Crossing the Boundaries:
Overlaps of Intellectual Property Rights

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ABSTRACT

Overlaps of intellectual property rights are a phenomenon that is not yet fully understood and analyzed; yet it is an increasingly important issue due to development of new hybrid technologies that defy the established structure of the system. Despite the potential adverse effects this phenomenon can have on the integrity of the system, the problem of overlaps has been neglected in judicial and scholarly analyses.

This research presents the thesis that all uses of intellectual property rights should be viewed in light of their purposes. In other words, the phenomenon of overlapping intellectual property rights is not a problem *per se*; instead, it is the use of the rights for incompatible purposes that may be considered objectionable. The analyses use the concept of balance of rights as the measuring rod for assessment of the consequences resulting from use of the overlapping rights. Thus, the dissertation investigates how use of intellectual property rights associated with one segment of the system can affect carefully crafted balance of rights of various stakeholders in an overlapping segment and whether effectiveness of this segment to advance its purposes will be impeded by such use.

The analyses are also done with the aim to formulate a uniform answer to identified and potentially objectionable uses of overlapping rights in an attempt to provide the judiciary and law practitioners with analytical framework for resolving disputes involving overlaps in the intellectual property system. An adequate response to the challenge posed by improper use of overlapping intellectual property rights can be found in a properly construed doctrine of misuse of intellectual property rights. Because overlaps in the intellectual property system are a phenomenon that probably cannot be legislated in practical terms, this dissertation advocates adoption of a judicially created doctrine of misuse based on purposive analysis of intellectual property rights.

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I. INTRODUCTION

> We must stop thinking of intellectual property as an absolute and start thinking of it as a function—as a process, which, if it is to be successful, must meet diverse aims: the assurance of a fair reward to creators and inventors and the encouragement of research and creativity, on the one hand: and on the other hand, the widest possible dissemination of the ideas and products of which the world, and all the individuals in it, have such great need.
>
> Madam Justice Beverly McLachlin,
> Supreme Court of Canada[1]

Intellectual property is a very broad term that refers to a wide variety of intangible products of human creativity, inventiveness, and entrepreneurship. For years it has been debated whether such intangible creations could be legally construed as a form of property, but today this designation is commonly accepted. While legal similarities and differences between intellectual property and classic, or tangible property are numerous, one distinguishing characteristic is of particular importance: The existence of intellectual property is conceptually independent from the material form embedding the intangible aspect. Thus, for example, the sale of a book does not entail disposition of copyrights protecting the text of the book. Similarly, the sale of a product packaged in a box marked with a protected trademark does not transfer to the purchaser rights in that mark.

A. Structure of the intellectual property system

Intellectual property can be viewed as a structured system consisting of several segments. International treaties divide these segments into two categories: one category consists of

[1] Beverly McLachlin, "Intellectual Property—What's it all About?," in Gordon F. Henderson, ed. *Trade-Marks Law of Canada* (Toronto: Carswell, 1993) at 397.

copyrights and industrial designs; the other is comprised of patents, trademarks, trade names, geographical indications, and confidential information.[2] This dichotomy reflects the historical development of international protection for intellectual property in international treaties and does not accurately reflect the whole picture of intellectual property rights at the national level. Thus, in Canada, both statutes and common law provide protection for a wide variety of lesser-known intellectual property rights such as one's personality, circuit topography, or plant breed variety.

Not all intellectual property rights are born equal. From an economic perspective, the most important segments of the intellectual property system are patent rights, trademark rights, and copyrights. They are most often the object of intellectual property litigation and attract the most attention of legal thinkers. Other segments, while less prominent, play an important role in complementing these three core sections. They are less litigated and often neglected in legal literature, but are nonetheless necessary elements of the intellectual property landscape. Each segment of the intellectual property system is organized within a separate statutory regime or judicially established tort. Some, like trademark law, may even combine statutory and common law rights, reflecting specific historical developments of this segment. Different segments of the system are supposed to create different forms of limited monopolies over certain categories of intellectual creations preventing their unauthorized use or multiplication.

The system was never created as a uniform project. Instead, its segments developed independently at different times to achieve different objectives and perform different functions. For example, the roots of patents can be traced to ancient Greece where the oldest notion of rewarding inventors for discovery of things useful to the state was

[2] The international intellectual property system was built around the *Paris Convention for the Protection of Industrial Property*, 20 March 1883, 828 U.N.T.S. 305, as last revised at Stockholm, 14 July 1967 [Paris Convention], and the *Berne Convention for the Protection of Literary and Artistic Works*, 9 September 1886, 828 U.N.T.S. 22, as last revised at Paris, 24 July 1971 [Bern Convention]. These conventions separated patent, trademark and copyright domains in intellectual property and attempted to set a balance between incentives for creators, inventors, providers of wares and services, and public interest in free competition for each of the respective domains. National developments of intellectual property monopolies, however, are much older. Different segments of the system have developed independently either in common law or as *sui generis* statutory regimes for more than five centuries.

described in *Politics* by Aristotle.[3] In that book, Aristotle noted that such incentives "in the … arts and sciences have certainly been beneficial; medicine, for example, and gymnastic, and every other art and craft."[4] But these ideas did not find a fertile ground until 1474 when the Venetian Senate passed a statute establishing the first regulatory scheme for granting patents. It resembled the modern patent regimes by offering patent monopoly for a limited period of time on general rather than individual bases to any inventor of a new and useful invention.[5] The Act stated:

> BE IT ENACTED that, by the authority of this Council, every person who shall build any new and ingenious device in this City, not previously made in our Commonwealth, shall give notice of it to the office of our General Welfare Board when it has been reduced to perfection so that it can be used and operated. It being forbidden to every other person in any of our territories and towns to make any further device conforming with and similar to said one, without the consent and license of the author, for the term of 10 years.[6]

In this short provision, the legislator expressed the fundamental purpose of patent law: promotion of inventiveness leading to development of new and useful devices. The provision also established a reward for advancing that purpose: temporary monopoly in the legislature's jurisdictions. Both elements—the purpose and the reward—implemented in the law of the 15th century Venice are present in all modern patent regimes.

In contrast to patent rights' statutory origins, trademark rights were introduced not by a legislator as a statutory regime, but by the judiciary as the tort of passing off.[7] In *Perry v. Truefitt*,[8] the first modern pronouncement of the tort of passing off, the English Court of Chancery expressed the essential purpose of trademark rights:

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[3] *Aristotle`s Politics*, trans. by Benjamin Jowett, (NY: Modern Library, 1943), Book 2, Part VIII.
[4] *Ibid.*
[5] Giulio Mandich, "Venetian Patents (1450-1550)" (1948) 30 J. Pat. & Trademk. Off. Society 166 at 183.
[6] *Ibid.* at 177.
[7] *Southern v. How*, (1590), 2 Popham 144, 2 Rolle 28 (K.B.).
[8] (1842), 49 ER 749, 6 Beav. 66 [*Perry*].

> A man is not to sell his own goods under the pretence that they are the goods of another man; he cannot be permitted to practice such a deception, nor to use the means which contribute to that end. He cannot therefore be allowed to use names, marks, letters, or other indicia, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person.[9]

This pronouncement indicated the duality of the purposes behind trademark rights: one is the protection of purchasers from deceptive inducement to enter into a transaction for sale of a product or provision of services, and the other is the protection of other manufacturers or service providers who would be adversely affected by such pretences. Both purposes remain at the centre of the modern statutory and common law trademark law.

Ancestry of copyright law is similar to that of patent law. Both segments of the intellectual property system developed as statutory regimes and both were born at approximately the same time. Although writing was invented thousands of years ago, the idea of proprietary interest in the written word, as opposed to property rights in the object containing the writing, emerged in the beginning of the 16th century. Indeed, earlier copying of books and other written materials was a booming industry employing thousands of people who copied books by hand without any consideration for the authors' work.[10] At that time, the only proprietary right associated with a book was the right in the book itself. The first separation of intangible interest in a book from the classic property rights,[11] marking the birth of

[9] *Ibid*., at 752.

[10] A. Birrell, *Seven Lectures On the Law and History of Copyright in Books* (South Hackensack: Rothman Reprints, 1971) at 47-48; See also Mark Rose, *Authors and Owners: the Invention of Copyright* (Cambridge: Harvard University Press, 1993) at 9 [Rose, *Authors and Owners*], discussing a practice in the Middle Ages monasteries to charge a fee for permission to copy books in their collection; but that practice was a recognition of the right in "the manuscript as a physical object made of ink and parchment" and not of the right in the text itself.

[11] In 1557 the Stationer's Company, a minor guild of writers and illuminators, was granted a royal charter giving the company exclusive right to publish books. While this created a publishing monopoly in England, the rights granted did not extend to intangible interests in books. Instead, it created a monopoly in publishing industry and book trade. This development led to subsequent statutory copyright as a form of intangible interest. See Joseph Loewenstein, *The Author's Due: Printing and the Prehistory of Copyright* (Chicago: University of Chicago Press, 2002) at 30 and Rose, *Authors and Owners*, *ibid*. at 12-16.

copyright as a form of intellectual property, took place in the English *Statute of Anne* in 1710.[12] The Act stated:

> [F]or the Encouragement of Learned Men to Compose and Write useful Books; May it please Your Majesty, that it may be En-acted, and be it Enacted by the Queens most Excellent Majesty, … that the Author of any Book or Books already Composed and not Printed and Published, or that shall hereafter be Composed, and his Assignee, or Assigns, shall have the sole Liberty of Printing and Reprinting such Book and Books for the Term of fourteen Years, to Commence from the Day of the First Publishing the same, and no longer;

This provision of the statute leaves no doubt as to its purpose: copyright was to promote writing of new books by granting the authors exclusive rights to print and reprint their works for a limited period of time. Over the centuries, copyright law expanded greatly, bringing many new subject matters under its protective umbrella, but its purpose has not changed.

The purposes of intellectual property rights briefly described above remain largely unchanged since the creation of their respective segments and their interpretation by courts has also been generally consistent. But the rights exist in a changing environment and therefore have to be adjusted to ensure that their purposes are adequately promoted. Expanded scope of the rights and their increased variation, while inevitable, makes the entire system more complicated. This development often leads to confusion among scholars and law practitioners about what constitutes the purpose of the rights and what are the means to promote those purposes. For example, while the general purpose of copyright is to promote creativity in the form of copyright protected subject matters, this objective is promoted with a bundle of statutory rights, such as distribution and reproduction rights. But that does not mean that either commercialization of works or prevention of unauthorized reproduction is the purpose of copyright law. In fact, one might imagine copyright law

[12] *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* (UK), 8 Anne, c. 19 [*Statute of Anne*].

where its purpose of increased creativity is promoted without reproduction or distribution rights, or any proprietary rights for that matter. Such copyright law could still pursue its objective of increased creativity through a regulatory system with less restrictive means such as government grants. Some commentators already suggested the implementation of such regime.[13] While it is doubtful that such a system could be as effective in promoting creativity as the present regime is, those scholarly ideas highlight the fundamental difference between the purposes of intellectual property rights and the means of promoting them. Review of cases involving intellectual property overlaps indicate that this phenomenon is misunderstood when the rights granted in one segment of the intellectual property system are confused with the objectives they advance.[14] Therefore, effective analysis of intellectual property overlaps must ensure proper distinction between these two concepts. Fortunately, courts in Canada and other common law countries are still consistent with pronouncing and maintaining the original purposes of intellectual property rights.

B. Overlaps—birthmark of the intellectual property system

In light of such fragmented development of the intellectual property system, it is not surprising that for many years scholarly analysis of intellectual property law focused on its separate segments and customarily ignored interplays between different paradigms. But as the scope of each segment expanded, their boundaries began to overlap, which resulted in consequences that had not been anticipated at the time of their inception and the issue of intellectual property overlaps surfaced.

The compartmentalization of the intellectual property system inevitably leads to conflicts between its segments. In theory, each category of intellectual creations should belong in only one segment of the system and only to the extent authorized by relevant statutory provisions or judicial doctrines. When the statutory monopoly expires, most intellectual property rights should vest in the general public. In practice however, due to overlaps of the segments comprising intellectual property system, some of the creations or inventions have

[13] See e.g. Steve P. Calandrillo, "An Economic Analysis of Property Rights in Information: Justifications and Problems of Exclusive Rights, Incentives to Generate Information, and the Alternative of a Government-Run Reward System," 9 Fordham Intell. Prop. Media & Ent. L. J. 301 (1998); Steven Shavell & Tanguy van Ypersele, Rewards Versus Intellectual Property Rights, 44 *J.* L. & Econ. 525 (2001).
[14] See e.g. discussion of *IPC Media, infra* note 831, in chapter IV.3.D.

qualities that make them capable of being protected under more than one intellectual property monopoly. For example, a machine can be protected under patent law, but drawings of that machine could enjoy copyright protection. Consequently, owners of intellectual creations might want to rely on more than one intellectual property segment to protect a single intellectual creation, concurrently or consecutively. In the example of the patented machine, once the patent monopoly expires, the patent holder might try to invoke copyrights to prevent production of the machine by competitors, thus, in effect, extending duration of the patent monopoly beyond what can be granted under patent law. Or, using both patent rights and copyrights concurrently; a patentee could use his or her copyrights in drawings to prevent a person from constructing a patented invention for private use,[15] which is legal under patent law.

