

# CANADIAN IP-LAW

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## Patents

In Canada, patents are governed by the federal Patent Act. However, certain aspects of patented matter – e.g. questions dealing with ownership and property - may be subject to otherwise subordinate provincial law where there are no governing provisions in the Patent Act.

The grant of a patent follows the so called “bargain theory”: in exchange for providing a monopoly for the use of the invention for the duration of the patent, the inventor is obligated to fully disclose and describe the invention so that all Canadians may benefit from this advance in knowledge and technology. This disclosure is effected by laying the invention open to the public 18 months after the filing or priority date – whichever is earlier.

Patents are granted on inventions, which are defined in Section 2 of the Patent Act as

*“any new and useful art, process, machine, manufacture or composition of matter, or any new and useful improvement in any art, process, machine, manufacture or composition of matter”.*

The subject matter of an invention must therefore be new, useful and unobvious. Subject matter that is deemed unpatentable include laws of nature, methods of medical treatment, scientific principles, abstract theorems and possibly business methods. Computer programs are unpatentable to the extent that the discovery is a method of calculation only, as such unapplied mathematical formulae are considered equivalent to scientific principles.

Novelty is lost upon prior disclosure of the subject matter to the public “in Canada or elsewhere”. In the event the disclosure originates from the inventor or under his or her influence, the filing of a patent for the disclosed invention remains possible within a grace period of one year from the date of disclosure. However, the inventor may lose his or her right to file for a patent in other countries which insist on the absolute novelty of the invention and do not allow a grace period before the application is filed. An invention must further be unobvious and constitute more than a mere workshop improvement in that at least some degree of inventive ingenuity is required.

Under the Paris Convention an applicant is able to claim the priority date of an application in any of the subscribing countries if further applications in other member countries are made within 12-months of the first application. Furthermore, the Patent Cooperation Treaty allows for the filing of a patent in as many as 115 member countries through a single Canadian application.

Canada has abandoned the “first-to-invent” system in favour of the “first-to-file” system. After filing a patent application, the inventor must formally request examination, as in Canada it will not be effected automatically. If such request is not made within 5 years of the filing date, the

application is considered abandoned. The examination process can take up to 2 to 3 years. The refusal to grant a patent by the Commissioner of Patents is subject to an appeal to the Patent Appeal Board and subsequently the Federal Court.

A patent once granted gives the owner the exclusive right and monopoly throughout the duration of the patent protection to use, sell and exploit the invention and at the same time to exclude others from doing same. Patent protection is granted for 20 years from the filing date, although patents applied for before October 1, 1989 are protected for only 17 years from the date of registration. Ownership of any right arising from a patent registration usually belongs to the inventor or any person he or she has assigned his or her rights to. Assignees of patents must be recorded at the Patent Office in order for the assignment to be formally acknowledged and enforceable by that entity.

Patent infringement enables the patentee or assignee to sue for damages including those which incurred between the date of the opening of the patent claims to public inspection (18 months after the filing date) and the formal grant of the patent. The defendant in any infringement action may argue in turn that the patent is invalid. Apart from using this argument as part of a defence, however, any person and especially somebody anticipating that a patent infringement action may be brought against him or her can bring an action before the Federal Court and either contest the validity of the patent or request a declaration that his or her actions do not constitute an infringement.

Upon application by the Attorney General of Canada or any third party after the expiration of three years from the date of the grant of a patent the Commissioner may order a compulsory license be issued on the invention if an "abuse of patent rights" is established. It is considered that such an abuse is established if the demand for the patented article in Canada is not being met, or trade is hindered by the refusal of the patentee to grant licenses on the patented article, or trade or third persons are prejudiced by the conditions set by the patentee. In theory such abuse can even lead to the revocation of a patent although no such case has ever been recorded.

### Trademarks

Canada was among the first countries to recognise the importance of trademarks, enacting the *Act Respecting Trademarks* in 1860. Today trademarks are governed by the federal Trademark Act. A trademark is defined as any mark consisting of words and/or symbols used by a person to distinguish his or her goods or services from those of others. As such trademarks represent not only the actual products of a company but also the associated goodwill, which is why they are considered such valuable intellectual property.

