Canada

Modernisation and flux

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Canada's IP regime is in a time of flux. For several years Canada has been party to trade negotiations with various other jurisdictions in which intellectual property factors heavily. Summer 2012 brought with it a number of copyright decisions from the Supreme Court of Canada, along with the enactment of the Copyright Modernisation Act. Unique opportunities for challenging the validity of Canadian patents – particularly in the pharmaceutical sector – have been proving extremely powerful, while the Trademarks Office has finally announced that it will accept applicants' sound marks for registration. On the whole, intellectual property in Canada is being modernised to handle new kinds of innovation, information proliferation and the complexities of global trade in a way that ostensibly maintains a uniquely Canadian balance between the dual objectives of supporting innovation and facilitating access.

Copyright: legislative reform and considerable Supreme Court activity

The year 2012 was momentous for Canada's copyright regime, with both the enactment of a sweeping reform bill in Parliament and a mid-summer release of five Supreme Court decisions interpreting the Copyright Act.

Legislative activity

The Copyright Modernisation Act, which received royal assent on June 29 2012, makes wide-ranging amendments to the Copyright Act and is, in part, a result of efforts to implement Canada's obligations under the World Intellectual Property Organisation (WIPO) copyright treaties. Below are some of the most important amendments:

- Technological protection measures – the act makes it an act of infringement to circumvent technological protection measures (ie, technologies that control access to copyrighted works) or to offer services or devices that are for the primary purpose of circumventing technological protection measures. Various 'public interest' activities are exempted from this prohibition, including:
  - law enforcement and national °security;
  - security testing;
  - encryption research;
  - personal information protection;
  - access of persons with perceptual disabilities; and
  - ephemeral reproduction by broadcast undertakings.
- Rights management information – the act prohibits the removal from digital copyrighted works of embedded rights management information, which is used to identify the work, the holder(s) of any rights in the work or the terms and conditions of the work's use.
- 'Making available' right – the act alters the definition of 'communication of a work to the public by telecommunication' in the Copyright Act to include "making it available... in a way that allows a member of the public to have access to it from a place and at a time individually chosen by that member of the public".
- Moral rights – the act grants performers moral rights in their performances, a form of entitlement that was previously reserved only for authors.

- Photographers' rights – the act removes from the Copyright Act provisions that vested copyright ownership in parties which commissioned photographs, rather than the photographer him or herself. While photographers will now hold the copyright to their photographs, those that commission them will be permitted to use them for private, non-commercial purposes.
- Copying for private purposes – subject to the anti-circumvention provisions of the technological protection measures discussed above, the act allows certain forms of private copying for non-commercial purposes, such as format shifting (eg, transferring music from a CD to an MP3 player), time shifting (eg, recording a programme for later viewing) and creating back-up copies.
- Internet service providers (ISPs) and search engines – subject to the notice-and-notice provisions discussed below, the act exempts from copyright infringement liability ISPs providing solely 'network', 'caching' and 'hosting' services, and permits only injunctive relief (but not damages) against search engines.
- Notice-and-notice requirement – the act permits a rights holder to send a notice of infringement to an ISP, which is then required to forward the notice to the alleged infringer. This requirement is less strict that the 'notice-and-takedown' approach in the United States, which requires ISPs to block allegedly infringing material on notice.
- Enablement – the act creates an 'enablement' cause of action, which allows rights holders to sue parties which provide online services "primarily for the purpose of enabling acts of copyright infringement", such as peer-to-peer file-sharing websites.
- User-generated content – subject to the anti-circumvention provisions of the technological protection measures, the act includes a provision that allows the creation of mash-ups from previously existing copyrighted works, provided that it is done for non-commercial purposes.
- Fair dealing – the act expands the definition of 'fair dealing' to encompass "education, parody or satire".
- Penalties for non-commercial infringement – the act reduces statutory damages for non-commercial infringements to a single amount of between C$100 and C$5,000 for all acts of infringement that occur prior to a legal action being filed. Commercial infringements remain subject to statutory damages of between C$500 and C$20,000 per infringement.