Overlaps of intellectual property rights usually, but not always, involve accumulation of the overlapping rights in hands of a single intellectual property owner. When such accumulation of rights occurs, its potential adverse effects may be most difficult to resolve. In many situations, however, ownership of the overlapping rights can be split. In this situation their overlap results in conflict of the overlapping rights that can be claimed concurrently by different owners.

Overlaps of intellectual property rights have two dimensions. One is the overlap "in fact" and the other is overlap "in law." The overlaps "in fact" represent natural tensions between classic property and intellectual property resulting from the fact that any commercialization of intellectual property inevitably involves embedding of an intangible component in a tangible object.[16] For example, while copyright law protects a book in its intangible form, this protection is conditioned on previous fixation of the book in a material form.[17] Also, to be commercialized, the book needs to be fixed in a form that is accessible to readers. This is true even if the book is distributed digitally, as its content can be accessed by readers

[15] Potential use of copyright law to protect patentable functional inventions has been greatly limited by enactment of s. 64 and s. 64.1 of the *Copyright Act*, *infra* note 28.
[16] Jeremy deBeer & Robert Tomkowicz, "Exhaustion of Intellectual Property Rights in Canada" (2009) 25 C.I.P.R. 3 [deBeer & Tomkowicz, "Exhaustion of Intellectual Property"]. That work was co-authored in equal proportions. One paragraph from this thesis was included in the published article. All ideas and expression included in this thesis are the author's alone.
[17] *Canadian Admiral Corp. v. Rediffusion*, [1954] Ex. C.R. 382 (Can. Ex. Ct.) [*Canadian Admiral*].

only through a tangible medium. The bond between tangible and intangible property is equally strong in trademark law and patent law domains. Trademark rights depend on use of a mark in association with wares or services.[18] Consequently, the mark is protected only when it is affixed to a tangible package, a display, or "represented visually" in some form.[19] Similarly, patent law protects ideas of inventions only if they provide practical utility,[20] which requires tangible form. It is common, and indeed inevitable, that on many occasions one tangible medium will embody several intangible creations protected by different intellectual property rights.

The overlaps "in fact" are less difficult to deal with and often, but not always, their adverse effects can easily be resolved. While many intellectual creations can materialize in one tangible object, they can often be separated physically, as each creation can perform its functions independently from the others, reflecting different aspects of the tangible object. For example, the iconic canned tomato soup epitomized in Andy Warhol's paintings is not only popular food but also a knot of intellectual property rights. Its package may be a patented invention. Its name prominently displayed on the package is a trademark. A sample dinner recipe printed on the can's wrapper is a copyrighted work. And the soup's actual recipe can be protected by trade secrets. These intellectual creations are subject to intellectual property rights but it is not difficult to distinguish between the steel can, the paper wrap, and the soup itself. In many instances, it is possible to address problems resulting from overlaps "in fact" by simple physical separation of tangible elements. For example, removal of the paper wrap with copyrighted text from canned tomato soup or covering its parts with a sticker can resolve problems with overlaps of copyrights, trademark rights, and patent rights. On the other hand, inserting patent protected genes into a plant variety already protected by plant breeders' rights or placing copyright protected software in Read Only Memory (ROM) chip protected by patent monopoly or circuit

[18] *Mattel, Inc. v. 3894207 Canada Inc*., 2006 SCC 22, [2006] 1 S.C.R. 772 [*Mattel*].
[19] *Playboy Enterprises Inc. v. Germain* (1987), 16 C.P.R. (3d) 517, 1987 CarswellNat 680, 15 C.I.P.R. 24, 13 F.T.R. 178 (F.C.T.D.) at para. 10 [*Germain*, cited to CarswellNat]. There is growing discussion about possibility of extending trademark rights in Canada to unconventional marks perceptible through other than visual senses, such as smell or sound, but existence of tangible element is unavoidable even for those marks – the sound has to be played from a recording and the smell has to emanate from liquid fragrance.
[20] *Northern Electric Co. v. Brown's Theatres Ltd.*, (1939), 1 C.P.R. 180 (Can. Ex. Ct.), aff'd [1941] S.C.R. 224 [*Northern Electric*]; *Consolboard Inc. v. MacMillan Bloedel (Saskatchewan) Limited*, [1981] 1 S.C.R. 504 [*Consolboard*].

topography rights will create overlap in fact that cannot be resolved through physical separation. Indeed, as new inventions or means for carrying other intellectual property become reduced to nano-scale, the possibility of physical separation becomes illusory and the distinction between overlaps "in fact" and overlaps "in law" less relevant.

The overlaps "in law" pose more fundamental challenges to the intellectual property system.[21] They are the result of the ever-expanding borders of all the intellectual property segments. As new subject matters are added to patent, copyright, and trademark regimes, and definitions of their protected subject matters remain vague, a number of creations will fall under the protection of two or more segments of the intellectual property system on a notional level. In other words, these overlaps are conceptual and divorced from the physical embodiment of a creation or invention. Thus, to use the aforementioned example, the stylized words "Campbell's Tomato Soup" can be classified as both a trademark of the soup's manufacturer and an artistic work in the words' design—there is only one intellectual creation, but it is protected by two separate intellectual property regimes.

The overlaps "in law" raise questions that are fundamental to the consistency of the intellectual property system and underline the complex relationships between its various segments: Should a creation in which different intellectual property rights overlap be protected by one intellectual property regime, two or more regimes, or neither? And what would justify the answer?

These questions, despite their importance, have never been clearly phrased nor answered by courts, and the judicial consideration of overlaps has been anything but consistent. Courts often reject intellectual property rights holders' claims for concurrent protection of a single creation under more than one intellectual property segment unless such practice is clearly

[21] Some commentators view overlaps "in law" as two separate issues: one being overlaps in subject matters protected by intellectual property rights and the other being cumulation of those rights. The former relates to expanding legal norms creating overlaps in the system and the latter as practical use of those overlaps to fill gaps in protection under one regime with protection available under other regimes; see Graeme B. Dinwoodie, "Concurrence and Convergence of Rights: The Concerns of the US Supreme Curt," in F. Willem Grosheide and Jan J. Brinkhof, eds., *Intellectual Property Law 2004* (Antwerpen-Oxford: Intersentia, 2004) [Grosheide and Brinkhof, *Intellectual Property Law*]. These analyses treats both these issues as two sides of the same coin and the dichotomy as redundant in the context of purposive analysis of intellectual property rights and their balances of rights instead considering them jointly.

authorized under respective statutory regimes.[22] The major argument for this position relies on compartmentalization of the intellectual property system as evidence of Parliament's intention to prohibit such overlaps. For example, in *Rucker Co. v. Gavel's Vulcanizing Ltd.*,[23] where the Federal Court was considering whether drawings of a previously patented invention could enjoy copyright protection and thus allow a former patentee to rely on copyrights to prevent others from manufacturing that invention after the patent expired, the Court rejected such possibility saying:

> Most mechanical patents have drawings in connection therewith and the drawings can readily be copyrighted, but when patent infringement protection is no longer available to the owner of the patent it is not desirable that he should be able to extend this protection by application of the *Copyright Act* to the drawings from which the physical object covered by the patent was constructed, and thereby prevent anyone else from manufacturing the same device, even without the use of the drawings. I strongly believe that *it was not the intention of Parliament nor from a practical view is it desirable* that the *Patent Act*, the *Copyright Act*, and the *Industrial Design Act* should be interpreted so as *to give overlapping protection*. Something suitable for industrial design cannot be registered for copyright, as the statute states, and something for which a patent is granted should not also be given double protection for an extended period of time by registering for copyright drawings from which the patented object was made [emphasis added].[24]

In its analyses, the Federal Court put emphasis on the implied intent of the Parliament in establishing the entire intellectual property system. But it also indicated that "practical" or commonsensical view of overlaps could be helpful in interpreting intentions of the legislator.

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22 *Kraft Canada Inc. v. Euro-Excellence Inc.*, 2007 SCC 37, [2007] 3 S.C.R. 20 at para. 10 [*Kraft*].
[23] (1985), 7 C.P.R. (3d) 294 (F.C.T.D.), varied (1987), 14 C.P.R. (3d) 439 (F.C.T.D.) [*Rucker*].
[24] *Ibid.* at 312. Similar argument was expressed in *Matrox Electronic Systems Ltd. v. Gaudreau*, [1993] R.J.Q. 2449 (Qc. Sup .Ct.) at para. 46 [*Matrox*] and *Cuisenaire v. Southwest Imports* (1968), 1 Ex. C.R. 493 at 507.

Unfortunately, the argument offered by the Federal Court of Canada in *Rucker* may be problematic for interpretation of Parliament's intention in enactment or non-enactment of specific provisions, which is difficult to read. For example, when overlaps of copyrights and industrial design rights are expressly prohibited in legislation, that does not necessarily mean that the Parliament intended to prohibit other overlaps of intellectual property rights. The conundrum faced by courts when interpreting an existence of or lack of specific provisions regulating overlaps of intellectual property rights can be illustrated with another case from the Federal Court: *WCC Containers Sales Ltd. v. Haul-All Equipment Ltd*.[25] In that case, the Court had to resolve whether concurrent protection under industrial design rights and trademark rights should be allowed. Referring to silence of the relevant statutes on this point the Federal Court stated:

> [L]egislative *responsibility rests with Parliament and it has not chosen to make industrial design protection and trade-mark protection mutually exclusive*. In light of its decision to explicitly limit the overlapping of industrial design protection and copyright protection, it must be presumed that it did not feel it was necessary to create a similar barrier between the Industrial Design Act and the Trade-marks Act. … [I]t is not within the competency of this Court to read-in the restriction sought by the applicants. [emphasis added][26]

In other words, in the Federal Court's opinion, overlaps of intellectual property rights that are not prohibited are allowed and it is not up to courts to determine which should be tolerated and which should not.

As both *Rucker* and *WCC* illustrate, focusing on Parliamentary intentions in relation to overlaps between individual intellectual property segments in the context of the existence or non-existence of specific statutory provisions, rather than taking a broader view and see overlaps as a challenge to the entire intellectual property system, leads to practically inadequate and intellectually unpersuasive results. While the Federal Court in *Rucker*

[25] 2003 FC 962, (2003), 28 C.P.R. (4th) 175, 238 F.T.R. 45 (F.C.T.D.) [*WCC Containers*].
[26] *Ibid.* at para. 64.

interpreted the lack of specific provisions on overlaps of intellectual property rights as evidence of Parliament's intention to reject such practices, in *WCC* the same Court concluded that Parliament's prohibition of overlaps between copyrights and industrial designs proves that any other overlaps in the intellectual property system that are not expressly prohibited are permitted. The former approach puts the onus on Parliament in expressly allowing overlaps, the latter in expressly prohibiting them. Both judgments are evidence of the difficult task courts face when interpreting Parliament's intentions in relation to intellectual property overlaps.

This problem becomes clearly visible when two conflicting provisions show opposite intentions of the legislature. For example, the *Trade-marks Act* expressly authorizes the use of geographic indications protected under this *Act* for the purpose of comparative advertising.[27] Yet, no such corresponding right is included in the *Copyright Act*, while its provisions expressly allows for overlap of trademark rights and copyrights.[28] Thus, if a copyright owner of an artistic work functioning as a geographical indication mark invokes copyrights to prevent comparative advertising, which intention of the Parliament should be given precedent, the one expressed in the *Copyright Act* or the one expressed in the *Trade-mark Act*?

While courts' refusal to create a uniform resolution to the problem of overlaps in the entire intellectual property system is usually justified as deference to the Parliament's authority, in practice it is an abdication of courts' responsibilities in ensuring consistency in this area of law. As the failed attempts of reforming Canadian copyright law suggest, there is a fine line between waiting for the Parliament's coherent resolution to the complex problem of intellectual property overlaps and waiting for Godoth. The fact of the matter is that Canadian courts can take initiative on this issue even if adjudicating parties fail to recognize and argue improper uses of overlapping intellectual property rights, as long as such findings can be made based on the pleaded facts. Courts can rely on public policy

[27] R.S.C. 1985, c. T-13, as amended S.C. 1993, c. 49, s. 11.16(2) [*Trade-marks Act*].
[28] *Copyright Act*, R.S.C. 1985, c. C-42, s. 64(3)(b) [*Copyright Act*].

considerations and employ legal doctrines to address such improper uses as long as material facts pleaded justify such consideration.[29]

C. Overlaps in light of purposes of intellectual property rights

Contrary to the assertions made by the Federal Court in *WCC*, a uniform approach to overlaps of intellectual property rights can be developed by the judiciary and without legislative intervention. To reach this conclusion, however, one must look at the overlaps, not from the perspective of legislatures' intentions behind individual statutory provisions, but rather from a broader perspective of Parliament's intentions in establishing the entire intellectual property system and setting the fundamental purposes behind its individual segments. Focusing only on whether different intellectual property statutes or their provisions allow or prohibit overlaps of intellectual property rights will not result in answering the fundamental questions about the integrity of the entire intellectual property system. Instead of focusing on "literal interpretation" of individual statutory provisions, the provisions "should be treated as, a parliamentary pronouncement, in general terms."[30] It is suggested here that overlaps in the intellectual property system are both a factual and legal reality that cannot be avoided. Their authorization or prohibition cannot be legislated in practical terms. What the law can address, however, is how the overlapping rights can be used, which uses should be tolerated, which should be opposed, how legitimate and illegitimate uses can be distinguished, and how misuses of the overlapping rights can be answered.

