



IP CONNECTIONS

CANADIAN INTELLECTUAL PROPERTY & TECHNOLOGY LAW NEWSLETTER

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Stopping infringing products at the Canadian border

It's widely recognized that the best place to stop the distribution of imported products that infringe intellectual property is at the border before they enter the domestic market. However, customs officers in Canada do not have any inherent mandate or power to monitor for or detain such products. Further, unlike many countries, Canada has no formal system for recording IP rights or information that may help customs officers to detect infringing products.

That being said, there are civil court procedures and some pragmatic, informal possibilities open to IP owners in Canada. The following is a discussion of the relief available through civil proceedings, pragmatic steps that may be taken to increase the likelihood of border enforcement by customs and law enforcement, and reform initiatives being undertaken by the Canadian government.

Civil enforcement provisions. There are provisions in certain Canadian IP statutes that deal specifically with the importation of infringing products. Specifically, there are provisions dealing with interim detention of such products by the Canadian Border Services Agency (CBSA) in the *Trade-marks Act*, *Copyright Act* and *Integrated Circuit Topographies Act*. There are also provisions that make it clear that importation of

infringing products is itself infringement in the *Copyright Act*, *Industrial Design Act* and *Integrated Circuit Topographies Act*.

A CBSA memorandum (D19-4-3) “outlines and explains the legislation governing the role of ... CBSA ... in dealing with counterfeit trademark goods or pirated copyright goods.”

The problem with the existing provisions as interpreted by CBSA is that they are viewed as being directed toward stopping particular shipments of infringing goods. Rights holders will seldom have sufficient information to provide all information requested by CBSA under the provisions. Further, while there are provisions for interim custody by CBSA, a decision from a Canadian court is ultimately required to deal with disposition of the infringing products.

The full text of CBSA memorandum D19-4-3 may be found at <http://www.cbsa-asfc.gc.ca/publications/dm-md/d19/d19-4-3-eng.pdf>.

Proceedings under these provisions should be considered by rights holders when information is available regarding particular shipments or continuing supply or distribution logistics of infringers. In addition, rights holders may consider obtaining an order from a Canadian court directing that infringing products be stopped at the border in respect of IP for

which there are clear provisions making it unlawful to import such products.

In the case of patent rights, while there are no express provisions against importation and interim custody by CBSA may not be available, it is possible to obtain a final order from a court declaring that importation by specified defendants is unlawful and enjoining them from doing so.

Pragmatic possibilities. CBSA and many of its customs officers have long recognized the benefit of stopping infringing products at the border. However, difficulties faced by customs officers include strict legislated prohibitions against disclosing customs information to others. To overcome this problem, CBSA works with the Royal Canadian Mounted Police (RCMP) to prevent importation of counterfeit and pirated products.

“Passing off” products bearing infringing reproductions of trade-marks and distribution of pirated copyright works constitute criminal offences in Canada. Accordingly, when such products are detected by CBSA, customs officers may bring the products to the attention of the RCMP. RCMP officers are able to communicate with the owners of relevant IP to further investigations, which may ultimately lead to seizure and destruction of the products and charges against importers. Similarly, when customs officers detect products that may be a health or safety concern, they work with Health Canada and the RCMP to prevent importation.

To facilitate investigations, CBSA and the RCMP have set up joint forces operations at some major ports in Canada. Through those operations, dedicated RCMP officers work with customs officers to increase the efficiency of dealing with infringing and hazardous products.

When counterfeit or pirated products are detected, customs officers may also take action on their own if there is a breach of customs laws or other legislative provisions dealing with importation of products into Canada.

While cooperation between CBSA, the RCMP and Health Canada provides a means for addressing the problem of importation of counterfeit and pirated products, the fact remains that CBSA does not have a mandate to investigate or detain such products, and no resources are officially dedicated to such efforts. Accordingly, there are no formal programs for tracking detection or detention of counterfeit and pirated products or for

training customs officers in detecting or investigating such products.

There are, however, ad hoc opportunities to provide information to CBSA and the RCMP regarding counterfeit and pirated products. For instance, the Canadian Anti-Counterfeit Network (CACN), in cooperation with CBSA, the RCMP and Health Canada, has been providing a venue for IP crime education and product identification training for several years. Recently, CACN has undertaken an annual “CACN Reality Tour.” The Tour has crossed the country providing opportunities for IP crime and product identification training and has facilitated meetings with government officials and provided public education through press events and seminars in schools. Those having problems with counterfeit or pirated products in Canada may wish to consider contacting or joining CACN through its website at cacn.ca.

