

BALANCING THE LEGAL TEETERTOTTER:
FINDING THE APPROPRIATE WEIGHT FOR CREATOR
AND USER RIGHTS IN CYBER SPACE

by

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A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF LAWS

in

THE FACULTY OF GRADUATE STUDIES

UNIVERSITY OF BRITISH COLUMBIA

August 2006

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Abstract

This study represents a “quantum analysis” Law Reform approach to the adoption and evaluation of Canadian and international legal regimes aimed at the protection of intellectual property rights (IPRs) such as copyright, patent and trade-marks in cyberspace. Related intangible property rights such as privacy, publicity, performance, exhibition, moral rights, P2P file-sharing, “grey marketing” and protection against misappropriation are therefore considered. Beginning with a review of appellate level case law to identify areas of uncertainty and new developments in contemporary IP law, especially on the Internet, the history and the philosophical justifications for granting of traditional IPR protection of limited duration to creators are noted. The nature of the IPRs granted and the remedies available to enforce them are presented. A review of current IP practice and remedies notes the trend of the Supreme Court of Canada to strive for balance among the stakeholders, both creators and users, of the intangible property. The post-1994 *TRIPS* agreement and globalization are discussed and the intersection between IP law, national sovereignty, and international trade through the *WTO* is considered. Canada’s capability to fashion its own legal response in the face of her international responsibilities and *TRIPS* pressure to harmonize IP law is assessed. A discussion of the merits of *sui generis* IP laws for use in the new digital knowledge-based economy environment rather than the extension of traditional IP laws to remove current uncertainties follows. The study concludes with a list of fifty recommendations for characteristics of any legislative solution proposed for IPR protection on the Internet. The requirement of a balanced regime is affirmed.

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Preface

This study began to take shape many years ago while I was an art historian/archaeologist. In preparing my research for publication I was confronted with the need to pay for copies of copyrighted photographs of archaeological works that had long been in public domain. If I could take my own photo, there was no copyright issue, but if the institution did not allow visitors access to their collections for the purpose of photographing the objects, the only photos available would be those taken by the museum or gallery staff photographers. The copyright for these reproductions of ancient art objects would invariably be owned by the institution. The cost for permissions to publish such photos became more and more expensive while access to the works in the collections to take one's own photos became less and less common.

When I later became a Gallery Director, I came to understand that in tight economic times the revenue gained from insisting on the use of only the institution's photos represented a revenue stream that would continue to grow in importance. Of course, the official justification for restricting photography of the collection could be for conservation purposes and, to be fair, in some cases this was legitimate. Conservators all know that extensive or intense light exposure can and does damage art. Yet the use of copyright to extract ever-higher fees from scholars unpaid for their writings in the Humanities seemed and seems to me to be a misuse of the copyright regime. I set out to try to understand copyright law.

I came to understand that if I took my own photographs I owned my own copyright. I learned that under "fair use" provisions in U.S. law (and to a lesser degree under "fair dealing" provisions in Canadian law), a scholar could claim an exemption for copyright infringement if the infringing copies were to allow for the study and criticism

of the copyrighted work. But as a professor of art history, I also learned that the use of photographic representations of art objects (whether they were copyrighted or not) did not escape infringement liability unless the use of the visual images in the lecture was intended to teach the audience about the quality of the reproduction, not illustrate the art work under discussion. While the art work could be in the Public Domain, the photograph of the work was not. As many faculty at universities and colleges found out to their chagrin in the 1990s, the “thin” copyright in the photograph owned by the photographer (or the institution if the photograph was commissioned by them or done by the photographer as an employee of the institution) was sufficient to create a need to pay royalties or license fees.

With the advent of the Internet after the mid 1980s, the question of rights to use reproductions and digital imagery became all the more acute. I became very aware of the restriction of access to intellectual property afforded by IP law. Given my experience with diminished access to reproductions of art in the Public Domain afforded by the granting of new protection under copyright or trade-mark I became concerned about the potential for rights holders (often no longer the authors or inventors who had sold their rights early in their careers before the true worth of their creations could be known) who could restrict access to the expressions. I noted with some alarm that almost all knowledge was being translated into a digital format that could be “read” only with the aid of computers and that the translators and computer manufacturers were in a position to become the new gatekeepers of the sum of human knowledge. With descriptions of the new knowledge-based economy to come I realized that this control of access to knowledge was, perhaps, the single most pressing issue facing society today.

With the controversy in music that arose from “sampling” in contemporary music I became aware of the difficulties that IP law could present for artistic inspiration. From the perspective of an art historian I knew that “progress” in the fine arts had often involved derivative works that owed much to art objects that had come before. Manet’s famous *Le Déjeuner sur l’herbe* exhibited in the Salon des Refusés of 1863 was derived from a group of classical deities from an engraving by Marcantonio Raimondi (*The Judgment of Paris*, c. 1520) done after a design supplied to him by Raphael. Raphael was, in turn, inspired by ancient Roman reliefs such as the *River Gods* detail from the 3rd Century A.D. now in the Villa de Medici. The entire history of art academies was replete with art students using the process of “copying the great masters” to develop their skills as an artist. How would new artists be taught if copying was precluded by IP law? Similarly such laws could and have been used to censor artistic expression on the basis of the exclusive right of the original artist or copyright holder. Parodies of famous works of art made no sense unless the parody could evoke the original art objects. I realized that rather than encouraging progress in the arts, IP laws delayed or restricted artists from progressing.

I had written a dissertation in Art History drawing a distinction between the art object, an expression created by the artist, artisan, architect, builder, author or performer and the art work created between the audience (usually but not always including the maker of the art object) and the art object. I had learned in my study of aesthetic theory that the aesthetic relationship created between the audience and the art object beheld could be entirely different from what was intended by the maker.

As an archaeologist I found myself studying many objects where we had absolutely no idea who the maker was and what his or her intention had been in creating the object. While we often wished we knew, it was obvious that that knowledge was not critical for an aesthetic relationship to be formed between subsequent audiences and the object. In many instances we had no idea what the original function of an artifact might have been,. We often identified these items as cult objects of “religious significance” until subsequent study clarified the picture (when it did!). By studying art works over time I realized that as the audience changed, the art worked in an aesthetically different manner. I came to realize that the aesthetic life of an art object could and usually did transcend its origins as an art object. A *Victory Stele of Naram Sin* from 2300-2200 B.C. had originally been intended to tell viewers about the powerful Akkadian king who claimed to be the King of the Four Quarters (the Universe). It was transformed into war booty by the Kings of Ur, the eventual destroyers of the Akkadian culture, and taken as a prize of war to Susa as proof of their superiority over the Akkadians. How much richer and fuller the life of the art work could be than that of the original art object.

Further studies of art historiography and modern and contemporary art illustrated for me that the changing of the audience and or context of any object, or any expression, could give it an entirely new meaning. Michelangelo and countless earlier artists depicting *Moses* (1513-15) would put “horns” on the Old Testament figure’s head because of a misapprehension of the translation of the description of Moses with horns coming from his forehead after he received the Commandments. A better translation of the original biblical expression would have described two “rays” emanating from his head, rather than two horns.

Whole movements in western art such as the Neo-classical movement could be based upon totally erroneous impressions of the art of the past. (Eighteenth and nineteenth century Neo-classical sculptors avoided the polychromy of ancient classical Greek statuary assuming the sun-bleached examples they knew were examples of a “more pure” aesthetic that celebrated unpainted white marble.) Whole cultures could be interpreted in archaeological reconstructions to fit the hopes and aims of the modern excavators of their ruins. So the Minoan culture of Crete discovered by Arthur Evans against the backdrop of the terrible conflicts of the first and Second World Wars was contrasted as “peace-loving” when compared to the “warlike” Mycenaean culture of the Greek mainland. Evidence of Mycenaean occupation of Knossos following the contraction of the Minoan culture led to a scholarly controversy whether the Minoans inspired the Mycenaeans or the Mycenaeans were responsible for the destruction of Minoan culture. More recent excavations have revealed a less idyllic Minoan culture than envisioned by Evans, and that the Mycenaeans may have merely occupied the power void left after the demise of the Minoan culture. The point is that as a modern audience we make of the art objects and artifacts what we will in a new perceptual or aesthetic relationship.

However, we need not rely only on ancient civilizations and the passage of time to erase or erode the artist’s central role in the production of art works. The Modern Art Movement has also demonstrated the importance of audience reception studies in aesthetics. After the Salon des Refusés in 1863, we saw the development of new ideas in the arts that stressed the importance of abstraction and diminished the importance of both artistic subject matter and the role of the artist in the production of modern art.

Urinals could be signed with a pseudonym (R. Mutt), re-titled as *The Fountain* and placed on display as fine art by Marcel Duchamp in 1917. Other “found objects” such as a reproduction of Leonardo’s *Mona Lisa*, defaced with a mustache and goatee and re-titled L.H.O.O.Q. (French pun for “she has a hot ass”) could be made into examples of fine art by Duchamp and other modern artists simply by changing the context of the original object. Bicycle seats and handlebars could be reshaped into the form of a *Bull’s Head* in 1943 by the Spanish artist Picasso. Marcel Duchamp would create his first *Bicycle Wheel* sculpture in 1913 by putting the wheel and front forks upside down on a painted wooden stool. He would exhibit a snow shovel in 1915 called *In Advance of the Broken Arm*. Man Ray would create his sculpture *Gift* by attaching a number of tacks to the bottom of a laundry iron in 1921. New aesthetic possibilities were created by the artists by altering the perceptual context of the audiences. There were bicycle manufacturers who created the original “found objects” used by Picasso and Duchamp to create their works, ceramicists who created the original urinal that became Duchamp’s *Fountain* in 1917, bottle rack manufacturers who created the raw material for his 1917 *Bottle Rack* and even some photographer who reproduced Leonardo’s *Mona Lisa* for a poster at the Louvre, who were all the original creators of the art objects we have just discussed. Without them the objects would not have been made. However, it was the subsequent aesthetic use of their manufactured objects that “created” the art works that are so famous today. The maker of the object, necessary for its generation, disappears behind subsequent creators to arrive at a creative expression. When we consider artist Judy Chicago’s *Dinner Party* done between 1974-79, we encounter a work executed by many volunteers, but credited only to artist Judy Chicago. Similarly in the

past great artists such as Rubens established ateliers where apprentices, artisans and assistants may have been the actual makers of objects, but the credit for the art work is usually given to the Master.

Reconciling the atelier system with IP law is difficult unless all such work is determined to be done in the course of employment or by commission in the atelier. The question of who should own the IP rights, especially in a collective ownership situation becomes complicated. It occurred to me that if we regard the granting of a limited term monopoly to the artist as payment for their contribution and the Public Domain as the ultimate employer or “Master of the Atelier”, we are forced to consider the copyrighted work as the intellectual property of the Public Domain. In addition, if we consider the role of the audience or subsequent audiences in the creation of the art work, we must privilege those audiences as at least equal to (and possibly exceeding) the maker of the object in terms in deserving credit for the creation of the art work.

It was at this point that I met Professor Bob Paterson and discovered that issues such as this, among others, were being discussed in the law. I decided to enter Law School and embark on a career as a lawyer. I was inspired by Professor Bob Howell’s summer programme in IP Law at Uvic, and further study with Professor Joe Weiler underlined the importance of IP law for Entertainment and Sports Law as well as Cyber Law. After finishing my LL.B in two years I entered the LL.M programme at U.B.C. where I continued my research and study of the component elements of IP law, i.e. copyright, patent, trade-mark, torts, trade secrets, competition, media and regulatory law.

All of these studies added to my understanding of the problem as one that needed a sort of “quantum analysis” of all these component legal sub areas rather than the

narrowly defined scholarly analysis of any single element. This study would not be just another on the minutiae of copyright or patent law. It would attempt to explain the need for balance among all the laws intended to protect the rights to the use and enjoyment of intangible property. It would attempt to avoid the problem of piecemeal legal reform (at the expense of what I advance as an existing system of IPR protection) wrought by response to individual situations and legislative developments in the component constituents. The study would try to explain why the limitations of traditional patent, copyright and trade-marks law need to be understood before developing any new regime. The impact of the arrival of the TRIPs, the rise of mass media and the Internet, the development of the “knowledge-based economy” and the recognition of the rise of the importance of categories of non-rivalrous ownership and the effect of network externalities on the value of such properties were just four of the factors complicating the use of traditional IPR protection regimes and creating an imperative for the development of new legislation in the protection of IPRs at this time.

Obviously this would mean a very ambitious and lengthy thesis, but it was clear to me that an overview with an appreciation of the entire system of intellectual property law was required. Articling with entertainment lawyer, Mr. Arthur Evrensel, at Heenan Blaikie LLP and then clerking for Madam Justice Karen Sharlow at the Federal Court of Appeal in Ottawa strengthened my resolve to address this topic in this thesis. In addition teaching IP law with Professor Joe Weiler in his Entertainment Law, Cyber Law, Sports Law and Law of the Olympics course gave me time to allow the thesis “...to grow in the telling” far beyond the normal LL.M thesis length and scope. This thesis is the result of

this history and frequent reference in the press to issues germane to it is proof of its current relevance.

Acknowledgements

No thesis or dissertation is ever written without the support and help of many people. This thesis is no exception to that rule. I owe much to many of the faculty in the Faculty of Law at both UBC and UVic (where I studied in Professor Bob Howell's summer program in Intellectual Property Law during the summer of 1999). If it had not been for the inspiration and encouragement of many people at UBC I should never have been able to produce this opus for a LL.M. thesis. These include: Professor Bob Paterson at UBC with whom I studied Cultural Property Law and audited Corps I; without his encouragement I might not have taken up the study of law in the first place. Were it not for the understanding and generosity of the Faculty of Law at UBC granting me a year's leave from my studies during my *annis horribilis* of 2004/5 when my mother died while I awaited hip surgery, I doubt that this project could have come to fruition. Similarly necessary in the completion of this thesis was the encouragement of my fellow students; my principle, Mr. Arthur Evrensel of Heenan Blaikie LLP Vancouver; "my" justice Madam Justice Karen Sharlow, who supervised my clerkship at the Federal Court of Appeal in Ottawa; Professor Joel Bakan who ran the Graduate Seminar in my year; Professor Bob Dieboldt, who let me audit Secured Transactions and for whose 1st year Contracts Class I was a teaching assistant in my first year of Graduate Studies; Professor Steve Wexler, who encouraged a curiosity about all aspects of law, ancient and philosophical and let me audit Succession with him; Professor Wes Pue, who encouraged me to present my research at scholarly conferences; Professor Liz Edinger, who let me audit Conflicts of Laws with her; Professor Keith Farquar, who let me audit Trusts with him; Professor Robin Elliot who taught me *Charter*; Professor Ian Townsend-Gault, who introduced me to International Law; and Professor Jon Festinger, who was my colleague

teaching Entertainment and Sportslaw, and who involved me in the first ever offering of a course on the Law of Videogaming taught at both UBC and UVic by teleconferencing.

However, the three people without whose support, encouragement and editorial help I could not have written this are: my industrious second reader Professor Tony Sheppard, whose many discussions about the laws of Equity and Equitable Remedies spurred a real interest in that area; my advisor Professor Joe Weiler; and my wife, Sharon Cavalier. They were the only three people who have been subjected to reading all of this study in its earliest drafts. Academically I owe the most to my two readers, Tony Sheppard and Joe Weiler. Professor Sheppard's sharp eyes alerted me to many of the inevitable typos, format problems, split infinitives, and sentence fragments of a first draft. The thesis is much stronger for his input. However, it was Professor Weiler who took me under his wing and became my academic mentor after I studied the law of cyber space, entertainment law, sports law and the law of labour policy with him. He gave me the opportunity to participate in the offering of these courses in subsequent years and he invited me to participate in the development and offering of the first ever course on the Law of the Olympics. He gave me lots of leeway to create this thesis in a form that I hope can be exploited as a book. He encouraged my research and thinking in a manner exemplary to other graduate thesis supervisors. He tried to find me experiences, helping me secure an articling student position at Heenan Blaikie with Arthur Evrensel, and taking me on as a colleague teaching Cyber, Entertainment and Sports Law at UBC, that would strengthen my expertise in this area. His gentle but firm hand has guided me to the completion of this thesis.

The third person to whom I owe the most personally is my wife, Sharon Cavalier. She has been remarkable in her unwavering support for my completion of this degree. It may not be uncommon for the wives of graduate students to help in the preparation of a Ph.D dissertation or a Master's thesis, but to do both in two separate disciplines really goes beyond the call of duty. My wife has seen me through my even lengthier Ph.D dissertation and now, my LL.M thesis that "grew in the telling". She has proof read drafts, listened to my ramblings, critiqued and improved my expression, endured the "hell of uncertainty" that is the student's lot, and waited patiently for me to "finish school" someday. To her I owe the most love and gratitude and to her I am most thankful.

All of the people I have mentioned above contributed to the strength of this study with their support and inspiration, but the flaws that are inherent in the thesis are strictly my own.

Dedication

This thesis is dedicated to my mother, Minnie Josephine Cavalier, who passed away during its composition. A good woman of uncommon strength, she successfully steered me away from the worst of her vices and failings while setting an impossibly high standard with her virtues and character for me to emulate. A woman with little formal education, without whose support and encouragement I should never have embarked on my ongoing voyage of discovery, she is sorely missed. This one is for you mom!

Chapter 1

Identifying the Wobbles in Intellectual Property Rights Law: Current Cases Indicating Uncertainty in the Law

1.1 Introduction

This thesis primarily represents a Law Reform approach to the adoption and evaluation of Canadian and international legal regimes aimed at the protection of intellectual property rights in cyberspace. Chapter 1 begins with an analysis of recent developments in the realm of Intellectual Property (IP) Law and evidence for new concerns in that area. It is intended that the concerns raised will help identify necessary characteristics of the optimal regulatory regime for the protection of intellectual property rights in cyberspace. After identifying these current concerns it will be necessary to discuss the philosophical justification for intellectual property law in Chapter 2. Chapter 3 examines the history of currently existing intellectual property regimes. Chapter 4 considers new international developments in the regulation of relationships in cyberspace. And finally, Chapter 5 offers a discussion of the future of intellectual property in cyberspace based upon the conclusions drawn from the earlier chapters. I will argue that any future regulatory regime will have to balance carefully the legal and social interests of all parties involved, both creators and users.

1.1.1 Method

This first chapter of the thesis involves examining recent appellate level cases to identify those areas of intellectual property law that demand clarification. Looking at the recent commentary by the members of the Supreme Court in Canada about the function and purpose of the provisions of the acts protecting intellectual property we can identify some of the necessary characteristics of any proposed intellectual property regime. By

studying the recent cases we can determine how new circumstances are straining existing traditional law surrounding intellectual property.

Current legal regimes of intellectual property protection must be examined from a doctrinal position to determine ambiguities in the law arising in cyberspace. This is a necessary prerequisite to determining whether the current regime is appropriate in the new environment of cyberspace and the “new information economy”. We begin with a reexamination of the rationale for the protection of intellectual property rights from a Law and Society point of view. It will also be necessary to determine which public and legal policy issues are at stake and to predict the form future Canadian laws should take regarding the protection of intellectual property rights. As well, Canadian international treaty responsibilities will need examination with regards to intellectual property protection from both a post-colonial and a postmodern perspective. This is necessitated both by a need to understand just what legal and political capacity Canada has to construct a legal regime of its own and in order to contextualize Canada’s role in the *geopolitik* of the new information economy.

In addition, the introductory chapter will demonstrate the crucial distinctions between tangible and intangible property rights and it attempts to cool the rhetoric and thereby escape from the hyperbole of the adversarial language most often used by advocates to describe intellectual property disputes today. The use of loose terminology such as “piracy” and “theft” elevates elements of disputes beyond a contest of competing rights to one of moral wrong marked by compulsion and deprivation of the rights owner.

1.1.2 What are Intellectual Property Rights (IPRs)?

Let us begin by discussing the definition of Intellectual Property Rights (IPRs).

Traditionally IPRs are legal rights of exclusive ownership surrounding the production of intangible property such as copyright for original fixed expressions, patent for fully disclosed new inventions and trademark for the use of marks or labels enabling consumers to know the origin and likely quality of goods and services offered for purchase.

1.1.3 Incentive for Progress in the Useful Arts and Sciences

These legal rights are intended to serve as incentives for creation. They must be alienable to allow economic exploitation by the owner. It is the profit from economic exploitation that produces an incentive for the creation of new and useful works.

Normally, the exclusive ability to exploit invention, expression or use of the author/artist's creation enhances the value of profits that can be realized. That exclusive right leads to greater incentives for the creation of more such inventions, expressions or use of the intellectual property. The incentive is seen to further the progress of society in the development of new and useful arts and sciences.

1.1.4 Statutory Monopolies

The granting of statutory monopoly to the owner of intangible property has traditionally been an indication that society acknowledges these rights. These legal rights in the law can be enforced by remedies made available to the owner by operation of statute, during the period of protection granted against would-be infringers of those exclusive rights. So traditionally IPRs are most often recognized as exclusive rights to exploit economically the fruits of one's invention by means of a time-limited statutory monopoly. In Canada, for patents, this is usually a 20-year period of protection (*Canadian Patent Act* s. 44) with the payment of annual fees; for copyright a minimum of

life of the author plus the end of the calendar year and an additional 50 years (*Canadian Copyright Act* s. 6) in the case of authored works; and for trade-marks usually 15 years per renewable term (*Canadian Trade-Marks Act* s. 46) provided the goods or services remain in use. Of course there are variations in the term of protection for commissioned works, for jointly authored works, and for unpublished works, but the statutory monopolies granted are not perpetual. However, these are not the only IPR granted to authors, artists or inventors.

1.1.5 Moral Rights

Often associated with these rights of exclusive ownership are personal rights of association or non-association of the author, artist, inventor, or goods and services provider with the examples of their creation in fixed form. These are sometimes referred to as the moral rights of the creator. These involve the right to be credited with invention of the intangible property or the right to remain anonymous; the right to demand maintenance of the integrity of the work, and the right to prohibit or disassociate from alterations of the work that could harm the creator's reputation. It is this right to prohibit the use of intangible property that enables IPRs to be categorized as potential tools of censorship.

1.1.6 Recent Developments in the Protection of IPRs

Having defined IPRs, it is necessary to look at recent developments in the protection of IPRs. As we shall see, the ratification of the *Berne Convention* by the U.S. in 1989 has led to several international developments in the protection of IPRs worldwide. The establishment of the *World Intellectual Property Organization (WIPO)* and the adoption of the minimum standards of the multilateral *Agreement on Trade-Related*

Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (TRIPS)

agreement in 1994 have led to several modifications in the traditional intellectual property law of many countries as they attempted to harmonize with international standards. Much of this process has been called “globalization”. Globalization of intellectual property law will be more fully examined in Chapter 4, but for the moment suffice it to say that globalization has caused many nations to reexamine their IPR protection regimes over the past decade or so. In addition, the ubiquitous Internet, and the use of computers and digitalized data have elevated the need to consider what future IPR protection regimes will look like. Let us begin with an examination of recent developments in the traditional intellectual property protection regimes.

1.2 Copyright and Patents

Of the traditional IPR regimes, copyright and patent are oldest and perhaps best known. Both started with similar time limited exclusive statutory monopolies and necessary formalities of registration or deposit to obtain the protection, but over time, copyright has extended the duration of protection and diminished the formalities required for protection to the point where it is potentially the most restrictive grant for the longest period of time. Patents were originally granted to encourage the use and full disclosure of how new inventions worked by providing inventors with compensation for such disclosure, while copyrights were originally granted to provide authors with compensation and with credit for their creative expressions. It is this dual function of copyright, incentive and acknowledgment of authorship that has led to some confusion about the content of the bundle of rights granted by the statutory monopoly, their appropriate duration and the question of access to the work by others.

1.2.1 Types of Interests

Recent Supreme Court of Canada cases involving copyright have wrestled with the notion of types of interest included in the “bundle of rights” granted by the *Canadian Copyright Act*. Most prominent have been two cases heard in 2002 and 2004.

1.2.2 *Théberge v. Galerie d'Art du Petit Champlain Inc.*

In the seminal *Théberge* case of 2002¹, the Supreme Court of Canada concerned itself with the content of the bundle of rights and the appropriate remedies available to a rights holder against an alleged infringer. While the rights holder sought relief under the *Canadian Copyright Act* against the making unauthorized copies of their work, a 4-3 divided Court found that the exclusive economic right to make copies of a work necessitated the manufacture of new manifestations of the work in addition to the original. In this case the original was destroyed in the process of creating a new work, so the protection against “copying” did not come into play. As the action was based upon unauthorized copying it failed, despite the possibility of a claim for an infringement of moral rights caused by the destruction of the integrity of the original work.

Mr. Justice Binnie wrote the majority opinion for the Court in which he emphasized the importance of distinguishing between economic and moral rights in the *Canadian Copyright Act*. By so doing he indicated the concern for the balancing of rights between both creators and users of copyright material. His identification of this concern would later be echoed by majority decisions of the Court when they cited *Théberge* with approval.² As Binnie J stated:

¹ *Théberge v. Galerie d'Art du Petit Champlain Inc.*, [2002] 2 S.C.R. 336, 2002 SCC 34 (CanLII), 210 D.L.R. (4th) 385; 17 C.P.R. (4th) 161; 23 B.L.R. (3d) 1, [hereinafter *Théberge*].

² See McLachlin C.J. below at *CCH Canadian Ltd. v. Law Society of Upper Canada* [2004] 1 S.C.R. 339 [hereinafter cited as *CCH*] at para 8.

Economic vs. moral rights

59 The separate structures in the Act to cover economic rights on the one hand and moral rights on the other show that a clear distinction and separation was intended. Professor Ysolde Gendreau is one of those who have drawn attention to this rather rigid compartmentalisation:

Unfortunately, the present text of the *Copyright Act* does little to help the promotion of the fusion of moral rights with the economic prerogatives of the law, since there is no comprehensive definition of copyright that embodies both. Section 3 of the Act, which is drafted as a definition of copyright, only refers to the economic dimension of copyright. Moral rights are defined and circumscribed in entirely distinct sections. This absence of cohesion leads to the separate mention of "copyright" and "moral rights" whenever Parliament wants to refer to both aspects of copyright law and to the near duplication of the provision on remedies for moral rights infringements.

(Y. Gendreau, "Moral Rights", in G. F. Henderson, ed., *Copyright and Confidential Information Law of Canada* (1994), 161, at p. 171)

(See also R. G. Howell, L. Vincent and M. D. Manson, *Intellectual Property Law: Cases and Materials* (1999), at p. 383.) This is not to say that moral rights do not have an economic dimension (e.g., there may be an economic aspect to being able to control the personality-invested "moral" rights of integrity and attribution) or to deny that there is a moral rights aspect to copyright (e.g., a critic may reproduce parts of the text of a book when reviewing it, but it will be considered a breach of the author's economic rights unless his or her authorship is attributed). However, in terms of remedies, the distinction in the Act between the two sets of rights is clear.

60 My view is that Parliament intended modification without reproduction to be dealt with under the provisions dealing with moral rights rather than economic rights. To adopt a contrary view, i.e., to treat the modification of the substrate here as the violation of an economic right, would allow copyright holders other than the artist to complain about modification (despite the non-assignability of moral rights). It would allow an artist who objected to a "modification" of an authorized reproduction both to sidestep the independent evaluation of a judge in unleashing a pre-judgment seizure in Quebec, and to sidestep at a trial anywhere in Canada the important requirement of showing prejudice to honour or reputation in order to establish an infringement of moral rights.

61 Could the *economic* rights of the sculptor of the descending geese at the Eaton Centre be said to be infringed (quite apart from his *moral* rights) because the seasonal "combination" of geese plus Christmas ribbons could be considered a "reproduction"? The be-ribboned flock incorporated the original artistic work in more than "substantial part", no doubt, but there was no "reproduction" in any

legal sense, any more than there was "reproduction" when the appellants in this case contributed blank canvas to the "combination" of ink layer and canvas. The sculptor rightly invoked his moral rights against the Eaton Centre, not economic rights.³

It should be noted that *Théberge* was a split decision, with three justices of the *civiliste* tradition dissenting in 2002. Apparently these three justices were not persuaded by Justice Binnie's distinction between moral rights requiring proof of damage to the artist's reputation and legal copyright associated with the manufacture of infringing new copies of the artist's protected works. The *civiliste* tradition sees copyright and moral rights as indistinguishable, hence the moniker of "artists' rights countries." However, another seminal copyright case that followed *Théberge* at the Supreme Court of Canada in 2004.

1.2.3 *CCH v. Law Society of Upper Canada*

This was a case discussing whether or not the provision of an unsupervised photocopier in the library amounted to an authorization of copyright infringement. The Supreme Court of Canada again found against the copyright holder. However, as this case did not involve moral rights the decision was unanimous. McLachlin CJ held that:

6 With respect to the main appeal, I conclude that the Law Society did not infringe copyright by providing single copies of the respondent publishers' works to its members through the custom photocopy service. Although the works in question were "original" and thus covered by copyright, the Law Society's dealings with the works were for the purpose of research and were fair dealings within s. 29 of the *Copyright Act*. I also find that the Law Society did not authorize infringement by maintaining self-service photocopiers in the Great Library for use by its patrons. I would therefore allow the appeal.

7 On the cross-appeal, I conclude that there was no secondary infringement by the Law Society; the fax transmissions were not communications to the public and the Law Society did not sell copies of the publishers' works. In light of my finding on appeal that the

³ Binnie J *Théberge* at paras 59-61.

Law Society's dealings with the publishers' works were fair, it is not necessary to decide whether the Great Library qualifies for the library exemption. This said, I would conclude that the Great Library does indeed qualify for this exemption. Finally, in light of my conclusion that there has been no copyright infringement, it is not necessary to issue an injunction in this case. I would dismiss the cross-appeal.⁴

In this case the divisions of opinion at the Supreme Court seem to have been reconciled concerning the goals and aims of copyright law. Importantly for the purposes of this thesis, the Chief Justice went on to discuss the goal and aim of copyright law by citing Binnie J. from *Théberge* with approval:

9 In Canada, copyright is a creature of statute and the rights and remedies provided by the *Copyright Act* are exhaustive: see *Théberge v. Galerie d'Art du Petit Champlain inc.*, [2002] 2 S.C.R. 336, 2002 SCC 34, at para. 5; *Bishop v. Stevens*, [1990] 2 S.C.R. 467, at p. 477; *Compo Co. v. Blue Crest Music Inc.*, [1980] 1 S.C.R. 357, at p. 373. In interpreting the scope of the *Copyright Act's* rights and remedies, courts should apply the modern approach to statutory interpretation whereby "the words of an Act are to be read in their entire context and in their grammatical and ordinary sense harmoniously with the scheme of the Act, the object of the Act, and the intention of Parliament": *Bell ExpressVu Limited Partnership v. Rex*, [2002] 2 S.C.R. 559, 2002 SCC 42, at para. 26, citing E. A. Driedger, *Construction of Statutes* (2nd ed. 1983), at p. 87.

10 Binnie J. recently explained in *Théberge*, *supra*, at paras. 30-31, that the *Copyright Act* has dual objectives:

The *Copyright Act* is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator

The proper balance among these and other public policy objectives lies not only in recognizing the creator's rights but in giving due weight to their limited nature.

In interpreting the *Copyright Act*, courts should strive to maintain an appropriate balance between these two goals.⁵

⁴ McLachlin C.J. *CCH* at para 8.

⁵ McLachlin C.J. *CCH* at paras 9 and 10.

Théberge and *CCH* are watershed cases in recent Canadian copyright law advancing the notion that there are competing creator and user rights to be considered in any copyright infringement action and that a balance of those rights is to be attained. One example of how such a balance might be tipped too far in favour of the creator is the widening of what qualifies for protection under copyright law.

1.2.4 Erosion of the Idea/Expression Dichotomy

In U.S. copyright law “(b) In no case does copyright protection for an original work of authorship extend to any *idea, procedure, process, system, method of operation, concept, principle, or discovery* regardless of the form in which it is described, explained, illustrated, or embodied in such a work.”⁶ Probably the seminal case on the difference between protectable expression and unprotectable ideas was *Baker v. Selden*, which concerned a book on book-keeping written by Charles Selden. The Court found that “blank account books are not the subject of copyright; and that the mere copyright of Selden’s book did not confer upon him the exclusive right to make and use account-books, ruled and arranged as designated by him and described and illustrated in said book.”⁷

In *CCH* Chief Justice McLachlin cited well established principles concerning the idea/expression dichotomy in Canadian copyright law:

Copyright law protects the expression of ideas in these works; it does not protect ideas in and of themselves. Thorson P. explained it thus in *Moreau v. St. Vincent*, [1950] Ex. C.R. 198, at p. 203:

It is, I think, an elementary principle of copyright law that an author has no copyright in ideas but only in his expression of

⁶ 17 U.S.C. §102(b).

⁷ Bradley J in *Baker v. Selden* U.S. Supreme Court 101 U.S. 99 (1879). {as cited in Merges *ibid.*, p. 356.

them. The law of copyright does not give him any monopoly in the use of the ideas with which he deals or any property in them, even if they are original. His copyright is confined to the literary work in which he has expressed them. The ideas are public property, the literary work is his own.

It flows from the fact that copyright only protects the expression of ideas that a work must also be in a fixed material form to attract copyright protection: see s. 2 definitions of "dramatic work" and "computer program" and, more generally, *Goldner v. Canadian Broadcasting Corp.* (1972), 7 C.P.R. (2d) 158 (F.C.T.D.), at p. 162; *Grignon v. Roussel* (1991), 38 C.P.R. (3d) 4 (F.C.T.D.), at p. 7.⁸

Copyright law since 1989 (when the U.S. became a *Berne Convention* signatory and the *Universal Copyright Convention* [hereinafter referred to as *U.C.C.*] requirements were largely abandoned) has fewer required formalities for the recognition of copyright. Broad definitions of "derivative work", and the question of copyright established by either "sweat of the brow" or low standards of what constitutes an "original" work, have enabled some copyright holders to bring actions for infringement that might best be characterized as an erosion of the idea/expression dichotomy of copyright law. In the *CCH* case McLachlin CJ discussed the controversy between advocates of "sweat of the brow" (evidence of labour) and "creativity" requirements of an "original work" as follows:

15 There are competing views on the meaning of "original" in copyright law. Some courts have found that a work that originates from an author and is more than a mere copy of a work is sufficient to ground copyright. See, for example, *University of London Press, Ltd. v. University Tutorial Press, Ltd.*, [1916] 2 Ch. 601; *U & R Tax Services Ltd. v. H & R Block Canada Inc.* (1995), 62 C.P.R. (3d) 257 (F.C.T.D.). This approach is consistent with the "sweat of the brow" or "industriousness" standard of originality, which is premised on a natural rights or Lockean theory of "just desserts", namely that an author deserves to have his or her efforts in producing a work

⁸ McLachlin C.J. *CCH* at paras 6 and 7.

rewarded. Other courts have required that a work must be creative to be "original" and thus protected by copyright. See, for example, *Feist Publications Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991); *Tele-Direct (Publications) Inc. v. American Business Information, Inc.*, [1998] 2 F.C. 22 (C.A.). This approach is also consistent with a natural rights theory of property law; however it is less absolute in that only those works that are the product of creativity will be rewarded with copyright protection. It has been suggested that the "creativity" approach to originality helps ensure that copyright protection only extends to the expression of ideas as opposed to the underlying ideas or facts. See *Feist, supra*, at p. 353.

16 I conclude that the correct position falls between these extremes. For a work to be "original" within the meaning of the *Copyright Act*, it must be more than a mere copy of another work. At the same time, it need not be creative, in the sense of being novel or unique. What is required to attract copyright protection in the expression of an idea is an exercise of skill and judgment. By skill, I mean the use of one's knowledge, developed aptitude or practised ability in producing the work. By judgment, I mean the use of one's capacity for discernment or ability to form an opinion or evaluation by comparing different possible options in producing the work. This exercise of skill and judgment will necessarily involve intellectual effort. The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise. For example, any skill and judgment that might be involved in simply changing the font of a work to produce "another" work would be too trivial to merit copyright protection as an "original" work.⁹

This attempt to locate the correct position between the two extremes represents the striving for a balance between creator and user rights in *CCH*. It might be suggested that this is a reaction against changes in the copyright law regime that have continued to tip the balance toward creator rights since 1988.

1.2.5 Broadening of Definition of Expression to include Neighbouring Rights

In 1988 the *Canadian Copyright Act* was amended to include neighbouring rights within it. Prior to 1997 much litigation disputed whether or not expression for the purposes of the *Canadian Copyright Act* included the work of performers, record

⁹ McLachlin C.J. *CCH* at paras 15 and 16.

producers, and broadcasters. With the passage of S.C. 1997, C24, s. 2.1 (formerly Bill C-32), *Part II—Copyright in Performer's Performances, Sound Recordings and Communication Signals* was added to the *Canadian Copyright Act* granting a term of rights lasting fifty years after the end of the calendar year of its first fixation, performance or broadcast (*Copyright Act* s. 23(1)). Much of the agitation for additions to the *Canadian Copyright Act* came from the performers, record producers and broadcasters lobbying through the Canadian Conference of the Arts. As Professor Vaver pointed out:

Theoretically, none of these persons is an author, none does anything "original," none produces a "work". Performers interpret or execute works, record producers record them, broadcasters transmit them, so none is entitled to a traditional copyright.¹⁰

Here we have evidence of the stretching of the *Canadian Copyright Act* in 1997 to include protection for a number of activities never anticipated in the original *Act*. I would argue that this stretching of the original *Act* upset the balance between creator and user rights.

1.2.6 Retrospective Extension of Term of Copyright Protection

Another more recent example of tipping the balance in favour of the creators at the expense of the users is lengthening the term of copyright protection. This has not happened since 1924 in Canada, but in the U.S. and in Great Britain the term of copyright protection has been lengthened significantly. In the recent case of *Eldred v. Ashcroft*¹¹ the constitutionality of the extension of the period of copyright duration to life of the author plus 70 years enabled by the *Sonny Bono Amendment* was recently upheld in the U.S. This new duration of copyright brought the U.S. copyright regime into line with

¹⁰ David Vaver, *Intellectual Property Law Copyright Patents Trade-Marks*, (Irwin Law: Toronto, 1997), p. 23.

¹¹ *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

European Union standards. The extension of the period of protection, while perhaps not advisable, is certainly preceded in the history of copyright law. However, given the U.S. constitutional requirement that copyright law “promote progress in the useful arts and sciences”, the question of whether or not retroactive extension of the period of duration for works done by authors who are deceased was considered unsettled in the U.S. A real argument can be made that prospectively increasing the incentive to create (i.e. the duration of the period within which one enjoys the fruits of exclusive economic exploitation of the work) can be interpreted as “sweetening the pot” for living and future authors. However, to retrospectively increase the incentive to create will have no effect upon the creation of more works by the deceased authors. In fact, the recapture of works from the Public Domain by this new regime will actually come at a societal cost in terms of restricted access to existing works. Although the U.S. Supreme Court found in favour of the constitutionality of the amendment, the two dissenting judges express some of the misgivings of copyright scholars concerning retrospective term extensions.

1.3 Widened Definition of “Contributing to Infringement”

Another method of tipping the balance of copyright law towards the interests of creators at the expense of users has been to widen the definition of an infringer of copyright. A difficulty for most copyright holders is that they are often forced to pursue their potential customers for individual acts of copyright infringement. Since the damages for these individual acts of copyright infringement may not amount to what it costs to litigate, authors and publishers have found their rights frustrated. In the U.S. this has led to the development of a “contributing to infringement” doctrine that includes those who would provide the means for others to infringe. The aggregate damages for

which these contributors could be held liable are sufficiently large to warrant long expensive litigation. It is analogous to being an accessory to a crime or abetting a criminal. It is on the basis of this “contributing to infringement” that recent successful actions have been brought forward in the U.S. against Napster and Grokster and other file sharing companies. However, there are limits to this widened definition limiting liability for manufacturers who provide the technology that enables infringement. Perhaps the most important U.S. case is the *Sony v. Betamax* case of 1984¹² where the legitimate time shifting uses of the VCR enabled Sony to avoid liability for “contributing to infringement”. This case called for a balancing of rights between the right of access to technology for legitimate uses against the right of the copyright holder to protection against the misuse of that technology. It is important to note that despite the recent finding against Grokster, the *Sony* case still remains good law in the U.S. In both *Napster*¹³ and the *Grokster*,¹⁴ evidence of imprudent advice to customers to download resulted in “unclean hands” for the defendants.

1.3.1 “Authorizing Infringement” in Canadian Cases Compared

In Canada, recent copyright infringement cases concerning the downloading of music without the payment of royalties such as *SOCAN v CAIP* [2004]¹⁵, and *BMG* [2005]¹⁶ have reached both the Federal Court of Appeal and the Supreme Court. These

¹² *Sony Corp. v. Universal City Studios, Inc.*, (1984) 464 U.S. 417 [hereinafter *Sony*].

¹³ *Napster Inc. v. A & M Records Inc.* 239 F.3d 1004, 1029 (9th Cir. 2001).

¹⁴ *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, Case No. 04-480. (U.S. Supreme Court June 27, 2005) *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.* 545 U.S. Supreme Court (2005). [hereinafter *Grokster*].

¹⁵ *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, [2004] 2 S.C.R. 427, 2004 SCC 45 (CanLII); (2004), 240 D.L.R. (4th) 193; (2004), 32 C.P.R. (4th) 1 [hereinafter *SOCAN v. CAIP*].

¹⁶ *BMG Canada Inc. v. Doe* 2005 FCA 193 [hereinafter *BMG*].

cases have followed on the heels of important downloading cases in the U.S. such as *Napster* and *Grokster* where rights holders have been successful in obtaining a remedy against third parties for providing the technical means by which infringement can take place by steadily eroding the exemption from “contributing to infringement” liability that had been established in the *Sony* case of 1984. In Canada there is no “contributing to infringement” provisions within the *Copyright Act*; however, it is illegal to “authorize” infringement. The distinction between “contributing to” and “authorization of” has led to a lesser erosion of the *Sony* type exemption for third parties for ISPs in Canada than in the U.S. Canadian jurisprudence on downloading has endeavoured to maintain the proper balance struck by Parliament between creator and user rights.

1.3.2 *SOCAN v CAIP*

Also in 2004 in *SOCAN v CAIP*, Binnie J. indicated an appreciation in the Court for the difficulties faced by copyright holders in the music business. He noted:

Achieving a Balance Fair to Copyright Owners

129 There is no doubt that the exponential growth of the Internet has created serious obstacles to the collection of copyright royalties. As Pietsch, *supra*, writes, at p. 278:

The Internet makes it possible for large numbers of people to rapidly copy protected materials worldwide. With software like Gnutella, they can do so without any centralized clearinghouse that intellectual property owners could target in an effort to enforce copyright protection, such as Napster. Such developments have led some to hypothesize that copyright law is dead because technology is so far ahead of the law that enforcement is impossible, and should not even be attempted.

See, e.g., *A & M Records, Inc. v. Napster, Inc.*, 114 F.Supp.2d 896 (N.D. Cal. 2000), *aff'd in part*, 239 F.3d 1004 (9th Cir. 2001).

130 It has been estimated that in 2002 sales of recorded music fell by almost 10 percent due to Internet-based file sharing (see Anonymous, "The music industry:

In a spin", *The Economist* (March 2003), at p. 58), but this "estimate" is a matter of ongoing controversy. Some say Napster was a boon to the music recording industry.¹⁷

Considering whether ISPs should be liable for authorizing infringement, he held:

120 Authorizing a communication by telecommunication is a discrete infringement of s. 3(1); see *Compo, supra*, at pp. 373 and 376.

121 The respondent argues that even if the appellants did not themselves infringe the copyright, they were guilty of "authorizing" content providers to do so because Internet intermediaries *know* that material (including copyright material) placed on their facilities by content providers will be accessed by end users. Indeed as Evans J.A. pointed out, at para. 120: "Knowledge of the content available on the Internet, including 'free' music, and of end users' interest in accessing it, are powerful inducements for end users to sign up with access providers, and content providers with operators of host servers."

122 Of course there is a good deal of material on the Internet that is not subject to copyright, just as there was a good deal of law-related material in the Great Library at Osgoode Hall that was not copyrighted in the recent *CCH* appeal. In that case, as here, the copyright owners asserted that making available a photocopier and photocopying service by the Law Society of Upper Canada implicitly "authorized" copyright infringement. This Court, however, held that authorizing infringement under the *Copyright Act* is not so easily demonstrated, at para. 38, *per* McLachlin C.J.:

... a person does not authorize infringement by authorizing the mere use of equipment that could be used to infringe copyright. Courts should presume that a person who authorizes an activity does so only so far as it is in accordance with the law. ... This presumption may be rebutted if it is shown that a certain relationship or degree of control existed between the alleged authorizer and the persons who committed the copyright infringement. ... [Emphasis added.]

See also *Vigneux v. Canadian Performing Right Society, Ltd.*, [1945] A.C. 108 (P.C.); *Muzak Corp. v. Composers, Authors and Publishers Association of Canada, Ltd.*, [1953] 2 S.C.R. 182. SOCAN contends that the host server in essence acts as a commercial partner with the content provider when material is made available on the Internet, but there was no such finding of fact by the Board, and I do not think the rights and obligations of partnership can be so casually imposed.

123 The operation of the Internet is obviously a good deal more complicated than the operation of a photocopier, but it is true here, as it was in the *CCH* case, that when massive amounts of non-copyrighted material are accessible to the end user, it is not possible to impute to the Internet Service Provider, based solely on

¹⁷ Binnie J, *SOCAN v. CAIP*, paras 129-130.

the provision of Internet facilities, an authority to download copyrighted material as opposed to non-copyrighted material.

127 The knowledge that someone *might* be using neutral technology to violate copyright (as with the photocopier in the *CCH* case) is not necessarily sufficient to constitute authorization, which requires a demonstration that the defendant did "(g)ive approval to; sanction, permit; favour, encourage" (*CCH*, at para. 38) the infringing conduct. I agree that notice of infringing content, and a failure to respond by "taking it down" may in some circumstances lead to a finding of "authorization". However, that is not the issue before us. Much would depend on the specific circumstances. An overly quick inference of "authorization" would put the Internet Service Provider in the difficult position of judging whether the copyright objection is well founded, and to choose between contesting a copyright action or potentially breaching its contract with the content provider. A more effective remedy to address this potential issue would be the enactment by Parliament of a statutory "notice and take down" procedure as has been done in the European Community and the United States.

128 In sum, I agree with the Court of Appeal that "authorization" could be inferred in a proper case but all would depend on the facts.¹⁸

Binnie J. indicates that the Canadian definition of "authorization of infringement" would still be conditioned by the defence of legitimate use for the technology found in the American *Sony* case. It would also indicate that to be vicariously liable for infringement of copyright by "authorization of infringement", the authorizer must take a more active role in encouraging or urging infringement than the U.S. contributor to infringement..

1.4 New Developments in Patent Law

Patents are another of the traditional forms of IPR protection. Perhaps nowhere else is the social contract and incentive justification for the limited term statutory monopoly so clearly demonstrated. The U.S. Patent Office is the busiest in the world granting more and more patents to inventors as the value of past patents has become apparent. Patent law grants the shortest period of exclusive legal ownership rights (20

¹⁸ Binnie J, *SOCAN v. CAIP* [2004] SCC 45, paras 120-128.

years) and demands execution of the most specific formalities. A patent application must fully disclose a new and non-obvious useful invention for the first time¹⁹ and make claims for all of its functions before getting approval from the Patent Office for inclusion in the Patent Register. If we look to patent disputes in court we find questions about patentability, challenges to the claims made in the applications, allegations of flaws in the disclosure or process of patents granted and motions for the striking of the patent, allegations of patent misuse (i.e. withholding of patented medicines), and new use or functions for compounds patented for other purposes. A valid patent provides the owner with strict liability protection against infringers, and in the case of pharmaceuticals the rewards for such patents can be considerable. Litigation costs tend to pale in comparison to the profits that can be won or lost by the upholding or striking of an individual patent. As a consequence patent litigation can be extensive. Patent law has not remained static in the new order, as recently as 1989 Canada moved from a “first to invent” to a “first to register” system. Where older patent disputes depended upon proving when an invention was first made and by whom, now the registry establishes who shall own the patent. Thus, registration formalities are of critical importance in patents (unlike copyright law).

1.4.1 Patent Formalities

One aspect of patent law is the strict formalities that inventors must satisfy in order to obtain their patent protection. For instance in *Dutch Industries v Commissioner of Patents*²⁰, a patentee who was a “small entity” assigned the patent to an assignee who was not a “small entity” who continued to pay the annual fees at the wrong level. When

¹⁹ Or within a specified period of time from the first application in another jurisdiction partaking in the International Patent Treaty for the receipt of a patent in more than one jurisdiction at the same time.

²⁰ *Dutch Industries Ltd. v. Canada (Commissioner of Patents)*, (2001) 14 CPR 4th 499, 2001 FCT 879, [2002] 1 C325 (FCTD) [Hereinafter cited as *Dutch Industries v. Commissioner of Patents*].

the error was brought to the attention of both the patentee and the Commissioner of Patents, the Patent Office allowed a correction of the fees paid. This was challenged in court by the alleged patent infringer who argued that the patent was no longer valid because of the payment of the small entity fee and that the Commissioner did not have the authority to accept corrections after a certain length of time. The Federal Court of Appeal in *Barton No Till*²¹ found that there was no authority for the Commissioner of Patents to correct the Registry at such a late date and struck out one of the patents owned by the large entity from the register. However, the Court also found that the patent granted to the small entity and assigned to the large entity remained valid, as the status of the patentee as a large or small entity was determined at the time of the granting of the original patent. This finding saved the striking of one of the patents from the register through an unnoticed error in the calculation of the nominal annual fee, but points out that the presumption that once a patent is granted and entered into the register it is presumed valid may not be true in every case. The Federal Court of Appeal decision was appealed to the Supreme Court but the appeal was dismissed with costs²².

1.4.2 Broadening of Definition of “Invention”: Business Methods, Living Organisms (Higher and Lower Life Forms), and the Doctrine of Equivalents

Once again patent law can be used to tip the balance in favour of the inventor over the user of an invention by widening the definition of what is patentable. In Canada one of the most important recent S.C.C. cases concerning patents had to do with the

²¹ *Barton No-Till Disk Inc. v. Dutch Industries Ltd* (2003 FCA 121) [hereinafter cited as *Barton No Till*].

²² *Dutch Industries Ltd. v. Barton No-Till Disk Inc., Flexi-Coil Ltd. and The Commissioner of Patents* (F.C.) (29738) (The motion to adduce fresh evidence is granted and the application for leave to appeal is dismissed with costs to the respondents Barton No-Till Disk Inc. and Flexi-Coil Ltd.) OTTAWA, 11/12/03.

patentability of higher life forms. The so-called *Harvard Mouse* case²³ resulted in a split court where the majority found that the higher life form of an oncology mouse was not an invention under the *Canadian Patent Act* and upheld the Patent Office's refusal to grant a patent. This decision was taken despite the nearly ubiquitous international acceptance of the patentability of the oncomouse. The *Harvard Mouse* case is at the end of a line of jurisprudence beginning in the U.S, with *Diamond v. Chakrabarty*²⁴ where the question was whether or not a human-made genetically engineered bacterium capable of breaking down crude oil was a patentable invention under the *U.S. Patent Act*. The U.S. Supreme Court held that, "A live, human-made micro-organism is patentable subject matter under 101. Respondent's micro-organism constitutes a "manufacture" or "composition of matter" within that statute." Since 1980 the question of how to draw the line between "lower life forms" such as bacteria and "higher life forms" such as mammals has confronted courts around the world.

1.4.3 *Harvard Mouse* Case in Canada (a Different Approach)

Most countries have allowed that the genetically engineered oncomouse is a patentable composition of matter. In Canada following *Chakrabarty* the Canadian Patent Office in *Re Abitibi Co.* listed human made items it deemed patentable. The Patent Office ruled that

... all micro-organisms, yeasts, moulds, fungi, bacteria, actinomycetes, unicellular algae, cell lines, viruses or protozoa; in fact...all new life forms which are produced *en masse* as chemical compounds are prepared, and are formed in such

²³ *Harvard College v. Canada (Commissioner of Patents)* [2002] 4 S.C.R. 45; 2002 SCC 76 [hereinafter cited as *Harvard Mouse*].

²⁴ *Diamond v. Chakrabarty* 447 U.S. 303 (1980) (U.S. Supreme Court)[hereinafter *Chakrabarty*].

large numbers that any measurable quantity will possess uniform properties and characteristics.²⁵

Having ruled that life forms could be patented, it was therefore a surprise when in the *Harvard Mouse* case it was ruled in a split decision 5-4 that higher life forms could not be. L'Heureux-Dubé, Gonthier, Iacobucci, Bastarache and LeBel JJ formed the majority. Bastarache J writing for the majority held that, "A higher life form is not patentable because it is not a "manufacture" or "composition of matter" within the meaning of "invention" in s. 2 of the *Canadian Patent Act*."²⁶ McLachlin C.J. and Major, Binnie and Arbour JJ. dissented and Binnie J wrote the eloquent dissent from the majority decision:

1 BINNIE J. (dissenting) -- The biotechnology revolution in the 50 years since discovery of the structure of DNA has been fuelled by extraordinary human ingenuity and financed in significant part by private investment. Like most revolutions, it has wide ramifications, and presents potential and serious dangers as well as past and future benefits. In this appeal, however, we are only dealing with a small corner of the biotechnology controversy. We are asked to determine whether the oncomouse, a genetically modified rodent with heightened genetic susceptibility to cancer, is an invention. The legal issue is a narrow one and does not provide a proper platform on which to engage in a debate over animal rights, or religion, or the arrogance of the human race.

2 The oncomouse has been held patentable, and is now patented in jurisdictions that cover Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, the United Kingdom and the United States. A similar patent has been issued in Japan. New Zealand has issued a patent for a transgenic **mouse** that has been genetically modified to be susceptible to HIV infection. Indeed, we were not told of any country with a patent system comparable to Canada's (or otherwise) in which a patent on the oncomouse had been applied for and been refused.

3 If Canada is to stand apart from jurisdictions with which we usually invite comparison on an issue so fundamental to intellectual property law as what constitutes an "invention", the respondent, successful everywhere but in Canada,

²⁵ *Re Abitibi Co.* (1982), 62 C.P.R. (2d) 81 at 89 (patent Appeal Bd. & Commissioner of Patents) [*Abitibi*]; *Re Application for Patent of Connaught Laboratories* (1982), 82 C.P.R. (2d) 32 (Patent Appeal Bd. & Commissioner of Patents). As cited in David Vaver, *Intellectual Property*, n. 49 p. 124.

²⁶ Bastarache J *Harvard Mouse* paras 119-120.

might expect to see something unique in our legislation. However, one looks in vain for a difference in definition to fuel the Commissioner's contention that, *as a matter of statutory interpretation*, the oncomouse is not an invention. The truth is that our legislation is not unique. The Canadian definition of what constitutes an invention, initially adopted in pre-Confederation statutes, was essentially taken from the United States *Patent Act* of 1793, a definition generally attributed to Thomas Jefferson. The United States patent on the oncomouse was issued 14 years ago. My colleague, Bastarache J., acknowledges that the fertilized, genetically altered oncomouse egg is an invention under our *Patent Act*, R.S.C. 1985, c. P-4 (para. 162). Thereafter, we part company, because my colleague goes on to conclude that the resulting *oncomouse*, that grows from the patented egg, is not itself patentable because it is not an invention. Subject matter patentability, on this view, is lost between two successive stages of a transgenic **mouse's** genetically pre-programmed growth. In my opinion, with respect, such a "disappearing subject-matter" exception finds no support in the statutory language.

4 A patent, of course, does not give its holder a licence to practise the invention free of regulatory control (any more than an *unpatented* invention enjoys such immunity). On the contrary, the grant of a patent simply reflects the public interest in promoting the disclosure of advancements in learning by rewarding human ingenuity. Innovation is said to be the lifeblood of a modern economy. We neglect rewarding it at our peril. Having disclosed to the public the secrets of how to make or use the invention, the inventor can prevent *unauthorized* people for a limited time from taking a "free ride" in exploiting the information thus disclosed. At the same time, persons skilled in the art of the patent are helped to further advance the frontiers of knowledge by standing on the shoulders of those who have gone before.²⁷

Justice Binnie demonstrated a concern with international standards of patentability in his dissent:

12 Intellectual property has global mobility, and states have worked diligently to harmonize their patent, copyright and trademark regimes. In this context, the Commissioner's approach to this case sounds a highly discordant note. Intellectual property was the subject matter of such influential agreements as the *International Convention for the Protection of Industrial Property (Paris Convention)* as early as 1883. International rules governing patents were strengthened by the *European Patent Convention* in 1973, and, more recently, the World Trade Organization *Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)* in 1994 (1869 U.N.T.S. 299). Copyright was the subject of the *Berne Convention for the Protection of Literary and Artistic Works* in 1886, revised by the *Berlin Convention* of 1908 and the *Rome Convention* of 1928. The *Universal Copyright Convention* was concluded in 1952. Legislation varies of course, from state to

²⁷ *Harvard Mouse*, paras 1-4.

state, but broadly speaking Canada has sought to harmonize its concepts of intellectual property with other like-minded jurisdictions.²⁸

Confronting other concerns of the majority Binnie J seemingly chafes against the strict definition of "invention" in the *Canadian Patent Act* when he notes:

95 Such an argument relates to remedies rather than patentability. A view that the *Patent Act* rewards a patent owner too richly is not a sound basis on which to deny a patent. The inventor of the frisbee (patented in 1967) would also, no doubt, be thought by some critics to have been excessively rewarded.

96 The scientific accomplishment manifested in the oncomouse is profound and far-reaching, and a numerical count of the genes modified and the genes not modified misses the point. Every cell in the animal's body has been altered in a way that is profoundly important to scientific research. If researchers were to discover that cancers were entirely attributable to one gene and then modified individuals so that they were cancer-free, no one would deny that such a modification would be of enormous importance regardless of the fact that only one gene was changed.

97 Researchers who wish to use a wild **mouse** can catch one in the parking lot. **Harvard** would have no complaint. It is only if they wish to take advantage of the advances in learning disclosed in the oncomouse patent that they would require authorization from the inventor who made the disclosure they now seek to exploit.

98 If the patent were refused on the oncomouse itself, it would be easy for "free riders" to circumvent the protection sought to be given to the inventor by the *Patent Act* simply by acquiring an oncomouse and breeding it to as many wild mice as desired and selling the offspring (probably half of which will be oncomice) to the public. The weakness of this protection would undermine the incentives intended by the *Patent Act*. I agree with William Hayhurst when he writes:

Some patents for processes may be of little practical value. To discover that a competitor is carrying out the process may be difficult. If a process produces a living organism that reproduces itself, the process may have to be carried out only once: competitors who are able to get their hands on the organism need not repeat the process of producing it. What is needed is a patent for the organism

(W. L. Hayhurst, "Exclusive Rights in Relation to Living Things" (1991) 6 I.P.J. 171, at p. 177)²⁹

It is Justice Binnie's concern about "free riding" that marks the dissent in this important case. In this instance the minority would see the denial of patentability for the

²⁸ *Harvard Mouse*, para 12.

²⁹ *Harvard Mouse*, paras 95-98.

oncomouse as tipping the balance too far away from creator rights. However, the majority felt that the prohibition against the patentability of higher life forms must stand.

1.4.4 Erosion of Compulsory Licensing Provisions in Canada

Part of the reason why the Supreme Court may have this disagreement over the appropriate balance between creator and user rights in patent law may be because of the long history of litigation between research-based pharmaceutical companies and the generic drug companies. Canada has a long history of compulsory licensing provisions beginning in 1923 but not really being used until the period following 1969 when a s. 41(4) amendment to the *Canadian Patent Act* allowed for the importation of the active ingredient of generic drugs. This led to the establishment of a large generic pharmaceutical drug industry in Canada and considerable cost savings for such pharmaceuticals. We are told that within one year by 1970 some 52 generic drug companies were established in Canada.³⁰ This would lead to the establishment in Canada of the world's largest generic drug companies such as Apotex. While these generic drug companies ensured rather cheaper drugs for Canadians,³¹ for years they were a sore spot with the research-based pharmaceutical companies. Following negotiations and Harry Eastman's Commission of Enquiry in 1985, a 1987 amendment to the *Canadian Patent Act* was passed that lengthened the period of exclusive legal right to exploit new patents from four years to ten years, in return for an undertaking on the part of the research-based

³⁰ Aslam H. Anis, *Pharmaceutical Policies in Canada: Another example of federal-provincial discord* CMAJ, 162 (4) February 22, 2000 .

³¹ Mr. John Solomon in Hansard 1994 Thursday, April 28, 1994 -- PRIVATE MEMBERS' BUSINESS (059) says, "The Eastman committee which studied drug patents and costs in 1983 claimed that across Canada at that time the public saved \$211 million per year in drug costs from generics. In 1986 the Canadian Drug Manufacturers Association, which is the organization of companies that manufacture generic drugs in Canada, estimated that compulsory licensing saved us about \$500 million a year."

(innovation based) pharmaceutical companies to invest between 5% and 10% of Canadian sales into Canadian research and production of pharmaceuticals. Bill C-22 of 1987 also established the Patented Medicines Price Review Board to ensure that only moderate increases in the price of pharmaceutical drugs would be experienced in Canada.³²

However, Canada's weak protection of the intellectual property rights of the research-based pharmaceutical companies continued to be a point of contention internationally and between Canada and the U.S., despite the lengthened period of exclusivity and the compliance of the research-based pharmaceuticals with their pledged investment into Canadian pharmaceutical research and development. *GATT* concerns, the Canada-U.S. Free-trade agreement of 1989 and *NAFTA* negotiations eventually led to a compromise between the Mulroney Government and the Bush government. Canada agreed to the strengthening of patent protection for the research-based pharmaceutical patent holders by ending compulsory licensing with Bill C-91³³ and extending the period of exclusive protection to the full twenty year duration of the patent. This amendment led to immediate cost increases for Canadian health care and was controversial in the provinces that bear the costs of such increases especially Saskatchewan, which spent an estimated \$10 million more in the first year following passage of C-91.³⁴ As drugs were delisted from medical services and as health care costs have spiraled, there have been calls for the repeal of the amendment since before Mr. Solomon's Private Member's Business remarks of 1994. More recently, as Canada considered allowing the exporting

³² Much of this history is related by Dennis J. Mills, Parliamentary Secretary to the Minister of Industry in response to Mr. Solomon, as recorded in *Hansard* April 28, 1994 Thursday, April 28, 1994 -- PRIVATE MEMBERS' BUSINESS (059).

³³ *Patent Amendment Act*, C-2, S.C. 1993.

of AIDS/HIV generic drugs to developing nations, the Amendment has come under fire again but the Federal Government has been loathe to try to "unscramble the omelet" (to paraphrase Mr. Don Boudria at the time) created by the passage of the amendment. It is thought that Canada would suffer significant consequences in the international community were it to weaken its protection of patent holder rights. However, more recently, the humanitarian justification of the export of generic pharmaceuticals to the developing world has encouraged the generic pharmaceuticals to urge Canada to re-evaluate the benefits of compulsory licensing and the promotion of the generic drug company industry.

The end of compulsory licensing has not come without cost in Canada, despite the increased investment of innovation-based companies and the benefits of free trade with the U.S. and Mexico. An examination of the Federal Court Trial docket reveals a number of lengthy actions between the generics and the research-based pharmaceuticals including multiple motions (sometimes scores of such motions) and appeals of rulings on motions in these actions. Despite the costs in court time, expensive litigation representation and potential adverse rulings, the economic stakes are so high that the costs of litigation are just a small part of the cost of doing business in the pharmaceutical drug business. Similarly the cost pressures on the public health care system in Canada have been exacerbated. This is far from a dead issue and underscores the tension between rights holders and the public in patent law. Strengthened patent law at the expense of the public good is a counter-balance to the trend toward stronger and more pervasive IPR protection. Perhaps because so much intellectual property litigation concerns these issues

³⁴ See especially the comments of Mr. John Solomon in Hansard 1994 Thursday, April 28, 1994 -- PRIVATE MEMBERS' BUSINESS (059).

the judiciary in Canada is more concerned with finding the appropriate balance between creator and user rights.

1.5 New Developments in Trade-mark Law

Like patent law, trade-mark law is still very closely tied to the execution of formalities by the rights holder to gain protection. It can be argued that this is because trademark protection represents the one form of intellectual property protection that is not finitely limited in time. Instead, to encourage manufacturers and providers of goods and services to use these marks for the benefit of consumer protection, there are substantial formalities of registration and “use” of a mark in channels of trade. Marks must be defended against “dilution” whereby the mark is “genericized” to the point where it no longer functions as an indicator of place of origin or standard of quality. Licensees must defend their exclusive right to use of the mark or risk losing the protection of the mark and trade-mark owners must be able to demonstrate continued control over the mark when licensed elsewhere. Fees must be paid at regular intervals (annually) to demonstrate continued use in order for the trade-mark owner to avail itself of protection against unauthorized use of the mark or infringement. Registered marks must be renewed every fifteen years or risk expungement from the register after the passage of six months after the fifteenth anniversary of the last registration. Owners of marks can be required to prove their “use” within the past three years or face being struck from the register.

As in patent law proposed trade-marks must go through a registration process where opposition to the registration of the mark can be initiated. As a patent can be challenged by the patent officer or in court for obviousness, insufficient disclosure, or lack of inventiveness, so a trademark can be challenged by the Trade-mark Office before

registration, after publication and even after registration for a lack of distinctiveness, the use of prohibited marks or priority of “use” in a jurisdiction. The process of “disclaiming” those parts of the trademark that are not eligible for registration is an important protection against the staking out of language or expression common and necessary to all. The prohibition against the lack of distinctiveness or the use of a living person’s name can be appealed provided the applicant can show that distinctiveness has been achieved through use. Trade-mark law remains a hybrid between common law remedies for passing off, defamation and deceit and statutory provisions. Civil code countries have long experience with the registration of proposed marks; common law countries have had experience with the establishment of trademark rights by use.

Trade-mark law has traditionally been concerned with using private actors to ensure the continued legitimate use of trademarks for consumer protection. However, as trademarks have become established they have become recognized as a valuable asset associated with the businesses that use them. The value attached to the use of a trademark or trade guise is most often referred to as the “goodwill” built up by the common experience of consumers with the mark. As these marks are alienable, the marks with greater goodwill value attached are more valuable and trademark law has become increasingly concerned with allowing the owner of such marks to defend that value against diminishment through either dilution or tarnishment. Nowhere has this acknowledgment of the value of goodwill become clearer than in the use of the trademark as a domain name in cyberspace. Cybersquatters have rushed to register domain names before the value of such registrations have become appreciated by traditional firms.

Famous cases such as the *Panavision*³⁵ dispute have led to calls to control this usurpation of the goodwill established for known trademarks and trade guises. This in turn has led to the call for protection for famous marks in the form of legislated remedies.

1.5.1 U.S. Famous Marks Legislation (Protection from Cybersquatting)

In the U.S. there has been a tradition of intervention on behalf of the rights holder to forestall “free riding” going back to the invention of a new cause of action in tort law for an “unfair taking” in the famous, if controversial, *INS* case³⁶. Following *INS* Frank Schechter wrote an influential article on dilution theory in 1927.³⁷ This theory proposes that the owner of a trademark suffers injury worthy of remedy when their mark is weakened by dilution through blurring or tarnishment. Consequently, trademark owners underscored the conflict between Trademark Rights and Freedom of Speech Rights³⁸ have agitated to be allowed to prohibit such expressions by the public as would constitute dilution. In some thirty states they were successful, but there were legal scholars such as Robert C. Denicola who pointed out there were consequences of this expansion of trademark law to protect the investment in the “goodwill” attached to the marks.

However, with the advent of the Internet and the prevalence of cybersquatting, American sympathies for the victims of “unfair taking” or “coattail riders” led to a renewed interest in the protection of trademark holder rights over the freedom of speech rights of the general public. This emphasis on the statutory trademarks rights holder’s interests in the U.S. has been demonstrated most recently in the passing into law of the

³⁵ *Panavision International, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).

³⁶ *International News Service v. Associated Press* (1918) 248 U.S. 215; 63 Law. Ed. 211 [hereinafter cited as *INS*]. The case has been controversial since it was decided over an eloquent dissent by Brandeis J and expressly rejected in other common law jurisdictions.

³⁷ Frank I. Schechter *The Rational Basis of Trademark Protection*, 1927, 40 *Harvard Law Review* 813.

1996 *Federal Anti-Dilution Act*³⁹ that has been called by Kenneth L. Port an “unnatural expansion of trademark rights.”⁴⁰ The *Act* has been criticized as too vague and overly broad and has been challenged constitutionally⁴¹.

David v. Radack discusses how dilution can take place in two ways, blurring and tarnishment, and describes the *Act* as follows:

The existence of this act has given holders of famous trademarks another weapon in policing noncompetitive uses of their marks; although there were more than 30 states that had statutes concerning the dilution of trademarks previous to 1996, until the new federal act there was no federal statute providing owners of famous trademarks the ability to bring a lawsuit in a federal court under federal law. The act has also been used extensively in internet domain name disputes....

Trademark dilution under the new federal law can occur even when a famous trademark is used by another on noncompeting goods or can occur when there is no likelihood of confusion between the two uses of the mark. For example, if a company that makes motorcycles started using the mark Kodak to identify its motorcycles, consumers would probably not be confused into believing that the Kodak film people are now in the motorcycle business. Thus, trademark dilution under the new law is a powerful weapon where there is noncompeting goods or services or no likelihood of confusion between the uses of the marks.⁴²

It is this ability to use the *Act* to block the use of the mark or descriptor in new unrelated channels of trade for non-competing goods or services not covered by the registered mark, without the need to prove confusion among consumers, that represents a substantial expansion of the protections afforded by traditional trade-mark law.

³⁸ Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wis. L. Rev. 158, 160 (1982).

³⁹ 15 U.S.C. TITLE 15 > CHAPTER 22 > SUBCHAPTER III > § 1125. False designations of origin, false descriptions, and dilution forbidden, see especially (c).

⁴⁰ Kenneth L. Port, *The “Unnatural” Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 Seton Hall Legis. J. 433, 448–49 (1994).

⁴¹ Marla J. Kaplan, “Antidilution Statutes and the First Amendment,” 21 Southwestern University Law Review 1139 (1992) (arguing that antidilution statutes violate the First Amendment because they prohibit commercial speech that does not mislead or deceive and because there is no substantial government interest to support them; also arguing that antidilution laws are not designed to protect the public, as was trademark law’s historical purpose. As cited in ACLU Testimony of Marvin J. Johnson, Legislative Counsel, at a Hearing on the Committee Print to Amend the Federal Trademark Dilution Act Before the Subcommittee on Courts, the Internet, and Intellectual Property of the House Committee on the Judiciary April 21, 2004 n. 2.)

1.5.2 Canadian Responses

In Canada where *INS* was rejected, the courts have thus far adopted a more cautious and tightly defined definition of trade-mark law still rooted in notions of channels of trade and the need to prove the likelihood of consumer confusion to obtain remedy. This caution was the result of the successful constitutional challenge in *MacDonald v. Vapor*⁴³ to the rather broad prohibition against unfair trade practices contained in s. 7(e) of the *Canadian Trade-marks Act*. It would be well to remember that the successful challenge was because the provision was deemed too vague and broad to be practicable.

The extension of protection beyond the existing channels of trade to non-competing products has been called “brand extension” theory by Danièle Tremblay-Lamer J. recently in *Veuve Clicquot Ponsardin v. Les Boutiques Cliquot Ltee.*⁴⁴ Resisting the too broad protection against dilution without proof of consumer confusion in cases involving owners of famous trade-marks disputing the use of a similar or identical name in different channels of trade, she rejected this extension without proof of damage in this case. The case had to do with the use of the Cliquot name on goods by a Montreal women’s clothing manufacturer rather than the famous champagne manufacturer. It was appealed to the Federal Court of Appeal⁴⁵ where she was upheld. This case and another case disputing the use of the word “Barbie” in a trade-mark in Montreal, were further appealed to the Supreme Court of Canada.

⁴² David V. Radack, “Federal Trademark Anti-Dilution Law—A Powerful New Tool for Owners of Famous Trademarks” JOM, 51 (4) (1999), p. 48.

⁴³ *MacDonald v. Vapor Canada Ltd.* (1976), [1977] 2 S.C.R. 134, 66 D.L.R. (3d) 1, 25 C.P.R. (2d) 1, 7 N.R. 477.

⁴⁴ *Veuve Clicquot Ponsardin v. Les Boutiques Cliquot Ltee.* 2003 FCT 103 para 10.

⁴⁵ *Veuve Clicquot Ponsardin v. Les Boutiques Cliquot Ltee.* 2004 FCA 164.

On June 2, 2006 two unanimous decisions written by Binnie J. upholding the lower court rulings in *Veuve Clicquot* and *Barbie* have clarified the requirements for protection under the *Canadian Trade-Marks Act* against trade-mark infringement in non-competing products or services in instances where there is a famous trade-mark.⁴⁶ The Court has said that where the goods or services are not in the same channel of trade, there must be proof of damages to the famous or senior mark holder's goodwill or proof of a likelihood of consumer confusion in order to receive protection against dilution under the *Canadian Trade-Marks Act*. This is a blow to the concept of a "family of marks" belonging to large diversified international companies seeking protection for their "famous trade-marks". It is a ruling that stands in stark contrast with the law of trade-marks concerning marks owned by a "public authority" such as the Canadian Olympic Association. For a "public authority" injunctive protection against dilution can be obtained without proof of the likelihood of confusion in separate channels of trade so long as the public has received notice of the restriction on the use of the mark or derivative marks. *Clicquot* and *Barbie* distinguish the marks of "public authorities" from "famous marks" for the purposes of trade-mark protection. They establish a standard of proof need to attract protection under the *Act* although they leave open the right of the senior mark holder to oppose the registration of the junior mark.

The decision is a thoughtful one, balancing the owner rights with those of the public. Had Mattel prevailed we could anticipate that the use of the term "barbie" could have become the exclusive property of the Mattel Toy Manufacturing Company.

Whether that means that Paul Hogan and the Australian Tourism Authority would have

⁴⁶ *Veuve Clicquot Ponsardin v. Les Boutiques Cliquot Ltee.* 2006 SCC 23, which followed *Mattel Inc. v. 3894207 Canada Inc.*, 2006 SCC 22 [hereinafter referred to as *Barbie*]. Both decisions were released on

been precluded from using the phrase “Toss another shrimp on the barbie” as an invitation to visit Australia without Mattel’s permission is not clear. However, the decision is a victory for the common property of the English language that includes the term “Barbie.” Similarly in the case of *Clicquot*, the use of “Cliquot” on the women’s apparel needed proof of the likelihood of consumer confusion or proof of the likelihood of some form of tarnishment to qualify for protection under the *Act*. To allow a s. 22 prohibition against depreciation of the goodwill attached to a mark without proof of the likelihood of depreciation through dilution is to encourage the abuse of the *Trade-Marks Act* for purposes of censorship.

To date, in Canada trade-mark owners have not had very much success with claims for dilution or tarnishment unless the goods bearing the marks were of the same class and capable of giving rise to consumer confusion.⁴⁷ Where such confusion is not proven the *Canadian Trademarks Act* has left the famous mark holder without injunctive remedy.⁴⁸ There is current agitation to amend the *Canadian Trademarks Act* to provide remedies for owners of famous marks to bring Canadian law more into line with that of other jurisdictions such as the U.S., the E.U. and Great Britain.

1.5.3 Preserving the Value of Goodwill through “Dilution” Prevention

While in Canada, trademark owners may not have so much protection against infringement in non-competing products or service marks or dilution as in the U.S., Canadian trademark owners must still be careful to assert their rights or risk having their mark become genericized through dilution. Once a mark is found generic it cannot be

June 2, 2006.

⁴⁷ See the Leaf confectioners case at *Leaf Confections Ltd. v. Maple Leaf Gardens Ltd.*, (1986), 12 C.P.R. (3d) 511.

⁴⁸ See *Pink Panther Beauty Corp. v. United Artists Corp.*, 1998 CanLII 9052 (F.C.A.), [1998] 3 F.C. 534.

registered and must be struck from the registry. Examples of trademarked terms that were found generic under U.S. law include: "Aspirin"⁴⁹, "Cellophane"⁵⁰, "thermos"⁵¹, "Murphy bed"⁵², and "Shredded Wheat"⁵³. Justice Brandeis' discussion of "genericide" in *Kellogg v. Nabisco* is instructive. He said:

The plaintiff has no exclusive right to the use of the term "Shredded Wheat" as a trade name. For that is the generic term of the article, which describes it with a fair degree of accuracy; and is the term by which the biscuit in pillow-shaped form is generally known to the public. Since the term is generic, the original maker of the product acquired no exclusive right to use it. As Kellogg Company had the right to make the article, it had, also, the right to use the term by which the public knows it....

