

Patent + Trade Mark Agents
Barristers + Solicitors

401-80 Aberdeen Street
Ottawa, Ontario, Canada K1S 5R5
Phone: 613.238.6404 Fax: 613.230.8755

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Canada

CASE LAW COMMENTARY

Online File Swapping: Legal in Canada (For Now...)

Lillian L. Camilleri

The Canadian Federal Court of Appeal ["FCA"] recently issued a pivotal decision in the matter of *BMG Canada Inc. et al. v. John Doe et al.* [2005] FCA 193 in which fifteen music companies including BMG Canada Inc. and Sony Music Entertainment (Canada) Inc. collectively brought an action against "John Doe, Jane Doe and All Those Persons Who are Infringing Copyright in the Plaintiff's Sound Recordings" in an attempt to quash online music file sharing via "peer-to-peer" ("P2P") networks in Canada. As seen by the style of cause, an initial hurdle faced by the music companies was their ignorance of the legal identities of the 29 Internet users targeted in the action. Accordingly, the Plaintiffs brought a motion in the context of the action for equitable discovery in an attempt to compel third party Internet Service Providers ["ISPs"] to release the legal identities of the 29 Internet users (each of whom had downloaded and shared over 1000 songs).

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CASSAN MACLEAN NEWS

We are pleased to have recently welcomed, to our firm, **Jason Mueller-Neuhaus**, who is a lawyer and physicist.

Jason was called to the Ontario Bar in 2005 following completion of his law degree (LL.B) at Dalhousie University. Prior to attending law school, Jason researched active sonar information systems for the Canadian military. In 2000, he obtained a Masters in Science from Dalhousie University during which time his focus was in the area of the physics of lithium-ion cell processes.

His practice encompasses all areas of intellectual property, and includes assisting in the drafting and prosecution of patent and trade-mark applications, as well as litigation and advisory services.

PRACTICE NOTE: TRADE-MARKS

Canada "FIRST TO FILE" Country Now!

Heather L. Boyd

In light of the recent affirmation by the Federal Court of Appeal of the decision in *Effigy Inc. v. Canada (Attorney General)*, reported in our last newsletter, the Canadian Trademarks Office has issued a **new** "Practice Notice" on "Entitlement - Confusing Marks".

Dates of first use or making known will no longer be considered during the examination process. Therefore, in the instances of co-pending and confusing marks, the applicant with the earlier filing date or priority date, will be considered to be the person entitled to registration of the trademark. If an applicant with a later filing date, claiming an earlier use date, wishes to oppose the earlier filed application, extensions of time pending the outcome of the opposition process will be granted.

There is no indication from the Office that this process will be applied **against** applications filed prior to the issuance of the Practice Notice. Only time will tell. In the interim, we are advising all our clients that Canada is effectively now a "first to file" country. Disputes respecting "first to use" will only be dealt with during an Opposition process.

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The FCA ruled against the Plaintiffs citing insufficient evidence and more importantly, privacy concerns, but left the door open for further actions by the music companies by laying out the criteria needed to be met to succeed in future actions.

The case first made headlines when the decision of the lower Federal Court of Canada [“FC”] motions judge was initially released. In addition to finding against the Plaintiffs on technical grounds, the FC also made some far-reaching statements regarding the test to be applied by the Court in granting orders compelling the disclosure of identities, and significantly, what would constitute copyright infringement in these circumstances.

The FCA in reviewing the decision, upheld the lower Court’s decision and likewise found (i) that the Plaintiff’s affidavit evidence, deemed to be hearsay, failed to connect the users’ pseudonyms to their respective IP addresses, and (ii) that the information desired by the Plaintiffs “may be buried in logs and tapes but [was] not presently in readable format”, contrary to the *Federal Court Rules* [“Rules”] requirements that the documents being compelled actually exist at the time of the request.

More importantly, the FCA also reversed and clarified the broad pronouncements of the FC motions judge. In doing so, the FCA laid out the test the music companies would need to meet in future actions.

Specifically, the FCA held that future plaintiffs “could invoke either Rule 238 [of the *Rules*] or equitable bills of discovery and in either case, the principles relating to equitable bills of discovery would be applicable.” These principles are that a plaintiff must:

- i) provide evidence of a *bona fide* (and not *prima facie*) case against the proposed defendant;
- ii) establish that the person from whom discovery is sought must be in some way involved in the dispute, and not be just an innocent bystander;
- iii) provide clear evidence to the effect that the information cannot be obtained from another source (such as the P2P web site operators);
- iv) agree to reasonably compensate the person from whom discovery is sought for expenses arising out of compliance with the order for discovery in addition to any legal costs;
- v) establish that the public interests in favor of disclosure outweigh legitimate privacy concerns.

The FCA paid particular attention to the first and fifth of these principles. As regards the first principle, the FCA disagreed with the FC that the Plaintiff must establish that it had a *prima facie* (as opposed to a *bona fide*) case, stating, “it would make little sense to require proof of a *prima facie* case at the stage of the present proceeding. The plaintiffs do not know the identity of the persons they wish to sue, let alone the details of precisely what was done by each of them to actually prove infringement.”