The distinction between permissible and impermissible uses of overlapping intellectual property rights must focus on general purposes of each segment of the intellectual property system. Each segment of the system was established for specific purposes and those purposes still remain the fundamental reasons behind the existence of the respective intellectual property rights. When rights from different segments overlap, so do the purposes behind them. And while it is possible that the overlapping purposes will not be in

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[29] *Randhawa v. 420413 B.C. Ltd.*, [2010] 3 W.W.R. 225, 281 B.C.A.C. 125, 2009 CarswellBC 3512, 2009 BCCA 602, 67 B.L.R. (4th) 1 (B.C. C.A.) at paras. 66-69; *Miller v. Decker*, [1955] 4 D.L.R. 92 (B.C.C.A.) at paras. 18-19; *David Cooper Investments Ltd. v. Bermuda Tavern Ltd.* (2001), 56 O.R. (3d) 243 (O.N.C.A.) at para. 44.

[30] *Consolboard*, *supra* note 20 at 518.

conflict, it is very likely that concurrent or subsequent exercise of rights advancing purposes behind one segment of the intellectual property system will undermine the rights and purposes of the other overlapping segment.

Recognition of the effects overlapping intellectual property rights have on the purposes behind them has to start with the concept of balance of rights, which is common to each segment of the intellectual property system. Broadly speaking, to advance its purposes, each intellectual property regime balances different and often conflicting public policy considerations. On the one hand, intellectual property rights are created to protect the interests of their owners; on the other hand, the rights are limited or counter-rights benefiting the public are established to maintain proper balance in each segment of the system and ensure optimal level of protection.

The concept of balance in patent law has been endorsed by the Supreme Court of Canada on numerous occasions. In the recent decision of *Bristol-Myers Squibb Co. v. Canada*,[31] the Supreme Court explained that onerous requirements of patentability under the *Patent Act* are balancing strong monopoly rights granted to patentees; and if "the patent holder obtains a monopoly for something which does not fulfil the statutory requirements of novelty, ingenuity and utility, then the public is short-changed."[32] But the Court also added that the assessment of public policy considerations relevant for ensuring the proper balance does not stop at the time of patent grant and the group of stakeholders benefiting from this concept is very broad. The Supreme Court explained that in setting public policy objectives for patent rights the "Parliament is concerned not only with the balance between inventors and potential users, but [also] between the protection of intellectual property on the one hand and, on the other hand, the desire to reduce health-care costs while being fair to those whose ingenuity brought the drugs into existence in the first place."[33] This interpretation suggests that the Supreme Court of Canada views the basic purpose of patent law—promoting inventiveness—in broad terms that are meaningful to diverse categories of stakeholders. Under such interpretation, patent rights are limited by reasonable interests of

[31] 2005 SCC 26, [2005] 1 S.C.R. 533 [*Bristol-Myers*].
[32] *Ibid.* at para. 1.
[33] *Ibid.* at para. 2; see also paras. 47 and 50.

individual users of patented inventions and the interests of the public in general, and those limitations are to be enforced by courts through public policy considerations in the judicial process.

While defining the economic interests of patentees or individual users of the inventions can be a relatively straightforward exercise based on facts of a particular case, identifying the interests of the public in general requires a focus on the practical effects of inventiveness in general. For example, when granting a patent leads to limiting the scope of public rights, such monopoly cannot be justified in terms of broad public policy considerations. Thus, in *Bristol-Myers*, where one of the parties attempted to patent a bioequivalent to a drug that was in public domain, the Court recognized it as not resulting in any inventiveness. Granting a patent monopoly in such circumstances, in the Supreme Court's opinion, "provides no value to the public in exchange for the monopoly."[34] In other words, "the public is short-changed" and the general purpose of patent law is not advanced when patent rights are granted without inventiveness.[35] Recognizing patent rights in this context would not be justifiable even if no individual interests were affected.

The concept of balance is also prominent in trademark law. In *Pink Panther Beauty Corp. v. United Artists Corp.*[36] the Federal Court of Appeal emphasized the importance of public policy considerations in balancing the rights of the public with the rights of trademark owners. Specifically, "[w]hen deciding property issues it is always a matter of balancing the public right to competition with the private right to ownership."[37] The concept of balance in trademark law was further explained by the Supreme Court of Canada in *Mattel* and linked with the purposes of trademark law. The Supreme Court stated:

> The trade-mark owner … may simply have used a common name as its "mark" to differentiate its wares from those of its competitors. Its claim to monopoly rests … on serving an important public interest in assuring consumers that they are buying

[34] *Ibid.* at para. 4.
[35] *Ibid.* at para. 1.
[36] [1998] 3 F.C. 534, 80 C.P.R. (3d) 247 (F.C.A.) [*Pink Panther*, cited to C.P.R.].
[37] *Ibid.* at 257.

> from the source from whom they think they are buying and receiving the quality which they associate with that particular trade-mark. Trade-marks thus operate as a kind of shortcut to get consumers to where they want to go, and in that way perform a key function in a market economy. Trade-mark law rests on principles of fair dealing. It is sometimes said to hold the balance between free competition and fair competition.
>
> Fairness, of course, requires consideration of the interest of the public and other merchants and the benefits of open competition as well as the interest of the trade-mark owner in protecting its investment in the mark. *Care must be taken not to create a zone of exclusivity and protection that overshoots the purpose of trade-mark law* [emphasis added].[38]

In this statement, the Supreme Court not only reiterated that the concept of balancing the rights of trademark owners and the public rights is vital to trademark law, but also linked this concept to advancing the basic purposes of trademark rights: protecting both good will of trademark owners and the expectations of customers, or the general public, in relation to trademarked products. This position leads to the logical conclusion that changing the balance of rights in one segment of the intellectual property system will have an effect on how the particular rights advance, or not, purposes of that particular segment. This implicit conclusion based on Supreme Court's treatment of trademark law in *Mattel* was expressly pronounced by the Supreme Court in the context of copyrights.

The concept of balance of rights was comprehensively addressed by the Supreme Court of Canada in the pivotal case of *Théberge v. Galerie d'Art du Petit Champlain Inc.*[39] Referring to the nature of balance in the context of copyright law and the effects any deviations from the established balance will have on the purposes behind copyrights, the Court stated:

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[38] *Mattel*, *supra* note 18 at paras. 21-22.
[39] 2002 SCC 34, [2002] 2 S.C.R. 336 [*Théberge*].

> 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 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*.
>
> 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 … 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 [emphasis added].[40]

This declaration indicates that the Court views the expansion of copyrights in a way that affects corresponding rights of the public, and *vice versa*, as undermining the basic purpose of the copyright regime: promoting creativity and availability of the creations. The Court also indicated that the balance of rights in copyright law fluctuates to reflect changes in the environment in which copyrights operate. Thus, when a new technology appears that can affect the established balance of rights in copyright law, the balance of rights has to be re-examined and possibly re-calibrated to ensure that the purposes of this segment of the intellectual property system are adequately promoted. Importantly, the Supreme Court

[40] *Ibid*. at paras. 30-33.

referred in its statement to fair dealing provisions, which subsequently the Court interpreted as "user's right."[41]

Specific linking of encroachment upon the public's rights with undermining the purposes of copyrights in *Théberge* is reminiscent of similar statements the Supreme Court of Canada made in *Bristol-Myers* and *Pink Panther* in the context of patent law and trademark law, which indicates that the Court's view on the correlation between expansion of intellectual property rights in a segment of the intellectual property system and its adverse effect on the ability of that segment to fulfil its purposes is uniform for the entire intellectual property system. Indeed, the Supreme Court in *Théberge* made it clear that the concept of balancing the rights of intellectual property owners with both individual and public rights through public policy considerations apply to all "forms of intellectual property."

Each segment of the intellectual property system tries to achieve different purposes and does so by creating a balance of rights between intellectual property owners and the public. Because those purposes are diverse, the balances created in separate segments of the system have to be reached in different ways. Thus, the scope of rights granted within each segment, their duration, and exceptions to those rights differ. Hence comes the challenge that intellectual property overlaps pose to consistency of the intellectual property system: The use of rights that were designed for one intellectual property segment, and placed in that segment to maintain its proper balance and advance its purposes, may distort the balance in the overlapping segment and undermine the overlapping segment's purposes. In other words, owners of an intellectual creation can use rights in one segment to restrict the public's rights that are legitimate in the overlapping segment, and *vice versa*, thus creating a level of protection for the creation that, according to the Supreme Court's view, is not desirable. As pointed to by Professor Vaver, such "multiple protection is usually overprotection."[42]

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[41] *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 S.C.R. 339 at para. 48 [*CCH*].
[42] David Vaver, *Intellectual property law: copyright, patents, trade-marks* (Concord, Ont.: Irwin Law, 1997) at 15 [Vaver, *Intellectual property law*].

To fully appreciate the significance of the adverse effects overlapping intellectual property rights can have on the structure of the intellectual property system and the balance of rights, one must recognize that this dissertation refers to the "public's rights" or rights of "the general public" as broad terms. These terms are not intended to describe only individual users of intellectual property, but should be understood broadly as the rights of a wide variety of stakeholders, including business enterprises in the form of corporate entities. In some contexts, such as overlaps involving, for example, trademark rights or semiconductor topographies rights, users of intellectual property are mainly businesses in different forms. Overlaps of intellectual property rights viewed from this broad perspective show that the issues associated with them are not academic, but existing problems with serious adverse implications.

D. Concurrent vs. subsequent uses of overlapping rights

Overlapping intellectual property rights can be used concurrently or subsequently. Both uses are problematic, but for different reasons—they may affect integrity of the intellectual property system in different ways. The major objection to subsequent uses of overlapping rights is to view them as extending the duration of a monopoly over an intellectual creation granted in one segment with rights that belong in another. This was the gist of the argument presented by the Federal Court in *Rucker*.[43] In that case, the plaintiff tried to prevent the manufacturing of an invention by competitors after his patent monopoly expired, based on the copyrights in drawings of the invention submitted with patent application. In other words, he was trying to use copyrights to achieve the same results the patent monopoly had given him. Cleary, use of copyrights in this way was not consistent with purposes of copyright law—it would not promote the creation of new drawings of functional products as artistic works. It might promote inventiveness in the form of functional devices by increasing economic benefits to owners of the inventions, but those purposes were already fulfilled by the expired patent monopoly.

While the argument in *Rucker* was apt on facts of that case, it may not be suitable in other situations. In *Rucker*, the plaintiff tried to use copyrights to achieve the same results that he

[43] *Rucker*, *supra* note 23.

had previously enjoyed under the expired patent. But in many circumstances the overlapping intellectual property rights may be used subsequently for different purposes than the rights of the already expired monopoly and result in a different level of protection. When the rights are used in this way, the purposes of sequential monopolies may not be in conflict and thus the subsequent use of the overlapping intellectual property rights may not be problematic. For example, an owner of an invention might want to use drawings of that invention from the patent application in an engineering text book after expiry of the patent monopoly. In this situation, the former patent owner/author would be justified in preventing the copying and use of the drawings of his invention as the literary expression in other text books.[44] Such use would not extend the expired monopoly over his invention, as anybody could manufacture the invention. It would not undermine the purposes of patent law and would therefore not be objectionable. However, using copyrights to prevent constructing the invention based on the application's drawings by claiming copyrights in a three dimensional representation of the literary expression would render patent disclosure meaningless, thus undermining the basic purposes behind patent law and not justified. Consequently, it is always the purpose for which the overlapping rights are invoked that determines correctness of their use.

In many instances, subsequent uses of overlapping intellectual property rights will not affect balances of rights in the overlapping segments either. When the subsequent protection is different from the previous one, as illustrated in the previous paragraph, arguably, the balance of rights under the first regime would not be affected by the subsequent protection, but simply replaced by it. The purposes of each segment would not be undermined, but rather pursued separately. This could be the logical conclusion unless the subsequent rights are used in a way that results in a scope of protection equivalent to the one granted under the previous regime.