Moreover, the name "Shredded Wheat," as well as the product, the process and the machinery employed in making it, has been dedicated to the public. The basic patent for the product and the process of making it, and many other patents for special machinery to be used in making the article, issued to Perky. In those patents the term "shredded" is repeatedly used as descriptive of the product. The basic patent expired October 15, 1912 the others soon after. Since during the life of the patents "Shredded Wheat" was the general designation of the patented product, there passed to the public upon the expiration of the patent, not only the right to make the article as it was made during the patent period, but also the right to apply thereto the name by which it had become known. As was said in *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 :

It equally follows from the cessation of the monopoly and the falling of the patented device into the domain of things public, that along with the public ownership of the device there must also necessarily pass to the public the generic designation of the thing which has arisen during the monopoly...To say otherwise would be to hold that, although the public had acquired the device covered by the patent, yet the owner of the patent or the manufacturer of the patented thing had retained the designated name which was essentially necessary to vest the public with the full enjoyment of that which had become theirs by the disappearance of the monopoly.⁵⁴

⁴⁹ *Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (S.D.N.Y. 1921).

⁵⁰ *Dupont Cellophane Co. v. Waxed Products Co.*, 85 F.2d 75, 81 (2d Cir), cert. denied 299 U.S. 601, 57 S.Ct. 194, 81 L. Ed. 433 (1936).

⁵¹ *King-Seeley Thermos Co. v. Aladdin Indus., Inc.* 321 F.2d 577, 579 (2d Cir. 1963) Although the U.S. Courts allowed that international competitors of Thermos in the U.S. could not use Thermos with a capital "T", add their own brand name or use the words like "original" or "genuine" with their use of the mark, the term "thermos", while not generic enough to warrant expungement, also was not distinctive enough to warrant full exclusive use. Cf. with *Aladdin Industries Inc. v. Canadian Product Ltd.*, [1969] 2 Ex.C.R. 80.

⁵² *The Murphy Door Bed Co., Inc. v. Interior Sleep Systems, Inc.* United States Court of Appeals, Second Circuit, 874 F.2d 95 (2d Cir, 1989).

⁵³ *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, (1938) [hereinafter *Kellogg v. Nabisco*].

⁵⁴ *Kellogg v. Nabisco*, at 116-118.

Justice Brandeis went on to discuss the plaintiff's claim that the words had acquired "secondary meaning" but he ruled that,

...to establish a trade name in the term "shredded wheat" the plaintiff must show more than a subordinate meaning which applies to it. It must show that the primary significance of the term in the minds of the consuming public is not the product but the producer. This it has not done.⁵⁵

In *Intellectual Property in the New Technological Age* there is a discussion of the 1896 *Singer Mfg. Co. v. June Mfg. Co.* case cited by Brandeis for the proposition that once a patent on a device expires, the name by which the device has been sold also enters the public domain. It declares that "Surely that is not always the case."⁵⁶ Pointing out that many formerly patented devices are still sold bearing the name after the expiration of the patent and that there are different purposes behind the patent and trademark acts, it is only when the name itself is generic that trademark does not survive the expiration of the patent. Thus the determination of when a mark has become generic is of utmost importance to the rights holders.

Further reference in *Merges* is made to the Lanham Act §14 (15 U.S.C. §1064) which provides that "[t]he primary significance of a registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become generic."⁵⁷ This provision was put in place in the *Trademark Clarification Act* of 1984 to reverse the holding in *Anti-Monopoly, Inc. v. General Mills Fun*, 684 F.2d 1316 (9th Cir. 1982), *cert. denied*, 459 U.S. 127 (1983). In this case the 9th Circuit had ruled that the term "Monopoly" was generic and that "Anti-Monopoly" could

⁵⁵ *Kellogg v. Nabisco*, at 118.

⁵⁶ Merges, Robert P. Peter S. Menell, Mark A. Lemley, Thomas M. Jorde. *Intellectual Property in the New Technological Age*, New York: Aspen Law & Business, 1997, p. 706 [hereinafter *Merges*].

⁵⁷ *Merges*, p. 706.

be sold. Surely there are costs associated with the defence of a mark against becoming generic. *Merges*⁵⁸ reproduced a Xerox trademark advertisement. GroupXerox actively fought the genericide of the term Xerox to mean photocopy with a vigorous defence against its use as a synonym for photocopying. Dupont also vigorously defended “Teflon” against becoming generic by use of an education and policing plan.⁵⁹

The leading Canadian case on genericism would seem to be *Aladdin Industries Inc. v. Canadian Product Ltd.*,⁶⁰ where it was found “...that distinctiveness for a significant minority of consumers was enough to stave off expungement”.⁶¹ Still the requirement for distinctiveness is not one trademark holders can afford to take lightly.

1.5.4 Erosion of Distinction between Trade Dress and Function

The potential use of trade dress to extend the duration of exclusive protection for inventions whose patents have expired had recently led to uncertainty in trade-mark law in Canada. The *Lego* decision from the Supreme Court of Canada in *Kirkbi AG v. Ritvik Holdings*⁶² settling this issue was released November 17, 2005. In this case the manufacturer of Lego blocks sought to gain protection for its eight knobbed blocks by resorting to trademark law after its patent expired. The courts below have found that the trade dress shape of the blocks is determined by their function, and under the doctrine of functionality, the only part of the Lego knobs that could be considered trade dress is that part bearing the company name Lego on them. This reasoning has led to a split in the Federal Court of Appeal decision and a subsequent appeal to the Supreme Court of

⁵⁸ *Merges*, Fig. 5-2, p. 704

⁵⁹ See *E.I. Du Pont de Nemours & Co. v. Yoshida Intl., Inc.* 393 F.Supp.502, 523-24 (E.D.N.Y. 1975)

⁶⁰ *Aladdin Industries Inc. v. Canadian Product Ltd.*, [1969] 2 Ex.C.R. 80.

⁶¹ Vaver, *Intellectual Property Law*, p. 190.

⁶² *Kirkbi AG v. Ritvik Holdings* 2003 FCA 297, SCC appeal [2005] 3 S.C.R. 302, SCC 2005 65 (heard 2005-03-16). *Kirkbi AG, et al. v. Ritvik Holdings Inc./Gestions Ritvik Inc. (now operating as Mega Bloks Inc.)* (FC) (Civil) (By Leave) (29956) [hereinafter cited as *Lego*].

Canada that was heard in March of 2005⁶³. The S.C.C. upheld the lower court decisions and the doctrine of functionality, denying the mark holder remedy for trade-mark infringement.

1.6 “*Sui Generis*” Evergreen Provisions and the Diminishing Public Domain

An important concept in the granting of statutory rights to creators and assignees is the necessity of a chronologically “limited” term for IPR protection, so as to ensure the acquisition of new knowledge within the public domain. Examining the development of the *E.U. Database Directive* and its potential to keep all intangible property found in databases out of public domain, it is hoped that the folly of new forms of IPR protection introduced without sufficient forethought is an obvious danger that can be associated with the drafting of new legislation without sufficient care as to its effect. While, as we shall see in Chapter 3, there are problems with the use of old laws to deal with the new situations in cyberspace, the development of entirely new laws (“*sui generis*”) raises a number of important difficulties. First among these difficulties is that of jurisdiction. Again, as we shall see in Chapter 4, the *TRIPS*⁶⁴ agreement of 1994 represents a high water mark in terms of international multi-lateral agreement that may be impossible to replicate beyond the acceptance of existing traditional IPR protection legal regimes. Furthermore, disagreement over the appropriate balance of creator and user rights and the role of the public domain may make any *sui generis* legal developments hard for some countries to recognize. We shall return to this problem in Chapter 5. Until then we must look at the evidence that IPR protection law needs reform or change. It can be argued

⁶³ *Lego*, the case is discussed with respect to the Doctrine of Functionality in Chapter 2 below.

⁶⁴ *WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)*, negotiated in the 1986-94 Uruguay Round.

that current IPR law seems to be trending towards stronger creator rights at the expense of other stakeholders. Let us review the problem.

1.7 Evidence of Strengthened “Creator Rights” Among Traditional IPRs

1.7.1 Increased Duration of Copyright Outside of Canada

Duration of copyright has been extended retroactively⁶⁵ to 70 past the death of the creator in the U.S., despite a constitutional challenge. In Europe and many civil code countries the term of copyright duration is 70 years or more past the year of death of the creator. Nevertheless, currently under *TRIPS* the minimum is a duration of 50 years past the year of death of the creator. While it is currently only 50 years in Canada, this seems bound to come under pressure to lengthen to European and U.S. standards. Of course this term of duration is one related to the life of the author or creator, for other works created in situations where the life of the author is not known or copyright ownership is not associated with the life of the creator, the term is different. Usually for unpublished works the term is unlimited until publication and then runs for 50 years in Canada. Similarly for film and photographs the term of protection runs for 50 years from the date of manufacture.⁶⁶ For anonymous works the term can run for 50 years from the date of first publication. For “neighbouring rights” the term is 50 years from first public performance, sound recording or broadcast.

1.7.2 Posthumous IP Rights and Bequeathing

Related to the increased length of copyright has been the ability of such rights to become part of the creator’s estate. Whether or not the anticipation of these post-mortem rights is a necessary part of the incentive for progress in the useful arts and sciences

⁶⁵ See *Eldred v. Ashcroft*, 537 U.S. 186 (2003) U.S. Supreme Court.

⁶⁶ Vaver, *Intellectual Property*, pp. 63-4.

seems to be taken for granted. Copyright can be bequeathed for between 50 and 75 years after the death of the creator depending on the jurisdiction. Subsection 14(1) of the *Canadian Copyright Act* provides for a limitation and reversion of assigned interests to the author's estate 25 years after his/her death. Patents, while they can be bequeathed, still only extend for 20 years. Concerning the Succession of Moral Rights in Canada Moral Rights provisions *Copyright Act*, ss. 14.1 (2) which allows no assignment of moral rights and 14.2(2), (3), which allows for the moral rights to pass to whomever they have been bequeathed, to the inheritor of the copyright or to the inheritor of the author's estate.

1.7.3 Extensions of Copyright to include Adaptations or "Derivative Works"

Eroding the distinction between "expression" (copyrightable) and "idea" (noncopyrightable), the extension of copyright to include "derivative works" can be argued to allow the copyright holder to protect too wide an area within the granted statutory monopoly. Depending upon the breadth of interpretation of "derivative work" the public domain can be seriously diminished. In the *Mirage Editions v. Albuquerque A.R.T.*,⁶⁷ Mirage was able to sue A.R.T. for copyright infringement when A.R.T. physically cut photographic reproductions of artist Patrick Nagel's works out of numerous purchased copies of coffee-table books published by Mirage, glued them to ceramic tiles and offered them for sale. The court held that A.R.T. was not protected by the "first sale" doctrine (exhaustion doctrine in Europe) and had created unauthorized "derivative works".

⁶⁷ *Mirage Editions v. Albuquerque A.R.T.* 856 F.2d 1341 (9th Cir. 1988)[hereinafter referred to as *Mirage*].

Derivative works in this 9th Circuit Court of Appeals case and the 7th Circuit Court of Appeals *Lee v. A.R.T. Co.* American case that rejected *Mirage*, were discussed by Binnie J in *Théberge* as follows:

re derivative work and *Mirage* and *Lee* art US cases

72 The poster art industry in the United States has been actively litigating the broad statutory "derivative works" provision against owners of the material objects that embody the copyrighted work. In *Mirage Editions, supra*, for example, the copyrighted image was applied to a ceramic tile. The 9th Circuit Court of Appeals ruled that the ceramic was an infringing "new" derivative work, a conclusion expressly rejected by the 7th Circuit Court of Appeals in *Lee v. A.R.T. Co.*, 125 F.3d 580 (1997), which concluded that the fixation did not infringe the copyright. Easterbrook J., for the 7th Circuit, reasoned that "[a]n alteration that includes (or consumes) a complete copy of the original lacks economic significance" (p. 581). He further found that there was no distinction between framing works of art, an acceptable practice under copyright law, and more permanent methods of display, such as re-fixing the art work on tile. The 9th Circuit has taken a different view: see *Mirage Editions, supra*. These cases and their progeny typically turn on conflicting interpretations of the words "recast, transformed, or adapted" in the U.S. statutory definition, but even under that more expansive U.S. definition of "derivative works" the 7th Circuit concluded that permanently mounting the artwork on tile did not "recast, transform, or adapt" the work. If these words appeared in our Act, there would presumably be a similar battle of statutory construction here, with the respondent saying the work was "recast, transformed, or adapted", and the appellants denying that characterization, but the conflict between the scope of the copyright holders' economic rights to control the end uses of his work and the purchasers' rights as owners of the material object is the same. In the absence of the "recast, transformed, or adapted" language (or equivalent) in our Act, however, the respondent is unable to rely on it as an additional basis of copyright liability. As Estey J. noted in *Compo, supra*, at p. 367:

... United States court decisions, even where the factual situations are similar, must be scrutinized very carefully because of some fundamental differences in copyright concepts which have been adopted in the legislation of that country.

73 I should note that while there is no explicit and independent concept of "derivative work" in our Act, the words "produce or reproduce the work . . . in any material form whatever" in s. 3(1) confers on artists and authors the exclusive right to control the preparation of derivative works such as the union leaflet incorporating and multiplying the Michelin man in the *Michelin* case, *supra*. See generally, McKeown, *supra*, at p. 64. In *King Features Syndicate, Inc. v. O. and M. Kleeman, Ltd.*, [1941] A.C. 417 (H.L.), under a provision in the English Act similar to s. 3(1) of our Act, the plaintiff's copyright in the cartoon character

"Popeye the Sailor" was held to be infringed by an unauthorized doll, i.e., the two dimensional character was reproduced without authorization in a new three-dimensional form. See also W. J. Braithwaite, "Derivative Works in Canadian Copyright Law" (1982), 20 *Osgoode Hall L.J.* 191, at p. 203. To the extent, however, that the respondent seeks to enlarge the protection of s. 3(1) by reading in the general words "recast, transformed, or adapted" as a free-standing source of entitlement, his remedy lies in Parliament, not the courts.

VI. Conclusion with Respect to the Substantive Issue

74 My conclusion is that in this case the respondent is asserting a moral right in the guise of an economic right, and the attempt should be rejected.

75 If the respondent's argument were correct in principle, of course, the absence of authority would not prevent his success. It is in the nature of the subject that intellectual property concepts have to evolve to deal with new and unexpected developments in human creativity. The problem here is that the respondent's submission ignores the balance of rights and interests that lie at the basis of copyright law.⁶⁸

1.7.4 Adoption of Neighbouring Rights

As mentioned above, the stretching of the *Canadian Copyright Act* beyond the printed word through notions of fixation (*Canadian Admiral*⁶⁹) to include performer's rights, sound recordings and broadcasts in 1989 means that copyright law now refers to much more than merely the control over the ownership, number and exploitation rights of copies of an artistic work. The advent of many new media and digitalized versions of older creative works mean that there will be pressure on Canada's *Copyright Act* to include protection for works fixed in new ways and new media. If this protection is retrospective we may find much taken back from the public domain and placed again under the control of the statutory monopoly known as copyright protection. Canada's adoption of neighbouring rights under copyright has enabled Canadians to use copyright law to accomplish what tort laws in the U.S. concerning the misappropriation of the right

⁶⁸ Binnie J, *Théberge v. Galerie d'Art du Petit Champlain Inc.*, [2002] 2 S.C.R. 336, 2002 SCC 34 (CanLII) (2002), 210 D.L.R. (4th) 385; (2002), 17 C.P.R. (4th) 161; (2002), 23 B.L.R. (3d) 1 paras. 72 -75.

⁶⁹ *Canadian Admiral Corp. v. Rediffusion Inc.*, [1954] Ex.C.R. 382, 20 C.P.R. 75, 14 Fox. Pat. C. 114.

of publicity have done. Evidence of this can be seen in the cases dealing with inalienable moral rights of creators such as *Snow v. Eaton's Centre*⁷⁰.

1.7.5 Inalienable Moral Rights of Creators

In order for IPRs to provide economic incentive for innovation the current regimes have made the rights alienable. This has allowed the IPR holder to be a different person or entity than the creator, most commonly entrepreneurs, corporations, publishing companies, institutions and so on. In civil code countries, and within Canada since 1931, artists and creators are accorded certain inalienable moral rights including the right of authorship and the right to the physical integrity of the work bearing their name. These rights have been asserted in civil rights countries basing copyright protection on personality rights, but opposed in many common law countries who base their copyright on economic incentive justifications. Once again the leading Canadian case on moral rights is *Snow*. Moral rights are personal rights and normally not alienable from the author or creator. This makes them a different set of rights awarded in the copyright law bundle to the creator or author. In Canada moral rights are not assignable although they may be waived. They currently have the same duration as copyright.

1.7.6 *Droits de suite*

Droits de suite are rights associated with a creator's right to some portion of the fair market value gain realized upon the resale of their work. These rights are recognized on a state level in California and in several civil code jurisdictions. Probably the strongest *droits de suite* are to be found in France and then Germany. *Droits de suite*⁷¹ include an ongoing set of inalienable author rights in France. In Germany they have the

⁷⁰ *Snow v. the Eaton Centre Ltd.* (1982) 70 C.P.R. (2d) 105 (Ont. H.C.)[hereinafter *Snow*].

same term as copyright. They include rights after the sale of a work with IPRs attached. The right to a percentage of the capital gain made by the purchaser of a work of art on a resale is considered to be one of the rights associated with the author's rights in these countries. It has been looked upon with suspicion by the U.S. in terms of copyright laws⁷² despite similar provisions in State laws (e.g. California).

In France, Italy, Chile and California artists have been allowed to recapture a percentage of the resale value of their works, as *droits de suite*. These resale rights do not currently exist in Federal Copyright law in the U.S. and Vaver pointed out that in Canada as of yet there are no *droits de suite*,⁷³ despite Canada's Moral Rights provisions, but their existence in author's rights jurisdictions lead one to believe they could well become part of the *WIPO* regime in future. As Binnie J. makes clear in *Théberge* there are no *droits de destination* either:

1.7.7 Re *Droits de Destination*

28 In my view, with respect, this expansive reading of the s. 3(1) economic rights tilts the balance too far in favour of the copyright holder and insufficiently recognizes the proprietary rights of the appellants in the physical posters which they purchased. Adoption of this expanded interpretation would introduce the *civiliste* conception of "*droit de destination*" into our law without any basis in the *Copyright Act* itself, and blur the distinction between economic and moral rights imposed by Parliament.⁷⁴

Concerning *droits de destination* in Canadian law he goes on to explain more fully in the judgment:

⁷¹ Canada's Moral Rights provisions *Canadian Copyright Act*, s. 14.

⁷² R. Howell, "Canada: Report on Private International Law Aspects", in *Copyright in Cyberspace*, Marcel Dellebeke, ed. ALAI Study Days, Amsterdam: Otto Cramwinckel, n. 68, p. 286 tells us that "Moral rights are recognized federally in the United States in the Visual Artists Rights Act 1990, PL No. 101-650, 102 Stat. 5128, 17 USC 101 (1990)," but he judges that the U.S. approach "presents a traditional approach of a common law jurisdiction to the question of moral rights." *ibid*.

⁷³ Vaver, *Intellectual Property*, p. 67.

⁷⁴ Binnie J, *Théberge v. Galerie d'Art du Petit Champlain inc.*, [2002] 2 S.C.R. 336, 2002 SCC 34 (CanLII) (2002), 210 D.L.R. (4th) 385; (2002), 17 C.P.R. (4th) 161; (2002), 23 B.L.R. (3d) 1 para. 28.

63 Under the *civiliste* tradition, and particularly in France, the right of reproduction was interpreted to include not only the right to make new copies of the work (reproduction *stricto sensu*) but also what is called by French jurists the "right of destination" (*droit de destination*). The right of destination gives the author or artist the right to control to a considerable extent the use that is made of authorized copies of his or her work: see generally A. Lucas and H.-J. Lucas, *Traité de la propriété littéraire & artistique* (1994), at p. 235; F. Pollaud-Dulian, *Le droit de destination: le sort des exemplaires en droit d'auteur* (1989). See also *Crim.*, January 28, 1888, *Bull. crim.*, No. 46, p. 68; *Crim.*, December 2, 1964, *Bull. crim.*, No. 320, p. 672; *Crim.*, October 20, 1977, *Bull. crim.*, No. 315, p. 801; *Civ.* 1st, May 5, 1976, *Bull. civ.*, No. 161, p. 128; Paris, March 18, 1987, D. 1988.Somm.209, note Colombet; *Civ.* 1st, April 19, 1988, *Bull. civ.*, No. 112, p. 76; Paris, April 27, 1945, *Gaz. Pal.* 1945.1.192.

64 The "*droit de destination*" applies in other *civiliste* jurisdictions. Thus in *Hovener/Poortvliet*, HR January 19, 1979, NJ 412, brought to our attention by counsel for the respondent, the Netherlands Supreme Court found a violation of the *droit d'auteur* where a purchaser of an authorized art calendar cut out the pictures, stuck them to coasters, and resold them. This was regarded by the court as an altogether new and different "publication". In *Frost v. Olive Series Publishing Co.* (1908), 24 T.L.R. 649 (Ch. Div.), by contrast, the English court did not regard as an infringement the cutting out of pictures from books, pasting them on cards, and reselling. "[The recirculation of] objects already in existence is not reproduction in a material form": Laddie et al., *supra*, at p. 614.

65 It seems to me that the respondent is pursuing a form of "*droit de destination*" in this case. But, under our *Copyright Act*, the "right of destination" as such does not exist. Generally, the copyright holder does not by virtue of his or her *economic* rights retain any control over the subsequent uses made of authorized copies of his work by third party purchasers. Where in specified situations the Act gives the copyright holder some power to control or benefit from subsequent uses of authorized copies of his work, the relevant provisions are narrowly framed to apply only to very specific forms of reproduction, as in the case of sound recordings (s. 15(1)) or computer programs (s. 3(1)(h)). If a general right to control subsequent usage existed, it would not have been necessary to make specific provision in these cases.⁷⁵

Justice Binnie expressly rejects the right of destination and the *civiliste* interpretation of copyright law. He frames it as asserting a moral right in the guise of an economic right. He says,

⁷⁵ Binnie J, *Théberge* paras. 63-65.

VI. Conclusion with Respect to the Substantive Issue

74 My conclusion is that in this case the respondent is asserting a moral right in the guise of an economic right, and the attempt should be rejected.

75 If the respondent's argument were correct in principle, of course, the absence of authority would not prevent his success. It is in the nature of the subject that intellectual property concepts have to evolve to deal with new and unexpected developments in human creativity. The problem here is that the respondent's submission ignores the balance of rights and interests that lie at the basis of copyright law.⁷⁶

Although Justice Binnie found against the rights holder in this case, Gonthier, LeBel and L'Heureux-Dube JJ. formed a substantial dissent to the Court's majority ruling.

1.8 Strengthened "Creator Rights" in Traditional IPR Protection

To assess whether user rights need strengthening in a world where creators and other IPR holders have recently enjoyed growing governmental and inter-governmental support for their exclusory rights we need to consider several important issues and concerns, which include:

1.8.1 The Function and Purpose of Intellectual Property Rights

I have defined the functioning of IPRs as the granting of an exclusory right or limited monopoly to encourage innovation or progress in the Arts and Sciences by providing incentives for innovators. Common IPRs are those statutory rights associated with copyright, patents, trade-marks and trade secrets. Recently the development of new "*sui generis*" rights for computer software has been advocated. Are such new grants of rights required, or is there sufficient incentive in the existing IPRs? Why should the IPRs be exclusory (i.e., proprietary) and, also, why should they be limited in duration?

1.8.2 The Intersection of IPRs with the Free Flow of Information

IPRs are statutorily granted monopolies that are often seen as diminishing the free flow of information to the public. The statutory monopoly that is copyright, patent or trademark stakes out a portion of the lexicon of expression in our culture for the exclusive use of the rights owner for a specified period of time. As such it lessens the means of expression available to the public for a period of time. It is a temporary infringement on the freedom of expression or freedom of speech that is constitutionally guaranteed. What's more, it enables individuals to claim as their own part of the common property of culture, the vocabulary, grammar, idiom, imagery and shared experience of the culture, for a period of time to enable the rights holder to exploit it economically. For a period of time the owner of the rights can deprive the commons of the use of some part of its expressive capability in return for the sharing of that expression in the form of publication or use. This is a powerful control over knowledge and the social progress that is the result of its shared use. That is why the "Idea" versus "Expression" dichotomy is important and why IPRs should be limited in duration. Creators or authors who take as their creative material some portion of the shared common property that is the sum of language or expressive capability of their society owe the return use of their expressions to their society after they have received appropriate reward for their creative efforts. This is the social pact, this is the moral bargain artists, authors, inventors, and creators enter into with their societies. IPR protection law must reflect this bargain.

⁷⁶ Binnie J, *Théberge* paras. 74-75.

1.8.3 Ramifications of Strengthened IPRs for Creators at the Expense of User Rights

In Canada following the changes in the *Canadian Copyright Act* in 1989, 1993 and 1997 and also following changes in the U.S. after 1976⁷⁷ and 1989⁷⁸ copyright “reform” was made at the expense of so-called “user rights”. With the demise of a new set of “reforms” for the *Canadian Copyright Act* with the defeat of the Martin government in the fall of 2005,⁷⁹ the question of balance is more critical than ever. Although the Harper government has announced it will reform the *Canadian Copyright Act*, it has yet to say how. Of particular interest for its future impact on Canadian jurisprudence may be the *Digital Millennium Copyright Act* [hereinafter cited as the *DMCA*] signed by President Clinton on October 28, 1998 to make changes in U.S. copyright law to address the digitally networked environment. This law is intended to implement *WIPO*⁸⁰ Internet treaties, which signals the importance of an analysis of the effects of the *WTO*⁸¹, *WIPO*, *TRIPS*⁸², *NAFTA*⁸³ and other international trade agreements with IPR components.

⁷⁷ *Berne Convention* (1971), *Paris Convention* (1967) *U.S. Copyright Act* 1976 (Pre Ratification of the *Berne Convention*, January 1, 1978-March 1, 1989) 17 U.S.C.

⁷⁸ 17 U.S.C. §1201(a)(3) (1998).

⁷⁹ Bill c-30.

⁸⁰ World Intellectual Property Organization, [hereinafter referred to as *WIPO*] *WIPO* is the organization administering for some 171 member countries most of the international intellectual property conventions and agreements such as the *Berne Convention*, the *Madrid Protocol*, the *Patent Cooperation Treaty*.

⁸¹ *World Trade Organization Marrakesh Agreement Establishing the World Trade Organization* (1994), 33 Int. Leg. Mat. 1144. [hereinafter referred to as *WTO*]. Canada is a Member of the *WTO* by the *World Trade Organization Agreement Implementation Act*, R.S.C. 1985, c. 10.

⁸² *Agreement on Trade-Related Aspects of Intellectual Property Rights*. [hereinafter referred to as *TRIPS*], *Agreement on Trade-Related Aspects of Intellectual Property Rights*, part of *Marrakesh Agreement* establishing the *World Trade Organization*, signed in April 1994, in effect in Canada on 1 January 1996.

⁸³ *North American Free Trade Agreement Between the Government of Canada, the Government of the United Mexican States and the Government of the United States of America*, Minister of Supply and Services Canada 1993, Ottawa, Dec. 17, 1992 Text., [hereinafter referred to as *NAFTA*]. This agreement was implemented by Canada's *North American Free Trade Implementation Act*, S.C. 1993, c. 44.

In Chapter 4 we will examine these international agreements and assess what Canada may be required to do to comply with them. It is hoped that a Canadian sensibility for balance between the interests of all stakeholders will enable Canada to construct an IPR protection regime that will satisfy international treaty obligations but also preserve the careful balance of rights between creators and users. This Chapter will prepare us to make conclusions or recommendations in Chapter 5.

1.9 User Rights and a Protected Public Domain

It is important to ensure the free flow of ideas and knowledge as an incentive for continued growth of the intellectual capital of the human race. Examining the epistemological history of a number of important concepts in world history, art, technology and science, it becomes clear that the greatest threat to “progress” or the growth of the sum of human knowledge is restriction of the free flow of ideas. Ethical and moral issues such as the withholding of crucial medical advances from that part of the world unable to afford the tariff of the IPR holder come to mind here. Controversies surrounding the use of the *WTO* to enforce *TRIPS* and the inherent neo-colonial potential of this multi-lateral agreement to enforce the status quo among the have and have-not nations must be considered. Similarly the problem of how to ensure that the innovator or creator is given just recompense for their investment of time and resources into solving epistemological problems for society must also be considered.

In *CCH* the Chief Justice summarized the purpose of the *Canadian Copyright Act* as follows:

23 As mentioned, in *Théberge, supra*, this Court stated that the purpose of copyright law was to balance the public interest in promoting the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator. When courts adopt a standard of originality requiring only that something be more

than a mere copy or that someone simply show industriousness to ground copyright in a work, they tip the scale in favour of the author's or creator's rights, at the loss of society's interest in maintaining a robust public domain that could help foster future creative innovation. See J. Litman, "The Public Domain" (1990), 39 Emory L.J. 965, at p. 969, and C. J. Craig, "Locke, Labour and Limiting the Author's Right: A Warning against a Lockean Approach to Copyright Law" (2002), 28 Queen's L.J. 1. By way of contrast, when an author must exercise skill and judgment to ground originality in a work, there is a safeguard against the author being overcompensated for his or her work. This helps ensure that there is room for the public domain to flourish as others are able to produce new works by building on the ideas and information contained in the works of others.

(v) *Workable, Yet Fair Standard*

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

(vi) *Conclusion*

25 For these reasons, I conclude that an "original" work under the *Copyright Act* is one that originates from an author and is not copied from another work. That alone, however, is not sufficient to find that something is original. In addition, an original work must be the product of an author's exercise of skill and judgment. The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise. While creative works will by definition be "original" and covered by copyright, creativity is not required to make a work "original".⁸⁴

⁸⁴ McLachlin C.J. *CCH* at paras 23-25.

Beginning in the late 1980s and accelerating in the late 1990s, there have been a number of changes in Intellectual Property Rights (IPRs) legislation aimed at strengthening IPR protection. Most of these changes have been aimed at promoting “creator rights”. In Canada we have seen recent “reforms” of Canada’s *Copyright Act*⁸⁵ (Phase I and Phase II) extending copyright protection to include neighboring rights. In the U.S. *Copyright Act*⁸⁶ reforms have extended the period of the statutory monopoly of copyright protection to 70 years past the death of the author (*Bono Amendment*). In addition the U.S. finally ratified the *Berne Convention* in 1989 extending greater credibility to that copyright regime. The U.S. has also widened its definitions of U.S. trademark law beyond statutes designed to prevent consumer confusion to include tarnishment and dilution. The U.S. has also broadened the definition of what is patentable to include computer programs and higher life forms.

But what is the cost of this new protection for the statutory monopolies granted for the protection of IPRs? If the so-called “creator rights” continued to be strengthened, it will not be independent of the diminishing of the strength of the so-called “user rights”, as represented by public domain. Especially as cyberspace becomes the repository of a greater and greater proportion of human knowledge and ideas, holders of intellectual property rights (IPRs) controlling access to cyberspace through those strengthened legal protections, will become potential gatekeepers of that repository of human knowledge and those ideas. This may represent a return of copyright and other IPRs to a role emphasizing their potential as tools of censors of the free exchange of ideas and human knowledge. Given the potential social importance of this role, it is my thesis that

⁸⁵ Canadian *Copyright Act*, R.S.C. 1985, c. C-42.

⁸⁶ U.S. *Copyright Act*, 17 U.S.C.[hereinafter cited as U.S. *Copyright Act*].

legislation and regulation of IPRs need re-visitation. In order to reconcile adequately the interests of all parties concerned with intangible property, measured consideration for the consequences of any existing or proposed legislation within the new global jurisdiction of cyberspace is required.

Recent CRTC decisions *not* to regulate the Internet at this time and U.S. use of the *TRIPS* accord to circumvent Cultural Industries exemptions in *NAFTA* in the "Split-Run Magazine" issue indicate a need for a Canadian rethinking of how best to meet our protection of IPRs.

1.10 Problem: Identify the Appropriate IPR Protection Regime for the Internet Responding to Needs of All the Stakeholders in Cyberspace

The first problem in identifying the appropriate IPR protection regime for the Internet is to determine who are all the stakeholders in Cyberspace with an interest in IPRs and to ask the question of how do we ensure their needs are met? Under common law regimes much of the law is formed as a result of the contestation between disputing parties over the issues of importance to them. It uses an adversarial system to ensure that the best arguments in favour of any party are brought before the tribunal for adjudication. Unfortunately, in the realm of intellectual property, the parties in conflict may or may not include the public at large, the parties charged with administering the IPR regime in a given jurisdiction or other individuals without official standing in the dispute. This can lead, and I would argue has led, to laws and policies being formulated without sufficient regard to stakeholders not present in the court proceedings. As a consequence the interests of some stakeholders have been promoted at the expense of others.

1.10.1 Stakeholders

It is my thesis that to reconcile adequately the interests of all parties concerned with intangible property, measured consideration for the consequences of any existing or proposed legislation within the new global jurisdiction of cyberspace will be required. Furthermore I argue that it is a lack of this measured consideration for the consequences of new legislation that has led to the hurried adoption of measures such as the *European Database Directive* before its checks and balances have been formulated. This *Directive* of 1996⁸⁷ may have so tipped the balance towards IPR holders that access of the general public to knowledge and information previously within the public domain is severely diminished. The *European Database Directive* adopted in the EC in 1996 and which came into force in 1998 provides a two-tiered approach to database protection for creators. The first is copyright protection in the compilation itself with a duration of the life of the creator and 70 years. The second is a new *sui generis*⁸⁸ database protection *per se* for fifteen years after its creation.⁸⁹ This latter provision also allows for this protection to be renewed for a further fifteen-year period whenever a substantial modification of the database takes place.⁹⁰ This renewal provision has led to an "Evergreen Provision" that some scholars see as endangering the principle of limited duration for IPRs.

⁸⁷ Directive 96/9/EC of the European Parliament and the Council of 11 March 1996 on the legal protection of Databases, Official Journal, 27/03/1996, L. 077 [hereinafter referred to as the *European Database Directive*] was implemented October 1, 1998 in accordance with Art. 16.

⁸⁸ *European Database Directive*, Chapter III, Article 7. See Jonathan Band and Jonathan S. Gowdy, "Sui Generis Database Protection: Has its Time Come?" unpublished article for the law firm of Morrison & Foerster in Washington D.C. available at jband@mofo.com or jgowdy@mofo.com.

⁸⁹ *European Database Directive*, Article 10(1).

⁹⁰ *European Database Directive*, Article 10(3).

1.10.2 Authors, Inventors, and Creators

Obviously the first stakeholders in the contest between rights holders are the first owners of the intellectual property, normally the author, inventor or creator of the marks. A fair recompense for their efforts is required to justify any societal claim to the fruits of their labour. Traditionally this recompense has come by way of the enjoyment (for a limited period of time) of the profits that come from the statutory monopoly granted to them. However, the rights of this first group are not absolute. As we shall see there are provisions for the precedence of the public good.

Other stakeholders include the assignees -- those to whom the rights have been assigned. Clearly only the legal rights of copyright can be assigned (moral rights cannot, although they can be waived in Canada), but for those to whom these rights have been assigned by the first owner of copyright, the issues of what protection they have against infringers are crucial.

1.10.3 Public Domain

I argue that the most under-represented stakeholder is the public domain. The public domain can be seen as the collective common property of society from which authors, artists and inventors draw the raw material to fashion their expressions, art objects, and inventions. It is the cultural milieu from which a shared grammar and lexicon of expression is gleaned. Without a public domain there could be no communication. It is the debt to this public domain that demands the limited duration of statutory monopolies that reward the creators. It is this debt that justifies the full disclosure requirement in patent law. It is this debt that allows the government to restrain others from intruding upon the claims of the granted patent, copyright or trade-mark.

Only when the benefits of the new creation are returned to the public domain is the debt cancelled. The question that arises, especially in the case of retroactively increased posthumous copyright duration, is: who represents the public domain in the adversarial system of the courts?

1.10.4 Bureaucrats and Judiciary

Obviously other stakeholders in the protection of IPRs include those bureaucrats administering the Copyright Board, the Patent Office, the Trade-Marks Register and the members of administrative tribunals and the judges of the Federal Court charged with reviewing their decisions. Efficiency and ease of administration, minimization of costs associated with administration and adjudication and clarity of regulations or statutes are major concerns for these stakeholders. Overloading the court with litigation or creating extra expense with court challenges to jurisdiction of tribunals, and questions about the role of the Commissioner of Patents or Registrar of Trade-Marks examiner, all lead to increased workload and expense in the administration of the IPR protection regime. Any new regime would have to take into account the experience and wishes of those stakeholders. In addition it is in the best interests of lawmakers and statute drafters to write clear comprehensive laws and regulations to ensure the efficient regulation of legal relationships within cyberspace.

In *Théberge*, Binnie J discusses an appropriate balance between the economic interests of the copyright holder and the proprietary interest of the purchasing public, stating,

A. The Present Balance Between the Economic Interest of the Copyright Holder and the Proprietary Interest of the Purchasing Public Would be Significantly Altered to the Public's Detriment

30 The *Copyright Act* is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator (or, more accurately, to prevent someone other than the creator from appropriating whatever benefits may be generated). The elements of this balance are discussed in more detail by J. S. McKeown, *Fox Canadian Law of Copyright and Industrial Designs* (3rd ed. 2000), at p. 3. See also D. Vaver, *Intellectual Property Law: Copyright, Patents, Trade-marks* (1997), at p. 22. This is not new. As early as 1769 it was said by an English judge:

It is wise in any state, to encourage letters, and the painful researches of learned men. The easiest and most equal way of doing it, is, by securing to them the property of their own works. . . .

He who engages in a laborious work, (such, for instance, as Johnson's Dictionary,) which may employ his whole life, will do it with more spirit, if, besides his own glory, he thinks it may be a provision for his family.

(*Millar v. Taylor* (1769), 4 Burr. 2303, 98 E.R. 201, *per* Willes J., at p. 218)

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

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

33 This case demonstrates the basic economic conflict between the holder of the intellectual property in a work and the owner of the tangible property that embodies the copyrighted expressions.⁹¹

How then are we to address the question of appropriate solution to finding this balance? Should we be using existing laws? If so this raises the problem that we will be

⁹¹ Binnie J, *Théberge v. Galerie d'Art du Petit Champlain Inc.*, [2002] 2 S.C.R. 336, 2002 SCC 34 (CanLII) (2002), 210 D.L.R. (4th) 385; (2002), 17 C.P.R. (4th) 161; (2002), 23 B.L.R. (3d) 1 paras. 30-33.

relying on the use of laws designed for different purposes to achieve the solution in the protection of IPRs. For example, we could continue to use censorship-intended copyright laws designed for the control of access to information as a way of generating economic incentives for authors. Or we could continue to use consumer-protection aimed trademark law for protection against loss of goodwill. Or we could continue to use the patent registration process to stake out monopolies at consumer expense. Finally we could continue to allow the use of combinations of IP law to defeat the limitations of individual regimes: for example, the use of trademark law to extend *quasi*-patent protection or the use of copyright to extend quasi patent protection or to strengthen trademark protection. We also could allow patent law to defeat fair use.

The alternative would seem to be to devise some sort of *sui generis* regime responding to the requirements of IPR protection and intangible property rights management. One major problem with the *sui generis* approach is the difficulty of arriving at consensus and international recognition of the new standards. The *Berne Convention* of 1896 would not be adopted and ratified by the U.S. until 1989, nearly a century later. The *TRIPS* agreement was the first multilateral international trade agreement with minimum standards ever adopted. It was brought into existence only in 1994 after much political "arm twisting" by the U.S. and the *WTO*. It is not clear that international willingness to adopt new standards would be easily attainable.

1.11 Are the Traditional IPRs Appropriate in the new Cyber Age?

Notions of the reproducibility of documents and images in cyberspace have led many to question whether control over copyright is even viable. Nimmer has referred to

the Internet as a “giant copying machine,”⁹² and the *Napster* case concerning the use of shared music files demonstrated the clash between the doctrine of first sale and copyright infringement. In trademarks, the notions of regional “use” and channels of trade are challenged by the universality of the Net. The issue of cybersquatting has led to an increased sympathy for the use of trademarks law to go beyond the old tort of passing off to include and confront dilution and tarnishment.

1.12 Who Owns Copyright in the Digitalized Version?

The question of who owns a “translation” of public domain information into the new digitalized version is particularly vexing for those who would support the public domain. When access to information is becoming more and more dependent upon access to the cyberworld, it becomes clear that material formerly within the public domain (works of art, literature, film, photographs, documents and artifacts) may now only be available if a tariff to the holder of the reproduction rights is paid. The situation is not unlike the end of the nineteenth century when there was considerable controversy over claims to ownership of copyright among publishers in a number of different countries.

The *Berne Convention* of 1886 represented the first international attempt to deal with the difficulty of inter-jurisdictional disputes between nation states over copyright. At that time the U.S. did not recognize the copyrights of English language authors in other countries unless they also published their work in the U.S. Similarly in many other countries the recognition of original copyright for authors in other countries was often not given. This then led to the production of unauthorized copies and print runs that were very profitable for the new publisher, but diminished revenues for the original owner of

⁹² David Nimmer, as cited by Mary Wong, unpublished lecture to University of Victoria, Victoria B.C. International and Comparative IP Law 343 summer course, July 5, 1999.

the copyright. These unauthorized copies came to be known as “pirate copies” and the U.S. was foremost among those nations pirating British and other works. As the original copyright would not be recognized under the domestic law, the right’s holder who tried to sue in the pirate copy country were without remedy, and if they sued in their own country they faced jurisdictional problems in enforcing any remedy. U.S. authors found themselves pirated in the British Empire in return. Copyright protection became an important issue at the end of the nineteenth century and legislation became an important barometer of responsible self-government. Recognizing a need to extend mutual recognition to the copyrights granted in many jurisdictions, the first international agreement, *Berne*, was negotiated. The U.S. did not agree to *Berne* until 1989 and it remained a “pirate” publishing nation for most of that time. Further amendments to the original *Berne Convention* would lead to a lengthened duration of copyright (after 1908) and the development of concepts such as “national treatment”. Responding to a growing need to protect the intellectual property of U.S. citizens abroad, the U.S. attempted to begin the *Universal Copyright Convention (U.C.C.)* in the 1950s as an alternative to *Berne*, but this convention proved less attractive to European sensibilities. Finally the U.S. acceded to the *Berne Convention* in the late 1980s and became an advocate for its adoption as an international standard in the *TRIPS* agreement in 1994. Although the U.S. adopted *Berne* and modified its copyright law to conform with the convention, it did not adopt *Berne* section 6bis moral rights provisions so that moral rights are still not recognized at the Federal level of copyright law in the U.S. The recent U.S. extension of the duration of copyright protection to 70 years following the year of death of the author was justified as “harmonizing” the U.S. term of protection with European terms.

However, it should be noted that this was not required by the *Berne Convention* at that time any more than the recognition of moral rights was required.

1.13 Possible Misuses of New Legal Regimes as a Tool of the *Real Politik*

With the adoption of the *TRIPS*⁹³ agreement in 1994 (it came into force for Canada in 1996 and in underdeveloped countries in 1998) and the use of the *WTO*.⁹⁴ Trade Panel Dispute Resolution mechanism to enforce compliance, the enforcement of IPRs has never seemed more likely. First World protection of the intangible property rights of creators and other IPR holders has never seemed to be so strongly endorsed by the international community. There seems to be considerable pressure to globalize and harmonize IPR protection regimes both in Canada and internationally.

Yet both Canada and the U.S. have experienced difficulties with the European Union over their *WIPO* obligations. Where this has been most apparent has been in the area of guarantees to privacy protection. After the passage of the *European Database Directive* it became clear that countries unwilling or unable to guarantee the same level of protection over personal information gathered by its companies, as called for from European companies, could be excluded from the European marketplace. This then provided European companies with a non-tariff barrier to trade that could be used without fear of contravening *WTO* trade rules concerning the use of tariffs.

This put the U.S. in an awkward position as constitutional First Amendment guarantees could preclude the government from legislating a restriction compelling the security of the information in the hands of private companies. After much negotiation a

⁹³ *T.R.I.P.S., Agreement on Trade-Related Aspects of Intellectual Property Rights*, part of *Marrakesh Agreement establishing the World Trade Organization*, signed in April 1994, in effect on 1 January 1995 [hereinafter *TRIPS*].

compromise was reached wherein companies wishing to escape exclusion from the European Marketplace could enter into contractual agreements to match E.U. standards. In Canada where our Constitution is more flexible in this matter, this situation led to *PIPEDA* and the requirement of protection of privacy legislation at the provincial level that was substantially similar to the *Federal Privacy Act*. However, the lesson is not to be ignored. In entering any new multilateral agreements both Canada and the U.S. must be vigilant to avoid providing other governments with unintended tools to influence the *real politik* of international trade.

Without international agreements and mutual recognition of IPR protection, the jurisdictional difficulties of enforcement against piracy and infringement may well be insurmountable. With them the nuances of national law with all of its careful balancing of stakeholders' interests may be lost to other traditions. To use existing agreements avoids the struggle for ratification anew, but risks harmonization with IPR protection regimes not in accordance with justifiable limits to creator rights. To create new remedies is to be able to tailor the new laws to fit the current reality, but to have those remedies and solutions recognized and enforced globally may be a tall order. When one surveys international literature about IPRs and "piracy" in particular (see China) one finds surprisingly little consensus. Despite the fact that there are many more users than creators dealing with intellectual property in the world today, there is considerably more attention paid to rights holder discussions of the issue than user rights. This may be a function of the fact that rights holders record their views in the litigation they launch against infringers and other users.

⁹⁴World Trade Organization Marrakesh Agreement Establishing the World Trade Organization (1994), 33 Int. Leg. Mat. 1144.

1.14 Rights Holder Hyperbole

I contend that terms such as "theft" of trade secrets and software "piracy" imply a relationship between the owner of an intellectual property right and the unauthorized user of that intellectual property right more suited to the world of tangible property than to the world of intangible property. It is this rhetoric that has resulted in the great strengthening of IPRs at the expense of the public domain. Disputes over intangible property have been considered by the Supreme Court of Canada for a number of years. In *R. v. Stewart* a 1988 Supreme Court case about the "theft" of confidential information, Lamer J (as he was then) had the following to say.

Re theft of intangible property

16 Section 283(1) of the *Criminal Code* reads as follows:

283. (1) Every one commits theft who fraudulently and without colour of right takes, or fraudulently and without colour of right converts to his use or to the use of another person, anything whether animate or inanimate, with intent,

(a) to deprive, temporarily or absolutely, the owner of it or a person who has a special property or interest in it, of the thing or of his property or interest in it,

(b) to pledge it or deposit it as security,

(c) to part with it under a condition with respect to its return that the person who parts with it may be unable to perform, or

(d) to deal with it in such a manner that it cannot be restored in the condition in which it was at the time it was taken or converted.

17 In order to be convicted of theft, one has to take or convert "anything whether animate or inanimate" with the requisite intent as described in paras. (a) to (d). To determine whether confidential information can be the object of theft, the meaning of "anything" must be ascertained. The word "anything" is very comprehensive and is not in itself restricted in any way. As such it could include both tangible things and intangibles. Appellant contends that the offence of theft contemplates only physical objects. Under Canadian law as it now stands, however, "anything" has been held to encompass certain choses in action, which are intangibles. In *R. v. Scallen, supra*, the accused was convicted on a charge of theft of credit in a financial institution. The British Columbia Court of Appeal held that bank credit was included in "anything" under s. 283(1) (at p. 473):

I see no reason to construe "anything" in s. 283(1) with stress on "thing", and I think the word should be construed in its broad sense and to mean exactly what it says, that theft can be committed of "anything" that was property. That would include a bank credit in a bank account--which any normal person having one would describe by saying that "he had money in the bank". I think it would be difficult to convince him otherwise, even if in strict domestic law all he had was the right to draw money from the bank in cash, by banknotes, by cheque or by transfers elsewhere.

18 The reasoning in *Scallen*, with which I am in agreement, was followed in *R. v. Hardy* (1980), 57 C.C.C. (2d) 73 (B.C.C.A.) Since certain choses in action can be the subject of theft, what must be decided for the purpose of this appeal is whether intangibles other than choses in action are to be included in the word "anything"....

40 Copyright is defined as the exclusive right to produce or reproduce a work in its material form (s. 3). A mere copier of documents, be they confidential or not, does not acquire the copyright nor deprive its owner of any part thereof. No matter how many copies are made of a work, the copyright owner still possesses the sole right to reproduce or authorize the reproduction of his work. Such copying constitutes an infringement of the copyright under s. 17 of the Act, but it cannot in any way be theft under the criminal law. While one can, in certain circumstances, steal a chose in action, the rights provided in the *Copyright Act* cannot be taken or converted as their owner would never suffer deprivation. Therefore, whether or not copyright is property, it cannot, in my opinion, be the object of theft under s. 283(1) of the *Code*.

41 To summarize in a schematic way: "anything" is not restricted to tangibles, but includes intangibles. To be the subject of theft it must, however:

- 1 be property of some sort;
- 2 be property capable of being
 - (a) taken--therefore intangibles are excluded; or
 - (b) converted--and may be an intangible;
 - (c) taken or converted in a way that deprives the owner of his proprietary interest in some way.

Confidential information should not be, for policy reasons, considered as property by the courts for the purposes of the law of theft. In any event, were it considered such, it is not capable of being taken as only tangibles can be taken. It cannot be converted, not because it is an intangible, but because, save very exceptional far-fetched circumstances, the owner would never be deprived of it.

42 For all these reasons, I am of the opinion that confidential information does not come within the meaning of the word "anything" of s. 283(1) of the *Criminal Code*.⁹⁵]

Given the nature of other intangible IPRs we might argue that they do not come within the meaning of the word "anything" of s. 283(1) either.

1.15 Network Externalities

In order to demonstrate this it will be necessary to discuss such economic concepts as network externalities (where the value of property is increased by its wider use) and the notion of non-exclusive possession and non-rivalrous use inherent in intellectual property. Non-rivalrous use endangers the notion of deprivation that is essential to the formation of the requisite intent to deprive the owner of the work. Even the notion of the deprivation of sales or rents for the use of the property is difficult to prove when no sales or rents may have been undertaken by the infringer if the costs were considered "too high". To estimate damages as the full retail cost of a legitimately purchased copy of the work does not take into account elasticity of demand and surely overestimates the actual loss of revenue derived from such property. The difficulty of calculating network externality additions to the value of the property caused by widespread (if unauthorized) use also complicates this calculation of damages. In fact, if the use becomes so widespread as to become the industry standard, the unauthorized use can lead to a substantial increase in the value of the untouched inventory of the rights holder. As users invest time and effort to use intellectual property, especially software, they may actually convert their use from pirate copies to legitimate so as to have access to updates and improvements. Recent surveys have indicated that music downloading

⁹⁵ Lamer J (as he was then) in *R. v. Stewart*, [1988] 1 S.C.R. 963, 1988 CanLII 86 (S.C.C.) : (1988), 65 O.R. (2d) 637; (1988), 50 D.L.R. (4th) 1; (1988), 41 C.C.C. (3d) 481; (1988), 21 C.P.R. (3d) 289; [1988] 39 B.L.R. 198; (1988), 28 O.A.C. 219 paras 16-18 and 40-43.

“pirates” own larger libraries of legitimately purchased music than the general public. Hence the pirates (music fans) are the best customers of the recording companies.

This thesis is much influenced by the philosophical justifications for “property” rights especially as expressed in the work of John Locke. It is hoped that the evaluation of the utilitarian or economic incentive framework used so prevalently in the U.S. to justify the exclusive right to IPRs will provide the reader with insight into the particular difficulties associated with intangible property.

The problems involved in providing economic incentive to creators enabling them to further progress in the useful arts and sciences while ensuring the greatest public good must be kept in view. The literature review and appellate case law review also demonstrate the recent attempts to stretch old laws to include intellectual property rights in cyberspace and the resulting uncertainty in the law when confronted by new technology or situations never envisioned in traditional property law. More recent attempts to write new laws in this new area will be examined to demonstrate that the principles underlying traditional intellectual property law must be considered to accomplish the balancing of the competing rights of all the stakeholders.

It is important to consider who these stakeholders are and why not all of them to have been adequately considered when legislators “reformed” existing or created new *sui generis* laws in response to the digitalized world. What effect these initiatives have had on the public domain, the user rights of the general public, and how newly strengthened creator rights whether held by the creator or by someone else have diminished the public domain at cost to the free flow of information and the progress of the useful arts and sciences will be examined.

1.16 Upheld Limits of IPRs *Feist* (U.S.) and *Tele-Direct* (Canada)

Perhaps one of the few “setbacks” for creator rights has been the U.S. *Feist*⁹⁶ and the Canadian *TeleDirect*⁹⁷ decisions. Here the “Sweat of the Brow” doctrine of copyright protection was qualified by a “modicum of creativity” requirement. In Europe this diminished corpus of works that can be protected has been answered by the creation of the *European Database Directive*.⁹⁸ Here the limited duration of the statutory monopoly present in copyright law seems to have been thwarted by the infamous “Evergreen Provision” of the *Directive*.

If the so-called “creator rights”, which also include the “assignee rights” of these alienable economic exploitation rights, on the Internet continued to be strengthened, it will not be independent of the diminishing of the strength of the so-called “user rights”, as represented by Public Domain. As cyberspace becomes the repository of a greater and greater proportion of human knowledge and ideas, holders of intellectual property rights (IPRs) controlling access to cyberspace through those strengthened legal protections, will become potential gatekeepers of that repository of human knowledge and those ideas. This may represent a return of copyright and other IPRs to a role emphasizing their potential as tools of censors of the free exchange of ideas and human knowledge. Given the potential social importance of this role, it will be my thesis that legislation and regulation of the Internet will need to consider a re-balancing of creator and user rights.

⁹⁶ *Feist Publications v. Rural Telephone Service*, Supreme Court of the United States, 499 U.S. 340 (1991)[hereinafter *Feist*] See O'Connor J in at pp. 345 and 358 re “O'Connor J.'s concerns about the “sweat of the brow” doctrine's improper extension of copyright over facts also resonate in Canada.” cited by McLachlin CJ in *CCH* para 22.

⁹⁷ *Tele-Direct (Publications) Inc. v. American Business Information Inc.* (1996), 113 F.T.R. 123 (T.D.)[hereinafter *Tele-Direct*].

⁹⁸ *European Database Directive* Directive 96/9/EC of the European Parliament and the Council of 11 March 1996 on the legal protection of Databases, Official Journal, 27/03/1996, L. 077 [hereinafter referred to as the *European Database Directive*] was implemented October 1, 1998 in accordance with Art. 16.

Chapter 2

History and Philosophical Justifications of Traditional IPRs

2.1 Patents, Copyrights and Trademarks and Their Original Use

2.1.1 A Brief History of Copyright Law

Copyright began as a tool of censorship in Britain, mostly in response to the desire of the Tudors to control the expansion of publishing resulting from the new technology of the Gutenberg press introduced into Britain by Caxton in 1492. This first attempt at control took the form of restricting publishing licenses to only those publishers that would ensure positive press for the Crown. In these earliest forms of copyright legislation (i.e., the *Licensing Act* of 1662¹), for an author to be allowed to publish, he or she had to meet rigid registration formalities by depositing a copy of the work with the *Stationer's Company*. Subsequent to the repeal of the *Licensing Act* in 1681, the Stationer's Company registration requirement and its control over publishing were maintained.

When publishers proved troublesome, their monopoly was broken by the Crown and copyright, more as we know it, was extended to individual authors in the new *Statute of Anne* (1710)² in Britain. This first copyright act would serve as a model for the U.S.

¹ *The Licensing Act* (13 & 14 CAR. II c.33) 1662. See also Jonathan Little, *History of Copyright - A Chronology-(as applicable in Britain, unless otherwise stated)* in *Music Business Journal* 2001-2002 originally available at jlittle@musicjournal.org, in *Music Business Journal* 2001-2002 for the dates of Caxton, *The Licensing Act 1662*, the legislation. This site seems to be largely inaccessible now. For a June 6, 2006 access, see: http://cache.zoominfo.com/CachedPage/?archive_id=0&page_id=741593221&page_url=www%2Emusicjournal%2Eorg%2F01copyright%2Ehtml&page_last_updated=7%2F4%2F2004+2%3A20%3A55+PM&first Name=Jonathan&lastName=Little.

² *Statute of Anne an Act for the Encouragement of Learning by vesting the Copies of printed Books in the Authors or Purchasers of such Copies during the Times therein mentioned*, 1710, cited as, *Copyright Act, 1710* (U.K.), 8 Anne c. 19. [hereinafter *Statute of Anne* (1710)].

Copyright Act of 1790.³ Initially in both acts copyright had a duration period (similar to that of patents) of 14 years that could be renewed by the author for another 14 years.

Theatre historian O'Neill tells us that the first official *Canadian Copyright Act of 1875*

only granted copyright for twenty-eight years to any person living in Canada or in any other part of the British dominions; the act recognised the copyright for a similar period of a citizen of any country having an international copyright treaty with the United Kingdom provided the work was printed and published, or reprinted and republished, in Canada.⁴

In none of these copyright statutes was there a posthumous period of protection.

However, since many authors died before the full 28 year term after first publication, Britain allowed for a brief period of posthumous protection in the 1842 *Talfourd Act*.⁵ This provided for a duration of **either** the longer of 42 years from original publication **or** the life of the author plus seven years. Prior to 1842 there was no posthumous copyright available to authors.

In 1886, the *Berne Convention for the Protection of Literary and Artistic Works*⁶ provided international copyright protection to European citizens and member state nationals for the first time for works including novels, short stories, poems and plays; songs, operas, musicals, sonatas and symphonies; drawings, paintings, sculptures and

³ *Act of May 31, 1790*, ch. 15, § 1, 1 Stat. 124 (*1790 Copyright Act*). [hereinafter *U.S. Copyright Act of 1790*].

⁴ Patrick B. O'Neill, "A History of Dramatic Copyright and Performance Right in Canada to 1924", *Theatre Research In Canada*, Vol. 22 No. 2 Fall/Automne 2001 n. 15. He goes on to note that, "British and foreign authors whose works had never been printed or published in Canada received no copyright or performance right protection under Canadian law. They did, however, receive protection in Canada under British law if they had registered their work in England or in a country with a reciprocal treaty with England. This greatly upset Canadian publishers and authors because the works they registered in Ottawa under the Canadian Act received protection only in Canada, and not in England or in any other British possession or foreign country. Only if a Canadian copyrighted play was also registered in England would that work be protected in England, the British Empire, and in all countries with formal treaties with England."

⁵ *The Literary Copyright Act 1842* Talfourd's Act, 1842, cited as, *An Act to mend the Law of Copyright* (U.K.) 5 & 6 Vict., c-45. [hereinafter *Talfourd Act*].

⁶ *Berne Convention for the Protection of Literary and Artistic Works* [hereinafter *Berne 1886*].

architectural works. Recognizing the growing economic importance of the publishing industry, Britain passed the *International Copyright Act 1886*⁷ and ratified the *Berne Convention* in December 1887.

Significantly the U.S. would not become a signatory to the *Berne Convention* until 1988 leading to considerable literary and musical piracy of the works of European and other authors and composers in the U.S. and *vice versa*. The difficulties of Canadian publishers with this practice in the U.S. led to considerable resistance on the part of Canada to accept U.K. copyright legislation that resulted from negotiations between Great Britain and the U.S. without concern for the Canadian experience of American piracy. That was why Canada drafted its own *Copyright Act* in 1875⁸ and it is this economic issue connected to the concept of self-rule that led Canada to draft its own *Copyright Act* in 1921 (in force in 1924)⁹ rather than simply to adopt the *Imperial Copyright Act of 1911*.¹⁰

The *Berne Convention* would be revised in 1908, 1928 and 1948. In 1908 the posthumous duration of copyright protection was extended within the *Convention* to a suggested minimum international standard of the life of the author plus 50 years, and registration requirements were no longer needed to obtain protection. In 1928, authors' and artists' moral rights were codified. It would not be until the *1948 Brussels Convention* that life of the author plus 50 years became a minimum standard under the *Berne Convention*¹¹ for all who ratified *Berne*.

⁷ *International Copyright Act* U.K. 1886, [hereinafter *International Copyright Act 1886*].

⁸ *Canada Copyright Act, 1875* (U.K.), 38 & 39 Vict., c. 53 [hereinafter *Canadian Copyright Act 1875*].

⁹ *Copyright Act* [hereinafter *Canadian Copyright Act 1921*].

¹⁰ *Imperial Copyright Act, 1911* (U.K.), 1 & 2 Geo. 5, c. 46.
[hereinafter *Imperial Copyright Act*].

¹¹ Little, *ibid.* see note 1 *supra*.

The *U.S. Copyright Act 1909* would extend the duration of copyright to two periods of 28 years after publication or 56 years in all. The U.S. would experiment with the *Universal Copyright Convention (U.C.C.)*¹² before finally adopting *Berne* in 1988. In 1995-1996 the minimum duration of protection in Europe and the U.S. was extended to life of the author plus 70 years. So far, the usual international *Berne Convention* standard remains a single term life of the author plus 50 years in Canada and many other countries. There is agitation to harmonize the duration, but to date the calls for the extended period and/or perpetual copyright have been rejected or at least not ratified in many countries.

2.1.2 Copyright as a Tool of Censorship

As previously mentioned, the earliest form of copyright was originally granted in the form of printing licences to the publishing companies in Tudor England that agreed to print only such things as were favourable to the Crown. It was the Tudor king Henry VIII's attempt to control the widespread use of the new moveable type Gutenberg press. William Caxton had been granted a patent to bring the invention to Britain but Protestant Henry was aware of the impact of that press in spreading the teachings of Martin Luther during the Reformation and sought to control content by licensing. In the subsequent Catholic reign of Tudor Queen Mary there was a short-lived counter-reformation, but this was followed by the return to protestant reformation during the reign of Tudor Queen Elizabeth I. The contestation between Catholicism and Protestantism would continue through the seventeenth century including the English civil war between the Cavaliers of the Stuart Kings and the Roundheads of Oliver Cromwell that resulted in regicide in 1649. Following that and the Restoration control of the use of the printing press and of content, especially against sedition, remained an important preoccupation of the British

¹² *Universal Copyright Convention* (1952), Can. T.S. 1962 No. 13.

Crown. Puritans who emigrated to the American colonies took with them an appreciation for the control of publications as a prerogative of political power.

By 1710¹³ publishing companies seemed to have become too powerful in the eyes of the Crown and the first statutory copyright laws were established to a) break the monopoly of the printers, and b) divide the power of the printed word among a diverse variety of individuals rather than a few organizations. American Revolutionaries would first resent Crown control of publications and then quickly recognize the importance of the use of copyright to shift that control to the new regime. Similarly the French Revolution would demonstrate the more secular and political importance of the copyright system for encouraging content control. The original requirements of formalities such as fixation and the depositing of a copy of the original work within a Copyright Registry in order to receive copyright protection are evidence of this use of the protection regime.

However, in post-Revolutionary America and in post-Revolutionary France, the preferable justification of copyright in societies that had resented the control over the freedom of the press exerted by the former ruling class became the use of copyright as an incentive to creation and as a means of providing compensation to the authors and artists creating the new Revolutionary tracts and treatises. This post-Revolutionary legal justification for copyright would be exported under Napoleon Bonaparte's imperial regime to most of the Continental powers in the nineteenth century that would become the colonial powers that would take the idea around the world in the twentieth.

In Britain, the justification of the statutory monopoly as an incentive for creation also had great appeal, but the development of a utilitarian bargain as the primary

¹³ *Statute of Anne*, *supra* n.2.

justification gained currency in the Empire as it was not nearly so “revolutionary” or “republican” as the Napoleonic code approach. The utilitarian bargain justification led copyright law to adopt the limited terms, the idea/expression dichotomy of what was copyrightable, and creation of the public domain, as characteristics of British imperial copyright law. These characteristics encouraged the parallel development of regimes for the protection of intellectual property such as patents and copyright. Originally British copyright had a limited term of fourteen years renewable (presumably for right thinking) for another fourteen years¹⁴. Not coincidentally this was the same duration as that of the patent monopoly granted to inventors¹⁵. Originally copyright and patents would be granted to authors, artists and inventors who were residents and citizens of the country in which the protection was offered. As piracy grew and the control became lost outside the borders of a jurisdiction, there would be interest in seeking reciprocal recognition of statutory monopolies in other countries and locales and national treatment of the copyrights and patents of one country’s nationals while they were abroad. It would not be until the late nineteenth century that copyrights and patents are recognized internationally.

2.1.3 Extension of Copyright as a Tool of Censorship

Artists and authors are most often thought to be opposed to censorship and the restriction of free expression. How then can copyright be used as a tool of such censorship? As copyright is an alienable IPR (so as to allow for the economic

¹⁴ *Statute of Anne, (1710)*, says in its final paragraph, “Provided always, that after the Expiration of the said Term of Fourteen Years, the sole Right of Printing or Disposing of Copies shall return to the Authors thereof, if they are then Living, for another Term of Fourteen Years.” Available at page 6/6 at: <http://www.copyrighthistory.com/anne6.html>.

¹⁵ *Statute of Monopolies, An Act Concerning Monopolies and Dispensation with Penal Law, and the forfeiture thereof* (1623), 21 Jac. 1, c.3, [hereinafter referred to as the *Statute of Monopolies*], s.6(e).

exploitation of the property) and as subsequent copyright holders become more concerned with the value of the statutory monopoly as property than they were with its effectiveness as an incentive to innovate, copyright has often been used to block publication of expressions of discontent. By withholding permission to refer to copyrighted works copyright holders can and have made such expressions potentially liable to legal action. This use of copyright, which pursues copyright's original legislative intent (namely content control) is not a legitimate part of the incentive justification for statutory monopolies. It must therefore be seen as antithetical to free artistic expression. If progress in the Useful Arts and Sciences is furthered by the production of free artistic expression, increasing the ability of others to use copyright as a tool of censorship reduces the social utility of the copyright regime and weakens its justification.

In seeking to find a way to ensure compensation for authors and artists by the granting of the exclusive right to economically exploit the fruits of their labour, copyright legislators may have sown the seeds of the regime's own failure. If the measure of the incentive is the creation of new and multiple expressions, the means granted to profit by the production of such expressions must, by necessity, limit the use of those expressions (arguably for a limited period of time) by anyone but the author, artist or their assignees. If the exclusive legal rights to exploit are not alienable, the value and power of the granting of the rights is diminished economically. It is the limited value of the economic returns from royalties and license fees that have prodded assignees to insist on the lengthening of the period of duration of copyright and to call for perpetual copyright.

2.1.4 Parody and Unfavourable Fair Comment

The censorial aspect of copyright has been traditionally tempered by the use of defences for unauthorized use of copyright material. It can be argued that constitutional guarantees of freedom of speech have led to more tolerance of parody and fair comment in the U.S. as defences against claims for copyright infringement than in some other common law jurisdictions like Canada. However the U.S. categorization of types of speech with varying levels of constitutional protection are less inclusive than the Canadian definition of expressions protected under the *Canadian Charter of Rights and Freedoms*.¹⁶ The lessened constitutional protection for certain types of expression is countered in the U.S. by a greater number of defences than in Canada and conversely the more inclusive definition of what types of expression are constitutionally protected in Canada has led to a narrower definition of the defences for unauthorized use than in the U.S. Similarly in the U.S. contributing to copyright infringement seems easier to establish while in Canada authorizing infringement is more difficult to establish in court (see *CCH*). Despite the wider definition of defences in the U.S., actions in tort for false light depictions and defamation have been common attempts to limit the absolute rights to freedom of expression. In the U.S. wider definitions of what constitutes a derivative work have been used by copyright holders to seek injunctions against those who might claim that tolerance whether in the U.S. or elsewhere.

Still it may be profitable to examine the concept of the defence of parody. Parody in the U.S. has been attacked under copyright law in the case where Walt Disney

¹⁶ s. 2(b) *Charter of Rights and Freedoms*, Enacted as Schedule B to the *Canada Act 1982* (U.K.) 1982, c.11, which came into force on April 17, 1982 [hereinafter *Charter*].

Productions was able to ban bawdy parodies of Mickey Mouse.¹⁷ Parody has also been attacked on a notion of trade-mark dilution by tarnishment and the right to free expression in the Drake parody of the L.L. Bean catalogue case.¹⁸ The *Campbell/Michelin*¹⁹ cases illustrate the difficulty the law in Canada can have with distinguishing between free-riding or passing off and satire or homage. In the U.S. parody was recognized by the court as a “fair use” defence, but in Canada, this defence was expressly rejected in *Michelin*. The law in Canada seems to have “no sense of humor” and the court stated that “If Parliament had wanted to exempt parody as a new exception under the fair dealing provision, it would have done so...”.²⁰ Provisions concerning the integrity of the work and the prohibition of adaptation without copyright holder consent fly in the face of the satirical “take off” of an original work. Given the tradition of training artists by having them copy the works of earlier masters, do the dictates of copyright law in visual imagery confound the traditional notions concerning inspiration? Under today’s copyright, moral right and anti-tarnishment trade-mark legal regimes, Post-modernist appropriation or even Dadaist works such as Duchamp’s *L.H.O.O.Q.*²¹ might well have been precluded by threat of legal action.

¹⁷ *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978) *cert. denied* 439 U.S. 1132 (1979).

¹⁸ *L.L. Bean, Inc. v. Drake Publishers, Inc.* United States Court of Appeals, First Circuit 811 F.2d 26, (1st Cir. 1987), *cert. denied*, 483 U.S. 1013 (1987).

¹⁹ The U.S. example is the case of *Campbell v. Acuff-Rose Music, Inc.* Supreme Court of the United States 114 S. Ct. 1164 (1994)[hereinafter cited as *Campbell*]. The Canadian example is *Cie Generale des Etablissements Michelin-Michelin & Cie v. C.A.W. Canada et al.* (1997) 71 C.P.R. (3d) 348 (FCTD)[hereinafter cited as *Michelin*] where once again union leaflets used the famous “Bibendum” or Michelin Tire Man without company authorization. The court rejected the parody “fair use” defence of the U.S. *Campbell* case for “fair dealing” in Canada.

²⁰ *Michelin*, *ibid.*, p. 384.

²¹ *L.H.O.O.Q.* is the title of the famous work 20th century work by French dadaist artist Marcel Duchamp that consisted of a reproduction of Leonardo’s *Mona Lisa* with a moustache and goatee and the letters that spell out a French pun that “she has a hot ass”. Even allowing that Leonardo’s work was in public domain, the photographic reproduction of it owned by the Louvre museum where the original work is housed, may well have fallen under copyright protection. The “derivative” work by Duchamp was meant to parody the fame of this most famous painting in the world and as such could be seen as tarnishing the brand of

Parody may well ridicule the original work to which it refers. To succeed it must not only refer to the earlier work, it must also be recognized as doing so. It must achieve what is called in defamation “colloquium” with the original work. However, it is a form of criticism that is expressly recognized as a fair use in the U.S. and should be recognized as “fair dealing” in Canada. I would argue that the legal finding in *Michelin* was flawed because the court perceived parody to be a “new exemption” rather than an extension of the criticism exemption in fair dealing. To silence parody is to pervert the guarantees of freedom of expression guaranteed in the *Charter*. However, as *Michelin* was not appealed there is currently no fair dealing defence of parody in Canadian copyright law. However, with the passage of the *Federal Trademark Anti-Dilution Act*²² for the protection of famous marks in the U.S. in 1995 it is not clear that a person who parodies a famous trade mark is any less liable in the U.S. than they would be in Canada for copyright or moral right infringement. This is an area of intersection between copyright and trade-mark law that needs clarification.

2.1.5 Requirement for Grant of Copyright I: “Sweat of the Brow”

Copyright protection has come to be an IPR of longevity and few formal requirements. Formal registration is not required, nor even the *Universal Copyright Convention* © dated designation. All that has been required is: evidence that the work is created by the sweat of the creator’s brow; fixation in some tangible medium; and the originality of the expression. Not all parts of a work are capable of attracting copyright. Copyright can be given for translations and compilations, though the level of protection is

da Vinci’s work or the photographer working for the Louvre with its additions by Duchamp. It might also be interpreted as mutilating the photograph or Leonardo’s original artwork. Still it is recognized as a masterpiece of modern art.

sometimes referred to as “thin” (i.e. I could copyright my translation of Homer’s *Iliad*, but that would not give me copyright over all versions of Homer’s *Iliad*). In a Lockean notion of property ownership by way of the labour—dessert theory, it is the labour of the creator in creating the expression that gives credence to his/her copyright claim under a notion of Natural Law. As we shall see, under the justification of personality rights favoured by Immanuel Kant and Georg Hegel, the labour represents the connection between the creator’s body [mind] and the resultant creations from it. For these philosophers the realization of the self (the person) is enabled by the assertion of the individual’s will over Nature in the act of creation. Consequently, according to this line of reasoning, the denial of personality rights or the separation of creators from the manifestations of their will would be a denial of Natural Law and an injustice. It is this connection between the fruits of labour of an individual’s mind and body that leads to the concept of Natural Justice that pervades the copyright law thinking of the so-called Artists’ Rights countries such as France, Germany, and other civil code countries. It is in the Artists’ Rights countries where the most favourable response to the concept of perpetual copyright has been found.

The concept of perpetual copyright has found much less support in common law countries that base their copyright law on the notion of a utilitarian social bargain struck between society and creators. The bargain encourages the authors or creators to share the fruits of their labour with that society after a suitable period of time during which the recognition of those rights enables the author/creator to receive compensation for their labour.

²² *Federal Trademark Anti-Dilution Act*, 1995 15 U.S.C § 1125 *Lanham Act* **CHAPTER 22 > SUBCHAPTER III** [hereinafter referred to as *FTDA*].

One area where the contrast in attitudes between the approach of Artists' Rights countries and common law countries has been evident has been in the eagerness of the E.U. to adopt a new *sui generis* regime of protection for databases, as reflected in the *European Database Directive* of 1996²³. According to the dictates of this directive databases would be given a new copyright-like shorter period of protection, but one that could be renewed indefinitely so long as sufficient change in the updated databases could be demonstrated. This renewal possibility has been referred to as an "evergreen provision" that could result in the permanent withholding of the contents of the database from the public domain provided alterations were made every 15 years or so in the manner in which the data was produced for the user. Common law jurisdictions have expressed concern that this evergreen provision could be a way to institute perpetual copyright in contradiction of the social utility bargain.

For Artists' Rights countries the alteration in the compilation of a database as evidenced by a varied response between the original database and the newly created one represents the mixing of a creator's labour (i.e., the organizing principles of retrieval from the database) with the facts or data from the public domain. For jurisdictions that assume a natural law right on the basis of creation by the author alone the resulting perpetual copyright is less troublesome than in common law jurisdictions. However, the need to demonstrate not only labour but also the element of creativity has led to the emphasis of another criterion that gives rise to copyright protection in the U.S. and Canada: the modicum of creative activity or creativity.

²³ Directive 96/9/EC of the European Parliament and the Council of 11 March 1996) on the legal protection of Databases, Official Journal, 27/03/1996, L. 077 [hereinafter referred to as the *European Database*

2.1.6 Requirement for Grant of Copyright II: “Modicum of Creative Activity”

Following *Feist*²⁴ in the U.S. and *Tele-Direct*²⁵ in Canada, it has been determined by the courts that in order to gain copyright, the creator of an “expression” must demonstrate at least a modicum of creativity. Thus, directories and databases containing the same “facts” must show some creativity in their organization in order to attract copyright protection. Mere compilations of data are insufficient to justify the statutory monopoly as a result of these cases. An alphabetical, chronological or geographical arrangement, (e.g. a city directory arrangement by address) is not considered to demonstrate enough creativity to justify the granting of copyright. Mere facts or ideas are not capable of attracting copyright protection. Much as in patent law, where theorems and naturally occurring discoveries of nature are not patentable as inventions, that which is invented by the author (expression) is copyrightable, that which is discovered (idea) is in public domain.

As we saw in Chapter 1 the Supreme Court of Canada has turned its attention to the “sweat of the brow” versus the “modicum of creativity” controversy. If “sweat of the brow” represents just the author’s labour and “modicum of creativity” represents something more, the distinction between the two has not always been clear. However, in the recent *CCH* copyright case Chief Justice McLachlin has stated clearly that a position somewhere between the two extremes of a requirement for a copyright protected expression is what is sought. While seeking to reward creative expression at its earliest appearance in a work, it is important to limit what can be secured as protected by the

Directive].

²⁴ *Feist Publications Inc. v. Rural Telephone Service Co.* (1991) 499 U.S. 340, 111 S.Ct. 1282, 113 L.Ed 2d 358 [hereinafter referred to as *Feist*].

mere expenditure of effort. Otherwise Milton's daughters would have owned copyright in the performed memorized version of Homer they recited for their father (at least they would have if there were a means of recording their recitals before him) and a literary work long in the public domain would be returned to private ownership under a state granted monopoly.

