prices to meet this competition can also recover for its lost margin and any general business decline — for example, if the infringer produces an inferior product that makes the market turn against the claimant's product as well.¹⁰¹ Claimants have even recovered for losses outside the monopoly — for example, for unpatented products like lost service contracts and spare parts sales associated with the sale of a patented product lost to an infringer.¹⁰² Such awards are understandable when the infringer made similar gains, but are less acceptable where it did not, for the monopoly then is effectively extended beyond the grant.

⁹⁹ See section D(6)(e), "Infringer's Knowledge or Innocence," in this chapter.

¹⁰⁰ *Prise de Parole Inc. v. Guérin, Éditeur Ltée* (1995), 66 C.P.R. (3d) 257 (Fed. T.D.) [Prise].

¹⁰¹ *Lam Inc. v. Johns-Manville Corp.*, 718 F.2d 1056 (Fed. Cir. 1983); *Catnic Components Ltd. v. Hill & Smith Ltd.*, [1983] F.S.R. 512 at 528–30 (Pat. Ct.).

¹⁰² *Gerber Garment Technology Inc. v. Lectra Systems Ltd.*, [1995] R.P.C. 383 (Pat. Ct.).

b) Reasonable Royalty

What if the right-holder could never have made the infringer's sales — for example, they would have gone to other competitors, or the infringer created a new market? The right-holder is then entitled to damages based on a reasonable licence fee. For right-holders in the licensing business — for example, copyright collecting societies or research labs — this is the actual royalty fee they would have charged the defendant for a licence. If the right-holder never licenses (e.g., a manufacturer using a secret process), then a notional reasonable royalty fee may be set: what a willing licensor and licensee in the shoes of the particular parties would have negotiated under existing market conditions. The factors real-life negotiators, acting reasonably with a view to reaching an agreement, would use in that line of business are then taken into account: for example, comparable fees for comparable licences anywhere, the infringer's savings and profits, any admissions by either party of the figure it would be willing to accept as a royalty.¹⁰³

The onus is on the claimant to provide a reasonable basis for the court to act on. But the reasonable royalty formula is ultimately a device to prevent unjust enrichment: the infringer is treated like the car thief, who has to pay the owner a reasonable rental for the time the owner was deprived of her property, even if the owner had put the car in storage for the winter. Neither party can avoid a calculation on this basis by saying that, in the real world, they would never have entered into licence negotiations with the other or would have settled only for other-worldly rates.

c) Intangible Losses

Infringements may sometimes cause right-holders intangible losses. For example, someone who puts up a building infringing an architect's plans may deprive the architect of the reputation that would have come her way from news of the building (placards on the site, etc.). Damages for copyright infringement may compensate for this lost credit.¹⁰⁴ Sometimes, too, damages can cover embarrassment and distress, as when a national newspaper publishes a private photograph without copyright clearance.¹⁰⁵

103 *Colonial Fastener Co. Ltd. v. Lightning Fastener Co. Ltd.*, [1936] Ex.C.R. 1, aff'd above note 98; *General Tire*, above note 98; *Georgia-Pacific Corp. v. U.S. Plywood-Champion Papers Inc.*, 318 F.Supp. 1116 (D.N.Y. 1970), modified 446 F.2d 295 (2d Cir. 1971).

104 *Kaffka v. Mountain Side Developments Ltd.* (1982), 62 C.P.R. (2d) 157 at 163 (B.C.S.C.). This loss may also infringe moral rights or amount to passing-off, and should be similarly compensable.

105 *Williams v. Settle*, [1960] 2 All E.R. 806 (C.A.).

d) Apportioning Damages

An infringer who takes one chapter from a ten-chapter book should pay damages only on the loss caused by taking that chapter. Exceptionally, this may be like taking the whole book: a newspaper that publishes the juiciest chapter in a biography might so satiate the market that demand for the book on general release might be much less, even zero. More often, the loss would be less. One might start with the proportion of pages taken in relation to the whole book and then increase or lower this rate depending on the importance of the chapter, the cost to the infringer of substitutes, the infringer's profit on the enterprise, and the likely effect on the copyright owner's own sales or future licensing efforts.

This approach may not always be appropriate. For example, an infringer may so interweave the right-holder's work with its own as to make separation impossible. Other times a refusal to apportion is less justified. Thus, where a finished article infringes a patent on a part or a process, courts have awarded the patentee its entire lost profits on the finished article. So the patentee of a type of baseboard for children's beds recovered the profits it had lost on selling whole beds from a competing infringer. Similarly, a patentee of a zipper-making machine and method recovered its lost profits on selling zippers.¹⁰⁶ This principle presumably stops at the point an airplane seller tries to recover lost profits on sales, simply because it holds a patent on the screws with which the plane is fastened.

The reluctance to apportion does not appear when an infringer's profits are assessed on an account of profits.¹⁰⁷ So profits were apportioned where an infringing trade-mark only contributed to product sales, where a film owed its success more to its cast and staging than to the copyright play it infringed, and where a patented section of a machine was not a "driving force" in the sales of the whole machine.¹⁰⁸ This approach should apply equally to damages. A claimant should not avoid apportionment simply by switching remedies, for then a punitive element creeps into an award in cases where punitive damages would not directly be awardable.