Supreme Court decisions dealing with copyright

On July 12 2012 the Supreme Court of Canada simultaneously released five copyright decisions. Below are the key holdings from each of the cases:

- *SOCAN v Bell* (2012 SCC 36) – the court held that online previews of songs fall under the fair dealing 'research' exception to copyright infringement.
- *ESA v SOCAN* (2012 SCC 34) – the court held that the term 'communicate' (within the right to communicate a work to the public by telecommunication) does not encompass the downloading of a song over the Internet, and therefore a public performance royalty need not be paid to SOCAN. Downloading copyrighted songs still engages the reproduction rights of content owners, which are licensed from a different collective society. It is unclear what effect, if any, the act's new 'making available' right (discussed above), will have on the court's ruling in this case.
- *Rogers v SOCAN* (2012 SCC 35) – the court held that the streaming of a copyrighted work to an individual user (as opposed to the downloading of a durable copy) engages the public performance right under the Copyright Act because that activity is both a 'communication' and 'to the public'.
- *Re: Sound v MPTAC* (2012 SCC 38) – the court held that the owners of rights in sound recordings are not entitled to performance royalties when those recordings have been incorporated into a soundtrack for an audiovisual work.
- *Province of Alberta v Access Copyright* (2012 SCC 37) – the court held that reproduction for the purposes of classroom use falls under the 'research or private study' fair-dealing exception to copyright infringement.

The above legislative and case law developments have important implications for content owners, internet operators and users alike. They help to bring Canada into compliance with its WIPO treaty obligations, clarify to a large extent the respective rights and obligations of producers and consumers of content on the Internet and expand the scope of the fair-dealing exception in a number of ways, including in the realm of education.

Trademarks: sound mark applications accepted (again)

Opportunities for businesses to distinguish themselves further in the Canadian marketplace have increased since the Trademarks Office announced that it will accept sounds for registration as trademarks.

While in the past it had not been unheard of to register a sound mark in Canada (Capitol Records had something akin to a sound mark registered in 1989), for a long time the Trademarks Office had been refusing them. The office changed its position in Spring 2012, when it was compelled by the federal court to register a ROARING LION sound trademark filed by Metro-Goldwyn-Meyer (MGM).

It had been a long road for MGM, which originally filed the ROARING LION sound trademark application in 1992. The application had initially been rejected on the basis that a trademark must be visual in order to be registered in Canada. On issuance of the court's decision, the Trademarks Office almost immediately issued a practice notice explaining its reformed position with respect to sound marks.

There is no indication in the practice notice that there is a higher burden of proof for a sound mark, as opposed to a traditional trademark application (ie, a requirement to demonstrate acquired distinctiveness). The practice notice does provide reassurance that the standard bars to registration apply (ie, functional and/or descriptive sounds cannot function as trademarks).

Since the issuance of the practice notice, sound mark applications have been trickling into the Trademarks Office, as innovative brand managers are recognising that utilising sound mark applications as part of the brand protection arsenal can be a useful tool in assisting brand owners to differentiate themselves in the marketplace. Such sound marks can readily be used in conjunction with Canada's extensive scope of protection for other non-traditional trademarks, such as colour, distinguishing guises, three-dimensional shapes and telephone numbers.

Patents: Canada's unique sound prediction disclosure requirement

Just as for patents in other jurisdictions, a valid Canadian patent must satisfy three key requirements:

- novelty;
- non-obviousness; and
- utility.

Whereas novelty and non-obviousness relate to measuring inventors' contributions against the state of the art, utility relates to what result the invention would actually achieve and whether following the directions provided in the patent to put the invention into practice would actually achieve that result.

It has long been acceptable, if an actual demonstration of utility has not yet been conducted as at the patent filing date, to underpin the utility of the patent with a prediction that the invention would work. This is particularly common in pharmaceutical patents – and not just in Canada – where actual demonstration of utility during clinical trials can take a long time.

The prediction itself must be sound. In *Apotex v Wellcome Foundation Ltd* (2002 SCC 77), the Supreme Court of Canada specified the three requirements for a sound prediction:

- factual basis for the prediction;
- a sound line of reasoning; and
- proper disclosure.