To define of what a modicum of creativity consists, is a difficult process. It is more like the process in patent law of proving inventiveness. In patent law the inventor must create an invention that is new and *not* obvious to someone skilled in the art. In copyright the arrangement of the elements of language (visual, oral or otherwise) into a new expression *not* obvious to someone skilled in expression precludes the use of the usual conventions of arrangement or organization familiar to all (alphabetical, numeric, chronological or geographical for directories) to qualify for the modicum of creativity. In other words, to escape the disqualifying characteristic of obviousness (needed under the *Canadian Patent Act* to be patentable) an invention should be something new not anticipated by the existing technology. Similarly, in copyright, as language is a sum of the obvious conventions of use shared by the users of that language, the elements of arrangement that distinguish the individual expression as new, original and capable of attracting copyright, may need to have more to do with the selection of the unique elements than the use of standard organizational principles that anticipate and make obvious the form of the directory or compilation.

Needless to say the potential for denying the creativity of any such arrangements could endanger the chances of any author having any of their expressions protected under

²⁵ *TeleDirect (Publications) Inc. v. American Business Information Inc.* (1996), 113 F.T.R. 123 (T.D.) [hereinafter referred to as *TeleDirect*].

copyright. As a result much copyright infringement is determined by assumptions about the process of authorship. A presumption of copyright, for example, is that if the author can show the alleged infringer had prior access to their work and that the infringer's subsequent work had a "substantial similarity" to that of the author, the onus shifts from the plaintiff author to the defendant "alleged-infringer" to refute the claim of copyright infringement.

Perhaps less problematic than locating the balancing point between a modicum of creativity and originality is reliance upon the labour-desserts theory or personality rights theory of ownership rights. Under these theories it is the mixing of the author/artist's labour with Nature's Bounty in the creation of the work that justifies author ownership. Of course this type of claim of ownership by mixture of elements is akin to the claim that one could assert ownership of the seas by pouring one's can of tomato juice into the ocean. Rather than seeing this as the discarding of the contents of the can of tomato juice into the ocean, the effort of intentionally mixing the owned soup with the entirety of the ocean would be a labour that would then justify a claim to exclusive ownership of the whole ocean now diluted with the author's tomato juice. This example of the argument expanded *ad absurdum* is described by scholar Robert Nozick in his *Anarchy, State and Utopia*.²⁶ Effort alone cannot justify exclusive ownership in perpetuity. Evidence of originality and absolute creativity in expression may be so elusive as to defeat the notion of an incentive system for personal expressions. Creativity is too subjective a concept in expression to make it the *sine qua non* for attracting copyright protection. It would seem then, that the Supreme Court of Canada has it right when it seeks to find some mid-point

²⁶ Robert Nozick, *Anarchy, State and Utopia*, (1974) at 175.

between these two extremes to justify the awarding of the statutory monopoly known as copyright.

2.2 Trade-mark Law as a Tool of Censorship

Copyright is not the only IPR to be used for the restriction of free expression. There has been a disturbing trend of attempts to use trade-mark law to stop unfavorable comment, by means of anti-dilution injunctions.²⁷ The U.S. amended section 43(1)(2)(3)(4) of the *Lanham Act* on January 16, 1996 after enacting the *Federal Trademark Dilution Act of 1995*, §3, P.L. 104-374, codified at 15 U.S.C. §1125(c) to provide a Federal trademarks dilution statute. This was intended to provide protection for “famous” trademarks and was consonant with *TRIPS* provisions and the *Paris Convention* of which the U.S. is a member.

Dilution has become an extension of trade-mark law²⁸ from its origins as a means to ensure there is no consumer confusion concerning the origin of trademarked goods to include the use of Trade-mark law as another way to get an injunction to silence critical references to one’s product or company. This extension of the trade-mark IPR to protect the rights holder from something other than consumer protection (i.e. assured

²⁷ *Canada Safeway Ltd. v. Manitoba Food and Commercial Workers Local* (1983) (ManCA), is an example of dilution by tarnishment. The union circulated a pamphlet with Safeway’s “S” in a mapleleaf symbol (which was pending registration as a Trademark at the time) implying that Safeway had published the pamphlet. Court awarded an injunction based upon the misappropriation of the “S” symbol of Safeway’s unregistered trademark, when used by the union. The confusion of association rather than origin was deemed sufficient to attract protection. Cf. With *Canada Post Corp. v. C.U.P.W.* (1998), 20 C.I.P.R. 120 (F.C.T.D.). In the U.S. *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.* U.S. Court of Appeals, for the Second Circuit, 875 F.2d 1026 (2d Cir. 1989) Toyota appealed a New York State district court decision that under New York’s anti-dilution statute Toyota’s use of LEXUS was likely to dilute the distinctive quality of LEXIS the mark used by Mead Data Central for its computerized legal research service. The Court of Appeal reversed the district court on the basis that the differences in pronunciation between Lexus and Lexis were sufficient to allay confusion concerns and on the relative strength of the respective trademarks in their areas of trade. This was a case of dilution by blurring. For a discussion of dilution theory see Frank Schächter, “The Rational Basis of Trademark Protection” (1927) 40 *Harvard Law Review*, 813 and Shire, “Dilution Versus Deception – Are State Antidilution Laws an Appropriate Alternative to the Law of Infringement?” *Trademark Reports* 77, 1987, pp. 273-6.

knowledge of source) is a further incursion into the realm of public domain.²⁹ For if the trade-mark holder is able to prohibit the use of their name as part of the general parlance of the public (to protect their trade-mark against becoming generic by means of dilution) will it not impoverish the language available to the public for expression? If the commercial use to which the trade-mark is being put has no capacity to create confusion because of different channels of trade, should the trade-mark holder be able to seek an injunction against its use?³⁰ If there is no commercial use which could create consumer confusion should trade-mark holders be entitled to ban certain speech?

2.2.1 The *Madrid Protocol*³¹ and International Trade-marks

Until recently North American trade-marks law was based on the common law tradition of trade-marks given priority based on commercial use of a trade-mark or brand name in discrete channels of trade and jurisdictions. This use requirement is confronted by European and International Trade-mark regimes allowing for a “staking out” of trade names and marks before any use has been established by international registration under the Madrid Protocol of 1989. The *Madrid Protocol* is a development on the *Madrid Agreement on international trade-marks* 1891 and now has some 61+ signatory countries. Most importantly after years of resistance the U.S. became a member of the *Madrid Protocol* in 2003, effective 2004. This was because the U.S. Patent and Trade Mark Office (USPTO) changed U.S. law to enable the adoption and ratification of the

²⁸ *The New Kids on the Block v. News America Publishing, Inc.* 971 F.2d 302 (9th Cir. 1992).

²⁹ *Eastman Photographic Materials Co. v. Kodak Cycle Co.*, 15 [British] R.P.C. 105 (1898) represents the canonical case of a court finding for the trade-mark holder even when there was no likelihood of consumer confusion between the bicycle company and the photographic company.

³⁰ In Canada we have the *Visa International Service Association v. Visa Motel Corporation (Visa Leasing)* (1984), 1 C.P.R. (3d) 109 (BCCA).

³¹ *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks*, June 28, 1989, reprinted in World Intellectual Property Organization, *Protocol, Relating to the Madrid Agreement Concerning the International Registration of Marks*, s.977, 103d Cong., 1st Sess. (1993).

Madrid Protocol. The U.S., a net exporter of trade-marks, negotiated compromises with the *Madrid Protocol*³² before ratifying it and this is seen as increasing the pressure on other “use” based trade-mark systems to follow suit. The U.S. adopted the *Madrid Protocol* after obtaining the concessions in keeping with its newfound policy of support for *WIPO* and the *TRIPs* agreement and harmonization with globalized intellectual property protection regimes. However it marks a trend in international trade-mark law away from the traditions embodied in common law jurisprudence. This trend allows for greater and greater diminution of the public domain in anticipation of actual commercial use.

However, in Canada, and other common law countries, there is still resistance to the adoption of a registration-prior-to-use system. As recently as May 17, 2005 the Intellectual Property Institute of Canada (IPIC) wrote to Ms. Heidi Sprung, Assistant Director of the Trade-marks Branch of the Canadian Intellectual Property Office (CIPO) to recommend that Canada not adopt the *Madrid Protocol*. Citing costs of complying with the *Trademark Law Treaty* (TLT) involved in adopting the *Nice Agreement* “*International Classification of Goods and Services*” and the IPIC Committee members’ belief “...that potential benefits to Canadian businesses of access to filing under the *Madrid Protocol* do not outweigh the costs necessitated by changes to Canada’s trade-

³² Compromises included: 1) that English would join French as the official language for international trade mark registration. This was only agreed to over opposition from the French; 2) that the 12 month approval process in the “home country” be lengthened to take into account domestic opposition procedures before the “central attack” features of the Protocol would be enabled. Under the “central attack feature” if the international registration of the trade-mark is defeated, all of the national trade-marks including the domestic one of the home country registered under the Protocol also fail unless they are re-applied for within each other country within the subsequent three months. In addition if the domestic registration is defeated within five years of initial registration, the International registration also fails. In countries from the common law and other “use” jurisdictions the domestic challenge process based upon priority of use make the shorter period before the international registration could be challenge free for registration problematic.

mark laws and filing system”³³, IPIC states unequivocally that it believes “...there is no justification for changing the Canadian system regarding use, and that in fact, any such proposal would create serious problems for the assessment of trade-mark rights in Canada.”³⁴ As the IPIC letter was in response to a Canadian Intellectual Property Office (CIPO) February 4, 2005 request for comments on proposals to modernize the *Canadian Trade-Marks Act*,³⁵ it is clear that there are advocates of adoption within Canada. Perhaps most articulate of these advocates is the firm of Smart & Biggar³⁶. Philip Lapin argued in June 2005 that Canada’s trade-mark law:

... has failed to maintain a modern trade-mark regime on a number of fronts. Canada’s trade-mark system has increasingly diverged from the systems of other industrialized nations, including our closest trading partners. Symbolic of the divergence is the use of the unique rendering of trade-mark (vs trade mark or trademark) and exemplary thereof is the refusal to recognize non-traditional marks such as “sound marks.”

The enforcement of trade-mark rights in Canada has become more and more difficult in the last couple of decades. Significant problems facing rights holders include:

- The lack of sufficient protection for famous marks including the lack of any effective remedy against dilution;
- The strict bar against functionality in trade-marks;
- Limitations on the use and registration in view of the adoption of “official marks” by public authorities;
- The lack of effective criminal and border enforcement against counterfeit products; and
- The strict test applied to the granting of interlocutory injunctions and in particular the evidence required to establish irreparable harm.

It is submitted that the current Canadian regime, instead of enhancing “Canadians; competitiveness in the domestic and global market places”, is hindering them.

³³ IPIC letter to CIPO, May 17, 2005, ipic.ca/english/pdf/may2005/DraftIPICresponsetoTMAconsultations.pdf p. 2.

³⁴ *Ibid.*, p. 3.

³⁵ See the request at http://strategis.ic.gc.ca/sc_mrksv/cipo/tm/tma_mod-e.html.

³⁶ See the recommendations of Smart & Biggar to the T.M.O. by Philip Lapin at <http://www.smart-biggar.ca/assets/CIPOResponse.pdf>.

Of course, Mr. Lapin's preference for rights holders is apparent. Clearly irritated at having to put a hyphen into the word trade-mark, his list of problems facing rights holders is a condemnation of Canadian trade-mark jurisprudence over the past few years. In condemning Canadian trade-mark law as obsolete and behind that of the U.S. and other countries, there is no mention of the difficulties faced by the U.S., our closest trading partner, with regards to their new "famous trade-mark legislation". In the U.S. the need to prove a likelihood of confusion or actual damages has not always been the consistent finding of the Circuit Courts.³⁷

For example, how do we determine what is "famous" enough to take priority over the local mark or the unregistered mark long established by use in a particular jurisdiction? The two most recent cases of the Supreme Court of Canada, *Cliquot*³⁸ and *Barbie*³⁹ have demonstrated the S.C.C.'s reluctance to embrace "famous trade-mark" legislation allowing protection without proof of the likelihood of confusion or evidence of actual damage to the mark through dilution without tarnishment, especially with regards to products in different channels of trade.

Similarly, the Supreme Court of Canada decision in *Lego* [*infra*] concerning the viability of the doctrine of functionality as a limit on what can be trade-marked would

³⁷ "By 1999, a split interpretation developed between the Second Circuit court of appeals in New York and the Fourth Circuit in Virginia as to whether the plaintiff in a Lanham Act § 43(c) dilution case had to prove an actual, current injury to it famous mark or a mere likelihood of harm. The Fourth Circuit held that a plaintiff had to present proof of actual damage. The Second Circuit disagreed and held that such proof was not necessary to prove liability: a preliminary injunction could be obtained to prevent threatened injury to the strength of the famous mark. In its 2003 *Victoria's Secret* [*Moseley v. V. Secret Catalogue Inc.* 537 U.S. 418, 127 S. Court 1115 (2003)] decision, the U.S. Supreme Court resolved the split and generally agreed with the Fourth Circuit view. In its 2003 *Victoria's Secret* decision, the Supreme Court held that proof of actual dilution, not just the likelihood of dilution is required." from J. Thomas McCarthy, (2004) "DILUTION OF A TRADEMARK: EUROPEAN AND UNITED STATES LAW COMPARED" Vol 94. Trademark Reporter (TMR) 1167

³⁸ *Veuve Clicquot Ponsardin v. Les Boutiques Cliquot Ltee.* 2006 SCC 23, (see *supra* chapter 1, n. 46).

³⁹ *Mattel Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, (see *supra* chapter 1, n. 46).

seem to be at odds with what Mr. Lapin would advocate on behalf of rights owners. It would seem that to Mr. Lapin, the findings of the courts in the *Smith & Nephew* case concerning the doctrine of exhaustion and the legality of grey marketing would also represent unreasonable limitation on the statutory monopoly to be granted in trade-mark law. Procedural demands that interlocutory injunctions should not be granted unless the test of irreparable harm has been passed by the plaintiff also are a legal inconvenience for the rights holders. The legal definition of what can and cannot be used as a mark, including official marks and sounds also seem to motivate Mr. Lapin's eagerness to opt for change in the *Canadian Trade-Marks Act* regardless of the cost to the many other stakeholders with an interest in the modern form of the legislation.

However, the fundamental shift of trade-mark law to the civil code registration system when it will provide benefits to only a few Canadian companies that would benefit from the *Madrid Protocol* at a great cost to all and to the Registry will make this a difficult sell for those advocates. The maintenance of a balanced approach of rights holders, consumers, trade-mark practitioners, the courts, the Trade-mark Registry and the Canadian government may make the adoption of the *Madrid Protocol* impossible, especially if the adoption involves the loss of the *stare decisis* of traditional trade-marks law and the attendant predictability of trade-mark law; the re-classification of all trade-mark documents currently held in the Trade-marks Registry and the attendant increase in delays from that office; the concomitant contestation of established priority for existing marks; the necessary change in litigation practice to challenge registered marks and the impossibility of speeding up the trade-mark acceptance process in "use" established common law jurisdictions will put many trade-mark holders at severe disadvantage under

the new regime. The entire trade-mark approval process will have to change under the Protocol to enable North American marks to retain protection against competitors unfettered by the necessity to submit to the Canadian or common law lengthy process. The check upon the prospective trade-mark applicant in favour of the Public Domain established by the "use" requirement and the challenge possibilities of the traditional system will be lost under the new regime. Where this becomes most inequitable is where established marks or marks still subject to the process domestically lose international priority against other marks that receive their registered status sooner under the *Protocol* registry only system. This remains a conundrum for trade-mark law.

2.2.2 Extension of Trade-mark Law as a Tool of Censorship

Notions of tarnishment and dilution have been added to trade-mark law⁴⁰, especially in the U.S. taking this traditional IPR protection from the realm of consumer protection into a sort of tort of misappropriation and unfair business practices (cf. With *INS*⁴¹). The inherent inhibiting effect on free expression afforded by the statutory monopoly granted with an IPR is no longer justified by a public policy designed for consumer protection in this instance. This new role for the IPR designed to stop the tort of passing off is most apparent in domain name and meta-tag disputes, but its use to quell fair comment is troubling.

The traditional justification for the granting of patents and copyrights is, of course, to create incentives for authors and inventors to create new and useful works and inventions. In fact this is codified in the U.S. Constitution that gives to lawmakers the authority to make laws to further progress in the useful arts and sciences. Trade-mark is

⁴⁰ See Schecter *supra* n. 27.

⁴¹ *International News Service v. Associated Press* (1918) 248 U.S. 215; 63 Law. Ed. 211 [hereinafter *INS*].

a little different although the granting of trade-mark protection is designed to encourage the manufacturers of wares and the providers of services to create and use trade-marks so as to provide consumers with notice of the place of origin of the goods or services and, especially in the case of quality marks, an assurance of the standard of manufacture or service offered by the owner of the mark. It is to provide consumer protection rather than to spur progress in the useful arts or sciences or creativity.

Of course the provision of trade-mark protection is an incentive to manufacturers and providers of service to invest effort and resources in the creation, use and defence of their trade-marks and it has been that investment that has imbued trade-mark law with a concern for the control and elimination of unfair business practices such as riding the coattails of a competitor and benefiting from unjust enrichment. In Canada, the *Trade-marks Act*⁴² was preceded by the *Unfair Competition Act*.⁴³ This desire to use the *Canadian Trade-marks Act* to discourage unfair trade practices or sharp business practices led to the drafting of s. 7(e) of the *Canadian Trade-marks Act* that prohibits anyone from,

do[ing] any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada.⁴⁴

This section was successfully challenged constitutionally as too vague and overly broad in 1977 in *Macdonald v. Vapor Canada Ltd.*(1976)⁴⁵. As Professor Vaver points out,

In fact, the *Trade-marks Act* does not, any more than the common law, set out 'to prevent unfair competition and the misappropriation of intellectual property... Instead, the *Act* presupposes that effective national trade and commerce based largely on private enterprise depends on the regulation of a number of specific

⁴² *Trade-marks Act*, R.S.C. 1985, c. T-13, including the *Trade-mark Regulations*, 1995, SOR/96-195, [hereinafter *Canadian Trade-Marks Act*].

⁴³ David Vaver, *Intellectual Property Law: Copyright, Patents, Trade-marks*. Concord, Ont.: Irwin Law, 2000, p. 175.

⁴⁴ *Canadian Trade-marks Act*, s. 7(e).

⁴⁵ *Macdonald v. Vapor Canada Ltd.*(1976), [1977] S.C.R.134 [hereinafter *MacDonald v. Vapor*].

practices. Just as competition itself requires the balancing of interests between and among competitors and the public, so does an *Act* that regulates defined practices relating to branding.⁴⁶

It is this required balancing of the interests of the makers and sellers of wares and services and consumer protection that represents the challenge of the trade-marks law regime. Once again, in common law countries it is the manifestation of a social utilitarian bargain between society and the owners and users of the marks that demands this balance.

2.2.3 Defence of Goodwill

As trade-marks and trade names become established and known to the consuming public “goodwill” comes to be attached to them. The existence of advertising campaigns and expenditures on marketing are two examples of evidence of the importance of “goodwill” to companies. Modern companies often invest considerable resources in securing goodwill to be attached to their wares or services through endorsements and ad campaigns. To allow this investment to be diminished through a loss of goodwill through dilution or tarnishment would seem then to act as a disincentive to the continued investment in and use of trade-marks⁴⁷. It is this logic that informs Schecter’s work and allows trade-mark law to move beyond its consumer protection beginnings. Yet it should be pointed out that in Canada prior to 1972 the expenditures to attract goodwill were not considered deductible capital cost expenditures for the purposes of income tax. Even

⁴⁶ Vaver, *supra*, n. 43, p. 175.

⁴⁷ For example if one looks to the history of the Ford Motor Car Company one can find evidence of the changing of the name used to identify models of vehicles for sale to the public based upon the reputation associated with a given trademarked model. Ford Edsels (named after Edsel Ford) did not do well in the market place and the model name became associated with the marketing failure. This association led to a diminishment of the goodwill associated with the model name and a public perception that the Edsel was a “lemon” that no sane consumer should invest in. The fact that the car was probably as good as most other Ford products and certainly might have been worth re-engineering or remodeling did not save the mark

with the passage of the Capital Gains Tax in 1971, expenditures on the intangible goodwill in trade-marks have always been problematic for the *Canadian Income Tax Act*. Currently goodwill and other purchased intangibles without a fixed lifespan like patents are called “eligible capital property” and expenditures for them are called “eligible capital expenditures.”⁴⁸

Nevertheless, trade-mark law reflects the belief that as a society we ought to encourage the manufacturer or the provider of services to use marks to distinguish his or her wares or services from others. The consumer protection that results from the knowledge of the origin of goods and services, the marketplace predictability of standards of quality that result from the consistent use of marks within distinct channels of trade, the protection of manufacturers and service providers against passing off by unscrupulous competitors who might subvert the benefits of the use of marks are all the concerns of any society whose members rely upon the use of trade-marks in discreet channels of trade in specific jurisdictions. However modern trade-mark use is evolving into the international use of marks on a variety of goods and services that may only be related by the common factor of a single manufacturer or provider of services in several differing channels of trade.

There is much in current trade-mark law about the use of trade-marks and company logos in a variety of activities, known as a family of marks. This practice blurs the distinctions between the various channels of trade and gives the marks a much wider applicability than was originally intended when the mark was first registered. As such

from being discarded once the goodwill associated with the model was perceived as tarnished. The further use of the mark was discontinued by the company itself and Ford Edsels remain rare collector cars.

⁴⁸ *Income Tax Act of Canada*, R.S.C. 1985, c. 1 as am., [hereinafter referred to as the *ITA*], see ss. 14(5) “cumulative eligible capital”, “eligible capital expenditure”, s. 20(1) (b), see also IT-143R2.

the mark, trade guise and registered status can present a true barrier to entry in an industry. Such a use diminishes competition and promotes the existence of monopolies beyond what are granted statutorily. As trade-marks can be renewed every fifteen years by application by the rights holder this trend to create a family of marks risks extending the duration of other forms of intellectual property protection, most notably patents, beyond the term of the original bargain at the expense of the public domain. However, as demonstrated in *Cliquot* and *Barbie*, there are limits to the nature of the monopoly granted in Canada to famous trade-marks.

2.2.4 *Lego v. Megabloks* and the Doctrine of Functionality

The most recent Supreme Court of Canada case dealing with the attempted use of established trade guise as a method of extending the statutory monopoly once granted to the manufacturer of *Lego* blocks by patent can be seen in the *Lego v. Megabloks* case heard by the Supreme Court of Canada in March 2005, and decided November 17, 2005.⁴⁹ As this case is the most recent and considered view of the Supreme Court of Canada I shall quote from it liberally.

The facts of this case are that the owner of the *Lego* patent, Kirkbi, attempted to resort to trade-mark law to extend its period of protection against competitors (in this case Ritvik, owner of the *Megabloks* brand) in the market for children's toy building blocks after the expiration of the patent. Arguing that the distinctive shape of the building blocks with orthogonal knobs on the top of the block and reciprocating tubes on the bottom had acquired distinctiveness that would allow for the categorization of the shape as trade dress, Kirkbi attempted unsuccessfully to register the trade dress in some

jurisdictions and assert that its ownership of the unregistered trade dress should allow it to receive injunctive relief against Ritvik for passing off. In Canada the distinction between the registered trade dress and the unregistered trade dress was argued to defeat the doctrine of functionality that would bar the registration of the trade dress. Ultimately this line of argument was unsuccessful before the Supreme Court of Canada.

LeBel J, writing for an unanimous Supreme Court, upheld the limit of the rights granted by finding that the functionality of the connecting knobs on the top of each building brick precluded them from qualifying as protectable trade dress or indicia once the patent had expired⁵⁰. After discussing the constitutionality of the *Canadian Trade-marks Act*, and the judicial history of the case, Mr. Justice LeBel addresses the applicability of the Doctrine of Functionality to Canadian trade-mark law. At para 42 LeBel cites s. 13(2) of the *Canadian Trade-Marks Act* which says:

13 ...(2) No registration of a distinguishing guise interferes with the use of
any utilitarian feature embodied in the distinguishing guise.

He then goes on to detail how the doctrine of functionality “goes to the essence of what is a trade-mark”(at para. 43) and how it is part of the trade-mark law in several jurisdictions in the world. For example, he says the doctrine is “now a part of the *Lanham Trade-Mark Act*: see 15 U.S.C.A. § 1052(e)(5).” And, therefore, part of U.S. trade-mark law.⁵¹ LeBel tells us that in European trade-mark law,

The European law of trade-marks also applies the doctrine of functionality. A directive of the European Commission does not allow the registration of purely functional trade-marks. It prohibits the registration as marks of signs which

⁴⁹ *Kirkbi AG v. Ritvik Holdings* 2003 FCA 297, SCC appeal heard 2005-03-16. *Kirkbi AG, et al. v. Ritvik Holdings Inc./Gestions Ritvik Inc. (now operating as Mega Bloks Inc.)* (FC) (Civil) cited as *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65 [hereinafter cited as *Lego*].

⁵⁰ *Lego, ibid.*, para 3.

⁵¹ *Lego, ibid.*, para 48.

consist exclusively of a shape which is necessary to obtain a technical result (First Council Directive 89/104, *Encyclopedia of European Community Law* (EEC), art. 3(1)(e); ⁵²

He notes that Kirkbi had attempted to register its indicia as a community trade-mark in Europe and how Ritvik (Mega Bloks) had successfully challenged Kirkbi's registration of its indicia in Europe. This resulted in the cancellation of the mark. He says,

the Cancellation Division of the Office for Harmonization in the Internal Market (Trade-marks and Designs) applied the principles set out in *Philips Electronics*, and voided the mark (63 C 107029/1 "Lego brick" (3D), July 30, 2004). It found that it had a purely technical function and that the EEC directive barred its registration.⁵³

Mr. Justice LeBel continues:

52 At the root of the functionality principle in European law, as in Canadian intellectual property law, lies a concern to avoid overextending monopoly rights on the products themselves and impeding competition, in respect of wares sharing the same technical characteristics. It is interesting to observe that, within two different legal systems, a judge of the English High Court and a French Court of Appeal raised the same concerns and came to similar conclusions, when they had to pass judgment on attempts by Kirkbi to protect its indicia by relying on trade-mark law, the tort of passing off or the delict of unfair competition in French law. In this manner, their judgments confirm the validity and broad relevance of the functionality principle as well as the doggedness of Kirkbi in its efforts to retain its market share by any means.

53 In the English case, *INTERLEGO AG's Trade Mark Applications*, [1998] R.P.C. 69 (Ch. Div.), INTERLEGO appealed the Registrar of Trade Marks's refusal to register the LEGO indicia as marks under British trade mark law to the High Court. Neuberger J. dismissed the appeal on this issue. In his opinion, the functional features of the brick could not be a trade mark. Granting rights under trade-mark law would be tantamount to perpetuating a monopoly on the product itself:

In all the circumstances, it seems to me that Mr. Pumfrey was right to contend, that Interlego are not so much seeking to protect a mark on an item of commerce, but are attempting to

⁵² *Lego, ibid.*, para 49.

⁵³ *Lego, ibid.*, para 51.

protect the item of commerce as such. In other words, they are not so much seeking a permanent monopoly in their mark, but more a permanent monopoly in their bricks. This is, at least in general, contrary to principle and objectionable in practice. A trade mark is, after all, the mark which enables the public to identify the source or origin of the article so marked. The function of the trade mark legislation is not to enable the manufacturer of the article to have a monopoly in the article itself. In the present case there is no special reason to conclude that the general approach should not apply. On the contrary, the functional aspect of the knobs and tubes, and the extent of the monopoly in the field of toy building bricks when Interlego might establish if their appeal succeeded, are strong factors supporting the registrar's decision. [p. 110]

54 During the same period, the appellant had also engaged in a variety of legal proceedings to ward off Ritvik's entry into the French market. It relied on various grounds, but, in the end, it appears that its efforts foundered on the same grounds as in Great Britain, namely that, in a free market, trade-marks should not be used to prolong monopolies on technical characteristics of products. Competition between products using the same technical processes or solutions, once patent rights are out of the way, is not unfair competition. It is simply the way the economy and the market are supposed to work in modern liberal societies.

55 The French Cour de Cassation quashed an earlier judgment of lower courts which found for Kirkbi, on the basis of a delict of "*concurrence déloyale et parasitaire*" (unfair competition and passing off), although it acknowledged that the LEGO indicia could be registered as a trade-mark. The matter was referred by the Cour de Cassation to the Cour d'appel de Paris, sitting as a "*cour de renvoi*" in accordance with the French law of civil procedure. It dismissed all the Kirkbi claims holding that Ritvik was entitled to use the processes which had been formerly patented by its competitor:

[TRANSLATION] But whereas the simple fact of copying the product of the efforts of another does not as such constitute wrongful competition, the principle being that a product of the efforts of another to which no rights of intellectual property apply or to which such rights have ceased to apply may be freely reproduced; whereas the person who so reuses the product of the efforts of another necessarily makes savings that cannot in themselves be considered wrongful without draining of all substance the principle referred to above (which is itself closely linked to the fundamental principle of freedom of competition)

(Paris, October 18, 2000, D. 2001. Jur. 850 (note J. Parsa), at p. 851)⁵⁴

Distinguishing the strategy of Kirkbi before the Canadian Supreme Court as attempting to draw a distinction between registered and non-registered marks with regards to the Doctrine of Functionality, LeBel J, dismisses the distinction as non-existent and reasserts the Doctrine in either type of mark in paras 58 and 60. Before a final discussion of the tort of passing off, he sums up the failed appellant's case as follows:

61 In the end, the appellant seems to complain about the existence of competition based on a product, which is now in the public domain. As "LEGO" and LEGO-style building blocks have come close to merging in the eyes of the public, it is not satisfied with distinctive packaging or names in the marketing operations of Ritvik. It seems that, in order to satisfy the appellant, the respondent would have to actively disclaim that it manufactures and sells LEGO bricks and that its wares are LEGO toys. The fact is, though, that the monopoly on the bricks is over, and MEGA BLOKS and LEGO bricks may be interchangeable in the bins of the playrooms of the nation – dragons, castles and knights may be designed with them, without any distinction. The marketing operations of Ritvik are legitimate and may not be challenged under s. 7(b). This is enough to dispose of the claim of the appellant, which had grounded its claim of passing off on the existence of a trade-mark.⁵⁵

Lego represents a very important discussion of trade-mark law and its relationship to other intellectual property law (namely patent law) in Canada. In it the Supreme Court has asserted its demand for balance between the rights of the statutory monopoly holder and the Public Domain. Trade-mark law will not allow a patent to be extended beyond its agreed upon duration. IP law will not be allowed to be abused to extend the existence of a naturally occurring monopoly beyond the bargain struck under the *Canadian Patent Act*. And finally, the limits of trade-mark law as established by the limiting doctrines can be defended against assertions of changing levels of protection for creators and rights

⁵⁴ *Lego, ibid.*, paras 52-55.

⁵⁵ *Lego, ibid.*, para 61.

owners against users. This case must be added to *CCH* and *Galerie Théberge*, in copyright law and the *Harvard Mouse* case in patent law as a watershed case in intellectual property law in Canada. Let us now turn to why these cases about the limits to patent, copyright and trade-mark protection are important.

2.3 Patent, Copyright, Trade-mark Laws as Statutory Monopolies

In the intellectual property rights protection regimes for patents, copyright and trade-marks the rights holder is granted a limited term statutory monopoly over the invention, expression and commercial use of their patent, copyright material and trade-mark respectively. This is to allow the creators of these inventions, expressions or marks to exploit economically these statutory monopolies to recover the cost of their research and time to invent and to reward them financially for their eventual contribution to the public domain. However, the effect of the statutory monopolies is to allow creators to stake off the use of language, imagery, invention and designs from that of the public domain for that limited period of time that is the duration of the patent, copyright or trade-mark protection. This statutory grant diminishes the full capacity of the public domain to use its collective technology, to express itself by use of commonly understood conventions of expression and to name or designate goods or services encountered in the market place. However, this diminishment is only temporary and is followed by an increased body of collective technology (fully disclosed by the inventors), a wider array of imagery, vocabulary and conventions of expression and an established body of marks and indicia that allow the public domain to know the origin of goods and services and to assume some degree of consistency in their manufacture and provision. This is the bargain into which society enters with the creators so as to increase the collective wealth

of knowledge and expression. It is the return of the patent or copyright to the public domain and the continued use of recognizable marks on the manufacture of goods and the provision of services that ensures Locke's proviso (that one leave as much and as good for others to exploit in the common property) is met. The statutory grant to the creators can only be justified if the grant is temporary and if the creation will in fact enter the public domain at some time in the future.

Hence the protection of the public domain as the collective property of society is a crucial aspect of the justification of IPR protection regimes. For courts or governments to grant these artificial economic privileges to some individuals or companies (creators) at the expense of their fellow citizens without the justification of the temporary and limited nature of the bundle of rights granted is not only unjust but also ultimately self-destructive for society. It could lead to the "Tragedy of the Commons" whereby individuals are encouraged to take more than their allotted share of the common property at their neighbour's expense by right of being "first to the trough". This situation does not encourage the maximization of the common wealth of the society, but rather the hurried expenditure of that wealth before it has all been taken by the unscrupulous.

2.4 Ramifications of Strengthened Traditional IPRs for Creators

Given their experience with pharmaceutical patents,⁵⁶ it seems clear to developing nations in particular that strict enforcement of IPRs will reduce access to new technology. When this comes at the cost of the lives of their citizens, there is a growing backlash against the strict upholding of IPRs. When the cost of the incentives for innovation outweigh the social utility of granting them, there will be resistance. Even in industrialized nations there are concerns raised concerning the erosion of national sovereignty and control over cultural industries by *WIPO* and *TRIPS*. Concerns expressed over the effects of globalization and the increased power of the *WTO* to make decisions overriding those of local legislatures are a direct result of a perceived growing imbalance in the protection of the interests of all stakeholders involved. As artist rights countries stress creator rights and as common law countries stress IPR holder rights there is developing a legitimate concern about the use of these newly strengthened IPRs for control of access to knowledge and free expression.

⁵⁶ See especially the situation with regards to HIV/AIDs medications in Africa where the prohibitive costs of the medication have led some states to consider suspending the rights of the pharmaceutical companies to set their own prices by considering compulsory license schemes. In fact, Canada has suggested allowing the exportation of generic equivalents of patent protected drugs to deal with this medical crisis in Africa over the opposition of the innovation based pharmaceutical companies and the U.S. (Stephen Lewis UN Special Envoy on AIDS/HIV in Africa since 2001 testified before the Standing Committee on Foreign Affairs and International Trade Hearings held April 1, 2003; available at <http://www.parl.gc.ca/infocomdoc/37/2/FAIT/Meetings/Evidence/faitev27-e.htm>. Stephen Lewis has also established the Stephen Lewis Foundation Easing the Pain of HIV/AIDS in Africa with the following website: <http://www.stephenlewisfoundation.org/>. Another leader in brokering concessions between the pharmaceutical industry and people with AIDS in Africa has been former U.S. President Bill Clinton through the William Clinton Foundation. The Clinton Foundation, established in 2002 also has a website at <http://www.clintonfoundation.org/index.htm>. On January 12, 2006 Clinton announced a deal praised by Lewis reducing drug and testing costs. http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20060113/lewis_aids_clinton_060113/20060113?h

2.5 Intersection of Traditional IPRs with the Free Flow of Information

If we agree that the IPR is a limited term statutory monopoly controlling the use of expression, knowledge and information, we must see that even for a limited time the owner of the IPR can have an effect upon the free flow of information to the public. Even where the IPR is of questionable validity, e.g. in the case of some of the new patents that have been granted by the U.S. Patent Office, the threat of litigation is often enough to silence the expression of others. Clearly the broader the range of expression that can come under the protection of the IPR and the greater the length of the statutory monopoly, the greater the restriction of the free flow of new inventions, new technology and new expressions to the public must be. Again it is the limitations of patent, copyright and trade-mark law that ensure that this temporary restriction on the free flow of information to the commons can be justified. To allow creators to fence off too much of the public domain for too long a time can have a deleterious effect on the efficacy of the entire intellectual property rights recognition regime. It is this balance of restriction of the free flow of new inventions, new technologies and new expressions to the public that determine whether or not the legal regime protecting these rights is seen as just. The balance becomes crucial to the fostering of respect for the laws created. That is why there are provisions for what to do in the case of patent or copyright or trade-mark misuse. There are User Rights acknowledged by these provisions and these User Rights must be balanced with the granted Creator Rights.

ub=Health. Both Lewis and Clinton are important AIDS/HIV activists who attended the August 2006 AIDS/HIV Conference in Toronto along with Bill and Melinda Gates.

2.6 Philosophical Justifications for Traditional IPRs

We have mentioned some of the justifications for the establishment of statutory monopolies above. Let us now turn our attention to some of those justifications in more detail. In common law jurisdictions the most important justification for IPRs has been their use as an incentive for creation. The incentive is offered for the creations rendered by the authors and artists. This bargain is referred to as the utilitarian social bargain.

2.6.1 Utilitarian Social Bargain Incentive

In the U.S. the creation of a utilitarian social bargain, especially in the case of copyright and patent law has long been recognized. In fact, the U.S. government claims jurisdiction over patent and copyright law by *U.S. Constitution* Article I, Clause 8, 8 which expressly grants the power to legislate patent and copyright law "...to Promote the Progress of Science and useful Arts"⁵⁷. Jeremy Bentham and Richard Posner⁵⁸ are two philosophers who made an economic analysis of the law, and who have articulated this social utility maximizing social welfare justification most eloquently.

2.6.2 Characteristic of Time Limited Legal Economic Rights

A critical component of the social bargain struck between society and the author or artist is the existence of a limited time period within which the alienable statutory monopoly can exist. For, while we allow for the creation and maintenance of such a legal economic right in the name of incentive for progress in the useful arts and sciences, we must ensure that society has access to the inventions, expressions and benefits provided by the use of these new creations to ensure progress does indeed take place. Without the return of the author or artist's contribution to the commons or public domain, the role of

⁵⁷ See *Eldred v. Ashcroft*, 537 U.S. 186 (2003) U.S. Supreme Court.

the statutory monopoly is merely one of controlling access to the free expression and use of the common *koiné* of the society. To allow an author to stake off a portion of the language, which is common property to all, for all time is to impoverish the capabilities for expression. Without reference to the shared lexicon and grammar of a language, comprehension of what is being said, let alone what is being said in a new way is impossible. This would not leave as much and as good for others.

Similarly to allow the inventor to stake off the common property upon which his or her inventions are based for an indefinite period of time, simply for being first to discover, is to offend Locke's proviso [*infra*] as well. For if we cut current and future inventors off from the use of the work of their predecessors, there will be no shoulders upon which a new Isaac Newton can stand to advance science and this would defeat the notion of progress. To progress we must go from where we were to some place new and to perceive progress we must be able to ascertain where we were and where we are. Progress must be measured to know if any has taken place.

As mentioned above, arguments for perpetual copyright have been made, particularly in *civiliste* countries, but this would come at the expense of the public domain and would negate the social utility bargain. We should remember that originally both patent law and copyright law provided for a mere fourteen-year period of protection. While patent law is now up to about twenty years (with calls to shorten its duration for the public good!), copyright has increased to many times that. Calls for perpetual patents have not been as visible. As we shall see, this is because of the confusion of the non-alienable personal moral rights that have been included in copyright. The rights to

⁵⁸ Jeremy Bentham, *Theory of Legislation*, (R. Hildreth trans. 1840) (1st ed. 1802) and Richard Posner, *Economic Analysis of Law*, 2nd ed. 1977.

attribution, to the integrity of the work and to the protection of the author's reputation and to rights that go far beyond the exclusive right to make and sell copies are interests of a different order and their inclusion in copyright law in the evaluation of the social bargain seems to confuse the issue.

Why is it that the inventor of a new and useful invention that is not obvious to other people skilled in his or her trade should receive a period of protection so much shorter than that of the author or artist who creates a new expression? Or to put it another way, why is it that the author, who uses the very language we acknowledge as being the common property of all in our culture is able to secure a statutory monopoly for the length of his or her entire life plus another 70 or more years? If we assume the author is an average of 25 years old when they create their work and if we assume that on average the author will live to the age of 80, this could represent a period of potentially more than 125 years. Both the inventor and the author may have worked just as hard to fashion their creation, both have mixed their labour with Nature's Bounty, why is there such a differential in the recompense each deserves? It is clear that the theory of "just desserts" or earned recompense for the mixing of one's labour with Nature's Bounty cannot adequately explain the difference. Let us return to the theory of Natural Rights and the writings of John Locke.

2.6.3 Natural Rights and John Locke

Perhaps most influential, especially in common law countries is the work of the philosopher John Locke. In his *Two Treatises on Government* Third Edition of 1698⁵⁹ he justifies the claim of exclusively possessed property by an individual in an agrarian world by the addition of a person's labour to the opportunities found in Nature's Bounty.

The best way to approach the need for an incentive system is to examine John Locke's discussion of how property rights are acquired in the first place. Locke suggested that if a person mixed their labour with Nature's Bounty they could establish ownership over the fruits of their labour. His analogy was based upon an agrarian model of the use of the land. For example if a man or woman were to come upon a wild orchard, apples that they picked would become their own. Similarly if they brought their sheep to a wild meadow for grazing, growth of those sheep would be their own. No one should have the right to deprive any individual of the fruits of their labour without compensation. This part of Locke's theories is often cited by those who justify the awarding of the statutory monopolies of copyright and patent to authors/artists/inventors.

But what would be the outcome if the orchard or meadow were not wild, but rather common property or the property of the village commons? In that instance to justify an ethical claim of ownership over exclusive use property for the individual members of that village collective, Locke also had to argue that equal opportunity to partake of Nature's Bounty had to be ensured for all members of the collective. If the state should not be able to expropriate the fruits of individual labour without compensation, neither should any individual be able to deprive the common property of fruits of its growth without compensation. One of the attractions of Locke's theory is that industriousness on the part of individuals could be rewarded by the incentive of the acknowledgement of their claims to exclusive ownership.

2.6.4 Locke's Privileging of Labour

Locke wished to encourage labour and discourage sloth. His justification for the enclosing of the commons by the individual contains both the incentive to work (whereby

⁵⁹ John Locke, *Two Treatises on Government* 3rd ed. 1698.

one can establish ownership rights in property) and the disincentive for sloth (whereby one could forgo one's claim to ownership in property).

§ 26. Though the earth and all inferior creatures be common to all men, yet every man has a "property" in his own "person." This nobody has any right to but himself. The "labour" of his body and the "work" of his hands, we may say, are properly his. Whatsoever, then, he removes out of the state that Nature hath provided and left it in, he hath mixed his labour with it, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state Nature placed it in, it hath by this labour something annexed to it that excludes the common right of other men. For this "labour" being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good left in common for others.⁶⁰

Locke was writing at a time when the lands of the Americas seemed nearly boundless and when Nature's Bounty seemed inexhaustible. However, he was celebrating an individual's labour as the requirement set by the Almighty to qualify for ownership. We may cringe in the 21st century to read how the native Americans are impoverished and presumably have relinquished their claim of ownership of the land "...for want of improving it by labour..."⁶¹, however Locke's point here is to demonstrate how the failure to till the soil and sloth confound claims to property. Yet Locke was also familiar with the situation of the Commons in England and acknowledges that the addition of one's labour to Nature's Bounty does not yield an unfettered right to absolute ownership.

He says,

⁶⁰ John Locke, *ibid.* For an on-line text go to John Locke, *Of Property* Book Two, Chapter 5 § 26 <http://www.lonang.com/exlibris/locke/loc-205.htm>.

⁶¹ "§ 41. There cannot be a clearer demonstration of anything than several nations of the Americans are of this, who are rich in land and poor in all the comforts of life; whom Nature, having furnished as liberally as any other people with the materials of plenty - i.e., a fruitful soil, apt to produce in abundance what might serve for food, raiment, and delight; yet, for want of improving it by labour, have not one hundredth part of the conveniences we enjoy, and a king of a large and fruitful territory there feeds, lodges, and is clad worse than a day labourer in England." Locke, *Of Property* Book Two, Chapter 5 § 41 <http://www.lonang.com/exlibris/locke/loc-205.htm>.

§ 30. It will, perhaps, be objected to this, that if gathering the acorns or other fruits of the earth, etc., makes a right to them, then any one may engross as much as he will. To which I answer, Not so. The same law of Nature that does by this means give us property, does also bound that property too. "God has given us all things richly." Is the voice of reason confirmed by inspiration? But how far has He given it us "to enjoy"? As much as any one can make use of to any advantage of life before it spoils, so much he may by his labour fix a property in. Whatever is beyond this is more than his share, and belongs to others. Nothing was made by God for man to spoil or destroy.⁶²

2.6.5 Locke's Limits to the Reach of Labour

In Locke's statement he demonstrates he is thinking in terms of an agrarian economy. He acknowledges an individual's responsibility to the commons by limiting the individual's ability to extend their exclusive property rights to only that which they can use before the agricultural fruits of their labour spoil. This is a very early nod to environmentalism and the importance of limiting pollution. It is also a call to limit wastage, especially in instances where resources are finite.

2.6.6 Locke's Proviso

There is no doubt that Locke privileges the role of labour in establishing ownership, but he acknowledges that with that ownership comes responsibility to the commons. While industriousness had to be rewarded, equitable sharing of Nature's Bounty also had to be made possible. He makes his famous proviso⁶³ that the labourer can enclose as much as his labour allows, so long as he leaves as much and as good for the as "yet unprovided".

§ 32. Nor was this appropriation of any parcel of land, by improving it, any prejudice to any other man, since there was still enough and as good left, and more than the yet unprovided could use. So that, in effect, there was never the less

⁶² Locke, *Of Property* Book Two, Chapter 5 § 30 <http://www.lonang.com/exlibris/locke/loc-205.htm>.

⁶³ Concerning Locke's Proviso see Jeremy Waldron, "Enough and as Good Left for Others," 29 *Phil. Q.* 319, 1979; Robert Nozick, *Anarchy, State and Utopia*, (1984) 175-182; David Gauthier, *Morals by Agreement* (1986) 190-232; and Lawrence C. Becker, "Deserving to Own Property", 68 *Chicago-Kent L. Rev.* (199) 609.

left for others because of his enclosure for himself. For he that leaves as much as another can make use of does as good as take nothing at all. Nobody could think himself injured by the drinking of another man, though he took a good draught, who had a whole river of the same water left him to quench his thirst. And the case of land and water, where there is enough of both, is perfectly the same.⁶⁴

However, Locke's proviso that the people could establish ownership over as much property as associated with their labour as they wished, *provided they left as much and as good for the other members of society* remains a limitation on the rights of creator/owners ensuring the right is not absolute, especially if it is at the expense of fellow citizens.

This proviso was intended to limit the problem often identified as the "Tragedy of the Commons". This problem pointed out that if there were no restraint upon those who would mix their labour with Nature's Bounty, there would be a race to maximize one's share of it in a limited commons. This situation would lead to an eventual inequity over who received what from Nature's Bounty based not solely upon how much work one did, but upon who was able to take the greater share first. Consequently in situations where resources were limited, those first to the trough would acquire much, while those unlucky enough to come later could not prosper as much no matter how hard they worked. Locke recognized that this type of situation would lead to the depletion of common resources without regard for the welfare of one's fellows. Economics are concerned with the allocation of scarce resources. Consequently, Locke's proviso is a critical aspect of the establishment of a claim to ownership.

2.6.7 Locke's Applicability to Intellectual Property

Locke's justification applies to tangible property, but it is not clear that the products of the mind of the creator are accurately called property. Our very use of the

⁶⁴ Locke, *Of Property* Book Two, Chapter 5 § 32 <http://www.lonang.com/exlibris/locke/loc-205.htm>.

term intellectual property betrays a bias in favour of the division of human knowledge into discretely owned bits of exclusively possessed property despite evidence that the collective ownership of knowledge maximizes its social benefit. Whether Locke's proviso indicates that Locke's justification of property rights can only apply to tangible exclusive use property or not is unclear for if one adds to the value of the village common (e.g. by means of network externalities) is there any reason to constrain non-rivalrous use of property?

Wendy Gordon⁶⁵ has argued against the absolute creator rights of ownership through a labour—desserts justification⁶⁶. She raises a number of concerns about the withholding of the creation by the creator, but characterizes the withholding as “harmless” “...since the creator is solely responsible for the creation, no one is harmed if the creation is withheld from the public entirely.”⁶⁷ Gordon mentions a “reliance argument” that shows “...the public can be worse off if a creation is offered and then removed than it would have been had the creation never been made.”⁶⁸ IPRs allow for the offering and removal of creations at the expense of the Public Good.

2.6.8 Public Good vs. IPRs

In Canada there is a long legislative tradition that demonstrates the priority of public good over IPRs. Probably where this is most apparent is in the provisions for redress of abuse of IPRs. In the *Canadian Patent Act*, s. 65 (2), there is a provision

⁶⁵ Gordon, Wendy. J. “A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property” *Yale Law Journal* 102, 1993, p. 1533- 1609.

⁶⁶ Writers who have argued for such absolute creator rights have included John Stuart Mill, *Principles of Political Economy* (1872) 142; and Steven N.S. Cheung, “property Rights and Invention”, in 8 *Research in Law and Economics: The Economics of Patents and Copyrights* 5,6 (John Palmer & Richard O. Zerbe, Jr. eds., 1986) as cited in., p. 5.

⁶⁷ Robert P. Merges, Peter S. Menell, Mark A. Lemley, Thomas M. Jorde, in *Intellectual Property in the New Technological Age*, New York: Aspen Law & Business, 1997 [hereinafter referred to as Merges, *Intellectual Property in the New Technological Age*], p. 4-5

which says that an abuse of a patent occurs if “(c) if the demand for the patented article in Canada is not being met to an adequate extent and on reasonable terms;”⁶⁹. The same section of the Act also cites (d) refusal to grant a license on reasonable terms, (e) the unfair prejudice of any trade or industry in Canada by the attachment of conditions to any license by the patentee and (f) the existence of the patent has been used by the patentee to unfairly prejudice the manufacture, use or sale in Canada of any materials not protected by the patent as abuse of patent situations.

One of the remedies for the abuse of patents has been compulsory licensing, when the refusal of the patentee to grant a licence on reasonable terms prejudices trade or industry in Canada, or the persons or class of persons trading in Canada, or the establishment of any new trade or industry in Canada and it is in the public interest that a licence would be granted, it is for the Commissioner to either grant a licence or revoke the patent⁷⁰.

Another similar provision to the compulsory licensing provisions of the *Canadian Patent Act* exists in the *Plant Breeders Rights Act*, s. 32(1) (2)⁷¹ granting compulsory licences to others. Section 35(1) (a), (b), (c), (d), and (e) of the *Plant Breeder's Rights Act* provide the circumstances by which the Commissioner may revoke the plant breeder's rights.⁷²

⁶⁸ Merges, *Intellectual Property in the New Technological Age*, as cited in p. 5.

⁶⁹ *Patent Act* R.S.C. 1985, c. P-4 [hereinafter cited as the *Canadian Patent Act*] s. 65(2)(c).

⁷⁰ *Canadian Patent Act* s. 65(2)(d). For the Powers of Commissioner in cases of abuse see s. 66 (1)(a) (c) (d). Compulsory Licencing provisions for pharmaceuticals were used extensively (helping to establish the generic pharmaceutical industry in Canada) until recent revisions in the 1987 *Patent Act*, modified such provisions with a Patented Medicines Prices Review Board to monitor prices. (Bill c-22)

⁷¹ *Plant Breeders Rights Act*, S.C. 1990, c.20 [hereinafter cited as *Plant Breeders Rights Act*] s. 32 (1) (2).

⁷² *Plant Breeders Rights Act*, s. 35(1) (a), (b), (c), (d), and (e).

The Canadian government has maintained yet another legislative check on the abuse of IPRs in the *Competition Act* with its anti-trust measures⁷³. One potential abuse of the statutory monopolies that is an intellectual property right is their use to keep others from the market place. While naturally occurring monopolies are legal it has long been understood that taking steps to perpetuate a naturally occurring monopoly is a restraint of trade. Anti-trust legislation, originally intended for industries considered essential to the economic well-being of the state such as the railways, oil production and utilities, exists to protect the wider society from those who would unduly exploit their position at a bottleneck of production to become wealthy at the expense of the wider society. Most countries have anti-trust statutes and competition tribunals. Certainly in Canada we do. In the *Competition Act*, under Part IV, Special Remedies, s. 32(1) discusses the powers of the Federal Court where certain rights are used to restrain trade.

The existence of these provisions demonstrates the government's concern that a balance be maintained between creator rights and the public good. They are evidence of the acknowledged need for checks on traditional IPRs. However, while these provisions seem like adequate protection it should be noted that, s. 32 (3) concerning treaties, etc. also provides that,

(3) No order shall be made under this section that is at variance with any treaty, convention, arrangement or engagement with any other country respecting patents, trade-marks, copyrights or integrated circuit topographies to which Canada is a party.⁷⁴

This provision could essentially gut the powers of the Federal Court in the face of international treaties, conventions, arrangements or engagements concerning the named

⁷³ *Competition Act*, R.S.C. 1985, c. C-34, as am. [hereinafter cited as the *Competition Act*], ss. 32(1) Powers of the Federal Court; 45 (1) Conspiracy; 61 Price Maintenance; Part VIII Matters Reviewable by Tribunal 77 Definitions; and 79 Prohibition where abuse of dominant position.

IPRs and a *sui generis* protection such as the *Database Directive* is not even named under the *Competition Act* as a potentially "abuse-able" IPR against which the public needs Federal Court protection. There is considerable pressure upon the Canadian government to adhere to international norms of IPR protection despite its own interests in balancing creator rights with the promotion of the public good through a set of checks and balances.

Rights owners do not always approve of these checks and balances. In fact, they are often seen as loopholes in IPR protection. In *SOCAN v CAIP* [2004] SCC Binnie J. has recently confronted this allegation of a "loophole" in the *Canadian Copyright Act*, s. 2.4(1)(b):

89 Section 2.4(1)(b) is not a loophole but an important element of the balance struck by the statutory copyright scheme. It finds its roots, perhaps, in the defence of innocent dissemination sometimes available to bookstores, libraries, news vendors, and the like who, generally speaking, have no actual knowledge of an alleged libel, are aware of no circumstances to put them on notice to suspect a libel, and committed no negligence in failing to find out about the libel; see *Menear v. Miguna*, (1996), 30 O.R. (3d) 602 (Gen. Div.), rev'd on other grounds 1997 CanLII 4432 (ON C.A.); (1997), 33 O.R. (3d) 223 (C.A.); *Newton v. City of Vancouver* (1932), 46 B.C.R. 67 (S.C.); *Sun Life Assurance Co. of Canada v. W. H. Smith & Son, Ltd.*, [1933] All E.R. Rep. 432 (C.A.). See generally R. E. Brown, *The Law of Defamation in Canada* (2nd ed. (loose-leaf)), vol. 1, at § 7.12(6).⁷⁵

He goes on to say,

131 Nevertheless, by enacting s. 2.4(1)(b) of the *Copyright Act*, Parliament made a policy distinction between those who abuse the Internet to obtain "cheap music" and those who are part of the infrastructure of the Internet itself. It is clear that Parliament did not want copyright disputes between creators and users to be visited on the heads of the Internet intermediaries, whose continued expansion and development is considered vital to national economic growth.

132 This appeal is only tangentially related to holding "the balance" between creators and users. Section 2.4(1)(b) indicates that in Parliament's view, Internet intermediaries are not "users" at all, at least for purposes of the *Copyright Act*.⁷⁶

⁷⁴ *Competition Act*, s. 32 (3). For current practice see: Competition Bureau *Intellectual Property Enforcement Guidelines*, <http://strategis.ic.gc.ca/SSG/ct01538e.html> pp. 1-13.

⁷⁵ Binnie J., *SOCAN v. CAIP* [2004] SCC 45, para 89.

⁷⁶ *Ibid.*, paras. 131-132.

Similarly regarding caching, the Court found:

Re caching

114 Parliament has decided that there is a public interest in encouraging intermediaries who make telecommunications possible to expand and improve their operations without the threat of copyright infringement. To impose copyright liability on intermediaries would obviously chill that expansion and development, as the history of caching demonstrates. In the early years of the Internet, as the Board found, its usefulness for the transmission of musical works was limited by "the relatively high bandwidth required to transmit audio files" (p. 426). This technical limitation was addressed in part by using "caches". As the Board noted, at p. 433: "Caching reduces the cost for the delivery of data by allowing the use of lower bandwidth than would otherwise be necessary." The velocity of new technical developments in the computer industry, and the rapidly declining cost to the consumer, is legendary. Professor Takach has unearthed the startling statistic that if the automobile industry was able to achieve the same performance-price improvements as has the computer chip industry, a car today would cost under five dollars and would get 250,000 miles to the gallon of gasoline: see Takach, *supra*, at p. 21. Section 2.4(1)(b) reflects Parliament's priority that this entrepreneurial push is to continue despite any incidental effects on copyright owners.

115 In the Board's view, the means "necessary" under s. 2.4(1)(b) were means that were content neutral and were necessary to maximize the economy and cost-effectiveness of the Internet "conduit". That interpretation, it seems to me, best promotes "the public interest in the encouragement and dissemination of works of the arts and intellect" (*Théberge, supra*, at para. 30) without depriving copyright owners of their legitimate entitlement. The creation of a "cache" copy, after all, is a serendipitous consequence of improvements in Internet technology, is content neutral, and in light of s. 2.4(1)(b) of the Act ought not to have any *legal* bearing on the communication between the content provider and the end user.

116 As noted earlier, SOCAN successfully relied on the "exigencies of the Internet" to defeat the appellants' argument that they did not communicate a "musical work" but simply packets of data that may or may not arrive in the correct sequence. It is somewhat inconsistent, it seems to me, for SOCAN then to deny the appellants the benefit of a similar "exigencies" argument. "Caching" is dictated by the need to deliver faster and more economic service, and should not, when undertaken only for such technical reasons, attract copyright liability.

117 A comparable result has been reached under the U.S. *Digital Millennium Copyright Act*, which in part codified the result in *Religious Technology Center v. Netcom On-line Communication Services, Inc.*, 907 F.Supp. 1361 (N.D. Cal. 1995), where it was observed, at pp. 1369-70:

These parties, who are liable under plaintiffs' theory, do no more than operate or implement a system that is essential if Usenet messages are to

be widely distributed. There is no need to construe the Act to make all of these parties infringers. Although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party.

See also M. B. Nimmer, *Nimmer on Copyright* (loose-leaf ed.), vol. 3, at p. 12B-13.

118 The European *E-Commerce Directive* mandates member States to exempt Internet Service Providers from copyright liability for caching (art. 13(1)).

119 In my opinion, the Copyright Board's view that caching comes within the shelter of s. 2.4(1) is correct, and I would restore the Board's conclusion in that regard.⁷⁷

There are, of course, similar anti-trust provisions both in the U.S. (*Sherman Act* and *Clayton Act*) and the E.C. In fact in Europe the recent refusal to license case, *Magill*⁷⁸ decided against the IPR holders by the European Court of Justice demonstrated that, even in countries which have acknowledged *droits des auteurs* more strongly, a recognition of public good can overcome an IPR. Nevertheless, the *sui generis* provisions of new cyberlaw provisions and the "stretching" of traditional intellectual property law creator rights in the area are indications of an erosion of the commitment to this recognition.

2.7 Natural Justice and Authors' Rights

2.7.1 Justifications for IPRs II: Personality Rights and Hegel

Civil Code countries and countries recognizing inalienable moral rights in the creator's creations have argued that a right of paternity (maternity?) is inherent within an inventor or creator's act of creation. These rights are inalienable and are akin to parental rights to their offspring. Based upon nineteenth century Romantic notions of the creative

⁷⁷ Binnie, J, *SOCAN v. CAIP*, paras 114-119.

⁷⁸ *Magill* European Court of Justice Cases C-241/91 P *RTE and ITP v. Commission* Judgment of the Court. 6 April 1995 ('*Magill*') See also, Thomas Vinje, "The Final Word on *Magill*: The Judgment of the ECJ" in "Comments" [1995] 6 EIPR 297-303.

genius IPRs justified under this philosophical viewpoint give an equitable claim to the control and use of an artist's creation to the artist. Being closely linked to parental rights, this right falls to the families of the creators upon their death. Wanting to avoid the situation of, for example, a Vincent Van Gogh who died penniless and under-appreciated while subsequent collectors and dealers made fortunes from his work, IPRs are justified as a necessary remedy to the inequity for the misunderstood genius. The philosophical justification fails to take into account the societal influence upon the creative genius and the resulting creator responsibility to share their discoveries with their fellow citizens. Hence the case for inequities is often overstated.

In the same way as parental rights over their children have been limited by Society's interest in the well-being of its future citizens, so limits to creator rights in the face of societal rights must be acknowledged. Inventors and authors and artists do not work in a vacuum, they are a product of the societies in which they were raised. Even Shakespeare owed a debt to the English culture in which he was educated and taught the elements of the English language. Even Mozart needed to know what music had been capable of before he could revolutionize it. Even Newton acknowledged that the greatest discoveries of the present are born on the shoulders of those who came before. To privilege the artist or author or inventor too much is to rupture the continuity of intellectual history and to deny the effort necessary to create any real progress.

While it is unjust to divorce completely the creator from their creation, it is also unjust to divorce the creator from his or her society despite their unique characteristics. The problem is how to encourage more innovation, not how to enable creators to withhold their inspiration from the rest of the society whence they came. Unfortunately

the Romantic notion of the Artist as someone special, someone “born under Saturn”⁷⁹ and destined for greatness, someone who should not be restricted by the same mores or conventions that condition the rest of society does not really solve that problem.

By focusing on only the art object produced by the creator the true nature of aesthetic experience is understated. Artists create art objects. Audiences make art objects “work”. When the artist puts down his or her tools and regards the object as done, he or she becomes the first (and potentially the most influential) audience that can make that art object into an art work. However, the fallacy of artistic intention, the privileging of anonymous works, the whole aesthetic process of appropriation and “found” objects have demonstrated that “artist-less” and “authorless” works can and do exist. Archaeologists are confronted with such works all the time and yet there is still much to be gained from their study. To state that there could be no art without artists, no literature without authors or no inventions without inventors is an oversimplification that underestimates the role of the audience. However, this emphasis on the role of the artist/author/inventor that is reflected in Romantic philosophy still has considerable influence, especially in Europe. Let us look at some of the important philosophers whose works have been influential in promoting the role of the original artist/author/inventor in the production of intangible property and the establishment of paternal rights.

2.7.2 Kant’s Theory of “Persona”

Immanuel Kant would consider the notion of “persona” in Roman law and arrive at a concept of persona as “a free and rational agent whose existence is an end in itself...personhood has no component of individual human differences, but rather by

⁷⁹ For a discussion of this concept of a sort of “manifest destiny” preordained by the heavens for artists see, Rudolf and Margot Wittkower, *Born Under Saturn: The Character and Conduct of Artists, a documented*

definition excludes the tastes, talents, and individual histories that differentiate one from another.”⁸⁰ Kant’s view of the person involved a conscious interaction between the person and their world. It was this conscious will to create that imbued the creator with personal rights in their creation.

Kant celebrates the creation of the person by right of law. Based on notions of *persona* in traditional Roman law Kant relates the exertion of paternity rights over one’s creations as related to the rightful exercise of personal freedom and therefore self-actualization. It can be argued that Kant’s theory of freedom for the individual is that the power the individual exerts over their possessions is a demonstration of their self-actualization as an autonomous being. So, for example, the exertion of exclusive rights of possession and enjoyment of real property is a demonstration of the individual’s assertion of their rights over that property against the world as a measure of the personal freedom that individual enjoys within society. Given the Romantic era’s celebration of the individual the celebration of the artist as the *über individual* would encourage a view that artists are the people most entitled to exert their rights of possession over their tangible creations.

However, when this is extended to intellectual or intangible property the entitlement is less clear. The difference between the economic exploitation of those personal rights and the equitable or personal moral rights is not anticipated by Kant in his writings. It is one thing to say that one’s association with a work of art or one’s paternity should never be confiscated as an equitable principle, but quite another for the exercise of exclusive legal rights of ownership and economic exploitation to be ceded to the author

history from antiquity to the French Revolution, London: Norton, 1963.

⁸⁰ Radin, *Property and Personhood*, p. 962.

or artist at public expense without limit. Radin calls Kant's conception of person "...merely a philosophical construct for abstracting principles of justice, and not the same as the notion of person in society or everyday life."⁸¹ Kant's celebration of the individual and of individual genius as worthy of recognition is the basis for moral rights as they have developed in Europe and even in Canada; however, the subjugation of those individual rights for society's benefit can be anticipated in Marxist dogma descended from Hegel's dialectic.

Georg Wilhelm Friedrich Hegel, 1770 – 1831, known for his description of the process of dialectics, described a triadic formula of thesis-antithesis-synthesis leading to a single cycle of spiral progress in the Arts and embodiment of the Absolute Infinite Spirit⁸². Hegel's nascent Darwinian evolutionary theory of Progress would prove especially influential in the writings of Karl Marx and Friedrich Engels. Dialectics as a mechanism for the advancement of Progress in the Arts would be particularly influential in European intellectual history.

2.7.3 Inalienable Personal Rights included in the IPR Bundle

Other rights often included (erroneously) within the economic, utilitarian bargain of incentive rights are moral⁸³ and neighbouring rights such as reputation (and protection against defamation). These are the rights referred to as part of the artist or author's "personalty". They include the right to be acknowledged as the creator of the innovative expression, the right of ascription. They are inherent in the act of creation and are, for the most part, inalienable from the author or artist. While moral rights in Canada may be

⁸¹ *Ibid.*, n. 13, p. 962.

⁸² W. Eugene Kleinbauer, *Modern Perspectives in Western Art History*, U of Toronto Press: Toronto, 1989, p. 25, see also n. 52 Jack Kaminsky, *Hegel on Art: An Interpretation of Hegel's Aesthetics*, Albany 1962.

waivable, they are not alienable. The very fact they are inalienable demonstrates that they are not an incentive right, but rather a personal one. However, in the bundle of intangible rights associated with the person there are others that may or may not be considered inalienable. For instance the comparison of privacy rights and the right to publicity provides us with an instructive example. Privacy rights are personal rights in Canada and linked with the *Charter* guaranteed protection of the security of the person. They are not alienable, but they are waivable. A person can grant permission for his or her image or private details to be made public, but they do not sell those rights.

However, publicity rights are those rights associated with the economic exploitation of the person's identity and they may be licensed or sold. Endorsement contracts, and promotions are the province of publicity rights. While publicity rights are better understood as a commodity with value worthy of legal protection in the U.S. (See *Midler v. Ford Motor Car Company*⁸⁴), protection of privacy rights and their attendant personal rights remedies are perhaps better understood and valued in the E.U. and other common law countries including Canada.

2.7.4 Equitable Right of "Paternity" over the Work

The privileging of the author/artist is based upon the Romantic Movement's mistaken notion of the role of the artist or creative artist as genius whose creations should be seen as only their own. This idea was, not surprisingly, very popular among authors of the 19th and 20th centuries.⁸⁵ It acknowledged a personal right somewhat like paternity

⁸³ *Les Droits moraux*. Moral rights are dealt with in the *Canadian Copyright Act* of Canada in s. 14.1. They are given the same term of protection as copyright, i.e. life of the author plus 50 years.

⁸⁴ *Midler v. Ford Motor Car Company* 849 F.2d 460 (9th Cir. 1988), *cert. Denied*, 503 U.S. 951 (1992).

⁸⁵ Note the many monographs devoted to individual artists going back to the tradition of Pliny and Vasari and continuing to the present day. For an appraisal of the Romantic era's notion of artistic genius, see especially the art historical writings of Rudolf and Margot Wittkower, *Born Under Saturn: The Character and Conduct of Artists*, London: Norton, 1963.

inherent in the act of creation and located in the person of the creative genius. It advances the notion that there is an inherent personal right owned by the creator of innovative expressions or inventions that cannot be and should never be alienated from the person who first created it. It is the basis of the exclusive right to attribution. It is ironic that the State today feels it has the right to intervene between parents and their offspring when the best interests of the offspring are not served by the exclusive ownership rights of the parent, yet it has a reluctance to intervene between the creator of an expression and its wide use when curtailed by the exclusive ownership right of the author/artist. It is not an economic right. It is an exclusive right to the creator. However, it is in direct conflict with collective rights in the expression.

This confusion of a personal right with an economic right is complicated by the ability of the creator to alienate, to sell, lease or license their intellectual property rights to another. This is especially complicated when the property alienated is intellectual property rather than a chattel. With chattels, when the rights are sold, the doctrine of exhaustion enables the purchaser for fair value to obtain the legal economic rights in the object purchased and the right to resell the object. The alienability of intangible intellectual property rights enables their economic exploitation and use of the IPR regime as an incentive to creation. While few would argue that the personal reputational right to attribution (or anonymity) for a work (moral rights) should be denied to the author, to confuse those rights with economic rights that have been alienated does damage to the entire process of alienation. In effect it undercuts the value of the rights alienated and is contrary to the creation of an incentive to the development of progress in the useful arts

and sciences. Yet in Canada moral rights are contained in the *Canadian Copyright Act*. It is no wonder that there is confusion.

This confusion arises largely because of the intellectual history of the idea of the author or artist as a special genius worthy of unique treatment described above. We are outraged at the inequity of the starving artist who turns out to be a misunderstood genius. Van Gogh is the prototypical example of such an individual. He was an artist who battled poverty his entire life, but whose paintings are now setting record prices for their current owners at auction. Yet the copyright regime was never really meant to deal with this inequity. The conflation of the personal rights that we would like to see visited on the artist and the whole process of providing incentives for the owners of IPRs to exploit those rights by sharing their expressions, inventions, logos or trade secrets with the public leads to an erosion of user rights at the expense of the public domain. This confusion of the types of rights granted by the use of IPRs leads to the ability of those who have acquired those rights through the allowed process of alienation from the original authors or artists to manipulate the availability of those works for financial gain.

2.7.5 Association with Romantic Era Notion of the Genius of the Artist

An extension of Kant's philosophical approach to property rights discussed by scholar Jane Radin⁸⁶ is that concerning the justification of property rights through the relationship between property and personhood. Radin explains that,

The premise underlying the personhood perspective is that to achieve proper self-development—to be a *person*—an individual needs some control over resources in the external environment.⁸⁷

⁸⁶ Radin, Margaret Jane. "Property and Personhood" *Stanford Law Review* 34, 1982, p. 957.

⁸⁷ *Ibid.*

Consequently the exercise of one's property rights is to be viewed as the full development of an individual's personhood rights because it is a manifestation of one's personal freedom. To be free from arbitrary confiscation of one's property without compensation is to be viewed as a free person. By extension then, to be a free person is to have realized one's full potential as an individual. The right to pursue the full development of one's potential as an individual is seen as a personal right. The use of this justification to assert a continuing connection between the economic fruits of one's labours and the creator that survives sale or alienation is a questionable extension of this logic that denies the individual's debt to the society within which they inherited the opportunity to better themselves economically.

2.7.6 Inalienable Personal Rights

A characteristic of personal rights is that they are attached to the individual. They are not alienable and they are more concerned with the personal dignity of the individual than their abilities to exploit those rights economically. Alienability then is a characteristic of economic rights, inalienability, such as in the case of moral rights or rights of reputation is characteristic of personal rights. The remedies available to the possessor of economic rights in a court of law are often different from those available to any possessor of personal rights in a court of law or equity.

2.8 The Question of Time Limited or Unlimited Copyright

Under the legal regime for trusts, perpetuities are illegal, unenforceable and to be avoided. Inalienable personal rights can last only as long as the individual who dies (but the legal entity known as a corporation could be perpetual). To grant perpetual copyright the society granting the right would have to agree to allow a portion of their expressive

language to be legally fenced off from use by all others in perpetuity. The government that would allow with unlimited copyright the expenditure of that common property in language, arguably a public trust, would surely be in breach of that trust. However, the government that allows the recognition of personal rights of the author for the duration of their lifetime would not be in such a position of breach. I would argue that it is the very alienability of the rights in the current copyright bundle that distinguishes between those rights that must be temporally limited by a specified term and those that could exist for the lifetime of the author or artist. In many of the so-called “artists’ rights” countries the emphasis on the personal moral rights has come at the expense of the utilitarian bargain. This has led to an imbalance that distorts the economic rights granted to authors and artists at the expense of the purchasers of those rights. On the other hand, in the so-called “utilitarian bargain countries” the emphasis on the exclusive economic exploitation of the rights granted and alienated has led to the concentration of the reward for innovation in the hands of others than the authors or artists. The yoke across these two types of rights, legal economic and personal moral has led to distortion at the expense of society in general. How are we to deal with this problem?

2.9 Injunctive and Prospective Relief for Equitable Rights

Foremost in dealing with the inalienable personal and moral rights of authors and artists is the choice of the appropriate equitable remedies for infringement of those rights. When we look to the case of *Snow v Eaton's Centre*,⁸⁸ we see the use of injunctive relief by the artist to protect his personal reputation concerning the *Flying Canada Geese* statue group. The artist, who is still living and who has a stake in his personal artistic reputation, launched the action. It successfully blocked the Mall owners, who owned the

work, with an injunction from tying Christmas ribbons around the necks of his geese. It is the most famous moral rights case in Canadian copyright law. It is notable that at this point in Canada moral rights are not alienable (only waivable) and the remedy open to Michael Snow was only an equitable injunction unless damages could be proven.

2.9.1 Restitution and Retrospective Damages Relief For Legal Rights

Now had Eatons' Centre caused a number of copies of Snow's geese to be made for sale at Christmas without acquiring the copyright for the work, they would have been liable for copyright infringement and the remedies could have included an accounting of sales and profits, restitution for lost sales to the rights holder (still presumably Snow) and retrospective damages for lost sales if they could be proven. In addition in both instances, moral rights and legal rights, infringement could be punished with punitive damages. However, Eatons' Centre did not make copies, and therefore did not infringe the copyright on the work. What they did was to infringe Michael Snow's personal moral rights and they could be prevented from doing so by injunction.

2.9.2 Bundle of Rights Theory

In the bundle of rights that are conferred upon authors or artists by society towards their creations, the right to exclusive economic exploitation is acknowledged by the limited statutory monopoly granted by governments to the authors and artists and first owners of these forms of incentives⁸⁹. This will most often take the form of the exclusive right to reproduce (copyright) or to authorize use (patent). This group of the bundle of rights afforded to the author, artist, inventor or first owner of copyright is an economic

⁸⁸ *Snow v. the Eaton Centre Ltd.* (1982) 70 C.P.R. (2d) 105 (Ont. H.C.).

⁸⁹ In the U.S. Constitution, Article I Clause 8, Congress is given the right to create laws "for the promotion of progress of Science and the Useful Arts". In the U.S. both the Patent Law regime and the Copyright Law regime are justified under this Constitutional authority.

right including the right of alienation so that the owner may exploit it economically for his or her own gain in recognition for their sharing of their innovation with the rest of society. This utilitarian bargain is the foundation of common law copyright and patent law.

2.9.3 Legal/Economic Rights: Exclusive Ownership

For the grant of copyright to be meaningful it must afford to its owner the exclusive legal right to control the economic exploitation of the work. This, in traditional copyright, has been the exclusive legal right to make or authorize to be made any copies of the work. In dealing with property held in rivalrous possession, the control of who can make copies or authorize the use of existing copies is the most important determinant of who can economically exploit the work. Whether by licensing, sale or rental, the exclusive owner of property that can only be held or used by authorization can exploit that use by charging royalties or rents or receiving the proceeds of sale for the property. However, the equation is complicated when the property in question is not held in one person's hands or another, but rather can be used simultaneously without diminishment by others at the same time (non-rivalrous possession). In such cases there may actually be a benefit that accrues to the original owner of the property by virtue of network externalities that increase the value of the property by its greater use. Generally this complication is only possible in regards to the use of intangible property.

2.9.4 Strict Liability for Infringement

When we examine the legal rights associated with real or even chattel property we discover a strict liability for such infringements as trespass, theft or conversion enforced often by resort to the criminal code. If the possessor of economic rights is deprived of

their property, or of the use and enjoyment of their property, the remedy is restitution and punitive damages against the person who has deprived the owner of their exclusive use of their property. Deprivation is identified as unjust and where it occurs strict liability remedies often obtain.

2.9.5 Alienability to Enable Economic Exploitation

Normally, in order for the granting of the statutory monopoly to be effective as an incentive for creation the rights holder must be able to exploit it economically. In other words to maximize the potential return to the creator for the creation of his or her work they must be able to alienate the right for compensation. For it is by the assignment or sale of the legal rights to the work that the author or artist receives monetary compensation for their invested labour and time in the creation of the work. The simplest, most direct method to put compensation into the hands of the author or artist is to allow him or her to sell the rights granted in the statutory monopoly. Publishers and others wanting their copies of the work provide the money that serves as compensation.