Even if subsequent uses of overlapping intellectual property rights can be viewed in many situations as legitimate, there is nothing to prevent owners of intellectual property from

[44] See *Energy Absorption Systems Inc. v. Y. Boissoneault & Fils Inc.* (1990), 30 C.P.R. (3d) 420, 1990 CarswellNat 780, 33 F.T.R. 96 (F.C.T.D.), involving concurrent use of patent rights and copyrights on similar facts [*Energy Absorption*, cited to CarswellNat]. See also discussion in chapter I.I,

invoking the overlapping rights concurrently. Such concurrent uses pose more serious challenges to the consistency of the intellectual property system with the possibility of using rights from one segment to offset public rights in another and create super protection for an intellectual creation. This strategy can be particularly effective in instances of overlaps "in law," when one intangible creation is capable to satisfy the protection requirements of more than one segment of the intellectual property system and the intellectual property cannot be detached through separation of its tangible medium. This problem can easily be demonstrated in the context of some new technologies with a hybrid nature.

An example of a hybrid technology is software. On the one hand, software, or a computer program, is a set of computer instructions or data expressed in literary form and is explicitly included in the *Copyright Act's* definition of "literary works" as copyrightable subject matter.[45] On the other hand, software's nature is strictly functional or utilitarian—it is supposed to perform certain functions designed by a software programmer. In other words, from the perspective of its expression, software appears to be anchored in copyright law, but from the perspective of its utility it appears to be more suitable for patent law protection. This ambivalent nature of software has led to elevated level of protection for this technology. While initially granted protection under copyright law,[46] it subsequently became protected also under patent law.[47]

The ability of software owners to use both copyright law and patent law to protect their creations can lead to adverse effects on the balance of rights in both these segments and

[45] *Copyright Act*, *supra* note 28, s. 2, definition of "computer program."
[46] In 1974 the US Congress established the National Commission on New Technological Uses of Copyrighted Works (CONTU) to come up with recommendations for addressing challenge of new information technologies, including software. In 1978 majority of the Commission concluded that computer programs should be protected under copyright law; see *Final Report of the National Commission on New Technological Uses of Copyrighted Works* (Washington DC: Library of Congress, 1979) [*Final Report of the National Commission*].
[47] *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995) [*Beauregard*]; *State Street Bank & Trust v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998), cert. denied, 525 US 1093 (1999) [*State Street Bank*]; *Re: Application of Western Geophysical Co. of America*, (1983), 3 C.P.R. (3d) 386 (Can. Pat. App. Bd.) [*Western Geophysical*]; *Re: Application for Patent of Measurex Corp*., (1983), 10 C.P.R. (3d) 93 (Can. Pat. App. Bd.) [*Measurex*]; *Re: Motorola Inc. Patent Application No. 2,085,228*, (1998), 86 C.P.R. (3d) 71 (Can. Pat. App. Bd.) [*Motorola*].

undermine the purposes behind each of these regimes. If a software owner can use patent rights to eliminate some users' rights under copyright law, it will inevitably lead to what the Supreme Court described in *Théberge* as "inefficient" overprotection of copyrighted works.[48] At the same time, the use of copyrights to obtain what would in effect amount to additional rights in the context of patent law would bring "no value" to or "short-change" the public, as explained by the Supreme Court in *Bristol-Myers*.[49] This ability of patent rights to operate in the copyright law context and *vice versa* is the gist of the problem posed by the intellectual property overlaps.

E. Overlaps and philosophical justification of the rights

How one views the scope of intellectual property rights and the optimal balance of rights between the owners of intellectual property and the general public in each segment of the system depends, to large extent, on one's philosophical perspective for justification of those rights.[50] There are three major philosophical perspectives for justifying intellectual property rights. First is Locke's perspective based on moralistic premises that efforts of a labourer must be rewarded. Second is the Hegel's personhood perspective, which views true personhood through psychological external relationships with objects. Both Locke's and Hegel's justifications belong to natural rights theories, which have an absolutist character. The third is a utilitarian perspective, which views the institution of property as a functional tool. Utilitarian justification is one of the positivist theories, which has a relative or contextual nature. All these theories have influenced the development of the intellectual property system and are to larger or lesser extent reflected in statutory provisions or common law doctrines that regulate each segment of the intellectual property system.

The basic proposition of labour justification for intellectual property rights is that whatever is created through intellectual or physical effort of a person should belong to that person

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[48] *Théberge*, *supra* note 39.
[49] *Bristol-Myers*, *supra* note 31. Adverse effects of overlaps of copyrights and patent rights in software are extensively analyzed in chapters II.3 and IV.2.
[50] Peter Drahos, *Philosophy of Intellectual Property* (Aldershot: Dartmouth Publishing Company Ltd., 1996) [Drahos, *Philosophy of Intellectual Property*]; Samuel E. Trosow "The Illusive Search for Justificatory Theories: Copyright, Commodification and Capital." (2003) 16 Canadian Journal of Law and Jurisprudence 217; L. Ray Patterson & Stanley F. Birch, Jr. (Craig Joyce ed. 2009), "A Unified Theory of Copyright." (2009-2010) 46 Hous. L. Rev. 223.

because the creation would not exist but for the act of its creator.[51] This view was fully developed by Locke. According to Locke, whenever a creator mixes his labour with any property in any form acquired from nature, he becomes the owner of these joined components.[52] Thus, under the labour justification, the creator of an intellectual creation should be awarded with property rights that protect the creation. Presumably, grant of rights under one segment of the intellectual property system would satisfy the premises of the labour perspective. Even more, overlaps of intellectual property rights, where two segments of the system can be used to protect one creation, could be viewed as a form of double payment or excessive reward for one's labour and thus be incompatible with this theory.

The personhood perspective is based on the premise that to be a "person" one needs to acquire control over the external environment through property rights.[53] This perspective was developed by Hegel in his book *Philosophy of Right*. In Hegel's view, property is the first embodiment of freedom and so is in itself a substantive end.[54] When the relationship with an external "thing" is significant, it becomes so closely related to the owner's personhood that it cannot be replaced by an equivalent "thing." In this sense, property may be divided in two categories: property that is bound with a person, and property that is held instrumentally and can be replaced without causing pain to an owner. The former relationship justifies property rights. Presumably, once the creator is awarded with property rights over his creation in one segment of the intellectual property system, the creator's "tangible existence" would be satisfied,[55] thus fulfilling the premises of Hegel's theory. Consequently, eliminating overlaps in the intellectual property system would not undermine the principles of the personhood perspective as long as the intellectual property owner is not entirely divested of his rights.

[51] Edwin C. Hettinger, "Justifying Intellectual Property." (1989) 18 Philosophy & Public Affairs 31.
[52] John Locke, *Second Treatise of Government* [1694] (Indianapolis: Bobbs-Merrill, 1952), ch. 5, sect. 27; Carys J. Craig, "Locke, Labour and Limiting the Author's Right: A Warning agianst a Lockean Approach to Copyright Law" (2002) 28 Queen's L.J. 1.
[53] Margaret J. Radin, "Property and Personhood" (1982) 34 Stan. L. Rev. 957.
[54] Georg W.F. Hegel, *Philosophy of Right* (Kitchener: Batoche Books, 2001) at 58.
[55] *Ibid.*

The utilitarian argument asserts that property rights are necessary as means to the intended ends—human happiness.[56] Happiness is understood broadly and includes different kinds of human satisfaction. In its dominant variant, the utilitarian argument focuses on the economic aspect of this satisfaction. The legal system, with its institutions, provides an environment where the satisfaction can be achieved. Intellectual property rights, under this perspective, are simply a motivating factor for people to create socially beneficial products or engage in entrepreneurial endeavours.[57] It appears that the utilitarian justification, like the two previously discussed philosophical perspectives, would not be affected by limiting the protection of intellectual creations to only one segment of the intellectual property system, assuming that rights granted under one intellectual property regime would provide sufficient motivation to create, invent, or engage in economic activities.

An offspring of the utilitarian argument is the economic justification of intellectual property rights. This theory focuses on the role of intellectual property rights as a reward for the creation of subject matters that are protected by different segments of the intellectual property system.[58] There is a heated argument between scholars about the proper scope of the rewards creators of intellectual property deserve with some supporting strong protection for intellectual property rights and others seeing the rights rather narrowly.[59] But even those scholars who support stronger rewards for intellectual property owners usually recognize the balancing nature of intellectual property rights.[60] The economic theory scholars recognize also that intellectual property rights can have both positive and negative effects on economic growth,[61] which can lead to a recognition of the adverse effects overlaps of intellectual property can have on economic development.

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[56] Lawrence C. Becker, *Property Rights: Philosophical Foundation.* (London: Routledge & Kegan Paul, 1977) at 57.
[57] Marci A. Hamilton, "The Historical and Philosophical Underpinnings of the Copyright Clause." Occasional Papers in Intellectual Property #5 (Benjamin N. Cardozo School of Law, Yeshiva University, 1999).
[58] Henry E. Smith, "Toward an Economic Theory of Property in Information," in Kenneth Ayotte & Henry E. Smith, eds., *Research Handbook on the Economics of Property Law* (London: Edward Elgar, 2011).
[59] See William M. Landes and Richard A. Posner, *The Economic Structure of Intellectual Property Law* (Cambridge, Mass.: Harvard University Press, 2003) and Mark A. Lemley, "Property, Intellectual Property, and Free Riding" (2005) 83 Texas Law Review 1031 for both sides of this argument.
[60] William M. Landes & Richard A. Posner, "An Economic Analysis of Copyright Law," (1989) 18 J. Legal Stud. 325 at 326.
[61] Keith E. Maskus, "Intellectual Property Rights and Economic Development," (2000) Case W. Res. J. Int'l L. 471.

This cursory review of philosophical justifications for intellectual property rights suggests that preventing overlaps of intellectual property rights would not undermine the premises underlying these theories. Natural rights perspectives appear to be unconcerned with preventing overlaps of intellectual property rights, since it would not in the end leave the labourer or creator without protection of some intellectual property rights. Even the staunchest supporters of natural rights justification for intellectual property usually accept that intellectual property rights have limits.[62] And if it is accepted that intellectual property rights are limited, like their tangible equivalent, restricting the entitlements of intellectual property owners to only one segment of the system would not be in conflict with these theories. In other words, the argument against improper use of overlapping intellectual property rights does not undermine the moral imperative of natural rights as a vehicle for the protection of valuable intangibles, but rather directs those entitlements or limits them to one intellectual property regime. In this respect, the result would not be different in any way from what common law courts do when deciding on proper classification of tangible property claims in tort law. Consequently, proponents of a natural rights justification for intellectual property should not be offended by opposition to misuses of overlapping intellectual property rights—even though they might not agree that purposive analyses of the rights offered in this dissertation are the best way to resolve the problem.

A similar conclusion should be reached with respect to the utilitarian perspective, including its economic variant. Under the utilitarian view, the legal system is a rational consequence of the circumstances in which it operates and can change its means in order to achieve utilitarian ends.[63] When overlaps of intellectual property rights affect the balance of rights designed to promote certain ends in the intellectual property system, it would lead to what the Supreme Court in *Théberge* identified as “inefficiencies” that undermine the premises of the utilitarian perspective. Consequently, viewing overlaps of intellectual property rights through the prism of their purposes is compatible with the utilitarian perspective.

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[62] Ayn Rand, "Patents and Copyrights" in Ayn Rand, ed., *Capitalism: The Unknown Ideal*. (New York: Signet, 1967) at 131.
[63] Sunny Handa, *Copyright Law in Canada* (Markham, Ont.: Butterworths, 2002) at 77 [Handa, *Copyright Law in Canada*].

F. Gaps in intellectual property rights

Interfaces in the intellectual property system are complex and still not fully understood. Moreover, the rapid evolution of intellectual property rights stimulated by the appearance of new technologies and discoveries of new means for expressing traditional subject matters protected by various intellectual property rights make the task of sorting out conflicts between them even more difficult. Yet such attempts have to be undertaken to ensure that intellectual property rights perform their designed functions and remain beneficial for both the owners of intellectual creations and the general public using them. To guarantee this end, rights of the owners and users have to be properly balanced, which negates both overprotection and under-protection of the intellectual creations.[64]

Overlaps of intellectual property rights are generally associated with overprotection of intellectual creations tilting the balance of rights towards their owners. But overlaps have a flip side—gaps in intellectual property rights, which can have opposite effects on the balance of rights. Both overlaps and gaps can adversely affect the purposes of the intellectual property segments. Gaps in intellectual property rights can result in under-protection and under-compensation or inappropriate distribution of compensation, affecting the purposes of individual segments in the system. When the economic incentives that promote, for example, creativity diminish due to the changing environment in which copyrights operate, the ability of copyright law to promote creativity can diminish. Those dangers can materialize, especially when new technologies, such as digitization of copyrighted content, disrupt business models relied on by the industries that utilize copyrighted works. In such cases, the balance of right may need to be adjusted by increased economic rights in the intellectual property segments affected by the changing environment. These analyses, however, consider only the issue of overcompensation that results from overlaps of intellectual property rights and their effects on purposes of the intellectual property system, leaving consideration of this problem's flip side for another day.