With respect to the fifth principle, this case is significant given the importance placed by the FCA on the privacy rights of individuals. The Court stated quite pointedly that “[p]rivacy rights are significant and they must be protected” and that “citizens legitimately worry about encroachment upon their privacy rights. The potential for unwarranted intrusion into individual personal lives is now unparalleled.” In considering the issue of privacy, the FCA held against the Plaintiffs on the grounds that the delay between the time of the request for the identities was made, and the time the plaintiffs could collect the information, could have resulted in the disclosure of inaccurate information. As this could thereafter have resulted in the infringement of the privacy rights of innocent persons, and the commencement of legal proceedings against such innocents without justification, the Court held in favor of privacy concerns over intellectual property rights.

However, the FCA likewise held that “technology must not be allowed to obliterate those personal property rights which society has deemed important” and that “[a]lthough privacy concerns must also be considered...they must yield to public concerns for the protection of intellectual property rights in situations where infringement threatens to erode those rights.” Thus, the FCA implied that privacy rights may be forced to take a back seat to intellectual property rights in the right circumstances.

Accordingly, the FCA impliedly invited future plaintiffs to make arguments under Section 80(2) of the *Copyright Act*, R.S.C. 1985, c.C-42 [“Act”] which may obliterate the defense of “private use” offered by Section 80(1) (and cited by the FC motions judge), on the grounds that “the reproduction of a musical work embodied in a sound recording onto an audio recording medium is done for sale, rental, distribution, communication by telecommunication, or performance to the public” (emphasis added). The FCA also suggested that Section 80(1) itself may not be a complete defense if the user was not using an “audio recording medium” to make the potentially infringing copy. The FCA also chastised the FC motions judge for considering the applicability of a recent Canadian decision, *CCH Canada Ltd. v. Law Society of Upper Canada*,

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2004 SCC 13 which held that “setting up facilities [a photocopy machine in a law library] that allow copying does not amount to authorizing infringement”. The FC motions judge found that there is no difference “between a library that places a photocopy machine in a room full of copyrighted material, and a computer user that places a personal copy [of a file] on a shared directory linked to a P2P” service. The FCA held these comments by the FC motions judge, and a few others regarding the notions of “distribution” and of secondary infringement by the infringer, to be very preliminary in the circumstances and the Court specifically reversed these findings of the FC motions judge.

So, what does this mean for copyright holders in Canada? While music file sharing appears to be legal for the moment, the Courts have given the music industry a roadmap as to how to overcome their initial hurdle, that being the naming of the correct parties in the action. While the Court did not make any definitive findings regarding what constitutes copyright infringement in these circumstances, the Court has suggested some strong possible arguments the music industry may make in future. Moreover, while Canada is not yet a signatory to the *WIPO Performances and Phonograms Treaty*, (WPPT), 20/12/1996 [“WPPT”] which makes exclusive to the copyright owner the right to make the work available for sharing, Bill C-60 (which is a bill to amend the *Act* in accordance with the *WPPT*) has just been given its first reading in the Canadian House of Commons. In short, with the music industry promising to pursue this matter, the time for downloaders to continue to file swap in Canada may be running out.

TRADEMARK LAW:

THE FAME GAME

Christopher T. Dejardin

Should famous marks be given a broader scope of protection, commensurate with their degree of fame? Should owners of famous marks be entitled to prevent others from using the same marks with markedly different goods or services? This fall, the Supreme Court of Canada will consider this issue when it hears the cases of *Veuve Clicquot Ponsardins, Maison Fondée en 1722 v. Boutiques Cliquot Ltée* (“*Veuve Clicquot*”) and *Mattel U.S.A., Inc. v. 3894207 Canada Inc.* (“*Mattel*”). The Court’s decision will have an important impact on the treatment of famous trademarks in Canada.

Traditionally, Canadian courts have given little weight to the degree of fame and reputation of a mark when assessing confusion. Rather, the courts have resisted protecting famous marks across the entire spectrum of

trade absent any connection between the wares and services of the respective parties. In the current leading cases involving famous marks (*United Artists Corp. v. Pink Panther Beauty Corp.* (1998) 80 C.P.R. (3d) 247 (F.C.A.) and *Toyota Jidoshi Kabushiki Kaisha v. Lexus Foods Corp.*, (2001) 9 C.P.R. (4th) 297 (F.C.A.) (“*Toyota*”)) the courts have held that “no matter how famous a mark is, it cannot be used to create a connection that does not exist”.

The scope of protection to be given to famous and well-known marks is the central issue in the *Veuve Clicquot* and *Mattel* cases. In *Veuve Clicquot*, the Plaintiff manufactured and sold champagne in association with the well-known VEUVE CLICQUOT mark and owned several Canadian registrations for trademarks including the word CLICQUOT. The defendant owned and operated women’s clothing stores in association with the marks LES BOUTIQUES CLIQUOT and CLIQUOT and owned registrations for CLIQUOT and CLIQUOT UN MONDE APART. The plaintiff sued for trademark infringement, passing off and depreciation of goodwill. Despite the apparent fame of the plaintiff’s VEUVE CLICQUOT mark, the lower courts were unable to accept the Plaintiff’s allegation of confusion on the basis of the significant differences in the wares and services of the respective parties. Rather, the lower courts relied upon the *United Artists* and *Toyota* decisions in holding that the fame of a mark is not so important as to render irrelevant the significant differences in the wares and services of the parties.