Some Canadian law firms, including Smart & Biggar, have hosted seminars and product identification training sessions. The sessions are generally well-attended by RCMP and CBSA officers as well as rights holders, government officials, prosecutors and others with an interest in addressing the IP crime problem in Canada.

In addition to training and the provision of information through these types of events, it is also possible to communicate directly with law enforcement in Canada. A procedure is available for making IP-related complaints to the RCMP. Further, both the RCMP and CBSA will informally receive information that may be useful in detecting counterfeit or pirated products at the border such as detailed product identification materials or information relating to supply lines. The latter may be particularly useful in detecting counterfeit and pirated products, e.g. when a particular brand is produced domestically and should not be subject to importation, or when a product only enters Canada through one port or is always addressed to a single recipient. Such information can greatly assist customs officers in detecting suspicious products.

Civil or government enforcement? The likelihood of government (CBSA/RCMP/Health Canada) enforcement can be influenced by a number of factors, including: whether a case involves products that raise health, safety or environmental issues; if links can be shown between the counterfeit or pirated products and a criminal organization; or, if the volume and value of counterfeit products at issue is significant.

In deciding whether to pursue civil or government enforcement, these factors should be considered. Clearly, if there is a health or safety concern, CBSA, the RCMP and/or Health Canada should be contacted promptly. If there are organized crime connections, the RCMP or other police force should be contacted before any steps are taken on the civil side. Government and civil enforcement are not mutually exclusive options, and in many cases it will make sense to proceed with both. However, rights holders should be patient and pragmatic when customs or criminal investigations are proceeding since actions on the civil side may disrupt such investigations.

As a practical matter, regardless of whether a civil program is being implemented in Canada, in any instance where there is a problem with importation of counterfeit or pirated products, there is little downside (if any) to providing information and training to Canadian customs and law enforcement officers.

Reform initiatives. There has been considerable work done by the government of Canada

in considering reform of Canada's system for addressing importation of counterfeit and pirated products, and a draft bill is expected in the foreseeable future. However, delays have been encountered due to elections, prorogation of Parliament and priorities being placed on other matters.

Canada is also one of a group of countries considering a treaty to deal with the problem of international trade in counterfeit and pirated products. Text of the draft "Anti-Counterfeiting Trade Agreement" has recently been released and may be viewed at http://www.international.gc.ca/trade-agreements-accords-commerciaux/fo/intellect_property.aspx.

There is hope for reform of Canada's IP border system. In the meantime, the pragmatic steps discussed above may be taken to manage — and ideally quash — the importation of infringing products into Canada.

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Front-of-the-line treatment of “green innovations” coming soon to the Canadian Intellectual Property Office



Increased focus on so-called “green” or “clean” technological solutions, such as those relating to the environmental, biotechnology and energy sectors, creates a number of opportunities for companies innovating in these areas. To block competitors from the marketplace, a common commercial strategy is to obtain patent protection to exclude others from making, using and selling their patented technologies. Because patents can be powerful tools for corporate growth and marketability, the creation and maintenance of a patent portfolio can increase the value of a company, help attract investors and earn revenue through licensing and strategic partnerships. Such advantages of patenting are particularly important for companies innovating in the green technology sectors because the nature of their innovations may necessitate greater time and investment before achieving commercialization.

The process of obtaining a patent in Canada begins with the applicant (or the applicant's patent agent) first drafting a patent application and filing it with the Canadian Intellectual

Property Office (CIPO). In Canada, patent applications are normally examined sequentially according to the date on which examination was requested. One of the main procedural challenges that applicants face upon filing a patent application is lengthy processing and prosecution times. Under regular Canadian examination procedures, it may be several years before the Examiner issues a first substantive Office Action in connection with the filed application, which may be followed by several years of prosecution before the applicant is awarded a Canadian patent — depending, for example, on the complexity of the potential invention and the state of the prior art. Because green technology innovations may integrate several pre-existing technologies from various scientific and engineering disciplines, it can be a more challenging and lengthy process to convince the Examiner that the proposed invention is novel and non-obvious in view of the prior art, both requirements for obtaining a Canadian patent.

Under the current *Patent Rules*, the Commissioner of Patents has the authority to accelerate the examination of a patent application out of order if the applicant meets certain criteria, including filing a request, paying a fee and showing that failure to advance the application is likely to prejudice the applicant's rights. The current Patent Prosecution Highway (PPH) program provides another avenue for advancing the examination of an application out of turn if an applicant receives allowance in connection with a corresponding application from certain foreign patent offices, including the United States Patent and Trademark Office. Both of these patenting strategies may be available to green technology applicants if they meet the requisite criteria.