The Canadian Trademark system contains some significant differences with most European systems. Apart from certain prohibited terms, symbols and denominations, trademarks cannot consist of purely descriptive elements nor the name of the goods or services for which the trademark is being used, which is consistent with the European approach. However, according to the Canadian Trademark Act, trademarks are excluded from registration if they provoke a risk of confusion with an existing registered or prior pending trademark. This condition of registrability is quite different from most European systems and especially the Community Trademark Regulations where the question of possible confusion with existing trademarks is only raised in opposition or cancellation proceedings, and in addition only at the instigation of third parties. On the other hand, such cancellation proceedings on grounds of a risk of confusion with a prior trademark can be initiated indefinitely in Europe whereas the Canadian Trademark Act provides

for incontestability of a trademark registration despite the prior use of a similar trademark once 5 years have passed from the registration date.

Furthermore, registration requires prior use (or the seldom employed making known) of the trademark in Canada or a country of the Paris Union or the WTO, as opposed to most European countries where use is not a requirement for registration. Use in Europe does serve as a defence in opposition proceedings as well as provide grounds for independent cancellation proceedings. Inasmuch as rights are based on and commence as of the use of a trademark it is very important to prove the precise date of first use in Canada before filing the application. However, there is a noteworthy exception to the requirement of use as it is possible to apply for registration of a proposed trademark. Proposed trademarks are marks that have not yet been used at the time of filing the application and may be registered if the applicant provides a declaration that use has been initiated no later than either 6 months after the request for such declaration or 3 years from the filing of the application – whichever is later.

Unlike most countries in Europe, Canada has not adopted any of the classification systems for goods and services. The goods and services for which trademark registration is being applied have to be set out in detail and in ordinary commercial terms whereas broad general terms – as in European applications - may not be used. Likewise the date of first use has to be specified for every single item the trademark is being registered for, although a common date of first use can be given for goods in the same general category.

Trademarks are subject to licensing by formal or informal agreements between the owner and any third party. However, licensing is generally considered as resulting in a loss of distinctiveness and therefore even jeopardizing the validity of a trademark if not effected in a proper fashion. An amendment to the Trademark Act in 1993 determined that use of a trademark by a licensee is considered to have the same effect as use by the owner – therefore preventing loss of distinctiveness - if the owner maintains control of the character and quality of the goods and services. If in addition the fact of the license and the identity of the owner are made public, by way of a public notice, a presumption arises that the owner is in control of the character and quality of the goods and services.

After the advertisement of a trademark any third party has the right to oppose registration on the grounds of prior use of a confusingly similar trademark or trade-name. As mentioned a registration becomes incontestable despite the previous use of a confusing trademark once 5 years have passed from the date of registration. However, a trademark registration may still be subject to expungement due to lack of use. Trademarks are protected for a duration of 15 years and the registration may be extended indefinitely for further 15 year periods.

Canada is a signatory to the Paris Convention which allows one to obtain the benefit of national priority dates in the event of subsequent application for registration of a particular trademark in other member states. However, Canada has not yet signed the Madrid Agreement and Protocol which allow for registration of internationally registered trademarks based on a single application as opposed to a multitude of independent national applications. Ratification is being discussed presently and will probably occur in the not very distant future.

### Copyright

Canadian copyright is governed by the federal Copyright Act although the Act leaves some issues unaddressed which are therefore subject to both the common and provincial law.

Copyright arises from any creation of an original literary, dramatic, musical or artistic work, performer's performance, broadcast and sound recording. The criteria of originality requires that the work originate from the author and involve some intellectual effort. Copyright is further restricted to the expression of the work in a fixed manner as opposed to mere ideas, plans or facts.

Copyright automatically exists upon creation of a work of art or other subject matter protected under the Copyright Act without requiring registration. The rights which arise include any and all forms of producing, reproducing, publishing, presenting and performing the work. Apart from these rights the author also has so called moral rights to the work which concern the integrity of the work and the owner's right to be associated with it. Whereas any and all works of copyright are subject to licensing and assignment, moral rights are not assignable although the Copyright Act provides for the possibility of a waiver by the author for the duration of the copyright. Assignment of copyright requires a written agreement that is signed by the author, while licensing is possible on an informal basis. In some European countries the assignment of copyrights has to be specified in detail with regard to the precise type of each of the copyrights and the extent to which each is to be transferred. Any doubt as to the precise type or extent of copyright is interpreted in favour of the author and therefore renders the assignment regarding the uncertain copyright invalid. In Canada even general terms can be sufficient to show the author's intention of transferring the copyright in his or her work.