2.9.6 Restitution through Damages

One of the difficulties of the remedy of restitution through damages is how to prove the quantum of damages from infringement. For instance in the calculation of damages for pirate copies, the U.S. has argued for the multiplication of the number of pirated copies sold by the full retail cost of the infringed work in the rights owner's market. In Canada the requirement for an accounting of profits made is similarly used as a measure of the damages suffered by the rights holder at the hands of the infringer.

Unfortunately this quantum of damages is much inflated as it does not take into account

the basic economic principle of elasticity of demand.⁹⁰ Under this principle the buyer pays only that price that they are willing to pay or they forgo the purchase. To say that consumers will purchase the same number of copies of works at full retail as they will at deeply discounted pirate copy prices is pure fantasy. Depending upon how much the consumer wants the work and how much they could afford, the elasticity of demand determines where on the supply demand curve the price can be set. To arrive at the full retail value for legitimate copies for each pirated version would be to assume unlimited elasticity of demand (i.e. that the consumer would buy the work for any price up to and including the full retail.) In most parts of the world this just would not happen. To allow for the calculus of damages to be based on such an absolute value is to overstate the actual damages suffered by the rights holder and to understate the determination of the pirate copy price as a reflection of the true elasticity of demand for the item. Rather than assuming unlimited elasticity of demand it would seem more likely that the courts should assume the pirate copy price, minus the costs of manufacture as the true quantum of damages owed to the rights holder by the pirates. If the damages are overestimated it diminishes the claim for equitable remedy that the rights owner has against the alleged infringer. If, on the other hand the idea of the award is to deter piracy and express a societal abhorrence of the practice of copyright piracy, it should not be expressed in terms of damages, but rather in terms of punitive awards. The recognition of punitive awards as opposed to awards of restitution seems less certain and less well justified by the appeal to Equity than demands for restoration to the same economic position that the

⁹⁰ It may be that the award of damages is intended more as a punitive act to deter piracy than as a means of compensating the rights holder fairly. However, as there are provisions for punitive fines as well as compensation, this use of a damage award clouds the issue and contradicts the notion that damages are to put the wronged person back to where they would have been had the infringement not happened.

rights holder would have enjoyed before the infringement took place. Where this is important, as we shall see in Chapter 4 is in the representations to the *WTO* for countervailing economic sanctions in those cases where countries harbouring pirates refuse to live up to their *TRIPS Agreement* responsibilities and the rights holder's country seeks *WTO* enforcement. If punitive awards cannot be recognized as justified in foreign jurisdictions, inflated damage awards may allow them to be enforced with a more accepted equitable justification.

2.10 Equitable Rights

2.10.1 Moral Rights of Attribution and Integrity of the Work

Moral rights were adopted in the *Berne Convention* (s. 6 *bis*) and are well accepted in Civil Code countries. However despite some State copyright provisions for moral rights (particularly in California) they have not been adopted in U.S. Federal Copyright Law, even after the U.S. ratification of the *Berne Convention* in 1988. In Canada Moral rights (*Droits Moraux*) are detailed in s. 14.1 of the *Canadian Copyright Act*. Such rights are not alienable, but they are waivable in Canada, similar to one's personal rights with regards to reputation.

2.10.2 Moral Rights of Anonymity

Related to the moral right of attribution is the moral right to remain anonymous concerning a work. This right is related to the personal right of privacy and allows an author to seek injunctive relief against having their identity revealed without their consent. Once again this is a reputational right associated with the use of *noms de plume* and writing under a pseudonym. This right is also akin to the trade secret insofar as it allows for protection of information not already revealed to the public.

2.10.3 U.S. Tort of “Unfair Taking” or “Misappropriation”

*International News Services v. Associated Press*⁹¹ [hereinafter cited as *INS*] was a case decided by the U.S. Supreme Court early in the twentieth century. It had to do with the republishing of early edition newswire reports posted on bulletin boards from the East Coast of the U.S. to the West Coast by the defendants without the payment of royalties to the plaintiffs. According to Justice Pitney,

It is not to be supposed that the framers of the Constitution, when they empowered Congress ‘to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries’ (Cons., Art I, § 8, par. 8), intended to confer upon one who might happen to be the first to report a historic event the exclusive right for any period to spread the knowledge of it.⁹²

As there was no copyright in the news, the plaintiffs were left without a remedy under copyright law. In *INS* Justice Pitney speaking for the majority of the U.S. Supreme Court turned to unfair competition and adopted a new tort of misappropriation or “unfair taking” to provide a remedy. The Court found the defendant’s practice “unfair” because the defendants were seen as riding on the coat-tails of its competitors, the plaintiffs.

Justice Brandeis, in dissent, noted that,

An essential element of individual property is the legal right to exclude others from enjoying it...But the fact that a product of the mind has cost its producer money and labor, and has a value for which others are willing to pay, is not sufficient to ensure to it this legal attribute of property. The general rule of law is, that the noblest of human productions – knowledge, truths ascertained, conceptions, and ideas – become, after voluntary communication to others, free as the air to common use.⁹³

Brandeis J. went on to characterize the method by which *INS* obtained its information from Associated Press as “unobjectionable” and not misleading before concluding as

⁹¹ *International News Services v. Associated Press*, Supreme Court of the United States, 248 U.S. 215 (1918), *INS*.

⁹² As cited in Merges, *Intellectual Property in the New Technological Age*, p. 741.

⁹³ Merges, *Intellectual Property in the New Technological Age*, p. 746.

follows:

The rule for which the plaintiff contends would effect an important extension of property rights and a corresponding curtailment of the free use of knowledge and of ideas; and the facts of this case admonish us of the danger involved in recognizing such a property right in the news, without imposing upon news-gatherers corresponding obligations...

Courts are ill-equipped to make the investigations which should precede a determination of the limitations which should be set upon any property right in news or of the circumstances under which news gathered by a private agency should be deemed affected with public interest.⁹⁴

Brandeis J.'s dissent is informative as to why *INS* was not adopted in other common law jurisdictions. The tort and the case were expressly rejected in the U.K.'s leading case precedent.⁹⁵

2.11 Nature of Rights: Exclusive Individual vs. Collective

In the contemporary world facing globalization and *TRIPS Agreement* obligations for the protection of intellectual property rights such as copyright, many societies are faced with the problem of how to defend their collective knowledge against those who would appropriate it for their own use and profit. Indeed an important question in copyright is how to resolve the tension between artists' and authors' individual personal rights and the rights of the collectives that are the societies from which they are encouraged/allowed to use the common intellectual property to make original and creative expressions. For societies with a body of aboriginal or indigenous intellectual property, the appropriation and economic exploitation of this collective heritage by individual artists, authors and copyright assignees, especially when done without even

⁹⁴Merges, *Intellectual Property in the New Technological Age*, *ibid.*, p. 748.

⁹⁵*Swedac Limited v. Magnet & Southerns*, [1989] 1 F.S.R. 243 (Ch. 1988) at 249. See also *infra*, Robert Howell, in chapter 5, n. 95 in s. 5.6.1, for a discussion of the cases in other common law jurisdictions outside of the U.S. rejecting the new tort of misappropriation from *INS*.

acknowledgement of the cultural origins, seems like an unfair taking much akin to a new form of cultural imperialism.

One of the major difficulties with the application of copyright to cultural property is the tension between personal property rights and the collective right of expression of the public. It is this tension that so demands the limited temporal duration of copyrights, patents and other incentives to creators. Many proponents of the current copyright regime, and opponents of music downloading, claim that it is the artist's or the author's rights that most deserve protection against appropriation. They base this upon the utilitarian bargain justification, i.e. if the artist isn't paid there will be no art or intellectual property produced.

A similar utilitarian bargain is struck concerning trade-marks insofar as the owner of this alienable economic right is encouraged to use their trade-marks and trade dress in aid of consumer protection (consumer knowledge of the origin and standard of manufacture or provision of goods and services) for so long as the mark is "used" and managed commercially. The statutory monopoly granted to the trade-mark holder over the commercial use of their marks is renewable so long as the mark continues to fulfill this original function and so long as the owner continues to pay registration fees to the government authorizing exclusive ownership of the mark. Once again this right in the bundle is an economic right offered to the author, artist, corporate owner of the marks used in channels of trade and registered with the trade marks registry. While its temporal dimension is less pre-determined than either patent (20 years) or copyright (life of the author plus at least 50 years in most countries), it is determined by continued active use in trade and continued paid registration.

However, these are not the only rights conferred in intellectual property nor are they the totality of intangible property rights held in cultural property or personal expression. It is this view of intellectual property rights that receives emphasis in civil code, and the so-called “artist rights” countries. By including these rights with the incentive rights that can be alienated, countries run the risk of muddying the distinction between them.

When this distinction is blurred we often find that the nuances of the utilitarian bargain are lost in the process. Copyrights and patents are, because of the economic incentive justification and the exclusivity of possession of these rights, a legal statutory right of exclusive ownership granted for a limited period of time, akin to a real property right. Moral rights, because of their association with the personhood rights of the authors and artists are more like the equitable personal rights to reputation and privacy. These personal rights are not divisible from the individual and should not be limited in term for a living individual. Both the rights granted and the remedies available for infringement are different for these distinct types of intellectual property. To forget this can lead to calls for unlimited duration of copyright or patent term duration. It can undercut the position of the public domain and emphasize the censorial nature of the statutory monopoly granted.

2.12 Role of the Author or Artist

The privileging of author/artists is based upon a misapprehension of the process of the creation of an art-work or artistic expression. It is based upon an assumption of an artist-centred definition of the creative act found in the Romantic notion of the creative genius. It correctly points out that without the author or artist, no innovative expression

can be created. It incorrectly omits the role of the society within which that creative act must take place. In order for an expression to be intelligible or to have any meaning it must combine or recombine elements of common understanding in a new or innovative way. In other words, before a piece of writing in, say German, can be recognized as great German literature, the reader must be able to understand German. The idiom, the vocabulary, the syntax, the grammar, the cultural references, the history of German literature that preceded it, the current shared experience of the writer and the reader are indispensable to a full appreciation of the novelty and innovative nature of the work. The German author, or the author writing in German from another culture, must make reference to shared imagery, vocabulary, experience or cultural milieu or the nuances of the work are lost. It is a tree falling silently in a forest because there is no one to hear it.

For someone who is from outside that culture to make an intelligible statement within it is an act of appropriation. The fact that that very appropriation can provide a differing perspective or use of the shared cultural experience of those within that culture can be good or bad, but it is an appropriation of the collective experience of the language and culture of the audience. Appropriation is often seen as an aspect of imperialism and has a very negative connotation in modern parlance. This is because we are aware that the original collective sense of ownership or proprietorship over aspects of a culture is frustrated by the "unfair taking" of the dominant culture or imperial presence. This awareness makes us uncomfortable that there may be an inequity in the transaction that allows an interloper to wrest from its context the shared experience of the original collective without acknowledgment or permission. Yet it is the very nature of the cultural experience that by sharing it we add to its richness.

In terms of economics we refer to this enriching as the adding of network externalities. The taking of a cultural experience, say for example the music of Afro-Americans, may take it from its original context, but it can result in a wider appreciation of that cultural expression in the wider society. It has often been said or claimed that great music and art can bring disparate groups of humanity together. If so it is by the new shared cultural experience. By sharing this experience it comes to have a value far beyond what it originally had. Yet the member of the minority from whose experience the cultural expression is plucked can feel either pride that their culture is finally acknowledged for its inherent value or a sense of deprivation when that part of their culture is taken with no acknowledgment of its origins. The widening of the experience to include others outside of the collective may change the value of the experience for those inside the collective. The collective may feel aggrieved that they have lost something they identified as shared among themselves to the dominant culture, especially if the dominant culture re-contextualizes the experience in a different manner and fails to even "thank" the originating collective. Pursuit of these collective "rights" are not contemplated well in the personal property rights protection regime and this is reflected in the problems of standing faced by collectives wishing to assert their legal and moral rights in intangible collectively owned property through the copyright or patent right legislation.

As a society we recognize the importance of acknowledgment for the sources to which we refer. In academia, we constantly refer to the work of other scholars, and we have developed elaborate conventions to acknowledge our sources (i.e. obtaining permission, footnotes, endnotes, bibliographies and other references). In fact if scholars

do not acknowledge their debt to their sources, we call it plagiarism, and we censure them for trying to pass off the work of another as their own. Moreover, we praise the extensive use of references and acknowledgments with the accolade that the writing is “scholarly” and “well-researched”.

As a society we do not demand that the student or researcher pay the original author for the reference to their work, only that they acknowledge their moral rights. Similarly there is a growing sense that those who would appropriate the cultural expressions of another owe a duty to acknowledge their sources. Thus, although the colour field paintings that Barnett Newman created owed much to Navajo woven blankets, they are fundamentally a new expression quite separate from the original practices of the Navajo weavers. The Navajo are not entitled to a royalty for every painting Newman painted that resembles a weaving in design, but an acknowledgment of the origin of the large fields of colour should include the Navajos. These are the moral rights that must be kept separate in concept from the economic incentive rights that are embodied in the *U.S. Copyright Act* and the *U.S. Patent Act*.

It is the economic exploitation of moral rights that creates the imbalance between the various stakeholders in the use of cultural property. For the exclusive use of alienable (through sale or licensing) property rights cannot be sustained permanently without disadvantaging the public domain (the collective), and the termination of the right of attribution cannot be allowed to separate the creator from the extension of their personality, their creation. The latter is a personal right that must be associated with the individual.

2.13 Art "Objects" versus Art "Works"

As stated above, artists and authors make art objects. Audiences make art objects "work". An expression not understood by its audience expresses nothing to culture and diminishes the collective experience of cultural expressions. Cultural expressions are what constitutes the development of a culture and constitute the growth of the Public Domain. Culture is the sum of our experiences and a collective possession of all those who share them. Aesthetics are determined by the apprehension of cultural meaning. No genius can be recognized without an audience and no expression can be understood without a common frame of reference within which the author/artist and the reader/audience share some communication. Ergo, in any creative expression the author/artist owes a debt to the audience and culture that enabled it and the culture or audience owes a debt to the author/artist for their innovation. It is a symbiotic relationship and the art cannot work without the actions of both parties. To grant personal rights to the artist/author without acknowledging the collective rights of society in any given expression or innovation is inequitable. So to fail to acknowledge the inalienable right of the artist/author to be credited for their innovation is inequitable. Clearly both parties must have their contribution acknowledged and any awarding of exclusivity concerning the rights cannot be permanent.

The granting of exclusive rights to economically exploit the personalty right of the author for its owner demands alienability and temporal limitation. Yet it is this very use of exclusive rights to economic exploitation that forms the heart of the copyright and patent regimes. I would argue that the leaving as much and as good to others precludes the awarding of exclusive personalty rights of unlimited duration to individual members

of the collective. While the awarding of a limited time statutory monopoly for economic exploitation does not preclude the leaving of as much and as good to other members of society (they may just have to wait awhile to exercise their right to mix their labour with the common property that is the public domain), the awarding of economic control over permanent personalty rights does diminish the opportunities in the commons.

Consequently, they are fundamentally different and largely incompatible rights. This should be reflected in both the legal/economic remedies in legislation designed to encourage authors/artists/inventors to create (i.e. copyright and patent), and in the equitable rights of both individual artists and societies to recognize both their collective ownership and reputational stake in such innovations (i.e., moral rights).

2.14 Rivalrous vs. Non-rivalrous Ownership

One of the major problems encountered by students of intellectual property law is the analogy with real property law and the law of choses in action. Under traditional property law, exclusive possession and enjoyment of property is what an owner can expect to have. There are remedies available to owners who are victims of conversion, theft, deprivation of use, deprivation of enjoyment, and trespass. Remedies are available in criminal law as well as in private law, based upon the notion that to enjoy one's property one must own it exclusive of all others. It presupposes a rivalry between users of the property that must be settled by the determination of who has the exclusive legal right to own the property. As a society we value the recognition of the status of owner, and we defend the right of the rightful (read legal) owner to exclude all others from use or trespass so as to assure them that they will not be deprived of that to which they have secured title. For tangible and real property this concept works well. The state

recognizes legitimate claims of ownership and defends the right of the owner against those who would deprive them of that full use and enjoyment. However, when we consider the domain of intangible personal property the notion of deprivation may or may not be as appropriate. In tangible property law if I take another person's possession they no longer have it in their possession and they are deprived of its use. However, in intangible property law I may use another's property often without the consequence of depriving the original owner of use or even full enjoyment of their property. Indeed, we may both be using the property at the exact same time aware or unaware of the other user's presence. This type of deprivation-less ownership is referred to as non-rivalrous ownership and it does not really present the same problems as the ownership of tangible property. Without deprivation, concepts of theft and conversion are not really appropriate. However, concepts of trespass, invasion of privacy, breach of confidence and tarnishment may still have some application and in those cases the owner of the property may be deprived of the full enjoyment of his or her property.

Still in truly non-rivalrous ownership situations the original owner of the property may not be deprived of his or her privacy by other users of the property if the use can be done without awareness of other users. In addition even if trespass is known, the owner must prove damages to receive a remedy and in intangible property there may be use with no trace of presence. Probably the most serious tort that alternative users of the intangible property can do is to tarnish or diminish the value of the intangible property. In cases where statutory monopolies have been granted and where the license to use the property can be sold or rented to users a case can be made for diminished return for the license. However, in truly non-rivalrous ownerships this "diminished value" may be

offset by what economists call network externalities. This is a situation whereby the value of the property is not diminished but rather enhanced by wider use. For example, if the value of a computer program is x where x is determined by what people will pay to license the use of the program, it may be that if the program becomes the standard that everyone uses its marginal value will, in fact, increase despite the diminished per license return.

2.15 Value from Rarity vs. Network Externalities

In tangible property, often the value is determined by rarity and competition among rival would-be owners. This is the classic scenario of bidding up of the price. If a piece of property is in high demand and rare, the demand curve will increase the price of the property and hence its value as a function of the rarity of the desired or needed commodity. It is in such situations that the monopoly of ownership will produce the greatest rewards for the legal owner. However, in intangible property, the value of the property may not be affected by the supply curve, but rather by the marginal utility of the property as determined by its usefulness. So, while controlling supply against demand can allow for the raising of the price for one's property, the network externalities of widespread use can give added value to property over that property not so well known or used. This is one of the problems facing those who would put a value on knowledge.

Access to knowledge can be controlled and thus rarity of knowledge can be manipulated to raise its price. However, I would argue that the network externalities of a knowledgeable society are much higher than the short term profit that could be made by withholding knowledge from the marketplace. Consequently, encouragement of progress

in the useful arts and sciences is laudable, but the use of those incentives to censor society is repressive, short-sighted and does not serve the public interest.

Chapter 3

Characteristics of Existing Traditional IPR Protection Regimes

3.1 Introduction

This chapter will examine the characteristics of the existing traditional IPR regimes and move on from the history of traditional IPRs described in the previous chapter to discuss the current practice of intellectual property law in order to confront the issues facing IP lawyers in the age of cyberspace. A number of current cases in Canada, and in the U.S., will be referred to as examples of contemporary IP practice. The level of formality currently required to earn IPR protection for copyright, patents, trade-marks, and the duration of those protection regimes will be considered. Following the discussion of formalities and duration, everyday practical concerns of contemporary IP lawyers, including methods of anticipating and discouraging alleged infringement will be examined. This will include a discussion of causes of action, proof of infringement, remedies and defences against alleged infringement. The chapter concludes with some areas of particular interest, given the technological ease with which copies are made in the digital universe.

3.2 Necessary Formalities for Traditional IPRs

Historically, the statutory monopolies granted to authors, artists, inventors and providers of goods and services (copyright, patent and trademark protection) were only available provided a number of necessary formalities were observed. The establishment of the Copyright Registry, Patent Registry and Trademarks Registry are all surviving evidence of this earlier requirement. If one looks at patent and trademark disputes, one finds that the registration requirement remains an integral part of the process of gaining

government acknowledgement and protection of the creator[s]' exclusive legal claim. It is only in the case of copyright that we see a major relaxation in the need for these formalities. Because copyright, since the near universal adoption of the *Berne Convention*, no longer *requires* formal registration and because the duration of copyright protection is so much longer than patent protection, and does not require the renewals characteristic of trade-mark registration, it can be argued that it is in copyright law that we see the most obvious changes that indicate a tilting of the balance of rights to the creator side. However, it is still useful to examine the protection regimes for patents and trade-marks, as it is in their genesis that we see the original legislative intent of statutory monopolies in IP law.

3.3 Registration for Patents

A primary requirement a traditional patent is that the subject matter is original and non-obvious¹ to a person skilled in the art or science to which it pertains. In order to register a patent the applicant must fully disclose his or her new invention and it must not be obvious to someone skilled in the art with the level of knowledge current at the time of the application. The invention must be original in the sense that that it cannot have been previously disclosed. In the former "first to invent" system much patent litigation was concerned with disputes over which person was the first to create a new invention.

¹ *Patent Act* R.S.C. 1985, C. P-4, s. 28.3 [hereinafter referred to as the *Canadian Patent Act*] which states:

The subject-matter defined by a claim in an application for a patent in Canada must be subject-matter that would not have been obvious on the claim date to a person skilled in the art or science to which it pertains, having regard to

- (a) information disclosed more than one year before the filing date by the applicant, or by a person who obtained knowledge, directly or indirectly, from the applicant in such a manner that the information became available to the public in Canada or elsewhere; and

Disputes centred upon whether or not an invention was anticipated by other inventions and whether or not subsequent inventions were obvious extensions of the original patent. But the *Canadian Patent Act* also needed to clarify what was patentable and what was not and what specifications were required to obtain a patent. Earlier sections outlining this eventually led to s. 27 (3) of the *Canadian Patent Act* which details just what specifications of an invention a patent application must contain. It says:

S. 27(3) The specification of an invention must

- (a) correctly and fully describe the invention and its operation or use as contemplated by the inventor;
- (b) set out clearly the various steps in a process, or the method of constructing, making, compounding or using a machine, manufacture or composition of matter, in such full, clear, concise and exact terms as to enable any person skilled in the art or science to which it pertains, or with which it is most closely connected, to make, construct, compound or use it;
- (c) in the case of a machine, explain the principle of the machine and the best mode in which the inventor has contemplated the application of that principle; and
- (d) in the case of a process, explain the necessary sequence, if any, of the various steps, so as to distinguish the invention from other inventions.²

Subsection of s. 27 (8) explains what is not patentable. It states that an invention “must not be a mere scientific principle or abstract theorem.”³ It is this pared down version of what is not patentable from the *NAFTA Implementation Act*⁴ that demonstrates the removal of the prohibition against patents “...with an illicit purpose in view” contained in the former s. 27(3) of the *Canadian Patent Act*.⁵

(b) information disclosed before the claim date by a person not mentioned in paragraph (a) in such a manner that the information became available to the public in Canada or elsewhere.

² *Canadian Patent Act*, s. 27(3).

³ *Canadian Patent Act*, s. 27(8) “No patent shall be granted for any mere scientific principle or abstract theorem.”

⁴ *North American Free Trade Agreement Implementation Act*, S.C. 1993, c. 44, s. 192 [hereinafter referred to as NAFTA I A].

⁵ *Canadian Patent Act*, s. 27 (3) before the amendments of the NAFTA I A.

3.3.1 Timing of Patent Applications: First to Register versus First to Invent

Prior to 1989⁶ Canada offered patents to the first to invent, but now patents are granted to the first to apply to register -- more in accordance with European practice. Consequently the date of application has become the crucial record in the assertion of claims of ownership of the resulting grant of application. Disputes now are less concerned with who was the first to invent than who was the first to file an application with the Patent Office for a patent. This emphasis on the first to file rather than the first to invent has led to a harmonization of patent regimes that in turn enabled the *Patent Cooperation Treaty (PCT)*. This allows for patent applications in several jurisdictions within a given period of time, lessening the chance that a patent will be granted in one country while patent infringers safely copy the invention in another where the inventor has yet to obtain a patent.

3.3.2 International Patent Treaty and Jurisdiction of the Patent Office

Traditionally, as in the case of copyrights and trade-marks, patents were originally jurisdictionally bound. A patent granted in one country might not necessarily be recognized in another. The lack of reciprocal recognition of patents among countries led to non-tariff barriers to trade as inventors were loath to sell or reveal their inventions in jurisdictions where they had no patent protection. However, with the advent of the

⁶ "Substantial amendments (R.S.C. 1985, c.33 (3rd Supp.)) to the *Canadian Patent Act* were proclaimed effective October 1, 1989, bringing Canada into line with some 43 other countries as a member of the Patent Cooperation Treaty (PCT) of 1970." *Hughes and Woodley*, §1, p. 102. Note that on January 2, 1990 Canada adopted the PCT that was first negotiated in Washington June 19, 1970, (as amended September 28, 1979 and modified February, 3, 1984 and October 3, 2001 (as in force from April 1, 2002)), "Effective January 1, 1994, the *Patent Act* was further amended (S.C. 1993, c. 44) in compliance with the North American Free Trade Agreement. The principal amendments related to considerable watering down of the terms under which a government could obtain a compulsory license..." (*Canadian Patent Act*, ss. 19 and 19.1,) *ibid*.

*International Patent Treaty*⁷ and the *TRIPS* agreement⁸, patent rights are recognized and enforced in those countries that are *WTO* Members.⁹ While what is and what is not patentable varies from jurisdiction to jurisdiction (see the *Harvard Mouse* case in Canada discussed in Chapter 1), the advent of these new international patent treaties has led in some degree to an homogenization and harmonization of international patent law. The harmonization is seen as desirable in encouraging investment in research within those jurisdictions with at least a minimum level of protection. The Japanese Ministry of International Trade and Industry commissioned an April 1997 report that emphasized the need to strengthen patent rights in order to promote the development of breakthrough technologies.¹⁰ These will be more fully discussed in Chapter 4.

3.3.3 Full Disclosure of Best Method

As we see in s. 27(3)(c) of the *Canadian Patent Act* in the case of machines¹¹ inventors are required to disclose the invention in the “best mode”. Under the *Patent Rules* s. 80(1)(f) which came into force October 1, 1996¹² to withhold the “best mode” or full disclosure would make any patent vulnerable to attack for a lack of sufficiency, once the better mode was demonstrated by anyone else skilled in the art or science. In such a

⁷ *International Patent Co-operation Treaty (IPC Treaty)*, signed June 19, 1970. In the U.S. 28 U.S.T. 7645, T.I.A.S. No. 8733 (entered into force Jan. 24, 1978.)

⁸ *TRIPS*, see especially the 1994 Uruguay Round and subsequent initiatives.

⁹ The *WTO* is now estimated at 149 countries that are *WTO* members as of December 11, 2005 http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm, while *WIPO* estimates 183 member states <http://www.wipo.int/about-wipo/en/>.

¹⁰ *Commission on Intellectual Property Rights in the Twenty-First Century*” as cited in Toshiko Takanaka, “Patent Infringement Damages in Japan and the United States: Will Increased Patent Infringement Damage Awards Revive the Japanese Economy?” in *law.wustl.edu/journal/2/p.309/takanaka.pdf*.

¹¹ It is debatable whether or not the “best mode” disclosure requirement applies to other inventions but since *Bauer Nike Hockey Inc. v Regan*, [2001] F.C.J. No. 1839, November 29, 2001, 2001 FCT 1315 (Proth.) “where a plea of the lack of a best mode in respect of a patent, not relating to a machine, was allowed to stand” (*Hughes and Woodley on Patents*, 2nd Ed, Vol. I, LexisNexis Canada Inc. 2005, §31, p. 328), it seems likely.

¹² *Patent Rules*, SOR/96-423, s. 80(1)(f).

case the better mode could provide a successful attack on the claims of the original patent for non-disclosure of best mode. Hughes and Woodley state:

The requirement that a patentee set out the “best mode” in specification appears to have been extended to all manner of instances, not just machine, in a 1997 decision of the Federal Court Trial Division, in a summary judgment application where the Court held that the inventor has a duty with the fullest *bona fides* to describe the best way known to him/her of carrying out the invention and to leave no doubt as to what constitutes the invention in which a monopoly is claimed.¹³

In pharmaceutical patents a use for a compound might be patented as a medicine for a specific medical condition, but if it can also be used to treat another condition not described in the claims of the patent, a new patent can be obtained.

A patent may be granted for the new use of an old compound; there is inventive ingenuity in such discovery. However, the claims must be directed to such new use; claims directed to the compound itself are not patentable.¹⁴

3.3.4 Improvement Patents

Concerning any improvements inventors might make in a patented invention the *Canadian Patent Act* allows that the inventor of the improvement would be eligible to receive a patent, but prohibits economic exploitation of the new improved invention using the already patented invention without authorization from the patent holder for the originating invention until the original patent lapses¹⁵ or the original patentee grants a license to the new patent holder. Similarly, the original patentee could not exploit

¹³ *Hughes and Woodley, ibid.*, §31, p. 327, and in n. 5 on p. 328 names the case *Thomas & Betts Ltd. v. Panduit Corp.*, [1997] F.C.J. No. 487, 74 C.P.R. (3d) 185 at 190-199 (T.D.), rev'd on other grounds [2000] F.C.J. No. 11, 4 C.P.R. (4th) 498 (C.A.).

¹⁴ *Hughes and Woodley, ibid.*, §7, p. 128 and especially n. 5, p. 129 which cites, *Apotex Inc. v. Wellcome Foundation Ltd.* [2000] F.C.J. No. 1770, 10 C.P.R. (4th) 65 at paras. 64 and 72 to 94 (C.A.) aff'd [2002] S.C.J. No. 78, [2002] 4 S.C.R. 153.

¹⁵ See for example *Unilever PLC v. Procter & Gamble Inc.*, [1993] F.C.J. No. 117, 47 C.P.R. (3d) 479 (T.D.), aff'd without discussion on this point [1995] F.C.J. No. 1005, 61 C.P.R. (3d) 499 (C.A.) Note also that the *Canadian Patent Act*, s. 32. states: “Any person who has invented any improvement on any patented invention may obtain a patent for the improvement, but he does not thereby obtain the right of making, vending or using the original invention, nor does the patent for the original invention confer the right of making, vending or using the patented improvement.”

economically the improvement patent invention of the new patent until a cross-licensing agreement has been reached between the holder of the improvement patent and the original patentee. This situation can lead to “blocking patents” in some instances where an unwillingness to cross-license with one’s competitor may delay the arrival in the market place of an improved technology. This use of “blocking patents” could be seen as an abuse of the “pith and marrow” of the *Canadian Patent Act* because it frustrates the originating aim of the legislation—namely, to encourage inventors to fully disclose and share their inventions with the public to achieve further progress in the useful arts and sciences. Perhaps this is one of the reasons why the duration of patents has remained relatively shorter than copyright.

3.3.5 Patentability/Non-patentability of Inventions

The *Canadian Patent Act* defines “invention” in s. 2 in the following manner,

“**invention**” means any new and useful art, process, machine, manufacture or composition of matter, or any new and useful improvements in any art, process, machine, manufacture or composition of matter.¹⁶

The operative characteristics of an invention are that it is “new” and “useful”. Such inventions need not demonstrate public benefit, nor even legality or morality since 1994,¹⁷ when the requirement that an invention must have no “illicit object in view” was removed. Although common law countries do have patent laws descending from the *Statute of Monopolies* of 1624 which prohibited patents for inventions that were “mischievous to the state by raising prices of commodities at home, or hurt of trade, or

¹⁶ *Canadian Patent Act*, *ibid.* s. 2 Definitions.

¹⁷ See Vaver, *Intellectual Property Law*, p. 120 especially n. 32, “*Patent Act*, R.S.C. 1985, c. P-4, s. 27(3), prior to amendment by *North American Free Trade Agreement Implementation Act*, S.C 1993, c. 44, s. 192 [NAFTA I A].”

general inconvenient”¹⁸ and European countries have patent laws prohibiting the patenting of inventions that would be contrary to *ordre public* or morality,¹⁹ the post-1994 trend in American and European courts has been to find that genetic engineering patents (seen by some as immoral or contrary to the *ordre public*) are patentable.

As we saw in Chapter 1, this led to the granting of patents for the oncology mouse (also referred to as the “Harvard mouse”) in several jurisdictions in the world outside of Canada. In Canada, in 1982 the Patent Office followed the then controversial 1980 U.S. Supreme Court decision in *Diamond v. Chakrabarty*,²⁰ with the controversial Canadian case *Re Abitibi*. In *Re Abitibi* the Patent Office listed manufactured items it then thought were patentable as,

all micro-organisms, yeasts, moulds, fungi, bacteria, actinomycetes, unicellular algae, viruses or protozoa; in fact...all new life forms which are produced *en masse* as chemical compounds are prepared, and are formed in such large numbers that any measurable quantity will possess uniform properties or characteristics.²¹

Re Abitibi seemed to indicate that Canadian patent law would more closely follow American patent law. It seemed to indicate that higher life forms such as plants or animals would also be patentable. As mentioned in Chapter 1, the *Harvard Mouse* case demonstrates that this may not be the case. In 1989 the Supreme Court of Canada heard *Pioneer Hi-Bred Ltd. V. Canada (Commissioner of Patents)*²². This case involved the

¹⁸ See the *Statute of Monopolies, An Act Concerning Monopolies and Dispensation with Penal Law, and the forfeiture thereof* (1623), 21 Jac. 1, c. 3, [hereinafter referred to as the *Statute of Monopolies*], s.6(e).

¹⁹ See the *European Patent Convention*, 7 October, 1973, as am. By Decision of the Administrative Council of the European Organization of 21 December 1978, reprinted in *World Patent Law and Practice* (New York: Matthew Bender, 1996) [hereinafter *EPC*], or see *EPC*, art. 53(a) at <http://www.european-patent-office.org/legal/epc/e/ar53.html#53>.

²⁰ *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) [hereinafter referred to as *Chakrabarty*].

²¹ *Re Abitibi Co.* (1982), 62 C.P.R. (2d) 81 at 89 (Patent Appeal Bd. & Commissioner of Patents) [hereinafter referred to as *Abitibi*]. See Vaver, *Intellectual Property Law*, pp. 124-126 for a discussion of the patenting of life. At the time of that book, the *Harvard Mouse* case had not yet been heard by the SCC.

²² *Pioneer Hi-Bred Ltd. V. Canada (Commissioner of Patents)*, [1989] 1 S.C.R. 1623 [hereinafter referred to as *Pioneer*].

refusal of the Patent Office to grant a patent for a new hybrid soybean variety produced only "according to the laws of nature". The Supreme Court upheld the Federal Court of Appeal decision²³ that denied hybrid plants were a manufacture or composition according to the common and ordinary meaning of the terms. While "...the U.S. Patent and Trademark Office announced in 1987 that it would allow patents for 'non-naturally occurring non-human multicellular living organisms, including animals'", Canada adopted a position quite divergent from the U.S. (and apparently most of the rest of the world) wherein the patenting of higher life forms was prohibited for genetic engineering since the manufacture were "essentially natural biological processes."²⁴

However, in Canada it may be that the distinction between discovery of a natural phenomena, scientific principle or abstract theorem²⁵ and an invention has been drawn in a different place. With the growing capability of scientists to manufacture new compounds or inventions on the genetic or even atomic level, the distinction between a discovery and an invention that can be replicated is in flux. Where the inventor outlines the process whereby they can actively ensure the same result each time (i.e., in the genetic engineering of plant or animal characteristics to create a result predictably that would not naturally occur), the characteristic of the innovation seems to tend more toward an invention than simply a discovery or a naturally occurring phenomenon. Yet Canada's adherence to a distinction with regards to higher life forms seems to be based

²³ *Re Application for Patent of Pioneer Hi-Bred Ltd.* (1986), 11C.P.R. (3d) 311 (Patent Appeal Bd. & Commissioner of Patents), [1987] 3 F.C. 8 (C.A.) [hereinafter referred to as *Pioneer FCA*] aff'd on other grounds *Pioneer*, *ibid.*

²⁴ Canadian Intellectual Property Office, *Manual of Patent Office Practice*, [hereinafter referred to as *MOPOP*] §16.05, see Vaver, *Intellectual Property Law*, *ibid.*, n. 9, p. 115 and especially n. 52, p. 125.

²⁵ *Canadian Patent Act*, s. 27(8) under "What may not be patented", says "...no patent shall be granted for any mere scientific principle or abstract theorem."

upon moral or even religious principle²⁶. Of course, in the bio-tech industry this principle seems quaint, and potentially damaging to the development of a Canadian biotech industry concerned with genetic engineering.

3.3.6 Illegal Inventions

Despite the prohibition of the patenting of inventions that would be contrary to the *ordre public* or immoral or “mischievous to the state by raising prices of commodities at home, or hurt of trade, or general inconvenient”, it is still possible to patent an invention that can be used for an illegal purpose. Concerning the legality of such an invention David Vaver suggests that while,

A method for the better administration of crack cocaine presumably would still be rejected as not being “useful”—that is, against criminal law policy—but an invention with both legal and illegal uses (e.g., a deadlier handgun) would still be patentable.²⁷

So it would appear that patents of inventions that could be used for illicit purposes might be refused, if the invention has a legitimate use this would be unlikely. This is similar to the rationale used in the *Sony*²⁸ case in 1984, recently reaffirmed as good law in the U.S. in *Eldred v. Ashcroft*²⁹ that defeated a contributing to copyright infringement claim over the development of VCR technology. This has important ramifications for ISPs and the manufacturers of DVD burners or iPods or computers or photocopiers that could be used for copyright infringement. A legitimate use insulates the patented invention against criminal and civil liability for the actions of a third party unless, as in the cases of *Napster*³⁰, or *Grokster*³¹ other evidence can demonstrate the ISP

²⁶ It is important to remember that the Supreme Court of Canada split 5-4 against the patentability of the oncology mouse and to read the dissent. *Harvard College v. Canada (Commissioner of Patents)*, [2002] 4 S.C.R. 45; 2002 SCC 76 especially paras 1-4, 12 and 95-98 quoted in Chapter 1.

²⁷ Vaver, *Intellectual Property Law*, *ibid.*, pp. 121.

²⁸ *Sony Corp. v. Universal City Studios, Inc.*, (1984) 464 U.S. 417 [hereinafter referred to as *Sony*].

²⁹ *Eldred v. Ashcroft*, 537 U.S. 186 (2003) U.S. Supreme Court [hereinafter referred to as *Eldred v. Ashcroft*].

or manufacturer knew and encouraged the illegal activity and sought to profit thereby.

3.3.7 Maintenance of Fees and Registration

Given that a patent can be struck for the non-payment of fees and non-maintenance of the registration, an important part of the practice of the contemporary patent agent in the protection of a patent or the assailing of an existing patent for fatal flaws in its registration, is to carefully ensure the formalities of patent registration are met. The relatively recent Canadian *Barton No-Till* case³² demonstrated the importance that such formalities have for ensuring or for losing patent protection for the patent holder. The case had to do with the payment of the appropriate annual fees. Under Canadian patent law, a small entity or sole inventor pays only half of the annual fees of a larger company. When the patent application is made the patent applicant declares whether they are a large or small entity and pays the annual fees. There is a short period of time for correcting the rate if there has been a clerical error, but once that has passed the Registrar of Patents is powerless to allow for the patent holder who has paid the lower rate to correct this if they are a large entity. The patent can then be struck for the failure to pay the prescribed fee. In the *Barton* case, the entity was small at the time of application for one of its two patents that were being disputed in an alleged infringement action, but later became a large entity. It paid the small entity fee for both patents. When the changed status of the patent holder came to the attention of the Patent Office and the patent holder, the patent holder agreed to pay the differential between the small entity rate it had paid and the large entity rate it should have paid. The Registrar was in the

³⁰ *Napster Inc. v. A & M Records Inc.* 239 F.3d 1004, 1029 (9th Cir. 2001) [hereinafter referred to as *Napster*].

³¹ *MGM v. Grokster*, 545 U.S. 125 (2005) [hereinafter referred to as *Grokster*].

habit of accepting such corrections. The authority to do this was challenged by the defendant in the infringement action and the result was that it was determined that the Registrar did not have the jurisdiction to accept the late payments. However, the Court found that the status of the applicant for the patent at the time of the application determined the proper maintenance fees so the original patent was allowed to stand. The second patent that was applied for after the change of status to a large entity could not be saved and was struck from the Registry. The case demonstrates the abiding importance of formalities for patent law in Canada.

3.4 Registration for Trade-marks

As mentioned in Chapter 2, the adoption of the E.U.'s first to register trade-mark regime and the adoption of the *Madrid Protocol* by the U.S. has put the traditional "use" based trade-mark regime in other common law jurisdictions like Canada at a disadvantage in contemporary international trade-mark jurisprudence. The length of the process to establish "use" and the vulnerability of the registered mark in all international jurisdictions if it is successfully challenged domestically by a "central attack" within the first five years of registration, create a number of disadvantages for firms seeking to register their marks internationally in competition with "first to register" regimes.

3.4.1 Contesting "Use" in a Jurisdiction

Under the *Madrid Protocol*³³ the protection afforded a mark internationally is vulnerable to "central attack" to oppose or cancel registration domestically within five years of the first international registration of the mark. If such a central attack is

³² See *Barton No-Till*, see n. 21, Chapter 1 *supra*.

³³ *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks*, June 28, 1989, reprinted in *World Intellectual Property Organization, Protocol, Relating to the Madrid Agreement Concerning the International Registration of Marks* [hereinafter referred to as the *Madrid Protocol*].

successful domestically, all international marks also fall. For common law countries that emphasized demonstration of "use" rather than priority in filing an application for registration this is a distinct disadvantage. These countries often have long and uncertain opposition procedures that can threaten the status of a registered mark domestically and by extension, internationally. Marks are most vulnerable to attack in Canada during the application procedure to register them. Once the advertisement of an application for the registration of a proposed mark has been published in the *Canada Gazette*, any person who has paid the prescribed fee within two months, may file a statement of opposition with the Registrar.³⁴ If such a statement is filed, the Registrar will forward it to the applicant and the applicant has the right to file a counter statement.³⁵ The dispute can then be referred to the Registrar³⁶ for a decision that can be appealed to the Federal Court. Needless to say, this can be a lengthy and uncertain process. While it is true that the *Canadian Trade-Marks Act* says a registration is uncontestable

...in proceedings commenced after the expiration of five years from the date of registration of a trade-mark or from July 1, 1954, whichever is the later, no registration shall be expunged or amended or held invalid on the grounds of the previous use or making known referred to in subsection (1), unless it is established that the person who adopted the registered trade-mark in Canada did so with knowledge of that previous use or making known³⁷,

the reality is that the lengthy opposition procedure and the emphasis on use put common law jurisdictions at a disadvantage in securing protection for their marks internationally as distinct from those jurisdictions that emphasize registration over use. However, let us now look at the grounds for opposition that exist in the registration process.

³⁴ *Trade-Marks Act, An Act relating to trade-marks and unfair competition*, R.S.C. 1985, c. T-13, as am. . 8 [hereinafter referred to as the *Canadian Trade-Marks Act*], s. 38.

³⁵ *Canadian Trade-Marks Act*, s. 38(6).

³⁶ *Canadian Trade-Marks Act*, s. 38(8).

³⁷ *Canadian Trade-Marks Act*, s. 17(2).

3.4.2 Confusion with Already Existing Marks

There are a number of bars against the use of certain marks in the registration of marks.³⁸ Perhaps most important of these is the use of a mark that could confuse consumers because it is too similar to an already existing registered trade-mark,³⁹ unless all the existing marks with which the consumers might confuse the proposed mark are owned by the applicant for registration,⁴⁰ allowing the proposed mark to become one of a group or family of associated trade-marks. A proposed mark can be opposed if it can be shown that it would be confused by consumers with an already existing mark. Again this tends to be proved with the use of survey evidence, and the challenge to the mark is most often launched by the owner of the existing mark. Where there is substantial similarity between the logos or the trade dress of goods and services, there may be grounds for the opposition to the registration of a new mark. Of course if the existing mark can be expunged from the registry this bar is removed.

3.4.3 Disclaiming Elements of the Mark

Similarly where proper names, words or phrases within a mark cannot be registered without first acquiring distinctiveness, the proposer of the trade-mark or trade guise⁴¹ may disclaim those parts of the mark, logo or trade guise that offend the *Canadian Trade-Marks Act*. In such instances,

[t]he Registrar may require an applicant for registration of a trade-mark to disclaim the right to the exclusive use apart from the trade-mark of such portion of the trade-mark as is not independently registrable, but the disclaimer does not prejudice or affect the applicant's rights then existing or thereafter arising in the disclaimed matter, nor does the disclaimer prejudice or affect the applicant's right

³⁸ See David Vaver, *Intellectual Property Law*, p. 195-206.

³⁹ *Canadian Trade-Marks Act*, s. 12(1)(d), and see s. 6 for a discussion in the *Act* for "[w]hen [a] mark or name is confusing..."

⁴⁰ See *Canadian Trade-Marks Act*, s. 15.

⁴¹ *Canadian Trade-Marks Act*, s. 13.

to registration on a subsequent application if the disclaimed matter has then become distinctive of the applicant's wares or services.⁴²

3.4.4 Disallowed or Ineligible Marks

In the *Canadian Trade-Marks Act* there are a number of "Prohibited marks"⁴³ that can preclude their use in a registered trade-mark. Among these is the use of "...the name or the surname of an individual who is living or has died within the preceding thirty years."⁴⁴ In the case of surnames, it may become "...registrable if it has been so used in Canada by the applicant...as to have become distinctive at the date of filing an application for its registration."⁴⁵ In addition no one can register a mark that is "...the name in any language of any of the wares or services" for which it is used or proposed.⁴⁶ Similarly in the choice of marks for wines⁴⁷ or spirits⁴⁸, the use of certain geographical descriptors in the mark can be barred.⁴⁹

3.4.5 Genericide

Another important bar is that no one can register a mark that is deemed to use a generic word to describe the goods or services. Herein lies the true danger of dilution for the trade-mark holder. If the rights holder does not defend the exclusive use of the mark it may become generic and undistinguishable from other marks.⁵⁰ At that point it can be expunged from the registry.

⁴² *Canadian Trade-Marks Act*, s. 35.

⁴³ *Canadian Trade-Marks Act*, ss. 9 and 10 and see s. 12(1)(e).

⁴⁴ *Canadian Trade-Marks Act*, s. 12(1)(a).

⁴⁵ *Canadian Trade-Marks Act*, s. 12(2).

⁴⁶ *Canadian Trade-Marks Act*, s. 12(1)(c) and see Vaver, *ibid.*, p. 195.

⁴⁷ *Canadian Trade-Marks Act*, s. 12(1)(g).

⁴⁸ *Canadian Trade-Marks Act*, s. 12(1)(h).

⁴⁹ See *Canadian Trade-Marks Act*, ss. 11.12, 11.14, 11.15.

⁵⁰ See *Westwind Investments Ltd. v. Yannacoulis* (1990), 30 C.P.R. (3d) 231 (Fed T.D.) and *Laflamme Fourrures (Trois-Rivières) Inc. v. Laflamme Fourrures Inc.* (1986), 21 C.P.R. (3d) 265 (Fed. T.D.).

Bell Canada's registration of WATS, CALLING CARD, and 900 SERVICE were recently expunged because Bell had not exercised control over the ways regional telephone companies used the marks Bell had licensed to them.⁵¹

It is no wonder that Xerox invested so much in policing the use of the word "Xerox" in place of the word "photocopy" or "copy" in an attempt to avoid having their company name becomes generic. Depending upon the widespread use of the term, policing unauthorized use may not be enough to protect it against becoming generic. In such cases the network externalities of the term have given it a social value beyond its trade-mark function. Indeed the term associated with the item may come to be the most efficient way to express what the item is or does. When that happens, the term may become irretrievably lost to the public domain and no longer available to be staked off within the bounds of the granted statutory monopoly that is trade-mark.

The famous example of this is the use of the word "shredded wheat" coined originally by the Canadian Shredded Wheat Company⁵² but used successfully by the Kellogg Company when the patent on the process of manufacture expired.⁵³ Kellogg was able to oppose the registration of the term "shredded wheat" by Nabisco by persuading the Court that the term had become generic during the term of the patent and that further protection of the description of manufacture for Nabisco would infringe upon the rights of the Kellogg Company to not only make the article, but also "...to use the term by which the public knows it..."⁵⁴ The case stands for the principle that so called "back

⁵¹ Vaver, *Intellectual Property Law*, *ibid.*, p. 191, see especially n. 72 which cites, *Unitel Communications Inc. v. Bell Canada* (1995) 61 C.P.R. (3d) 12 (Fed. T.D.).

⁵² Later the National Biscuit Company or Nabisco.

⁵³ *Canadian Shredded Wheat Co. v. Kellogg Co. of Canada*, [1938] 1 Al E.R. 618 (P.C.), further proceedings [1939] S.C.R. 329 [hereinafter cited as *Shredded Wheat*], see also Vaver, *Intellectual Property Law*, *ibid.*, pp. 195-6 and see especially p. 196, *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111(1938) and *Shredded Wheat Co. Ltd. v. Kellogg Co. of Great Britain Ltd.* (1939), 57 R.P.C. 137 (H.L.).

⁵⁴ Brandeis J. in *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111(1938) at 116.

door patents” would not be allowed.⁵⁵ In it the Court cited “...*Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896) for the proposition that once a patent on a device expires, the name by which that device has been sold also enters the public domain.”⁵⁶ *Merges et al.* point out that in U.S. law that cannot always be the case because many formerly patented articles are still sold under the same trade-mark. He suggests that “...it is only when the name itself is ‘essentially necessary’ to the sales of the product—that is, when the name is generic—that trademark protection should not survive the expiration of a patent.”⁵⁷ This is to be contrasted with other examples of “trade-mark genericide” such as “Murphy-bed”.⁵⁸ However, it is useful to point out that in *Shredded Wheat*, the American Court was considering whether or not the term “shredded wheat” was registrable after the patent and the use of the term by the Shredded Wheat Company had already been long established.

When we look to Canadian law, most notably the *Lego* case, we find a similar judicial distaste for “backdoor patents” or the extension of the period of protection by the piggy-backing of trade-mark protection on the expired patent protection. Hence we have the reassertion of the doctrine of functionality as a bar for the registration of trade guise. Genericide of a trade-mark has happened in the use of “gramophone” and “nylon” which were formerly trade-marks.⁵⁹ Yet courts are reluctant to remove existing registered trade-marks protection from owners still using the marks within channels of trade. For example, in the *Thermos*⁶⁰ case in both Canada and the U.S.⁶¹ the trade-mark holders

⁵⁵ See *Merges, Intellectual Property in the New Technological Age*, 681.

⁵⁶ *Merges, ibid.*, p. 706.

⁵⁷ *Merges, ibid.*

⁵⁸ *The Murphy Door Bed Co., Inc. v. Interior Sleep Systems, Inc.* 874 F.2d 95 (2d Cir. 1989) (U.S.C.A.).

⁵⁹ *Vaver, Intellectual Property Law, ibid.*, p. 190.

⁶⁰ *Alladin Industries Inc. v. Canadian Thermos Products Ltd.*, [1969] 2 Ex.C.R. 80 [hereinafter referred to as *Canadian Thermos*].

were able to avoid having their mark expunged because a significant minority of consumers felt the distinctiveness of the mark was established.⁶² Interestingly in the U.S. the competitors had to use the word “thermos” without a capital “T”, with their own brand name and without using words like “genuine” or “original”.

3.4.6 Expunging Registration for Non-payment of Fees

Despite the courts’ reluctance to remove trade-mark protection from already registered marks, it is important to note that the Canadian Trade-Mark Registry can be amended by the Registrar, on application by the registered owner of a trade-mark,⁶³ or by operation of the statute itself “...by any person who pays the prescribed fee.”⁶⁴ The *Canadian Trade-Marks Act* s. 46 (1) tells us that,

The registration of a trade-mark that is on the register by virtue of this Act is subject to renewal within a period of fifteen years from the date of the registration or the last renewal.⁶⁵

And, in s. 46(3) that,

If within the period of six months specified in the notice, which period shall not be extended, the prescribed renewal fee is not paid, the Registrar shall expunge the registration.⁶⁶

It is worth noting that the Registrar is compelled by the language of the *Canadian Trade-Marks Act* to expunge the registration in such instances, without a discretion in such matters.

⁶¹ *American Thermos Products Co. v. Aladdin Industries Inc.*, 27 F.Supp.9 (D. Conn 1962), aff’d (*sub nom. King-Seeley Thermos Co. v. Aladdin Industries Inc.*), 321 F.2d 377 (2d Cir. 1963) [hereinafter referred to as *American Thermos*].

⁶² Vaver, *Intellectual Property Law*, p. 190.

⁶³ *Canadian Trade-Marks Act*, s. 41.

⁶⁴ *Canadian Trade-Marks Act*, s. 44, s. 45, s. 53.

⁶⁵ *Canadian Trade-Marks Act*, s. 41(1).

⁶⁶ *Canadian Trade-Marks Act*, s. 46(3).

3.5 Registration for Copyright

Registration formalities for copyright protection used to be much more onerous before the adoption of the *Berne Convention* at the end of the nineteenth century. This is reflected in U.S. insistence upon greater formalities under the *U.C.C.* regulations until it finally adopted Berne at the end of the 1980s. However, in Europe, the Commonwealth and other *Berne Convention* countries, the formal requirements needed to secure copyright protection have diminished except for the advantage such registration provides as evidence in disputed copyright ownership disputes. Merges *et al* describe the current U.S. situation as follows:

Copyright 'formalities' are requirements imposed on authors by the government that are necessary to obtain copyright protection but that do not relate to the substance of the copyright. The United States has traditionally had four such formal requirements: notice of copyright, publication of the work, registration of the work with the Copyright Office, and deposit of a copy of the work with the Library of Congress. Over the past century, U.S. law has progressed from a regime in which failure to adhere to certain technical requirements resulted in forfeiture of copyright protection to the current regime in which formalities are largely voluntary and failure to comply does not risk forfeiture.⁶⁷

3.5.1 *Blue Crest Music* and The Nature of Copyright

In Canada a number of cases have been heard at the Supreme Court having to do with copyright law subsequent to the *Canadian Admiral* case. When Canada overhauled its *Copyright Act* of 1921 (in force in 1924 and amended in 1931) in 1988 (it was just the first of several substantial amendments to the *Canadian Copyright Act* in 1993 and 1994), it began a process of drafting of copyright law in this country that continues to the present day. In fact a copyright law bill died on the order table in the last days of the Paul Martin Liberal Government in the fall of 2005⁶⁸. Until new laws are drafted Canada will

⁶⁷ Merges, *Intellectual Property in the New Technological Age*, *ibid.*, p. 345.

⁶⁸ Bill c-60.

continue with those already enacted and with the traditional interpretation of these laws as they have come down to us through case law from common law. However, as Justice Binnie of the Supreme Court has recently told us,

Copyright in this country is a creature of statute and the rights and remedies it provides are exhaustive: *Compo Co. v. Blue Crest Music Inc.*, [1980] 1 S.C.R. 357, at p. 373; *R. v. Stewart*, 1988 CanLII 86 (S.C.C.), [1988] 1 S.C.R. 963; *Bishop v. Stevens*, 1990 CanLII 75 (S.C.C.), [1990] 2 S.C.R. 467, at p. 477...⁶⁹

Compo Co. v. Blue Crest Music Inc. sets out the exhaustive list of rights and remedies available under the statute in Canada today.

3.5.2 Formalities

Starting with the U.S. 1976 *Act* that allowed copyright protection to begin upon creation of a work and not publication, followed by the ratification and the subsequent near universal adoption of the *Berne Convention* and *TRIPS*, there are few copyright formalities required to obtain copyright protection any longer. In the U.S, the adoption of the *Berne Convention*⁷⁰, effective March 1, 1989, has led to the diminished use of the *Universal Copyright Convention*⁷¹ [hereinafter cited as the *UCC*]. The U.S. had promoted the *UCC* as an alternative to *Berne* before 1989. Embracing *Berne* (which afforded copyright protection with fewer formalities) has diminished the need to apply the © symbol with the author's name and date to a work to attract copyright protection. There can be an evidentiary advantage to the author for the continued use of these formalities in cases where the date of first composition of a disputed work needs to be established. The use of the *UCC* symbols and the registration of works with the Library

⁶⁹ Binnie J, *Théberge v. Galerie d'Art du Petit Champlain inc.*, [2002] 2 S.C.R. 336, 2002 SCC 34 (CanLII) (2002), 210 D.L.R. (4th) 385; (2002), 17 C.P.R. (4th) 161; (2002), 23 B.L.R. (3d) 1 at para 5 p. 345.

⁷⁰ *Berne Convention*, ratified by the U.S. effective March 1, 1989.

of Congress or the National Library in Canada to prove when a work was first published provide strong evidence of priority in composition. However, in the modern era of the *Berne Convention* this is not required to qualify for copyright protection, only for proving the date of first publication. *Berne* established copyright protection for non-published works so long as they have achieved fixation.

In Canada we have an official *Copyright Registry* that can provide the evidentiary advantage of first publication and remains as a remnant of Canada's adoption of the *UCC*⁷² prior to the U.S. adoption of *Berne*. However, since Canada is signatory to *Berne*, the relaxed requirement for copyright formalities in civil code countries has long been established here. Still one may well encounter the © followed by the author(s)' name and a date on Canadian works. The adoption of *Berne* does not mean there are no formal requirements for a claim of copyright protection. It simply means that registering copyright is no longer required, nor is the use of the *UCC* symbol needed to establish entitlement to copyright protection.

3.5.3 Fixation

In U.S. copyright law⁷³ expression in a fixed form is a requirement for copyright protection. In Canada, the requirement for fixation was not expressed in the *Canadian Copyright Act* but has been established by common law. The important case that dealt with the need for fixation in copyright law in Canada was *Canadian Admiral v.*

⁷¹ In Canada the convention can be accessed at the *Universal Copyright Convention (1952)*, Can. T.S. 1962 No. 13.

⁷² *Universal Copyright Convention (1952)*, Can. T.S. 1962 No. 13.

⁷³ 17 U.S.C. § 102 (a) "Copyright protection subsists ... in original works of authorship *fixed* in any tangible medium of expression, now either known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." [emphasis added].

*Rediffusion Inc.*⁷⁴ The issue of fixation is most important when comparing inexact copies or derivative works. Fixation enables the establishment of a benchmark by which priority of invention and comparative analysis of alleged infringing works is made possible. To determine whether or not a work is substantially similar there must be a comparison, and fixation ensures that comparison is to the work that preceded the infringing copy.

3.5.4 *Théberge* and Fixation

There have been very important and relatively recent Supreme Court of Canada comments on the need for fixation in Canadian copyright law, notably in *Théberge*, Binnie J. said:

V. Expansion of the Economic Right

24 My colleague, Gonthier J., proposes that we should treat the movement of the same physical layer of inks around different substrates as a violation of the respondent's s. 3(1) right "to produce or reproduce the work . . . in any material form whatever". More specifically, he identifies "fixation" as an act of reproduction, and therefore fixation of the ink layer to a new substrate as an infringement of copyright, at para. 147:

Fixation of the work in a new medium is therefore the fundamental element of the act of "reproduc(ing) . . . in any material form whatever". . . . Reproducing a work therefore consists mainly of the subsequent non-original material fixation of a first original material fixation. [Emphasis in original.]

25 "*Fixation*" has a relatively well settled but rather different connotation in copyright law. It distinguishes works capable of being copyrighted from general ideas that are the common intellectual "property" of everyone:

Thus a copyright springs into existence as soon as the work is written down or otherwise recorded in some reasonably permanent form ("fixated").

(H. Laddie et al., *The Modern Law of Copyright and Designs* (3rd ed. 2000), vol. 1, at para. 1.2)

26 My colleague proposes that the idea of "fixation" be carried forward into the physical composition of the work embodying the copyrighted expression, so that

⁷⁴ *Canadian Admiral v. Rediffusion Inc.*, [1954] Ex.C.R.382, 20 C.P.R. 75, 14 Fox. Pat. C. 114 [hereinafter cited as *Canadian Admiral*].

substitution of one backing for another constitutes a new "reproduction" that infringes the copyright holder's rights even if the result is not prejudicial to his reputation.)⁷⁵

The findings of the Court in *Théberge* were that the copyright holder's copyright was not infringed because no "copy" was made in the creation of the alleged infringer's version of the poster work. As the *Act* protects the right holder from unauthorized copies, there could be no remedy including interlocutory seizure in this instance. Let us move on to other works wherein the number of copies can affect the protection afforded by the *Canadian Copyright Act*.

3.6 Distinction from Industrial Design

Not all copyright protection is the same. For example, when a copyrighted design is applied to a finished "useful article" (or where the article is a plate, engraving or cast and used for producing more than fifty useful articles (s. 64(2)(b)) with the permission of the copyright holder (except for decorative sculpture) it is protected by copyright until more than fifty (50) copies have been made.⁷⁶ After fifty copies have been made, there is no further copyright protection if the work is used as or for

- (a) a graphic or photographic representation that is applied to the face of an article;
- (b) a trade-mark or a representation thereof on a label;
- (c) material that has a woven or knitted pattern or that is suitable for piece goods or surface coverings or for making wearing apparel;
- (d) an architectural work that is a building or model of a building;
- (e) a representation of a real or fictitious being, event or place that is applied to an article as a feature of shape, configuration, pattern or ornament;
- (f) articles that are sold as a set, unless more than fifty sets are made; or
- (g) such other work or article as may be prescribed by regulation.⁷⁷

Section 64(4) goes on to tell us that neither the limitation of protection nor the exceptions to it apply to

⁷⁵ Binnie J, *Théberge v. Galerie d'Art du Petit Champlain inc.*, [2002] 2 S.C.R. 336, 2002 SCC 34 (CanLII) (2002), 210 D.L.R. (4th) 385; (2002), 17 C.P.R. (4th) 161; (2002), 23 B.L.R. (3d) 1, at para 25.

⁷⁶ See *Canadian Copyright Act*, s. 64 (1) "useful article", and 64 (2) *Non-infringement re certain designs*.

...designs created [before] the coming into force of this subsection and section 64 of this Act and the *Industrial Design Act* as they read immediately before the coming into force of this subsection, as well as the rules made under them, continue to apply in respect of designs before that coming into force.⁷⁸

Presumably the reason for section 64 in the *Canadian Copyright Act* is because the appropriate IPR protection for such designs can be found under the *Industrial Design Act*.⁷⁹ Similarly s. 64.2 of the *Canadian Copyright Act* does not apply to topographies or designs intended to generate integrated circuit topographies as these are protected under the *Integrated Circuit Topography Act*.⁸⁰ These two Acts grant ten years (10) of protection of the exclusive rights gained by registration of the designs on either useful articles or integrated circuit topographic boards. They can be seen as *sui generis* legislation for the protection of these two categories of IP.

3.7 Patent Duration

Originally patents were granted for a period of only 14 years or less⁸¹. Until October 1989 this was followed by a period of 17 years after granting the patent.⁸² Currently, patents in Canada are granted for 20 years after the date of filing.⁸³ Of course

⁷⁷ *Canadian Copyright Act*, s. 64 (3).

⁷⁸ *Canadian Copyright Act*, s. 64 (4).

⁷⁹ *Industrial Design Act*, R.S.C. 1985, c. I-9, as am. [hereinafter referred to as the *Industrial Design Act*].

⁸⁰ *Integrated Circuit Topography Act, An Act to provide for the protection of integrated circuit topographies and to amend certain Acts in consequence thereof*, S.C. 1990, c. 37 as am. [hereinafter referred to as *Integrated Circuit Topography Act*].

⁸¹ See the *Statute of Monopolies*, s. 6.

⁸² *Canadian Patent Act*, ss. 45. (1) and (2) which say:

- (1) Subject to section 46, where an application for a patent is filed under this Act before October 1, 1989, the term limited for the duration of the patent is seventeen years from the date on which the patent is issued.
- (2) Where the term limited for the duration of a patent referred to in subsection (1) had not expired before the day on which this section came into force, the term is seventeen years from the date on which the patent is issued or twenty years from the filing date, whichever term expires later.

⁸³ *Canadian Patent Act*, s. 44 which says:

this now makes the date of filing the crucial determinant of duration. It is important to note that unlike the period of copyright duration, the duration of patents has not been substantially lengthened over the years. One is left to wonder if the incentive to invent is somehow less in need of improvement or if the incentive to express oneself is to be valued more than the incentive to share one's invention with the commons.

3.8 Copyright Duration

Originally, like patents, copyrights were awarded for a duration of only 14 years. A surviving author was later able to renew the copyright for a second 14-year term upon application. This led to a 28-year period of copyright duration in total, provided the author was still living and able to apply. There was no posthumous right of copyright protection for authors at this time.

3.8.1 *Talfourd Act 1842*

The *Talfourd Act* of 1842 established the first posthumous period of copyright protection for authors by determining the duration of copyright as 42 years from publication or the end of the year of the death of the author plus 7 years, whichever was longest. The Act is named for Serjeant Talfourd who, in 1838 introduced a bill calling for a period of some 60 years after death of the author, but this bill did not pass. In 1841 he reintroduced the compromise bill and Canada inherited the *Talfourd Act*. Interestingly, the opposition to Talfourd's 1838 bill in the House of Lords came from an author member who argued that the *amateur* status of the authors would be lost with the

Subject to section 46, where an application for a patent is filed under this Act on or after October 1, 1989, the term limited for the duration of the patent is twenty years from the filing date.

passage of such a bill.⁸⁴ It is this initial granting of a posthumous period of protection that would be extended in subsequent years.

3.8.2 “Dickens” Provision

The problem of alienable copyrights has always been that, while they allow for the economic exploitation of the work, they are inherently liable to apportion the benefits of the incentive in favour of the assignee who can wait for these rights to appreciate in value rather than the author and his or her family who need the incentive at a time before the final value of those rights can be determined. This liability can lead to the undervaluing of the incentive by the author in his or her pricing of their assignment. In such instances, the incentive value of the rights for the actual creators is diminished as a larger portion of the economic rewards for the activity must be given to the middlemen assignees. Now, if the statutory monopoly that is copyright is intended as an incentive to the author to create, this is economically inefficient. If, on the other hand, the statutory monopoly that is copyright is intended to protect a personal or moral right of the author, its alienation leads to inequity, since the creator and his/her heirs can be separated from the work. This was precisely the problem reversionary rights and the Dickens provision were intended to address. While the Dickens provision and reversionary rights have been rejected as a response to this inequity in some jurisdictions, the problem of an inequitable apportioning of posthumous royalties for the heirs of authors continues to be recognized, even as late as 2002 in the so-called “Artist Rights” civil code countries. In fact as Jonathan Little says,

Effective from 1st January, 2002, the German *Bundestag* (Parliament) introduces a new law to provide for collective bargaining between organisations representing

⁸⁴ See Sunny Handa, *Copyright In Canada*, (Toronto: Butterworths, January 2002), p. 42.

creators and exploiters of intellectual property, aimed at encouraging fairer remuneration for creators - including the statutory right for creators to ask for payment reviews and audits of companies involved in such exploitation.⁸⁵

The debate surrounding the *Ashcroft v. Eldred* constitutional challenge to the *Sonny Bono Copyright Extension Amendment*⁸⁶ had to do with arguments presented by legal scholars and academics who opposed the extension if justified as an incentive under Article I of the *U.S. Constitution*. They argued that the current term of copyright protection is too long to be an effective incentive for creation and the idea that these recent retroactive term extension developments at the expense of the Public Domain are justified by the utilitarian incentive for the productions of works that "...promote the progress of science and the useful arts..." (U.S. Constitution, Art. I, Cl. 8) must be challenged. No matter how much longer one extends the posthumous term of copyright protection to the original authors and artists who created the works, they cannot be induced to create any more or new works from the grave. While prospective term extensions might be debatably argued as "sweetening the pot" for prospective creators, retroactive extensions are a cost to the Public Domain with no incentive justification.

3.8.3 Single Term Posthumous Rights

Once a single term of posthumous right was granted to authors, a number of problems came to light with the elimination of renewal periods that had been used to extend the period of protection. These had to do with the legal regime of exclusive

⁸⁵ Jonathan Little, *History of Copyright - A Chronology-(as applicable in Britain, unless otherwise stated)* in *Music Business Journal* 2001-2002 see jlittle@musicjournal.org. This site seems to be largely inaccessible now. For a June 6, 2006 access to the article, see: http://cache.zoominfo.com/CachedPage/?archive_id=0&page_id=741593221&page_url=www%2Emusicjournal%2Eorg%2F01copyright%2Ehtml&page_last_updated=7%2F4%2F2004+2%3A20%3A55+PM&first Name=Jonathan&lastName=Little

⁸⁶ *Copyright Term Extension Act (CTEA)*, October 7, 1998, . 17 U.S.C. § 505 [hereinafter referred to as the *Sonny Bono Amendment*].

ownership of copyright and the attendant scheme for economic exploitation of that right, namely alienability. Early copyright legislators became concerned that the original author and his/her family were often not the recipients of economic benefits or royalties for works assigned much earlier in the author's career when the true value of the works was not yet established. Under the regime of living-author-renewed copyrights, economic exploitation of the right could be determined by the author, who had the option of applying for the renewal term. However, with the advent of posthumous rights, the author lost that power of choice to renew. With the advent of single term posthumous copyright, it could pass as an asset into the estate of the deceased author. But as in the case of the copyrights of Charles Dickens, we encounter situations where the improvident agreements of the author before his or her death with assignees denied the benefits of these assets to the heirs. By the time we get to the *U.K. Imperial Copyright Act of 1911*⁸⁷, it is clear that the heirs and families of the authors who no longer had control over the copyrights the author had assigned during his or her life, despite the existence of considerable posthumous royalties, were bound by the bargain made by the author with the assignees.

A most egregious example appears to have been in the case of the works of Dickens. This led to the adoption of the "Dickens provision" in the *U.K. Imperial Copyright Act of 1911*. In s. 5(2) the Dickens provision dictated return of the exclusive ownership and sole control of the copyright to the representatives of the estate of the first owner twenty-five years after that owner's death. Section 3 of the *U.K. Imperial Copyright Act of 1911* offered the former assignees a provision for compulsory licensing

⁸⁷ *Copyright Act, 1911* (U.K.), 1 & 2 Geo. 5, c. 46 [hereinafter referred to as *U.K. Imperial Copyright Act of 1911*].

as long as proper notice of intent to continue to use the copyrighted material was delivered before reversion. As previously, this *U.K. Imperial Copyright Act of 1911* formed the basis of many copyright protection regimes in former British Empire countries and possessions.

How was it that twenty-five years after death was set as the date when the copyright would revert in the *U.K. Imperial Copyright Act 1911*? As any assignee, or original author for that matter, had previously had no copyright extending past that 25 years after death period, there could be no claim of expropriation of any rights that the assignee had already purchased in works assigned before 1911. Since prior to the *U.K. Imperial Copyright Act of 1911* all exclusive copyrights were extinguished long before 25 years after the death of the author, there were no rights to which an agreement of assignment of copyright following that period could apply.⁸⁸

The extension, then, of the term of protection was a benefit intended for the family of the deceased author. The Public Domain would forego its claim to the copyrighted work for an additional 25 years for the benefit of the family. This would avoid the desperate economic situation faced by the family of Charles Dickens following his death while his book royalties had continued to flow into the publishing companies to whom he had assigned his copyrights earlier in his career. This new bargain, at the expense of the Public Domain, would enable the posthumous term of copyright protection to be extended in accordance with the term of protection in the *Berne Convention* (after the Berlin 1908 meetings) while accomplishing a "social good". That

⁸⁸ "One reason, no doubt, for fixing the period of twenty-five years from the death of an author as the limit of assignability of copyright was because at that date the work ceased to have exclusive copyright, and any person --including, of course, the assignee of copyright, who then ceased to have the benefit of his

social good was to ensure that the intended heirs of the author received the benefits of the new twenty-five year extension of copyright protection in 1911. It should have set a legal precedent for how changes to the original bargain between author and Public Domain ought to be handled. This precedent was ignored in the recent *Sonny Bono* amendments in the U.S. and this was at the expense of the Public Domain.

3.8.4 Reversionary Copyright

Reversionary copyright refers to the reversion of the copyright to the representative of the estate of the author (or original owner of copyright to be precise) twenty-five years following the death of that author. In the current *Canadian Copyright Act* these are codified in s. 14(1). This section states:

S. 14(1) Where the author of a work is the first owner of the copyright therein, no assignment of the copyright and no grant of any interest therein, made by him, otherwise than by will, after June 4, 1921 is operative to vest in the assignee or grantee any rights with respect to the copyright of the work beyond the expiration of twenty-five years from the death of the author, and the reversionary interest in the copyright expectant on the termination of that period shall, on the death of the author, notwithstanding any agreement to the contrary, devolve on his legal representatives as part of the estate of the author, and any agreement entered into by the author as to the disposition of such reversionary interest is void.⁸⁹

There have been calls in Canada to repeal this section of the *Canadian Copyright Act*. To do so without a full appreciation of the purpose of this section would be ill-advised and inequitable.

Section 14(1) is descended from the original "Dickens Provision"⁹⁰ found in the *U.K. Imperial Copyright Act 1911*⁹¹ (s. 5(2)). It was in this *U.K. Imperial Copyright Act*

assignment -- could have published the work on a royalty basis (e)" from Copinger and Shone James, *On the Law of Copyright*, (9th ed.), (London: Sweet & Maxwell, 1958), at p. 133.

⁸⁹ *Canadian Copyright Act*.

⁹⁰ Madam Justice Wilson refers to the "Dickens" provision in paragraph 83 of *Anne of Green Gables Licensing Authority, Inc. v. Avonlea Traditions, Inc* [2000] O.J. No. 740, 2000 CPR LEXIS 3 (Ont. Super. Ct. Mar. 10., 2000)

⁹¹ *U.K. Imperial Copyright Act of 1911*, s. 5(2).

of 1911 that the twenty-five year after death period was invented. The question of why a period of twenty-five years after the death of the author was considered to be an appropriate time to nullify any previous assignments made by the author during his or her lifetime has been addressed by historians of copyright law.

Returning to the reason given by Copinger and Shone James for the selection of the twenty-five year period after the death of the author in the *U.K. Imperial Copyright Act 1911*⁹², we should point out that s. 5(2) was seen, at least by the 1950s in the U.K. as inextricably intertwined with the compulsory licensing provisions of s. 3 of the *U.K. Imperial Copyright Act of 1911*. In fact, in n. (e) concerning the compulsory licensing provision of s. 3, in 1958 Copinger and Shone James say,

In the case, however, of works existing prior to the Act of 1911 this right did not arise until thirty years after the death of the author (Copyright Act, 1911, s. 3). There was thus left a hiatus of five years.⁹³

Interestingly enough this would indicate that this s. 5(2) of the *U.K. Imperial Copyright Act of 1911* was more concerned with extinguishing the old assignment agreement than with establishing the compulsory licensing provisions of s. 3. This is important to remember when we consider the linkage made between these two sections when the *U.K. Copyright Act* repealed both sections in 1956.

The *U.K. Imperial Copyright Act of 1911* was a response to the 1908 *Berne Convention (Berlin)* amendments that first suggested a copyright duration of life of the author plus 50 years that would become the standard. This became received law throughout the Empire in 1911 (although the self governing Dominions had the option of passing their own Copyright Acts, as Canada did in 1921) and remnants can be found in

⁹² As quoted in n. 88 above, Copinger and Shone James, *On the Law of Copyright*, at p. 133.

⁹³ Copinger and Shone James, *ibid*.

the copyright laws of many states that were formerly part of the British Empire (including the Palestinian Authority, the State of Israel, South Africa, the Solomon Islands and others).

As time passed, the provision nullifying any agreement to assign the copyright in the work, except by bequest, by the first owner of copyright and the compulsory licensing provisions of the *Act* came to be regarded as a restriction on the right of authors to freely contract with their publishers for the entire period of copyright protection⁹⁴. The provision was identified as "paternalistic" and inconsistent with the freedom to contract. In 1960 Barbara Ringer reports that the Lord Chancellor in 1955 emphasized that to meet the demands of the 1948 *Brussels Convention* compulsory licensing provisions had to go.⁹⁵ By way of contrast she also reports that the 1957 *Isley Report on Copyright* in Canada did not mention reversion⁹⁶ and quotes the New Zealand *Daglish Report*⁹⁷ which said that the removal of reversion would be "a retrograde step from the point of view of reward to authors."⁹⁸ As a result of the criticisms, the provision was repealed in the U.K. in 1956 (effective in 1957), but because of the operation of the *Statute of Westminster of 1931* this repeal by Parliament in the U.K did not automatically repeal the provision among the other members of the British Commonwealth such as Canada and New Zealand. Consequently, unless those states actively repealed or altered the provision, the

⁹⁴ Barbara Ringer says, "...it is interesting that little or no consideration was given to the proviso allowing copyrights to revert to the author's estate during their last 25 years; the Committee appeared to assume that if the 25-year compulsory license were dropped [s.3 Imperial Copyright Act 1911], the 25-year reversion necessarily went with it. In his 1948 edition of *Copinger on the Law of Copyright*, Shone Jones argued that the intended benefits of the reversionary proviso were "quite illusory" for two reasons: (1) since the copyright reverts to the author's estate it is likely to be sold for debts, and (2) since the rights during the last 25 years are necessarily non-exclusive because of the compulsory license, they are not calculated to bring very much in any case." (at p. 613) Barbara Ringer in *Study 31, "Renewal of Copyright"* Julius Culp Ed. June 1960, in *Studies on Copyright* (Arthur Fisher Mem. Ed. 1963).