Yet another alternative within the Canadian patent regime for expediting patent applications may soon be open to companies with green innovations. In view of increasing global importance of green technologies, and in an effort to encourage further investment in such technologies, CIPO announced on May 19, 2010, that it is developing a targeted program for accelerating the examination of green patent applications. The program will be implemented by way of proposed amendments to the *Patent Rules* and will be published for a consultation period in the fall of 2010. CIPO has indicated that the proposed amendments to the *Patent Rules* are in line with the Government of Canada's priorities on science and technology, supporting the growth of small and medium-sized businesses, developing a clean energy economy and

taking government action on global warming and capacity building. CIPO has further indicated that expediting the prosecution of patent applications relating to green technologies within the Canadian intellectual property system will foster investment and the advancement of commercialization of technologies that could help mitigate environmental impact, which could lead to the conservation of the natural environment and resources.

Under the proposed initiative, no additional fee would be required for advancing the examination of green technology patent applications. To be granted access to the expedited procedure, an applicant will simply need to submit a declaration stating that the application relates to "a technology which could help to resolve or mitigate environmental impacts or conserve the natural environment and resources if commercialized." Under the proposed new service standards, CIPO would aim to produce a substantive Office Action for expedited applications within two months of receipt of the applicant's request for expedited examination or a response to an Office Action. This proposed period is substantially shorter than the typical two-to five-year examination phase under regular examination procedures. A response from the applicant to the Office Action will be required within three months of the date of receipt of the Office Action. Furthermore, it has been proposed that if an applicant should cause any delay to occur during the prosecution by, for example, allowing the application to go abandoned, the Commissioner will not advance the application for examination out of this routine order or will return it to its routine order. At this early stage of the initiative, no other requirements have been identified by CIPO.

CIPO's proposed green technology initiative appears to be in line with similar initiatives recently implemented by various other national patent offices, including offices in the United States, Australia, Japan, China, Korea and the United Kingdom. However, all of these jurisdictions have their own requirements for entry into the program, including definitions of what technologies are eligible for expedited examination, what types of applications qualify and what types of claims may be included.

CIPO's proposed amendments may be regarded as a way to stimulate the creation and protection of green technologies by providing efficient access to Canada's strong intellectual property regime. The amendments may be further viewed as an effort to assist in

contributing to an effective response to environmental issues by helping to ensure that environmentally beneficial technologies reach the marketplace more rapidly. As the green initiatives at CIPO and other patent offices further develop, there may be also a potential in the future for harmonization to speed up the prosecution of foreign corresponding applications, an approach similar to that currently available under the PPH programs. This option may be particularly attractive for start-up or emerging companies with green technology platforms for which a patented technology or a portfolio of technologies may be of paramount importance for securing investment or strategic partnerships.

However, as is true with the PPH programs, the accelerated green patenting initiatives may not be appropriate for all green technology patent applications as other avenues within the patent system to expedite examination and to maximize claim scope may be a better

fit for a particular applicant. It is advisable that green technology applicants consult a patent attorney in the jurisdiction of interest before committing to a particular patenting strategy.

The success of CIPO's green patenting initiative and related initiatives at foreign patent offices remains to be seen and may be dependent on how receptive applicants are to using such programs, how well the programs address the applicants' patenting needs and how effectively the applicants may deal with any restrictions imposed. Regardless of whether companies with green innovations participate in the fast-track examination initiatives, they are well-positioned to prosper as global endorsement and stimulus relating to this sector will likely continue to intensify in the near term.

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Modernization of the *Copyright Act*

On June 2, 2010, the government of Canada introduced Bill C-32, which aims to modernize Canada's *Copyright Act* to better address the challenges and opportunities presented by the digital technologies of the information age. This Bill is the Canadian government's third attempt at modernizing Canada's copyright laws. In 2005, the Liberal government introduced Bill C-60, which died when Parliament was dissolved in the fall of that year. In 2008, the Conservative government introduced Bill C-61, which also died when Parliament was prorogued later that year.

More specifically, Bill C-32 proposes to amend the *Copyright Act* to provide some of the following measures.

Protection against circumvention of Technological Protection Measures.