106 *Feldstein v. McFarlane Gendron Manufacturing Co.* (1966), [1967] 1 Ex.C.R. 378 at 386; *Colonial*, above note 103; compare *Stovin-Bradford v. Volpoint Properties Ltd.*, [1971] 1 Ch. 1007 at 1016 (C.A.) (copyright).

107 See section D(7), "Account of Profits," in this chapter.

108 *Dubiner v. Cheerio Toys & Games Ltd.*, [1966] 2 Ex.C.R. 801 [*Dubiner*]; *Sheldon v. Metro Goldwyn Pictures Corp.*, 106 F.2d 45 (2d Cir. 1939), aff'd 309 U.S. 390 (1940); *Beloit Canada Ltd./Ltd. v. Valmet Oy* (1995), 61 C.P.R. (3d) 271 at 279 (Fed. C.A.) [*Beloit*].

e) Infringer's Knowledge or Innocence

The main object of damages is to compensate the victim, but it is not the only object. Punitive damages can be awarded, as for any civil wrong, against a deliberate infringer who has behaved in a particularly appalling manner. The publishing company which did not bother to get copyright clearance for an anthology it published and which then, denying any infringement until just before trial, cavalierly continued to sell the book over the copyright owner's complaints, had punitive damages of \$20,000 awarded against it.¹⁰⁹ This is well within the ordinary range of punitive damages presently being awarded in Canada: usually from \$5000 to \$50,000. The highest award so far is \$15 million against Imperial Oil Ltd. for its allegedly "callous disregard" of an interlocutory injunction in a patent infringement case. The Federal Court of Appeal set the award aside, partly because the trial judge had not yet assessed compensation (damages or an account of profits) and so could not know whether an additional punitive award was warranted to further mark the court's disapproval of the defendant's conduct. The Court of Appeal nevertheless did not appear shocked by the size of the award made. Indeed, it indicated that on retrial the sum could be more or less than \$15 million: "It depends on what figures would be required to deter [Imperial Oil] and others, in all the circumstances of this case."¹¹⁰ Awards like this one are intended to mark society's disapproval of egregious conduct, to deter its repetition, and generally to teach the world that infringement does not pay. Deliberate conduct that does not warrant a punitive award may indirectly cause compensatory damages to be awarded rather more liberally than otherwise.

What then of the innocent infringer, which does not know that its acts constitute infringement? Innocence is usually irrelevant to liability¹¹¹ or to the grant of an injunction. Monetary relief may, however, sometimes be withheld — for example, for moral rights infringements and trade-mark dilution, where awards are specifically made discretionary.¹¹² No monetary remedy is also available against the infringer of an

109 *Prise*, above note 100. The copyright owner and author got \$10,000 each, on top of substantial compensatory damages.

110 *Imperial Oil*, above note 59, at 22.

111 But some knowledge or intent is necessary for secondary copyright infringement by importers and distributors: *C Act*, above note 10, s. 27(4). As to trade secrets, see section D(6)(f), "Special Cases," in this chapter.

112 *C Act*, *ibid.*, s. 34(1.1); *T Act*, above note 6, s. 22(2). See section I, "Authors' Moral Rights," in chapter 2, and section G(3), "Dilution," in chapter 4.

unregistered copyright who "was not aware and had no reasonable ground for suspecting that copyright subsisted in the work."¹¹³ But only the occasional *Candide* or cryptomnesiac may qualify for this state of grace, for everyone is supposed to assume that anything arguably under the *Copyright Act's* scope is probably protected, and ignorance of fact or law is no excuse.¹¹⁴ No monetary remedy is similarly available to an industrial design infringer who "was not aware, and had no reasonable grounds to suspect, that the design was registered"; but an encircled "D" with the design owner's name marked on most goods automatically removes the defence.¹¹⁵ The design infringer must in other cases still act prudently; innocence may be pleaded by someone who markets an independently produced design, but less plausibly by someone who copies a design without legal advice or a designs register search.¹¹⁶

f) Special Cases

Special rules on damages assessment apply to particular rights. For example, a patentee may recover "reasonable compensation" for infringements occurring between the time its specification is published and the date of grant. "Reasonable compensation" would not include punitive damages. Whether an account of profits is encompassed is not clear, but an award on this basis seems possible. True, the account strips the defendant of its gains, but the remedy may still be considered as a form of compensation for an injured plaintiff.¹¹⁷ Copyright holders also have special remedies. Presently, infringing copies are deemed to belong absolutely to the copyright owner, who may take proceedings to have them handed over or to recover damages equivalent to their full market value if sold. The copyright owner of a drawing engraved without authority onto a gold medallion is made the owner of the medallion and is entitled to its full price if the article is sold.¹¹⁸ Continuing criticism of this punitive result has led to a proposal to eliminate this remedy and to

113 *C Act*, *ibid.*, s. 39.

114 *Bulman Group Ltd. v. "One Write" Accounting Systems Ltd.*, [1982] 2 F.C. 327 (T.D.); *Slumber-Magic Adjustable Bed Co. v. Sleep-King Adjustable Bed Co.* (1985), 3 C.P.R. (2d) 81 (B.C.S.C.). On cryptomnesia, see section G(2)(b), "Subconscious Copying," in chapter 2.