Copyright generally lasts for the life of the author and 50 years following the end of the calendar year of the author's death, after which the work becomes part of the public domain. Works of copyright may be registered in the Copyright Office but registration is not a prerequisite for the creation or enforceability of the copyright, which is why copyright registries are not common in most European countries. There is also no deposit requirement to obtain registration in Canada.

Unlike the European copyright system which restricts the so called exhaustion of copyright to the territory of the European Community, Canadian law – copyright as well as trademark law - contains no such restriction, thus facilitating "parallel" or "gray" market imports considerably. However, gray market imports may constitute an infringement of Canadian copyright if the owner of the copyright in the country from where the imported goods originate and the Canadian copyright owner are not the same, as the latter in this case has not authorized the use of his or her copyright on the imported goods. This opens the possibility of restricting grey market imports by assigning the Canadian copyright to a resident business entity following which the import of original products from the associate abroad might constitute an infringement of the Canadian copyright, if the Canadian assignee did not consent, regardless of whether the product was purchased with the consent of the foreign copyright owner. In addition, the Canadian Federal court recently applied these principles in favour of a Canadian *licensee*, thereby granting the licensee more rights than the actual copyright owner, who could not have opposed the import as the products in question were purchased legally – with the owner's authorisation - outside Canada. The decision is under appeal but has fuelled much discussion regarding this possible new means of preventing gray market imports.

Due to Canada's implementation of the TRIPs Agreement, any work by an author from a signatory country to the Berne Convention or the WTO Agreement is also protected under the Canadian Copyright Act. The protection of foreign works of sound recordings, performances and broadcasts in Canada follows special requirements but is also provided for.

### Industrial Design

The Canadian Industrial Design Act provides that features of shape, configuration, pattern or ornamentation of any utilitarian object appealing solely to the eye can be registered as an industrial design. The registration creates exclusive rights to a particular design in favour of the creator or assignee for 10 years but is not renewable. Similar to one of the pre-conditions for patent protection, registration is refused if the design has been made public more than one year before filing the application. Furthermore, the registrar will reject any application for a design that is identical or closely similar to any registered design. The registration of an industrial design is an alternative for the creators of purely utilitarian, non-technical works which therefore do not meet the requirements for either patent or copyright protection. Due to the increasing consumer interest in the designs for just about every kind of day-to-day domestic or household product, designs of utilitarian goods may bear great commercial value which makes registration and protection essential.

### Trade Secrets

Trade secrets in Canada are protected under the common law rather than by statutory law. Nonetheless, the common law provides a very flexible and effective body of protection for trade secrets.

A trade secret is any information that is used in business or trade, is not known generally, has an economic value from not being known and is subject to reasonable efforts to be maintained as a secret. A trade secret can comprise any information set out, contained or embodied in, but not limited to, a formula, pattern, plan, compilation, computer program, method, technique, process, product, device or mechanism. Unlike other intellectual property, trade secrets require no disclosure or registration and have an indefinite lifespan.

Liability for a breach of confidence is established only if confidential information is imparted in circumstances importing an obligation of confidence and this confidence is broken by unauthorised use of the information, thereby causing damage to the party the information originated from. Therefore it is necessary to establish that use of the confidential information was effected in a wrongful manner. The remedies for breach of confidence include an award of damages, lost profits and injunctive relief. Damage claims can be directed at depreciation of the value of the information, needlessly spent development costs as well as incurred losses or unachieved economic advantage.

The importance of trade secrets and their protection become obvious when considering that the NAFTA, GATT and TRIPS treaties expressly or implicitly require their protection on an international level. The Canadian juristic approach – although lacking statutory provisions – nevertheless meets these treaties' requirements.

### Unfair Competition

Acts of unfair competition are codified, albeit not limited to, section 7 of the Canadian Trademarks Act. Principal among the acts of unfair competition is the tort of passing off. Passing off essentially holds that a person who represents his or her goods as being their goods and not those of the legitimate owner, which results in consumer deception, has committed an actionable wrong. Passing off relating to the use of trade indicia, confusion of goods and services, and the

use of false or misleading descriptions, has also been codified in section 7 of the Trademarks Act.

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