[64] *Théberge*, *supra* note 39.

G. Good lawyering vs. good law

Although attempts of intellectual property owners to utilize intellectual property overlaps are not new phenomena, and indeed represent tensions present in the intellectual property system since its inception, it has become more widespread in recent years. The problem has already been recognized by the Supreme Court of Canada, which expressed concern about challenges that improper use of overlapping intellectual property rights can have on the ability of the intellectual property system to promote its purposes. In *Kirkbi AG v. Ritvik Holdings Inc.*[65] Justice Lebel put it in the following words:

> The economic value of intellectual property rights arouses the imagination and litigiousness of rights holders in their search for continuing protection of what they view as their rightful property. Such a search carries with it the *risk of discarding basic and necessary distinctions between different forms of intellectual property and their legal and economic functions* [emphasis added].[66]

This cautionary note uttered by Justice Lebel indicates the Supreme Court's awareness of the problems surrounding overlaps of intellectual property rights, but stops short of providing solutions.

One might not agree with the position of the Supreme Court expressed by Justice Lebel in *Kirkbi SCC* and respond that the use of overlapping rights should be acceptable because the intellectual property system is statutorily regulated and therefore imagination and litigiousness of intellectual property owners is nothing more than taking advantage of the rights granted by Parliament, as anyone is entitled to do. Such a position, however, would confuse good lawyering with good law. While it is the paramount obligation of a litigator to advance the interests of a client to the best of his or her abilities, and while creativity in constructing a legal argument is an integral part of this obligation, good lawyering does not necessarily lead to good law.

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[65] 2005 SCC 65, [2005] 3 S.C.R. 302 [*Kirkbi SCC*].
[66] *Ibid.* at para. 37.

A possible discrepancy between good lawyering and good law is illustrated with an example of the *Interlego AG v. Alex Folley (Vic) Proprietary Ltd*. case.[67] In this case, the plaintiff was an owner of copyrights in various drawings of toy blocks. Previously, the plaintiff had obtained a patent monopoly regarding the manner in which the blocks fitted together. After the patent monopoly expired, the design of the blocks was registered as industrial design in order to extend the plaintiff's monopoly. In order to register the design, the plaintiff had to allege, as it did, that the design was not solely functional. Industrial design registration provided 15 years of protection in addition to 20 years of protection previously enjoyed by the plaintiff. After the 15 years expired, the plaintiff wished to extend his monopoly again. To do so, the plaintiff attempted to register copyrights in its drawings, which would have provided a further 50 years of protection, thus producing a total of 85 years of protection for the blocks. The UK *Copyright Act* at that time provided that if a design were registered as industrial design, there would be no copyrights in the same work. To overcome this obstacle, the plaintiff argued that the registered design, for which already 15 years of protection was obtained, had been invalid all along and, therefore, entitled to copyright protection.

While the use of overlapping intellectual property rights by plaintiff's counsel in *Interlego* can be commended as both very creative and effective, his submissions hardly qualify as good law. The Trial Judge expressed it in a crude but accurate way:

> I am bound to say that I find your case immensely unattractive. You are in this position. You started off with a comfortable monopoly under the patent, that went, and then you protected your interests by registering designs and then when the designs all start to expire, you say "Oh, well, we have a brilliant idea, they were all a lot of nonsense and now we can get another 50 years." I am bound to say that this is an approach which I do not find terribly attractive.[68]

[67] (1986), [1987] F.S.R. 283 (Ch.) [*Interlego*].
[68] *Kirkbi AG v. Ritvik Holdings Inc.* 2003 FCA 297, 26 C.P.R. (4th) 1, 228 D.L.R. (4th) 297, 2003 CarswellNat 2175, [2004] 2 F.C.R. 241 at para. 91 quoting from *Interlego* trial record, *ibid*. [*Kirkbi CA*]. This quote from the trial record, which is not publicly available, was accepted by the Supreme Court of Canada in *Kirkbi CA*.

Remarks by the Trial Judge in *Interlego* correspond with the warning by Justice Lebel in *Kirkbi SCC*: Creative use of overlapping intellectual property rights, even when it remains within the letter of law and is included in the statutory rights granted by the Parliament, may in fact offend the spirit of the law and be offensive to both the purposes of those rights and the fundamental sense of justice.

Unfortunately, the improper uses of overlapping intellectual property rights acknowledged by Justice Lebel are likely to become more pervasive in the coming years. New hybrid intellectual creations are being developed and their economic value increases, which encourages innovative uses of overlapping intellectual property rights. The effects of this trend may be twofold. First, by claiming two or more monopolies over one creation, the owner will, in effect, demand payment that goes beyond what is justified under one intellectual property regime. It is an open question whether these practices will result in what the Supreme Court of Canada characterized as "overcompensation," but such conclusion can, arguably, be reached. Second, the expansion of the intellectual property holders' rights corresponds with deprivation of the public's rights. Many uses of the intellectual creations that transcend economic considerations—educational or research uses of copyrighted materials for example —may become both illegal and technologically impossible. This will result in elimination of a number of public rights and leave the general public "short-changed" in the process. Both consequences will adversely affect the balance of rights in the entire intellectual property system and have the potential to undermine the very purposes for which the intellectual property rights were created. This risk is real and requires a response that will resolve not only past and known problems, but that also will exhibit some foresight into future and presently unknown dangers.

H. Answering the challenge of overlaps

Most commonlaw jurisdictions, including Canada, have not formulated legal doctrines suitable for addressing improper uses of overlapping intellectual property rights. Canadian intellectual property law employs the equitable doctrine of clean hands to respond to improper conducts related to intellectual property rights. This doctrine operates in all segments of the intellectual property system, but was designed to prevent morally

reprehensible behaviour rather than excesses that offend the structure of the system, which raises doubts about its suitability for addressing overlaps of intellectual property rights. Other common law jurisdictions, the UK in particular, developed different doctrines, such as *ex turpi causa* and public interest doctrines, which might be more suitable as an effective tool for responding to challenges posed by intellectual property overlaps.

The problems associated with misuses of overlapping intellectual property rights have been explicitly recognized in the US. In response to this challenge, in the beginning of the 20th century, the American judiciary developed the equitable doctrine of intellectual property misuse. Practical application of the doctrine to misuses of overlapping intellectual property rights can be illustrated with the example of the *Alcatel USA, Inc. v. DGI Technologies, Inc.* case.[69] In this case, the plaintiff, Alcatel, attempted to use its copyrights to obtain a patent-like monopoly over an unpatented microprocessor card, or switching card. Alcatel developed software to operate the switches and licensed the software to its customers under the condition that it could not be used with switching cards manufactured by Alcatel's competitors. DGI, a competitor of Alcatel, was manufacturing switching cards that could be used with Alcatel's telephone switches. To ensure that its products were compatible with Alcatel's switches, DGI made a copy of Alcatel's software to test the compatibility. Alcatel sued for copyright infringement but the Fifth Circuit Court rejected the claim. The Court stated:

> [W]hereas "copyright law [seeks] to increase the store of human knowledge and arts by rewarding … authors with the exclusive rights to their works for a limited time …, the granted monopoly power does not extend to property not covered by the … copyright." … DGI reasons that, as DSC's software is licensed to customers to be used only in conjunction with DSC-manufactured hardware, *DSC indirectly seeks to obtain patent-like protection of its hardware-its microprocessor card-through the enforcement of its software copyright*… We agree … without the freedom to test its cards in conjunction with DSC's software, DGI was effectively prevented from

[69] 166 F.3d 772 (5th Cir. 1999) [*Alcatel*].

> developing its product, thereby securing for DSC a limited monopoly over its uncopyrighted microprocessor cards [emphasis added].[70]

As *Alcatel* illustrates, the doctrine of misuse can be effective to prevent attempts of intellectual property owners to use rights from one segments of the intellectual property system for purposes that are associated with another. In *Alcatel* it was applied to prevent the copyright owner from controlling use of functional and potentially patentable devices. The doctrine could be employed in the same way in all instances when intellectual property rights are used to protect subject matters belonging in another segment of the system or for purposes associated with it. In this way, the doctrine becomes an effective tool for separating the proper uses of intellectual property right from improper ones and maintaining balance of rights in the entire intellectual property system.

The American doctrine of misuse, in its present form, is an affirmative defence. It has been argued, however, that "in light of new technology and novel issues surrounding the Internet" the doctrine as the defence is becoming increasingly ineffective.[71] Indeed, recent convergence of intellectual property overlaps and new technologies in the so called "right of exclusive access" allows for the replacement of intellectual property rights with technology, making judicial enforcement of intellectual property rights redundant, thus bypassing the doctrine of misuse.[72] This problem can be addressed by converting the doctrine of misuse from affirmative defence to affirmative claim. American courts did not preclude taking this step.[73]

The need for a Canadian doctrine of intellectual property misuse is likely to grow in the coming years due to increased importance of intellectual property rights for individual businesses and the economy in general. Although intellectual property overlaps are not new phenomena, they have become more common and their effects more severe in relation to new hybrid technologies that facilitate improper use of the overlaps. As new hybrid

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[70] *Ibid*. at 793-794.
[71] *Juno Online Services, L.P. v. Juno Lighting, Inc.*, 979 F.Supp. 684 (N.D.Ill. 1997) at 687 [*Juno*].
[72] Tomkowicz, "Right of Exclusive Access," *infra* note 85, Appendix I and Tomkowicz & Judge, "Right of Exclusive Access," *infra* note 85, Appendix II. See also discussion in chapter V.1.C.
[73] *Juno, supra* note 71. See also discussion in chapter V.4.D.

technologies are developed and their economic importance increases, so will the problems related to intellectual property overlaps.

I. Structure of the analyses

This dissertation investigates intellectual property overlaps in an attempt to determine the nature of the interfaces in the intellectual property system. The overlaps are both a factual and legal reality and have been recognized judicially as such. Some overlaps were found objectionable, others not, but no uniform framework that could distinguish between proper and improper uses of the overlapping rights has been formulated in Canadian jurisprudence. The need for a uniform analytical framework and a solution to problems arising from overlaps of intellectual property rights has been recognized by Professor Tawfik, one of a few Canadian scholars who devote attention to this issue. Professor Tawfik aptly views the piecemeal approach to problems arising from intellectual property overlaps employed presently by Canadian courts as inadequate and advocates for a "comprehensive theoretical foundation" to provide an analytical framework for resolving these complicated problems.[74]

This research presents the thesis that all uses of intellectual property rights should be viewed in light of their purposes. In other words, the phenomenon of overlapping intellectual property rights is not a problem *per se*; instead, it is the use of the rights for purposes incompatible with their intended functions and instead to enlarge another segment of the intellectual property system that may be considered objectionable. For example, overlap of copyrights and patent rights in software can be doctrinally acceptable but use of copyrights to protect non-copyrightable functional devices hosting the software may not be reconciled with purposes of copyright law and may pose serious challenges to the integrity and consistency of the intellectual property system as a whole if tolerated. Whether the issue of improper use of overlapping rights arises or not must be determined primarily by reference to facts of a case. Only when the motivations of an intellectual property owner behind claiming his or her rights are established, legal analysis assessing the effects of such

[74] Myra J. Tawfik, "When intellectual rights converge – tracing the contours and mapping the fault lines 'case by case' and 'law by law'," in Ysolde Gendreau, *Emerging Intellectual Property Paradigm: Perspective from Canada* (Northampton, MA: Edward Elgar, 2009) at 267-270 and 291 [Tawfik, "When intellectual rights converge"].

use can commence. In a way, the analyses are similar to judicial analysis with emphasis on determinations normally done by trial courts. In some cases such analysis will lead to a clear conclusion, in others the result may be more difficult to ascertain, which can be illustrated by the examples of two cases that involved intellectual property overlaps but, arguably, not their misuse.

The *Energy Absorption* case involved claims of copyright and patent infringement.[75] The plaintiff in this case owned patents for a shock absorbing devices. The plaintiff also owned registered copyrights in technical drawings of its inventions and published advertising booklets containing the drawings. The defendant also manufactured impact absorbing safety devices and used pictures similar to the plaintiff's technical drawings in its manuals outlining its safety apparatus. The plaintiff commenced an action for patent and copyright infringement against the defendant, claiming that the defendant infringed its patent rights by manufacturing similar shock absorbing devices and infringed its copyrights by publishing technical drawings of the invention owned by plaintiff. The Court held that both the plaintiff's copyrights and patent rights were infringed. The Federal Court found that the impact absorbing devices manufactured by the defendant infringed upon claims of the plaintiff's patent, and virtually each drawing in that defendant's manual had its source in the plaintiff's manuals.