⁹⁵ Ringer, *ibid.*

⁹⁶ Ringer, *ibid.*, (at p. 614).

existence of reversionary rights in the form of this provision has often survived.⁹⁹ So the Dickens provision has remained in effect in other former British Empire countries unless or until it was formally repealed or replaced by subsequent copyright legislation.

In some countries the provision has never been repealed, and it continues to exist, as in s. 14(1) of the *Canadian Copyright Act*, to this day. In others, like the U.K., there exist a number of years between the *U.K. Imperial Copyright Act of 1911* and the date of repeal, within which reversionary rights can still be triggered 25 years after the death of the author if the rights were assigned or transferred. The existence of reversionary rights has led to the current lawsuit against Disney Enterprises for alleged infringement of the copyright of the heirs of South African composer Solomon Linda's composition of the song "The Lion Sleeps Tonight".¹⁰⁰

In countries where there has been no reversionary right it is easy to understand a lack of appreciation for the existence of reversionary copyright. The U.S. never had a "Dickens" provision, although U.S. Representative Dallinger introduced a bill proposing very similar provisions in 1924¹⁰¹ but it never passed. Some ability to review license agreements in the renewal period also used to exist, but these have been eliminated¹⁰² with the single term duration of copyright now current in the U.S. Civil code countries also never received the Dickens provision, but several did grant a reversionary interest to the heirs of the author after the initial twenty-five year period after death. These included

⁹⁷ Ringer, *ibid.*, Ringer cites the *Daglish Report* (at pp. 24-5).

⁹⁸ Ringer, *ibid.*, (at p. 614).

⁹⁹ Ringer also points out at p. 614, that none of New Zealand, Canada, Australia, Ceylon, Ireland, Israel, Pakistan, the Union of Burma, the Union of South Africa, the Federations of Rhodesia and Nyasaland had repealed the Dickens provision from their copyright acts by 1960 when she wrote her article, *ibid.*

¹⁰⁰ See Ken Cavalier, "Potential Problems with Commonwealth Copyright for Posthumous Poets and Other Dead Authors", *Journal of the Copyright Society of the USA*, Vol. 52, No. 2, Winter 2005, 225 – 237 for a discussion of this case.

¹⁰¹ H.R. 8177 and H.R. 9137, 68th Congress.

Spain, Cuba and Panama, which each granted reversionary rights to the heirs for fifty-five years after the initial twenty-five years after the death of the author. It is similar in Columbia for "compulsory heirs".¹⁰³ In Bulgaria, Haiti and the former Yugoslavia the posthumous term following the death of the author is determined by the life of the surviving spouses and a term to children for 20 years (Haiti) or 25 years in the case of Bulgaria and the former Yugoslavia. Yet none of these civil code provisions has the agreement-voiding section of the Dickens provision.

Similarly, perpetual copyright and extended terms of posthumous copyright protection cannot be justified by what has been called "rights of Personhood" or "Just Desserts". This justification is derived from nineteenth century Romantic notions about the role of the artist or author and is often used to justify moral rights and copyright regimes in the so-called "artist rights" civil code countries. It is based upon a notion of ownership through paternity or origination that is akin to parental claims to ownership over their children. The author or artist is seen as "a genius, born under Saturn" whose creations are necessarily a benefit to the wider society. It is predicated on a notion of the "cult of artistic genius" which suggests that no art or meaningful cultural expression can be created without the central figure of the artist/author. While a close connection between author/artist and the expression cannot be denied (hence an equitable claim), such claims are legally limited by the wider interests of society in the progeny of the author, just as parental rights are by society's wider interests in the progeny of parents.

The notion that the creation of an artistic expression is more properly understood as a process where the author or artist creates an art object or expression from the

¹⁰² In 1977 the last 28 year renewals were made under U.S. copyright law.

¹⁰³ Ringer at p. 604.

common property of the society (Public Domain) within which he or she lives but that the art object or expression does not become an art work or artistic expression until an audience interacts with it to make it “work”. Artistic intention, artist or author personality, even the author or artists identity *can* become incidental and unnecessary to this audience/art object relationship, suggesting that the true creator of the *art work* is not the author or artist alone, but rather the viewer/user. However, it should be said that aesthetically and intuitively this authorless artwork is more the exception than the rule. Most often the contribution of the author/artist is recognized as significant.

In the copyright regime the author/artist is allowed to strike a bargain with society whereby they can create their expression to be intelligible using the common property of that society already within the Public Domain in the form of shared cultural experience (i.e. language, imagery, iconography, vocabulary, syntax and context). This allowed borrowing from the Public Domain indebts the author to return their expression to the Public Domain after they have enjoyed the legal economic fruits of their labour for a period. As a consequence of this debt, perpetual copyright cannot apply to the alienable legal rights included in the bundle of rights known as copyright. Given the importance of this debt and the sentiments expressed in the Daglish Report that the removal of reversionary rights would be a retrograde step for authors, the repeal of s. 14(1) of the *Canadian Copyright Act* should only be undertaken at society’s peril.

3.9 Trade-marks Duration

Trade-marks are granted for an initial fifteen year period that can be renewed by the trade-mark owner indefinitely so long as the use of the mark in the specified channel of trade continues, the fees are paid and the mark is defended by the owner against

challenges. This ability to extend the duration of protection is related to the renewal period that used to exist in copyright, but clearly it is divorced from the lifespan of the original creator of the mark. This reflects the different purpose of trade-mark protection, namely to encourage, not the multiplication of logos and trade-marks, but rather the continued use of such marks by providers of goods or services in channels of trade for purposes of consumer protection. As the owner of the mark may well be a corporation, the linkage of the term to the lifespan of the original designer of the mark or trade dress has little or no incentive value for continued use by the owner once that initial author's lifetime term of protection has elapsed. Given the social utility of maintaining such marks for the protection of consumers and society as a whole, this renewable characteristic of trade-marks is justifiable provided that the mark maintains its function as an indicator of place of origin, standard of manufacture and/or quality and indicator of distinctive manufacture. Protection against loss of distinctiveness through genericizing of the mark, protection against dilution of the meaning of the mark and requirements of the requisite control over use of the mark by the licensee are all important aspects of the right to renew protection.

3.10 Cease and Desist Letters

The first action usually taken by a rights holder on learning of potential infringement is the sending of the "cease and desist" letter. In such a letter the rights holder asks the potential infringer to cease their use of the disputed mark or work, and refrain from using it in the future. Given the trouble and expense associated with litigating claims of infringement of copyright, patent or trade-mark, these documents often suffice to discourage continued use of disputed IP. However, widespread use, even

in instances where the claims by the rights holders are not established by law (e.g. the making of non-infringing copies or the legitimate use of technology that can be used for infringement for non-infringing activities; the established use of an unregistered trade-mark in a locale before the arrival of the registered trade-mark holders goods or services into that area; or the use of a drug for a new non-disclosed purpose) can lead to resistance to this type of legal intervention. This resistance has led some clients to seek out less overtly confrontational methods of rights protection. Although less overtly confrontational, because they work automatically without the need to send legal threats, these methods are not without their own controversies.

3.11 Digital Rights Management and Other ARM Systems

Currently, the technology exists to imbed automatic rights management systems (ARMS) also known as digital rights management systems (DRMS) into software or other copyrighted digital material. These systems imbed “cookies” or connections between the downloading computer and the internet that will allow the rights owners to detect when their programs are being used by sending reports of such use back to the rights owner via the Internet. These automatic systems are also often capable of examining other software installed upon the hard drive of a user’s computer and reporting when unauthorized use of other software is detected. The technology involved in such ARMS is a type of “spyware” that can legitimately enable licensed software users to harmonize the programs loaded into their hard-drives, or to record a metered usage charge for the licensed software, but the same information can be used to invade the privacy of the computer user by logging keystrokes or software usage.

Sony-BMG has recently found itself facing class action lawsuits in Canada¹⁰⁴ for the use of such a DRM on a number of CDs that included the infamous “rootkit” program that hid the DRM from spyware detection programs on computers. Such programs use the very methods that hackers use to gain access to a computer’s database and create vulnerabilities within the security protection afforded by anti-spyware and anti-hacking software that were hidden from the computer owner’s knowledge. The use of this DRMS to block the legitimate use of the computer to make backup copies of the content of purchased CDs in the name of preventing “piracy” has become a public relations and potentially expensive legal nightmare for Sony BMG. So what then can be done to curb the manufacture of “pirate” copies?

3.11.1 “Tech Fixes”

Advice often given to clients who ask their IP lawyers what to do about trademark and/or copyright infringement is to utilize technological means to discourage or even prevent unauthorized use. Often quicker and easier to implement, the use of this technology is often referred to as a “tech fix”. Common examples of tech fixes include the use of digital watermarks, signal scrambling or encryption, imbedding of spyware to report unauthorized use and record keystroke use, and limited use copies that block access or copying after a number of uses. Of course, the development of such technology fuels circumvention technology in response. Although in the short-term relief for infringement may be attained with less uncertainty and usually less cost than litigation, the solution has usually been less than permanent. This has led to the anti-circumvention

¹⁰⁴ Michael Geist, “Sony hit with another class action suit”, available at: http://michaelgeist.ca/index.php?option=com_content&task=view&id=1094&Itemid=85 . See also “The Sony Rootkit effect” at http://michaelgeist.ca/component/option,com_content/task,view/id,1105/Itemid,113/.

provisions of the *Digital Millennium Copyright Act*¹⁰⁵ [hereinafter referred to as the *DMCA*] in the U.S. Unfortunately, since circumvention of technology is usually easier to prove in court than actual infringement there is an incentive for the use of data protection measures that are not very sophisticated (i.e., that can be circumvented relatively easily but not without leaving evidence of the circumvention). It can be argued that data security is compromised in the interests of providing easier remedies for holders of copyright or trade-mark.

3.11.2 Privacy Concerns

The use of spyware or “cookies” and other technological means for ARMS or DRMS has created considerable concern among civil libertarians about the maintenance of privacy for individuals whose information is recorded by these systems. While rights holders are quick to point out that if people are not infringing they have nothing to hide, it must be noted that amassing such personal information electronically could be prone to abuse and dangerous to the security of the owners of the terminals from which the information is gathered involuntarily. Concerns about identity theft, security of the information collected, misuse and alternative use of the information, lack of requisite controls for the information allowing for the correction of mistakes or errors and creation of another data base of personal information that can be used to strip away the anonymity of individuals in cyberspace allowing no expectation of privacy, are asserted in the current debate about the need to protect personal information. Given the guarantees of the *European Database Directive*¹⁰⁶, it is clear that these concerns need to be addressed.

¹⁰⁵ *Digital Millennium Copyright Act* 1998 17 U.S.C. § 512.

¹⁰⁶ 1998- *European Database Directive* (Directive 96/9/EC of the European Parliament and the Council of 11 March 1996) on the legal protection of Databases, Official Journal, 27/03/1996, L. 077 [hereinafter referred to as the *European Database Directive*] was implemented October 1, 1998 in accordance with Art.

3.12 Cross-licensing Agreements

In situations where an improvement in a patented invention has been patented, the subsequent patent holder may be blocked from use of their patent without authorization from the original patent holder. Similarly the original patent holder may be blocked from use of the newly patented improvement. A solution to this problem is the use of cross-licensing agreements that enable both patent holders to use the invention of the other to manufacture, and exploit their patents economically. Cross-licensing can also be an effective way to secure permission from copyright holders for the use of their copyrighted material in derivative works. Since 1953 in Canada it has been possible to license trade-marks, but given the nature of trade-marks as unique marks indicating origin and consistency of manufacture or quality of goods or services, the opportunities for cross-licensing seem limited. Permission to use a mark can only be given with guarantees of the trade-mark owner's control or the mark can lose its consumer protection rationale.

3.12.1 Licensing

Licensing raises another important issue in the defence of IPRs. Early jurisprudence against infringers launched by the exclusively licensed distributor of a

16. This Directive created a potential non-tariff barrier to trade when the EU announced that trade with companies from countries not offering the equivalent minimum privacy law protection for data contained within their databases to that offered in the E.U. could be excluded from the marketplace without penalty under the W.T.O. This led to the passing of substantially similar legislation in countries such as Canada wishing to avoid having their companies excluded. The result was the new *PIPEDA* legislation in Canada and the development of the "Safe Harbour" compromise for U.S. Companies. In Canada, privacy legislation could be imposed federally on provincial jurisdictions that failed to implement substantially similar protection in their provincial legislation. In the U.S. First Amendment Rights protection was used to explain why the U.S. Federal government could not impose federal legislation that would guarantee similar protection. The "Safe Harbour" compromise was a voluntary contractual agreement that any U.S. company could enter into that would provide the guarantees to the protection of personal information required by the Directive. Any U.S. company seeking to trade in the E.U. could elect to promise to protect the information to European standards (i.e. not sell it in the open market) if they wished to avoid exclusion from the E.U. market place.

patented, copyrighted and, particularly trade-marked, item often had to consider the standing of the licensee to bring the action before the court if the owner of the mark was unwilling or unable to bring the action on behalf of the licensee's exclusive right to use the intellectual property.

In the case of trade-marks the original conception of the mark was that it was to indicate origin and control of quality. Prior to 1953 the *Unfair Competition and Trade-Marks Act* which "...made a major change in allowing for trade-marks to be licensed. At common law, an owner's consent to use by others was fatal to the mark because it no longer served to distinguish the wares and services of its owner from those of the licensee(s)."¹⁰⁷ Licensing of a trade-mark was regarded as losing control of the mark and defeating its ability to inform consumers of origin and standardized quality. In *Pinto v. Badman Fry L.J.* said,

...the brand is an indication of origin, and if you transfer the indication of origin without transferring the origin itself, you are transferring a right, if any right at all, to commit a fraud upon the public, and such a right is not recognized by the law in England.¹⁰⁸

It was this concern that to allow licensing was to undermine the fundamental rationale of trade-marking that created a reticence to allow the practice until after 1953. Partly this was due to a view of the "goodwill" associated with trade-marks as something other than a property right. In the same way that expenditures on the development of "goodwill" was not seen as a capital expenditure for tax purposes, so the "ownership" of the "goodwill" associated with a trade-mark was seen as ancillary to the ownership of the mark. Developments in the law concerning licensing as opposed to the sale of the item

¹⁰⁷ Howell, *ibid.*, p. 643. Two early cases demonstrating this difficulty are *Bowden Wire Ltd. V. Bowden Brake Co. Ltd.* (1914), 31 RPC 385 (CA) and *Robert Creamo Co. v. Dobbs & Co.*, [1930] SCR 307.

and the rights associated with it have made it important to establish the contractual obligations of both the licensee and the licensor in an exclusive licensing situation.

These developments in the law concerning licensing combined with a growing appreciation that the owner of a mark (that was potentially and after the 1953 *Act* actually alienable¹⁰⁹) would have some legal interest in the protection of the investment in the mark to develop “goodwill,” led to the new legislation. That legislation not only declared licensing possible, but under s. 50 it gave standing to the licensee to bring action against infringers (although the owner of the mark may be compelled by the licensee either to bring an action to defend the mark within two months of being so called upon by the licensee or be named as a defendant in the infringement action.¹¹⁰). It also stated that if public notice is given that the licensed use of the mark, “...it shall be presumed, unless the contrary is proven, that the use is licensed by way of the owner of the trade-mark and the character or quality of the wares or services is under the control of the owner.”¹¹¹

3.12.2 Requiring the Licensee to Defend the Marks

Given the vulnerability, especially of trade-marks, to loss of control in the foreign licensing situation, most contemporary licenses require the licensee jointly to defend the marks of the licensed goods or services. Failure to do so can result in a breach of contract action against the licensee. An example of this can be seen when the IOC requires the licensee of the IOC trade-marks to defend them against unauthorized use by anyone in the jurisdiction of the licensee.¹¹² The actual defence of the exclusive use of

¹⁰⁸ *Pinto v. Badman* (1891), 8 RPC 181 (CA). The Canadian case that shared this view is *Mello-Crème Products v. Ewar's Bread Ltd.*, [1930] Ex.C.R. 124.

¹⁰⁹ *Canadian Trade-Marks Act*, s. 48.

¹¹⁰ *Canadian Trade-Marks Act*, s. 50(3).

¹¹¹ *Canadian Trade-Marks Act*, s. 50(2).

¹¹² In Canadian trade-mark law there have been several cases undertaken by the Canadian Olympic Association to vigorously defend the indicia and marks of the IOC. These include *Canadian Olympic Assn.*

the mark may present public relations problems, but the failure to live up to the licensing agreement can present even more legal liability.¹¹³

3.13 Proving Infringement

To prove infringement of an IPR the plaintiff must show a cause of action: behaviour on the part of the defendant that is contrary to the applicable Act. When the plaintiff can demonstrate such prohibited action the appropriate legal remedy may be sought.

3.14 Patent Causes of Action

In patent law there is strict liability for the unauthorized economic use of a patented invention. As we have seen there is also liability for the unauthorized economic use of a patented invention in the economic use of an improvement invention. However, especially in pharmaceuticals it may not be an infringement for the economic exploitation of a new non-disclosed use for a patented substance or invention. Similarly it is not an infringement of the *Canadian Patent Act* for someone to reverse-engineer a patented invention to get to unpatented information. However, as we have seen in the *DMCA* the

v. Konica Canada Inc., [1992] 1 F.C. 797; (1991), 85 D.L.R. (4th) 719; 39 C.P.R. (3d) 400; 135 N.R. 143 (C.A.) [hereinafter referred to as *COA v. Konica*] (re adoption of marks prior to notice); *Canadian Olympic Association v. Registrar of Trade-Marks* (1982, 67 CPR (2d) 59 (FCA) [hereinafter referred to as *COA v. Registrar*] (re. Test for “public authority”; *Techniquip Ltd. v. Canadian Olympic Association* (1998), 80 CPR (3d) 225 (FCTD) [hereinafter referred to as *Techniquip v. COA*] re exclusive rights of official marks owners against even completely unrelated wares or services; *Allied Corp. v. Canadian Olympic Association* (1989), 28 CPR (3d) 161 (FCA) [hereinafter referred to as *Allied Corp v. COA*] re successful opposition of the registration of the term “Olympian” following the March 5, 1980 registration of Olympic Games, Olympiad, Olympia, Olympic, Olympique, Summer Olympics, and Winter Olympic Games as public authority marks; *Olympus Optical Co. Ltd. v. Canadian Olympic Association* (1991), 38 CPR (3d) 1 (FCA) leave to appeal to the S.C.C. refused [hereinafter referred to as *Olympus Optical v. COA*] re COA opposition to the registration of the mark by Olympus Optical; *Canadian Olympic Association v. Health Care Employees Union of Alberta* (1992), 46 CPR (3d) 12 (FCTD) [hereinafter referred to as *COA v. Health Care*] re the COA was able to block the union’s application for registration of a design incorporating words and five interlocking circles because it too closely resembled the COA official Olympic rings mark.

¹¹³ See Olympic Pizza and VANOC currently under dispute in 2006.

disabling of DRMS, ARMS or other IPR protection software or devices by means of reverse engineering can be made into an infringement.

3.15 Trade-mark Causes of Action

In order to encourage the manufacturers of wares and the providers of services to use trade-marks and trade-guise to provide consumers with a knowledge of the source of origin and the quality of manufacture or service, the *Canadian Trade-Marks Act* was passed to protect makers' marks from misuse by others. The *Canadian Trade-Marks Act* was entitled to furnish the marks owners with statutory protection of their marks in addition to common law tort protection. It applies to both registered and non-registered marks.

3.15.1 "Passing off"

"Passing off" is a tort and remedies in common law have existed since before the advent of the *Trade-Marks Act*. From a policy point of view, to allow others to use a mark with impunity, in other words to produce counterfeit goods, would be to remove any incentive to the manufacturers of such goods or services to use marks. Quality marks, assurance of consistency in quality or services associated with such marks are desired consumer protection devices. The trade-mark connects the origin of the good or service with specific individuals or firms, that can be held liable for their products or services. Such origin marks act to assure the consumer, and government that the goods or services are backed by the manufacturer or merchant. Of course, if the goods or services are not consistent, the mark will come to signify shoddy workmanship or poor service and consumers will learn to avoid the mark in the market place, or to identify the shoddy producers. However, if consumers and government learn to associate quality or

good service with a mark, it is the creation of “goodwill” towards the owner of the mark. Laws and rules for use encourage the owners of these marks to continue to not only use them, but also to invest in the creation of goodwill by ensuring product and service consistency and quality.

3.15.2 Confusion

To allow counterfeit goods or services or others to use the mark could lead to confusion in both consumers (as to the origin or quality of the goods or services) and the government (as to who is responsible for the goods or services should they prove faulty, fraudulent or dangerous). Confusion is a state of mind to be avoided in support of the trade-mark or trade-guise.

3.15.3 False Light Endorsement

Because so much of goodwill is produced by the association of goods and services with providers and the association of goods and services with particular consumer aims (i.e., customer satisfaction), there has long been another recognized tort, “false light endorsement”. In this tort, the unscrupulous competitor associates their goods or services with the goodwill already established for an existing mark and implies a connection where none exists. Once again there is resulting consumer confusion about the relationship between the established mark and the ware or services falsely claiming association. And once again toleration of false light endorsements undermines the incentives for marks owners to invest in the building of goodwill towards their marks.

3.15.4 Tarnishment

Protection against tarnishment of goodwill associated with a mark is a laudable goal of the *Canadian Trade-Marks Act*,¹¹⁴ as it encourages the owner to invest in the maintenance of the use of the mark, and remains a right in the bundle of rights granted to the mark holder that competes with freedom of expression. While this is true of copyright and even patent, it should be noted that one of the important aspects of the “use” of a trade-mark is its nominative value to distinguish wares or services from others. To preclude the use of a trade-mark in comparative advertising or nominative discussions of the corporate entity that have the registered trade-mark name or logo on the basis of exclusive control over the “use” of that logo or trade-mark or trade dress is antithetical to the intention behind the justification for granting registered trade-marks in the first place. Perhaps this is why s. 22(2) of the *Canadian Trade-Marks Act* says,

S. 22(2) Action in respect thereof – In any action in respect of a use of a trade-mark contrary to subsection (1), the court may decline to order the recovery of damages or profits and may permit the defendant to continue to sell wares marked with the trade-mark that were in his possession or under his control at the time notice was given to him that the owner of the registered trade-mark complained of the use of the trade-mark.¹¹⁵

While the owner of such a mark should have the right to defend the mark against slander and libel, “injurious falsehoods” with malice¹¹⁶ or “false light portrayals”, and while the owner of such marks should have the right to ask for remedies against misuse of their mark allowing “passing off” or “free riding”, it should be noted that such remedies exist in tort law quite apart from the *Canadian Trade-Marks Act* and the

¹¹⁴ S. 22(1) *Canadian Trade-Marks Act*, **Depreciation of Goodwill** “No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching therein.”

¹¹⁵ S. 22(2) *Canadian Trade-Marks Act*.

censorial nature of statutory remedies under the *Act* should be more limited as a result of that fact.

In Canada, especially labour dispute cases, this has not always been recognized in the trial courts. For example in the 1997 case, *Cie Generale des Etablissements Michelin-Michelin & Cie v. C.A.W. Canada et al*¹¹⁷, "*Bibendum*", the Michelin Man tire figure logo was used by the striking workers of the C.A.W. Union in an unauthorized depiction of the company (in the form of Bibendum) stepping on the workers. The trademark owner launched a successful bid for injunctive relief against the union prohibiting the use of the character in this expression. While a reading of the decision indicates judicial concern for the tarnishment of the mark, it also indicates a mixing of the concepts of moral rights from copyright law with the provisions of the *Canadian Trade-Marks Act*. I would argue that this is an extension of the *Act* upsetting the balance between the protection of the integrity of the mark and the freedom of expression rights of the union members.

Another controversial Canadian labour case similarly granting injunction to the mark holder is *Canada Safeway Ltd. v. Manitoba Food and Commercial Workers Local 832*.¹¹⁸ The union used Safeway's logo without authorization on its literature criticizing the employer. While the use could be said to be a nominative use of the mark (i.e. the use of the employer's name), the court found against the union and issued an injunction against the union's use of the logo. Here again I submit that the court's finding was a misapplication of trademark law because of its limitation on the nominative

¹¹⁶ See *Manitoba Free Press Co. v. Nagy* (1907) 139 SCR 340.

¹¹⁷ *Cie Generale des Etablissements Michelin-Michelin & Cie v. C.A.W. Canada et al.* (1997) 71 C.P.R. (3d) 348 (FCTD) [hereinafter referred to as *Bibendum*].

if unauthorized use of the corporate logo in union literature. Given Canada's rather weak protection of 'parody' in the *Canadian Copyright Act* (see *infra*), I further submit that this tips the careful balance of rights in the *Canadian Trade-Mark Act* too far in favour of mark holders at the expense of the public domain. It introduces into the *Act* an internal inconsistency between the encouragement of the nominative "use" of the logo, trade name or trade-mark in a channel of trade, and curtails fair comment too much. It seems to me that the protections against defamation or "false-light" portrayals available in tort law are more appropriate than the use of the *Canadian Trade-Marks Act* to discourage such expressions. It is indeed unfortunate that neither of these two cases went to the Supreme Court of Canada for clarification of this point.

Finally we can note the *COA v. Health Care*¹¹⁹ case where the union's application to register five interlocking circles in association with text was successfully opposed by the trade-mark holder for being too similar to their mark. It is debatable whether or not the five interlocking circles when associated with a union would have evoked confusion with the Olympics trade-mark since the activities of the two organizations are so dissimilar, but the finding of the court at the trial division was that since these were marks of a "public authority", any possible confusion was to be avoided. The COA opposition to the registration of the union's mark was upheld and the appeal of the injunction was dismissed.

Does this mean that the rights holders always win? No, if we look to the successful SCC constitutional challenge of s. 7(e) of the *Canadian Trade-Marks Act* that

¹¹⁸ *Canada Safeway Ltd. v. Manitoba Food and Commercial Workers Local 832* (1983) (ManCA), 25 C.C.L.T. 1 (Man Q.B. rev. by Man.C.A.) [hereinafter referred to as *Canada Safeway*].

¹¹⁹ *Canadian Olympic Association v. Health Care Employees Union of Alberta* (1992), 46 CPR (3d) 12 (FCTD).

prohibited anyone from “do[ing]any other act or adopt[ing]any other business practice contrary to honest industrial or commercial usage in Canada,” in *Macdonald v. Vapor Ltd* (1976)¹²⁰ a landmark case on trade-mark law. Ruled as too broad, s. 7(e) was ruled as unconstitutional long before the advent of the *Charter* (and so much for the assertion that before the advent of the *Charter* there was no “judicial activism” in Canada’s Supreme Court). David Vaver rightly used this case to characterize the legislative intent of the *Canadian Trade-marks Act* as follows:

In fact, the *Trade-marks Act* does not, any more than the common law, set out ‘to prevent unfair competition and the misappropriation of intellectual property.’ The one explicit provision in the *Act* that did that was ruled unconstitutional in 1976. Instead, the *Act* presupposes that effective national trade and commerce based largely on private enterprise depends on the regulation of a number of specific practices. Just as competition itself requires the balancing of interests between and among competitors and the public, so does an *Act* that regulates defined practices related to branding.¹²¹

It seems that in Canadian trade-mark law, there are limits to the scope of granted rights.

3.15.5 Trade Guise

Trade Guise, also called Trade Dress in the U.S., can also be afforded protection under the *Canadian Trade-marks Act* if it has acquired distinctiveness. Consequently the distinctive appearance of the wares of the manufacturer or the distinctive guise of the décor of the establishment or packaging of the goods can come to warrant protection through use that it may not have been entitled to in the original registration process. For instance, use of the surname of a living individual is not registrable unless or until distinctiveness has been established through use. However, even through use the acquisition of distinctiveness cannot be based upon functionality of form. This

¹²⁰ *MacDonald v. Vapor Canada Ltd.* (1976), [1977] 2 S.C.R. 134, 66 D.L.R. (3d) 1, 25 C.P.R. (2d) 1, 7 N.R. 477.

¹²¹ David Vaver, *Intellectual Property Law*, p. 175.

prohibition is based upon the distinction between patent where protected rights are given to the form and function of the invention, and trade-mark where the protection is afforded by the application of a non-functional or decorative mark to the goods or packaging of the goods or services of a particular manufacturer or service provider. The prohibition is called the “Doctrine of Functionality” in trade-mark law. The idea is that if the packaging or marking of the product is determined by necessary functional concerns rather than aesthetic or decorative ones, either, uniqueness may suffer, or trade-mark will be unable to secure the protection that rightly comes from the patent regime, which is concerned with functionality. The leading case concerning the functionality bar to the acquisition of distinctiveness in trade dress is the *Lego* case.¹²² It is a case that determines the appropriate balance between the rights holder and the public domain. As we saw in Chapter 2, the holding of the case is that the functionality bar still obtains.

3.15.6 Unregistered Marks

In trade-mark law there are two ways that a mark can gain protection by use in a jurisdiction: as a registered mark and by use. Under trade-mark law from the common law system, marks that were not acceptable for registration, say the use of the personal name of an individual still living, could apply to the courts for protection against the tort of “passing off,” “false-light depictions” or “product libel”. The “use” of the mark in channels of trade in a jurisdiction where the mark caused no confusion with a registered mark often leads to the establishment of enough distinction associated with the mark to enable registration after a period of time. Where this is most apparent is often in the use and subsequent registration of trade guise. We have already seen how the use of

¹²² *Kirkbi AG, et al. v. Ritvik Holdings Inc./Gestions Ritvik Inc. (now operating as Mega Bloks Inc.)* (FC) (Civil) (By Leave) (29956) 2005 SCC 65 [hereinafter referred to as *Lego*].

disclaimers of parts of a mark can overcome objections to the registration of the mark once distinctiveness has been established.

3.15.7 Grey Marketing and Piracy

In Canada the case of *Smith & Nephew*¹²³ stands for the legality of parallel imports. While Canada Customs can intercept pirate copies of goods or unauthorized works brought into Canada, when an importer obtains goods of a trade-mark holder legally in another jurisdiction and transport them to Canada, there is no legal action that the licensee of the exclusive right to use that mark in Canada can take with Canada Customs to prevent the importation of the goods into Canada by a third party. Because the goods have been legitimately acquired by the importer from the mark holder, they can be imported into the jurisdiction of the licensee through the importer's reliance on the doctrine of exhaustion or doctrine of first sale that allows the resale of such goods elsewhere. This process is referred to as "grey marketing" in Canada ("gray marketing" in the U.S.) As the important element in the distinction between piracy and grey market goods is the legality of the acquisition, the only remedy available to manufacturers seems to be a requirement that their works are not sold but rather licensed for use by the purchaser with attendant contractual responsibilities not to import the goods into any jurisdiction wherein there is an exclusive distributorship already in place. In other words, the importer may be liable for breach of contractual elements of a licensing agreement in the legal acquisition of the works in the other jurisdiction, but the actual acquisition is still legal and the help of Canada Customs is not available for the rights holder.

¹²³ *Smith & Nephew Inc. v. Glen Oak Inc.* (1996), 68 C.P.R. (3d) 153, (FCA) [hereinafter referred to as *Smith & Nephew*].

3.16 Copyright

Proving copyright infringement, rather than independent co-existing similar expressions, is a difficult problem for the law. It would be rare to catch a copyist in the act of making the infringing exact copy, especially now that such copies can be made almost instantaneously electronically or with modern technology. To surmount this hurdle, copyright has instituted a number of rebuttable deeming provisions or presumptions to enable rights holders to claim infringing behaviour before the courts.

3.16.1 Access and Substantial Similarity

As most copyright infringement involves only partial copying and derivative work and as it is rare for infringers to be actually caught in the act of making an unauthorized copy or a derivative work, making proof of copying difficult, courts have arrived at a deeming provision that says that if the alleged infringer or maker of a subsequent work had access to the copyrighted prior work and if there is substantial similarity between the works, the court will deem an infringement to have taken place unless the defendant can rebut the presumption.

3.16.2 Derivative Work

As mentioned, derivative works are inexact copies of the copyrighted work. Mr. Justice Binnie tells us in *Théberge* that there is a different concept of “derivative works” in U.S. copyright law that is wider and more expansive than the concept in Canadian law¹²⁴ and has no legislative authority for application in Canada at this time.¹²⁵ Derivative works are also the most controversial as most creation draws on works that have come before and can therefore be seen as “derivative”. Adaptation, parody, quotation,

¹²⁴ Binnie J. in *Théberge*, at para.56, p. 364.

imitation and emulation are all aspects of derivative work. The work that inspires an analogy or an adaptation is precisely the type of creation that the IPR regime is intended to encourage. It is the amount of the “taking”, the level of similarity, acknowledgment of the source, the infusion of new creative expression and the response of the original author that often determine whether or not the right holder wants to pursue their copyright. In an age of post-modernism and multiple sampling from popular culture of visual and musical images and of literary expression, the problem of cutting off access to expression by use of statutory exclusive monopolies seems counter-productive to the stated legislative intent of IPR regimes.

3.16.3 Plagiarism

Plagiarism is passing off an unauthorized copy of an author’s work as the infringer’s own. It offends the moral right of attribution and deprives the actual author of credit for their composition. In addition it may deprive the actual author of royalties or other compensation associated with the sale, rental, licensing, or performance of the work. Well recognized as an unethical practice in scholarship, plagiarists risk sanction if their actions come to light.

3.16.4 “Contributing to Infringement” compared with “Authorizing Infringement”

In a case similar to the current *Lion Sleeps Tonight* case in South Africa, strict liability for infringement by copying works without authorization gives the statutory monopoly of copyright considerable power and value. In past times when the author of the copyrighted work was unknown or unreachable, compulsory licensing was an option, but with the current international copyright standards set without the necessity of

¹²⁵ Binnie J. in *Théberge*, at para. 69, p. 370. See also W. Braithwaite, “Derivative Works In Canadian Copyright Law” (1982) 20 *Osgoode Hall Law Journal* 191.

formalities by the *Berne Convention*, the use of unauthorized works in the creation of derivative works is risky. Take for example the case of *Lipton v. Nature Co.*¹²⁶

...the Nature Company had licensed a literary work from an author named Michael Wein. Wein in turn had copied the work from a scarf he obtained years before. As it turned out, whoever had created the scarf had unlawfully copied this work from Lipton. Lipton sued Wein and the Nature Company for the copyright infringement. While the Second Circuit accepted Wein's explanation that he did not copy the work from Lipton, it decided that the issue was irrelevant. Wein (and presumably the Nature Company as well) was liable for copyright infringement if he copied material that turned out to be protected by copyright.¹²⁷

3.16.5 "Unconscious Copying"

One of the difficulties that arises out of the deeming provisions for the proving of copyright infringement is particularly apparent in the case of music. Music has a limited number of variables in the ways that unique ideas can be expressed. A famous case demonstrating the difficulties of applying the deeming provisions of access and substantial similarity to determine infringing derivative works is *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*¹²⁸ In this case launched by the owners of copyright in the Robert Mack 1962 hit song *He's So Fine* against George Harrison of the Beatles for his song *My Sweet Lord* recorded in 1970. The Chiffons song rose

...to No. 1 on the U.S. billboard charts for five weeks in 1963 and was among the top hits in England for about seven weeks in 1963 as well...Both songs consisted of four repetitions of a very short basic musical phrase, "sol-me-ri," followed by four repetitions of another short basic musical phrase, "sol-la-do-la-do." While neither phrase is novel (or uncommon), experts at trial agreed that the pattern of juxtaposing four repetitions of each phrase is highly unique.¹²⁹

The Court found that there was enough substantial similarity between *My Sweet Lord* and the earlier *He's So Fine* by the Chiffons that under the deeming of access and

¹²⁶ *Lipton v. Nature Co.*, 71 F.3d 464 (2d Cir. 1995) [hereinafter *Lipton*].

¹²⁷ *Merges, Intellectual Property in the New Technological Age*, *ibid.* p. 416.

¹²⁸ *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F Supp. 177 (S.D.N.Y. 1976) [hereinafter cited as *Bright Tunes*].

¹²⁹ *Merges, Intellectual Property in the New Technological Age*, *ibid.*, p. 415.

substantial similarity Harrison had infringed on the earlier copyrighted work despite accepting Harrison's assertion that he did not intentionally copy the earlier work. The Court accepted that this was not a conscious infringement on the part of George Harrison, but based upon the fact that the two songs were identical except for the lyrics and Harrison had had access to the earlier work, found in favour of the plaintiffs nevertheless.

This finding of unconscious copying as infringement remains troubling, especially in music and art where the number of ways of expressing oneself are limited. *Bright Tunes* has led to a number of claims for infringement based in "derivative work" being launched against successful musical compositions. As there is no need to prove any *mens rea*, most of these claims are settled out of court usually by means of a settlement in favour of the plaintiff.¹³⁰ The expense and difficulty of assembling sufficient expert musicological experts, the uncertainty of the finding of the Court and the potential disruption to the promotion and sale of the artist's new works make the mere demonstration of substantial similarity in composition enough to warrant settlement without dispute in most cases. This is despite the limited number of ways of expressing oneself musically.

The deeming provision established by case law such as *Bright Tunes* has made it much easier to prove infringement of copyright by removing the necessity to prove intent to copy, but it has also created the possibility that the granted monopoly fences off as "owned property" a much wider array of created expression than might ever have been envisioned. It erodes the idea/expression distinction and broadens rights holder rights at the expense of new creations.

3.16.6 Piracy

Traditionally, when we hear the term piracy there is a tendency to associate it with the image of the Jack Sparrow/Blackbeard swashbuckling high seas thief. Pirates roamed the seas ruthlessly depriving seafarers of their possessions and lives, taking by force whatever they wanted from their hapless victims. To defy a pirate was to risk being made to “walk the plank” or be killed. Pirates were distinguished from “buccaneers” by the legitimating authority that buccaneers enjoyed by their royal license to seize things on the high seas and, presumably, by their adoption of the “rules of engagement” with ships they encountered. Piracy involved the deprivation that is the characteristic of theft and lawlessness.

The use of the term piracy for the making of unauthorized copies or broadcasting of unauthorized broadcasts in modern parlance is hyperbole¹³¹ intended to elevate the misappropriation of intellectual property rights to the level of criminal theft and mayhem. It has arisen because of the use of jurisdictional limits to diminish the authority of the rights holders to prosecute the protection of their rights. Off-shore radio stations, off-shore gambling establishments and off-shore banking practices have encouraged this new use of a loaded term when referring to apparent scofflaws who refuse to be bound by the

¹³⁰ Class discussion on issue with song writer, Mr. Jim Vallance, co-writer with Bryan Adams, Media and Entertainment Law 449, November 2005, UBC. He pointed out that he has been both plaintiff and defendant in such actions over the years.

¹³¹ David Vaver in *Intellectual Property Law*, *ibid.*, at p. 295 points out that “**piracy; pirated goods**” are “[a]busive terms, used by those who know no better or who have vested interests in a strong intellectual property system, to describe the products of deliberate infringement. These terms are sometimes used more loosely to describe any acts right-holders object to; for example, when the British copyright owners complained of U.S. ‘piracy’ of their books in the nineteenth century, even though U.S. law permitted this activity. They are best reserved for the exploits of Captain Bluebeard,...” Vaver also goes on to tell us that “**Theft**” is “[a]n abusive term used to describe an intellectual property infringement or, sometimes more loosely, any act to which a right-holder objects. An association of computer software manufacturers even calls itself the Canadian Alliance against Software Theft. But intellectual property infringement is not ‘theft’ in Canada because, after the ‘taking,’ the right-holder is still left with the ‘property.’ [In a note he

laws of local jurisdictions while conducting their activities. Nevertheless, the equation of the off-shore gambling site, the peer-to-peer file sharer, or even the off-shore broadcaster with an armed robber and murderer is overstating the case for rights holders.

3.16.7 Downloading

Currently an issue facing copyright holders in the digital world has to do with peer-to-peer (P2P) sharing of works among licensees of such works. Nowhere is this trend more marked than in the sharing of recorded music. The Canadian Recording Industry Association (CRIA) and the Recording Industry Association of America (RIAA) have led the fight to have such downloading declared as copyright infringement and seen as the equivalent of theft. They have launched several law-suits against the uploaders and the downloaders using the P2P system. They have argued that the precipitous decline in the sale of DVDs and other recorded music and film is a direct result of the use of peer-to-peer sharing.

This interpretation of the reason for the declining sales has been challenged by Michael Geist among others. Alternative explanations for the decline or recording sales include the fact that the sales figures had been inflated by the large number of consumers who had re-purchased works they had owned in other formats (i.e. vinyl, 8 track, tape cassette, CD, and now digital), the advent of the multi channel satellite radio that allows a vast array of music and programming to be received where only recorded music had been available before, the advent of alternative entertainment products such as video games, etc. Nevertheless there has been a substantial shrinking of the market for recorded music and the CRIA and RIAA have both agitated for banning P2P technology (as the RIAA

cites *R. v. Stewart*, [1988] 1 S.C.R. 963 as authority for this proposition.] Right-holders have never let facts get in the way of a good slogan." At p. 297.

once agitated for banning VCRs in the *Sony* case). It is clear that the market is changing and the old business model used by the recording industry may no longer be viable. The wisdom of suing one's customers is debatable and the question of whether the owner of a physical copy of a work who makes it available to anyone else to see or hear is making, authorizing the making or contributing to the making of an infringing copy is not settled.

Yet as we have seen in the *Napster*¹³², and *Grokster*¹³³ cases in the U.S., and the *Kazaa*¹³⁴ cases first in the Netherlands and then in Australia, some governments around the globe have been eager to ban the use of P2P file sharing as copyright infringement. The significance of the *Kazaa* case in Australia was that a P2P downloading company was found to have "authorized infringement" in a common law country with copyright legislation similar to that of Canada. This might seem to indicate a convergence between the U.S. "contributing to infringement" and the common law "authorizing infringement," but the cases may be fact-dependant. In the same way that the *Grokster* case contained facts that demonstrated an attempt to profit from a more active encouragement of copyright infringement, so the findings of the Australian court may have been that Sharman took an active role in encouraging infringement. Some have argued that the *Grokster* and *Kazaa* cases prove providing P2P service is illegal in copyright law but that

¹³² *Napster Inc. v. A & M Records Inc.* 239 F.3d 1004, 1029 (9th Cir. 2001).

¹³³ *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, Case No. 04-480. (U.S. Supreme Court June 27, 2005). *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.* 545 U.S. Supreme Court (2005).

¹³⁴ Kazaa (also known as KazAa) began life as a Dutch peer-to-peer downloading company sued by the RIAA and others in Dutch court in November 2001. The initial order of the Dutch court was to take steps to prevent copyright infringement. Kazaa was then sold to Sharman Networks in Australia who set up business off-shore while the first finding was being appealed. The Dutch court of appeal reversed the 2001 court finding in March of 2002 but the RIAA unsuccessfully sued Sharman in the U.S. in 2002 against the backdrop of the 9th Cir. Court of Appeal's finding in favour of *Grokster*. However, in February of 2004 the A.R.I.A. filed suit against Sharman in Australia in February. On February 6, 2005 the homes of the Sharman executives were raided and the Federal Court of Australia heard the case alleging that Sharman had "authorized infringement". This court found against Sharman on September 5, 2005, *Universal Music Australia Pty. Ltd. v. Sharman License Holding Ltd.*, [2005] FCA 1242 [hereinafter referred to as *Kazaa*].

is not at all clear. The result of the *Kazaa* appeal case in Holland and the *BMG* case in Canada have demonstrated a different more measured approach to the issue.

3.16.8 Doctrine of First Sale in the U.S.

In the U.S. there is controversy about the impact of the Doctrine of First Sale that states in section 109(a) of the *U.S. Copyright Act*,

Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.¹³⁵

A common place where discussions of the Doctrine of First Sale have appeared in U.S. jurisprudence has been with regards to “gray marketing”. For example in *Sebastian International, Inc. v. Consumer Contacts (PTY) Ltd.*¹³⁶, Weis Circuit Judge, tells us that although “...this case comes to us in the guise of an alleged copyright infringement ... it is in reality an attempt by a domestic manufacturer to prevent importation of its own products by the “gray market”.¹³⁷ However, Judge Weis goes on to discuss the lineage of the first sale doctrine in U.S. law. He states,

The first sale doctrine has a venerable lineage. The Supreme Court construed the right of exclusive sale held by copyright owners in *Bobbs-Merrill Co v. Straus*, 210 U.S. 339 (1908), and decided that it did not create an additional prerogative enabling the holder to restrict further sales....Because it had previously exercised the right to vend copies, the copyright owner could not retain any further control over subsequent sales. The Court phrased the issue in general terms, answering in the negative the question whether ‘the sole right to vend...secure[s] to the owner of the

¹³⁵ 17 U.S.C. § 109(a). It should be noted that in 1984 Congress created an exception to §109(a) when it created 17 U.S.C. §109(b) which prevents the rental of phonorecords or computer programs for profit. Merges says, “ It was passed in response to the growth of record rental stores, which were centers for illegal copying of records and tapes.” Merges *Intellectual Property in the New Technological Age*, *ibid.*, n. 24, p. 43.

¹³⁶ *Sebastian International, Inc. v. Consumer Contacts (PTY) Ltd.* (1988), 847 F.2d 1093 (3rd Cir.) (U.S.C.A.) [hereinafter referred to as *Sebastian International*].

¹³⁷ As cited in Merges *Intellectual Property in the New Technological Age*, *ibid.*, p. 439.

copyright the right, after sale of the book to a purchaser, to restrict future sales of the book at retail...' Id. at 350...

The first sale rule is statutory, but finds its origins in the common law aversion to limiting the alienation of personal property. See *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F.Supp. 881, 883 (E.D. Pa. 1964); Colby, *The First Sale Doctrine – The Doctrine That Never Was?*, 32 J.Copyp. Society U.S.A. 77, 89 (1984). See also H.R. Rep No. 987, 98th Cong., 2nd Sess. 2, reprinted in 1984 U.S. Code Cong. & Admin. News 2899 ('the first sale doctrine has its roots in the English common law rule against restraints on alienation of property'); 2 M. Nimmer, *The Law of Copyright* §8.12 (1987).

There is, however, an economic reason for the rule as well. As the district court said in *Burke & Van Heusen*, 'the ultimate question under the 'first sale' doctrine is whether or not there has been such a disposition of the copyrighted article that it may fairly be said that the copyright proprietor has received his reward for its use.' 233 F.Supp at 884. See *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 854 (2d Cir. 1963). See also *Cosmair, Inc. v. Dynamite Enters. Corp.*, no. 85-0651, slip op (S.D. Fla. Apr. 9, 1985) (1985 WL 2209)...¹³⁸

In this U.S. Court of Appeal decision the injunction granted against the defendant was vacated when the Court found that,

Because that exclusive right [§ 106(3) to distribute copies] is specifically limited by the first sale provisions of § 109(a), it necessarily follows that once transfer of ownership has canceled the distribution right to a copy, the right does not survive so as to be infringed by importation.¹³⁹

In Canada and other common law countries the Doctrine of First Sale is called the Doctrine of Exhaustion and, similarly, it allows for the resale or other disposition of legitimately purchased goods without the requirement of further royalties. In Canada the case that discusses the legality of "grey marketing" is *Smith & Nephew*. It is this doctrine that enables public libraries to lend their copies of copyrighted material to the public without infringing copyright. It is this doctrine that allows for the alienation of the work in a discreet contractual arrangement that passes the good title in a chattel from one owner to another without obligation to the original owner. It is this doctrine that

¹³⁸ As cited in Merges *Intellectual Property in the New Technological Age*, *ibid.*, pp. 440-41.

distinguishes the sale from the time-limited license to use or rental. It is also the doctrine that allows that a copyrighted work could change hands without infringing copyright so long as only authorized copies were ever made. This then allows for a legitimate use for P2P file sharing (analogous to time-shifting with VCRs) as well as the illegal copyright infringement. It is on this basis then in *BMG* that the trial court found against the plaintiffs seeking the names of the subscribers of the ISPs as *prima facie* copyright infringers. While the ruling was upheld at the Federal Court of Appeal, that court allowed that with evidence of “authorized infringement” an application might succeed.

3.17 Remedies

One of the important issues facing any intellectual property lawyer is the choice of remedies. As we have seen the bundle of rights granted to the rights holder contains both legal and equitable rights and the remedies that are appropriate to each right can differ. Part IV of the *Canadian Copyright Act*¹⁴⁰ details the Remedies available under the Act. Section 34(1) tells us that,

S. 34(1) Where copyright has been infringed, the owner of the copyright is, subject to this Act, entitled to all remedies by way of injunction, damages, accounts, delivery up and otherwise that are or may be conferred by law for the infringement of a right.¹⁴¹

Section 34(2) of the *Canadian Copyright Act* goes on to tell us about the remedies for infringement of the moral rights obtained by the author by virtue of subsections 14.2 (2) or (3). Similarly the author “or person who holds the moral rights” is entitled to “all

¹³⁹ *Sebastian International*, in *Merges*, *ibid.*, p. 442.

¹⁴⁰ Part IV, ss. 34 to 45, *Canadian Copyright Act*.

¹⁴¹ s. 34(1), *Canadian Copyright Act*.

remedies by way of injunction, damages, accounts, delivery up and otherwise that are or may be conferred by law for infringement of a right.”¹⁴²

Concerning trade-marks, section 53.2 of the *Canadian Trade-Marks Act* outlines the power of the court to grant relief for trade-mark infringement. It says,

s. 54.2 Where a court is satisfied, on application of any interested person, that any act has been done contrary to this Act, the court may make any order that it considers appropriate in the circumstances, including an order providing relief by way of injunction and the recovery of damages or profits and for the destruction, exportation or other disposition of any offending wares, packages, labels and advertising material and of any dies used in connection therewith.¹⁴³

Finally concerning remedies for patent infringement s. 55(1) of the *Canadian Patent Act* says,

s. 55(1) A person who infringes a patent is liable to the patentee and to all persons claiming under the patentee for all damages sustained by the patentee or by any such person, after the grant of patent, by reason of the infringement.¹⁴⁴

Section 55(2) goes onto extend “reasonable compensation” liability to infringers causing damage to the patentee or all persons claiming under the patentee for infringement after the patent was made open to the public but before the patent was actually granted (equivalent of the patent pending status)¹⁴⁵. And section 57(1) tells us that,

S. 57(1) Injunction may issue—In any action for infringement of a patent, the court, or any judge thereof, may, on application of the plaintiff or defendant, make such order as the court or judge sees fit,

- (a) restraining or enjoining the opposite party from further use, manufacture or sale of the subject-matter of the patent, and his punishment in the event of disobedience of that order, or
- (b) for and respecting inspection or account, and generally, respecting the proceedings in the action.¹⁴⁶

¹⁴² s. 34(2), *Canadian Copyright Act*.

¹⁴³ S. 53.2, *Canadian Trade-Marks Act*.

¹⁴⁴ s. 55(1) *Canadian Patent Act*.

¹⁴⁵ s. 55(2) *Canadian Patent Act*.

¹⁴⁶ s. 57(1) *Canadian Patent Act*.

So it appears clear that there are a number of remedies available, both legal and equitable in infringement actions.

3.17.1 Damages

One of the most important legal remedies is the payment of compensation for loss suffered by the rights holder and/or third parties because of the infringement. The advantage of damages is that it can provide a remedy that does not impugn the right to freedom of expression so much as injunctive relief may. It allows the infringer to “express” themselves, but it makes them pay for the privilege. However, the controversy in awarding damages is the calculation of the quantum. In the U.S. the determination of the quantum of damages for lost sales is usually done according to the four factor test found in the *Panduit* case.¹⁴⁷ The four factors are:

To obtain as damages the profits on sales he would have made absent the infringement, i.e. the sales made by the infringer, a patent owner must prove: (1) demand for the patented product, (2) absence of acceptable noninfringing substitutes, (3) his manufacturing and marketing capability to exploit the demand, and (4) the amount of profit he would have made.

When actual damages, e.g., lost profits, cannot be proved, the patent owner is entitled to a reasonable royalty. A reasonable royalty is an amount ‘which a person, desiring to manufacture and sell a patented article, as a business proposition, would be willing to pay as a royalty and yet be able to make and sell the patented article, in the market, at a reasonable profit.’ *Goodyear Tire and Rubber Co. v. Overman Cushion Tire Co.*, 95 F.2d 978 at 984, 37 U.S.P.Q. 479 at 484 (6th Cir. 1937) (citing *Rockwood v. General Fire Extinguisher Co.*, 37 F.2d 62 at 66, 4 U.S.P.Q. 299 at 303 (2d Cir. 1930), *appeal dismissed*, 306 U.S. 665 (1938)).¹⁴⁸

We have already mentioned in Chapter 1 that the U.S. calculation for damages from pirate copies overstates the value of lost sales by equating all pirate copy sales with the full retail sales of the rights holder’s IP. We pointed out how this quantum did not take into account elasticity of demand, a basic tenet of price determination in economic

¹⁴⁷ *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, (6th Cir. 1978).

theory. Yet it allows for large sums to be alleged as forgone sales. The accounting of profits is often used to determine the number of infringing copy sales and by extension the number of lost full retail sales, but again these figures do not recognize the simple economic fact that because a consumer was prepared to buy a cheap pirate copy of something does not mean they were prepared to obtain the object at the full retail price demanded by the rights holder.

The calculation of damages for patent infringement has been controversial even within the U.S. courts. For example, in the *Polaroid* case¹⁴⁹ the court originally set damages at U.S. \$909,457,567. This was later corrected to U.S. \$873,158,971, still a substantial sum.¹⁵⁰ One answer to this has been the setting of “reasonable royalties” by the courts.¹⁵¹

3.17.2 Forfeiture and Seizure of Infringing Copies

Another important legal remedy in intellectual property law is the forfeiture and seizure of infringing works or copies. In Canadian copyright law the right to seize and keep infringing copies and plates used to make them is contained in s. 38 of the *Canadian Copyright Act*:

S. 38 Recovery of possession of copies, plates.... the owner of copyright in a work or other subject matter may

- (a) recover possession of all infringing copies of that work or other subject matter, and of all plates used or intended to be used for the production of infringing copies, and
- (b) take proceedings for seizure of those copies or plates before judgment if, under the law of Canada or of the province in which those

¹⁴⁸ *Panduit*, 1158 n. 5 as cited in Merges, *ibid.*, p. 303.

¹⁴⁹ *Polaroid Corp. v. Eastman Kodak Co.*, 16 U.S.P.Q.2d (BNA) 1481 (D. Mass 1990)[hereinafter referred to as *Polaroid*].

¹⁵⁰ As reported by Merges, *ibid.*, p. 303.

¹⁵¹ See *Colonial Fastener Co. Ltd. V. Lightning Fastener Co. Ltd.*, [1937] S.C.R. 36 [hereinafter referred to as *Colonial*] and *General Tire & Rubber Co. v. Firestone Tyre & Rubber Co. Ltd.*, [1975] 2 All E.R. 173 (H.L.) [hereinafter referred to as *General Tire*].

proceedings are taking place, a person is entitled to take such proceedings,
as if those copies or plates were the property of the copyright owner.

(2) Powers of the court—On application by

- (a) a person from whom the copyright owner has recovered possession of copies or plates referred to in subsection (1),
- (b) a person against whom proceedings for seizure before judgment of copies or plates referred to in subsection (1) have been taken, or
- (c) any other person who has an interest in those copies or plates, a court may order those copies or plates *be destroyed*, or may make any other order that it considers.¹⁵² [emphasis added]

3.18 Changing the Registers

A proactive legal remedy against anticipated trade-mark infringement is to be found in challenging the inclusion of the mark or patent on the Trade-Marks Register or on the Patent Register. As we have seen, potentially confusing marks can be challenged during the registration process and even already registered marks can be challenged for a limited period of time after registration or at any time for non-payment of fees or non-renewal. Similarly patent registrations are most vulnerable during the patenting process, but they too can be challenged in court for disclosure difficulties or fee non-payment. If a mark or patent is successfully challenged it may be expunged.

3.19 Interlocutory Proscriptive Injunctive Relief *Anton Piller Orders*¹⁵³

Anton Piller Orders are interlocutory orders that allow for the entry into premises, search for and seizing of infringing material that a defendant might make unavailable or destroy before the merits of the infringement case can be heard. These are equitable remedies granted as an interlocutory measure before the court can hear evidence at trial.

¹⁵² s. 38 *Canadian Copyright Act*, *ibid.*

They are often invoked in IP cases to avoid the weakening of the infringement case or to avoid “irreparable harm” to the plaintiff that might result during the delay before the trial. They are granted *ex parte* and judicial concern has been expressed about the misuse of this remedy.

However, while courts may be cautious about granting interlocutory injunctions before hearing the merits of a case, the Federal Court of Appeal has also expressed the notion that to refuse an injunction to a plaintiff with “clean hands” about to suffer damage would be “...tantamount to the imposition of a compulsory licence...[in] the absence of legislative authority.”¹⁵⁴ Consequently, *Anton Piller Orders* are often granted provided plaintiffs undertake to be liable for damage to the defendants should the order subsequently be found to be unwarranted.

3.19.1 Cease and Desist Orders

We have already seen in section 57 of the *Canadian Patent Act*, that the court can grant a permanent injunction directing the infringer to cease and desist from infringing activity with regards to the patented invention. Similarly the injunctive remedies available under the *Canadian Copyright Act* (ss. 34(1)(2)) and the *Canadian Trade-Marks Act* (s.53.2) can make such orders common place in protecting the rights holders.

¹⁵³ These orders are named for the English case, *Anton Piller KG v. Manufacturing Processes Ltd.*, [1976] Ch. 55 (C.A.) [hereinafter referred to as *Anton Piller*] that involved copyright infringement and a breach of confidence claim by the plaintiffs. *Anton Piller* was followed in *Nintendo of America Inc. v. Coinex Video Games Inc.* (1982), [1983] 3 F.C. 189 (C.A.).

¹⁵⁴ *R. v. James Lorimer & Co.*, [1984] 1 FC. 1065 at 1073 (C.A.).

3.19.2 Fines for Contempt of Court and Punitive Fines

The party that chooses to ignore the adverse finding of a Court can face additional fines for contempt of court and even punitive fines until they comply. However, there are limits to such fines and in situations (i.e. pharmaceuticals) the cost of such punitive fines may become just a cost of doing business. One complicated but more common way of discouraging this practice is to order an accounting of profits from the defendant.

3.20 Compulsory Licensing

Another legal remedy available to users faced with patent or copyright abuse in the form of unreasonable withholding of permission to use can be compulsory licensing. As Michael Manson tells us, “[f]or many years, generic drug companies [in Canada] could obtain compulsory patent licenses almost as of right, by paying only a nominal 4 percent royalty.”¹⁵⁵ He goes on to tell us that, “[a]ll “as of right” compulsory licences granted on or after December 20, 1991 ceased to have effect on February 14, 1993.”¹⁵⁶ This was the result of Canadian legislation under the Brian Mulroney regime that negotiated NAFTA and strengthened patent holder rights as part of the deal.

3.21 Defences

In addition to representing rights holders, intellectual property lawyers may also have to represent alleged infringers against actions by the rights holders. In order to effectively represent both of these client groups, lawyers should appreciate not only the remedies available to the rights owners, but also the equitable defences available to

¹⁵⁵ Howell, R, Linda Vincent, Michael Manson. *Intellectual Property: Cases and Materials*, Toronto: Emond Montgomery Publishers Limited, 1999, [hereinafter referred to as Howell, *Intellectual Property*] at p. 1011.

¹⁵⁶ *Ibid.*, at 1013.

alleged infringers. For instance in section 39(1) of the *Canadian Copyright Act*, injunction is the only remedy when the defendant was not aware of the copyright¹⁵⁷.

3.21.1 Patent Infringement Defences

The liability for patent infringement is strict. Given the formalities required to obtain a patent (i.e. registration at the Patent Office) the lack of knowledge of the patent by the infringer is a difficult thing for the defendant to prove. Consequently the only effective defences against a charge of patent infringement are attacking the patents granted and/or seeking a compulsory license for the abuse of patent rights under the *Canadian Patent Act*. It is noteworthy that ss. 65 and 66 of the *Canadian Patent Act* deal with abuse of rights under patents and powers of the Commissioner in cases of abuse respectively¹⁵⁸. If such abuse can be demonstrated it is possible to apply for a compulsory license three years after the initial grant of the patent.¹⁵⁹

3.22 Registration Opposition

Patents are most vulnerable during the registration process through opposition procedures, and as we have seen even after they are registered they may be vulnerable to subsequent legal challenge. Patents on the register are assumed to be valid, but patents can be challenged on the grounds of being obvious (not original enough) or previously disclosed. They can be challenged for non-disclosure, (i.e. not disclosing the best mode or for claims that are too broad). As we saw in *Barton No-Till*, they can be challenged for non-payment or the wrong payment of the annual fees by the patent holder. They can also be challenged for the abuse of the patent within three years of the initial grant of the

¹⁵⁷ However s. 39(2) says that s. 1 does not apply if at the time of the infringement the copyright was duly registered under the Act.

patent¹⁶⁰ which can include: failure to authorize enough manufacture of a needed invention to meet public demand at a reasonable cost;¹⁶¹ violations of the provisions of the *Competition Act*;¹⁶² or,

(f) if it is shown that the existence of the patent, being a patent for an invention relating to a process involving the use of materials not protected by the patent or for an invention relating to a substance produced by such a process, has been utilized by the patentee so as unfairly to prejudice in Canada the manufacture, use or sale of any such materials.¹⁶³

3.22.1 Trade-mark Infringement Defences

Clients charged with infringing a trade-mark would first be advised to check the validity of the mark in the jurisdiction. This would involve checking to see if the mark is a registered trade-mark, or if not, when and by whom the mark in dispute first came into “use” in the jurisdiction. If a mark is in the process of being registered, there may be a need to object to the registration of the mark. These objections may turn on survey evidence concerning whether or not the mark is confusing or has acquired sufficient distinction to overcome an existing bar to its registration.

3.22.2 Grounds for Striking a Mark from the Trade-Marks Register

Although the marks on the Trade-Marks Register are also presumed to be valid, there are a number of reasons a trade-mark can be struck out. These include the lack of continued “use” (for a period of three years¹⁶⁴); the lack of defence of the mark leading to the dilution of the mark; the lack of control of a mark leading to dilution and possibly

¹⁵⁸ *Canadian Patent Act, ibid.*, s. 65(1) Abuse of rights under patents, (2) What amounts to abuse; and s.66(1) powers of the Commissioner in cases of abuse and s. 66(2) Proceedings to prevent infringement.

¹⁵⁹ Michael Manson in Howell *et al.* p. 1013.

¹⁶⁰ *Canadian Patent Act*, s. 65(1),

¹⁶¹ *Canadian Patent Act*, s. 65(2)(c).

¹⁶² See Vaver, *Intellectual Property Law*, *ibid.*, and also *Canadian Patent Act*, ss. 65(2)(d) and 65(2)(e).

¹⁶³ *Canadian Patent Act*, s. 65(2)(f).

¹⁶⁴ *Canadian Trade-Marks Act*, s. 45(3).

genericide; the failure to pay the annual fees for the mark and the failure to renew a mark. As we noted above, the trade-marks under the *Madrid Protocol* (newly in force in the U.S. and not yet adopted by Canada) may be vulnerable to a “central attack” within the first five years from initial registration. Consequently a mark domestically registered in another jurisdiction adhering to the *Madrid Protocol* would fall in the U.S. or other *Madrid Protocol* countries’ trade-mark registries if it is successfully challenged in its domestic registry in that period. Currently Canada has not adopted the *Madrid Protocol*.

3.23 Copyright

3.23.1 Fair Dealing in Canada and Fair Use in the U.S.

As we can see in the *Michelin* case “Fair Use”¹⁶⁵ in the U.S. is somewhat different than “Fair Dealing” in Canada and the Commonwealth countries. U.S. “Fair Use” provisions are not exhaustive. The four factors to be considered enumerated in §107 are included among others not specified allowing for a wide interpretation of “Fair Use” to be made under the *U.S. Copyright Act*. The “Fair Dealing” provisions of the *Canadian Copyright Act*¹⁶⁶ are specific and more limited.

In either instance, there arises the question of what constitutes a “substantial taking.” Is a substantial taking to be viewed in temporal terms and a percentage of the whole? In the U.S. *Zacchini* case,¹⁶⁷ the taking of the entire act by a newscast, even though it was only about 15 seconds in length led to invalidation of the defence of “Fair Use”. When we look at photographs, what constitutes a substantial taking as opposed to a *de minimus* reference? Is it what percentage of the original image is reproduced? This

¹⁶⁵ U.S. *Copyright Act* 17 U.S.C. § 107.

¹⁶⁶ *Canadian Copyright Act* Fair Dealing and exceptions to Infringement, Ss. 29, 30, 31, 32.

¹⁶⁷ *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (U.S. Ohio, 1977). This human cannonball case decided that the taking of the entire 15 second act by the television station had destroyed the

is all complicated by the extension of copyright from literal copying to “derivative works”. When does a partial taking become a “derivative work” or a “mutilation” which compromises the integrity of the original? The *Canadian Copyright Act*, s. 3 (1) defines “copyright” as “...the sole right to produce or reproduce the work or *any substantial part thereof* in any material form whatever...”[emphasis added]¹⁶⁸. The Act goes on to give the same sole right to perform in public or if the work is unpublished to publish “the work or any substantial part thereof”.¹⁶⁹ In Cyber law we must ask what is a “substantial taking” in bits and bytes?

3.23.2 Lack of Creativity (*TeleDirect*¹⁷⁰ in Canada and *Feist*¹⁷¹ in the U.S.)

As mentioned in Chapter 1, two important copyright cases that seem to mark the boundaries of copyright protection particularly with regard to the “Sweat of the Brow” Doctrine, and compilations, are *Feist* in the U.S. and *Tele-Direct* in Canada. Both cases had to do with the compilations of directory listings (i.e., facts) then put into a form of database for use by consumers. The limit of protection imposed seems to be that some “modicum of creativity” in the organization of the data is necessary to attract copyright protection against a form of derivative work. It is not enough to assert that one had gone to all the work of assembling the non-copyrighted facts to secure protection, one must demonstrate some glimmer of creativity in the arrangement of those facts to secure copyright protection. Using commonly known organizing principles such as alphabetical ordering or other such categorization can be seen as insufficient to demonstrate this glimmer. These cases have led to the creation of new *sui generis* database protection

commercial value of Mr. Zacchini’s act and thereby overstepped the defence of Fair Use by taking too substantial an amount of the original creation of the plaintiff.

¹⁶⁸ *Canadian Copyright Act*, s. 3 (1).

¹⁶⁹ *Canadian Copyright Act*, s. 3(1).

legislation¹⁷² that acknowledges the limitations of copyright legislation to protect database compilers from the “free riding” of their competitors. It is worth noting that the duration of protection is for 10 years, but it is also worth noting that such protection may be renewable indefinitely (The “Evergreen Provision”) indicating the continuing struggle to find the balance between creator and user rights.

3.23.3 Idea/Expression Dichotomy

In *Baker v. Selden*¹⁷³ Mr. Justice Bradley writing for the U.S. Supreme Court ruled that the forms used by Mr. Charles Selden to explain and describe a particular form of book-keeping and accounting in his book *Selden's Condensed Ledger, or Book-keeping Simplified* did not attract copyright protection. “The copyright of a book on book-keeping cannot secure the exclusive right to make, sell, and use account-books prepared upon the plan set forth in such book.”¹⁷⁴ The Court accepted the argument that the protection of ideas, procedures, processes and systems is not the purview of the *U.S. Copyright Act*¹⁷⁵ (although they might attract patent protection) as only the expression and not the idea can be protected under copyright law. What can and what cannot be protected under copyright law is referred to as the Idea/Expression Dichotomy.

In Canada under the rubric “Non-infringement re useful article features” the *Canadian Copyright Act* at s. 64.1 (1)(d) tells us that, “...using any method, or principle of manufacture or construction....” Do[es] not constitute an infringement of the copyright

¹⁷⁰ *Tele-Direct, ibid.*, see n. 96 Chapter 1 above.

¹⁷¹ *Feist, ibid.*, see n. 95 Chapter 1 above.

¹⁷² See the *E.U. Database Directive* of 1995.

¹⁷³ *Baker v. Selden*, 101 U.S. 99 (1879) [hereinafter referred to as *Baker v. Selden*].

¹⁷⁴ *Baker v. Selden, ibid.*

¹⁷⁵ See *U.S. Copyright Act*, 17 U.S.C. §102 (b).

or moral rights in a work...”¹⁷⁶ This section embodies the principles of the *Baker v. Selden* case from the U.S.

3.23.4 Lack of Fixation

As we have seen in copyright law, fixation is a required element to invoke statutory protection. After all how would we judge whether or not something is substantially similar or derivative unless we had a fixed example of the work to which the alleged infringing copy could be compared. In fact, to distinguish between original works and copies, we must have an original from which copies can be said to have been made. Case law demonstrates that it is in the derivative work that we have the most likelihood of alleged infringement.

3.23.5 Translations and Digital Translations

Section 3(1)(a) of the *Canadian Copyright Act* tells us that “Copyright in works...includes the sole right (a) to produce, reproduce, perform or publish any translation of the work,”¹⁷⁷ According to David Vaver, “Even works that...themselves infringe copyright (e.g., an unauthorized translation)” can be granted for any translation of a work.¹⁷⁸ This copyright is based upon the creative process inherent in the production of a translation. The translator will choose idiom, diction, vocabulary and even imagery that will be unique to his or her translation. For example in translating Homer from the ancient Greek, the translator will have to decide into which language the work should be translated; whether to attempt to translate the work as poetry or as prose; whether to translate literally or with some sense of the original artistry or poetic license. No two

¹⁷⁶ *Canadian Copyright Act*, s. 64.1 (1)(d).

¹⁷⁷ *Canadian Copyright Act*, s. 3(1)(a).

¹⁷⁸ David Vaver, *Intellectual Property Law*, Irwin Law: Toronto, 1997, pp. 21-22, see also David Vaver, “Translation and Copyright: A Canadian Focus”, [1994] 4 E.I.P.R. 159.

translations of Homer will be identical. In fact, studies of translations indicate that no two translations of any work will be identical unless one is copying the other.

The resulting translation is identified as a work deriving from the original from which it is translated and if that work is under copyright, authorization must be obtained. So if an author writes their work in English and another writer translates their work into French or German, there will be another copyright in the translation produced. Unless the translator can obtain authorization to exploit the translation from the owner of the copyright of the original work, he or she cannot exploit their translation commercially until the copyright on the original work expires or enters the Public Domain. The resulting copyright in the translation of the work is sometimes referred to as “thin copyright” and in cases where the translation is authorized, only allows the translator protection against other translations derived from his or her translation.

“Thin copyright” is copyright that is dependent upon the authority of the original copyrighted work whose copyright owner has enabled it and the copyright in the creative process of the production of that translation. It is analogous to the improvement patent in that it cannot be exploited by its creator without permission from the rights holder in the original work, nor can the original rights holder exploit the particular translation without permission from the translator. As in the case of improvement patents, the translation invites a sort of cross licensing arrangement in order to be exploited economically.

Similar to the translation issue is the issue of copyright in a photograph of a painting, drawing, or example of graphic art. A photograph can be seen as a “translation” of the visual image that is its subject. As with the literary work, the original visual artist retains the copyright in the image they created, but the photographer retains a “thin”

copyright in the photograph of their work that they have produced. Once again this is based upon the many creative decisions that the photographer will make in the manufacture of the photograph. The owner of the copyright of the photograph¹⁷⁹ (the photographer, the commissioner of the photograph or the assignee) will usually retain the copyright in the image for some fifty years after the date of manufacture in Canada.¹⁸⁰ Until that time has elapsed, the reproduction or use of the photograph can only be done with permission of the rights holder.

3.23.6 The Problem of "Thin Copyright"

Where this "thin copyright" in photographic images has become most apparent has been in the photography of the artifacts in museums and art galleries. While the original author or artist who made the image may retain the copyright, many objects will eventually revert back into the Public Domain. In cases where the images have reverted into the Public Domain, the use of photographs of those images without authorization (or royalty) should be possible. However when the museum or art gallery controls access to the images and permissions to photograph them (usually in the name of conservation and protection against damage in the photographic process), the object in Public Domain may only be accessible to the public outside of the institution by means of photographic translations or facsimiles whose thin copyright is owned by the institution. The royalties for permission to use these photographs then have become a revenue stream for the institution. While these revenues may help the institution preserve the patrimony of the works that are in the Public Domain, they restrict access to those who are willing to pay the license fee. The problem of these "thin copyrights" then is that they can create a sort

¹⁷⁹ *Canadian Copyright Act*, s. 13(2), Ownership of Copyright in an Engraving, photograph or portrait.

¹⁸⁰ *Canadian Copyright Act*, s. 10(1) Term of Copyright.

of perpetual copyright in the imagery of the collections. This is because the accessible photographs can be replaced with new versions as the old photographs approach the end of their copyright. By restricting access to those who would make photographic reproductions of the works to either employees or photographers willing to cede the resulting copyright to the institution, the museum or gallery can ensure royalties for reproductions for years to come, at public expense.

3.23.7 Digital Translations

With the advent of the digital age, it is suggested that everything is being “translated” into a series of binary numbers. While such “translations” ease the potentially infringing reproduction of expressions and images, they provide new ways of fixing the forms and invoking further copyright protection for the resulting works as translations with copyright in their own right. How much creative decision making is required in such translations may well determine whether or not copyright protection can and should subsist within the work.

An early example of the use of translation in computer programming in Canada can be found in the *Prism Hospital Software Inc. v. Hospital Medical Records Institute*¹⁸¹ case where the changing of code from Pascal to Fortran was found to be a translation for copyright purposes. Of course Fortran and Pascal are recognized as computer programming languages not as alternative reproductions of a language as in the case of Braille¹⁸².

The distinction between literary translations and photographic or visual ones has been effectively eroded. As sound, visual imagery, printed text and potentially all

¹⁸¹ *Prism Hospital Software Inc. v. Hospital Medical Records Institute* (1994), 57 C.P.R. (3d) 129 at 278 (B.C.S.C.).

perceptual experiences become translatable into digital formats, the “thin copyright” of such translations will enable the recapture of much that is traditionally thought to have been in the Public Domain to be fixed anew with a type of copyright that could easily frustrate the notion of the return of the monopoly protected elements of expression to the commons. As we shall see in Chapter 4 the European Database Directive with its “Evergreen” provisions for renewal of protection for digital databases is a major threat to the Public Domain and to the utilitarian bargain.

¹⁸² See Vaver, *Intellectual Property Law*, at pp. 72-3 for discussion of this distinction.

Chapter 4

Canada's International Obligations to Protect IPR: Treaties and Agreements

4.1 Introduction

In the previous chapter we saw how current Canadian IPR protection legislation reflected international standards, legislation and practice. International recognition of IPRs is a function of the long history of diplomatic efforts of negotiating recognition of the IPRs of foreign nationals in exchange for the recognition of Canadian IPRs in those foreign jurisdictions. Nowhere has this been more apparent than in the bilateral, and more recently, multi-lateral agreements among nations concerning the use of trade-marks, copyright and patents.

Until relatively recently most of these agreements were negotiated bilaterally between nations and they were mostly related to trade issues. Agreements reflected attempts of the party nations to end so-called "piracy" often caused by the failure of foreign works to meet the required legal standards for protection within the pirate nation. Throughout most of the first two centuries in the history of the U.S.A., differences in American and British copyright law led to the refusal of either jurisdiction to recognize the copyright granted in the other. Given the common language of the U.S. and the British Empire, the issue of copyright and pirate editions remained a trade conflict throughout much of those two centuries until the U.S. became signatory to the *Berne Convention* in 1989. The U.K. would ratify the *Berne Convention* on Canada's behalf in 1886 and Canadian works would be protected while the foreign works of other *Berne Convention* members could receive protection within Canada. Yet, as we shall see, this early membership in the *Berne Convention* for Canada was not without controversy and it

would not be until the coming into force of the *Canadian Copyright Act of 1921* in 1924 that Canada would domestically ratify the actions of the Imperial government on her behalf.