115 *ID Act*, above note 10, ss. 17(1)–(2).

116 *John Khalil Khawam v. K. Chellaram & Sons (Nigeria) Ltd.*, [1964] 1 All E.R. 945 at 947 (P.C.).

117 *P Act*, above note 10, s. 57(2). Compare *Imperial Oil*, above note 59, at 21.

118 *Infabrics Ltd. v. Jaytex Ltd.* (1981), [1982] A.C. 1 (H.L.).

substitute a right, drawn from U.S. law, to elect damages of between \$500 and \$20,000 for all infringements involved in an action.¹¹⁹

For trade secrets, courts have developed a flexible regime by analogy to copyright and patent cases. Sometimes information is treated like stolen property: patentable ideas are then assessed at the sum a patent may have fetched, while simpler ideas are assessed at the rate a consultant would have charged. Other times, only the value of the headstart the information gave the acquirer or the diminished value of the information as an asset is assessed. An acquirer's innocence or change of position may also reduce or extinguish liability. Once any damages award is paid, the information may sometimes continue to be used without further liability.¹²⁰

7) Account of Profits

An infringer sometimes profits more than the right-holder loses from an infringement. The latter may then find it convenient to elect to recover the infringer's net gain. This remedy, called an "account of profits," prevents unjust enrichment and deters infringement. This remedy has recently resurged in Canada because (1) it is available even where the claimant can prove no loss; (2) the infringer, instead of the right-holder, has to lay open its books of account and prove what charges against revenue are proper to produce a net profit figure;¹²¹ and (3) the claimant can usually recover compound prejudgment interest at prime rate on those profits.¹²² However, there are limitations.

119 Bill C-32, above note 14, cls. 38.1(1)-(3). Collecting societies are proposed to be given a separate right to elect between three and ten times any unpaid royalties. *ibid.*, cl. 38(4). For background and critique, compare J. Berryman, "Copyright Remedies: An Ever Tightening Noose" with Canadian Music Publishers Assn., "A Case for Statutory Damages in Canadian Copyright Law" by G. Henley in *Copyright Reform: The Package, the Policy and the Politics*, Insight/Globe & Mail Conference, Toronto, 30-31 May 1996.

120 D. Vaver, "Civil Liability for Taking or Using Trade Secrets in Canada" (1981) 5 Can. Bus. L.J. 253 at 288-91; Vaver, "What Is a Trade Secret?" above note 87 at 36-39; *Valeo Vision S.A. v. Flexible Lamps Ltd.*, [1995] R.P.C. 205 at 227-28 (Ch.); *Cadbury Schweppes*, above note 29 (headstart damages plus injunction).

121 C Act, above note 10, s. 35(2), restates equity practice.

122 *Reading & Bates Construction Co. v. Baker Energy Resources Corp.* (1994), [1995] 1 F.C. 483 (C.A.). Generally, see C.L. Kirby, "Accounting of Profits: The Canadian Experience" (1993) 7 I.P.J. 263; M. Gronow, "Restitution for Breach of Confidence" (1996) 10 I.P.J. 219.

- An account typically substitutes for damages. Only exceptionally can a plaintiff have both,¹²³ and then double-counting must be avoided: the plaintiff should not recover both its lost profit and the defendant's net gain on the same unit. A right-holder may also recover multiple accounts of profits against multiple infringers in respect of the same goods, or an account against one and damages against another.¹²⁴ Where an account and damages are alternative remedies (as in patent and trade-mark cases), a claimant must choose between them and cannot simply ask for whichever may turn out the better for it. The court may, however, order the defendant to produce sufficient data about its profits so that the claimant may exercise an informed choice.¹²⁵
- The court can deny an account in its discretion — for example, if the infringer did not know it was infringing or made no profits, or the claimant delayed long before suing or was less than candid in presenting its evidence at trial.¹²⁶
- Determining what the infringer gained from the infringement can be controversial. The old story that no movie ever makes a profit — at least for any writer or actor foolish enough to contract for a percentage of the “net”¹²⁷ — is not confined to Hollywood and films. Sometimes sales profits have to be apportioned because the infringement was not the main reason for sales.¹²⁸ Other times, deductions are disputed. Thus Canadian courts have often disallowed fixed overheads,

123 Both remedies are awardable for copyright infringement: *C Act*, above note 10, s. 35(1); *Bill C-32*, above note 14, cl. 35(1).

124 *Ray Plastics Ltd. v. Canadian Tire Corp.* (1995), 62 C.P.R.(3d) 247 (Ont. Gen. Div.); *Catnic Components Ltd. v. C. Evans & Co. (Builders Merchants) Ltd.*, [1983] E.S.R. 401 at 423 (Pat. Ct.).

125 *AlliedSignal Inc. v. Du Pont Canada Inc.* (1995), 61 C.P.R. (3d) 417 at 444–45 (Fed. C.A.); *Island Records Ltd. v. Tring International Plc.*, [1995] 3 All E.R. 444 (Ch.); *Tang Man Sit v. Capacious Investments Ltd.* (1995), [1996] 2 W.L.R. 192 (P.C.); *Colbeam Palmer Ltd. v. Stock Affiliates Pty. Ltd.* (1968), 122 C.L.R. 125 (Austl. H.C.).