Although *Energy Absorption* involved overlaps of copyrights and patent rights in the protected subject matters, this case did not implicate improper use of the overlaps. The plaintiff used its patent rights to prevent manufacturing of infringing functional devices and its copyrights to prevent publication of infringing manuals. There was no claim of copyright infringement by manufacturing patented devices as a three dimensional representation of copyrighted drawings, which would be indicative of improper use of the overlaps and resemble the claim in *Rucker*. In other words, the plaintiff did not try to enlarge its patent rights with copyrights or *vice versa*, which was recognized by the Federal Court.[76]

[75] *Energy Absorption*, *supra* note 44.
[76] *Ibid*. at para. 122

A more difficult case to analyse is the *Michelin v. CAW—Canada* case. This case was ultimately decided on bases of intellectual property rights, but at the same time it was a case in which the plaintiff, arguably, used intellectual property rights for purposes that had nothing to do with intellectual property.[77] In *Michelin* the defendant was a trade union attempting to unionize three factories of the plaintiff. Because the plaintiff opposed those attempts, the defendant began distributing leaflets, displaying posters, and issuing information sheets that reproduced the term "Michelin." It also used in its campaign material the plaintiff's corporate logo, the Michelin Tire Man or "Bibendum" design, a drawing of a beaming marshmallow-like rotund figure composed of tires. The plaintiff commenced litigation, claiming that its intellectual property rights were violated by the defendants. Although the claim may appear to seek protection of the plaintiff's intellectual property rights, confronting this claim with facts ascertained by the Federal Court leads to different conclusion.

Facts in *Michelin* indicate that the defendant did not use the plaintiff's trademark as a competitor in the market for wares and services provided by the plaintiff, not did it undermine any economic interests of the plaintiff as a copyright holder.[78] The defendant used the plaintiff's trademarks and copyrighted logo to strengthen its drive to unionize the plaintiff's factories, and the plaintiff invoked its intellectual property rights in the litigation for the contrary purpose— to prevent unionization of its factories in general and the picketing of those facilities in particular. This motivation is apparent from the scope of injunction requested by the plaintiff, which was "to restrain the Defendants from using its trademarks and copyrights in future organizing drives."[79]

Ultimately, the plaintiff was unsuccessful on the bases of trademark law but the Court found that there was infringement of copyrights. While one might argue that the plaintiff used its copyrights to enhance its trademark rights in the corporate logo, this case is not

[77] [1997] 2 F.C. 306, 1996 CarswellNat 2297 [*Michelin*, cited to CarswellNat].
[78] The issue of moral rights was not raised in that case and probably the plaintiff corporation did not have moral rights in its copyrighted logo.
[79] *Michelin*, *supra* note 77 at para. 3.

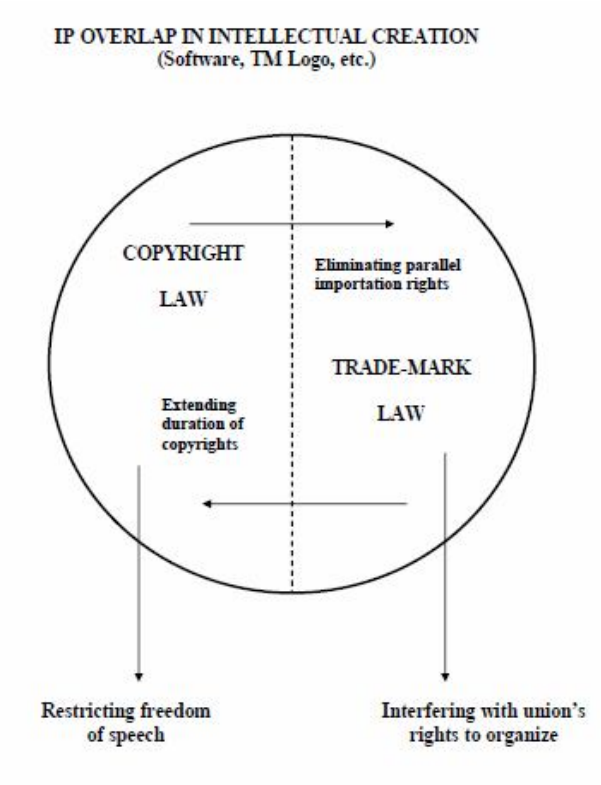
very suitable for analysis of intellectual property overlaps. As it was observed by several commentators, the plaintiff in *Michelin* probably misused its intellectual property rights by using them for purposes that were unrelated to either trademark law or copyright law.[80] But it is not so obvious that the plaintiff used those rights for the purpose of enlarging either segment of the intellectual property system with the other. The plaintiff's motivations had nothing to do with either copyright law or trademark law, which made them objectionable, but not from the perspective of intellectual property overlaps. This objectionable use of intellectual property rights might, arguably, be more properly addressed under the *Charter of Rights*,[81] which was considered in that case.

The analysis can be illustrated graphically with a diagram presented below. The circle in the diagram represents an intellectual creation in which intellectual property rights overlap. It may represent either a single subject matter, such as software or trademarked logo, protected by two or more segments of the intellectual property system, which would reflect an overlap in law. In this situation the circle could be viewed as one tangible and inseparable, from the perspective of the overlap, object. But it could also refer to an amalgamation of two or more tangible objects, each carrying separate intellectual creation or subject matters, into one, such as a copyrighted instruction label attached to a patented machine, which would reflect an overlap in fact. In both situations the analysis would be the same – concerned with uses of rights within the circle.

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[80] Carys J. Craig," Putting the Community in Communication: Dissolving the Conflict between Freedom of Expression and Copyright" (2006) 56 U. Toronto L.J. 75; Jason Samuel Thomas Kotler, "Trade-Mark Parody, Judicial Confusion and the Unlikelihood of Fair Use" (2000) 14 I.P.J. 219; W. Lee Webster, "Unfair Use of Trade-Marks in Canada" (2005) 18 I.P.J. 355. See also *Société des loteries du Québec c. Club Lotto International C.L.I. Inc*. (1991), 2001 CarswellNat 1592, 13 C.P.R. (4th) 315, 2001 CarswellNat 182, 204 F.T.R. 21 (F.C.T.D.), where similar conclusion can be reached based on facts of that case.

[81] Jane Bailey, "Deflating the Michelin Man: Protecting Users' Rights in the Canadian Copyright Reform Process" , in Michael Geist, ed., *In the Public Interest*, infra note 91; Emir Aly Crowne Mohammed, "Parody as fair dealing in Canada: a guide for lawyers and judges" (2009) 4 Journal of Intellectual Property Law & Practice 468; Gregor P. Binkley, "The Judicial Treatment of Fair Dealing and Freedom of Expression in *Michelin v. C.A.W.*" (2000) 17 C.I.P.R. 225; David Fewer, "Constitutionalizing Copyright: Freedom of Expression and the Boundary of Copyright in Canada" (1997) 55 University of Toronto Faculty of Law Review 175.



The analyses in this thesis use the balance of rights concept as the measuring rod for assessment of the consequences of the use of overlapping rights. Thus, the thesis investigates how the use of intellectual property rights associated with one segment of the system can affect the carefully crafted balance of rights of various stakeholders in an overlapping segment, and whether effectiveness of this segment to advance its purposes will be impeded by such use. Only the uses of rights that remain within the circle depicted above would affect the balance of rights in an overlapping segment. Uses that go beyond the circle might very well be charactrized as misues of inellecual property rights affecting some legitimate rights of the public but could not be characterized as misuses of the overlaps. The analyses are designed to formulate an answer to potentially objectionable uses of overlapping rights in an attempt to provide the judiciary and law practitioners with an analytical framework when faced with disputes involving intellectual property overlaps and therefore analyze misuses of intellectual property rights in this narrowly defined context.

These analyses are divided into four parts. Chapters two, three, and four examine the major segments of the intellectual property system: patent law, trademark law, and copyrights law, investigating how rights associated with each of these segments can be misused to operate within other intellectual property segments, affecting their balances and undermining their purposes. Each of these three chapters starts with examination of the respective segments' purposes and their balances of rights. Chapter five reviews the doctrines of clean hands, *ex turpi causa*, public policy, and intellectual property misuse in an attempt to formulate a proper answer to challenges posed by overlapping intellectual property rights, which could be adopted in Canada. It concludes that an indigenous doctrine of misuse based on the American doctrine of misuse and supported with other jurisprudence from common law jurisdictions would be a possible tool for preserving the structure of the intellectual property system and addressing the problems outlined in the previous chapters.

Chapter two analyzes overlaps of patent law with other segments of the system: copyrights, trade secrets, plant breeders' rights, and semiconductor topography rights. The first two sections—on overlaps of patent rights with copyrights and trade secret rights— examine the hybrid nature of software or computer programs and how this hybrid technology can undermine the consistency of the intellectual property system by being protected by a broad variety of intellectual property rights.[82] The discussion of overlaps between patent rights and plant breeders' rights that follows focuses on modification of DNA code as a hybrid technology. The last section examines how overlaps of patent rights and the semiconductor topography rights can adversely affect the semiconductor industry and potentially result in hindering technological progress.

Chapter three focuses on trademark rights. It reviews how trademark rights can operate within patent law, copyright law, industrial designs law, and the tort of appropriation of personality. The first section of this chapter looks at functional characteristics of trademarks on the Internet and how trademark rights can operate within this technology in

[82] Thirty paragraphs on pages 57-72 in that sub-chapter were published in Robert J. Tomkowicz, "Uneasy Fit: Software and the Duty of Disclosure in Patent Law" (2009) 25(2) C.I.P.R. 221 [Tomkowicz, "Uneasy Fit]. This work has never been previously submitted for academic credit.

ways that can undermine the doctrine of functionality and result in patent like protection.[83] The next section examines overlaps of trademark law with copyright law in the context of fictional literary characters, which has the potential of turning trademark rights into permanent "mutant" copyrights. It also finds overlaps of trademark rights and copyrights less objectionable in the context of visual displays of software. The following section examines how trademark rights can operate as permanent industrial design rights and how industrial design rights can operate as preliminary trademark rights, distorting the balance of rights in both these segments of the intellectual property system. The last section reviews the interfaces between trademark rights and personality rights, concluding that purposes of these two segments of the intellectual property system are quite similar and that their overlaps are unlikely to adversely affect their balances of rights.[84]

Chapter four discusses copyright law. It explores how this segment overlaps with patent rights, trademark rights, industrial design rights, and personality rights. In the context of patent rights, the analyses focus on a new category of copyrights—the right of access—mandated internationally and capable of establishing a legal regime that acts as a substitute of patent law. This subsection is derived from the author's research paper, previously submitted in partial fulfilment of the requirements of the LL.M. with Concentration in Law and Technology program at the University of Ottawa, which is attached to this thesis as an Appendix.[85] The next part of this chapter looks at the potential of using copyrights to

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[83] Seven paragraphs on pages 153-156 were previously published in Robert Tomkowicz, "Case Summary: *Private Career Training Institutions Agency v. Vancouver Career College (Burnaby) Inc*. 2010 BCSC 765" Intellectual Property Institute of Canada Bulletin 303 (September/October 2010) 13 and Robert Tomkowicz, "Use of Trade-marks in Search Engine Advertising: *Google v. Louis Vuitton*, C-236/08–C-238/08 (E.C.J.)" Intellectual Property Institute of Canada Bulletin 302 (July/August 2010) 10. This work has never been previously submitted for academic credit.

[84] Five paragraphs on pages 184-187 describing the facts of three cases included in that section were derived from this author's paper, Robert Tomkowicz, "Appropriation of Personality – The Tort for Digital Future," April 2005, [unpublished], on file with author, previously submitted for DCL 7310 course in partial fulfillment of the requirements of the LL.M. with Concentration in Law and Technology at the University of Ottawa. Professor Judge taught the course. All expressions contained in this thesis are this author's alone.

[85] Robert Tomkowicz, "Right of Exclusive Access: Using Copyright to Expand Patent Protection," 29 July, 2005, [unpublished], on file with author, Appendix I [Tomkowicz, "Right of Exclusive Access"]. This paper was subsequently published as Robert J. Tomkowicz & Elizabeth F. Judge, "Right of Exclusive Access: Misusing Copyright to Expand Patent Monopoly" (2006) 19 I.P.J. 351, Appendix II [Tomkowicz & Judge, "Right of Exclusive Access"]. Professor Judge supervised the LL.M. research and suggested editorial changes reflected in the publication. This thesis is a continuation and extention of the LL.M. research, which considered only the overlap between copyright law and patent law in the context of TPM/DRM technology. In particular, this thesis reiterates the ideas that the overlap of copyrights and patent righs in the context of

protect DNA sequences to expand patent protection available for this technology. The following section looks at overlaps of trademark rights and copyrights expressly authorized under the *Copyright Act* and how these overlaps can be misused to eliminate the rights of competitors and the general public available under the *Trade-marks Act*.[86] Intentions of Parliament in creating this overlap are examined in an attempt to reconcile the language of statutory provisions with the purposes of copyright law and trademark law. The next section considers whether there is potential for overlaps between copyrights and industrial design rights in visual interfaces of software contrary to intentions of Parliament expressed in the provisions of the *Copyright Act*. The last section looks at overlaps of copyrights and personality rights in the context of video games.