Among the earliest pieces of legislation in the new Dominion of Canada was the passing of copyright legislation in 1872, just five years after Confederation. The *Copyright Act of 1872*, which guaranteed Canadian publishers unlimited reproduction rights to British authors for a fixed royalty rate, was not ratified by the U.K. Parliament, as there were fears that such copies would make their way into the U.S. It was no accident that after Canada passed its own *Copyright Act of 1875*¹, it was ratified by the U.K. Parliament with the *Canada Copyright Act*,² in 1875. This was the compromise reached when the U.K. Parliament failed to ratify the earlier *Copyright Act of 1872*. However, to avoid book trading difficulties in the U.S. over the publishing of British books in that country the U.K. entered into bilateral negotiations with the U.S. resulting in little protection for Canadian publishers against American publications of books in English printed in the U.S. and brought into Canada. In fact, Westminster included in its ratification of the statute a “poison pill” for Canadian publishers:

This statute licensed Canadian firms to re-publish British books that had gone out of print, and protected British and other authors against the importation into the Dominion of pirated works. However, Westminster acceded to this bill only after it had banned unauthorized importation of Canadian editions into the United Kingdom.³

Effectively the Canadian publishers were precluded from competing with home country British publishers in the use of American published works not protected in Canada. This

¹ *Copyright Act of 1875*, S.C. 1875, c. 88 [published at S.C. 1876, p. xvii].

² *Canada Copyright Act, 1875* (U.K.), 38 & 39 Vict., c. 53.

was good for British publishers and addressed American publishers' concern about "pirate" editions in Canada during the negotiations at the time of adoption of the *Chase Act* in the U.S., but it severely curtailed the market for Canadian publishers concerned about U.S. pirate editions.

Following adoption of the *Chase Act* in 1891 by the U.S. that insisted upon deposit formalities that allowed for continued U.S. piracy of Canadian publishers' texts (those foreign texts that had not or could not be deposited within the requisite time after first publication because of residency requirements for the author were not protected and were thus vulnerable to U.S. pirate editions), the 1875 compromise *Canada Copyright Act* was seen as woefully inadequate for the protection of Canadian publishers. The failure of the U.K. to secure Canadian publisher interests (because of the desire to secure British author and publisher interests) led to the issue of control of copyrights and publishing becoming a contested part of the burgeoning self-determination/home rule debate for the Dominions.

Anticipating that the American government would continue its protectionist publishing policies, Ottawa in 1889 passed an act requiring that, in order to secure Canadian copyright, a book would have to be published in Canada within one month of its publication elsewhere; otherwise, that book (in intent, that American book) would be considered common property in Canada, which meant it could be re-published without penalty by any Canadian firm. Eventually, after Westminster had refused to sanction this act, Ottawa retaliated by refusing to accede to the terms of the 1911 **Imperial Copyright Act** (1 & 2 George V c. 46), to which Canada did not conform until 1924.

A consequence of this legal tangle and the American *Chase Act* was a distinction between Canadian and other Commonwealth copyrights.⁴

³ Philip V. Allingham, "Nineteenth Century British and American Copyright Law" at <http://www.victorianweb.org/authors/dickens/pva/pva74.html>, under "Australia and Canada", para 1.

⁴ Allingham, *ibid.*, at <http://www.victorianweb.org/authors/dickens/pva/pva74.html>, under "Australia and Canada", para 2.

4.2 Pirate Nations

As we saw in Chapter 1, the U.S. was seen by Canadian publishers and Commonwealth authors as a “pirate nation” for most of its early existence⁵. Certainly, because of unauthorized Canadian editions of U.S. books, the U.S. viewed Canada as a “pirate nation” as well. As mentioned above, U.S. reticence to adopt a copyright protection regime consonant with that in Britain, the Empire and most of the civil code law countries, led to its sponsorship of the *UCC* as an alternative to *Berne*. Canada’s proximity to the U.S. and shared dominant language of English meant that Canada needed to become party to the *UCC* so long as the U.S. refused to recognize *Berne*. Relying upon the stricter formalities of U.S. copyright law, and in particular deposit requirements, the U.S. sought to take advantage of its position outside of *Berne* until 1989. Since its adoption of *Berne*, the U.S. has led the charge for strengthening international copyright protection through the *TRIPS* agreement and the *WTO* trade dispute resolution mechanisms with the enthusiasm of a newly converted zealot. This zealotry came only after the U.S. publishing industries had been well established and after the U.S. became a leading exporter of intellectual property in the form of entertainment in the twentieth century.

In a like manner it can be argued that the former U.S. patent regime gave the U.S. the ability to leap-frog international competitors in the new industrial age and secure for itself a leadership position before patents received very much international recognition.

⁵ Allingham, *ibid.*, at <http://www.victorianweb.org/authors/dickens/pva/pva74.html>, at para 2 discusses the U.S. official sanctioning of “piracy” especially before the adoption of the *Chase Act* in 1891.

With a broader definition of what can be patented⁶ and with a Patent Office consistently understaffed with patent examiners, the U.S. has allowed the granting of more patents than any other country. While few of these patents are ever exploited economically, the U.S. regime has made it possible for the development of a patent purchase industry that has led to the recent “Blackberry” litigation in the U.S.⁷ In the U.S., there are several companies that purchase patents speculating that when and if someone commercially

⁶ The U.S. has recently allowed the patenting of business methods (*State Street Bank & Trust Co. v. Signature Financial Group*, 927 F.Supp. 502 (D. Mass. 1996).) despite a long tradition of what was referred to as the business method exception to statutory subject matter. A long line of cases beginning with *Hotel Security Checkin Co. v. Lorraine Co.*, 160 F. 467 (2d Cir. 1908) led to the assertion of this business methods exception, still referred to in 1994 in *Re Schrader*, 22 F.3d 290, 30 USPQ2d 1455 (Fed. Cir. 1994). Two intervening cases dealing with the mathematical algorithm difficulty in U.S. patent law in the 1970s (*Gottschalk v. Benson*, 409 U.S. 63, 93 S.Ct 253, 34 L.Ed.2d 273 (1972)[hereinafter referred to as *Benson*] and *Parker v. Flook*, 437 U.S. 584, 98 S.Ct 2522, L.Ed.2d 451 (1978)[hereinafter referred to as *Flook*]) led to the establishment of the Freeman-Walter-Abele test to extract and identify unpatentable mathematical algorithms in response to *Benson* and *Flook* (*Re Freeman*, 573 F.2d 1237 (CCPA 1978) 197 USPQ 464; *Re Walter*, 618 F.2d 758, 205 USPQ 397 (CCPA 1980); *Re Abele*, 684 F.2d 902 (CCPA 1982), 214 USPQ 682). This test has been described as, “First the claim is analyzed to determine whether a mathematical algorithm is directly or indirectly recited. Next, if a mathematical algorithm is found, the claim as a whole is further analyzed to determine whether the algorithm is ‘applied in any manner to physical elements or process steps.’ And, if it is, it ‘passes muster under §101.’” from Rich J in *State Street Bank & Trust Co. v. Signature Financial Group*, 927 F.Supp. 502 (D. Mass. 1996) para. 8. In more recent cases leading to *State Street* such as, *Diamond v. Chakrabarty*, 447 U.S. 303, U.S.P.Q. (BNA) 193 (1980) U.S. Supreme Court; *Diamond v. Diehr*, 450 U.S. 175 (101 S.Ct. 1048) (1981); *Re Alappat*, 33 F.3d 1526, (Fed.Cir. 1994) (in banc), 31 USPQ2 1545, the Freeman-Walter-Abele test has lost its applicability to determining the presence of statutory subject matter. (Rich J *ibid.*, para 9.) Another formerly barred statutory subject matter was the patenting of life forms. Beginning with *Chakrabarty* and lower life forms, the U.S. lessened this bar until the patenting of the Harvard oncology mouse (higher life form mammal) became possible. These are but two examples of the new developments in U.S. patent law concerning what is patentable and what is not.

⁷ *N.T.P., Inc. v. Research in Motion, Ltd.*, No. 3: 01CV767 (E.D. Va. Aug. 5, 2003) [hereinafter “District Court Final verdict”]. Beginning in 2001, Research in Motion was successfully sued for patent infringement of existing patents owned by N.T.P. in the technology used in R.I.M.’s wildly popular “Blackberry” device by N.T.P. in a jury trial in 2002. The District Court final verdict, which had awarded \$53,704,322.69 (U.S.) to N.T.P. was appealed in *N.T.P., Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1326, (Fed. Cir. 2005) leading to a partial reversal, a partial affirmation and a remand (Dec. 13, 2004). In addition the five patents in question were challenged by R.I.M. which then moved for a stay of the granted injunction relief pending final decision. In March 2006 this case was settled for a reported payment of \$612.5 million (Can) to N.T.P. despite the fact that the patents in dispute owned by N.T.P. had been struck down on initial review by the U.S. Patent and Trademark Office and there were indications that they could fall permanently in second review (see Barry McKenna and Simon Avery, “RIM, NTP take patents battle public”, *Toronto Globe and Mail*, Wednesday, December 21, 2005). However, the patent rulings could be appealed by N.T.P. and Judge Spencer troubled by the length of time required to settle the ongoing litigation was insisting that a settlement should be found or the injunction against R.I.M. in the U.S. might

exploits the technology disclosed in the patent, they can extract license fees from the improvement patent holder. This litigation has led to international litigation against Research In Motion, a Waterloo, Ontario based company that has achieved remarkable success with its wireless e-mail retrieving device, "Blackberry".⁸ The breadth of patents awarded in the U.S. has world-wide importance for patent law. Given the ubiquitous nature of the *TRIPS* agreement, the existence of a U.S. patent, even one that does not qualify under the domestic laws of other jurisdictions, can put increasing pressure upon patent protection regimes in those other jurisdictions to harmonize their patent law with that of the U.S. This can erode the boundaries of just what is to be protected under patent law.

In addition, now that the U.S. is a net exporter of intellectual property in the form of patents, trade-marks and copyright, it has encouraged the U.S. to become a supporter of stronger creator rights against international competitors. We have already seen that the U.S. became a strong supporter of *WIPO*, the *TRIPS* agreement and the use of the *WTO* to enforce it, once it embraced the *Berne Convention* and the concept of globalization. It is this linkage among the collection of royalties and enforcement of IPs and International Trade that John Ralston Saul identified as needing re-examination.⁹ It causes us to ask, why is international trade and IPR protection linked in the *TRIPS* agreement and why is the dispute resolution procedure of *TRIPS* linked to *WTO* trade panels?

be allowed to go ahead keeping the Waterloo Ontario based R.I.M. out of the lucrative U.S. market at a critical time. R.I.M. decided to settle.

⁸ Note that before the N.T.P. case in the US. settled, Research In Motion (R.I.M) had to defend against a similar patent infringement suit by Luxembourg-based intellectual property company, Inpro, for alleged patent infringement of a 1996 patent. A number of copycat patent infringement cases against R.I.M. had been launched in Europe (U.K., Luxembourg, Germany) in a form of "greenmail" while R.I.M. struggled with the U.S. N.T.P. case. A German court determined that the Blackberry device did not infringe the patent January 31, 2006.

4.2.1 Historical Connection of IPR Protection with International Trade

The connection of intellectual property law with trade can, perhaps, be

seen more easily in trade-mark law where the importation of counterfeit goods has long been recognized as detrimental to free markets and international trade. For if the merchants of one nation can find no relief against trade-mark infringement in another country it can clearly be seen as a barrier to entry into that country's market. As demonstrated by the use of tariffs and customs duties, this tolerance of such a barrier to trade for the benefit of the country that refuses recognition will lead to a similar refusal by other countries to recognize the trade-marks of the merchants in the offending country. With countervailing refusals to grant foreign merchants protection, international trade becomes curtailed. It is not accidental that the original *Madrid Agreement* on Trade-marks was one of the very first multi-lateral diplomatic initiatives in the recognition of intellectual property in 1891.¹⁰

Once we recognize that international trade in inventions, books and mutual trade mark recognition have been important issues since at least the nineteenth century, it is easy to understand how intellectual property rights protection has come under the administration of the World Trade Organization. Once that linkage is made it is understandable how the dispute resolution mechanism for IPR protection confrontations can be seen as an issue of international trade. The hearing of disputes before that body thus becomes potentially appropriate. The fact that the U.S. has only become signatory to the *Madrid Protocol* within the past three years is testimony to the difficulty in

⁹ John Ralston Saul, *The Decline of Globalism: and the Reinvention of the World*, (Penguin Books Canada, May 2005), [hereinafter referred to as *The Decline of Globalism*] p.181.

¹⁰ "The Madrid system for the international registration of marks (the Madrid system) established in 1891 functions under the *Madrid Agreement*, concluded in 1891 and revised at Brussels (1900), Washington (1911), The Hague (1925), London (1934), Nice (1957), and Stockholm (1967), and amended in 1979, and the *Protocol* relating to that Agreement, which was concluded in 1989, with the aim of rendering the Madrid system more flexible and more compatible with the domestic legislations of certain countries which had not been able to accede to the Agreement."

http://www.wipo.int/treaties/en/registration/madrid_protocol/summary_madrid.html. It is administered by the International Bureau of WIPO located in Geneva, Switzerland.

reconciling the different international IPR protection regimes. If past history is any indication we can expect the U.S. to embrace *Madrid Protocol* Trademark legislation with the same fervour as it has embraced international patent and copyright protection regimes.

4.3 IPRs as Granted Monopolies and the Abuse of Dominant Position

If we allow that the granting of exclusive authority to economically exploit copyrights, patents and trademarks is the issuing of a statutory monopoly, we are confronted with the economic and equitable problems that often accompany monopolies. A lack of competition and economies of scale enable large merged firms to have more resources and lower production costs that can give them a competitive advantage. These only become problematic for consumers when that competitive advantage is so great as to drive all other competition from the market leaving a monopoly that can encourage the abuse of dominant position and inefficiencies. Monopolies are not, in and of themselves, illegal. In fact the government grants statutory monopolies in the form of intellectual property rights such as copyright and patent for a limited period of time on a regular basis. The limited duration of the statutory monopoly and its capacity to encourage innovation and progress in the marketplace are usually sufficient to justify the temporary tolerance for this anti-competitive action.

Similarly, naturally occurring monopolies, resulting from being first to the market place, are also tolerated by law. What is not tolerated is when the monopolist takes steps to preserve that monopoly and exclude others from the market place on the basis of their monopoly position. This is why a “back door patent” (an extension of protection following the expiration of the original patent through another form of IPR protection) was denied the former patent holder in the *Lego* case when they sought exclusive trade-

mark protection for functional “trade dress” to keep competitors out of the marketplace. Likewise, when telecommunications companies denied entry into the long distance market in Canada for their competitors by refusing to allow connections to the existing infrastructure, the CRTC stepped in to order removal of such barriers to entry for competitors.¹¹ In such situations the law deems the monopolist, even the statutory monopolist, to have abused society from its position of monopoly advantage. Anti-combines or anti-trust legislation then is brought into play against monopolists who have abused their advantaged position. In Canada it is usually the Competition Bureau that concerns itself with enforcing such legislation.

4.3.1 *Competition Act*, s. 32

In Canada the government has maintained another legislative check on the abuse of IPRs in the *Competition Act* and its anti-trust measures¹². Under Part IV, Special Remedies, s. 32(1) discusses the Powers of Federal Court where certain rights are used to restrain trade. Subsection 32(1) says:

32. (1) In any case where use has been made of the exclusive rights and privileges conferred by one or more patents for invention, by one or more trade-marks, by a copyright or by a registered integrated circuit topography, so as to

¹¹ *CNCP Telecommunications: Interconnection with Bell-Canada* (Telecom Decision CRTC 79-11) ended the telephone companies' monopoly on private (leased) lines connected to PSTN and allowed CNCP to interconnect with Bell's public switch telephone network to foster competition without forcing the new entrant to build its own infrastructure. The market for public long distance voice services was opened to competition by Telecom Decision CRTC 92-12 "*Bell Canada v. Rogers Cable*" in 1992. In *Bell Canada v. Unitel*, [1993] 1 F.C. 669 the FCA dismissed appeal from a CRTC ruling ordering Bell to allow Unitel to connect to Bell's telephone network for just 30% of the start-up cost based on the approximate long-run market share of all the competitors. In 1999 the CRTC required cable carriers to provide discount Internet service to other ISPs (Telecom Decision CRTC 99-11). These teleco cases and CRTC Telecom decisions led the way toward the deregulation of long distance and local telephone service in Canada. They have also led the way to the CRTC's potential role in ensuring access to the Internet infrastructure as Canadians rely upon either cable companies or telcos for dial-up, high speed ADSL or dedicated connection for Internet access. In contrast to this line of cases in favour of CRTC intervention for the "public good" note that the limits to CRTC jurisdiction concerning the ordering of access to the infrastructure by means of a compulsory license for cable connection on power utility poles was successfully challenged at the SCC in the *Barrie Public Utilities v. Canadian Cable Television Assn.*, [2003] 1 S.C.R. 476 case.

¹² *Competition Act*, R.S.C. 1985, c. C-34, as am. [hereinafter cited as the *Competition Act*], ss. 32(1); 45(1); 61; Part VIII Matters Reviewable by Tribunal, ss. 77; and 79.

- (a) limit unduly the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article or commodity that may be a subject of trade or commerce,
- (b) restrain or injure, unduly, trade or commerce in relation to any such article or commodity,
- (c) prevent, limit or lessen, unduly, the manufacture or production of any such article or commodity or unreasonably enhance the price thereof, or
- (d) prevent or lessen, unduly, competition in the production, manufacture, purchase, barter, sale, transportation or supply of any such article or commodity,

the Federal Court may make one or more of the orders referred to in subsection (2) in the circumstances described in that subsection.

Orders (2) The Federal Court, on an information exhibited by the Attorney General of Canada, may, for the purpose of preventing any use in the manner defined in subsection (1) of the exclusive rights and privileges conferred by any patents for invention, trade-marks, copyrights or registered integrated circuit topographies relating to or affecting the manufacture, use or sale of any article or commodity that may be a subject of trade or commerce, make one or more of the following orders:

- (a) declaring void, in whole or in part, any agreement, arrangement or license relating to that use;
- (b) restraining any person from carrying out or exercising any or all of the terms or provisions of the agreement, arrangement or licence;
- (c) directing the grant of licences under any such patent, copyright or registered integrated circuit topography to such persons and on such terms and conditions as the court may deem proper or, if the grant and other remedies under this section would appear insufficient to prevent that use, revoking the patent;
- (d) directing that the registration of a trade-mark in the register of trade-marks or the registration of an integrated circuit topography in the register of topographies be expunged or amended; and
- (e) directing that such other acts be done or omitted as the court may deem necessary to prevent any such use.¹³

¹³ *Ibid.*, s. 32 (1)(a)(b)(c)(d), and s.32(2)(a)(b)(c)(d)(e) See also, Anderson, Kholsa & Ronayne. "The Competition Policy Treatment of Intellectual Property Rights in Canada: Retrospect and Prospect", in *Canadian Competition Law and Policy at the Centenary*, eds. Khemani & Stanbury. Halifax: Institute for Research on Public Policy, 1991, pp. 497-500: 518-537.

4.3.2 The Competition Bureau

The administration of the provisions of the *Act* lies with the Competition Bureau. These provisions demonstrate the Canadian government's concern that a balance be maintained between creator rights and public good. They are evidence of the acknowledged need for checks on traditional IPRs. But what will happen when Canada's need to promote competition and check IPR protection conflicts with Canada's international treaty obligations? While these provisions seem like adequate protection, it should be noted that, s. 32 (3) concerning treaties, etc. also provides that,

(3) No order shall be made under this section that is at variance with any treaty, convention, arrangement or engagement with any other country respecting patents, trade-marks, copyrights or integrated circuit topographies to which Canada is a party.¹⁴

This provision essentially guts the powers of the Federal Court in the face of international treaties, conventions, arrangements or engagements concerning the named IPRs. A *sui generis* protection such as the *Database Directive* is not even named under the *Competition Act* as a potentially "abuse-able" IPR against which the public needs Federal Court protection.

In the last 40 years the Competition Bureau has not used s. 32 with regards to regulating intellectual property rights. It remains to be seen whether or not the U.S. experience will trigger more action. An April 2000 *Financial Post* item suggested that Bill Gates had little to fear from Canada and that the Competition Bureau was far behind other countries in protecting Canadian consumers from IPR holders.

¹⁴ *Ibid.*, s. 32 (3). For current practice see : Competition Bureau *Intellectual Property Enforcement Guidelines*, <http://strategis.ic.gc.ca/SSG/ct01538e.html> pp. 1-13.

4.4 International Treaties under which Canada has Obligations

The Canadian Intellectual Property Policy Directorate lists some fourteen international treaties under which Canada has or could have international obligations to protect IPRs.¹⁵ This list is not exhaustive, and in fact, Canada may be considering signing, ratifying and amending legislation to conform with the requirements of these existing and any future agreements. The Industry Canada Directorate explains:

This section provides basic information concerning the international intellectual property treaties, which Canada has signed, as well as links to their full text. (NB Treaties, which have only been signed by Canada, but not ratified or acceded to, do not impose specific obligations on Canada. However, in signing a treaty, Canada undertakes not to act in a manner contrary to the spirit and principles it embodies.)¹⁶

It is important to remember that the international treaty process involves Canada coming to an agreement and signing the treaty, ratification of the treaty domestically by parliament and the passing of such rules, regulations and necessary amendments to existing Canadian legislation to enact the provisions of the ratified treaty under Canadian

¹⁵ These include: (1) *Berne Convention for the Protection of Literary and Artistic Works* (concluded 1886): Canada acceded to the Convention April 10, 1928, and to the 1971 revision on September 28, 1998; (2) *Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure* (concluded 1977): Canada acceded to the Treaty on September 21, 1996; (3) *Convention Establishing the World Intellectual Property Organization* (concluded 1967): Canada acceded to the Agreement and became a member of WIPO on June 26, 1970; (4) *International Union for the Protection of New Varieties of Plants (UPOV)* (concluded 1961): Canada became party to the Convention on March 4, 1991; (5) *North American Free Trade Agreement (NAFTA) - Chapter 17: Protection of Intellectual Property Rights* (concluded 1992): Canada signed NAFTA on December 17, 1992, and ratified it on June 23, 1993; (6) *Paris Convention for the Protection of Industrial Property* (concluded 1883): Canada acceded to the Convention on June 12, 1925; (7) *Patent Cooperation Treaty* (concluded 1970): Canada acceded to the Treaty on January 2, 1990; (8) *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations* (concluded 1961): Canada acceded to the Convention on March 4, 1998, and became a party to it on June 4, 1998; (9) *United Nations Convention on Biological Diversity* (concluded 1992): Canada acceded to the Convention on December 4, 1992; (10) *Research papers on intellectual property issues related to the United Nations biodiversity Convention*; (11) *Universal Copyright Convention* (concluded 1952): Canada acceded to the Convention on August 10, 1962; (12) *WIPO Copyright Treaty* (concluded 1996): Canada became a signatory on December 22, 1997; (13) *WIPO Performances and Phonograms Treaty* (concluded 1996): Canada became a signatory on December 22, 1997; (14) *World Trade Organization (WTO) - TRIPS Agreement* (concluded on 1994): Canada became a party to TRIPS on January 1, 1995 as cited by the Intellectual Property Policy Directorate at Industry Canada at http://strategis.ic.gc.ca/epic/internet/inipdp-dppi.nsf/en/h_ip00008e.html.

law, including the setting of a date of coming into force. Yet the mere signing of an international treaty imposes upon Canada a duty not to act in a manner contrary to the principles and spirit embodied in the treaty. As we are seeing with regards to Aboriginal Treaties, the signing puts the honour of the Crown at stake.

4.4.1 *TRIPS, WIPO and the WTO*

The *World Intellectual Property Organization*¹⁷ (*WIPO*) and its multi-lateral agreement on *Trade Related Aspects of Intellectual Property*¹⁸ (*TRIPS*) represents an important new international regime going far beyond the old *Berne Copyright Convention*. *WIPO* reports on some twenty-three international treaties concerning intellectual property rights protection, global protection and classifications of intellectual property.¹⁹ *TRIPS* is one of the first multi-lateral trade agreements with specific levels of behaviour required from signatory states. It is enforced by use of the *World Trade Organization*²⁰ (*WTO*) Trade Dispute Panels and includes most nations. As copyright and trade-marks were among the first trade issues to be negotiated on a multi-

¹⁶ *Ibid.*, Intellectual Property Policy Directorate at Industry Canada at http://strategis.ic.gc.ca/epic/internet/inippd-dppi.nsf/en/h_ip00008e.html.

¹⁷ "Convention Establishing the World Intellectual Property Organization (concluded 1967): Canada acceded to the Agreement and became a member of WIPO on June 26, 1970." Treaty number 3 as listed at http://strategis.ic.gc.ca/epic/internet/inippd-dppi.nsf/en/h_ip00008e.html.

¹⁸ "World Trade Organization (WTO) - TRIPS Agreement (concluded 1994): Canada became a party to TRIPS on January 1, 1995." Treaty number 14 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inippd-dppi.nsf/en/h_ip00008e.html.

¹⁹ To see the list go to <http://www.wipo.int/treaties/en/>.

²⁰ The *World Trade Organization* [hereinafter referred to as the *WTO*] was established by the *Marrakesh Agreement Establishing the World Trade Organization* (1994), 33 Int. Leg. Mat. 1144 to replace the *General Agreement on Tariffs and Trade (GATT)* which had been founded in 1947. The *WTO* was established in 1995. Under the former *GATT* Tribunal panel the policies of the Canadian Foreign Investment Review Agency (*FIRA*) had to be altered in response to a US complaint. Similarly a decision of the Canadian Import Tribunal against EC ground beef imports, in response to the complaint of western beef producers was overturned by a *GATT* panel which held that primary beef producers had no standing to make a dumping complaint against ground beef exports. Another successful EC complaint against the markups on European wines sold by provincial liquor boards through *GATT* has led to different pricing policies in Canada. There are over 130 countries and customs territory members of the *WTO* and another

lateral basis (*Berne Convention* for copyright in 1886 and the *Madrid Agreement* for trade-marks in 1893), there is a certain logic to associating the protection of these IPR protection regimes to international trade and the *WTO*. However, as we shall see, the potential for the use of differences in copyright and trade-mark law as a non-tariff barrier to trade, or the use of the sanction of the *WTO* trade dispute panel to justify the imposition of tariffs indicates the growth of a new imperialism made possible by the application of *TRIPS* and globalization. This potential abuse of IPR protection for purposes far removed from ensuring compensation and incentives for authors, inventors or the users of trade-marks for consumer protection may compromise the entire justification of the granted statutory monopoly system. Let us examine some of the geopolitical trends that have emerged since the advent of *TRIPS*.

4.4.2 *WIPO, TRIPS and International Harmonization*

Given the near universal adoption of *TRIPS* there has been considerable advocacy for harmonization of intellectual property laws since 1994 especially in the intellectual property exporting countries (notably, the U.S., the U.K., and Japan). Other industrialized nations such as France, Germany and trading blocks such as the E.U. have also been interested in harmonizing IPR protection regimes to give rights owners global recognition. *TRIPS* has been seen as one of the first multi-lateral international agreements to set minimum standards of protection that can be enforced by recourse to the *WTO* trade dispute panel system. As such it is, perhaps, one of the most important documents in the process of economic globalization. The use of *TRIPS* at the expense of intellectual property importing countries is a countervailing trend to the growth of

30 states seeking membership. These examples are cited in Ted Dorman's International Comparative Intellectual Property materials prepared for the summer seminar at UVIC in Law 343 at p. 9.

international harmonization that first followed the *Uruguay Round of TRIPS* in 1994 peaking with the negotiation of the *WIPO Copyright Treaty* in 1996.

In the U.S. this high-water of harmonization was marked by the passage of the *CTEA*²¹, and the *Communications Decency Act*²² and several other important pieces of legislation during the Clinton Administration. The Dot.Com meltdown of 2002 has led to a slowing of the trend toward harmonization of IPR protection regimes and a re-evaluation of the domestic regimes of other *WTO* member countries.²³ Notably the failure of Canada to ratify and implement the *WIPO Copyright Treaty 1996* (see the failure of Bill C-60 in the Fall of 2005) and the *Madrid Protocol* of Trademark Protection indicate sober second thoughts in Canada. Nevertheless, with U.S. adoption of the *Madrid Protocol* at the end of 2003 and the successful defeat of the constitutional challenge of the 1998 *Sonny Bono Amendment* at the U.S. Supreme Court in the *Eldred v. Ashcroft*²⁴ case of 2003, it may be that the momentum towards harmonization has begun to rebuild.

As we shall see, National Treatment (i.e., a guarantee that a foreign national would be afforded the same level of protection for his or her IPRs within a member country as a citizen of that country) has been the compromise that has allowed the multi-

²¹ *Copyright Term Extension Act (CTEA)*, October 7, 1998, 17 U.S.C. § 505 [hereinafter referred to as the *Sonny Bono Amendment*].

²² *Communications Decency Act of 1996 (CDA)* 47 U. S. C. A. §223(a)(1)(B)(ii) (Supp. 1997). Note that this *Act* was successfully challenged for being overbroad with regards to the First Amendment and vague with regards to the Fifth Amendment at the U.S. Supreme Court in June 1997 see *Reno v. American Civil Liberties Union*, 521 U.S. 844, (1997).

²³ John Ralston Saul, *The Collapse of Globalism*, suggests that the linkage between *TRIPS* and the *WTO* has led to it becoming a vehicle for the collecting of IP royalties rather than encouraging the freer trade and economic growth for all that its proponents promised. Pointing out the use of *TRIPS* in favour of western pharmaceutical companies against the interests of Third World nations beset by diseases such as AIDS, he argues that *TRIPS* will have to be disengaged from the *WTO* (p. 181) and be renegotiated in this period following the end of the globalization movement (at p. 204). Saul's epitaph for globalization may or may not be premature, but clearly the enthusiasm with which non-IPR exporting countries signed on to *TRIPS* between 1994 and the present day is much diminished.

lateral negotiations of reciprocal recognition of IPR protection to go forward.

Nevertheless, rights holders have been left frustrated by the lack of consistency among nations concerning protection of IPRs. This inconsistency has led to stronger calls to standardize protection, and remove differences among laws concerning IPRs such as differences in the duration of protection and the definition of what can and what cannot be protected. This, in turn has led to the opposition to such harmonization by academics²⁵ and critics²⁶ of the censoring nature of IPRs protection based upon the granting of statutory monopolies.

The frustration of rights holders is juxtaposed with the concern about the control of access to ideas. This has led to law-suits such as *Eldred v. Ashcroft*. Much of the legal uncertainty about what IPR protection regimes should be is reflected at the Appellate Court level. This contest between these stakeholders has led to the writing of this thesis.

4.5 The Road to *TRIPS*: Bilateral and Multinational IPR Agreements

Perhaps it would be useful to review how *TRIPS* came about and how the quest for international standards came to be tied to international trade in a variety of goods and services. To accomplish this we need to review some of the important legislation that preceded *TRIPS*. For Canada we need to reconsider the common law tradition in the

²⁴ *Eldred v. Ashcroft*, 537 U.S. 186 (2003) U.S. Supreme Court.

²⁵ Leading academic Centres include: the Berkman Center for Internet and Society, housed at Harvard University and co-founded by Jonathan Zittrain (see <http://cyber.law.harvard.edu/zittrain.html>); the Center for Internet Society is housed at Stanford University where Lawrence Lessig is on Faculty (Lessig maintains a blog site at <http://www.lessig.org/blog/>); and, the Canadian Internet Policy and Public Interest Clinic (CIPPIC) led by Michael Geist which is housed at the University of Ottawa in Canada (see <http://www.cippic.ca/en/about-us.html>) to name but three such academic centers.

²⁶ See also organizations such as: The Free Software Foundation, founded by Richard Stallman at MIT in 1984; the Electronic Frontier Foundation EFF co-founded by John Perry Barlow, the former lyricist of the Grateful Dead at <http://www.eff.org/>; and Creative Commons at <http://creativecommons.org/> for examples of organizations proposing alternatives to Copyright legislation as pursued under *TRIPS*.

negotiation of bilateral and multilateral agreements concerning intellectual property and international trade.

4.5.1 British Imperial and Commonwealth Law

Canada was part of the British Empire and later the British Commonwealth. As a colony and Dominion²⁷ of Great Britain, Canada received its law from the British Parliament and the common law system until the passage of the *Statute of Westminster* and the formation of the Commonwealth in 1931.²⁸ The same was true for the other British Colonies including the U.S. until it established its independence in 1776. As we have seen concerning the copyright issue, the issue of self-governance -- especially in the Dominions of the Empire -- was controversial and hotly contested within the Empire once the U.S.A. had been formed. The road to self-determination and nationhood is well-documented elsewhere and need not be repeated here but, especially until the formation of the Commonwealth, Canada had only limited legislative independence. If the U.K. Parliament passed laws they became laws in Canada and the rest of the Empire as well. Laws having import for Imperial trade passed by the Canadian Parliament had to be ratified by Westminster before coming into force. Despite the creation of a "Supreme Court" in Canada in 1875²⁹, British subjects retained the right of appeal to the Court of

²⁷ There were six "Dominions" named in the *Statute of Westminster* in 1931: Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa, The Irish Free State and Newfoundland. Following the adoption of the Act these Dominions were no longer to be referred to as "colonies" (s. 11).

²⁸ *Statute of Westminster* (1931), 22 George V, c. 4 (U.K.) *An Act to give effect to certain resolutions passed by Imperial Conferences held in the years 1926 and 1930*. [hereinafter referred to as *Statute of Westminster*].

²⁹ "The Supreme Court of Canada's beginnings were most inauspicious. Bills for its creation, introduced in the Parliament of Canada in 1869 and in 1870, were withdrawn. On April 8, 1875, however, a new bill was finally passed....The Court originally had six judges." Quotation from Supreme Court of Canada home page at http://www.scc-csc.gc.ca/AboutCourt/creation/index_e.asp.

the Privy Council in Britain through 1949³⁰. It was only with the passage of the *Constitution Act 1867 and the Canadian Charter of Rights and Freedoms*³¹ in 1982 that Canada achieved true self-governance. Nevertheless, the passage of the *Statute of Westminster* fundamentally altered how law was formed in the Commonwealth. While members of the Commonwealth have inherited the common law tradition, they are no longer compelled to accept as their own the statutes passed by the Parliament in the U.K. In fact, as we saw with regards to reversionary copyright law, unless the individual legislatures of the member countries amend or repeal received laws they remain in force, even if they have been amended or repealed in the U.K. While the common law tradition is still robust, it is now rooted in the legislative systems of the countries that make up the Commonwealth and adapted by those countries that were former states and protectorates in the Empire. As such the common law tradition still has much to tell us about the origins of our current law. Let us review some of that tradition with regard to IPR laws.

4.5.2 *Statute of Monopolies* (1623) English Patent law

The *Statute of Monopolies* (1623)³² is recognized as the original source of Anglo-American Patent Law. A very early law in the common law world (seventeenth Century) it became received law in the colonies and protectorates of the British Empire including the U.S. It is from this statute that we derive the initial period of duration for patents (see s. 6(a), 14 years) and the limitation on the granted patent that it not be “Mischievous to

³⁰ *Ibid.*, Supreme Court of Canada home page. “In 1927 the number of Supreme Court judges increased to seven and, in 1949, with the abolition of appeals to the Judicial Committee of the Privy Council, the Court reached its present total of nine members.”

³¹ *Canadian Charter of Rights and Freedoms*. Schedule B, Constitution Act, 1982, Enacted as Schedule B to the *Canada Act 1982* (U.K.) 1982, c. 11, which came into force on April 17, 1982 [hereinafter referred to as the *Charter*].

³² *Statute of Monopolies of 1623, An Act Concerning Monopolies and Dispensations with Penal Law, and the forfeiture thereof*. 21 Jac. 1, c. 3 [hereinafter referred to as the *Statute of Monopolies 1623*] http://www.ipmall.info/hosted_resources/lipa/patents/English_Statute1623.pdf.

the state”(s. 6(e)).³³ It is this early rendering of patent law that establishes the notion of balance between rights holders and users in this bargain struck between the State and inventors to encourage the complete disclosure of new technologies and inventions for the use of the commons. Originally intended to control access to new technologies for the good of the Crown, the law formed the basis of the utilitarian bargain of common law that underlies all modern patent law.

4.5.3 U.K. Imperial Copyright Statute of 1911

The passage of the *U.K. Imperial Copyright Statute of 1911* was as a response to the recommendation of the *Berne Convention (Berlin 1908)* that recommended the extension of the term of copyright protection to life of the author plus fifty years, as an ideal. In Britain and all of the Empire including Canada, the *Act* led to the adoption of a much longer posthumous period of copyright protection and to the adoption of the “Dickens’s provision”. This provision introduced reversionary copyright and allowed for a form of compulsory licensing for publishers who met the necessary requirements in the second twenty-five year period following the year of the death of the author. The *Act* was very influential in the common law world (except in the U.S.) and formed the model of many of the copyright protection regimes that would be designed in countries formerly part of the Empire once they achieved independence and/or self-governance within the Commonwealth. While some of the 1911 Act provisions were repealed in Britain in 1956, they were not necessarily repealed elsewhere in the common law world. For example, as we have seen, there are still reversionary rights in Canada’s *Copyright Act*³⁴.

³³ “mischievous to the state” entered into Canadian law in s. 5 R.S.O. 1897 Chapter 323 <http://www.e-laws.gov.on.ca/dblaws/Const/Appendix%20A%20-%20Chap.%20323.htm>.

³⁴ S. 14.1 *Canadian Copyright Act*, *ibid*.

In trade-mark law, the ability to obtain trade-mark and trade guise protection through “use” under common law as opposed to only through registration has led to the long opposition proceedings that characterize the pursuit of trade-mark registration in common law countries. This in turn has led to a reticence to adopt the *Madrid Protocol* until very recently. Concessions concerning the official languages within which applicants can work and a compromise on when a mark becomes incontestable have led to U.S. adoption of the *Madrid Protocol* in December 2003, but Canada and several other common law jurisdictions have yet to ratify the *Protocol* despite international urging toward harmonization. It is this fundamental difference between the common law tradition and the *civiliste* tradition that has slowed the headlong rush toward harmonization and forced countries to reexamine the process of bilateral rather than multilateral treaty negotiations. What this has done is to encourage Canada to enter into bilateral negotiations with its largest trading partner, the U.S., in addition to international commitments under *TRIPS* and the *WTO*. *NAFTA* is perhaps the best example of yet another type of treaty obligation Canada has undertaken.

4.5.4 *NAFTA*

The *North American Free Trade Agreement*³⁵ (*NAFTA*) was originally an important bilateral trade agreement between Canada and the United States. Controversial in Canada when first negotiated, *NAFTA* was marked by an internal trade dispute mechanism (since ignored by the U.S. when the *NAFTA* rulings were against perceived U.S. interests in the softwood lumber dispute), a cultural industries exemption for Canada

³⁵ *North American Free Trade Agreement (NAFTA) - Chapter 17: Protection of Intellectual Property Rights* (concluded 1992): Canada signed *NAFTA* on December 17, 1992, and ratified it on June 23, 1993. Treaty number 5 as listed at http://strategis.ic.gc.ca/epic/internet/inippd-dppi.nsf/en/h_ip00008e.html.

(since bypassed by U.S. use of the *WTO* dispute resolution method under *TRIPS*) and a bilateral spirit of co-operation (since compromised by the ratification of Mexico within the agreement). The addition of Mexico has made *NAFTA* a multi-lateral trade agreement. The negotiated exception for “cultural industries” in *NAFTA*³⁶ was necessary to allay Canadian fears of American cultural dominance strengthened by increased trade between Canada and the U.S., the avowed aim of the trade agreement. I would argue that the U.S. willingness to circumvent the *NAFTA* panels and rules has removed much of this protection from Canadian interests. The safeguards in the agreement can simply be avoided by the other party by choosing to use a different trade dispute mechanism and ignoring the *NAFTA* findings.

When we examine the history of the recent softwood lumber dispute between Canada and the U.S. we see demonstrated the U.S.’s willingness to ignore the *NAFTA* panel determinations that have not gone in favour of the U.S.’s position. The U.S. has bypassed these *NAFTA* panel findings and resorted to an attack on Canada’s “subsidies” to the soft wood lumber industry through the *WTO* trade panels in an attempt to justify as consistent with the U.S.’s *WTO* obligations the collections of tariffs and other protectionist measures against the import of Canadian softwood lumber into the U.S.³⁷ in the amount of \$650 million (Can) per year in ongoing duties and an accumulated amount of over \$4.25 billion (Can) already collected. Canada has sought the discontinuance of these tariffs and the return of the duties collected. In the first instance, Canada tried to rely upon the *NAFTA* Chapter 19 provisions for dispute settlement and obtained a number

³⁶ *NAFTA* Part Eight, Chapter 21, Article 2106.

³⁷ It is interesting to note that the alternative *WTO* Panel determination which initially found in favour of the U.S. in November 15, 2005 was successfully appealed by Canada to the *WTO* Appellate body on April

of rulings in favour of the Canadian position. The U.S. has not accepted the findings of these “binding” binational panels, and sought to litigate the matter under *WTO* panel provisions instead.

Chapter 19 of the North American Free Trade Agreement (the NAFTA) provides for a binding, binational panel review of final determinations in trade remedy cases. Panels consisting of five persons are established to review the determinations. These panels are required to ascertain whether or not the determinations are consistent with the trade laws of the country conducting the investigation. If they are not, the panels remand the determinations back to the issuing authority for revision.

NAFTA binational panels are reviewing the three final U.S. determinations respecting Canadian imports of softwood lumber, namely the U.S. Department of Commerce's final determinations of dumping and subsidy, and the U.S. International Trade Commission's final determination of threat of injury.³⁸

13, 2006 as reported at

http://w01.international.gc.ca/minpub/Publication.asp?publication_id=383869&Language=E.

³⁸ This discussion of the NAFTA softwood lumber dispute is available at http://www.dfait-maeci.gc.ca/trade/eicb/softwood/nafta_challenges-en.asp. It also includes the following history of the Chapter 19 challenges.

NAFTA Rulings and Remands

Challenge	NAFTA Challenge of Final Determination of Subsidy	NAFTA Challenge of Final Determination of Dumping	NAFTA Challenge of Final Threat of Injury Determination
Panel established	April 2, 2002	April 2, 2002	May 22, 2002
Final Report Issued	<u>August 13, 2003</u> <u>News Release</u>	<u>July 17, 2003</u> <u>News Release</u>	<u>September 5, 2003</u> <u>News Release</u>
First Remand Determination Issued	<u>January 12, 2004</u>	<u>October 15, 2003</u>	<u>December 15, 2003</u> <u>News Release</u>
First Panel Remand Decision	<u>June 7, 2004</u>	<u>March 5, 2004</u>	<u>April 19, 2004</u> <u>News Release</u>
Second Remand Determination Issued	<u>July 30, 2004</u>	<u>April 21, 2004</u>	<u>June 10, 2004</u>
Second Panel Remand Decision	<u>December 1, 2004</u>	<u>June 9, 2005</u> <u>News Release</u>	<u>August 31, 2004</u> <u>News Release</u>

Thus far the U.S. has remained recalcitrant on the issue despite rulings by the dispute resolution panels under *NAFTA* or the *WTO*, and recently announced plans to distribute the collected duties to American competitors. What this demonstrates is that if the trade stakes are high enough, the dispute resolution mechanisms present in bilateral or multilateral trade agreements may be ignored by the U.S.

4.5.5 EU Directives

Much has been written recently on the Directives of the EU that have had an effect in Canada and the U.S. Perhaps in response to the *Feist* case in the U.S. and the *Tele-Direct* case in Canada, the EU devised a new *sui generis* form of protection for compilations of data separate from traditional copyright law and the “sweat of the brow” versus a “modicum of creativity” controversy visited in those cases. There has been much written on the *Database Protection Directive* and its *sui generis* “Evergreen” renewal provisions that would seem to initiate a form of perpetual copyright-like

Third Remand Determination Issued	<u>January 24, 2005</u>	<u>July 11, 2005</u>	<u>September 10, 2005</u> <u>News Release</u>
Third Panel Remand Decision	<u>May 23, 2005</u> <u>News Release</u>	To be determined	N/A
Fourth DOC Remand Determination Issued	<u>July 7, 2005</u>		N/A
Fourth Panel Remand Decision	October 5, 2005 <u>News Release</u>		N/A
Fifth DOC Remand Determination Issued	October 28, 2005		N/A
ECC Decision			<u>August 10, 2005</u> <u>News Release</u>

protection renewed every fifteen years.³⁹ The advantage of the European approach may be that it uncouples “sweat of the brow” copyright protection from an amorphous and problematic unjust enrichment connection within copyright law. This is the true advantage of *sui generis* law, but the checks and balances that have developed in copyright law need to be enshrined in the new protection regime. Most notably the requirements of substantial change in the database to qualify for a new fifteen year period of protection need to be made very clear to avoid a loss to the public domain of the raw data contained in a database.

4.5.6 European Database Directive concerning Privacy Protection

Perhaps more immediately interesting is the Directive concerning the protection of personal privacy in databases expressed in the *European Database Directive of 1995*.⁴⁰ As we have seen, the use of this legislation to establish a minimum level of privacy protection was appropriated for use as a non-tariff barrier to trade. In turn that minimum level could be used to exclude Canadian businesses from the EU markets unless Canadian laws and regulations could guarantee substantially the same level of privacy protection available to EU citizens in Europe. In response Canada overhauled its privacy

³⁹ For recent commentaries on the Directive see J. Gaster, “The New EU Directive Concerning the Legal Protection of Databases” (1997) 20 Fordham Int. Law Journal 1129; Mark Powell “The European Union’s Database Directive: An International Antidote to the Side Effects of Feist?” (1997) 20 Fordham Int. Law Journal 1215; and G.M. Hünsucker, “The European Database Directive: Regional Stepping Stone to an International Model” (1997) 7 Fordham Intell. Prop. Media & Ent. L.J. 697. Earlier commentaries on the Directive included: Mark Broadie, “The Database Directive and the Berne Convention” (1992) 8 Comp. Law & Pract. 108; Luc Bouganim “Conference Report on the European Database Directive” (1992) 8 Comp. Law & Pract. 81; and Steve Metalitz, “The Database Directive and the EC’s ‘Direction’ on Copyright: Some Reflections” (1993) 4 Fordham Intell. Prop. Media & Ent. L.J. 33.

⁴⁰ *European Database Directive 95/46/EC, of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data*. European Commission’s Directive on Data Protection went into effect in October 1998.

protection legislation and passed *PIPEDA*⁴¹. Provincial protection of privacy legislation had to be strengthened to be substantially similar to federal protection of privacy legislation or the new Federal *Act* would be imposed. Beginning with a period where the legislation applied only to government agencies or departments, by 2004 the *Act* applied to anyone who collected personal data. This brought Canadian privacy protection legislation into line with European requirements after the Directive.

4.5.7 U.S. Safe Harbor Compromise

The U.S. found itself in a similar situation of exclusion from the EU market because of a difference in the way that privacy is protected in that country.

The United States uses a sectoral approach that relies on a mix of legislation, regulation, and self regulation. The European Union, however, relies on comprehensive legislation that, for example, requires creation of government data protection agencies, registration of data bases with those agencies, and in some instances prior approval before personal data processing may begin. As a result of these different privacy approaches, the Directive could have significantly hampered the ability of U.S. companies to engage in many trans-Atlantic transactions.⁴²

The problem for the U.S. was that, because of constitutional concerns about imposing privacy protection laws on private companies (as in the second phase of *PIPEDA* in Canada), a simple legislative action by the Federal Government was precluded. The U.S. Department of Commerce in consultation with the European Commission developed a "safe harbor" framework wherein U.S. companies and citizens are encouraged to certify voluntarily that they will provide privacy protection substantially similar to the E.U. standards to avoid exclusion from European markets. Essentially they enter into contractual obligations to keep private information secure since constitutionally it would

⁴¹ *Personal Information Protection and Electronic Documents Act*, R.C. 2000, C-5 [hereinafter referred to as *PIPEDA*].

⁴² From *Safe Harbor Overview* available at http://www.export.gov/safeharbor/sh_overview.html.

be difficult for the U.S. Federal Government to compel its citizens or corporations to keep collected information safe and secure from further distribution, sale or use. Failure to comply with the principles of the Safe Harbor can result in removal of certification and subsequent exclusion from the E.U. market.

The seven principles of the Safe Harbor agreement are:

- 1) Notice to individuals that their personal data is being collected and disclosure of the purpose and use of the collection of that data;
- 2) Choice by the individual to either opt in or opt out and in the case of sensitive data the insistence upon an express choice;
- 3) Onward transfer of the information collected cannot be done without notice and choice to the individual from whom the data has been collected;
- 4) Access to the information collected by the individual about whom it is collected and mechanisms to ensure that the information is accurate must be provided;
- 5) Security against loss, misuse and unauthorized access, disclosure, alteration and destruction for the data collected must be provided by the collector;
- 6) Data integrity must be maintained by the collector of the data to ensure it is relevant for the purposes for which it is to be used (An organization should take reasonable steps to ensure that data is reliable for its intended use, accurate, complete, and current);
- 7) Enforcement of the agreement must be made possible in the form of the provision of recourse mechanisms, procedures for verification of compliance

and obligations to provide remedies against failure to comply.⁴³ Clearly the U.S. government is charged with ensuring the enforcement of the certification system.

4.6 International Conventions

4.6.1 *Madrid Protocol* for International Trade-mark

Another Global Protection System Treaty cited by *WIPO* is the *Madrid Protocol* for international trade-marks.⁴⁴ Canada has not yet ratified the *Madrid Protocol* nor altered its trade-mark law regime to conform to the requirements of the *Protocol*. This has been because of incompatibilities between trade-marks law in common law jurisdictions relying upon “use” in a jurisdiction and channel of trade to establish claim to protection for a mark as well as priority at the Registry. This same difficulty made adoption of the *Madrid Agreement* principles problematic for the U.S. and the U.K until the creation of the *Madrid Protocol* in 1989⁴⁵. The *Madrid Protocol* was intended to create an international procedural mechanism.

Thanks to the international procedural mechanism, the Madrid system offers a trademark owner the possibility to have his trademark protected in several countries (Members of the Madrid Union) by simply filing one application directly with his own national or regional trademark office. An international mark so registered is equivalent to an application or a registration of the same mark effected directly in each of the countries designated by the applicant. If the trademark office of a designated country does not refuse protection within a

⁴³ *Safe Harbor Overview, ibid.*

⁴⁴ Madrid Protocols for International Trademark *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks*, June 28, 1989, reprinted in *World Intellectual Property Organization, Protocol, Relating to the Madrid Agreement Concerning the International Registration of Marks* [hereinafter referred to as the *Madrid Protocol*].

⁴⁵ The U.K. signed the *Protocol* on June 28, 1989 but did not ratify until April 6, 1995. The *Protocol* only came into force in the U.K. December 1, 1995 with two provisos. One concerned the length of time to notify a refusal of protection in accordance with Article 5(2)(b) and (c) of the *Protocol* would be 18 months and the other, in accordance with Article 8(7)(a), that the U.K. wanted an individual fee for extension of protection. See http://www.wipo.int/treaties/en/Remarks.jsp?cnty_id=673C.

specified period, the protection of the mark is the same as if it had been registered by that Office.”⁴⁶

After much negotiation the *Protocol* included a number of concessions⁴⁷ that were made for U.S. and common law tradition trade-mark law. The U.K, which had acceded to the original *Madrid Agreement* on behalf of the Empire including Canada in 1892⁴⁸ felt the need to embrace the trade-mark regime of the EU earlier as a member of the Common Market. Despite difficulties it did adopt the *Protocol* by the mid 1990s. The United States did not adopt the *Protocol* until 2003 where it came into force November 2, 2003. It remains to be seen whether this will force the other common law jurisdictions such as Canada to harmonize their trade-mark law to conform to the *Protocol*.

4.7 *Berne Convention on Copyright*⁴⁹

As part of the British Empire, the Dominion of Canada received the *Berne Convention*⁵⁰ when the treaty was ratified by Parliament in the U.K. in 1896, and Canadian works created at that time enjoyed the benefits of protection under *Berne*. But as we have seen, difficulties with the non-Berne Convention member, the U.S., led Canada to attempt to create its own domestic *Copyright Acts* (1872 and 1889) that did not

⁴⁶ From *WIPO Madrid System* paras 1 and 2 at <http://www.wipo.int/madrid/en/index.html>.

⁴⁷ Formerly the sole language in which the *Madrid Protocol* operated was French. Now applicants can submit their documentation in either French or English. Other concessions included lengthening the period of time between application for a registered trademark and the granting of it in order for the U.S. to be better able to accommodate the opposition procedures made possible in a “use” determined jurisdiction.

⁴⁸ The U.K. would also accede to *Lisbon (1928)* in March of 1963 (coming into force June 1, 1963) and to the *Additional Act of Stockholm (1967)* (signed July 14, 1967, ratified, February 26, 1969 and only coming into force April 26, 1970.) Of course with the *Statute of Westminster*, these actions had no effect in Canada or the other Commonwealth Dominions.

⁴⁹ *Berne Convention on the Protection of Literary and Artistic Works* (concluded 1886)[hereinafter referred to as *Berne Convention*]: Canada acceded to the Convention April 10, 1928, and to the 1971 revision on September 28, 1998.” It is treaty number 1 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inipppd-dppi.nsf/en/h_ip00008e.html.

⁵⁰ The *Berne Convention* has been amended and changed at several later meetings as reflected in the current citation of the *Berne Convention*, of September 9, 1886, completed at PARIS on May 4, 1896, revised at BERLIN on November 13, 1908, completed at BERNE on March 20, 1914,

receive ratification in the British Parliament. Following the passage of the *U.K. Imperial Copyright Act 1911*, Canada drafted its own *Copyright Act* in 1921 incorporating the principles of the *Berne Convention*. This legislation was based upon the *U.K. Imperial Copyright Act 1911*, and as we have seen, introduced reversionary copyright to Canadian law. This legislation only became effective in 1924. This is the Act from which the current *Canadian Copyright Act* is derived. Asserting its legislative independence, Canada formally acceded to the *Berne Convention (1896) Convention on the Protection of Literary and Artistic Works* in 1928, and it came into force on April 10, 1928.

The *Berne Convention* was marked by removal of many of the copyright registration formalities that had caused works to be left unprotected. It was the willingness of *Berne Convention* members to recognize the subsistence of copyright based solely upon the creation by the author, without the need to deposit copies at a register to assert ownership of the copyright. It was this lack of formal requirement and “fair use” concerns that troubled the U.S. for so many years, and led to the U.S. refusal until 1989 to become a party to the *Convention*. This reticence of the U.S. would also lead to the creation of the *Universal Copyright Convention* in 1952 as an alternative to *Berne*.

4.7.1 *Berne Convention Berlin (1908)*

It was during the revisions proposed at the Berlin Meetings on the *Berne Convention* in 1908 (and completed in Berne March 20, 1914) that the concept was first established as desirable of extending the duration of copyright in a single non-renewable term of life of the author plus fifty years from the year of the death of the author. This

revised at ROME on June 2, 1928, at BRUSSELS on June 26, 1948, at STOCKHOLM on July 14, 1967, and at PARIS on July 24, 1971, and amended on September 28, 1979.

recommendation was also at odds with U.S. copyright law, which was still using twenty-eight year renewable terms as the duration of its copyright protection at the time.⁵¹

However, the recommendations of these proposed revisions in this round of *Berne Convention* talks led to the drafting of the *U.K. Imperial Copyright Act 1911* that was to be so influential with regards to reversionary copyright in the British Empire. The same revision of the *Berne Convention* and the model of the *U.K. Imperial Copyright Act 1911* would shape the 1921 *Canadian Copyright Act*. The *Canadian Copyright Act* also resorted to the single term of copyright protection for fifty years from the end of the year of the death of the author.

4.7.2 *Berne Convention Rome (1928)*

There were further revisions to the *Berne Convention Rome (1928)* at the June 2, 1928 meetings. Member states agreed that the duration of copyright *should be* for the minimum period of “life of the author plus fifty years”. That period of duration had become standard in the British Empire and most civil code *Berne Convention* signatory countries either met it or exceeded it. It was also following the 1928 *Berne Convention* revisions that the concept of moral rights in the form of s. 6*bis* was included in Canada’s *Copyright Act* of 1931.⁵² Thus Canada recognized moral rights rather early in its copyright law. Performance and neighbouring rights were also recognized following the

⁵¹ The U.S. would conduct its own major third revision to the *U.S. Copyright Act* in 1909 extending the renewal term “...from 14 to 28 years taking the total possible period of protection to 56 years.” Jonathan Little, *History of Copyright*, *ibid.*, p. 2.

⁵² Vaver tells us that,

...Canada legislated s. 6*bis* into the *Copyright Act* in 1931, later clarifying and expanding its operation in 1988. But moral rights were recognized even earlier in a 1915 *Criminal Code* amendment. This made it an offence either to change anything in a copyright-protected dramatic, operatic, or musical work that was to be publicly performed for profit or to suppress its title or authorship, unless the author or her legal representative consented. A filmmaker who took a play, changed its title, and suppressed the dramatist’s name was successfully prosecuted in 1916. (*Joubert v. G racimo*(1916), 683 (Que.C.A.)) This criminal provision was moved into the

1928 Revisions. The neighbouring rights added by the 1928 Rome revisions protecting Performances, Sound Recording Productions and Radio Broadcasts would be expanded in 1948 by the *Brussels Convention 1948* to include rights in television productions. Neighbouring rights would then be further acknowledged and expanded at the *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations*⁵³ that was negotiated in 1961.

4.8 Moral Rights in Canada and the U.S.

As we have seen with regard to copyright law, Canada has had a long history of entering into international agreements concerning the protection of IPRs. While Canada had limited criminal provisions for the protection of moral rights from 1915, as soon as Canada had the independence to enter into such agreements on its own it became a signatory to the *Berne Convention* on copyright. This led to an early codification of *Droits Moraux* (moral rights for artists) in the *Copyright Act* in 1931. This commitment provided artist Michael Snow with a remedy against the Toronto Eaton's Centre when, against his protests, they sought to decorate his statue group of Canada geese with red holiday ribbons.⁵⁴ Despite this commitment and early recognition of moral rights in the *Canadian Copyright Act*, we have also seen a rejection of the notion of *droits de destination* in *Théberge*. Canada has not allowed moral rights to be alienable but they are waivable. European scholars of *droits moraux* are not impressed by this possibility under Canadian copyright law. Waivable moral rights may put artists under pressure to sign

Copyright Act in 1921. Though still on the books, it has lain unused for at least half a century. (Vaver, *Intellectual Property Law*, p. 88).

⁵³ "Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (concluded 1961): Canada acceded to the Convention on March 4, 1998, and became a party to it on June 4, 1998" Treaty number 8 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inippd-dppi.nsf/en/h_ip00008e.html.

⁵⁴ See *Snow v. the Eaton Centre Ltd.* (1982), 70 C.P.R. (2d) 105 (Ont. H.C.).

such waivers if they hope to complete the sale of the work. In artist rights countries this potential pressure is seen to compromise the respect due to the creator of a work as a personal right.

4.8.1 U.S. *Visual Artists Rights Act* (VARA)

By contrast, the U.S. only became a signatory to the *Berne Convention* in 1988 and still has no federal copyright legislation on moral rights except for visual artists under the *Visual Artists Rights Act VARA*.⁵⁵ American Art Historian Patricia Failing tells us that,

There were no equivalent legal rights for artists in the U.S. until 1979, when the state of California enacted the country's first artists' moral rights laws. New York followed with its own version of moral rights legislation in 1983. Nine other states passed some form of artists' moral rights laws prior to the enactment, in 1990, of a federal law -- the Visual Artists Rights Act (VARA). The federal law preempts state law where coverage overlaps, but many state laws have provisions for when there are no equivalents in the federal law. Artists in the U.S. need to be aware not only of VARA, but also must be alert to state laws that may affect the fate of their work.⁵⁶

At the same panel discussion Jeffery P. Cunard explained,

VARA provides limited protection to artists for works of visual art in addition to the protection of copyright. (17 U.S.C. § 106A)...

Two basic rights:

Attribution. To claim a work of art as one's own, and to disclaim the work of others or one's own work which has been damaged or modified so as to be prejudicial to the artist's honor or reputation.

Integrity. To prevent or to recover damages for the intentional distortion, mutilation, or modification of a work that would be prejudicial to the artist's honor or reputation; and to prevent or recover damages for the

⁵⁵ In 1990 the U.S. passed the *Visual Artist Rights Act* VARA. There are, however some State Laws, especially in California.

⁵⁶ Patricia Failing, "Beyond Copyright: Do Artists Have Rights" *Panel Discussion of the Visual Artists Rights Act to be presented at the 90th Annual Conference of the College Arts Association in Philadelphia, February 21, 2002* (panelist statement) available at <http://www.studiolo.org/CIP/VARA/CIP-VARA.htm>.

intentional or grossly negligent destruction of a work if it can be shown to be of recognized stature.

VARA has not been litigated very often: under 10 reported cases, most involving large scale sculptures or murals. For some artists, VARA has been a significant factor in providing artists with protection in contractual negotiation or in pre-litigation disputes.⁵⁷

Cunard goes on to describe the difficulty in litigating under VARA for American visual artists at this time. He points out that there is little case law, many of the key terms are either very narrowly defined or not defined at all.⁵⁸ Cunard points out a number of other concerns about VARA held by lawyers, scholars and artists including that the moral rights can be waived as in Canada, and that there are potential exceptions concerning the destruction or damage of the work.⁵⁹ Finally, Cunard points out a number of practical conclusions concerning litigation under VARA⁶⁰.

⁵⁷ Jeffery P. Cunard, "Beyond Copyright: Do Artists Have Rights" *Panel Discussion of the Visual Artists Rights Act to be presented at the 90th Annual Conference of the College Arts Association in Philadelphia, February 21, 2002* (panelist statement) available at <http://www.studiolo.org/CIP/VARA/CIP-VARA.htm>.

⁵⁸ *Ibid.*, For instance he lists, Work of Visual Art. Key provision: Defined narrowly in statute. No audiovisual works, no multiples over 200 signed, numbered prints, no commercial works. No applied art. Ambiguous nature of works of craft; Work for Hire. Not covered; Cause of Action. Suit only by the artist whose work was damaged, modified, distorted, mutilated or destroyed (original thought was life plus 50 years); Not alienable. Honor and Reputation. Based on European concepts. Implicates respect for creative process and protection of future career; Recognized Stature. No frivolous suits. What is it? Need for expert testimony; Value to artist and to the wider community; Intentional/grossly negligent. Narrow; does not include ordinary negligent behavior, accident, etc.

⁵⁹ *Ibid.*, Cunard lists a number of exceptions allowing for Modification/destruction. Mural completely obstructed and unviewable not necessarily "destroyed" (*English* case). Foremost among these is the Building Exception: which exempts from coverage works incorporated with permission of artist in building pre 1990 where works cannot be removed without causing their damage or destruction, or post 1990 waiver. (17 U.S.C. § 113). Otherwise, if work can be removed without damaging or destroying the work, work can be removed if 1) diligent, good faith attempt, without success, to notify artist or 2) artist has been notified, but has not removed the work within 90 days at artist's expense. (Can record works at Copyright Office.) Removal is usually possible – e.g., murals removable even if painted directly onto outside brickwork of building. (*Hanrahan* case) Another such exemption is for destruction or change due to wear and tear (there is no duty to maintain or conserve); no cause of action for modifications due to lighting, presentation, placement, conservation unless grossly negligent (to protect galleries and museums), leaving open status of site-specific works.

⁶⁰ *Ibid.*, these include: Waiver (e.g., waiver by one artist in jointly created work is binding on all contributors); Building Notice Provision is Limited. Make sure building owners/management have

4.8.2 Canada's *Status of the Artist Act*

Canada would also introduce its own *Status of the Artist Act*⁶¹ in 1993, but it was not concerned with moral rights for the artist as these already existed in the *Canadian Copyright Act* as detailed in ss. 14.1 and 14.2. Instead Section 3 of the *Status of the Artist Act* guaranteed artists and producers freedom of association and expression; allowed associations of artists to be recognized in law and to promote the professional and socio-economic interests of their members; and allowed artists to have access to advisory forums in which they may express their views on their status and on any other questions concerning them. The *Status of the Artist Act* also establishes a Canadian Council on the Status of the Artist (s. 4) and a Canadian Artists and Producers Professional Relations Tribunal (s. 10). Essentially, the *Status of the Artist Act* seems more concerned with establishing a sort of artists' union with provisions for certification and discussions of "scale". It is therefore quite different from the U.S. *VARA*.

4.9 *Berne Convention Paris (1971): Minimum Standards for TRIPS*

Following the adoption of *TRIPS*, the revisions of the *Berne Convention Paris (1971)* established minimum levels of IPR protection for all *Berne Convention* member nations. It was at these talks that the ideal of duration of copyright as related to the *Berne Convention* calendar year of the death of the author plus fifty years or fifty years from

current address; File. Keep document file with all reactions to work for possible recognized stature purposes (*Martin* case); Remedies and Costs. Statutory damages are limited and costs may be high (e.g., expert testimony); Permission. Unsure status of work on buildings, vacant lots, etc. done without permission of owner (*English* case); Jurisdiction. *VARA* and state laws; Site-specificity. Unsure whether there is a cause of action for site-specific works under *VARA* if simply moved from site (*Tilted Arc* issue, side-stepped in *Martin* case due to contractual waiver).

⁶¹ *Status of the Artist Act, An Act respecting the status of the artist and professional relations between artists and producers in Canada*, S.C. 1992, c. 33 [hereinafter referred to as *Status of the Artist Act*].

first publication in the case of neighbouring rights, was established as one of the minimum accepted standards for nations signatory to the *Berne Convention*. Other standards included encouraging the copyright protection and recognition of neighbouring rights for performances, sound recordings and broadcasts. Following the adoption of the *TRIPS* agreement in 1994, Canada acceded to the Paris 1971 agreement on March 26, 1998 and it came into force on June 26, 1998. In preparation for compliance with these copyright obligations Canada overhauled its *Canadian Copyright Act* with legislation in 1997.

4.10 *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations*

The *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations*⁶² was negotiated in 1961. However, it would not be until March 4, 1998 that Canada would accede to it and it came into force here on June 4, 1998. This treaty dealt with extending copyright protection to non-literary works such as performances, sound recordings and broadcasts. It resulted in a substantial number of amendments being added to the *Canadian Copyright Act* in anticipation of this convention and in accordance with the adoption of the *WIPO Performances and Phonograms Treaty* (discussed under *WIPO Treaties infra*).⁶³ These are sometimes referred to as neighbouring rights and it was in the 1997 amended version

⁶² “*Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations* (concluded 1961): Canada acceded to the Convention on March 4, 1998, and became a party to it on June 4, 1998” Treaty number 8 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inipdd-dppi.nsf/en/h_ip00008e.html.

⁶³ *WIPO Performances and Phonograms Treaty* [hereinafter referred to as *WIPO PPT*] (concluded 1996): Canada became a signatory on December 22, 1997. Treaty number 13 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inipdd-dppi.nsf/en/h_ip00008e.html.

of the *Canadian Copyright Act*⁶⁴, that these activities were afforded copyright protection in the *Act*.

4.11 *Paris Convention for the Protection of Industrial Property*

The *Paris Convention*,⁶⁵ concluded in 1883, was revised at Brussels in 1900, at Washington in 1911, at The Hague in 1925, at London in 1934, at Lisbon in 1958 and at Stockholm in 1967, and it was amended in 1979.

The *Convention* applies to industrial property in the widest sense, including patents, marks, industrial designs, utility models (a kind of “small patent” provided for by the laws of some countries), trade names (designations under which an industrial or commercial activity is carried on), geographical indications (indications of source and appellations of origin) and the repression of unfair competition.⁶⁶

This treaty was intended to provide protection for Industrial Property Design that was separate from either copyright, patent or trade-mark. The limitations of the traditional forms of IPR protection have led to the development of these *sui generis* forms marked often by a shorter duration and different requirements for protection. While linked to the traditional IPR protection regimes, these forms of IPR protection are often tailored to the specific industrial needs of the owners of such intellectual property. They are usually devised when industrial property is not covered by traditional IPR protection law. They are most controversial when they upset the balance between creator and user “rights” present in the traditional regimes by co-existing with the protection afforded by traditional IPR protection regimes.

⁶⁴ *Canadian Copyright Act*, as amended in 1997 by S.C. 1997, c.24, ss. 2.1, 14, 15, 18(1), 24 ff.

⁶⁶ From the *Summary of the Paris Convention for the Protection of Industrial Property (1883)* available at http://www.wipo.int/treaties/en/ip/paris/summary_paris.html.

Industrial Design and Topographies are discussed under ss. 63- 64.2 and s. 64(2) of the *Canadian Copyright Act*. It excepts from infringement the making of a useful article or a drawing of a useful article bearing the design applied to a useful article made in less than fifty (50) copies. In Canada we also have passed the *Industrial Design Act*⁶⁷ that provides for a register of designs and a period of ten years protection (s. 10) from registration for such designs.

4.12 *Integrated Circuit Topography Act*

Yet another example of such *sui generis* protection can be found in the *Integrated Circuit Topography Act (ICTA)*.⁶⁸ The *ICTA* grants a similar ten year term of protection from application for registration and the first calendar year in which the topography is first commercially exploited (s. 5). This legislation was passed to allow Canadian circuit topography creators to obtain similar protection among other *WTO* countries as provided for in the *World Trade Agreement Implementation Act*. The legislation came into force May 1, 1993 and anticipated the *TRIPS* agreement's call for protection for integrated circuit topographies.

4.13 *Universal Copyright Convention (UCC) 1952*

As mentioned in Chapter 1, the copyright convention favoured by the U.S. before the U.S. became signatory to *Berne Convention* was the *Universal Copyright Convention*⁶⁹ (*UCC*) (concluded in 1952). This was because the U.S. was uncomfortable with the diminished formalities required under *Berne*, and wished to insist upon its own

⁶⁷ *Industrial Design Act*, R.S.C. 1985, c. I-9 as am.

⁶⁸ *Integrated Circuit Topography Act, An Act to provide for the protection of integrated circuit topographies and to amend certain Acts in consequence thereof*, S.C. 1990, c. 37, as am. [hereinafter referred to as *ICTA*].

more formal copyright registration scheme excluding foreign editions. This resulted in the creation of both English and American editions of works copyrighted in either the Commonwealth or in the U.S. As this situation was important to Canadian publishers, Canada had sought to create its own copyright protection regime as early as the 1870s while Britain negotiated its own copyright protection bilaterally. After years of pirate copies of either Canadian or American editions of works Canada acceded to the *UCC* on August 10, 1962.

Although the reliance on the *UCC* has diminished since the adoption of *Berne* by the U.S. and the adoption of the *TRIPS* agreement, the formalities required by the *UCC*, while not required for *Berne* protection, are excellent evidence in any legal dispute over the ownership of the copyright in a given work. For this reason it is common to see the author's name preceded by the © symbol and followed by the year of publication.

4.14 *International Union for the Protection of New Varieties of Plants*

Another IP convention to which Canada has become a party is the *International Union for the Protection of New Varieties of Plants*⁷⁰ (*UPOV*) concluded in 1961. This Convention provides protection to breeders of new plant varieties. Canada became party to the Convention on March 4, 1991 after passing the first version of the *Plant Breeders' Rights Act*⁷¹. Given the importance of the recent SCC case, *Monsanto v. Schmeiser*⁷²,

⁶⁹ *Universal Copyright Convention* [hereinafter referred to as the *UCC*] (concluded 1952): Canada acceded to the Convention on August 10, 1962. Treaty number 11 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inipdd-dppi.nsf/en/h_ip00008e.html.

⁷⁰ *International Union for the Protection of New Varieties of Plants* [hereinafter referred to as *UPOV*] (concluded 1961): Canada became party to the Convention on March 4, 1991. Treaty number 4 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inipdd-dppi.nsf/en/h_ip00008e.html.

⁷¹ *Plant Breeders' Rights Act*, S.C. 1990, c. 20, as am. S.C. 1994, c. 38; 1995, c. 1; 1997, c. 6 ss. 75-80 [hereinafter referred to as the *PBRA*].

concerning the patentability of genetically modified seeds, the reliance of the plant breeder plaintiffs (Monsanto Canada Ltd.) on the *Canadian Patent Act* rather than the *PBRA* seems to indicate that *TRIPS* administered treaties are more desirable sources of protection than the *UPOV*. It is worth noting that Arbour J. in her dissent (writing for Iacobucci, LeBel and Bastarache JJ) in *Monsanto*⁷³ described the *PBRA* as a *sui generis* form of protection more limited in terms of the rights conferred and the duration of protection granted. Arbour J. goes on to discuss Canada's international treaty obligations under *TRIPS* with regard to "art. 27(1) of *TRIPS* whereby Canada has agreed to make patents available for any invention without discrimination as to the field of technology."⁷⁴ She finds that Canada does not violate *TRIPS* because of article 27(3)(b) which states,

3 Members may also exclude from patentability: ... (b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. ...⁷⁵

The dissent in *Monsanto* is possible because of the existence of the *PBRA*. Madam Justice Arbour also added this important comment on the scope of protection required by Canada's *TRIPS* obligations:

Because higher life forms can reproduce by themselves, the grant of a patent over a plant, seed or non-human animal covers not only the particular plant, seed or animal sold, but also all its progeny containing the patented invention for all generations until the expiry of the patent term (20 years from the priority date). In addition, much of the value of the higher life form, particularly with respect to animals, derives from the natural characteristics of the original organism and has nothing to do with the invention. In light of these unique characteristics of biological inventions, granting the patent holder exclusive rights that extend not

⁷² *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902, 2004 SCC 34.

⁷³ *Ibid.*, at paras 168 and 169.

⁷⁴ *Ibid.*, at para. 164.

⁷⁵ *Ibid.*, at para. 166.

only to the particular organism embodying the invention but also to all subsequent progeny of that organism represents a significant increase in the scope of rights offered to patent holders. It also represents a greater transfer of economic interests from the agricultural community to the biotechnology industry than exists in other fields of science.⁷⁶

It may be that the dissent in *Monsanto v. Schmeiser* has much to do with the ratio for the earlier *Harvard Mouse* case that limited what was patentable in Canada, but in *Monsanto*, the majority found in favour of more robust patent protection. The controversy in the law over Canada's *TRIPS* obligations does not seem settled here. Let us now turn to treaties administered under the *TRIPS* agreement.

4.15 WIPO Administered Treaties

4.15.1 WIPO Copyright Treaty⁷⁷

Perhaps foremost among the *TRIPS* administered treaties to be discussed in this thesis is the *WIPO Copyright Treaty (WCT)* concluded in 1996. Canada became a signatory on December 22, 1997. It is because of this treaty obligation that there has been a call for amending of the *Canadian Copyright Act* so as to enable compliance. The most recent Bill to attempt this was Bill C-60 that died on the order table of the Martin Liberal minority government in the autumn 2005. The necessary changes in the *Canadian Copyright Act* are reportedly in development. To what, then, has Canada obligated herself by signing the *WCT*?

The Treaty mentions two subject matters to be protected by copyright, (i) computer programs, whatever may be the mode or form of their expression, and (ii) compilations of data or other material ("databases"), in any form, which by reason of the selection or arrangement of their contents constitute intellectual

⁷⁶ *Ibid.*, at para. 165.

⁷⁷ *WIPO Copyright Treaty* (concluded 1996): Canada became a signatory on December 22, 1997. Treaty number 12 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inippd-dppi.nsf/en/h_ip00008e.html.

creations. (Where a database does not constitute such a creation, it is outside the scope of this Treaty.)

As to the rights of authors, the Treaty deals with three: (i) the right of distribution, (ii) the right of rental, and (iii) the right of communication to the public.

...

The Treaty obliges the Contracting Parties to provide legal remedies against the circumvention of technological measures (e.g., encryption) used by authors in connection with the exercise of their rights and against the removal or altering of information, such as certain data that identify works or their authors, necessary for the management (e.g., licensing, collecting and distribution of royalties) of their rights ("rights management information").

The Treaty obliges each Contracting Party to adopt, in accordance with its legal system, the measures necessary to ensure the application of the Treaty. In particular, the Contracting Party must ensure that enforcement procedures are available under its law so as to permit effective action against any act of infringement of rights covered by the Treaty. Such action must include expeditious remedies to prevent infringement and remedies, which constitute a deterrent to further infringements.

The Treaty establishes an Assembly of the Contracting Parties whose main task is to deal with matters concerning the maintenance and development of the Treaty, and it entrusts to the Secretariat of WIPO the administrative tasks concerning the Treaty.

This Treaty is open to States members of WIPO and to the European Community. The Assembly constituted by the Treaty may decide to admit other intergovernmental organizations to become party to the Treaty.

The Treaty entered into force on March 6, 2002, after 30 instruments of ratification or accession by States had been deposited. The Director General of WIPO is the depositary of the Treaty.

Any Contracting Party (even if it is not bound by the *Berne Convention*) must comply with the substantive provisions of the 1971 (Paris) *Act of the Berne Convention for the Protection of Literary and Artistic Works* (1886).

The Treaty was concluded in Geneva on December 20, 1996, and by December 31, 1997, when it closed for signature, had been signed by 50 States and the European Community.⁷⁸

⁷⁸ *Summary of the WIPO Copyright Treaty (WCT) (1996)*, available at http://www.wipo.int/treaties/en/ip/wct/summary_wct.html.