126 *Consolboard Inc. v. MacMillan Bloedel (Sask.) Ltd.*, [1981] 1 S.C.R. 504, aff'g (1978), 39 C.P.R. (2d) 191 at 220–22 (Fed. T.D.); *Globe-Union Inc. v. Varta Batteries Ltd.* (1981), 57 C.P.R. (2d) 254 at 257–58 (Fed. T.D.), aff'd on this point (*sub nom. Johnson Controls Inc. v. Varta Batteries Ltd.*) (1983), 80 C.P.R. (2d) 1 at 22 (Fed. C.A.).

127 See P. O'Donnell & D. McDougal, *Fatal Subtraction: The Inside Story of Buchwald v. Paramount* (New York: Doubleday, 1992).

128 See section D(6)(d), “Apportioning Damages,” in this chapter.

but this has rightly been condemned elsewhere as punitive on infringers. Any overhead, fixed or variable, that assists the infringement should in principle be deductible.¹²⁹

The problem with this remedy is less its theory than the cost of working it out. Experts may have to analyse infringers' books, and hearings can run into weeks as infringers demonstrate their unease at competitors' nosing around their confidential information. Over a century ago a British judge said of this remedy:

[T]he difficulty of finding out how much profit is attributable to any one source is extremely great — so great that accounts in that form very seldom result in anything satisfactory to anybody. The litigation is enormous, the expense is great, and the time consumed is out of all proportion to the advantage ultimately attained; so much so that in partnership cases I confess I never knew an account in that form worked out with satisfaction to anybody. I believe in almost every case people get tired of it and get disgusted. Therefore, although the law is that a Patentee has a right to elect which course he will take, as a matter of business he would generally be inclined to take an inquiry as to damages, rather than launch upon an inquiry as to profits.¹³⁰

The Canadian judge who, taking an account of profits in a patent case, heard seventeen interlocutory motions before sitting twenty-two days to hear the accounting evidence and legal argument would no doubt concur.¹³¹

8) Delivery Up

A right-holder who obtains an injunction against infringement is usually entitled to an ancillary order requiring the infringer to deliver up any infringing goods in its possession. This removes temptation and makes injunctive relief fully effective. The goods do not, however, belong to the right-holder. The order commonly allows infringers the option of destroying the goods on oath.¹³² The court should make the least disruptive order that protects the claimant's rights. Where goods carry

129 *Dart Industries Inc. v. Decor Corp. Pty Ltd.* (1993), 179 C.L.R. 101 (Austl. H.C.), disapproving *Teledyne Industries Inc. v. Lido Industrial Products Ltd.* (1982), 68 C.P.R. (2d) 204 (Fed. T.D.).

130 *Siddell v. Vickers* (1892), 9 R.P.C. 152 at 163 (C.A.).

131 *Beloit Canada Ltd. v. Valmet Oy* (1994), 55 C.P.R. (3d) 433 at 435 (Fed. T.D.), rev'd (1995), above note 108.

132 *Dubiner*, above note 108.

infringing trade-marks, the appropriate order may be to have the offending labels delivered up and any deceptive markings obliterated from goods left in the defendant's possession. Similarly, no order to deliver up a machine that infringes a patent should be made if removing a part can make the machine non-infringing.¹³³

Two qualifications should be noted. First, a constructive trust may be imposed to avoid unjust enrichment, for example, where property has been acquired by using information confidentially entrusted to the acquirer. The defendant may have to hand over the property or its gross proceeds to the claimant.¹³⁴ Second, copies that infringe copyright are presently deemed to be owned by the copyright owner, who can therefore have them delivered up as its own property. Bill C-32 proposes to replace this provision by one allowing pre-judgment seizure and orders for destruction of the copies on application by any interested party.¹³⁵

9) Limitation Period

Litigation to recover relief for infringement must be started within three years for copyright and moral rights, industrial designs, and ICT rights. Trade-marks and PBR limitations are governed by the provincial law where the infringement occurred — typically three years in Quebec and as long as six years in the common law provinces. The common law periods usually start running from when the claimant should, with reasonable diligence, have discovered the material facts on which the wrong was based.¹³⁶

133 *Baxter Travenol Laboratories of Canada Ltd. v. Cutter (Can.) Ltd.* (1983), 68 C.P.R. (2d) 179 (Fed. C.A.).

134 *LAC Minerals Ltd. v. International Corona Resources Ltd.*, [1989] 2 S.C.R. 574. See also section E(1)(c), "Joint Authors," in chapter 2.

135 *C Act*, above note 10, s. 38; compare Bill C-32, above note 14, cl. 38.