Technological Protection Measures (TPMs), also known as "digital locks," are software-implemented mechanisms that are intended to limit the unauthorized use, copying or transcoding of digitally distributed content. Examples of TPMs include the encryption systems that cable and satellite companies use to limit access to certain channels to paying subscribers and the encryption systems used to prevent an individual from copying a movie from a DVD to a home computer.

Bill C-32 would amend the *Copyright Act* to prohibit the circumvention of a TPM, the

offering of services provided primarily for the purpose of circumventing a TPM, and the manufacturing, importing or providing of any technology, device or component produced primarily for the purpose of circumventing a TPM.

The Bill contains exceptions to the prohibitions on circumvention to allow for, among other things: making a computer program interoperable with another computer program, carrying out encryption research, assessing and correcting security vulnerabilities of computer systems, enabling persons with perceptual abilities to access materials, and determining whether a TPM allows personal information to be gathered.

Expanded secondary infringement. The existing secondary infringement provisions of the *Copyright Act* prohibit selling, renting, distributing or importing works that infringe copyright in Canada. Bill C-32 would extend the secondary infringement provisions to specifically include online services. Specifically, the Bill creates a new cause of action against a person who provides, by means of the internet or another digital network, a service that the person knows or should have known is designed primarily to enable acts of copyright infringement if an actual infringement of copyright occurs as a result of the use of that service. The new provisions are aimed at





illegitimate online file-sharing services, including illegal peer-to-peer file sharing sites. The Bill provides guidance for distinguishing between legitimate and illegitimate service providers through the following non-exhaustive set of factors:

- (a) whether the person expressly or implicitly marketed or promoted the service as one that could be used to enable acts of copyright infringement;
- (b) whether the person had knowledge that the service was used to enable a significant number of acts of copyright infringement;
- (c) whether the service has significant uses other than to enable acts of copyright infringement;
- (d) the person's ability, as part of providing the service, to limit acts of copyright infringement, and any action taken by the person to do so;
- (e) any benefits the person received as a result of enabling the acts of copyright infringement; and,
- (f) the economic viability of the provision of the service if it were not used to enable acts of copyright infringement.

Clarification of the roles and responsibilities of network service providers. Bill C-32 would amend the *Copyright Act* to add a general provision that persons who, in providing services related to the operation of the internet or another digital network provide any means for the telecommunication or the reproduction of a work, do not solely by reason of providing those means infringe copyright in that work.

Bill C-32 would also specifically provide that service providers who cache a work or who provide digital memory in which another person stores the work do not by virtue of that act alone infringe copyright in that work.

Nonetheless, the network service providers as well as providers of information location tools would be required to comply with a mandatory "notice-and-notice" regime in response to complaints from rights holders about allegedly infringing activity by end users. Specifically, under this regime, a service provider who receives a notice from an owner of a copyrighted work alleging that one of the service provider's subscribers (identified by an electronic location) is engaged in infringing activity must forward that notice to the identified subscriber. The service provider may charge a fee for doing so. The provider is not required

to disclose the identity of the subscriber but must retain records for six months that will allow the identity of the person to whom the electronic location belongs to be determined. If the notice is not sent, the copyright owner's only remedy against the service provider is statutory damages in an amount that the Court considers just, but not less than \$5,000 and not more than \$10,000.

Limitation of statutory damages in non-commercial cases. Bill C-32 would institute a cap on statutory damages in the case of non-commercial copyright infringement by individuals. Specifically, the Court would have the discretion to impose statutory damages ranging from a minimum of \$100 to a maximum of \$5,000 for all works, as opposed to a maximum of \$20,000 per work, as currently applies for both commercial and non-commercial cases of infringement by individuals.

Exceptions for certain non-commercial private uses of copyrighted material. The Bill gives consumers the ability, under certain circumstances, to:

- copy content from one medium or device to another (i.e. format shift) — for example, copying the contents of a music CD to an MP3 player;
- record content for later viewing or listening (i.e. time shift) — for example, recording a TV show for later viewing;
- reproduce content for backup purposes;
- create and upload "mash-ups" and other new works using existing works.

Persons carrying out the above activities would not be liable for copyright infringement if they perform these acts for their private use and have not broken a TPM or "digital lock." to do so. These exceptions are technologically neutral, meaning that the Bill does not restrict the types of devices and formats that can be used.

The Bill also ensures that digital locks on wireless devices will not prevent Canadians from switching between wireless service providers. This will not affect any obligations under an existing contract.