It seems clear that some of the controversial decisions attempting to balance creator and user rights concerning P2P file sharing, ISP liability to divulge information about subscribers (with or without court order), reverse engineering possibilities and the legality of automated rights management programs in Canada could put our current IPR protection regime in conflict with the obligations of the *WCT*.⁷⁹ Whether ratification of this agreement by Canada is advisable or not, there is certainly pressure for Canada to change its copyright laws or create new *sui generis* protections for the rights outlined in the treaty.

4.15.2 *WIPO Performances and Phonograms Treaty (WPPT)*⁸⁰

The *WPPT* is another of the *TRIPS* administered treaties under which Canada has obligations. The *WIPO Summary* of the *WPPT* tells us that:

The Treaty deals with intellectual property rights of two kinds of beneficiaries: (i) performers (actors, singers, musicians, etc.), and (ii) producers of phonograms (the persons or legal entities who or which take the initiative and have the responsibility for the fixation of the sounds).

...

As far as performers are concerned, the Treaty grants performers four kinds of economic rights in their performances fixed in phonograms (not in audiovisual fixations, such as motion pictures): (i) the right of reproduction, (ii) the right of distribution, (iii) the right of rental, and (iv) the right of making available.

...

The Treaty grants three kinds of economic rights to performers in respect of their unfixed (live) performances: (i) the right of broadcasting (except in the case of rebroadcasting), (ii) the right of communication to the public (except where the performance is a broadcast performance), and (iii) the right of fixation.

⁷⁹ Especially articles 11 and 12 of the *WCT*.

⁸⁰ *WIPO Performances and Phonograms Treaty* [hereinafter referred to as *WPPT*] (concluded 1996): Canada became a signatory on December 22, 1997. Treaty number 13 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inippd-dppi.nsf/en/h_ip00008e.html.

The Treaty also grants performers moral rights: the right to claim to be identified as the performer and the right to object to any distortion, mutilation or other modification that would be prejudicial to the performer's reputation.

As far as producers of phonograms are concerned, the Treaty grants them four kinds of rights (all economic) in their phonograms: (i) the right of reproduction, (ii) the right of distribution, (iii) the right of rental, and (iv) the right of making available.

...

As far as both performers and phonogram producers are concerned, the Treaty obliges—subject to various exceptions and limitations not mentioned here—each Contracting Party to accord to nationals of the other Contracting Parties with regard to the rights specifically granted in the Treaty the treatment it accords to its own nationals ("national treatment").

Furthermore, the Treaty provides that performers and producers of phonograms enjoy the right to a single equitable remuneration for the direct or indirect use of phonograms, published for commercial purposes, for broadcasting or for communication to the public. However, any Contracting Party may restrict or—provided that it makes a reservation to the Treaty—deny this right. In the case and to the extent of a reservation by a Contracting Party, the other Contracting Parties are permitted to deny, vis-à-vis the reserving Contracting Party, national treatment ("reciprocity").

The term of protection must be at least 50 years.

The enjoyment and exercise of the rights provided in the Treaty cannot be subject to any formality.

...

The Treaty was concluded on December 20, 1996, and by December 31, 1997 when it closed for signature, had been signed by 49 States and the European Community. The Treaty entered into force on May 20, 2002, after 30 instruments of ratification or accession by States had been deposited. Canada became a signatory on December 22, 1997.⁸¹

Under this treaty Canada has extended common law copyright protection to a variety of activities beyond the publication of books or literary works. The motive for drafting this treaty was recognition of the need to protect the creative expression of makers of sound recordings, performers, and broadcasters.

A question that arises because of the lack of a fixation requirement granting performers performance protection for their live performances in Article 6, may prove troublesome. Traditionally, for copyright to protect works they must have fixation in one form or another to allow for comparison with so-called "derivative works" for the determination of substantial similarity. This differentiates the performance protection afforded under Article 6 from common law copyright where if fixation was not established, there was no copyright in the unfixed public lecture.⁸² It can be argued that this gap in protection led to the establishment of the fixation requirement in *Canadian Admiral* and the fixation requirement in U.S. copyright law. It certainly has led to some of the uncertainty about misappropriation and unfair competition in copyright law that generated decisions such as in *INS*.⁸³

⁸¹ *Summary of the WIPO Performances and Phonograms Treaty (WPPT) (1996)* available at http://www.wipo.int/treaties/en/ip/wppt/summary_wppt.html.

⁸² See *Walter v. Lane* [1900] AC 539, (H.L.) concerning the ownership of copyright in a politician's public non-fixed speech. The case is usually cited to discuss the notion of the requirement of originality in copyright. Related though distinguishable on the facts is *Caird v. Sime*, 12 App. Cas. 326 (H.L.) (1887). For an excellent discussion of a case, where "...the House of Lords ruled that the lectures delivered by a professor of moral philosophy at the University of Glasgow enjoyed common law copyright protection" in Mathieu Deflem, "Resisting the Commodification of Education: University Policies Against Commercial Lecture Notes Companies," Paper presented at the ASA annual meeting, Anaheim, CA, August 2001. Previously available online as "Intellectual Property and Online Notes Companies: Teaching Copyright in Cyberspace." Currently available at <http://www.cas.sc.edu/socy/faculty/deflem/zteachlaw.htm>.

⁸³ In *Walter v. Lane*, the dispute was between the newspaper that claimed copyright on the speech that their reporters had recorded in short-hand and the subsequent publication of the speeches of the politician that had relied upon the newspaper account. The politician was not involved in the ownership dispute. Emphasizing the "sweat of the brow" justification the House of Lords found in favour of the newspaper suggesting that the later writer "...had reaped where he had not sown." This case is also cited as one following the misappropriation branch of ownership based upon expended effort. For a discussion of the case see http://www.pch.gc.ca/progs/ac-ca/progs/pda-cpb/pubs/database/06_e.cfm.

In lectures where there is no fixation orators or subsequent fixators needed to invoke unfair competition, misappropriation or breach of trust justifications to secure remedy against unauthorized reproduction.⁸⁴

Under normal circumstances in entertainment law, the owner of the venue controls the use of recording or fixation devices in the venue and, theoretically, no unauthorized fixation of live performances is allowed. Article 6 provides that it will be the performer who has the sole right to authorize fixation unless the performer waives or alienates that right. If an authorized fixed form of the performance producing copyright in the work and the mostly exclusive legal rights to exploit the works economically is made, ownership of the copyright is usually determined contractually. Article 6 will give the presumptive right to the performer whether or not to allow fixation for further economic exploitation. Given the miniaturization of recording devices (cell phones and digital recorders), removing the venue owner's incentive to control fixation may or may not be an effective way to ensure the performer's rights in live performance.

⁸⁴ This is demonstrated in a line of cases beginning with *Abernethy v. Hutchison* 47 Eng. rep. 1313 (1825). This case had to do with the sale of lecture notes by students in the class. According to Mathieu Deflem,

The judge decided to only rule on the matter of trust and held that there was an "implied contract" between the students and their teacher (p. 1313). Students who took lecture notes and sold them for profit, the judge argued, should be held liable "on the ground of breach of contract or of trust" (p. 1317). Students admitted to the lecture could according to the judge take notes "only for the purposes of their own information," while "[a] person who attends oral lectures is not justified in publishing them for profit" (p. 1313).

The *Abernethy* case has served as precedent in several later court cases (e.g., *Board of Trade v. Christie Grain* 1905; *International News Service v. The Associated Press* 1918; *Miles Medical Company v. Park & Sons* 1911). The *Abernethy* case has also been relied upon in cases that expanded the original ruling. In *Caird v. Sime* (1887), for example, the House of Lords ruled that the lectures delivered by a professor of moral philosophy at the University of Glasgow enjoyed common law copyright protection. Likewise, in *Nicols v. Pitman* (1884), common law copyright was granted to a teacher's lecture.

Normally in broadcasting there is copyright in the fixed form of the broadcast as recorded during the production. However, the *WPPT* additional protection has been seen to be necessary because of the prevalence of “pirate copies” of illegally recorded or downloaded broadcasts. Whether this provision is necessary or whether it erodes the need for fixation in copyright law remains to be seen. There do seem to be sufficient remedies under copyright law to provide performers with relief. However, these are often remedies of injunctive relief for infringement of the moral rights that are offered in the bundle of personal rights for the maker or owner of the new forms of expression. They may not protect the economic value of the rights as much as performers would prefer.

4.16 International Patent Treaties

4.16.1 *Patent Cooperation Treaty*

*Canada has been signatory to the Patent Cooperation Treaty (PCT)*⁸⁵ *since 1970.*

The Patent Cooperation Treaty makes it possible to seek patent protection for an invention simultaneously in each of a large number of countries by filing an “international” patent application. Such an application may be filed by anyone who is a national or resident of a contracting State. It may generally be filed with the national patent office of the contracting State of which the applicant is a national or resident or, at the applicant’s option, with the International Bureau of WIPO in Geneva.⁸⁶

The *PCT* was signed June 19, 1970, but not ratified until October 2, 1989 and came into force January 2, 1990. The *PCT* is now administered under *WIPO* and is classified as a

⁸⁵ *Patent Cooperation Treaty* Done at Washington on June 19, 1970, amended on September 28, 1979, modified on February 3, 1984, and October 3, 2001(as in force from April 1, 2002)[hereinafter referred to as *PCT*],): Canada acceded to the Treaty on January 2, 1990.

⁸⁶ Quotation from *Summary of the Patent Cooperation Treaty (PCT) (1970)* at http://www.wipo.int/treaties/en/registration/pct/summary_pct.html.

Global Protection System Treaty by *WIPO*.⁸⁷ This ensures that one international filing or application will have effect in any member state. It reduces the cost of filing for IPR protection in all of the individual member states. Of course, it also encourages the harmonization of patent laws between jurisdictions.

4.16.2 Budapest Treaty

The *Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1977) (Budapest Treaty)*⁸⁸

was concluded in 1977. Canada acceded to the Treaty on September 21, 1996. The purpose of the treaty was to ease the process of international patent registration among jurisdictions where the deposit of microorganisms was required in the patent procedure.

The main feature of the Treaty is that a contracting State which allows or requires the deposit of microorganisms for the purposes of patent procedure must recognize, for such purposes, the deposit of a microorganism with any “international depositary[sic] authority”, irrespective of whether such authority is on or outside the territory of the said State.

Disclosure of the invention is a requirement for the grant of patents. Normally, an invention is disclosed by means of a written description. Where an invention involves a microorganism or the use of a microorganism, disclosure is not possible in writing but can only be effected by the deposit, with a specialized institution, of a sample of the microorganism. In practice, the term “microorganism” is interpreted in a broad sense, covering biological material the deposit of which is necessary for the purposes of disclosure, in particular regarding inventions relating to the food and pharmaceutical fields.

It is in order to eliminate the need to deposit in each country in which protection is sought, that the Treaty provides that the deposit of a microorganism with any “international depositary authority” suffices for the purposes of patent procedure before the national patent offices of all of the contracting States and before any

⁸⁷ See *Global Protection System Treaties* link at <http://www.wipo.int/treaties/en/>

⁸⁸ *Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure* [hereinafter referred to as *Budapest Treaty*] (concluded 1977): Canada acceded to the Treaty on September 21, 1996. Treaty number 2 as listed by the Intellectual Property Policy Directorate of Canada at http://strategis.ic.gc.ca/epic/internet/inipdd-dppi.nsf/en/h_ip00008e.html.

regional patent office (if such a regional office declares that it recognizes the effects of the Treaty).

...

The Treaty increases the security of the depositor because it establishes a uniform system of deposit, recognition and furnishing of samples of microorganisms.⁸⁹

The *Budapest Treaty* is considered to be a Global Protection System Treaty by *WIPO*.

4.17 National Treatment Requirements

There are three main *WTO* administered agreements where Canada has agreed to offer foreign nationals National Treatment in relation to the protection of their IPRs. They are: the *General Agreement on Tariffs and Trade (GATT)*, which governs trade in goods (Article 3); the *General Agreement on Trade in Services (GATS)* which governs trade in services (article 17); and the *Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)*, which is concerned with the protection of intellectual property rights (IPRs) (article 3).⁹⁰

4.17.1 National Treatment in *TRIPS*

Since *TRIPS* is the most germane for this thesis let us quote Article 3:

Article 3 – National Treatment of *TRIPS* (since January 1, 1996.)

1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention.
2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of

⁸⁹ From the *Summary of the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1977)* available at http://www.wipo.int/treaties/en/registration/budapest/summary_budapest.html.

⁹⁰ See <http://www.wto.org/wto/about/facts2.htm>.

an address for service or the appointment of an agent within the jurisdiction of the Member, only where such exceptions are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.⁹¹

National Treatment is a *TRIPS* agreement treaty provision. National Treatment is a policy whereby citizens of any *TRIPS* country are guaranteed the same IPRs in other *TRIPS* countries as those enjoyed by nationals of that other country. In other words, if an American author finds his/her copyright infringed in France, he/she is entitled to the same measure of legal protection in France as any French citizen. If France's IP protection is stronger than that of the U.S., he/she gains the benefit of the stronger protection for any legal action taken in France. However, the French citizen proceeding against the American infringer in the U.S. courts is only entitled to the same level of protection afforded to an American citizen, even if it is less than he/she would be entitled to in an action on French soil. The foreign IPR holder is entitled to no more and *no less* protection in a *TRIPS* country court than any national of that country.

The requirement for the signatory state under *TRIPS* is to provide at least as much IPR protection to foreign nationals of other signatory states as they do to their own citizens. If they do not, they could face judicial review from an international body (*WTO* Panel) with sufficient authority to force the overturning of domestic law in the offending state. The economic consequences of non-compliance with the *WTO* Panel findings for the offending state are potentially so damaging that the possibility of asserting national sovereignty in the form of non-compliance may not be an option. In this way the *TRIPS* agreement has the potential to undermine principles of national sovereignty for individual states.

⁹¹ From the *Agreement on Trade Related Aspects of Intellectual Property Rights* (*TRIPS*) Part 1, Article 3.

4.17.2 Most Favoured Trading Nation Status Under *WTO*

Under the former *GATT* the purpose of bilateral trade negotiations had often been to secure what was called the Most Favoured Trading Nation Status between the negotiating nations. This status afforded the recipient nation preferential treatment with regard to the use of tariffs and duties and access to the markets of its trading partner. As trading “blocks” of nations arose (i.e. the Commonwealth, the European Common Market), the Most Favoured Trading Nation Status was extended to members of the trading block. Commonwealth preference used to mean that New Zealand lamb and other goods had guaranteed access to markets in the Commonwealth, often at the expense of other trading nations blocked by tariffs, non-tariff barriers to trade and non-membership within the trading block. With the development of the *WTO* the removal of tariffs and non-tariff barriers to trade so as to encourage international trade has meant that all members of the *WTO*, now nearly all nations, are entitled to the equivalent of Most Favoured Trading Nation Status by virtue of their *WTO* membership. It means that nations are no longer allowed to discriminate against particular nations (unless they are not members of the *WTO*) in terms of access to their markets. Linked to this status are the National Treatment requirements in *TRIPS*. Nations must extend to fellow *WTO* member nations the same level of IPR protection enjoyed by their own citizens’ IPRs in the other nation.

4.17.3 *TRIPS* and *WIPO*

As more and more countries in the world are encouraged to become members of international trade organizations such as the *WTO*, *APEC* and *GATT*, we find more and more of them ratifying international IP agreements such as *WIPO* and *TRIPS*. By tying these IPR protection agreements into the *WTO* there is a growing concern that trade

sanctions and coercion can be used by the IPR exporting countries to maintain their dominance in these human activities. Demonstrations against *APEC* meetings in Vancouver and Seattle and anti-Globalizations protests are evidence of this growing concern.

The countries currently with the most to gain from the strengthening of IPRs are the U.S. in media, the U.K. in music and Japan in electronics. France and Germany are also countries that currently enjoy a relatively neutral balance of trade in IPRs. Nearly all other countries import far more material with IPRs attached than they export.

It is ironic that the U.S., which was a net importer of IP before this century should be in the vanguard of those nations trying to secure control over the economic rewards associated with IPRs at the close of this century. A relative latecomer to the *Berne Convention*, the U.S. seems now to recognize the importance of securing protection for the IPRs of its citizens worldwide. Consequently the US has actively encouraged the adoption of the *WTO* and *TRIPS* in particular.

The world can be divided up into countries promoting artist rights and those relying on common law traditions of copyright protection. It seems that countries with Civil Law codes tend to fall in the former category and countries with English common law at the base of their jurisprudence tend to fall within the latter category. As the U.K. becomes more and more involved in the E.C. and as the U.S. becomes increasingly interested in the global economy, there seems to be a trend towards stronger protections for IPRs and Artists' Rights. This is reflected not only in *TRIPS*, but also in such issues as *Droits des Suites* and *sui generis* data base protection provisions recently given prominence in the EC and in several other nations.

4.17.4 The use of the *WTO* to enforce IP rights for Foreign Nationals

A perceived great danger of the *TRIPS* accord is the use of the *WTO* trade dispute mechanism to legitimate alternative sector trade sanction coercion. Although the *WTO* has argued that freer international trade is in the best economic interests of the world and that the use of tariffs to restrict such free trade is to be discouraged, one need look no further than the current softwood lumber dispute between Canada and the U.S. to see that many so-called “free-trader” nations such as the U.S. really only want free access to the markets of other nations without foregoing the ability to restrict imports into their own domestic markets. *TRIPS* may give such countries just the tool to circumvent progress toward the elimination of tariff barriers by providing alternative barriers to market entry based upon IPR protection.

Although it is ironic that the U.S. was an IP pirate nation in the nineteenth and twentieth centuries, it is a country that has pursued its citizens’ IPRs abroad in the past and continues to do so in the twenty-first century. The U.S. has purported to be quite concerned with “IP Piracy” since becoming a member of the *Berne Convention*. In fact the U.S. calculates its losses due to such piracy in inflated figures because of its use of the method of determining damages as explained (i.e. the multiplication of the number of pirate copies by the full retail value of the legitimate domestic copies). Where the actual number of pirate copies is not known, estimates are substituted. By estimating the number of pirate copies of say cds or computer software programmes, the U.S. then multiplies that total number by the “lost” revenues that would have been realized had the foreign purchaser paid full U.S. retail for the item. This assumes that the Chinese or Third World purchaser of the item for a fraction of the U.S. retail price would have

purchased the item had it only been available at the legal full U.S. retail properly licensed price. As mentioned previously, this method of estimating actual losses for damage due to piracy is patently absurd. The assumption allows for no elasticity of demand calculation when the price differs. Thus the U.S. is able to claim its losses from software piracy in China in 1998 to be "over \$843 million US".⁹² This inflated sum allows for more drastic reciprocal trade measures authorized by the *WTO* when the Trade Panel finds in favour of the U.S. rights holder. This inflated damages claim can then be used to increase the cost of non-compliance for the nation found "guilty" of failing to prevent the piracy.

4.17.5 The New Imperialism

TRIPS has been called "imperialistic, outdated and overprotective" by Marci Hamilton⁹³ and she suggests that "if *TRIPS* is successful...it will be one of the most effective vehicles of Western imperialism in history."⁹⁴ Certainly the use of trade sanctions to enforce the protection of IPRs has the potential for abuse by the IPR exporting countries. It raises several important questions in the new world order such as:

1. Can U.S. extra-territoriality in defending American IPRs be justified as legitimate interference in the sovereign affairs of other nations⁹⁵, or is it a 21st century form of gunboat diplomacy?

⁹² Software & Information Industry Association, "1999 'Special 301' Review, submitted to the Office of the United States Trade Representative, February 1999, p. AP 2-4.

⁹³ Marci A. Hamilton, "The TRIPS Agreement: Imperialistic, Outdated and Overprotective" *Vanderbilt Journal of Transnational Law* 29, (1996) pp. 613-34.

⁹⁴ *Ibid.*, p. 613.

⁹⁵ In Canada we have the *Walt Disney Productions v. Triple Five Corp.* (1994), 53 C.P.R. (3d) 129 (Alta. C.A.). (Leave to appeal to the S.C.C. denied (1994) S.C.C. Bulletin 1210) where despite the fact that Disney did not carry on business in Canada, and the likelihood of confusion for patrons of the Fantasyland in West Edmonton Mall and the Fantasyland in Disneyland was minimal, Disney was successful in getting an injunction.

2. Can jurisdiction regarding the treatment of IPRs on the Internet be extrapolated from U.S. jurisprudence via s. 301 status (or European jurisprudence via the *Database Directive*, for that matter) and imposed upon other nations in the world through *WIPO* or *GATT* provisions?
3. Is the pressure from the developed nations on the underdeveloped nations to ratify *WIPO* treaties a new form of colonialism akin to the western countries' conduct during the Opium Wars in China in the 19th century? One could argue that developing nations have been "addicted" to western technology and intellectual property and western insistence on IPR protection is calculated profit-taking on the part of the West.

Depending upon how these three questions are answered, Canada may find itself in a moral quandary about the defence of intellectual property rights as set out in the conventions and treaties to which it has committed itself. If that happens, Canada must then turn its attention to the effects of non-compliance with those agreements.

4.17.6 U.S. *Digital Millennium Copyright Act (DMCA 1998)*

Amendments in the 1976⁹⁶ and 1989⁹⁷ *U.S. Copyright Act* and, particularly, the passing of the *Digital Millennium Copyright Act* [hereinafter cited as the *DMCA*] signed by President Clinton on October 28, 1998⁹⁸ have made changes in U.S. copyright law to address the digitally networked environment. Among the most controversial provisions of the *DMCA* is Section 1201. This section,

prohibits gaining unauthorized access to a work by circumventing a technological protection measure put in place by the copyright owner where such protection

⁹⁶ *Berne Convention* (1971), *Paris Convention* (1967) *U.S. Copyright Act 1976* (Pre Ratification of the Berne Convention, January 1, 1978-March 1, 1989) 17 U.S.C.

⁹⁷ *U.S. Copyright Act 1989* Post-Ratification of the Berne Convention, since March 1, 1989, 17 U.S.C.

⁹⁸ 17 U.S.C. §1201(a)(3) (1998)

measure otherwise effectively controls access to a copyrighted work. This prohibition on unauthorized access takes effect two years after enactment of the *DMCA*.⁹⁹

As mentioned above, the U.S. has embraced *WIPO*¹⁰⁰ Internet treaties, which signals the importance of an analysis of the effects of the *WTO*¹⁰¹, *WIPO*, *TRIPS*¹⁰², *NAFTA*¹⁰³ and other international trade agreements with IPR components. The U.S. has seen fit to use the *TRIPS* agreement and *WIPO* to pursue its own agenda concerning the contours of IPR protection around the world. There is considerable pressure upon other nations to allow the U.S. to extend its legislation extraterritorially into their domestic regulation, (i.e. prohibition of circumvention technology as embodied in the *DMCA*. Wider definitions of patentability, fewer safeguards of the Public Domain and diminished protection of individual rights to expression seem to be just a few of the issues raised by U.S. hegemony in IPR protection regime legislation. For a country to “go it alone” without U.S. sanction would be to court U.S. sanctions. When it comes to international trade, the U.S. has rarely been reluctant to demand what it wants from its trading partners.

⁹⁹ Jonathan Band, “The Digital Millennium Copyright Act” available at <http://www.arl.org/info/frn/copy/band.html>.

¹⁰⁰ World Intellectual Property Organization, [hereinafter referred to as *WIPO*] *WIPO* is the organization which administers for some 171 member countries most of the international intellectual property conventions and agreements such as the Berne Convention, the Madrid Protocol, the Patent Cooperation Treaty.

¹⁰¹ *World Trade Organization Marrakesh Agreement Establishing the World Trade Organization* (1994), 33 Int. Leg. Mat. 1144. Canada is a Member of the WTO by the *World Trade Organization Agreement Implementation Act*, R.S.C. 1985, c. 10.

¹⁰² *Agreement on Trade-Related Aspects of Intellectual Property Rights, part of Marrakesh Agreement establishing the World Trade Organization*, signed in April 1994, in effect in Canada on 1 January 1996. Vaver, *ibid.*, p. 47.

¹⁰³ *North American Free Trade Agreement Between the Government of Canada, the Government of the United Mexican States and the Government of the United States of America, Minister of Supply and Services Canada 1993*, Ottawa, Dec. 17, 1992 Text. This agreement was implemented by Canada’s *North American Free Trade Implementation Act*, S.C. 1993, c. 44.

4.17.7 Trade Sanctions and U.S. “Special 301” Designations

Under the *U.S. Trade Act of 1974*, countries that do not afford American citizens sufficient IPR protection, can be given s. 301 status¹⁰⁴. Nations such as China can be designated as a “priority foreign country”. Less egregious offending nations can be designated as “priority watch list” (Argentina, the European Union, Greece, India, Indonesia, Japan, Korea and Turkey in 1996)¹⁰⁵, or on the “watch list” (a further 26 trading partners in 1996 including Canada!). This status enables the U.S. to impose a variety of trade sanctions against the offending countries until they have rectified their policies vis á vis IPR protection for U.S. citizens or companies. In concert with a commitment to the “rapid implementation of the *WTO TRIPS* Agreement” the Special 301 provisions represent U.S. means of coercion concerning the protection of its citizens’ IPRs. This type of action raises some interesting questions. As s. 301 status could be abused for other trade access control motives, it raises the spectre of potential abuse in the *real politik* of international trade. It also represents another tool in the arsenal of the U.S. government enabling them to circumvent free-trade provisions.

Our discussion of the unilateral “Special 301” designation reveals that the U.S., while willing to consider implementing trade sanctions against those nations it deems to be trading unfairly, prefers the justification afforded by the findings of an international tribunal such as *TRIPS* or the *WTO* before embarking on its program of economic

¹⁰⁴19 U.S.C. §2411. A s. 301 designation under the US Trade Act of 1974 lists a country as *not* providing sufficient protection for US citizens IPRs and leaves that country as liable for trade sanctions. Canada was named to the “Watch List” on April 30, 1997 for implementing the blank tape levy without provision for paying it to U.S. copyright holders at the time. (see Office of the U.S. Trade Representative, “1999 National Trade Estimate-Canada”, page 40, available at:

http://www.ustr.gov/assets/Document_Library/Reports_Publications/1999/asset_upload_file690_2810.pdf.
¹⁰⁵ <http://www.ustr.gov/reports/301report/factsheets.html> 6/21/1999.

pressure tactics. Appropriating the *TRIPS* agreement has given the U.S. a way to legitimize its own international trade policies despite their extraterritoriality. Canada would do well to remember that in 2005 Canada was once again named to the U.S. “watch” category of the “Special 301.” The softwood lumber dispute has proven the U.S. has few qualms about exerting whatever trade policy pressure it can to have its own way.

4.17.8 Non-Tariff Barriers to Trade

The potential use of *TRIPS* to approach the *WTO* to secure authorization for either retaliatory tariffs, compensation or penalties against a nation for failing to abide by the findings of a *WTO* trade panel have already been sensed by the E.U. concerning privacy protection and its database directives. Similarly, the use of the *WTO* trade panel dispute mechanism instead of the *NAFTA* dispute resolution mechanism demonstrates that the process of enforcement of the protection of IPRs can be enlisted to erect non-tariff and tariff based barriers to trade if the stakes are high enough and if the domestic laws of the state being excluded are such that compliance is impossible or difficult. This use of *TRIPS* for manipulating access to markets in economic areas not even related to intellectual property remains an important Achilles heel for the *TRIPS* agreement in the eyes of developing nations and even among nations with a net deficit in the trade in intellectual property. The use of the countervailing tariffs to force compliance makes the *TRIPS* agreement a useful tool for the “have” nations to ensure they continue to “have” and for the “have-not” nations to continue to be “have-nots”. The teeth in the *TRIPS* agreement that allow for enforcement are also the tools that nations can use to confound the intention of the *GATT*, namely to diminish the obstacles to free trade in goods and services, including intellectual property.

4.18 *WTO* and *WTO* Trade Dispute Panels

The use of *WTO* Trade Dispute panels to justify which action a signatory state might legitimately take under *TRIPS* when alleging insufficient IPR protection for its nationals is indeed chilling. There is a definite potential for the misuse of IPR protection regimes to justify a sort of 21st Century “gunboat” diplomacy on the part of IP exporting nations. The ability of the victorious state to implement trade sanctions against the offending nation in economic sectors other than that in which the IPR dispute arose in the event of noncompliance with the *WTO* order presents a potentially powerful new use for copyright, patent and trade-marks law having little to do with the rationale or justification for the granting of IPRs.

Canada’s recent experience with the softwood lumber dispute has demonstrated that the multiplication of tribunals to adjudicate trade disputes encourages the losing side to use whatever mechanism that might be at hand. In this instance the U.S. has rejected the internal *NAFTA* dispute resolution panel’s recommendations and tried for hearings *de novo* in front of the *WTO*. Canada has launched a successful appeal of the Panel determination, but the U.S. continues to litigate under U.S. law and to refuse to return billions of dollars of collected duties to Canadian lumber exporters. Being party to the *NAFTA* and even to the *WTO* Trade Panel dispute resolution mechanism has not helped Canada avoid this unilateral U.S. action. Canada’s interdependence on U.S. trade in other sectors of the economy has precluded unilateral Canadian retaliation against the U.S. thus far.

4.19 International Treaties and Canadian Obligations

What, then, is the significance of Canadian participation in international treaties and what obligations fall upon Canada in the face of these international and multi-lateral agreements? Must we follow where the U.S. leads or can we maintain a distinctly Canadian approach? One of the characteristics of the alleged Canadian approach is a balance among the interests of all the stakeholders concerned, rights owners and users alike, and a concern for the mitigation of the abuse of dominant position by the recipients of IPR protection. Must these be sacrificed to harmonize our IPR protection laws with those of the U.S. or other nations?

I would argue that Canada does have obligations deriving from its treaty commitments (so future ones should never be undertaken lightly) and that there are significant ways that we can depart from the U.S. model of IPR protection utilizing the concept of National Treatment. And I would argue that the Canadian approach of a balance between the rights of all stake-holders and remedies for the abuse of dominant position by the recipients of IPR protections *should* be maintained and pursued. That being said, the question becomes, can a Canadian government secure IPR protection in foreign countries for Canadian IPRs without becoming involved in international agreements like *TRIPS*, international conventions like *Berne*, the *PCT*, and/or the *Madrid Protocol*? It would seem unlikely. Like it or not, Canadian diplomats need to address the question of reciprocal recognition of IPRs and must be at the negotiating table to protect the Canadian approach. Nowhere will this be more necessary than in negotiations dealing with IPRs owned by Canadians in Cyberspace.

Conceivably the U.S. could invoke Special 301 provisions against Canada if she refused to give U.S. citizens National Treatment in the protection of their IP. Indeed Canada is already designated on the Watch List.¹⁰⁶ The “Fact Sheets ‘Special 301’ on Intellectual Property Rights and 1996 Title VII Decisions” report cites the split run tax, CRTC discriminatory licensing conditions for DTH satellite television and April 25, 1996 copyright amendments that could discriminate against U.S. rights holders and were justified as aids to strengthening Canadian identity. The report ominously states, “The Administration wants to ensure that these amendments are not at the expense of U.S. copyright interests.”¹⁰⁷

The action of invoking a Special 301 status against Canada could have dire consequences for the Canadian economy. There could be many in Canada to argue that the avoidance of such consequences would be of such national dimensions (a la *Caloil*¹⁰⁸) as to justify Federal action under the Trade and Commerce heading in the face of any Provincial opposition. It should be mentioned though, that because of U.S. Work for Hire provisions and the diminished Moral Rights at the Federal level in the U.S., most of the IPR claims advanced on behalf of U.S. citizens would be on behalf of corporate owned rights. It is true that there are provisions in the *U.S. Copyright Act*,¹⁰⁹ s. 106A rights to integrity, but only for authors of visual art and presumably not for broadcasters. These corporate owned rights would not be entitled to s. 15 equality guarantees under the *Charter* as corporations are not considered individuals in Canada. Thus National Treatment provisions might not prove as problematic in the courts as first appears.

¹⁰⁶ “Fact Sheets ‘Special 301’ on Intellectual Property Rights and 1996 Title VII Decisions” [hereinafter “Special 301”] <http://www.ustr.gov/reports/301report/factsheets.html>.

¹⁰⁷ “Special 301”, *ibid*.

Canada needs provide only the same level of protection, not more than she would to her own citizens to avoid the adverse *WTO* finding on National Treatment.

4.20 Canadian Sovereignty Versus *WTO* Free Trade in Cultural Industries

The discussion of the U.S. adoption of the *WTO* Trade Dispute Panel on the Split-Run Magazine dispute with Canada demonstrates how the U.S. is prepared to utilize multi-lateral agreements to circumvent dispute resolution mechanisms already built into bilateral agreements such as *NAFTA* as it has in the softwood lumber dispute. Once again the U.S. chose the forum more likely to give it the decision it wanted. This was because, under *NAFTA*, Canada's magazine industry was protected as a "cultural industry." The type of decision rendered by the *WTO* Trade Dispute Panel allowed for no immunity based on this cultural industry status found in *NAFTA*. Having lost the *WTO* Panel decision, Canada repealed the offending provisions of its law. Hence, the effect upon Canadian domestic law of Canada's obligations under international treaties is obvious. So too is the effective use of *TRIPS* and the *WTO* to overrule Canadian sovereignty concerns. Yet Canada did still have a choice, much as the U.S. has had a choice to continue to litigate the softwood lumber issue in the face of adverse findings under *NAFTA*. Sovereignty comes down to a willingness to face the consequences of unilateral action.

4.21 Canada as a Trading Nation

Canada is a trading nation whose economy and prosperity are based upon international trade. Historically viewed as a hewer of wood and drawer of water, Canada has become one of the G-7 nations and is identified as a developed nation, which is

¹⁰⁸ *Caloil Inc. v. Attorney General of Canada*, [1971] S.R.C. 543, 20 D.L.R. (3d) 472, [hereinafter cited as *Caloil*].

largely due to her international trade, especially with the U.S. An early leader in telecommunications and knowledge-based industries, Canada needs to maintain its access to both the U.S. and international markets. In addition, a major part of the Canadian identity is associated with Canada as peacekeeper. Canada, identified by some as an “international boy-scout,” prides herself on being moral, straight-shooting, upright and law abiding internationally. For Canada to turn its back on international accords, international co-operation, international relief efforts, would go against this Canadian self-perception. Whether Canadian aid does come with less “strings attached” or from more altruistic motives than the Americans may be debatable, but it is clear that the role of international outlaw is not one with which most Canadians would be comfortable. I would argue that so long as Canada can justify its unique IPR protection laws in terms of equity and nuanced balance, Canada will exert its sovereign right to create its own laws.

However, once Canada has committed itself to an international agreement, it is difficult to see how Canada can avoid living up to that commitment without repudiating its signature. Canada’s honour and international reputation are at stake and the pressure to conform to international norms is high. Clearly Canada should be circumspect about the treaties and agreements to which it accedes and if it agrees to an international instrument that is later found to be unbalanced, it should be investigating alternative means of providing the same level of protection through *sui generis* laws and regulations that are more balanced.

4.22 Other Costs of Going It Alone Internationally

In this chapter we have considered the costs for Canada under the *TRIPS* agreement for “shirking” its international commitments in terms of compliance with the

¹⁰⁹ *United States Copyright Act* [hereinafter cited as *U.S. Copyright Act*] Title 17, U.S.C. § 106A.

WTO Panels. We also considered Canadian bilateral commitments such as *NAFTA*. We have noted that in the past the U.S. was able to profit by not taking part in the *Berne Convention*, by allowing many more patents to be registered for subject matter not recognized by traditional patent law and by adhering to alternative trade-mark, copyright and patent protection systems. It should be noted that Canada has built a world leading generic drug industry because of the nuances of its pharmaceutical patents as well. Yet there are potential costs to Canada for being outside the norms of the *WTO*. To be declared a "pirate nation" is to risk trade retaliation in terms of restricted trade access in foreign markets.

Even the denial of patentability to higher life forms can have an impact on investment and, therefore, strategy in new industrial development. When Canada refused to allow the granting of patents in the oncology mouse situation, many predicted dire consequences for Canada's biotech industries. If a company was choosing a location for a research lab or for funding research, it was clear that, at least for work involving the use of genetically engineered higher life forms, Canada was less desirable a place to invest than those jurisdictions that did allow this IPR protection. A sigh of relief may have been heard from the biotech industry when the *Monsanto* case seemed to soften Canada's stance against the protection of genetically engineered life forms (even if only for plant life).

Canada has ambitions to develop infrastructure to house the new knowledge-based industrial economies of the world, and must be mindful of discouraging investment and research in those industries by the implementation of more restrictive Canadian regulation or laws. These ambitions could be frustrated if Canadian intransigence in the

development of IPR protection regimes is due to parochialism rather than a well thought out moral stand. Canada has only limited “wiggle room” before it would be so far out of step with international norms that Canada’s ambitions would be thwarted. Still, this must be weighed against Canadian sensibilities over the balancing of creator and user rights.

4.23 Benefits of a Canadian Way

It is this balanced approach that may be seen as the “Canadian Way”. If Canada causes other nations to take a sober second look at some of the innovations that are being proposed (usually by advocates of rights holders), and if Canada insists upon some protection for the public domain through strengthened remedies for abuse of dominant position or public good rationales, it may well prove to be the saving of the *TRIPS* exercise in multilateral treaty negotiation. When “globalization”, or as John Ralston Saul calls it, “globalism” is only justified in terms of economic rationalism, it may well be subject to attack by the larger underdeveloped world as a tool of 21st century imperialism. By insisting on the inclusion of an equitable balance between creator and user rights, the Canadian Way may co-opt the opposition that confronts proponents of economic rationalism in the development of the new economy. The Canadian Way may open the door to substantially similar forms of IPR protection regimes without engaging opposition based upon the inequitable results before the *WTO* Trade Panel dispute resolution mechanism in *TRIPS*.

4.24 Is Globalization Dead, or “Merely Resting?”

In this chapter we have seen how John Ralston Saul predicted that the *TRIPS* agreement will have to be separated from the *WTO* Trade Panel Dispute mechanism. He suggests that the move towards globalism is dead or dying, doomed to fail soon. Yet one

is reminded of the author Mark Twain, who on reading his own obituary, is reported to have said that, "The reports of my demise are somewhat exaggerated!" The U.S. and developed world's interest in the rationalizing of the world economy and the protection of their own comparative advantage dictate that globalization will not die, merely retreat for a while and then resurrect itself. U.S. recalcitrance to abide by *NAFTA* or even *WTO* rulings and African unilateral action concerning the pharmaceutical patents for AIDS/HIV drugs are indications of some diminishment of the process of globalization, but it is not an indication that the forces of economic rationalism have been killed. Unlike the parrot in the Monty Python Skit, this beast *is* only resting. Let us turn now to what Canada's response should be in terms of its IPR protection regimes in the new digital universe.

Chapter 5

Stretching Old Laws for Contemporary IPR Protection or Creating New Laws for the Digital Era? Stilling the Wobbles: Conclusions and Recommendations

5.1 Summary of Chapters 1 - 4

5.1.1 Chapter 1

Chapter 1 introduced the methodology of the thesis. At section 1.1.2 IPRs were defined, as was the purpose of creating them statutorily. This was followed by an examination of recent appellate cases for indications of the difficulties inherent in IP law in Canada in the new digital era and cyberspace¹. Uncertainties in the current law, and trends and new developments were identified in traditional IP law such as copyright, patent and trade-mark.² The developments in new types of IPR protection regimes for use in cyber space were also considered.³ From those cases it was noted that Canada has chosen its own path within the contours of accepted IP jurisprudence and within Canada's international obligations as established in the treaties and conventions to which Canada is signatory.⁴

The problem of creating an appropriate IPR protection regime for the Internet was raised, and different stakeholders in the protection of IP were identified.⁵ The Public Domain was discussed and trends in growing creator rights were contrasted with those of user rights. In Canada, a decided trend was noted at the Supreme Court of Canada for finding a balance between Creator and User rights in such cases as *Théberge* and *CCH*.⁶ These cases illustrate what I am calling balancing the legal teeter-totter among the rights

¹ See *supra*, Chapter 1, ss. 1.2.2, 1.2.3, 1.3.1, 1.3.2, 1.4.1, 1.4.3, and 1.16.

² See *supra*, Chapter 1, ss. 1.2, 1.2.2, 1.2.4, 1.2.5, 1.4, 1.4.2, 1.4.4, 1.5, 1.5.1, and 1.6.

³ See *supra*, Chapter 1, ss. 1.1.6, 1.2.2, 1.2.5, 1.2.6, 1.3 and 1.3.1.

⁴ See *supra*, Chapter 1, ss. 1.2.2, 1.3.2, 1.4.3, and 1.5.2.

⁵ See *supra*, Chapter 1, ss. 1.10 and 1.10.1.

of the stakeholders. A caution was offered against the hyperbole and self-interested rhetoric of creator rights owners⁷ and the discussion of the crucial difference between tangible property and intangible intellectual property ensued.⁸ Of particular interest was the difficulty in establishing the quantum of damages when dealing with non-rivalrous property ownership and network externalities.⁹ Finally, limits were pointed out to existing copyright protection established by *Feist* in the U.S. and *TeleDirect* in Canada.¹⁰ I noted that these cases are rare reversals in the trend to date to increase creator rights at the expense of the rights of the other stakeholders.

5.1.2 Chapter 2

Chapter 2 contains a literature review of the traditional philosophical rationale for IPR protection regimes and the legislative intent behind the provisions of the various historical legislation embodying those protections over the years.¹¹ The original intentions behind both copyright and trade-mark laws as tools of censorship were noted,¹² as was the potential use of patent law to limit access to new technologies.¹³ Also turning to a recent case in Canada (*Lego*)¹⁴ where the boundary between patent and trade-mark law was recently tested, I pointed to SCC rejection of an attempt by the holder of an expired patent to secure a longer period of IPR protection for their product (a “back – door patent”). The overlap of the IPR protection regimes was then considered.

⁶ See *supra*, Chapter 1, ss. 1.2.2 and 1.2.3.

⁷ See *supra*, Chapter 1, s. 1.14.

⁸ See *supra*, Chapter 1, s. 1.15.

⁹ See *supra*, Chapter 1, s. 1.15.

¹⁰ See *supra*, Chapter 1, s. 1.16.

¹¹ See *supra*, Chapter 2, ss. 2.1 and 2.1.1.

¹² See *supra*, Chapter 2, ss. 2.1.1, 2.1.2, 2.2.

¹³ See *supra*, Chapter 2, ss. 2.1.1, 2.3, and 2.6.

¹⁴ See *supra*, Chapter 2, s. 2.2.4.

The U.S. Constitutional authority for the creation of the statutory monopolies that are patents, copyrights and trade-marks was discussed, and the utilitarian bargain so ubiquitous in common law countries was mentioned.¹⁵ This included a discussion of John Locke and his *proviso* and its importance in the balance of public good and creator rights.¹⁶ I also discussed the Natural Law justification of IPRs by Hegel and Kant more prevalent in civil code and so-called artists' rights countries and the nature of the rights granted to creators under traditional IPR protection.¹⁷ The influence of the Romantic era on European philosophers and their concept of the role of the artist were noted and the existence of unlimited terms of protection for copyright was considered.¹⁸ The legal and the equitable rights within the bundle of rights granted with the statutory monopoly were studied,¹⁹ as were the different remedies attached to the different rights. Individual chattel or real property ownership was contrasted with collective chattel or real property ownership and the difficulties were noted in reconciling these concepts of ownership with the concept of maximizing the public good.

After further discussion of the nature of the rights given, our attention turned to the role of the artist/author in the creative process. I argued that the Romantic view of the artist or author as the only creator involved in the development of intellectual property fails to take sufficiently into account the role of the audience, and the influence of the author's cultural heritage and milieu. As a consequence, a distinction was drawn between the "art object" as the manifestation of the artist or author's craft and the "art work" as

¹⁵ See *supra*, Chapter 2, s. 2.6.1.

¹⁶ See *supra*, Chapter 2, ss. 2.6.3 – 2.6.8 inclusive.

¹⁷ See *supra*, Chapter 2, ss. 2.7.1 – 2.7.6 inclusive.

¹⁸ See *supra*, Chapter 2, ss. 2.7, 2.7.4, 2.7.5, pages 110, 115, and 117.

¹⁹ See *supra*, Chapter 2, ss. 2.7.3, 2.7.4, 2.10.1- 2.10.3 inclusive.

the manifestation of the audience or user's relationship with the art object.²⁰ Linking this distinction with the unique nature of non-rivalrous possession of intangible intellectual property and with the existence of "network externalities," the unique nature of intellectual property as intangible property was underscored.²¹

5.1.3 Chapter 3

Chapter 3 contained a discussion of the traditional IPR protection regimes and the current practice of IP law. The usual causes of action, the tasks of IP lawyers and the reconciliation of IP law with other statutory regimes were examined. Beginning with a discussion of the need for formalities to secure protection for intellectual property I moved from patent (where the formalities are probably the strictest) through trade-mark²² to copyright which imposes the least onerous formality requirement of the traditional IPR protection regimes.²³ I noted the current trend in IP practice to attack the statutory monopolies in opposition procedures on the basis of failure to observe the formalities of disclosure, payment of correct fees, renewal or other so-called "technical" flaws in the application to register.²⁴ Then the question of the term for traditional IPR protection was considered, beginning with patent, the shortest, followed by discussions of copyright, and finally the renewable trade-mark.²⁵ The posthumous term extensions for copyright were also examined.²⁶

²⁰ See *supra*, Chapter 2, ss. 2.12 and 2.13.

²¹ See *supra*, Chapter 2, ss. 2.14 and 2.15.

²² See *supra*, Chapter 2, s. 2.2.4 (a discussion of the *Lego* case).

²³ See *supra*, Chapter 3, ss. 3.1, 3.2, 3.3, and 3.3.1-3.3.7 inclusive.

²⁴ See *supra*, Chapter 3, s. 3.3, 3.3.1-3.3.7 inclusive (patents). See also *supra*, Chapter 1, s. 1.4.1 (the attack on the register in the *Barton No Till v. Dutch Industries* case).

²⁵ See *supra*, Chapter 3, pages 158-169 for a discussion of the duration of patent, trade-mark and copyright protection. See also *supra*, Chapter 1, ss. 1.5.1-1.5.3 inclusive (*Federal Trade Mark Anti-Dilution Act*) in the U.S., s. 1.6 (European "evergreen" database protection), and s.1.7.1 (increased length of copyright protection outside of Canada).

²⁶ See *supra*, Chapter 3, ss. 3.8.1-3.8.4 inclusive (history of copyright term extensions) and see also *supra*, Chapter 1, s. 1.2.6 (*Sonny Bono Copyright Term Extension Act*).

In the current practice of intellectual property law I identified procedures and actions available to the practitioner to defend the intellectual property against infringement in trade-mark,²⁷ patent²⁸ and then copyright law.²⁹ I remarked on the need to demonstrate confusion in trade-mark law,³⁰ strict liability imposed by patent law,³¹ and examined the deeming provisions and the burden of proof necessary to prove infringement in copyright law.³² Several legal and equitable remedies were mentioned including interlocutory orders and injunctions available to the rights holders including “tech fixes”³³ and Automated Rights Management (ARMs) or Digital Rights Management (DRMs) systems in cyberspace.³⁴ Also discussed was the possibility of licensing and alienation of IP rights to allow for economic exploitation of the statutory monopoly.³⁵ Remedies, both legal and equitable,³⁶ included issues such as calculation of damages,³⁷ forfeiture of infringing copies, accounting of profits, and fines for contempt.

Defences and practices available to the alleged infringer when faced with IP litigation were considered next.³⁸ The possibility of expunging actions attacking the registers for incorrectly registered patents or trade-marks was examined.³⁹ Also acknowledged was the possibility of parallel importing or “grey marketing” in Canada and the need in trade-mark practice to defend the marks through sufficient control by the

²⁷ See *supra*, Chapter 3, ss. 3.9, 3.10, 3.11, 3.15, 3.15.1-3.15.7 inclusive.

²⁸ See *supra*, Chapter 3, ss. 3.10, 3.13 and 3.14.

²⁹ See *supra*, Chapter 3, s. 3.16, and 3.16.1-3.16.8 inclusive.

³⁰ See *supra*, Chapter 3, s. 3.15.2.

³¹ See *supra*, Chapter 3, s. 3.13.

³² See *supra*, Chapter 3, ss. 3.16.1 and 3.16.2.

³³ See *supra*, Chapter 3, s.3.11.1.

³⁴ See *supra*, Chapter 3, s. 3.11.

³⁵ See *supra*, Chapter 3, ss. 3.12 and 3.12.1.

³⁶ See also *supra*, Chapter 3, ss. 3.17, 3.17.1, 3.17.2, 3.19, and 3.19.1.

³⁷ See also *supra*, Chapter 3, s. 3.17.1.

³⁸ See *supra*, Chapter 3, ss. 3.21 and 3.21.1.

³⁹ See *supra*, Chapter 3, ss. 3.3.7, 3.4.6, 3.18, and 3.22.2 and see also Chapter 1, the *Barton No-Till* case at s. 1.4.1, and Chapter 2 the *Lego* case at s. 2.2.4.

rights holder and their licensee.⁴⁰ Similarly the privacy concerns associated with ARMS and DRMS and their potential abuse demanded attention.⁴¹ In copyright law “fair use” in the U.S. was contrasted with “fair dealing” in Canada.⁴² Also compared and contrasted was the concept of “authorizing infringement” in Canada with “contributing to infringement” in the U.S.⁴³ The erosion of the idea/expression dichotomy in copyright law was discussed⁴⁴ and the chapter was concluded with a discussion of digital translation of works and the resulting copyright afforded in these so-called “derivative” works.⁴⁵

5.1.4 Chapter 4

Chapter 4 reviewed the historical connection between IPR protection and international trade. The treaty ratification process was examined, as were the safeguards against the abuse of statutory monopolies built into Canadian domestic law.⁴⁶ The history of IPR protection, the advent of international treaties both bilateral and multilateral, implementation of the *TRIPS* agreement, was reviewed.⁴⁷ I also discussed the antecedents of *TRIPS* including the *E.U. Directives*,⁴⁸ *NAFTA*,⁴⁹ and a number of international conventions.⁵⁰

⁴⁰ See *supra*, Chapter 3, s. 3.12.2 (owner’s need to defend licensed trade-marks and maintain control over them). See especially the *Smith & Nephew Inc. v. Glen Oak Inc.* (1996), 68 C.P.R. (3d) 153, and the *Coca Cola v. Pardhan*, FCA(A-335-98, 12th April, 1999) (1999), 172 D.L.R. (4th) 31, (1999), 85 C.P.R. (3d) 489. S.C.C. denied leave to appeal ([1999] S.C.C.A. No. 338) cases.

⁴¹ See *supra*, Chapter 3, s. 3.11.2.

⁴² See *supra*, Chapter 3, s.3.23.1.

⁴³ See *supra*, Chapter 3, s. 3.16.4.

⁴⁴ See *supra*, Chapter 3, s. 3.23.2.

⁴⁵ See *supra*, Chapter 3, ss. 3.23.4-3.23.7 inclusive.

⁴⁶ See *supra*, Chapter 4, ss. 4.3, 4.3.1 and 4.3.2 pages 219-222.

⁴⁷ See *supra*, Chapter 4, ss. 4.2, 4.2.1 and 4.4-4.5.4 inclusive.

⁴⁸ See *supra*, Chapter 4, s. 4.5.5.

⁴⁹ See *supra*, Chapter 4, s. 4.5.4.

⁵⁰ See *supra*, Chapter 4, ss. 4.6 , 4.6.1 and 4.9, 4.10, 4.11, 4.12, 4.13, and 4.14.

Reference was made to most of the fourteen treaties listed by Heritage Canada as Canadian international obligations concerning intellectual property including those administered by the *WIPO*.⁵¹ Potential problems with the dispute resolution mechanisms in these treaties and potential consequences of Canada's non-compliance with international obligations under the treaties and agreements were identified.⁵² Canada was acknowledged as a trading nation with a long history of involvement with international treaties, conventions and commitments.⁵³ Also discussed was the historical position that Canada has assumed with regards to the protection of IPRs.⁵⁴ I considered the consequences of a weaker made-in-Canada solution to the IPR protection regime and discussed the latitude of Canadian legislators to create new IPR protection regimes or made-in-Canada solutions for the problem of compensating inventors, authors and artists.⁵⁵

The chapter concluded by discussing the continued pressure for harmonization of IPR protection laws and whether or not globalization has abated.⁵⁶ I suggested that predictions of the demise of globalization are still premature at this juncture.⁵⁷ Also discussed was the relationship among *TRIPS*, *WIPO*, the *WTO* and the *WTO* trade dispute panels.⁵⁸ Finally it was considered whether the use of the *WTO* to enforce *TRIPS* constitutes a new phase of imperialism between the developed and the developing world,

⁵¹ See *supra*, Chapter 4, ss. 4.15, 4.15.1, 4.15.2, 4.16, 4.16.1 and 4.16.2.

⁵² See *supra*, Chapter 4, ss. 4.17.4-4.17.8 inclusive.

⁵³ See *supra*, Chapter 4, s. 4.21.

⁵⁴ See *supra*, Chapter 4, ss. 4.19, 4.21 and 4.22.

⁵⁵ See *supra*, Chapter 4, s. 4.23.

⁵⁶ See *supra*, Chapter 4, s. 4.24.

⁵⁷ See *supra*, Chapter 4, ss. 4.19 and 4.24.

⁵⁸ See *supra*, Chapter 4, s. 4.18.

by looking at the effect of international commitments on the sovereignty of nations.⁵⁹

That it had the potential to be used as a tool of the “new imperialism” was my conclusion.

In this final chapter 5 I shall consider how to reconcile all this information and recommend the contours of any new IPR protection regimes for use in Cyber Space. The chapter will end with a list of recommendations for drafting any reformed traditional IPR protection legislation and/or any new IPR protection legislation of a *sui generis* nature.

5.1.5 The Myth of Harmonization: Existing Unique National IPR Laws

When one reads much of the literature from Heritage Canada or The Department of Foreign Affairs and International Trade (DFAIT), there seems to be an inevitability to the harmonization of IPR protection laws all over the world. In the U.S. the argument in *Eldred v. Ashcroft* for the *CTEA* was to harmonize the duration of U.S. copyright protection with that in the E.U. (i.e. life of the author plus 70 years). During the Dot.Com boom there seemed to be a trend toward harmonization as the logical outcome of globalization. No country could afford not to harmonize its IPR protection laws if it hoped for access to the *WTO*’s markets. The U.S. exerted its influence to get as many international states to get signed on as possible to the *TRIPS* agreement. New legislation was passed in the years following *TRIPS* in 1994 until the Dot.Com meltdown in 2001. The slowing of the trend towards globalization or globalism, as John Ralston Saul terms it⁶⁰, really began at about the year 2000. Demonstrations against *APEC*, the African AIDS/HIV crisis, and the rise of terrorism as a new opponent of the industrialized west all contributed to a slowing of the trend toward harmonization. Treaties that were signed

⁵⁹ See *supra*, Chapter 4, ss. 4.20 and 4.22.

⁶⁰ John Ralston Saul, *The Collapse of Globalism: and the Reinvention of the World*, Penguin Books Canada, May 2005.

were not immediately ratified and more and more criticism was made of the linkage of *TRIPS* with *WTO* trade panels. While the pressure to conform to international IPR protection standards has continued, unique IPR protection laws have also survived.

National Treatment provisions in many multilateral intellectual property agreements and Substantial Similarity compromise provisions such as the Safe Harbor Database protection agreement between the E.U. and the U.S. are examples of international responses that allow for the co-existence of unique national IPR protection regimes with those sought by *WIPO* under *TRIPS*. While harmonization may be an easier way to ensure one's citizens are not disadvantaged when they seek IPR protection abroad, in instances where the contours of the IPR protection regime are balanced, National Treatment and Substantial Similarity may allow for continuation of the domestic regime and the benefits of its balanced approach.

5.2 Canadian Patents

5.2.1 *Harvard Mouse*

In Canadian patent law we saw that in the 2002 *Harvard Mouse* decision⁶¹ concerning the oncology mouse developed by genetic engineering, the Supreme Court of Canada in a split-decision decided to uphold the prohibition against patenting higher life forms under the *Canadian Patent Act*. This decision was contrary to international decisions upholding the patentability of genetically altered life forms in the U.S., and several other jurisdictions. The decision raised concerns that biotech researchers would locate their oncology and other medical research labs elsewhere than Canada where their activities would receive stronger patent protection, hurting Canadian efforts to develop high tech research industries and facilities. Certainly the decision was not met with

enthusiasm by research based pharmaceutical companies or the law firms that represent them.⁶²

The decision was met with rather more approval by religious groups, moralists and people concerned by the commodification of life forms. People troubled with the ethical issues of biotech experimentation in cloning, increased cost of research to include licensing fees to patent holders, and people concerned with the erosion of the boundaries of the traditional patent law invention/discovery dichotomy applauded the decision despite dire warnings that it left Canada on the outside looking in on the biotech industrial complex.

5.2.2 The *Monsanto* Decision

The *Harvard Mouse* patent law decision was followed by the *Monsanto* decision⁶³ in 2004. This case dealt with the patentability of genetically altered canola seed and patent infringement by farmer Percy Schmeiser. In this case the Supreme Court found that a process of genetic alteration could be patented, giving Monsanto remedies against Schmeiser's unauthorized use of collected canola seed bearing the characteristics of Monsanto's *Round-Up Ready* genetically modified product. This case, as in the *Harvard Mouse* case, was also a 5-4 split decision. Despite the ruling two years earlier in *Harvard Mouse* that, "...had found that plants and seeds were also unpatentable "higher

⁶¹ *Harvard College v. Canada (Commissioner of Patents)*, [2002] 4 S.C.R. 45; 2002 SCC 76.

⁶² See, for example, Marc Gagnon of Smart & Biggar for a critical assessment of the decision. He notes that Canada became the only country of the G-8 that did not allow the patenting of higher life forms with this decision. See, Marc Gagnon, "La Cour suprême du Canada déterminé que l'oncosouris n'est pas brevetable" 2002 available at http://www.smart-biggar.ca/Assets/Article1_MAG.pdf.

⁶³ *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902, 2004 SCC 34.

life forms,”⁶⁴ the majority holding in *Schmeiser* was in favour of the plaintiff, the patent-owner Monsanto. Morrow and Ingram report that,

Nevertheless, the Majority holds that “whether or not patent protection for the gene and the cell extends to activities involving the plant is not relevant to the patent’s validity.” The Majority concludes that the patent claims in issue are valid.⁶⁵

The Court did overturn an awarding of the accounting of profits as inappropriate and it did leave

...open the possibility that a farmer could avoid a finding of use based on mere possession by showing that he or she never intended to cultivate plants containing the patented genes and cells. However, on the facts, *Schmeiser* could not avoid liability on this basis.⁶⁶

E. Ann Clark, Plant Agriculture, University of Guelph asked, “So, Who Really Won the *Schmeiser* Decision?” in June of 2004.⁶⁷ She points out that officially the narrow decision did award the appeal (in part) to *Schmeiser* by overturning the award of accounting of profits and she also notes that Monsanto suffered a public relations black eye without even obtaining their own court costs in the infringement actions. Still there did seem to be a softening of the *Harvard Mouse* case findings in 2002.

This granting of patent protection to genetically modified life forms in Canada was seen by many in the patent bar to be a retreat from the *Harvard Mouse* decision⁶⁸ and

⁶⁴ A. David Morrow and Colin B. Ingram, “Supreme Court dismisses Appeal in *Monsanto v. Schmeiser*” May 21, 2004 available at <http://www.smart-biggarr.ca/SB/index.cfm?RedirectPage=/Publications/publications.cfm?ThisID=226>.

⁶⁵ Morrow and Ingram, *ibid*.

⁶⁶ Morrow and Ingram, *ibid*.

⁶⁷ E. Ann Clark, “So, Who Really Won the *Schmeiser* Decision?” presented to the National Farmers Union, Milverton, On. June 10, 2004 available at <http://www.uoguelph.ca/plant/research/homepages/eclark/pdf/sc.pdf>.

⁶⁸ Micheline Gravelle and Jennifer Jones, Bereskin & Parr, “Biotechnology” in *Lexpert ALM 500*, 2004, see especially “Patent Law Jurisprudence, *Monsanto Canada Inc. v. Schmeiser*”, available at <http://www.lexpert.ca/500/rd.php?area=B2>; see also Kirby Eades Gale Baker Newsletter, June 2004, available at <http://www.kirbyeades.com/resources/newsletter/June%202004%20Newsletter.pdf>; Trevor Mee, “The *Schmeiser* Case—A Light at the End of the Tunnel for the *Harvard Mouse*?” 2003, KEGB,

a signal that IPR protection for biotech inventions or discoveries in Canada can attract protection, even if higher life forms might be where the line is drawn. Morrow and Ingram conclude:

With the decision in *Monsanto*, it now seems clear that patents may be sought and obtained in Canada with claims covering genes and cells (provided that such claims meet the other standard requirements of patentability, including novelty and non-obviousness), and that such claims may be enforced against infringers which are cultivating or breeding plants and animals incorporating the patented genes and cells.⁶⁹

5.3 Canadian Trade-marks

5.3.1 Parallel Importing

Parallel importation or so-called “grey marketing”⁷⁰ is the import and resale of goods legitimately obtained from another jurisdiction within a jurisdiction where the trade-mark rights holder has licensed an exclusive license holder to be the distributor of the goods made by the trade-mark holder. It differs from “black market” goods in that black market goods are neither legitimately obtained nor legally imported. Black market goods are often counterfeit and they represent a potential danger to the unwary consumer as well as a threat to the local rights holders’ market share. Often black market goods are seized by customs and law enforcement officials. Grey market goods, on the other hand, bear the legitimate trade-mark denoting the place of origin and legitimate standards of manufacture associated with the registered trade-mark. There is no attempt to pass off an inferior good or service as that of the legitimate rights holder. The consumer knows what

available at <http://www.kirbyeades.com/forms/KEGB%20Article%20-%20The%20Schmeiser%20Case.pdf>; and Ted Yoo and Robert Bothell of Bennett Jones LLP, “*Schmeiser v. Monsanto—A Case Comment*”, *Lex Innovate, Technology and Intellectual Property Law*, Summer 2004, available at http://www.bennettjones.ca/publications_lexinnovate-summer-2004.htm.

⁶⁹ Morrow and Ingram, *ibid*.

to expect from the brand and acquires what the trade-mark user has promised, or if not recourse against the maker of the goods or provider of the service.

Where grey marketing is legal, it is based upon the doctrine of exhaustion, sometimes called the doctrine of “first sale” in the U.S.⁷¹ This doctrine allows the purchaser of goods or services to resell them without further authorization of the manufacturer or provider. While copyright law prohibits the manufacture of additional copies, the number of copies of legitimately obtained works remains the same, so copyright law is of no use against grey market copies.⁷² Because manufacture of the work was authorized, patent law is similarly of little help. Finally, because the use of the trade-mark on the goods or services is applied by the owner or authorized licensee of the mark before they are obtained by the importer, there is no trade-mark infringement. In the U.S. “gray[sic] marketing” is seen as misappropriation, and there has been much pressure to have it banned. However, that characterization of misappropriation is based on the application of the *INS* case that has not been adopted in most other common law countries.

In Canada we have two important decisions dealing with “grey marketing”. They are the *Smith & Nephew* decision⁷³ and the *Coca Cola v. Pardhan* decision⁷⁴. Both

⁷⁰ See *supra*, chapter 3, s. 3.15.7 on “grey marketing”.

⁷¹ See *supra*, chapter 3, s.3.16.8 on the Doctrine of “First Sale” in the U.S.

⁷² See *Théberge, supra*, chapter 1, pages 6-7, and chapter 3, page 156.

⁷³ *Smith & Nephew Inc. v. Glen Oak Inc.* (1996), 68 C.P.R. (3d) 153(FCA).

⁷⁴ *Coca-Cola Ltd. v. Pardhan*, (A-335-98, 12th April, 1999), 172 D.L.R. (4th) 31, (1999), 85 C.P.R. (3d) 489(FCA). The Supreme Court of Canada denied leave to appeal (*Coca Cola Ltd. v. Pardhan* [1999] S.C.C.A. No. 338). This was a complicated case that began in 1995 with the granting of an Anton Piller Order and an injunction prohibiting the export of legally obtained Coca-Cola products for resale outside of Canada despite a marking prohibiting such a practice on the product. Coca-Cola lost the trade-mark infringement action, but Pardhan continued to export the product in contempt of the interlocutory order of the court. A second Anton Piller was granted and proof of the export in contempt was obtained despite the dismissal of the original cause of action, namely trade-mark infringement. The findings of the Trial division, Wetson J, ((1997) 139 F.T.R. 223, (1997), 77 C.P.R. (3d) 501) and later McKay J, (May 22, 1998 ((1998), 149 F.T.R. 139, (1998), 81 C.P.R. (3d) 244)) concerning the viability of the action launched

acknowledge the viability of the doctrine of exhaustion. The former case precludes the use of customs to halt the parallel importation of goods that can be legally imported and have been legitimately obtained in jurisdictions outside of Canada. The latter case denies the use of Canada customs or the Courts to deny export of legitimately obtained products out of Canada because of the same doctrine of exhaustion.

5.3.2 *Smith & Nephew and Coca-Cola v. Pardhan*

The *Smith & Nephew* case dealt with the importation of cosmetics (Nivea cream) for resale in Canada. The Court found that there was no remedy under trade-mark, copyright or patent law for the rights holders to stop the importation of these cosmetics. Similarly, in *Coca-Cola v. Pardhan*, the soft drink manufacturer attempted to block the export from Canada of legitimately purchased bottles of its product marked with the official registered mark. Also used with the mark was a marking that prohibited the re-export of the product, but as this was not the registered mark and as there was no privity between the exporter and the manufacturer who sold the goods to a Canadian distributor, the court found no trade-mark infringement. The Court did grant interlocutory injunctive relief against the export before that determination was made and the exporter, who continued to export in violation of the injunction, was pursued in the contempt of court proceedings, but no permanent remedy was granted to stop the exporter from re-

against Pardhan by Coca Cola were in favour of Pardhan. These were appealed to the Federal Court of Appeal where the Trial Division decisions were upheld. This finding was subsequently denied leave to appeal to the Supreme Court of Canada. In 1998 Coca-Cola continued to pursue several members of the Pardhan family on the issue of contempt of the Court's injunction against subsequent continued export. In 1999, Lutfy A.C.J. made an order dated November 16, 1999, finding Musadiq Pardhan guilty of contempt of the injunction for participating in the export of Coca-Cola products. He also, by order dated January 20, 2000, ...imposed on Musadiq Pardhan a penalty of \$4,000 plus costs of \$95,000. Mustafa Pardhan was acquitted. The three orders of Lutfy A.C.J. were appealed to the Federal Court of Appeal in December 2002 but the Appeal was dismissed by Malone, J.A. at 2003 FCA 11. The appeal on the decision of the issue of costs for the appeals and cross-appeals was heard by Assessment Officer Paul G.C. Robinson in January 2006. It seems clear that while grey marketing may be legal in Canada, pursuit of grey marketers through the courts via interlocutory injunctive relief cannot be ignored by the defendants in such actions.

exporting the legitimately marked goods because the export was found to be legal in Canada. Consequently, for a mark holder to protect the exclusive licensee of its marks in Canada, it should not “sell” the product or service, but only license it with End User License Agreements (EULA) whereby resale of the product without authorization can be prohibited by contract.

These decisions have encouraged mark holders to make greater use of licensing rather than sale of trade-marked goods and services, ensuring more accountability on the part of the manufacturer or provider for control of their marks. Because licensing of trade-marks has been possible in Canada only since 1953,⁷⁵ licensing is a relatively new phenomenon to modern Canadian trade-mark law. Prior to the 1953 *Canadian Trade-marks Act* licensing generally was fatal to the registered mark because it was seen as evidence that the mark owner had lost control over the mark through dilution. Following the *Canadian Trade-marks Act*, the presumption became rebuttable that the registered mark owner had lost control of the use of the mark. This was provided the owner could demonstrate that the licensor retained sufficient control over the process of manufacture or the level of service provided by its licensees to ensure the product or service bearing the mark was sufficiently similar to the trade-marked goods or services produced by the mark owner. In other words, the level of control had to indicate that the trade-mark owner retained responsibility for the trade-marked goods or services.

Contemporary licensing puts the onus on the registered mark holder not to authorize distribution through its licensees whereby the parallel importation of marked goods could take place. By insisting that registered mark holders police their own licensing arrangements, the fear that rights holders could lose control of their marks if

licensing were allowed (an argument used in common law countries against allowing licensing prior to the 1950s in Canada) was assuaged. Maintaining control over the use of the registered marks is a touchstone of the consumer protection capability and rationale for the granting of trade-marks. Encouraging licensing of marks to authorized users can be justified only if such licensing results in the continued control over use of the mark.

To find otherwise in *Smith & Nephew* or *Coca-Cola v. Parhan* would be to shift the responsibility for control over the mark from the manufacturer or provider of service to Canada Customs while doing damage to the doctrine of exhaustion. I would argue that the Canadian approach strengthens the consumer protection aspect supposedly embodied by the granting of protection to the mark owner against unauthorized "use". Encouraging rights holders to protect their grant of registered trade-mark protection by relying more on contractual arrangements of licensure seems a better course of action than restricting the rights of purchasers of goods or services to dispose of or use any of their purchased goods or services to which they are entitled. Therefore I consider that these decisions are consonant with the original intent of this type of IPR protection.

5.3.3 Canada's Failure to Implement the *Madrid Protocol*

For reasons having to do with the opposition procedures and reliance on "use" discussed above⁷⁶ Canada and several other common law countries have been reluctant to adopt the *Madrid Protocol* for the protection of international trade-marks. Now that the U.S. has joined the U.K. in adopting the *Madrid Protocol*, it may only be a matter of time before Canada feels compelled to do so as well. Further negotiations concerning the

⁷⁵ See *supra*, chapter 3, s. 3.12.1.

vulnerability of marks to domestic attack and the procedures for confronting the registry will have to be conducted to ensure Canada retains its emphasis on “use”.

5.4 Canadian Copyright

As noted in chapters 1 and 3,⁷⁷ Canadian copyright law differs from copyright law in the U.S., the U.K., civil code countries or other jurisdictions. Canada retains reversionary copyright; has the shorter life of the author plus 50 years duration; allows Moral Rights to be waived; demands a higher standard of authorization to find ISPs liable for copyright infringement; and has a broader definition of non-infringing copying for personal use that complicates the issue of demanding subscriber information from the ISPs for suspected illegal P2P downloading. Canada has long been signatory to the *Berne Convention*, is signatory to the *TRIPS* agreement and is a *WTO* member state. Canadian copyright law currently meets the minimum standard of protection under those agreements. Canada has also signed the *WIPO Copyright Treaty* of 1996⁷⁸ but has yet to ratify it by implementing changes in its copyright legislation that would harmonize the *Canadian Copyright Act* with the *WIPO Copyright Treaty*. Attempts to take this last step have thus far not passed muster in Parliament, the most recent being the “reforms” proposed in Bill C-60 of the final days of the Martin Liberal government in the Fall of 2005. The controversy over the future shape of Canada’s copyright laws ought to take has not yet been settled. As a consequence, there are a number of unique features and elements in Canadian copyright law that defy the international trend toward harmonization. Let us examine some of them.

⁷⁶ See *supra*, chapter 1, s. .5, chapter 2, s. 2.2.1, chapter 3, s. 3.4.1, and chapter 4, s. 4.6.1 (on “use” and the *Madrid Protocol*).

⁷⁷ See *supra*, chapter 1, ss. 1.2.2-1.2.5 inclusive, 1.7.1-1.7.7 inclusive, and chapter 3, ss. 3.5.4, 3.16 and 3.16.1-3.16.4 inclusive, 3.23 and 3.23.1-3.23.7 inclusive.

5.4.1 Reversionary Rights and the *Heirs of Lucy Maud Montgomery* Decision

One of the unusual features of Canadian copyright law is the retention of the reversionary rights descended from the 1911 U.K. *Imperial Copyright Act* in s. 14(1) of the *Canadian Copyright Act*. The “Dickens Provision”, repealed in many jurisdictions following the lead of the U.K. in 1957 when the provisions for compulsory licensing sections of the 1911 Act were removed, was retained in Canada and New Zealand. In fact, it was in the decision of Wilson J. in the *Heirs of Lucy Montgomery* decision⁷⁹ that the term, “Dickens Provision,” seems to have been coined⁸⁰. At the very least the litigation about the *Anne of Green Gables* character has demonstrated that reversionary copyright is alive and well in Canadian jurisprudence.

5.4.2 Non-alienable but Waivable Moral Rights

Canada has long recognized moral rights that are inalienable as they are in artist rights countries. However, in Canada moral rights can be waived. Ysolde Gendreau has pointed out that this compromises the principle of an author’s moral rights and weakens the protection that they afford.⁸¹

5.4.3 The *BMG* and the *SOCAN v. CAIP* Decisions and ISP Liability

As we saw in chapter 1,⁸² Canadian copyright law concerning ISP liability seems more conditioned by the Canadian experience of the telecommunications law “conduit exemption” from liability for content than U.S. or apparently Australian copyright law.

⁷⁸ See *supra*, chapter 4, s. 4.15.1.

⁷⁹ *Anne of Green Gables Licensing Authority, Inc. v. Avonlea Traditions, Inc* [2000] O.J. No. 740, 2000 CPR LEXIS 3 (Super. Ct. Mar. 10, 2000) [hereinafter referred to as the *Heirs of Lucy Maud Montgomery*].

⁸⁰ Madam Justice Wilson refers to the “Dickens” provision in paragraph 83 of *Heirs of Lucy Maud Montgomery*.

⁸¹ Ysolde Gendreau, “La civilisation du droit d’auteur au Canada”, in *Revue internationale de droit comparé*, 2000, pp. 101-123.

Canadian copyright law seems more consonant with English jurisprudence concerning ISP liability. In March 2006, the English High Court of Justice, Queen's Bench ruled⁸³ that

ISPs that play no more than a passive role in facilitating postings on the Internet cannot be deemed to be "publishers" at common law, and are not liable for defamatory statements that are merely communicated via the services that they provide.⁸⁴

In *BMG* ISPs were not required to furnish the names and information about alleged downloading infringers without proof of probable cause presented before a judge. Similarly in *SOCAN v. CAIP* ISPs were not held to be liable for the downloading activities of their subscribers by virtue of the capabilities of the Internet to provide P2P downloading.

5.4.4 Authorizing Infringement, the *CCH* Decision

The *CCH* decision discussed in chapter 1 (s. 1.2.3) demonstrated the difference between U.S. "contributing to copyright infringement" law and Canadian "authorizing infringement" copyright law. In Canada, the authorization must be rather more active or even encouraging than simply making infringement possible through technology or access. In *CCH* the Law Society of Upper Canada Law Library was not held liable for the use of its photocopy machines by patrons who were alleged to be copyright infringers. So long as sufficient notices were posted prohibiting the illicit use of the photocopy machine, the duty of care to the copyright holders was met to avoid vicarious liability for third party enablers (the Library). Interestingly in the U.S. the limit of

⁸² See *supra*, chapter 1 s. 1.3.2 re *BMG Canada Inc. v. Doe* 2005 FCA 193, and *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, [2004] 2 S.C.R. 427, 2004 SCC 45 (CanLII); (2004), 240 D.L.R. (4th) 193; (2004), 32 C.P.R. (4th) 1.

⁸³ *Bunt v. Tilley and Ors* (2006) E.W.H.C. 407 (Q.B.).

⁸⁴ David Crerar and Karen Bradley, "English decision makes important determinations on Internet liability", *The Lawyers Weekly*, May 12, 2006, at page 16.

liability for contributing to infringement by technology manufacturers seems to revolve around the existence of legitimate uses for technology and [after *Napster*, and *Grokster*] a lack of evidence that the manufacturer sought to profit from the infringing use of their technology.

5.4.5 Failure to pass Bill C-60 Copyright “Reform”

When Canada failed to pass Bill C-60 with the fall of the Martin Liberal Government, it was seen by some as an opportunity to take a sober second look at the proposed “reforms” to the *Canadian Copyright Act*. While Canada seems still committed to enacting amendments to bring the *Canadian Copyright Act* into compliance with the *WIPO Copyright Treaty of 1996*, the new Conservative Harper government seems less willing to countenance the former Liberal sponsored bill. Consequently a new bill is in preparation.

5.5 New Canadian *Sui Generis* IPR Protection Regimes

An alternative to modifying traditional copyright, patent or trade-mark law is to draft *sui generis* IPR protection regimes that are substantially similar enough to *TRIPS* standards to enable Canadians to comply with the treaty. Rather than contorting traditional IP law beyond its balanced capabilities to encompass new forms of intellectual property, it may be preferable to draft new legislation affording the required protection. Canada already has some experience with this approach to new forms of IP. Some examples follow.