136 D. Vaver, "Limitations in Intellectual Property: 'The Time Is Out of Joint'" (1994) 73 Can. Bar Rev. 451.

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CONCLUSION

Intellectual property law as a whole seems ripe for wholesale reconsideration, both nationally and internationally. One might start with its fundamental premise: that the system of rights it establishes enhances the goals of desirable innovation, creativity, and the widest distribution of ideas, information, products, and technology in the most efficient and, generally, best way. This premise is of course empirically unprovable, even if all agree on what "best way" means. It assumes that throwing a private property right around every activity with potential value in exchange and creating a market in such rights ultimately benefits not only the right-holders but also, in equal or at least reasonable measure, the communities of which they form part. It further assumes that this best of all possible worlds can exist only if the property/market model is the sole mechanism to achieve the stated goals, and that no other system — even one that includes the model as one component — could be devised that would benefit the community more.

In fact, intellectual property already functions within a mixed system of public and private sector policies that affect cultural and economic behaviour. These policies include tax incentives, government contracts, direct subsidies and charitable contributions to arts, regional development funding, honours and prizes, and social rewards for generally approved activities. The idea that intellectual property should dominate discourse, to the reduction or elimination of all else, is simply one ideology. It cannot be true of all times and places. It is not true of Canada today. Whether it should be is a different question.

Even if intellectual property law is accepted as the best method of stimulating high levels of innovation and social progress, the way it operates in Canada hardly achieves these goals or seems compatible with the aspirations of a modern liberal democracy. The laws are poorly drafted and poorly integrated with one another, and cannot be understood except by specialized lawyers. However much the rhetoric of inventors, creators, and innovators is employed, the *Acts* seem more designed by big business for big business. Smaller operations and the general public are left to the side as passive viewers — to be affected, but not themselves to affect anything.

The rights can also be fiendishly expensive to enforce. A few years ago a doyen of the intellectual property bar pointed with apparent pride to the fact that Canadian patent litigation was five to ten times cheaper than its U.S. counterparts. Still, bills in the hundreds of thousands of dollars were “reasonably common,” although it was “very rare” for fees and disbursements to exceed \$1 million.¹ Presumably *Beloit Canada Ltée v. Valmet Oy* was one of those very rare cases, “almost Dickensian in its length and complexity,” according to the judges hearing yet another appeal concerning it.² By early 1995 the litigation had run up \$2.1 million in accountants’ fees alone to ascertain that the defendants owed the patentee some \$3.6 million for infringing (a sum later increased by compound interest apparently spanning a decade and a half). The lawyers’ bills were not likely trumped by those of the accountants. After two decades of litigation, the plaintiff was presumably left with something more than a place in Canadian legal history.

Intellectual property litigation has been said to be “by and large . . . the most technical both in terms of the factual subject matter and the law itself,” even when compared to tax, constitutional, and competition law cases.³ Factual complexity may be largely unavoidable, although less “technical” law could reduce the range and hence the expense of factual inquiries. It is important, however, to understand what is meant by “technical” in this context. The laws are certainly hard to read and understand; but, even when explained, the results they produce hardly

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- 1 Consumer & Corporate Affairs Canada, *Intellectual Property: Litigation, Legislation & Education: A Study of the Canadian Intellectual Property and Litigation System* by G. F. Henderson (Ottawa: Supply & Services, 1991) at 17.
 - 2 *Beloit Canada Ltée v. Valmet Oy* (1995), 61 C.P.R. (3d) 271 at 27+ (Fed. C.A.), rev’g in part (*sub nom. Beloit Canada Ltd. v. Valmet Oy*) (1994), 55 C.P.R. (3d) 433 at 435 (Fed. T.D.), where the trial judge speaks unenthusiastically of his experience presiding over the remedy phase of the case.
 - 3 Henderson, above note 1.

square with the way many ordinary, law-abiding citizens think and act. To tell these people, as copyright owners periodically do, that it is unlawful to record radio or television broadcasts without first obtaining clearance from umpteen right-holders is to invite disbelieving stares. This is but one example of the lack of a comprehensible and coherent moral centre which makes much of intellectual property law so "technical" and unpersuasive.

We can now review some of these "technicalities."

A. DRAFTING STANDARDS

A degree of mystique and uncertainty in the part of intellectual property law regulated by the common law may be thought tolerable because of the much-vaunted benefits flowing from the common law's adaptability and capacity for growth. Mysticism and uncertainty should not, however, be a feature of laws passed by Parliament. Yet anyone reading intellectual property statutes for the first time is struck by their complexity and tortuousness. These are not "user-friendly" laws, even for lawyers. The *Integrated Circuit Topography Act* is the least objectionable, but it is the newest, shortest, and least used law.

The *Trade-marks Act* is probably the best of the various statutes, considering the amount of traffic it carries. And so it should be, drafted as it was under the watchful eye of Harold Fox, Canada's leading intellectual property lawyer of the day. Still, it has a certain old-world quaintness about it. Product marks are marks for "wares"; product get-up is called a "distinguishing guise"; and the Act's main point — letting someone apply to register a trade-mark — comes half way through the Act (at section 30) after a bewildering set of definition sections and other provisions retailing what is legal and what is not. And then the "simple" application to register bristles with problems only a specialist could know about. The general practitioner, let alone the do-it-yourselfer, who handles a trade-mark application or opposition very quickly gets out of his depth. Everything seems simple, but the simplicity is deceptive, for anyone taking the Act at face value is sure to come to grief.