Other exceptions. The Bill would also create new exceptions to permit, in certain circumstances:

- temporary reproduction of a work where the reproduction forms an essential part of a technological process, the reproduction's only purpose is to facilitate a use that is not an infringement of copyright, and the reproduction exists only for the duration of the technological process;

- reproduction of a work for the purpose of encryption research if it would not be practical to carry out the research without making the copy, the work was lawfully obtained, and the owner of the copyrighted work has been informed;
- reproduction of a work for the sole purpose, with the consent of the owner or administrator of a computer, computer system or computer network, of assessing the vulnerability of the computer, system or network or of correcting any security flaws;
- reproduction of a work by a non-profit organization acting for the benefit of persons with a print disability, in a format specially designed for persons with a print disability, and sending the copy to a non-profit organization in another country for use by persons with print disabilities in that country.

In addition, the Bill would create three new categories of fair-dealing exceptions: education, parody and satire. These would be

in addition to the existing fair-dealing exceptions, namely research and private study, criticism and review, and news reporting. Specific guidelines are not given for these new fair-dealing exceptions.

Like its predecessors, Bill C-32 has come under criticism from various stakeholder groups. One of the more controversial elements of the Bill is its TPM regime, which some argue undermines consumer rights such as the proposed private copying exceptions. Others have expressed concern regarding the “notice-and-notice” regime in the Bill and the ability to enforce against online infringement of copyright in a cost-effective manner.

While Bill C-32 represents a fair attempt to address complex technological challenges while balancing the competing interests of various stakeholder groups, the Bill will likely nevertheless require further fine-tuning, and its scrutiny will continue for months to come.

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Recent developments in brief

Proposed changes to regulatory framework of opposition proceedings. In an effort to improve, streamline and modernize opposition proceedings in Canada, the Canadian Intellectual Property Office (CIPO) is proposing a number of regulatory amendments, including the following main changes. First, the electronic service and filing of evidence would be permitted. Second, CIPO is considering the deletion of Rule 43, which allows an opponent to file reply evidence as of right. Third, with respect to cross-examinations, CIPO is suggesting a three-month deadline for both parties to conduct cross-examinations following the sequential filing of evidence by the parties. Fourth, CIPO’s current practice of issuing a notice setting an administrative deadline for the parties to file written arguments would be abolished and replaced with prescribed deadlines for the sequential filing and service of written arguments. More specifically, the opponent would face a three-month deadline following the completion of cross-examinations to file and serve its written argument, and the applicant would then face a three-month deadline to file and serve its written argument.

New Competition Bureau Enforcement Guidelines for “Made in Canada” and “Product of Canada” claims. On July 1, 2010,

new Enforcement Guidelines came into effect concerning “Made in Canada” and “Product of Canada” claims on all non-food products (such claims on food products are subject to different guidelines set by the Canadian Food Inspection Agency). To use the “Made in Canada” claim, the last substantial transformation of the product must have occurred in Canada, and at least 51% of the total direct costs of making the product must have been incurred in Canada. For the “Product of Canada” claim, the last substantial transformation of the product must have occurred in Canada and at least 98% of the total direct costs of making the product must have been incurred in Canada. The guidelines explain that a product is “substantially transformed” if there is a fundamental change in form, appearance or nature resulting in a product that is new and different from the product that existed before the change. As for “direct costs,” these are defined as being “expenditures on materials incurred by the producer/manufacturer in the production/manufacture of the product” and “expenditures on labour incurred by the producer/manufacturer that relate to the production or manufacture of the product and can reasonably be allocated to the production or manufacture of the product.”

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Smart & Biggar/Fetherstonhaugh has been named Canadian Copyright Firm of the Year for 2010 by U.K. publication *Managing Intellectual Property* magazine (MIP). The awards were presented at MIP's annual North America Awards ceremony, held on April 16th in Washington, DC. MIP has for several years recognized Smart & Biggar/ Fetherstonhaugh as a highly ranked IP firm in patents, trade-marks and copyrights.

With over 100 professionals in four offices, Smart & Biggar is Canada's largest firm practising exclusively in intellectual property and technology law. Related to the patent and trade-mark agency firm Fetherstonhaugh through common partners, offices and personnel, we have been leaders in our field for over a century.

Virtually every member of our firm has an engineering or scientific educational background and over one-third also have post-graduate degrees. More than two-thirds of our firm members, including most of our lawyers, are registered patent agents.

Our technical depth and record of superior service are the reasons Canada's most innovative corporations and law firms look to Smart & Biggar/Fetherstonhaugh for a full range of intellectual property and technology law services including:

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