A similar conclusion was reached in *Mattel*. In this case, *Mattel*, owner of the arguably famous BARBIE mark used in association with dolls, appealed a rejection of their opposition to an application to register the trademark BARBIE’S & Design for restaurant and catering services. Despite evidence of extensive fame and reputation of the BARBIE mark, the lower courts rejected *Mattel*’s opposition on the basis that there was no connection between dolls and restaurant services.

The *Veuve Clicquot* and *Mattel* cases have drawn considerable attention in Canada. These cases have also received significant attention in the U.S. where legislators continue to expand the scope of protection given to famous and well-known marks through anti-dilution legislation. The issues are of such importance that the International Trademark Association (INTA) has filed a factum in the *Veuve Clicquot* case arguing that the concept of confusion as defined in the Canadian *Trademarks Act* should be given a more purposive interpretation by the courts in light of the modern principle that a famous mark can, and should, enjoy protection beyond its registered wares. INTA argues that the real issue is whether the consumer would infer that there is some “association” between the famous mark and a similar junior mark which would gradually whittle away or dilute the famous mark’s identity.

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It remains to be seen whether the Supreme Court of Canada will expand the rights of famous mark owners or whether it will continue to curtail them. Either way, the Court's decision should have a significant impact on Canadian trademark law.

PATENT LAW:

The Relative Rights of Co-Owners

Lynn S. Cassan

Under Canadian law, the relative rights as between co-owners of a patent are always subject to any agreement that has been concluded between the parties themselves.

Therefore, in all cases where results of the common law are not desired (which is likely to be every case!) it is important that the parties execute a contract comprising the terms they wish to apply in place of the common law.

The Canadian *Patent Act* is silent on this subject. Instead, one must refer to the common law of Canada which has developed in such a manner as to be relatively protective of each co-owner's rights, and seeks to avoid any dilution of the effective monopoly that is collectively enjoyed by all co-owners. One result of this judicial propensity to protectiveness is that any disposition by one co-owner of only a portion of that party's interest in a patent will, to be valid, require a consent by every other co-owner.

Although there is very little Canadian case law on this subject, the substantive common law rights and obligations of co-owners of a patent were carefully reviewed in the British Columbia Court of Appeal decision of *Forget v. Specialty Tools of Canada Inc.* (1995) 62 C.P.R. (3d) 537, affg (1993), 48 C.P.R. (3d) 323, 10 B.L.R. (2d) 62.

That court held that:

- A co-owner may sell its full interest in a patent without the consent of another co-owner (or co-owners), whereby such purchaser becomes a co-owner having all the same rights and obligations of that co-owner, **BUT** may not sell only a part of their interest, as such action would unacceptably “dilute” the rights of the other co-owner(s).
- A patent is not infringed by the manufacture or sale of the patented invention by a co-owner without the consent of the other owner i.e. one co-owner may exploit a patented invention without need for an accounting to, or consent by, any other co-owner.
- A co-owner may not license a third party without the consent of the other co-owner(s), as such

would be seen to unlawfully dilute other co-owner's rights. Without the required consent, any such license purported to have been granted will be considered invalid. Moreover, any manufacture of the patented invention by such a purported licensee, without the consent of every other co-owner, will constitute an infringement. As such, at least in certain circumstances, a co-owner may be obliged to account for license revenues to a fellow co-owner: *Péloquin v. Gosselin* [1968] B.R. 1025.

In summary, a co-owner may exploit a patent through the activities of that co-owner, and may absolutely assign that right, but may not independently attempt to exploit the patent through the acts of others (licensees) without the consent of every other co-owner.

Cassan Maclean

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An Intellectual Property Law Firm

Patent + Trade Mark Agents
Barristers + Solicitors

Lynn S. Cassan	lcassan@cassanmaclean.com
P. Scott Maclean	smaclean@cassanmaclean.com
Heather L. Boyd	hboyd@cassanmaclean.com
Arturo Brion	abrion@cassanmaclean.com
Lillian L. Camilleri	lcamilleri@cassanmaclean.com
Christopher T. Dejardin	cdejardin@cassanmaclean.com
Shafiq Manji	smanji@cassanmaclean.com
Allan Millard	amillard@cassanmaclean.com
Jason Mueller-Neuhaus	jmuellerneuhaus@ cassanmaclean.com

We specialize in all areas of intellectual property law including patents, trademarks, industrial designs, copyright, plant breeders' rights and domain name issues, including prosecution and litigation.

The articles contained in this newsletter are of a general information nature only and are not intended to be, nor can they be construed as being, legal advice.

If you have any question or concern arising from this publication, or wish to enquire about our services, please contact us at:

Cassan Maclean

Suite 401, 80 Aberdeen Street
OTTAWA, ONTARIO
CANADA K1S 5R5

Phone: 613 • 238 • 6404
Fax: 613 • 230 • 8755

www.cassanmaclean.com