Whether the *Copyright Act* or the *Patent Act* qualifies as the least user-friendly law of all is a close call. The *Copyright Act*'s British progenitor, passed in 1710, was, according to its preamble, "for the encouragement of learned men to compose and write useful books." Most such men and women would be stumped were they to try to read today's *Copyright Act*, with or without Bill C-32. Almost anything written, drawn, recorded, or published in some way virtually anywhere in the

world has copyright in Canada: yet that simple thought takes pages and pages of labyrinthine provisions to express.

The *Patent Act* is supposed to regulate and encourage cutting-edge ideas and technology, and some of it is of recent vintage — for example, the part regulating patented medicine prices. Yet, overall, the *Patent Act* is the most antique and obscure of the statutes in language and structure. Some provisions and procedures date back to the mid-nineteenth century. Basic questions such as invalidity are left to inference and to an open-ended stream of common law stretching back to the seventeenth century. User rights are poorly spelt out. The very scope of the monopoly is still defined by glossing cryptic language according to British jurisprudence that the British themselves no longer follow!

These internal deficiencies are magnified by inconsistencies among the statutes. Inconsistency is undesirable intrinsically, as well as practically, for much technology crosses rights. A single piece of computer technology may involve patents, trade-marks, copyrights, integrated circuit topography rights, and industrial design rights — quite apart from common law rights. Purely technical issues relating to the creation or transfer of rights should not depend arbitrarily on what right is involved. Two examples will suffice: registration and limitation. All the statutes have registries for recording title, yet the provisions for registration and expungement differ only because they were drafted at different times by different hands. These discrepancies encourage a search for subtle differences even where they do not and should not exist. Meanwhile, basic issues like priorities between competing transfers are either left completely to provincial law or (as for patents, copyrights, and plant breeders' rights) differ among themselves and leave relationships with provincial priority laws unsettled. This is not good enough for the amount of traffic the registries carry: about 100,000 new entries, 60 per cent representing changes of title, are recorded every year.

As for limitations, the time limits differ arbitrarily among rights; the basic drafting of the limitation provisions is not standard; and, even where two provisions do read the same in the English, the French version reads differently.⁴ Two rights (registered trade-marks and plant breeders' rights) have no limitation provision at all; in these areas, one or more provincial limitation laws will apply, but only after a conflicts-of-law analysis to determine which will apply.⁵

4 *Patent Act*, R.S.C. 1985, c. P-4, s. 55.01; *Industrial Design Act*, R.S.C. 1985, c. I-9, s. 18.

5 D. Vaver, "Limitations in Intellectual Property: 'The Time Is Out of Joint'" (1994) 73 Can. Bar Rev. 451.

Intellectual property laws, then, barely comply with the basic precept of the Rule of Law that laws must be written clearly and comprehensibly for those whose conduct is regulated and affected by them — businesses and the general public alike, not just lawyers or a small specialized clique of them. Unclear, inconsistent, and archaic laws impose deadweight costs on the economy, to say nothing of the frustration of those whose conduct they aim to guide.

The idea of a single technology code covering all intellectual property rights has often been floated. It is desirable if for no other reason than to standardize stock provisions such as acquisition and transfer of rights, remedies, administration, registries, limitations, and even application forms and procedures among rights.

B. COPYRIGHT

The idea that copyright should protect, and so encourage, the whole gamut of creative endeavour sounds good in principle, but even before the impact of the digital revolution was felt, copyright policy had sunk into incoherence. The law is supposed to reward workers in the fields of art, literature, music, and drama, yet employers, repackagers, and distributors frequently make much more from the system than do the toilers in the field. It is supposed to stimulate the production of work that would not otherwise have been produced at all or as well, yet much routine material is protected: trivial correspondence, private diaries, simple logos (amply protected by trade-mark and passing-off laws), and even the doodlings of toddlers. It is supposed to encourage the dissemination of local culture. Yet, on one hand, this goal is thwarted by international regulations like *Berne*, *NAFTA*, and *TRIPs*, which require foreign material to be as freely disseminated and fully protected as local material, while, on the other hand, much of the traditional culture of Canada's aboriginal peoples is left unprotected. It is supposed to protect products that are in fact cultural, yet how computer programs (essentially electronic machine parts) or business and legal forms — classed alongside novels and poetry as original literary works — qualify as culture, except in some trivial sense, has never been explained and, indeed, is unexplainable.

Digital technologies have thrown copyright's anomalies into starker relief. More fundamentally, they have thrown into question whether copyright can or should exist in the digital world. After all, copyright is premised on the initial production of a tangible original work, which is then exploited either through mass marketing of copies, public perfor-

mance, or broadcast. Unauthorized intrusions into this market are usually relatively quick and easy to detect and to close down through the use of civil or criminal sanctions. But as existing works are digitized, with or without authorization, or new works are made available solely in digital format, copyright becomes powerless to cope with the manipulation and movement of intangible electronic streams. Detection and enforcement become difficult, sometimes impossible, and rights that appear on the books are ignored in practice. Access to music, art, literature, and other material in digital form has given users the power to modify these works or data at will, replicate them almost infinitely, and transmit them anywhere in the world to others, who in turn have the same capabilities; and power, once given, will inevitably be used. In this world, every user is a potential re/author and re/distributor of material made available electronically to her. In this world, the only way in which an initial provider of a work or information can practically profit from its investment may be through reliance on shared ethical understandings, encryption technology, and good marketing (e.g., the provision of services like help lines and regular updates to which users wish to subscribe).