Chapter five attempts to formulate a possible doctrinal answer to the problems outlined in chapters two, three, and four. It starts with identification of the necessary characteristics that a doctrine would have to possess in order to be effective in protecting the structure of the intellectual property system challenged by overlaps of its rights. Then, the chapter reviews different legal doctrines that could potentially be used as bases for the formulation of an indigenous Canadian doctrine of intellectual property misuse. The discussion starts with the clean hands doctrine in Canadian intellectual property law, which is found to be inadequate for responding to the phenomenon of intellectual property overlaps. Then, the *ex turpi causa* and public policy doctrines developed in other common law jurisdictions are examined. Both doctrines are found to exhibit some characteristics that can make them suitable as a springboard for formulation of the intellectual property misuse doctrine in Canada. Finally, the American doctrine of misuse is reviewed. This chapter is not a comprehensive review of the doctrine. Instead, it reviews only one part of the doctrine's analyses that applyies to misuse of rights extending intellectual property monopolies and generally not having anticompetitive consequences. Chapter five concludes with the

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TPM/DRM technology can be used by copyright holders to undermine important exemptions to patern rights, such as the doctrine of exhaustion, the doctrine of implied license, the right to build an invention for private and experimental use, and even create a substitute for patent monopoly, all of which has adverse effect on the balance of rights in patent law. All ideas derived from the LL.M. research and expressions contained in this thesis are this author's alone.

[86] Twelve paragraphs on pages 230-236 and 254-257 in that chapter were published in Robert J. Tomkowicz, "Copyrighting Chocolate: *Kraft Canada v. Euro Excellence*" (2007) 20 I.P.J. 399 [Tomkowicz, "Copyrighting Chocolate"]. This work has never been previously submitted for academic credit.

suggestion that the misuse doctrine is one possible, and probably most comprehensive, solution for a judicial response to intellectual property overlaps. Such doctrine would not divest an intellectual property owner of his or her rights but simply restrict their enforcement in specifically defined circumstances. The author suggests that judicially created misuse doctrine does not preclude its statutory underpinnings.

J. Literature review

The importance of intellectual property as an area of law has been growing in the last several decades. What 50 years ago was considered to be a niche practice area for lawyers matured into one of the most important areas of the legal system. The development of scholarly literature reflects this growing significance of intellectual property law. The number of monographs and articles discussing different issues relevant to intellectual property law has been growing over the years and now there is a robust body of scholarly literature in Canada and abroad on the subject of intellectual property. Hundreds of Canadian articles and more internationally focus on a broad variety of intellectual property issues.

The maturing of intellectual property as an area of law has been reflected in the changing form of legal analysis in scholarly writings on intellectual property. The early Canadian monographs generally discussed only individual segments of the intellectual property system,[87] which reflected the narrow view of intellectual property law as a niche practice. While such narrowly focused analyses are still needed and continued in this area of law,[88] newer monographs began to integrate several segments of intellectual property into single

[87] See for select examples: Harold G. Fox, *The Canadian law and practice relating to letters patent for invention.* (Toronto: Carswell, 1948) [Fox, *The Canadian law and practice relating to letters patent*]; Harold G. Fox, *The Canadian law of copyright.* (Toronto: Carswell, 1944); *The Canadian law of trade marks and industrial designs (including the law of trade names and unfair competition)* (Toronto: Carswell, 1940). The number of articles is too numerous to list.

[88] See for select examples: Gordon F. Henderson, ed., *Patent Law of Canada* (Toronto: Carswell, 1994); Gordon F.Henderson, ed. *Trade-Marks Law of Canada* (Toronto: Carswell, 1993) [Henderson, ed., *Patent Law of Canada*]; Gordon F. Henderson, eds., *Copyright and Confidential Information Law of Canada* (Toronto: Carswell, 1994) [Henderson, eds., *Copyright and Confidential Information*]; Teresa Scassa, *Canadian trademark law* (Markham, Ont.: LexisNexis, 2010); Handa, *Copyright Law in Canada*, *supra* note 63; David Vaver, *Copyright Law* (Toronto : Irwin Law, 2000) [Vaver, *Copyright Law*]. The number of articles is too numerous to list.

books. This trend was initiated in Canada by Professor Vaver and continues today.[89] Scholarly analyses are also discovering new perspectives on the place of intellectual property in Canadian law, which often involves multidisciplinary analysis. Some authors have combined the study of intellectual property, philosophy, history, and economy.[90] Other authors have looked at intellectual property norms and values, including the concept of user rights.[91] There is also a growing body of other materials considering international perspectives on intellectual property rights viewed through the prism of economics.[92]

One of the most important recent developments in the intellectual property scholarship, both in Canada and internationally, is the growing body of literature on the impact of technologies on this area of law. Although traditionally technologies were discussed only as related to patent law,[93] today, practically every segment of intellectual property is affected by a technology in one form or another. One of the technologies that affect most segments of the intellectual property system is the Internet, and there is a very significant scholarship discussing intellectual property rights in this context.[94] An issue related to the Internet is the

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[89] See for select examples: Vaver, *Intellectual property law*, *supra* note 42; John McKeown, *Canadian intellectual property law and strategy : trademarks, copyright, and industrial designs* (Oxford; New York: Oxford University Press, 2010); Daniel Gervais and Elizabeth F. Judge, *Intellectual Property: The Law in Canada* (Toronto: Carswell, 2005) [Gervais and Judge, *Intellectual Property*]. The number of articles is too numerous to list.

[90] See for select examples: Mira T. Sundara Rajan, *Copyright and Creative Freedom* (London: Routledge 2006); Rose, *Authors and Owners*, *supra* note 10; William M. Landes & Richard A. Posner, *The economic structure of intellectual property law* (Cambridge, Mass.; London: Belknap Press of Harvard University Press, 2003); Drahos, *Philosophy of Intellectual Property supra* note 50; Vaver, *Copyright Law*, *supra* note 88; Vaver, *Intellectual property law*, *ibid*. The number of articles is too numerous to list.

[91] See for select examples: Michael Geist, ed., *From "Radical Extremism" to "Balanced Copyright": Canadian Copyright and the Digital Agenda* (Toronto: Irwin Law, 2010) [Geist, ed., *From "Radical Extremism"*]; Michael Geist, ed., *In the Public Interest: The future of Canadian Copyright Law* (Toronto: Irwin Law, 2005) [Geist, *In the Public Interest*]. The number of articles is too numerous to list.

[92] See for select examples: Daniel J. Gervais, *Intellectual property, trade and development: strategies to optimize economic development in a TRIPS-plus era* (Oxford ; New York : Oxford University Press, 2007); Daniel J. Gervais, *The TRIPS agreement : drafting history and analysis* (London : Sweet & Maxwell, 2003). The number of articles is too numerous to list.

[93] See for select examples: Fox, *The Canadian law and practice relating to letters patent*, *supra* note 87; Harold Fisher and Russel S. Smart, *Canadian patent law and practice.* (Toronto: Canada Law Book Company, 1914); Oliver Mowat Biggar, *Canadian patent law and practice: with special reference to the difference between the law and practice in Canada and in Great Britain and the United States* (Toronto: Burroughs, 1927).

[94] See for select examples: Barry Sookman, *Computer, Internet and Electronic Commerce Law*, looseleaf (Scarborough: Carswell, 2000) [Sookman, *Computer, Internet and Electronic Commerce Law*]; Michael Geist, *Internet Law in Canada* (Concord: Captuss Press, 2002) [Geist, *Internet Law*]; Alan M. Gahtan, Martin P.J. Kratz, J. Fraser Mann, *Internet Law: A Practical Guide for Legal and Business Professionals* (Toronto: Carswell, 1998); Lawrence Lessig, *Free Culture: How Big Media Uses Technology and the Law to Lock*

protection of software or computer programs with intellectual property rights, which is also prominent in recent intellectual property literature.[95] Another technology that attracts the attention of intellectual property scholars is biotechnology in general and manipulation of DNA code in particular.[96] There is no doubt that many new technologies affecting intellectual property law will be added to this growing body of scholarship in the future.

Overall, published scholarship on intellectual property law in Canada includes thousands of sources on very diverse issues. Yet little of this research directly addresses the issue of overlapping intellectual property rights. The issue of intellectual property overlaps, also referred to as convergence of the rights, has been discussed in scholarly literature mostly during the last 10 years. This delayed interest in the overlaps between different segments of the intellectual property system can be explained by the traditional focus of scholarly analysis on individual segments of the system. As explained above, not only was intellectual property generally perceived as a niche area of legal practice, but each segment of intellectual property was also viewed as a specialized area of law. Under such narrow view of intellectual property law, there was little incentive to view it as a coherent structure involving interfaces between different paradigms. Recently, however, there has been a growing awareness in Canada of the impact overlapping intellectual property rights have on integrity of the entire system, which has been reflected in some scholarly analysis. Those analyses, although few in number, established the initial framework for future analysis of intellectual property overlaps in Canada.

Down Culture and Control Creativity. (New York: The Penguin Press, 2004); Jessica Litman, *Digital Copyright*. (Amherst, Prometheus Books, 2001); Richard H. Chused, *A Copyright Anthology: the Technological Frontier* (Cincinnati: Anderson Publishing Co., 1998). The number of articles is too numerous to list.

[95] See for select examples: Mira T. Sundara Rajan, *Moral Rights: Principles, Practice and New Technology* (New York: Oxford University Press, 2010); *Mark* A. Lemley, et. al, *Software and Internet law* (New York, NY: Aspen Publishers, 2003); Philip Leith, *Software and patents in Europe* (Cambridge, UK; New York: Cambridge University Press, 2007). The number of articles is too numerous to list.

[96] See for select examples: Mark J. Facenko, *Biotechnology Law: Corporate-Commercial Practice* (Markham: Butterworths, 2002); E. Richard Gold & Bartha Maria Knoppers, *Biotechnology IP & Ethics* (Markham, Ont.: LexisNexis, 2009); Adrienne M. Blanchard & Jane B.H. Steinberg, *Life Sciences Law in Canada* (Toronto: Carswell, 2006). The number of articles is too numerous to list.

The first monograph that recognized the relevance of this issue was authored by Professors Gervais and Judge.[97] In their book, the authors not only discussed all the segments of the intellectual property system, but also included a discussion on their overlaps, with its smaller parts, such as industrial designs, misappropriation of personality, and semiconductor topographies.[98] The book includes a useful review of jurisprudence, but is generally limited to Canadian jurisdiction. It is instructive in pointing to several interfaces in the intellectual property system; unfortunately, it has a rather descriptive character and does not formulate a uniform prescriptive approach to the problem of overlaps.

A similar introduction to the broad variety of interfaces in the intellectual property system is included in an article by Zimmerman of Borden Ladner Gervais LLP, who reviewed overlaps between copyright, industrial designs, trade-marks, and patents.[99] But this article, like the chapter in Professors Gervais and Judge's book, does not attempt to develop a prescriptive approach to identified problems, limiting the analysis to their descriptive presentation.

An attempt to formulate a normative approach to the problem of intellectual property overlaps in the context of interface between trademark law and patent law was undertaken by Professor Tawfik.[100] She identified four public policy justifications relevant for review of this overlap:

1) The integrity of the intellectual property system,
2) Undue restraint on free competition,
3) The onus of proving that it was competing fairly imposed on a defendant, and
4) Legislative intent, as it relates to unregistered distinguishing guises.

After concluding her analysis, Professor Tawfik comes to the conclusion that only two competing public policy considerations—anti-competition and unfair competition—are

[97] Gervais and Judge, *Intellectual Property*, *supra* note 89.
[98] This discussion is contained in the last chapter of the book "Intellectual Property Overlaps," *ibid*.
[99] Gordon J. Zimmerman, "Extending The Monopoly? The Risks and Benefits of Multiple Forms of Intellectual Property" (2001) 17(2) C.I.P.R. 345.
[100] Myra J. Tawfik, "Follow the *Lego* Brick Road: The Doctrine of Functionality Under Canadian Trademark Law," in Grosheide and Brinkhof, eds., *Intellectual Property Law*, *supra* note 18.

relevant for assessing the potential adverse effects of overlapping intellectual property rights in that particular context. But even these two justifications are not objectively measurable and, according to Professor Tawfik, are rather a matter of perspective.[101] Professor Tawfik acknowledged the complexities of overlaps between trademark rights and patent rights and the need for a decisive action by the Supreme Court in light of these challenges, but did not suggest a normative framework that addresses the identified problems or the general problem of overlaps in the intellectual property system. Surprisingly, in her analysis, Professor Tawfik summarily dismissed public policy concerns related to the integrity of the entire intellectual property system without more thoughtful consideration of the advantages and public policy benefits that preservation of the system's structure ensures.[102] Unfortunately, without such inquiry, no uniform response to intellectual property overlaps can be formulated.