5.5.1 *Sui Generis* Protection for Databases and Cyberspace

Given the damage that privileging effort over creativity in copyright law can do to traditional copyright law’s idea/expression dichotomy, especially when dealing with

compilations of information in databases (i.e., *Feist* or *TeleDirect* see *infra*), it may well be better to devise alternative forms of protection to reward equitably the effort expended by the database compiler. Similarly, if the technology that allows entry into cyberspace also enables effortless copying or reproduction of the data that is to be found there, it may be necessary to provide a new kind of protection ensuring some form of compensation for those who would distribute their work on-line. When we realize that most such data compilations are much more time sensitive than literary expressions, it becomes clear that the traditional copyright duration period is inappropriate in this new protection regime. Yet some sort of recognition of the effort of the compiler seems equitable. So, what type of protection regime would be appropriate?

5.5.2 Integrated Circuit Topography Act (*ICTA*)

Canada has drafted a new *sui generis* law granting protection to designers of integrated circuit semi-conductor chips for use in computer programming. Since 1993, the *ICTA* has provided

...a limited form of monopoly protection for the three-dimensional integrated circuits used to perform electronic functions and the like. The Act provides protection to Canadians and, on a reciprocal basis, to nationals of other countries who are members of the World Treaty Organization [sic]. In practice, there has been only a very limited number of registrations of such circuits made in Canada under the Act and no jurisprudence in respect of any such registration.⁸⁵

When dealing with the rights conferred by the *ICTA*,⁸⁶ we note legislation in Canada that seems “substantially similar” enough to be equivalent to the United States semi-conductor chip rights granted under U.S. law.⁸⁷ Merges points out that the *SCPA*

⁸⁵ Roger T. Hughes, *2005/2006 Edition, Copyright Legislation and Commentary*, Markham, On.: LexisNexis Butterworths, 2005, p. 485.

⁸⁶ *Integrated Circuit Topography Act*, S.C. 1990, c.37, as am. S.C. 1992, c. 1, s. 145 (Sched. VIII, Item 19) (Fr.); 1993, c. 15; 1994, c. 47, ss. 129-131; 1995, c. 1, ss. 62(1)(m), 63(1)(d); 2000, c. 4, s. 90 (Not in force at date of publication; thereafter, proclaimed in force June 1, 2001) see *supra* chapter 4, s. 4.12.

...was an innovative solution to this new problem of technology-based industry. While some copyright principles underlie the law, as do some attributes of patent law, the Act was uniquely adapted to semiconductor mask works, in order to achieve appropriate protection for original designs while meeting the competitive needs of the industry and serving the public interest.⁸⁸

Merges also notes in anticipation of Hughes' observation concerning the lack of litigation over the registration of circuit designs under the *ICTA* in Canada, that

One of the most remarkable aspects of the SCPA has been the dearth of litigation. This has been surprising since congressional testimony prior to the SCPA's enactment indicated that piracy was rampant. A number of explanations have been offered. First, most "piracy" prior to the Act may have been due to uncertainty about the scope of mask work protection under the copyright law. The SCPA clarified the law, thereby leading firms to conform their behaviour to the requirements of the Act. Alternatively, Ron Laurie, a leading computer law practitioner, suggests that the outright piracy alluded to during the hearings did not exist or has become technologically obsolete.⁸⁹

I would argue for the latter explanation, and that similarly in Canada the demand for "protection" is not supported by demonstration of the "need" for such supplemental legislation. The hyperbole of rights holders may have successfully forced government to create redundant law. It would seem to me that circuit chip designers should have protection under either existing IPR protection regimes or under the new *sui generis* regime, but not both. To offer protection under both is to tip the balance too much in favour of the rights holders at the expense of users.

5.5.3 *PBRA*

Another example of Canadian *sui generis* IPR protection legislation is the *Plant Breeders' Rights Act (PBRA)*⁹⁰ that protects newly developed varieties of plants for plant breeders. This legislation was designed to provide protection that would satisfy Canada's

⁸⁷ See *The Semiconductor Chip Protection Act of 1984* (hereinafter referred to as the *SCPA*), Pub. L. 98-620, Title III, 98 Stat. 3347, codified at 17 U.S.C. §§901-914.

⁸⁸ Merges, *op. cit.*, page 1022.

⁸⁹ Merges, *ibid.*, page 1023.

international commitments under the 1991 *International Union for the Protection of New Varieties of Plants* agreement (IPOV).⁹¹ It was also designed to afford plant breeders the protection that seemed to be denied them in the *Canadian Patent Act* because the resulting plant did not fit the definition of an “invention”. Given the recent SCC finding in *Schmeiser* that genetically altered life forms can be patented, this law seems redundant.

It was argued, unsuccessfully, in *Schmeiser* that sufficient protection for seed developers already exists under the *PBRA* to make the broadening of patent laws to include genetically modified plant varieties redundant. As a consequence we are left with two IPR protection regimes covering essentially the same products of research and development. Under the *Canadian Patent Act* the period of protection is twenty years from application, under the *PBRA* it is eighteen years commencing on the day the certificate of registration is issued.⁹²

5.6 United States’ Experience with Unique IPR Protection Laws

As discussed above, the U.S. has had long experience with unique domestic IPR protection laws. Prior to 1989, the U.S. was not a signatory to the *Berne Convention*, and indeed invested much in the promotion of the *UCC* with its greater formality requirements. Since then, the U.S. has disclaimed s.6bis of the *Berne Convention* concerning moral rights for authors, in its Federal copyright law. Because of U.S. constitutional law constraints upon Federal government regulation of Freedom of Speech in the form of First Amendment Rights, compromises such as the *Safe Harbor* program

⁹⁰ *Plant Breeders’ Rights Act, An Act respecting plant breeders rights*, S.C. 1990, c. 20, as am. S.C. 1994, c. 38, ss. 25(1)(y), 26(1)(f); 1995, c. 1, ss. 52, 53; 1997, c. 6, ss. 75-80. [Hereinafter referred to as *PBRA*].

⁹¹ see *supra*, chapter 4, s. 4.14.

⁹² *PBRA* s. 6(1).

for Privacy Protection were made necessary by the U.S. insistence upon its domestic jurisprudence. While it can be argued that the U.S. has become an international booster of *TRIPS* and *WIPO*, not long ago it was a pirate nation in the world of English language publishing.

As we discussed, U.S. patent law is marked by broadening definitions concerning what is patentable and what is not.⁹³ U.S. trademark law has only just adopted the *Madrid Protocol*, but previously it too was dependent upon common law traditions of use.

5.6.1 Tort of Misappropriation: the *INS* Decision

As I noted, the U.S. "created" another tort for misappropriation in the *INS* case⁹⁴ in 1918. Perhaps mindful of Justice Brandeis' dissent in the case, *INS* has been expressly rejected in most other common law jurisdictions.⁹⁵

Indeed, Harman J. in the English Chancery Division rejected the description "unfair competition" as follows:

'In my view, unfair competition is not a description of a wrong known to the law. Competition that causes some loss may also be unfair because it breaks existing

⁹³ See *supra*, chapter 1, s. 1.4 and chapter 3, s. 3.3.5.

⁹⁴ *International News Service v. Associated Press* (1918) 248 U.S. 215; 63 Law. Ed. 211. See *supra*, page 124.

⁹⁵ Robert Howell, *Database Protection and Canadian Laws* Second Edition (State of Law as of March 31, 2002) (hereinafter referred to as the "Copyright Branch discussion") available at http://www.pch.gc.ca/progs/ac-ca/progs/pda-cpb/pubs/database/index_e.cfm.

See Part I Section C and especially n. 253 for a discussion of the adoption of *INS* at http://www.pch.gc.ca/progs/ac-ca/progs/pda-cpb/pubs/database/notes_e.cfm#253 where the following cases in common law jurisdictions are cited as rejecting *INS*. In Australia, see: *Victoria Park Racing and Recreation Grounds Company Limited v. Taylor* (1937), 58 C.L.R. 479 (H.C.A.); *Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd.* (1984), 56 A.L.R. 193, [1985] R.P.C. 219 (H.C.A.); and (in the Privy Council on appeal from N.S.W.) *Cadbury Schweppes Pty Ltd. v. Pub Squash Co. Pty Ltd.*, [1981] 1 W.L.R. 193 (P.C. 1980). In the United Kingdom see: *Harrods Limited v. Schwartz-Sackin & Co.*, [1986] F.S.R. 490 (Ch. 1985); *Swedac Limited v. Magnet & Southern*, [1989] 1 F.S.R. 243 (Ch. 1988); *Dow Jones & Company Inc. v. Ladbroke Ltd.* (1985) Unreported, Chancery No. 2433 (Whitford J.); and *Ciba Geigy v. Parke Davis & Co. Ltd.* (1993) Unreported, Chancery, Feb. 17, 1993 (Lindsay J.). In South Africa see *Lorimar Productions Inc. v. Stirling Clothing Manufacturers (Pty) Ltd.*, [1982] R.P.C. 395 (S.C. Sth Africa, 1981). In Hong Kong see *Shaw Brothers (Hong Kong) Ltd. v. Golden Harvest (H.K.) Ltd.*, [1972] R.P.C. 559 (H.K. Full Ct., 1971).

legal rights [i.e. recognized specific torts] but competition which is effective is not thereby unfair' (*Swedac Limited v. Magnet & Southern*, [1989] 1 F.S.R. 243 (Ch. 1988) at 249).⁹⁶

Canada may also have rejected *INS*. Gibbs J. discussed it in *Westfair Foods*⁹⁷ as follows:

the plaintiff urged that the court adopt what it called the tort of 'misappropriation of quasi-property rights' the genesis of which, it said was [*INS*]. [The plaintiff was] unable to cite a single English or Canadian case in the 70 years since [*INS*] that has expressly recognized the tort, probably because the scope of tort relief available to a plaintiff in Canada is quite sufficient to cover the range of claims which come before the court.⁹⁸

Robert Howell's discussion of *INS* goes on to explain that Justice Gibbs,

emphasized the policy balance between protection against competitive practices and the freedom to compete, noting the need for prudence "in this age of the active legislative branch where the community's trade policies are under almost continuous review".⁹⁹ The Court of Appeal affirmed, noting that it: "need not consider the question whether there exists in Canada a cause of action in tort for the misappropriation of a quasi-proprietary right"¹⁰⁰

⁹⁶ *Ibid.*, see Howell's note 254.

⁹⁷ *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1989), 26 C.P.R. (3d) 28, 48-49 (B.C.S.C.) (hereinafter referred to as *Westfair Foods*).

⁹⁸ *Ibid.*, as quoted by Howell in the Copyright Policy Branch discussion of the adoption of *INS* and cited to note 255 available at http://www.pch.gc.ca/progs/ac-ca/progs/pda-cpb/pubs/database/notes_e.cfm#255.

⁹⁹ *Westfair Foods* at p. 49, as cited in n. 256.

¹⁰⁰ *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1990) 68 D.L.R. (4th) 481, (B.C.C.A.) (hereinafter cited as *Westfair Foods C.A.*) at 488 as cited in n. 257. The discussion goes on to consider *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 as a case that seems to reject the adoption of such a tort in the *Trade-Marks Act* on the constitutional basis of jurisdiction. In that case, s. 7(e) of the Act was found to be *ultra vires* federal jurisdiction for overbreadth. Howell points out that this may leave room for provincial jurisdictions to legislate in the area of "unfair competition". Hence there is some controversy about whether or not common law jurisdictions in Canada may or may not have adopted a form of misappropriation tort similar to *INS* in cases such as *Canada Safeway Ltd. v. Manitoba Food & Commercial Workers Local 832*, (1983), 25 C.C.L.T. 1 (Man. Q.B. rev. Man. C.A.), and *Canada Post Corporation v. C.U.P.W.* (1988), 20 C.I.P.R. 120 (F.C.T.D.). To these cases we could also add *Cie Generale des Etablissements Michelin-Michelin & Cie v. C.A.W. Canada et al.* (1997) 71 C.P.R. (3d) 348 (FCTD) where judicial eagerness to find a remedy for a trade-mark holder encouraged the stretching of trade-mark law to authorize an injunction against a nominative and allegedly tarnishing use of the company logo a trade union in dispute with the employer. Canadian labour law has appropriated some of the *INS* ethos at least at the provincial level. The reason for the Copyright Policy Branch discussion of *INS* is to contemplate its possible use for the extension of protection for databases in the wake of the *TeleDirect* case. The conclusion of the discussion says,

Apart from any potential of application of the *INS* principle, there is no existing 'unfair competition' proceeding at common law that would provide protection for databases or compilations. The expression 'unfair competition:' is not a term of art in Canadian or

Howell also points out that,

The theory is significantly limited even in the United States, essentially covering only situations where practically all creative effort has been contributed by a plaintiff, with the result being simply taken with no further effort by the defendant, and a consequent risk of depriving the plaintiff from receiving any return, thereby threatening the continued existence of the creative activity.¹⁰¹

Yet *INS* still stands as good law in the U.S. This is another example of unique domestic IPR protection law that has been able to withstand the advent of the *TRIPS* agreement. This is because it establishes rights in addition to those granted under copyright law. It indicates that the difficulty for countries wishing to extend additional IPR protection to its citizens (and through National Treatment to the citizens of other *WTO* member countries) will be negligible. It is when countries seek to offer less protection to *WTO* member rights holders that there can be a conflict between unique domestic IPR protection laws and the *TRIPS* agreement.

5.6.2 *FTAD Act*

The *Famous Trademarks Anti Dilution Act* was passed in the U.S. in 1995. This controversial legislation was devised largely to deal with the phenomenon of “cyber-squatting.” Cyber-squatting arose with Internet use. Speculators had pre-empted the reservation of Internet Protocol (IP) addresses before owners of registered trade-marks and trade names had realized the value of the Internet and were holding such IP addresses for ransom against the trade-mark holder. In disputes over who should own the registered IP address, it was clear that traditional trade-mark protection was ill-conceived to discourage cyber-squatting. As the cyber-squatter usually did not attempt to pass himself

Commonwealth jurisprudence. To be remedial the allegedly unfair practice must fall within one of the established causes of action in tort.”

In n. 264 Howell suggests that these are essentially the reasons from Justice Brandeis dissent.

¹⁰¹ Howell, *ibid.*, Copyright Branch discussion, Part I Section C, *Unfair Competition*.

or herself off as the trade-mark holder and did not often attempt to compete with the registered mark holder, traditional trade-mark law did not apply. The speculative registration of the IP address using the well-known trade name has more the quality of a “sharp” or unfair trade practice than a trade-mark infringement and traditional trade-mark law has always had difficulty drawing the bright line between “sharp competitive practice” and “unfair competition”. Allowing competitors to prosper for finding legally more economically effective ways of doing business is a *sine non qua* for fostering competition in the market place. This is an object of the government policy as reflected in competition and anti-trust laws. However, especially in the U.S., the tort of misappropriation, consisting of an “unfair taking” or “unjust enrichment” as recognized in the *INS* case, has led to the call for a remedy for those owners of such marks who were perhaps slow to recognize the need to secure their rights in the use of the IP address associated with their products.

Following cases of apparently egregious examples of cyber-squatting such as *Toeppen*,¹⁰² the U.S. has felt the need to introduce this new legislation. The legislation has led to two lines of cases considering what constitutes a “famous trade-mark” and whether it is necessary to prove actual likelihood of damage from dilution of the mark or only the possibility of damage.

5.6.3 “Sweat of the Brow” and the *Feist* Decision

In the 1991 U.S. *Feist*¹⁰³ decision, the copyright doctrine of “sweat of the brow,”¹⁰⁴ usually connoting the necessity of proving only effort on the part of the author

¹⁰² *Panavision International, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998). See also *Panavision International v. Toeppen*, 945 F. Supp. 1296 (C.D. Cal. 1996) the case that led to it.

¹⁰³ *Feist Publications Inc. v. Rural Telephone Service Co.* (1991) 499 U.S. 340, 111 S.Ct. 1282, 113 L.Ed 2d 358.

to create their original expression, was dealt a setback when it was successfully argued that in a compilation work such as a telephone directory there was no copyright in the information contained in the arrangement of facts unless some “modicum of creative activity” or “spark of creativity” could be detected.¹⁰⁵ This was based on the notion that there are only a limited number of ways of arranging such facts (i.e. alphabetically, by address, chronologically, etc.) and to grant copyright protection for such information was to erode the idea/expression dichotomy. It was seen as giving the rights holder too much control over access to the non-copyrighted facts in the compilation. This case was very influential, particularly in Canada, where the 1996 *TeleDirect* case¹⁰⁶ seemed to follow the reasoning in *Feist* insofar as it denied copyright protection to the data contained in the compilation. As previously discussed,¹⁰⁷ the E.U. response to *Feist* and *TeleDirect* was the creation of *sui generis* database protection with the passing of the *European Database Directive* in 1996 and its implementation in 1998¹⁰⁸. Difficulties with the “evergreen” provision of renewal of the fifteen year period of protection and the definition of what constitutes the “substantial” change within the database operation to enable a new period of protection in this *sui generis* form of “copyright-like” IPR protection have been referred to in this thesis to demonstrate how such legislative initiatives can tip the balance toward creator rights at the expense of user rights.

¹⁰⁴ See chapter 1, *supra*, s. 1.16 and chapter 2, *supra*, ss. 2.15 and 2.16. See also Graham A. Knight, “The Fall and Rise of Sweat of the Brow” (1999), 13 I.P.J. 337.

¹⁰⁵ See chapter 1, *supra*, s. 1.16 and chapter 2, *supra*, s.2.16.

¹⁰⁶ *TeleDirect (Publications) Inc. v. American Business Information Inc.* (1996), 113 F.T.R. 123 (T.D.).

¹⁰⁷ See chapter 1, *supra*, s. 1.6, chapter 3, *supra*, s. 3.23.2 and chapter 4, *supra*, s. 4.5.5.

¹⁰⁸ 1998- *European Database Directive* (Directive 96/9/EC of the European Parliament and the Council of 11 March 1996) on the legal protection of Databases, Official Journal, 27/03/1996, L. 077 [hereinafter referred to as the *European Database Directive*] was implemented October 1, 1998 in accordance with Art. 16.

5.6.4 U.S. Rejection of *6bis Berne Convention*

Although the U.S. has been signatory to the *Berne Convention* since 1989, it has yet to accept section *6bis* of the *Convention*, the section that deals with moral rights of the author. Although the U.S. has limited moral rights in some state jurisdictions, and it has implemented some moral rights for visual artists in *VARA*, it has yet to embrace the idea of moral rights for authors in its federal copyright statutes. This reluctance represents the difficulties that Americans have with giving the vendor of works residual rights that take precedence over those of the owner of the property. It illustrates the very strong notion of personal property in American intellectual property law and the pre-eminence of the common law utilitarian bargain justification of the statutory monopolies in U.S. jurisprudence.

5.6.5 Retrospective Copyright Term Extension and the *Eldred v. Ashcroft* Decision

Perhaps a high point in the debate among academics and user rights advocates and the U.S. Government came in the constitutional challenge to the *Copyright Term Extension Act* (the *Sonny Bono Amendment*) embodied in the *Eldred v. Ashcroft*, a U.S. Supreme Court decision.¹⁰⁹ The challenge failed and the *CTEA* was upheld.

The *CTEA* altered the duration of copyright afforded by the 1976 *U.S. Copyright Act*.

Before the act (under the Copyright Act of 1976), copyright would last for the life of the author plus 50 years, or 75 years for a work of corporate authorship; the act extended these terms to life of the author plus 70 years and 95 years respectively. The act also affected copyright terms for copyrighted works published prior to January 1, 1978, increasing their term of protection by 20 years as well. This effectively 'froze' the advancement date of the public domain in the United States for works covered by the older fixed term copyright rules. Under this act, no

¹⁰⁹ See *supra*, chapter 1, s. 1.2.6.

additional works made in 1923 or afterwards that were still copyrighted in 1998 will enter the public domain until 2019.¹¹⁰

An interesting feature of this Act as well as the 1995 U.K. *The Duration of Copyright and Rights in Performances Regulations*¹¹¹ was the retroactive extension of the period of protection designed to conform to the 1993 E.U. copyright term extension. The E.U. retroactive extension enabled works that had entered into Public Domain to be returned to private ownership under the new Act.

Unlike copyright extension legislation in the *European Union*, the *Sonny Bono Act* did not revive copyrights that had already expired. The act did extend the terms of protection set for works that were already copyrighted, and is retroactive in that sense. However, works created before January 1, 1978 but not published or registered for copyright until recently are addressed in a special section (17 U.S.C. § 303) and may remain protected until 2047.¹¹²

In *Eldred v. Ashcroft* Professor Lessig pointed out that no matter how much they increased the length of protection, the deceased author or artist is beyond further inducement to produce new or more work. While a case can be made for the incentive value of a longer term for authors or artists still living,¹¹³ there really is no utilitarian bargain justification for retrospective extension of the duration of copyright posthumously. A cynic might assert that the main reason for the retrospective extension was because of the forceful lobbying of the Disney Corporation as Walt Disney's copyrighted creations were nearing absorption into the Public Domain. Certainly the

¹¹⁰ "Copyright Term Extension Act" in *Wikipedia* available at http://en.wikipedia.org/wiki/Copyright_Term_Extension_Act [hereinafter cited as "Copyright Term Extension Act" *Wikipedia*].

¹¹¹ *The Duration of Copyright and Rights in Performances Regulations* (S.I. 1995, No. 3297) (U.K.) leads to Copyright Duration of life of the artist + 70 years from Jan 1, 1996 in U.K. (contains a revival of copyright section 17 in addition to the retrospective extension in the *Sonny Bono Amendment* in the U.S. *Copyright Act*).

¹¹² "Copyright Term Extension Act" *Wikipedia*.

¹¹³ It is also arguable that extending the duration more than two generations or fifty years after the death of the author or artist is to make the question mostly cerebral. Can an author or artist really "relate" to the beneficiaries of his or her estate three generations after they have died?

CTEA has been pejoratively referred to by some critics as the “Mickey Mouse Protection Act”.¹¹⁴

5.6.6 *Digital Millennium Copyright Act*

Another controversial piece of legislation passed in the U.S. was the 1998 *Digital Millennium Copyright Act (DMCA)*.¹¹⁵ This legislation criminalized the circumvention of any technological protection of copyright. In other words, it makes it illegal to circumvent a “tech fix”. As it made no allowance for fair use, research exceptions for cryptologists, or quality of the “tech fix”, the legislation has been challenged in the U.S. on several occasions. It can be argued that rather than enhancing security on the Internet, the *DMCA* encourages the use of the least resistant security measures possible so long as their circumvention can be easily established, to provide rights holders with an easier offence to prove than actual copyright infringement. The *DMCA* has spawned similar legislation in France and Britain and in the *WIPO Copyright Treaty* provisions there is a requirement to attempt to discourage technological circumvention.

There are a number of U.S. cases involving the *DMCA* that have sought to delimit the reach of the legislation. In addition several pieces of new legislation have been proposed to deal with the alleged flaws of the *DMCA*.

5.6.7 “Doctrine of First Sale” and the *Napster/Grokster* Decisions

As noted *supra*, the U.S. Doctrine of First Sale is the equivalent of the common law Doctrine of Exhaustion. It enables the purchasers of goods to deal with those goods as they wish, including resale, without authorization or further payment to the first seller.

¹¹⁴ See for example in the “Copyright Term Extension Act” *Wikipedia*.

¹¹⁵ *Digital Millennium Copyright Act*, 17 U.S.C. § 1201 et seq.

Obviously this doctrine conflicts with the notion of *droits de suite* and *droits de destination* unless there is a distinction made between the ownership of the tangible property (i.e. the manuscript, CD, DVD, etc.) and the ownership of the intangible property right such as copyright. In the *U.S. Copyright Act*, s. 202 makes this distinction between ownership of copyright and ownership of the material object. It provides that transfer of ownership of the material object in which copyright is embodied does not transfer ownership of copyright.

5.6.8 Safe Harbor, *The Patriot Act* and Privacy Protection

As discussed *supra*,¹¹⁶ the U.S. (and Canada) found itself in contravention of the provisions of *European Privacy Directive*. The consequence was that until Canada enacted *PIPEDA*, and the U.S. negotiated the Safe Harbor compromise to guarantee privacy protection to the level of the *European Directive*, North American companies could be legitimately excluded from the E.U. marketplace. I pointed out that this was a non-tariff barrier to trade and that while in Canada we could rely upon federal legislation dictating what could or could not be released from databases of private customer or client information collected, in the U.S. the *Safe Harbor* contractual guarantee was necessary. What has complicated the strengthening of these privacy protection processes was the intervention of the terrorist attacks on 9/11. In response the U.S. has established an office of Homeland Defense and passed the *Patriot Act* wherein the U.S. government can compel any U.S. company (or possibly even any subsidiary of a U.S. company) to release private information about its employees or customers to U.S. government anti-terrorist authorities. Privacy clearly takes a back seat to national security in this instance.

¹¹⁶ See *supra*, chapter 4, ss. 4.5.6 and 4.5.7.

Whether the protection of individual security against such invasions of privacy as identity theft or profiling can be maintained remains to be seen in the face of the *Patriot Act*.

5.6.9 Special “301” Responses

Other American legislation that could be linked to IPR protection and international trade is the unilateral use of the “Special 301” response by the U.S. Government to deal with unfair trade practices. As we saw *supra*,¹¹⁷ the U.S. maintains “Watch” and “Warning” lists for countries not affording sufficient protection to U.S. rights holders. Although the U.S. could, under the *U.S. Trade Act of 1974*, act unilaterally against countries on the lists, the added authority presented by a supporting *WTO* Trade Panel decision in their favour makes the use of trade sanctions under a Special 301 response more likely in the post-*TRIPS* global economy. Given that trade embargoes have been seen as acts of war in traditional diplomacy, and that punitive tariffs are seen as contrary to the *GATT* except under special circumstances (i.e. a *WTO* trade panel authorization), Special 301 status is still a serious matter for a country hoping to trade with the U.S.

5.7 European Database Directive

As we saw above, the *European Database Directive* was *sui generis* legislation intended to provide protection to database compilations left unprotected by copyright law by the *Feist* decision in the U.S. and the *TeleDirect* decision in Canada. Under *TRIPS* there seems to be an obligation to provide such protection for products of the “Sweat of the Brow”. The European legislation led to concern about the duration of such protection, which had previously been afforded under the copyright regime.

5.7.1 Time-limits and the Evergreen Provision

The *European Database Directive* included the infamous “Evergreen Provision” that seems to allow for renewal of the protection every fifteen years provided there was substantial change in the database compiled. This, then, seemed to afford potentially perpetual protection to a work that had only the limited term of copyright protection before. Nevertheless, the requirement for a renewal after the fifteen years is “substantial change” in the database. It remains controversial as to what will constitute change substantial enough to extend the protection in the compilation (we are within the first 15 year period since the passing of the legislation granting this type of IPR protection), but the answer to that question should be provided over the next few years.

5.8 *Sui Generis* or Traditional IP Law?

The complications and imbalances caused by the addition of *sui generis* IPR protection regimes to existing traditional IP laws may cause one to ask, “why bother?” As we noted above the traditional IPR protection regime seems under fire from the new circumstances of the Internet. The ease with which an infringer can make copies in cyberspace virtually indistinguishable from the original and the speed with which such copies can be distributed has made the digital universe a profound threat to traditional IPR protection. If traditional IP law is inadequate, could we not use *sui generis* IPR protection regimes to accomplish our aim of providing protection for works and compensation for the authors, inventors or artists? As we have seen there are precedents for the use of such purpose-designed legislation.

¹¹⁷ See *supra*, chapter 4, s. 4.17.7.

5.8.1 “New” Multilateral International IPR Protection Recognition

There are a number of difficulties with *sui generis* IPR protection laws. First and foremost is the difficulty in obtaining recognition for them internationally. It has been only since 1994 that the *TRIPS* agreement came into being. The *Berne Convention on Copyright*, the *Madrid Agreement on Trade Marks*, and the *Paris Convention for the Protection of Industrial Property* were multilateral initiatives from the late 19th century and the *Patent Cooperation Treaty* has been in existence since 1970, but the universality of the *TRIPS* accord was only possible after 1994. Many countries did not sign on or ratify the international conventions or treaties for many years. To return to a position where so many countries do not recognize the rights of foreign nationals in the new regimes seems a difficult step to ask nations to take.

5.8.2 The *Berne Convention* before U.S. Ratification in 1989

As mentioned above,¹¹⁸ the U.S. did not actually become a *Berne Convention* Member Nation until 1989. This status of the U.S. as a non-member allowed it to craft its own IPR protection legislation and remain a “pirate nation” at a critical period in the history of the Western European dominated world. To abandon the progress made in *TRIPS* towards a global accord on intellectual property by withdrawing from traditional IPR protection regimes would seem foolhardy at this point. The best hope of Canada is to copy what the U.S. did about the *Berne Convention* and create its own *sui generis* regime for protection until it could reconcile its domestic IPR protection regime with the international one of *Berne*. This was done by disclaiming those parts of *Berne* that the U.S. found unacceptable, such as moral rights.

5.8.3 The *Universal Copyright Convention* before *TRIPS*

While the U.S. was a non-*Berne Convention* country it attempted to create a *sui generis* copyright protection regime of its own that it called the *Universal Copyright Convention*, (*UCC*). This Convention demanded rather more formalities than the *Berne Convention*, and the U.S. promoted it for a couple of decades from the 1950s until it began to reconcile itself with the idea of adopting the *Berne Convention*. Given the allowances made for National Treatment under *TRIPS*, this strategy may be the most viable for Canada. If Canada adopts *sui generis* domestic legislation that is sufficiently like the post-*TRIPS* protection regimes in meeting treaty obligations, she can still craft her domestic laws to retain balance between creator and user rights and among the concerns of all stakeholders.

5.9 Concerns about National Sovereignty and Globalization

As discussed above¹¹⁹, authors such as John Ralston Saul, have voiced concerns about the linkage of the protection of intellectual property rights with the *WTO* trade panel dispute resolution mechanism. As *TRIPS* was the first multilateral agreement to set specific minimum levels of compliance associated with international trade practices, it has been seen, rightly or wrongly, as a tool of oppression by the Developed World against the Developing World. The use of the trade panels to justify U.S. Special 301s or other economic sanctions for failure to provide adequate (by the industrial world's standards) intellectual property protection, can be regarded seen as a means of ensuring that the current economic world order is maintained (at best) or that the emerging world

¹¹⁸ See *supra*, chapter 1, s. 1.2.6, chapter 2, s. 2.1.1 and chapter 3, s. 3.16.6.

¹¹⁹ See *supra*, Saul, s. 5.1.5, note 60.

order (the knowledge based economies) is controlled by the currently developed nations. Globalization and calls for harmonization of IP laws peaked at about the time the *TRIPS agreement (Uruguay Round)* was concluded in 1994. The intervening “Dot.Com meltdown” and other issues have slowed, but not yet ended the trend towards such globalization and/or harmonization.

5.9.1 National Treatment versus Citizen Protection

If we see the mandate of domestic governments as providing citizen protection in its laws, we must be concerned about the National Treatment requirements of *TRIPS*. For if a nation signatory to *TRIPS* chooses to privilege the rights of its own citizens over those of foreigners with regards to the level of IPR protection, it may find it no longer has the autonomy to provide such legislative privilege. In cases where the citizen nationals are at a historical disadvantage against the IP interests of foreign nationals this may present a problem. Let us look at one recent example based upon National Treatment requirements for membership within the E.U.

5.9.2 *Phil Collins v. Imtratt* Copyright Case

An important European case dealing with National Treatment within the E.U. was that of the 1995 *Phil Collins v. Imtratt*¹²⁰ performers’ rights infringement. In this case domestic German law that would have given Collins a remedy for infringement had he been a German citizen, had to be rewritten to give Collins, a citizen of another country in the E.U., the same remedy under the National Treatment requirements of the European Parliament. In this instance the multilateral agreement law trumped domestic German law, necessitating a change in the domestic law. From this precedent similar concerns

¹²⁰ *Collins v. Imtrat Handelsgesellschaft mbH*, (1993) Case C-92/92, European Court of Justice, [1995] 1 ECJ 545.

arise about the National Treatment requirements of the *TRIPS* agreement and sovereign nations are left wondering how much leeway they have to create *sui generis* IPR protection regimes that differ from *TRIPS* or the *WIPO* administered accords. It should be pointed out that the domestic law of Germany was found to be inadequate because a remedy already existed for German nationals but was denied to Mr. Collins because he was a foreigner. Had the law denied remedy to German nationals for the same infringement as it did to Mr. Collins, the law may well have withstood the challenge.

5.9.3 National Cultural Policy versus WTO Policies

Canada is a nation that takes its Cultural Policy seriously. In Canada we have Canadian Content regulations for broadcasting that allow for program substitution without notice to the viewers (although the Canadian commentators, station identifications and the ubiquitous Canadian Tire commercials are telling clues). We have had a number of initiatives in Canada giving advantage to Canadian production, Canadian programming, and Canadian talent at the expense of imported cultural materials. In negotiating *NAFTA*, Canada insisted upon and was granted a "Cultural Industries Exemption". This cultural industries exemption does not apply to disputes taken before the *WTO* trade panels rather than the *NAFTA* trade dispute panels. As a consequence, should the U.S. or any other *WTO* member country decide to challenge the discriminatory Canadian laws dealing with broadcast content, broadcast regulation under the CRTC, media ownership and convergence, royalties and rebroadcast fees for cable or internet carriage, or subsidies, it is more than possible that the Canadian domestic law could fall as German law did in *Collins*. This could spell disaster for Heritage Canada's current cultural policy. The U.S. has already challenged Canada's regulations concerning split-run magazines.

5.9.4 Canadian Split-Run Magazine Case

In 1995 Canada instituted a proposed 80% tax on split run editions of U.S. magazines, specifically *Sports Illustrated Canada*. The U.S. Administration initiated WTO dispute settlement procedures on this matter and found the issue is already subject to action under section 301 of the *Trade Act*. In December 1995 the CRTC announced what the U.S. declared as “discriminatory direct-to-home satellite television licensing conditions of serious concern to the U.S. industry”. In addition in April 1996, Canada introduced copyright law amendments that could discriminate against U.S. right holders. The stated objective of the reforms was to help strengthen Canadian identity and contribute to the cultural sector. The U.S. wanted to ensure that these amendments did not harm U.S. copyright interests. They began investigations under *NAFTA* article 2106, and under Canada’s *WTO* obligations to determine whether or not these actions were actionable.¹²¹ As a result Canada was placed on the Watch List.

5.9.5 Concerns about Non-Tariff Barriers to Trade against Third World Economies

Given the expense of paying royalties to rights holders for intellectual property imports in Third World economies, it is predictable that piracy and infringement will probably take place in those countries with more frequency than in other more developed countries. As the cost of policing IPR protection regimes and putting a stop to illicit infringement will be born by over-extended local authorities, it is not unreasonable to assume that many of those nations will also appear on the U.S. Special 301 Watch Lists or find themselves attempting to defend their ineffective protection of intellectual

¹²¹ This information comes from the U.S. Trade Representative, Charlene Barshefsky and was reported in the “Special 301” on Intellectual Property Rights and 1996 Title VII Decisions available at <http://www.ustr.gov/reports/301report/factsheets.html> of 6/21/1999.

property rights in front of a *WTO* trade panel. This will place the initiative for controlling trade firmly in the hands of the nations whose IPRs have been infringed. This power is feared as an important non-tariff barrier to trade for Third World Countries struggling to gain or maintain access to the markets of the developed world. The same pressure that was used to encourage near universal signing on to the *TRIPS* agreement by countries who had hardly given thought to IPRs can now be used to erode their sovereignty and intimidate them into tied trade deals with the developed world.

5.9.6 Concerns about Increased Costs for Countries Importing IP

As we shall see below in regard to the importing of pharmaceuticals for the fight against AIDS/HIV in the African nations, the costs of royalties and of IPR enforcement add financial and economic burdens to any country importing I. These costs make foreign aid more expensive and less effective. The public good for the many may not be served by the strict support of IPRs.

5.9.7 AIDS/HIV Epidemic in Africa versus the Pharmaceutical Rights Holders

One of the most important events of the last decade that has slowed the trend toward IPR protection harmonization and globalization has been the AIDS/HIV epidemic in Africa. The social cost of this terrible scourge is incalculable. The patented drugs needed to treat the disease are expensive and put a tremendous strain on the public health budgets of countries, especially under-developed Third World Countries like those in Africa. The royalties demanded by the patent holders for these drugs were seen as beyond the means of not only the ill, but also of the countries in which they reside. Considerable public pressure was successfully brought to bear against the rights holders to forego suing for the use of infringing generic drugs in the fight against AIDS/HIV, but

not before rights holders were portrayed as willing to let masses of the helpless poor suffer and die for lack of the needed drugs, condemned as patent infringers. Given the social repercussions of this epidemic in Africa, the identification has been made of the IPR protection regimes as tools of imperialist oppression. Given the demographic makeup of the survivors of this epidemic, it may be some time before Africa is willing to sign on to multilateral agreements such as *TRIPS*.

5.9.8 Australia *KaZaa* Decision Contrasted with *CCH*

Although Australia is another common law country and although the Australian statute is closer to the Canadian, the findings of the Australian High Court in the *KaZaa* decision¹²² allowed KaZaa to be found guilty of “authorizing infringement” in the case of the P2P music-downloading program. This case can be contrasted with the Canadian copyright case on “authorizing infringement”, *CCH*. The Australian finding is more similar to the “contributing to infringement” findings of the *Napster*, and the *Grokster* cases in the U.S. The 1984 *Sony* case from the U.S. allowed for the manufacturer of an enabling technology to be exempted from contributing to infringement liability when there was a legitimate non-infringing use (time shifting) to which the technology might be put. The critical distinction is whether or not a manufacturer (or photocopy machine provider) knew or ought to have known that their machine would (not could) be put to illicit use. If the manufacturer or provider of the machine knows this and takes no steps to discourage it (i.e. posting notices instructing the users of the machines not to use them for infringing practices) they can be said to “encourage infringement” in Australia. In

¹²² *Universal Music Australia PTY Ltd. v. Sharman License Holdings Ltd*, [2005] FCA 1242. This is the KaZaa case in Australia.

Canada, they may have to take more active steps to encourage illicit use to incur that same liability.

5.9.9 “*Sui Generis*” IPR for Cyberspace

One of the latest initiatives in the extension and strengthening of IPRs would seem to be the European Database Directive and its Evergreen provisions¹²³. Much has been written about the need for a “*sui generis*” protection for IPRs in the fast paced high tech world of cyberspace¹²⁴, but there are many problems associated with such protections. These include problems such as:

- 1) **jurisdiction** i.e. Where does the infringement take place on the Internet, at the upload or the download location and whose laws will apply in the quest for a remedy?;
- 2) **the rate and speed of change** i.e. Moore’s Law where the density of semiconductors on a chip double every eighteen months is an example of how fast paced computer hardware development is¹²⁵;
- 3) **network externalities**¹²⁶ i.e. the effect of increased user base on the value of the software or hardware system;

¹²³ Renewal provisions in the *European Database Directive* article 10(c).

¹²⁴ See Mary Mills, “Note, New Technology and the Limits of Copyright Law: An Argument for finding Alternatives to Copyright Legislation in an Era of Rapid Technological Change” *Chicago-Kent Law Review* 65, 1989, p. 307; John Phillips, “Note, Sui Generis Intellectual Property Protection for Computer Software” *George Washington Law Review* 60, 1992, p. 997; Leo Raskind, “The Uncertain Case for Special Legislative Protection for Computer Software”, *University of Pittsburgh Law Review* 47, 1986, p. 1131; Pamela Samuelson, “Modifying Copyrighted Software: Adjusting Copyright Doctrine to Accommodate a Technology”, *Jurimetrics Journal* 28, 1986, p. 179; Richard Stern, “The Bundle of Rights Suited to New Technology”, *University of Pittsburgh Law Review* 47, 1986, pp. 1229, 1262-1267; Pamela Samuelson, “Creating a New Kind of Intellectual Property: Applying the Lessons of the Chip Law to Computer Programs”, *Minnesota Law Review* 70, 1985, p. 471. For opposing views see Jane C. Ginsburg, “Four Reasons and a Paradox: The Manifest Superiority of Copyright over Sui Generis Protection of Computer Software”, *Columbia Law Review* 94, 1994, p. 2559 and Peter S. Menell, “The Challenges of Reforming Intellectual Property Protection for Computer Software”, *Columbia Law Review* 94, 1994, pp. 2644, 2651-2654.

- 4) **concentration of ownership** i.e. the Microsoft monopoly on operating systems and Microsoft's subsequent ability to abuse its position of dominance in the market place (which led to the U.S. Federal Anti-Trust actions against Microsoft)¹²⁷;
- 5) **instantaneous copying** i.e. in the *MAI* decision The court held that loading a computer program into RAM involved making a copy for the purposes of section 106 of the *U.S. Copyright Act*¹²⁸; and
- 6) **standardization** i.e., In the *Sega v. Accolade* case Accolade was allowed to reverse-engineer Sega's video game player using a decompilation that enabled the reading of the source code of Sega's video game. This was allowed to enable Accolade to make its games compatible and achieve the industry standard¹²⁹.
- 7) **adequate traditional IPR protection already exists** i.e., Copyright, Patent (especially after *State Street*), Trade-Mark, Trade Secret, and/or Integrated Circuit Topography.

¹²⁵ As cited by Rapp, William. "Copyright: A Too Strong Protection for Computer Software?", unpublished paper presented to the Yale Intellectual Property Conference May 9, 1997, Center for International and Area Studies, Yale University, New Haven, CT., p. 5 [hereinafter Rapp, *ibid.*]

¹²⁶ Rapp, *ibid.*, pp. 3-5, Merges, *ibid.*, pp. 845-848, Michael L. Katz and Carl Shapiro, "Network Externalities, Competition, and Compatibility", *American Economic Review* 75, May 1985, p. 424.

¹²⁷ *U.S. v. Microsoft* (1999) For commentary on the case see Joseph Nocera, "Microsoft Diary: Witnesses in Wonderland" *Fortune*, March 1, 1999, pp. 82-88; John Wilke, Dean Takahashi, Keith Perine, Intel avoids antitrust trial with last minute settlement" *Wall Street Journal*, March 9, 1999; John Wilke and Bryan Gruley and David Bank. "If Microsoft loses the court case, what then?" *Wall Street Journal* in *Globe & Mail*, November 16, 1998; John Wilke, "Group pushes for Restructuring of Microsoft if firm loses trial" *Toronto Globe & Mail*, March 5, 1999; John Wilke, "IBM official says Microsoft penalized firm on licensing" *Wall Street Journal* in *Globe & Mail*, June 8, 1999; John Wilke "Microsoft mulls strategy while its trial is in recess" *Wall Street Journal* in *Globe & Mail* March 10, 1999; "Why Bill Gates Should Worry" *The Economist*, December 20, 1997, pp. 104-106 and Steve Hamm, "Justice vs. Microsoft: What's the big Deal?" *Business Week*, December 1, 1997.

¹²⁸ *MAI Systems Corp. v. Peak Computer, Inc.* 991 F.2d 511, 518 (9th Cir. 1993). See Merges p. 927 n. 3 for criticisms of the decision. Clinton administration endorsed the decision.

- 8) **Should new *sui generis* IPR protections be substituted for or added to traditional IPR protection laws?** i.e., do these new laws and regulations replace existing legal regimes whether adequate or not or do they add additional and perhaps redundant protection for creator rights?

The economic importance of the information technology companies to national economies has indicated to many that a new type of IPR is required for innovators in the world of computers. The plethora of examples of new legislation around the world indicates the importance nations give to the regulation of IPRs in cyberspace.¹³⁰ However, in the rush to create laws dealing with cyberspace and IPRs, much of this new legislation seems to lack appreciation for the checks and balances form of offsetting legislation, which has existed for traditional means of IPRs. The Lockean Proviso seems often to be overlooked in the need to “catch the train” of Progress. It is this lack of measured consideration for the consequences of this type of legislation, which has led to the hurried adoption of measures such as the *European Database Directive*, before its checks and balances have been formulated.

Many nations in their eagerness not to be left behind in the new economic order have been persuaded to enact legislation (by means of the *WTO* and *TRIPS*), which may

¹²⁹ *Sega Enterprises Ltd. v. Accolade, Inc.* United States Court of Appeals for the Ninth Circuit 977 F.2d 1510 (9th Cir. 1992). See also Joseph Farrell, “Standardization and Intellectual Property”, *Jurimetrics Journal* 30, (1989) p. 35 for a discussion of “bandwagon standardization”.

¹³⁰ Just to name a few of the many examples: The *WIPO Copyright Treaty* (“WCT”) and the *WIPO Performances and Phonograms Treaty* (“WPPT”) both of December 20, 1996; *Electronic Transactions Act* (1998) Singapore; Malaysia’s Multimedia Super Corridor (currently under construction); *Uniform Computer Information and Transactions Act*; the establishment of an intellectual property court in Thailand; *The Secure Digital Media Initiative* of 1998, U.S. 1997 *Framework for Global Electronic Commerce* and the above-mentioned *DMCA* (1998) and U.S. Presidential executive order on software copyright piracy; H.R. 354 *Collections of Information Antipiracy Act (Coble)* (which was not passed in the 106 Congress); the 1997 International Ad Hoc Committee *General Top Level Domain Memorandum of Understanding*; the 1998 *EC Directive on a Common Framework for Digital Signatures*; the APEC *Asia-Pacific Information Infrastructure (APII)*; Canada’s Bill c-54 *An Act to Support Electronic Commerce* was

have dire consequences for their citizenry in the future in terms of access to information and the extent of public domain. Many nations seem prepared to adopt the global harmonization of IPR protection without even questioning the basic assumption of whether traditional IPRs may be too strong already.

Still, there has been international consensus that the creators of innovation in cyberspace have not received their due IPR protection and that some measures must be taken in the name of natural justice, the acknowledgment of the inalienable Personhood rights of the creators, and (especially in the U.S .) in order to continue incentives for further innovation. Although the U.S. was a relative latecomer to the *Berne Convention* and still resists many of the harmonization efforts of the “author’s rights” countries, it has adopted the belief in the need for strong IPR protection with all the zeal of a new convert. Clearly the momentum in our present era seems to be toward strengthening IPRs for creators and IPR holders and the rate of change in cyberspace has added a sense of urgency to the task of putting legislation into place.

5.10 Conclusions

5.10.1 50 Selected Recommendations for Future IPR Protection Regimes in Canada

1. Ensure just compensation for all authors and inventors who share their creations with the public.¹³¹
2. Ensure access to the courts and remedies against those who would deprive authors and inventors of just compensation.¹³²

scheduled for 3rd reading this past Fall; and U.S. Safe Harbor proposals designed to protect both data and Privacy are all examples of initiatives most recently undertaken all around the world to deal with cyberlaw.

¹³¹ The fundamental justification of any IPR protection law must be to provide creators with compensation for the effort they expend on the creation of expressions or inventions.

¹³² No IPR protection regime can be effective if it cannot be enforced efficiently.

3. Ensure that the IPR protection regimes devised in Canada sufficiently resemble those required by *TRIPS* and other multi-lateral agreements to attract similar protection for Canadian rights holders abroad.¹³³
4. Ensure that the balance of traditional intellectual property rights protection regimes is maintained in the digital era i.e., hold fast to the boundaries of traditional trade-mark, copyright and patent law and consider balanced *sui generis* new laws to protect new media or works in cyberspace.¹³⁴
5. Distinguish between the types of rights and remedies granted in any potential IPR protection laws.¹³⁵ Distinguish between full copyright and “thin” copyright in translations even if it involves creating a new *sui generis* IPR protection law for derivative works. Tailor remedies to fit the type of right infringed.
6. Acknowledge Publicity rights in Canada as legal time limited rights distinct and separate from personal Privacy rights and allow damage claims for the diminishment of their value.¹³⁶

¹³³ Given the linkage of *TRIPS* to *WTO* enforcement, it is important that Canada meet the international obligations that arise from the commitments that Canada has already made. Whether *sui generis* initiatives that are substantially similar will accomplish this is still unclear, but Canada should investigate the possibilities.

¹³⁴ Canada should avoid distorting its traditional IP laws to provide new protection for new forms of intellectual property. Rather than expand the notion of what is patentable to include previously unpatentable inventions (higher life forms, business methods, or discoveries) as in the U.S., Canada should devise new *sui generis* protection solutions.

¹³⁵ It is important to distinguish between the types of rights and remedies granted in any potential IPR protection laws. A clear distinction should be made among the types of rights and remedies in the bundle granted in the form of a statutory monopoly to authors, inventors, broadcasters, performers or other creative contributors. The nature of the rights granted determines whether they are personal (i.e. moral rights to the integrity of the work and acknowledgement of the author) or economic legal (i.e. the time limited exclusive right to economically exploit). Similarly the appropriate remedy for infringement of such rights should be determined by what kind of right is being infringed (i.e. injunctive relief for infringing moral rights and accounting of profits for economic legal rights).

¹³⁶ Contrast *Aubry v. Editions Vice-Versa*, [1998] 1 SCR 591, with *Krouse v. Chrysler Canada Ltd.* (1974), 1 O.R. (2d) 225 (Ont.C.A.) and *Athans v. Canadian Adventure Camps* (1977), 17 O.R. (2d) 425 (Ont.HC).

7. Demand that plaintiffs prove their cases with evidence rather than assertion.
Insist upon proof of actual damages rather than presumption of lost sales in cases of infringement.¹³⁷
8. Re-examine the proof necessary to prove “unconscious copying” in derivative works against the limited number of ways to express oneself available to the author/composer.¹³⁸
9. Privilege Privacy Rights and *Charter* Rights over statutory monopoly rights, especially at the interlocutory stage of an intellectual property dispute. Limit the injunctive use of Rolling *Anton Piller* Orders.¹³⁹
10. Regulate use of DRMs or ARMs to ensure protection of user privacy and avoid automatic denial of service and diminished interoperability.
11. Encourage security on the Internet by developing *sui generis* protection against circumvention of security technology outside alternative to the copyright law based *DMCA* model.
12. Encourage research in cryptography by creating a cryptography research exemption and linking the circumvention of technological safeguards to the use of more effective measures.¹⁴⁰

¹³⁷ As mentioned *supra*, chapter 2, ss. 2.9.1 and 2.9.6 and chapter 3, s. 3.18.1.

¹³⁸ Particularly in the composition of music, the mere threat of a copyright infringement suit for “unconscious copying” as in the *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F Supp. 177 (S.D.N.Y. 1976) case, is often sufficient to induce settlement, rather than risk loss at trial. This creates an additional cost to the production of musical compositions and diminishes the number of works produced. The presumption of access and substantial similarity equals infringement must be modified to include some indication of a *mens rea* or intention to copy.

¹³⁹ Privacy guarantees and *Charter* protection against unjust search and seizure should be taken into account in the assembly of evidence of infringement. While court approved discovery procedures and formal search warrants are viable exceptions to these guarantees, they are subject to a number of restrictions that may not be seen as necessary in the protection of IPRs.

¹⁴⁰ The current anti-circumvention of technology protection rewards the use of easily circumvented technology and discourages progress in the creation of technological protections by linking the circumvention to the more difficult to prove copyright infringement.

13. Avoid extension of posthumous protection of IPR personal rights by making them inalienable. Do not allow for moral rights to be waivable. (i.e. moral rights, reputational rights or privacy rights).¹⁴¹
14. Reinstitute the use of renewal terms for copyright protection in the form of either (A) life of the author plus x years or (B) y years from creation, whichever is the longer period. While this makes the date at which the work enters Public Domain less certain (either A or B), it is already used for works done in the course of employment for corporations and for neighbouring rights works.¹⁴²
15. Discourage the use of one form of protection to extend the duration of protection for another form (i.e. the use of trade guise to create a “backdoor patent”).¹⁴³
16. Do not duplicate protection regimes with redundant new *sui generis* laws. Clearly define what is protected under what IPR protection regime and give rights holders a choice of which protection regime they shall use.¹⁴⁴

¹⁴¹ An appropriate duration of the protection afforded must be determined. For some intellectual property, the “shelf life” it has before it becomes obsolete precludes lengthy terms of protection. Where that shelf life is indeterminate, a regime involving renewal may be more appropriate.

¹⁴² Prior to *Berne*, authors in England enjoyed protection for either 42 years or life of the author plus 7 years, whichever was the longer.

¹⁴³ It is also worth noting that attempts by trade-mark owners to use their marks to restrict entry into their channels of trade with the less formal requirements for trade-dress and famous mark protection have created an area of dispute in this traditional IPR protection regime (as in the *Lego* case). The attempt to create a “back door patent” to extend the life of a lapsed patent is a result of weakening formalities required to obtain trade-mark protection.

¹⁴⁴ If IPR protection is already available under existing IP law the creation of new *sui generis* IPR protection regimes should be avoided or offered only in the alternative to the existing regime. i.e. if databases are protectable as compilations under traditional copyright law and the rights holder chooses to protect them from infringement under copyright law, they should not be able to elect the “evergreen” renewal privileges of the European Database Directive to extend the duration of protection beyond copyright and thereby create a perpetual protection regime.

17. Ensure the regime can be administered effectively by bureaucrats. Grant

sufficient jurisdiction to officials to fix or repair errors in the registries.¹⁴⁵

18. Ensure that formal requirements are equitable and rational both for applicants

for protection and for challengers of the registries.¹⁴⁶

¹⁴⁵ To avoid the type of litigation seen in the *Dutch Industries Ltd. v. Canada (Commissioner of Patents)*, (2001) 14 CPR 4th 499, 2001 FCT 879, [2002] 1 C325 (FCTD) case sufficient discretion must be given to the Commissioner of Patents to remedy honest mistakes in the register of patents. Similarly sufficient discretion ought to be given to the Commissioner of the Trade-Mark and even the Copyright Registries.

¹⁴⁶ As discussed in chapter 3, *supra*, ss. 3.2, 3.3 (patent) and 3.4 (trade-mark registration) there are two forms of IPR Protection requiring extensive formalities in the form of enduring opposition proceedings and challenges before legal economic rights are conferred. In both instances the Registry can deny or even remove protection from patent holders or trade-mark owners for failure to meet formality requirements (disclosure or use, payment of regular fees, non-obviousness or confusing similarity to an existing mark). Trade-mark law has the briefest period of duration (fifteen years) but it can be renewed provided the formalities are observed and the owner takes the steps to renew the protection. Patent law has the next briefest period of protection, some twenty years from application, but it cannot be renewed.

However, in patent law, infringement is on a strict liability basis for anyone using the technology disclosed in the patent application. Disputes in patent law have arisen because of compulsory licensing issues (generic pharmaceuticals) and the failure of the Patent Office to provide enough skilled patent examiners to preclude the granting of patents whose claims are too broadly worded to withstand challenge for non-disclosure or insulate the patent against claims of infringement by other patent rights holders (see for example the *NTP v. RIM* case). Broadening definitions of what is patentable have created the potential to obtain patents or blocking patents that may diminish rather than encourage the greater production of useful inventions.

In trade-mark law, a similar or confusing mark could be developed independently and the need to prove confusion in the consuming public within a jurisdiction and channel of trade is normally required to establish liability. The important role of the registry in establishing jurisdiction and channels of trade through its insistence on registration formalities has long been recognized. However, the move toward international trade-mark recognition and the move toward families of companies engaged in several concurrent channels of trade have complicated contemporary trade-mark law.

The advent of anti-dilution of famous marks legislation following the cybersquatting phenomenon of the 1990s has once again stretched trade-mark law beyond its original social contract (i.e. to provide consumer protection in the form of knowledge of source and standard of manufacture) as established by the formalities of use within a jurisdiction and channel of trade required by the trade-mark registry. Prospective trade-mark owners have sought to be declared as public authorities (as in the case of the IOC) and sought to have their marks expanded to protect activities far from the original association of the mark with a particular commercial use. This has led to considerably more use of trade-mark law to keep competitors from tarnishing the brands.

In copyright law, the formal requirements to attract copyright protection have been diminished. It has been this diminishing of formalities and de-emphasizing of the Copyright registry that has been one of the characteristics of the *Berne Convention* since 1886. This dismantling of many of the formality requirements needed to acquire copyright protection was seen as a cure for international publishing piracy at the end of the nineteenth century, especially between the U.S. and the rest of the world. Ironically the U.S. would not adopt the new less formality requiring *Berne Convention* until 1989. As we have seen in this thesis this has led to the extension of copyright to a duration much in excess of that given for patents. It has also allowed the erosion of the idea/expression dichotomy and led to the creativity vs. "sweat of the brow" controversy. Although some formalities still exist in traditional copyright (i.e. fixation and the need to be an original work) the most controversial aspects of copyright involve disputes over ownership, assignment, derivative works, and post-sale sharing seem to result from diminished formalities. Similarly

19. Provide sufficient numbers of trained patent and trade-mark examiners to assess applications in a fair and timely manner.¹⁴⁷

20. Differentiate the rights that are contained within the bundle of rights for patents that have been economically exploited (i.e., inventions actually introduced into the marketplace) vis à vis infringement with those for patents that have not been economically exploited (i.e., patents that have been purchased on speculation that they may be related to subsequent inventions to be brought to the marketplace by someone other than the patent owner¹⁴⁸).

Patents not brought to the marketplace frustrate the utility function of the patent regime.

21. Discourage the use of blocking improvement patents by the use of compulsory licensing. Again, the *Canadian Patent Act* should encourage new inventions to be made available to the public.

the expansion of the definition of infringement to include "contributory infringement" in the U.S. and "authorizing infringement" in Canada and the common law countries would seem to expand the purview of copyright protection far beyond prohibiting the actual making of unauthorized copies.

At the time of the *Berne Convention* the very formalities used by individual nations had been co-opted by so-called pirate nations such as the U.S. and used to deny protection to foreign authors. *Berne* sought to diminish such behaviour by removing most formal requirements needed to attract protection. This response to the problem has led to the re-emphasis of the nature of copyright as a tool of censorship and its abuse as a weapon in the arena of international trade. *TRIPS* is merely the latest iteration of this process. I would argue that copyright is the most flawed of the traditional IPR protection regimes.

¹⁴⁷ Given the costs of litigating a patent on its merits means that once granted patents arm the rights holders with considerable economic clout against competitors, even when the patent is inadequately disclosed, its claims too vague or too obvious, or when the patent would be vulnerable to attack for insufficiency. The *NTP v. RIM* blackberry case is a particularly good example of this. Despite the fact that several of the NTP patents had already fallen and the likelihood that the last two could fall, pressure was brought to bear to settle rather than endure the injunctive relief NTP had secured in the interim before the merits of the patents were determined.

¹⁴⁸ As the *Canadian Patent Act* is intended to foster the creation and exploitation of new inventions in the useful arts and sciences, it would be within the mandate of patent law legislators to make the distinction between patents with a demonstrated utility and use and those that have yet to be exploited by the owners other than in a sale to a company gambling on the value of such a patent as a blocking patent or incentive to licensing. In the latter instance, compulsory licensing at government set fees would seem the more appropriate right to include in the bundle granted to the patent applicant or their assignee.

22. Limit the copyright duration of protection for authors to more reasonable periods of several renewable fifteen year terms (i.e. no more than life of the author plus 50 years¹⁴⁹.)
23. Limit neighboring rights to a period not related to the life of the author, but rather to a period after production, broadcast or publication.¹⁵⁰
24. For legal rights requiring renewal procedures, base these procedures upon demonstration of continued behaviour of social utility to ensure the interests of the public domain¹⁵¹ (i.e. continued “use”, sufficient availability to the public to forestall compulsory licensing).
25. Except for the encouragement of continued behaviour of social utility, do not allow for perpetual IPR protection.
26. If posthumous protection is extended, avoid retrospective copyright term extension, especially for works already in the public domain. There is no further production to be gained from retrospective extensions granted to dead

¹⁴⁹ Arguments to Congress in favour of the *CTEA*, and arguments to the European Parliament made in favour of the extended posthumous protection period included harmonization and the fact that people live longer than they did in the past. While this is undoubtedly true, the period extends after the *death* of the author, giving the heirs a double windfall of protection. Given that copyright originally began with the same term of protection as patents (i.e. 14 years from registration) that was doubled in effect by a second renewable term, and given that patents have extended the duration to only 20 years from disclosure to take into account the patent procurement process, the extension of copyright to the longer term of life of the author (since most people now live at least 10 years longer than the biblical three score and ten) *and* an additional seventy years, this term is now extraordinarily long.

¹⁵⁰ Personal rights concerning the reputation of the author should be limited to equitable remedies exercised by the creator of the art object. Like personal reputation they should last no longer than the life of the author. All the defences for defamation should be available to the alleged infringer if they apply (i.e. fair comment, parliamentary privilege, failure to prove colloquium). Similarly, should the author wish to remain anonymous, the remedies open to the infringement of that moral right should be the same as the remedies open to individuals for the tort of invasion of privacy.

¹⁵¹ In those instances where renewal of protection is considered (i.e. regimes similar to trade-mark or database protection) the rationale for allowing renewal must determine if perpetual protection is possible (through an “evergreen provision” that should not be allowed to create perpetual copyright protection) and whether or not the granting of the longer protection period is promoting a societal good that outweighs the benefit that society would derive from the return of the intellectual property into the common cultural property of the public domain.

authors¹⁵² and no incentive justification for such legislation is possible in this instance.

27. Retain the reversionary copyright provisions in the *Canadian Copyright Act*.*

28. Reinstitute the compulsory licensing provisions in the *Canadian Copyright Act*.*

29. Maintain the idea/expression dichotomy in the *Canadian Copyright Act*.*

30. Retain the compulsory licensing provisions of the *Canadian Patent Act*.*

31. Maintain the distinction between invention and natural discovery in the *Canadian Patent Act*.*

32. Emphasize the consumer protection aspect of the *Canadian Trade-Marks Act*.

De-emphasize the protection of acquired goodwill against deprecation through the *Canadian Trade-Marks Act* or any kind of Famous Trade-Mark legislation. Avoid the U.S. *FTAD* anti-dilution model.

33. Privilege *Charter* Freedom of Expression rights over injunctive relief based upon trade-mark law. Diminish the use of IP law as a tool of censorship.¹⁵³

34. Re-emphasize the use of tort remedies in cases of libel, product libel, unjust enrichment, false light depictions, or plagiarism.¹⁵⁴

¹⁵² Legal rights could be protected for a longer period in order to increase the incentive value of those exclusive rights, but any change in the period of duration of protection should only be prospective, never retrospective. To remove inventions or creative expressions from the public domain after they have been returned to it is inequitable to the society whose collective cultural property was appropriated by the rights owner. Where the publicity rights of the author, performer or creative person (the exclusive right to economically exploit the persona of the person) is infringed, the rights to legal and equitable relief could survive the death of the celebrity author, performer or artist and last for the period of protection of copyright.

¹⁵³ Avoid using trade-mark or copyright law to justify court intervention into labour disputes by stifling freedom of expression as in *Cie Generale des Etablissements Michelin-Michelin & Cie v. C.A.W. Canada et al.* (1997) 71 C.P.R. (3d) 348 (Federal Court, Trial Division) and *Canada Safeway Ltd. v. Manitoba Food and Commercial Workers Local 832* (1983), 25 C.C.L.T. 1 (Man Q.B. rev. Man.C.A.).

¹⁵⁴ Canada may need to enter into agreements establishing the jurisdiction for the pursuit of the commission of torts in cyberspace to encourage this use of tort law in defamation cases, in particular.

35. Broaden the “fair dealing” defence in Canadian copyright law to be more like the “fair use” defence in the U.S. Strengthen the educational use exception to encourage the dissemination of information.
36. Create a “parody exception” (similar to the U.S. exception) in Canadian copyright law to encourage freedom of expression.
37. Discourage the use of hyperbole and accusatory language by rights holders to describe the undesirable behaviour of alleged infringers such as downloaders. If such rights holders use the term “theft” for intangible property, they should be liable for defamation unless they can prove an actual theft occurred.^{155*}
38. Emphasize the necessity of active encouragement for third parties to incur liability for “authorizing infringement”¹⁵⁶ under the *Canadian Copyright Act*, the *Canadian Trade-Marks Act* or the *Canadian Patent Act*.
39. Acknowledge the Internet as a public utility in need of regulation. Strengthen use of the Competition Bureau and the *Competition Act* to counteract actions by rights holders intended to keep others from the marketplace or to diminish the effectiveness of the Internet as a conduit for the transmission of information.^{157 *}

¹⁵⁵ Canadian courts should use the court awarded penalties for frivolous lawsuits to discourage the unwarranted use of inappropriate language in the statement of claim or prayer for relief. In cases where the allegations are not accepted as proven, defendants should be encouraged to sue for libel.

¹⁵⁶ As in *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13 (CanLII), [2004] 1 S.C.R. 339, 2004 SCC 13, Case (2002, FCA).

¹⁵⁷ Convergence of ISPs and control of the access to digital media has led to a number of cases confronting proposed mergers and the issue of interconnectivity (i.e. *U.S. Department of Justice v. Microsoft, Verizon*, etc.*). Canada has not felt it necessary to pursue such litigation to protect public access to the Net.

40. Canada should provide *sui generis* protection against data corruption caused by hacking, viruses, worms and denial of service.¹⁵⁸
41. Canada should provide further *Criminal Code* protection against such criminal activities as cyber-stalking. Canada should enter into international agreements concerning jurisdiction for Canadian Courts in matters of cyber crime.¹⁵⁹
42. Acknowledge the Internet need to create ephemeral copies in caches and create an exception from copyright infringement liability to increase the efficiency of the Internet (i.e. do not adopt the copyright law findings in the U.S. *MAI*¹⁶⁰ case).
43. Retain provisions in traditional IPR regimes and implement them in new *sui generis* regimes, for rights holder abuse of grant. Assert compulsory licensing or even blank media levies to ensure that the public has access to the Internet.¹⁶¹
44. Recognize the Doctrine of Exhaustion and encourage the use of licensing enforced contractually, rather than under the IPR legal regimes. Discourage

¹⁵⁸ On-line hacking, data corruption, denial of service, spamming, phishing and the use of spyware should not be characterized as "mischief" but rather as more serious criminal activity worthy of sanction. These activities diminish the effectiveness of the Internet.

¹⁵⁹ Canadian "hate and pornography laws" and other criminalized activities can be likened to French prohibitions of the sale of Nazi paraphernalia (see *auction case*) and German holocaust denial provisions are examples of restraints on expression that could create jurisdictional problems for examples in cyberspace.

¹⁶⁰ *MAI Systems Corp. v. Peak Computer, Inc.* 991 F.2d 511, 518 (9th Cir. 1993).

¹⁶¹ Canada has instituted blank tape and blank recording media levies to assemble a fund for distribution to performing artists in the form of a royalty. The distribution of these levies and their cost to non-infringing users of such media are controversial aspects of this compromise but the difficulties with blank media levies discouraging Internet use are less than the disincentive for Internet use produced by potential copyright liability law suits.

“grey marketing” with these contractual obligations rather than with traditional IP law.¹⁶²

45. Assert the pre-eminence of the Public Domain and the need for rights holders to return to that Public Domain the fruits of their labours after the agreed upon period in accordance with the granting of the rights.^{163*}
46. Recognize Collective Rights in Traditional Cultural Property with *sui generis* protection against misappropriation but avoid the U.S. model of the *INS* misappropriation tort.
47. Recognize a *sui generis* protection for famous trade-marks, but avoid the U.S. *FTAD* trademark law model.
48. Recognize the value added to intellectual property from Network Externalities. This value added should be an offset for the infringer in the calculation of actual damages.¹⁶⁴
49. Recognize the difference between rivalrous and non-rivalrous property ownership and acknowledge the existence of common property called the

¹⁶² Rather than overloading the IP tribunals with cases concerning whether or not a work is patentable or copyrightable, it would be better to allow the cases to proceed in civil suits to determine if the contractual agreement between the parties as embodied in the EULA has been met. Nuances of whether or not something is infringed under evolving traditional ip law could be left to jurisdictional challenges of the formal requirements. This would remove a burden of costly and near meaningless litigation at some levels of court.

¹⁶³ Locke's *Proviso* needs to be explained and inculcated into discussions of community and cultural property. If John Locke's theory of labour justifies protection of ownership rights against state expropriation without compensation and against the claims of all others, it is his *proviso* that morally justifies the notion of a resulting duty to the commons. To “own” property provides the owner with rights in return for his labour with the common property of that society against others who might seek to claim the property including the state. To leave as much and as good for others provides the property owner with a responsibility to act ethically to retain those recognized rights.

¹⁶⁴ Of course the calculation of the value of such network externalities would be difficult, but so long as rights holders are allowed to estimate lost sale damages based upon the total number of unauthorized copies multiplied by the full retail value of the work, the distortion would be no greater.

Public Domain from which all creators draw raw material for expression or invention imposing a duty to return some portion of their profits.¹⁶⁵

50. Recognize the contribution of both the author and the audience in the creation of an art “work” and have the justification of creator and user rights acknowledged as of equal importance.

It should be noted that these 50 recommendations are hardly exhaustive. Finding the appropriate weight for the interests of all stakeholders on “the legal teeter-totter” is a difficult and ever evolving task demanding the even hand of equitable remedies while recognizing the legal rights that have been established through centuries of past practice in the law.

5.11 The Inequity of Perpetual Copyright

Perpetual copyright is inequitable as it denies the importance of the society which encouraged, or at least, allowed the author or artist to use its *koiné* to express him/herself. The author or artist uses intellectual property that is the common property of all to create an expression that can be perceived, heard and understood by his/her contemporaries. Without the use of the common cultural property no art object can be produced and no art work can be created. The author/artist owes to his or her society a stake or interest in the

¹⁶⁵ We must remember that when we allow an author to stake out as exclusively their own some portion of a common language’s expressive capability in the form of the combination of words and phrases, imagery and iconography, metaphor and analogy, word order and diction, we allow that common language to be impoverished for the length of time that we give exclusive legal economic rights to the author. That author’s fellow citizens are precluded from the use of that portion of the language that has been set aside for his or her exclusive economic exploitation unless they pay for or secure in some other way the rights holder’s permission to use “their expression”. The fact that they may use the expression in another way (thereby creating a derivative work) must be acknowledged.

The role of the audience in the creation of art works and the role of the society in the creation of artists/authors and the milieu in which they can flourish must be acknowledged by the protection of the equitable rights of those two stakeholders in the creation of intelligible human expression.

objects he produces. Otherwise he or she does not leave as much and as good for others and John Locke's proviso is violated.

While this view may seem contrary to conventional wisdom it does provide the rationale for acknowledging the public domain. It allows us to acknowledge the contribution of the audience in encouraging progress in the useful arts and sciences and a role in the construction of cultural experience. For it is the audience that allows the art object to have multiple lives as a conveyer of meaning. The expression of Pheidias may not be the same to us today that it was to the ancient Athenian audiences that first beheld his work twenty-four centuries or so ago. However, to deny that there is an aesthetic experience for the modern viewer is to impoverish our aesthetic view of the world. It is not progress in the useful arts and sciences. It is not a "protection" of the extension of personality that is claimed for Pheidias. It is the "shared" aesthetic experience of those works that derived from his aesthetic that help make up the fabric of the heritage of western civilization. Ancient Greece became the cradle of western civilization precisely because so many subsequent audiences had access to the art objects produced by that sculptor from Classical Athens and had the opportunity to create new art works from those objects.

Consequently, perhaps the most important recommendation of this thesis is in any reform of existing IPR protection laws or in any creation of new IPR protection laws, the interests of the public domain and user rights must be balanced with those of the artist/author and IPR protection regime rights holders. It is to this balancing that Mr. Justice Binnie refers in his judgments. I refer this to the analogy of balancing a teeter-totter in the title of this thesis. I would argue that it is this careful and often difficult

balancing of interests that must inform any IPR protection regime, whether one employing traditional intellectual property law or new *sui generis* legislation designed to address specific concerns in cyberspace.

5.12 Achieving the Balance: Characteristics of Balanced IPR Protection Regimes

Balanced IPR protection regimes must recognize the rights of all the stakeholders. The list is long including: authors; artists; inventors; the estates of such people; performers; broadcasters; publishers; rights collectives; recording and motion picture associations; licensees; users; the public domain; researchers, educators, teachers and academics; cultural critics; journalists and bureaucrats charged with administering registries; First Nations and representatives of Aboriginal Cultures; Heritage Canada; The CRTC; Cultural Policy agencies; copyright tribunals; the courts; IP law practitioners; research centres; design centers; consumer protection agencies; and DFAIT.

Balanced IPR protection regimes must not be allowed to overlap so as to provide “back door patents”, perpetual copyright protection, or erosion of the boundaries between traditional intellectual property law. Any combination of new *sui generis* IPR protection laws or regulations must take into account existing intellectual property law protection and ensure that there is no duplication of protection and no imbalance at the expense of the other stakeholders involved with the intellectual property. Should traditional IPR protection prove inadequate for new forms of intangible property or for emerging international standards, alternative protection can be provided, but it should be constructed to work in tandem with existing traditional IPR protection and it should ensure the correct balance between the stakeholder rights. Each form of traditional IPR protection law concerns works with specific characteristics. For example, copyright deals with original expression in a fixed form, not ideas, inventions or discoveries; patent

deals with practicable non-obvious inventions fully disclosed for the first time, but not theorems or natural discoveries; trade-marks deal with branding and the development of consumer information and goodwill on the basis of use and registration of distinctive marks or trade guise, not descriptions of functional aspects of the product; trade secrets deal with the protection of personal rights of the owner to control public access to the secrets, not protection of non-secrets (i.e. secrets already revealed to the public). Tort protection for IPRs embodied in traditional IP law (especially trade-mark, invasion of privacy, libel and false-light depiction) is contingent upon the commission of a "wrong" that may involve deception or trespass of personal rights but thus far in Canada, at least, does not include protection against an "unfair taking". Each regime has a well-defined and unique border of the type of activities it seeks to regulate and the types of rights each protects. Personal rights, such as privacy, the right to attribution or anonymity, and reputation, are equitable rights that should be contrasted with the legal rights to control the value of the property. While in the case of publicity rights and perhaps the protection of goodwill, there may be some overlap, the nature of the rights protected and the types of remedies that are appropriate must be kept clearly in mind.

A balanced IPR protection regime will integrate the various remedies and causes of action to ensure that the legislative intent of the regime is maintained in the causes of action allowed and the types of remedies permitted. Where the protection is used to pursue another aim, i.e. a non-tariff barrier to trade or an attempt to include in joint and several liability others with deeper pockets through broad definitions of "contributing to infringement" or "authorizing infringement", a balanced IPR protection regime will qualify the Equitable rights granted to the rights holders.

Given the history of traditional IP law this thesis has argued that *sui generis* laws may be easier to craft with this balance in mind, but that such laws must not simply add to the existing traditional IPR protection laws and regulations, but must ensure that the balance between the rights of the stakeholders is adequately maintained. Piling more and more protection on top of existing traditional IP laws without care for the consequences can upset the all-important balance of the teeter-totter of rights. In addition, without careful analysis of the effect of the new *sui generis* laws, there is danger that some stakeholders will be advantaged at the expense of others. It is also difficult to arrive at international consensus on rights in the Internet. This may lead to retreat from the international co-operation embodied by the *TRIPS* agreement. Some are concerned that failure of a country to harmonize new IPR protection regimes with the international standards of *WIPO* could lead to that country being left behind in the development of the new knowledge based economy.

Those who would counsel caution and patience in the construction of new IPR protective measures are often lonely voices in the wilderness because of this concern about stunting economic development. There are new problems with using traditional IP law in cyberspace surfacing all the time. Frustrated creator rights holders clamour for swift protection from governments and legislators. Yet rushed legislation is often flawed legislation and careful consideration of what the legislation is supposed to achieve and whether it will, in fact accomplish that task is always worth the time.

While IPR holders' rights are being strengthened, there seems to be a lack of concomitant growth in user rights and a diminishing of the public domain. This can only serve to consolidate the control of the new high tech cyberspace based economy in the

hands of a few already blessed nations. Justification of these statutory monopolies on the basis of a social contract, incentive or the grèatest public good seems hard to find without ensuring protections against the abuse of IPRs. Without this justification the resulting IPRs are subject to being inequitable and unbalanced. The legal teeter-totter cannot work properly under such conditions. Teeter totters only work when the weight on either end is nearly the same or balanced by relative distance from the central fulcrum. That central fulcrum is equity among the stakeholders.

If, in fact, access to information formerly within the public domain is or can be unduly restricted by the awarding of IPRs, it would behoove governments to address this imbalance of power. This can be accomplished by strengthening Fair Use/Fair Dealing provisions, strengthening Anti-Trust and IPR abuse provisions to protect public access and re-evaluating whether the granting of IPRs remain justified as the best incentive for the progress of the sciences and useful arts. In the balancing of creator rights with user rights and the advancement of the public good, checks and balances must be instituted which will ensure the equitable treatment of all parties. Perhaps then we can be assured that there will be left as much and as good for all.

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6.2.1 Canada

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6.2.2 U.K.

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http://www.ipmall.info/hosted_resources/lipa/patents/English_Statute1623.pdf.

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6.2.3 U.S.

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6.2.4 Australia

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6.2.5 Europe

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