Whether or in what way copyright will ultimately cope in this new order is far from clear. Business and governments alike still seem committed to preserving copyright, and recent efforts have gone towards trying to strengthen the system, tightening copyright owners' control over electronic activity, adapting copyright rules to achieve that goal, and shrinking the scope of the public domain. Whether these efforts amount to overkill is a legitimate issue. The present criminal and proposed civil sanctions seem draconian, especially in the context of a law that is often uncertain and ill-attuned to the daily habits of many people. The sanctions include criminal penalties of up to \$1 million, fines and/or 5 years' jail, and proposed statutory damages of up to \$20,000 which do not have to correlate with the copyright holder's actual loss. Added to other available remedies, they impose liabilities on infringers more extensive than those for the meanest patent infringer, environmental polluter, or trespasser to land.⁶ What makes copyright infringers more morally culpable than them?

6 Bill C-32's proposed scheme has been called "one of the most complex and some would say draconian remedial structures in the common law world" J. Berryman, "Copyright Remedies: An Ever Tightening Noose," in *Copyright Reform: The Package, the Policy and the Politics*, Insight/Globe & Mail Conference, Toronto, 30-31 May 1996, at 19. Alan Young has also questioned why the criminal law should apply to vindicate essentially private rights: "Catching Copyright Criminals: *R. v. Miles of Music Ltd.*" (1990) 5 I.P.J. 257 at 273.

C. PATENTS

The patent system is also under strain, but less so from the digital revolution that is affecting copyright. Though overtly designed to further economic welfare, the patent system often has difficulty getting respect from those who deal in economic welfare: economists. Even supporters may turn out lukewarm: they see "nothing better" to enable small producers or independent inventors to reap their reward, but freely admit that it is "almost impossible to conceive of any existing social institution so faulty in so many ways."⁷ An independent study conducted in 1958 on the U.S. patent system came to this "disappointingly inconclusive conclusion":

None of the empirical evidence at our disposal and none of the theoretical arguments presented either confirms or confutes the belief that the patent system has promoted the progress of the technical arts and the productivity of the economy. . . .

If one does not know whether a system "as a whole" (in contrast to certain features of it) is good or bad, the safest "policy conclusion" is to "muddle through" — either with it, if one has long lived with it, or without it, if one has lived without it. If we did not have a patent system, it would be irresponsible, on the basis of our present knowledge of its economic consequences, to recommend instituting one. But since we have had a patent system for a long time, it would be irresponsible, on the basis of our present knowledge, to recommend abolishing it. This last statement refers to a country such as the United States of America — not to a small country and not a predominantly nonindustrial country, where a different weight of argument might well suggest another conclusion.⁸

It was precisely the fear that the rapidly industrializing countries of Asia might continue to harbour only lukewarm enthusiasm for a system monopolized largely by foreign multinational corporations that led the

7 J. Jewkes, D. Sawers & R. Stillerman, *The Sources of Invention*, 2d ed. (New York: W.W. Norton, 1969) at 188; compare S.N.S. Cheung, "Property Rights and Invention" (1986) 8 *Research in Law & Economics* 5, summarizing other views.

8 U.S. Senate, Subcommittee on Patents, Trademarks and Copyrights, *An Economic Review of the Patent System* (Study No. 15) by E. Machlup (U.S.: Comm. Print, 1958), 79–80; similarly, E.T. Penrose, *The Economics of the International Patent System* (Baltimore: Johns Hopkins, 1951) at 40; compare A.S. Oddi, "Un-Unified Economic Theories of Patents — The Not-Quite-Holy Grail" (1996) 71 *Notre Dame L. Rev.* 267.

industrialized nations, in which these corporations were headquartered, to campaign successfully for the entrenchment of the high levels of intellectual property protection and national treatment that the *TRIPS* agreement of 1994 eventually contained. This movement continues apace at the international level under the aegis of the World Intellectual Property Organization.

Even on the assumption that the patent system is the best means of achieving a high rate of desirable technological process, it is shot through with inconsistencies at every point. One may start with patentability itself. The system is unconcerned with any relative need for a particular invention. The new knick-knack and the most socially useful idea are treated equally: no greater incentive for one is provided over the other. On the other hand, demarcations are made between "basic" and "applied" research, and then between what is and what is not obvious. Basic research and "pure" theory are winnowed out as unpatentable, though central to other later "inventions." For the theorist comes perhaps praise and a prize; for the applied scientist and his employer, the patent. Nor is the patent hard to get: almost any new gadget or way of doing things can surmount the obstacle of non-obviousness: "the slightest differences between the invention and the prior art" may be enough, "particularly in the hands of a skilled patent agent."⁹ Validity is of course not guaranteed, but firms often find it cheaper to become licensees than to incur the costs and uncertainties of litigating validity; the public bears the cost through higher priced goods and services. Standards of patentability could of course be raised, but the courts cannot be relied to do so. One court that unilaterally tried to raise standards by applying an economic model of obviousness — would the advance have occurred soon anyway without the incentive of a patent? — was firmly rebuffed on review: the usual saws were trotted out to uphold the technological marvels achieved by the interaction of a ball, groove, and spring in a socket wrench.¹⁰

A major benefit of the system is supposedly the requirement for early public disclosure of the invention, but this advantage works only erratically. Firms can decide not to patent and can hide their technology by relying on trade-secret law instead; only when competitors themselves might patent or reverse-engineer will the firm show interest in

9 E Farfan, "What Should the General Practitioner Know about Patents, Anyway?", in *Intellectual Property for the General Practitioner* (Toronto: Canadian Bar Association-Ontario, 1988) at 4 [emphasis omitted].