The proper disclosure requirement had, until recently, generally been taken as a reiteration of the well-known requirement that the patent disclose enough information for a skilled reader to put the invention into practice. However, in *Eli Lilly Canada Inc v Apotex Inc* (2009 FCA 97) the Federal Court of Appeal agreed with a holding by the Federal Court Trial Division that the proper disclosure requirement for sound prediction actually means that the patent itself must properly disclose the factual basis and the sound line of reasoning.

Since a 1981 Supreme Court decision in *Consolboard Inc v MacMillan Bloedel (Sask) Ltd* (1 SCR 504), it had been the general understanding that a patent disclosure does not itself have to include evidence of the invention's utility. As such, the Federal Court of Appeal's 2009 *Lilly* decision established a distinction between the disclosure requirement for patents having actually demonstrated utility (the Consolboard decision dealt with an invention whose utility had actually been demonstrated) and the heightened disclosure requirement for patents having utility based on a sound prediction. This distinction appears to remain in force following the Supreme Court's most recent statement on disclosure in *Teva Canada Ltd v Pfizer Canada Inc* (2012 SCC 60). In *Teva* the Supreme Court found that the utility of the patent at issue had actually been demonstrated, and it explicitly declined to address the heightened disclosure requirement for soundly predicted utility.

This heightened disclosure requirement sets Canada somewhat apart from other similar patent-granting jurisdictions. For example, inclusion of evidence supporting sound prediction of utility is not required in a US patent; it is well established that should a US Patent and Trademark Office examiner or US court require it, extrinsic evidence can be furnished when requested. Similarly, it is well established that the European Patent Office will accept and consider evidence supporting utility based on sound prediction that is not itself part of the application's disclosure. A similar position has been adopted by the House of Lords in connection with European patents being enforced in the United Kingdom.

Canada's heightened disclosure requirement for soundly predicting utility represents a powerful opportunity to challenge the validity of a Canadian patent. The effectiveness of this opportunity is proven: patent challenges for lack of utility due to a failure to satisfy this requirement have been successful in invalidating patents in a number of pharmaceutical cases heard since Lilly. Accordingly, those seeking Canadian patent protection will want to consider adapting accordingly. As part of a portfolio management strategy, for example, patent filers may want to set aside time well before a priority period expires for reviewing and perhaps modifying their patent applications for Canadian purposes, with a view to ensuring that there is proper disclosure.

Trade and the IP landscape

In addition to enacting comprehensive copyright reform, the prime minister is showing a willingness to revamp Canada's other IP laws. In May 2012, with a view to increasing Canadian innovation, the House of Commons began a review of the effectiveness of the current IP regime in Canada. The ongoing review dovetails with Canada's negotiation of its largest free trade agreement since the North American Free Trade Agreement in 1993, which devotes considerable attention to intellectual property.

Canada's most immediate trade priority is the Canada-EU Comprehensive Economic and Trade Agreement. The negotiations have been going on for more than four years. A 2009 leaked text of the agreement reveals that the European Union would like Canada to harmonise its IP system with that of Europe for IP enforcement and all types of intellectual property.

Most contentious is a series of provisions which would expand IP protection for pharmaceuticals. Specifically, the European Union would like Canada to:

- expand its data exclusivity;
- implement a patent term extension regime; and
- ensure that brands have an opportunity to appeal the results of patent linkage proceedings.

Whether Canada agrees to these demands will ultimately be a political decision.

On the horizon beyond the Canada-EU Comprehensive Economic and Trade Agreement is a series of bilateral trade agreements, with an emphasis on Asian countries such as India, China and Japan, and a large multilateral agreement called the Trans-Pacific Partnership. In 2011 text of an IP chapter of the Trans-Pacific Partnership proposed by the United States was leaked, and significant enhancements to the scope of IP protection that partnership countries will negotiate, covering all aspects of intellectual property, were revealed. Canada is open to including intellectual property in its bilateral trade agreements beyond the Canada-EU Comprehensive Economic and Trade Agreement, although only time will tell whether its agreements with other countries encompass IP issues.

Conclusion

These are unsettled times for intellectual property in Canada. The message being promulgated is that Canada will always seek a unique 'Canadian balance' between the dual objectives of innovation and access that pervade all forms of intellectual property. Only time will tell whether the Canadian government, in pursuing its trade agenda, will steadfastly pursue a balance that is worthy of the 21st century. *iam*

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