10 *Roberts v. Sears Roebuck & Co.*, 723 F.2d 1324 (7th Cir. 1983) (*en banc*), rev'g 697 F.2d 796 (7th Cir. 1983).

patenting. Then the incentive is to disclose either too little or too much: too little, so the best means of working the invention can be withheld from competitors or developed after the application is filed; too much, so the cost of analysing what is important works out higher than the cost of buying a licence that sorts the wheat from the chaff.

The very scope of a patent is left uncertain. The *Patent Act* has left courts to develop a doctrine of "substantial infringement" to catch activity that, at first sight, does not fall within a patent's claims. With no jury to explain matters to, courts have produced a complicated analysis that promises certainty, but fails to deliver. Parliament is, however, more to blame than the courts. The legislature should decide how wide a monopoly a Canadian patent should have and not leave the question over to judges, who have, predictably, provided a mish-mash concocted from British and U.S. ingredients. This question of "law" is really a question of economic and social policy. The approach other states have taken is relevant but not controlling. A U.S. judge recently pointed out that the analytical complexity of the law of substantial infringement

arises because technologic growth benefits not only from the activities of the originators, but also from those who improve, enlarge, and challenge. The larger public interest requires setting the optimum balance between the purpose of supporting the inventor, in the national interest, and the purpose of supporting improvement and competition, also in the national interest.¹¹

Judges cannot be expected to create laws "in the national interest" out of the narrowly focused evidence and arguments of particular legal disputes. Only legislatures are competent to do this, after considering the wider array of factors relevant to public policy-making.

D. TRADE-MARKS

The trade-mark system too is due for overhaul. One may start with examination. In practice, few marks prove unregistrable — probably just enough for examiners to claim a justification for their own existence. The courts have meanwhile told the TMO not to waste time initially by examining applications too closely anyway.¹² Why then have an examination

11 *Hilton-Davis Chemical Co. v. Warner-Jenkinson Co. Inc.*, 62 F3d 1512 at 1531–32 (Fed. Cir. 1995), Newman J. (concurring).

12 For example, *Canadian Parking Equipment Ltd. v. Canada (Registrar of Trade Marks)* (1990), 34 C.P.R. (3d) 154 at 160–61 (Fed. T.D.).

system at all? Many marks — that is, “official” marks — are already registered without examination; might this not be made to apply to all marks, as happens in some civil law systems, and with copyrights in the Copyright Office?¹³ Registrations could then be challenged either in infringement or in post-registration opposition proceedings, so resources would be shifted into scrutinizing only contentious marks. What seems indefensible is the present hybrid system, under which a mark adopted by a goose preservation society can be registered on demand, while a mark adopted by a goose supplier will be examined, possibly opposed, and will still be liable to invalidation after registration. Sauce for the goose supplier should be sauce for the goose preserver too.

Policies appropriate when the *Act* was enacted in 1953 look less compelling when they are revisited four decades later, partly because the jurisprudence has developed unexpectedly. Who would have thought, for example, that the introduction of the service mark concept in 1953 would have turned the *Act* into a nationwide business names registry? The *Canadian Charter of Rights and Freedoms* has also changed how the *Act* is perceived. Thus, the prohibition on depreciating a trade-mark’s goodwill,¹⁴ which has hindered comparative advertising for the last quarter of a century, now looks decidedly at odds with the constitutional protection the Supreme Court has thrown around commercial speech over the last decade.

These features, though perhaps not fully foreseen initially, are nonetheless consistent with the big-business bias of the *Act*. The prototypical mark envisaged is one associated with a nationwide business; as a result, Canada’s mass marketers, multinational offshoots, and local businesses with visions of expansion or franchising are warmly embraced. But the *Act* appears indifferent to the problems of many small to medium-size businesses with only local or regional aspirations, although these businesses today are as much, if not more, a mainstay of the Canadian economy. The Manitoban company that would be quite content with trade-mark protection coincident with the scope of its local customer base is, instead, encouraged to acquire Canada-wide rights. It can then harass or extract tribute from businesses in Victoria or Halifax which may have operated honestly for years without confusion and whose only mistake was not to get a registration or have lawyers constantly scanning the *Trade-marks Journal*. Even if the Manitoban company does acquire imperialist ambitions that eventually conflict

13 No attempt should, of course, be made to emulate the remainder of the present defective scheme that applies to official marks. See section D, “Official Marks,” in chapter 4.

14 See section G(3), “Dilution,” and section I, “Users’ Rights,” in chapter 4.