The issue of a uniform approach to the broad variety of overlaps in the intellectual property system was recently revisited by Professor Tawfik.[103] In a monograph chapter she authored, Professor Tawfik noted the urgent need for a critical examination of intellectual property overlaps as well as the need for a uniform approach to these problems. As she accurately observed, without a coherent framework for analysis of intellectual property overlaps, the response to identified problems will necessarily involve *ad hoc* "'case by case' and 'law by law'" analysis and generate "paradoxes that can never be properly resolved."[104] Unfortunately, the author stopped short of suggesting an answer.

In addition to the aforementioned sources, other Canadian authors have addressed issues involving overlaps of intellectual property in various ways in different contexts over the years. Although no uniform approach to intellectual property overlaps was developed in those analyses, they provide critical examination of different overlaps necessary for uniform analysis applicable to the entire intellectual property system.[105]

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[101] *Ibid*. at 93.
[102] *Ibid*. at 77.
[103] Tawfik, "When intellectual rights converge," *supra* note 74.
[104] *Ibid*. at 268 and 291.
[105] See e.g. Mikus, "Of Industrious Authors", *infra* note 206; Vaver, *Intellectual property law*, *supra* note 42; Drassinower, "The Art of Selling Chocolate", *infra* note 789.

It should be noted, however, that the literature reviewed for this research was limited to works written in English and, in particular, excluded works written in French. Consequently, any generalizations about the state of the literature in Canada are limited to literature published in English.

The lack of scholarly analysis discussing intellectual property overlaps is also noticeable in the UK or Europe in general. There are few monographs or articles on this issue in Europe, although their number is growing.[106]

The only jurisdiction where discussion on intellectual property overlaps is broader is the US, but even in this jurisdiction there is a noticeable lack of comprehensive monographs considering these issues. Relatively few academic works examine the entire intellectual property system. And when they do, they tend to ignore the smaller and less prominent segments of the system, focusing instead on its most economically dominant parts, such as copyright law, trademark law, patent law, and industrial designs.[107] Generally, those discussions are limited to American jurisdiction and tend to focus on two overlapping segments of the system. Although such fragmented approach makes it difficult to develop a uniform response to problems resulting from intellectual property overlaps, those sources provide fertile ground for future, more complex, analyses. The US scholars considered and analyzed many overlaps between various segments of the intellectual property system, in particular: patents and copyrights,[108] patents and trademarks,[109] patents and industrial

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[106] See e.g. Estelle Derclaye & Matthias Leistner, *Intellectual Property Overlaps: A European Perspective* (Oxford: Wildy & Sons, 2011); Martin Senftleben, *Overprotection and Protection Overlaps in Intellectual Property Law – The Need for Horizontal Fair Use Defences*, in A. Kur, ed., *ATRIP Conference 2009* (Cheltenham: Edward Elgar Publishing, 2010); Grosheide and Brinkhof, *Intellectual Property Law*, *supra* note 21; Megan Richardson, "Copyright in Trade Marks? On Understanding Trade Mark Dilution" (2000) I.P.Q. 66; Andrés Guadamuz, "The Software Patent Debate" (2006) 1(3) Journal of Intellectual Property Law & Practice 196.

[107] See e.g. Viva R. Moffat, "Mutant Copyrights and Backdoor Patents: The Problem of Overlapping Intellectual Property Protection" (2004) 19 Berkeley Tech. L. J. 1473 [Moffat, "Mutant Copyrights"]; Andrew Beckerman-Rodau, "The Problem with Intellectual Property Rights: Subject Matter Expansion" (2010) 13 Yale Journal of Law & Technology 35.

[108] See e.g. J.H. Reichman, "Legal Hybrids Between the Patent and Copyright Paradigms" (1994) 94 Colum. L. Rev. 2432; Denis S. Karjala, "Distinguishing Patent and Copyright Subject Matter" (2003) 35 Conn. L. Rev. 439.

designs,[110] plant breeders' rights with other intellectual property,[111] trademarks and industrial designs,[112] copyrights and trademarks,[113] and copyrights and industrial designs.[114]

The analyses also considered the overlaps occurring in the context of new technologies. Those analyses usually consider several segments of the system but in a narrowly defined context. One of the most commonly discussed technologies is the Internet.[115] The other is software.[116]

Review of the US scholarly publications on intellectual property overlaps suggests that although no uniform approach to this problem has been developed yet, the publications provide sufficient background for synthesis of various sources and the formulation of such comprehensive approach, especially in the context of new technologies.

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[109] See e.g. Kevin E. Mohr, "At the Interface of Patent and Trademark Law: Should a Product Configuration Disclosed in a Utility Patent Ever Qualify for Trade Dress Protection?" (1996-1997) 19 Hastings Comm. & Ent. L.J. 339.

[110] See e.g. Alison Marcotte, "Concurrent Protection of Products by Patent and Trade Dress: Use of the Functionality Doctrine in *Marketing Displays, Inc. v. TrafFix Devices, Inc*." (2001) 36 New Eng. L. Rev. 327.

[111] See e.g. Mark D. Janis, "Supplemental Forms of Intellectual Property Protection for Plants" (2004) 6 Minn.. J. L. Sci.. & Tech.. 305.

[112] See e.g. Margreth Barrett, "Consolidating the Diffuse Paths to Trade Dress Functionality: Encountering *TrafFix* on the Way to *Sears*" (2004) 61 Wash. & Lee L. Rev. 81.

[113] See e.g. Michael Todd Helfand, "When Mickey Mouse Is as Strong as Superman: The Convergence of Intellectual Property Laws to Protect Fictional Literary and Pictorial Characters" (1992) 44 Stan. L. Rev. 624; Roberta Rosenthal Kwall, "The Attribution Right in the United States: Caught in the Crossfire Between Copyright and Section 43(A)" (2002) 77 Wash. L. Rev. 985; Jessica Bohrer, "Strengthening the Distinction between Copyright and Trademark: The Supreme Court Takes a Stand" (2003) Duke L. & Tech. Rev. 23; Laura A. Heymann, "The Trademark/Copyright Divide" (2007) SMU L. Rev. 55.

[114] See e.g. Ryan Vacca, "Design Patents: An Alternative When the Low Standards of Copyright are too High" (2007) 31 South. Ill. U. L. J. 325.

[115] See e.g. Mark V.B. Partridge, *Trademarks, Copyright and the Internet* (Lincoln, NE: iUniverse, 2003); Xuan-Thao N. Nguyen, "Should it be a Free for all? The Challenge of Extending Trade Dress Protection to the Look and Feel of Web Sites in the Evolving Internet" (2000) 49 Am. U. L. Rev. 1233; John Tehranian, "All Rights Reserved? Reassessing Copyright and Patent Enforcement in the Digital Age" (2003) 72 U. Cin. L. Rev. 46; Thomas C. Folsom, "Missing the Mark in Cyberspace: Misapplying Trademark Law to Invisible and Attenuated Uses" (2007) 33 Rutgers Computer & Tech. L.J. 137.

[116] See e.g. David A. Einhorn, "Copyright and Patent Protection for Computer Software: Are They Mutually Exclusive?" (1990) IDEA: The Journal of Law and Technology 265; Rhoda L. Rudnick, "Trademark Protection for Computer Screen Displays and Software" (1990) 80 TMR 382; Lauren Fisher Kellner, "Trade Dress Protection for Computer User Interface "Look and Feel" (1994) 61 U. Chi. L. Rev. 1011; Denis S. Karjala, "A Coherent Theory for the Copyright Protection of Computer Software and Recent Judicial Interpretations" (1997) 66 U. Cin. L. Rev. 53.

Discussions about overlapping intellectual property monopolies in individual jurisdictions have also been supplemented by debates on international forums. The WIPO, in particular, provides an institutional framework where sophisticated discussions of such issues take place. These discussions are still in their infancy and have so far considered only a few overlaps in the intellectual property system. For example, discussions in the WIPO produced thorough analysis of overlaps between trademark rights, copyrights, and industrial design rights.[117] The WIPO also organized a joint symposium with the UPOV to formulate a response to overlaps between patent rights and plant breeders' rights.[118] Discussions in the WIPO are supplemented by some vivid and interesting presentations during international conferences,[119] but those debates usually lack in depth analysis.

Overall, the review of scholarly literature concerning intellectual property overlaps suggests that this research area is in the early stages of development, but growing in significance. Although there is a noticeable lack of broader, multi-jurisdictional, perspectives in scholarly analysis and an absence of a uniform approach to this problem, there are many background publications considering a variety of issues involving intellectual property overlaps. All this research forms a strong foundation for future progress.

K. Research methodology

[117] See e.g. WIPO, Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, *Industrial Designs and Their Relationship with Works of Applied Art and Three-dimensional Marks*, SCT/9/6 (Geneva: WIPO, 2002); WIPO, Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, *Trademarks and Their Relations with Literary and Artistic Works*, SCT/16/5 (Geneva: WIPO, 2006); WIPO, Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, *Trademarks and Their Relations with Literary and Artistic Works*, SCT/18/4 (Geneva: WIPO, 2007).

[118] WIPO, *WIPO-UPOV Symposium on the Co-Existence of Patents and Plant Breeders' Rights in the Promotion of Biotechnological Developments*, WIPO-UPOV/SYM/02/2 (Geneva: WIPO, 2002) [WIPO-UPOV Symposium].

[119] See, e.g., Martin Senftleban, "Overprotection and Protection Overlaps in Intellectual Property Law – the Need for Horizontal Fair Use Defences," in A. Kur, ed., *ATRIP Conference 2009* (Cheltenham: Edward Elgar Publishing, 2010); Willem Grosheide, "Concurrence of Trademark and Copyright Standards: Some Thoughts - Developments in Dutch Law with Reference to American Law" (Paper Presented at Fordham Conference on Intern. Intell. Prop. Law & Policy, 1999), online: The Berkeley Electronic Press <http://works.bepress.com/cgi/viewcontent.cgi?article=1029&context=graeme_dinwoodie>; F. Willem Grosheide, "Crossing Borders: Convergence in the Field of IPR's," in Hugh C. Hansen, ed., International Intellectual Property Law & Policy (New York: Juris Publishing, 1996); Shira Perlmutter, "Convergence and the Future of Copyright" (2001) 4(2) Columbia-VLA Journal of Law & the Arts 163.

This research investigates intellectual property overlaps as a phenomenon. It attempts to describe occurrences of this phenomenon in different environments—particularly in the context of new technologies—and explain its consequences. It also tries to predict certain overlaps that have not yet occurred based on legal framework of intellectual property law and patterns of behaviour expressed in adjudication of intellectual property rights. The observations and predictions form the bases for an explanation of this phenomenon and the formulation of a potential answer to the problems identified in the research.

This research does not investigate all possible uses or misuses of intellectual property rights. Instead, it analyses only improper uses of overlapping intellectual property rights that adversely affect the balance of rights established in other segments of the intellectual property system. Because this issue has not yet received sufficient scholarly attention, there is a noticeable lack of secondary sources in this area. Consequently, this research relied mainly on case law for its analysis. Electronic databases, such as WestLaw, eCarswell, LexisNexis, and Quicklaw, were the main providers of sources for this research. Also, no analytical framework for an analysis of overlapping intellectual property rights has been developed by the judiciary or academia yet,[120] which required establishing a proper test to distinguish cases involving overlaps of intellectual property rights that would be suitable for this analysis. This methodology does not purport to be exhaustive, but neither does it have to be. It relies only on cases that were litigated, which leaves cases resulting in settlement and mediation outside of its scope; however, the cases relied on are intended to illustrate the problems outlined in the thesis rather than to be a comprehensive inventory of every conceivable intellectual property overlap.

While other methods—such as collection of data via interviews, surveys, and comparative studies—might also be used to investigate the phenomenon of intellectual property overlaps, the method chosen by the author is suitable for the primary objectives of this research: the identification of problems, measuring their scope, and finding potential solutions. To achieve these objectives, the primary sources of law are of paramount importance and this is the reason why this methodology relies heavily on them.

[120] Tawfik, "When intellectual rights converge," *supra* note 74 at 269-270.

Interfaces between different intellectual property rights are complex and their overlaps may be affected by structural or regulatory regimes outside of the intellectual property system. Such interfaces, however, are outside of this thesis' scope, which is confined only to the intellectual property system. The issues discussed in this thesis are both novel and very dynamic, and there are many new interfaces left to be discovered and analyzed, including regulatory restrictions on intellectual property rights.

Certain jurisdictional limitations of the analysis should be acknowledged. While this research focuses on Canadian jurisdiction, it is not limited to Canadian intellectual property law. It was expanded to include experiences of other common law jurisdictions. All those jurisdictions are rooted in English law and share this common heritage. For this reason, judicial interpretation of legal concepts in intellectual property law is similar in their case law, even when it is not identical. In fact, courts in common law jurisdictions often refer to decisions from other common law countries for guidance in their analysis when adjudicating intellectual property disputes, even if there are some minor differences in substantive law in those jurisdictions. This allows for useful comparison of different approaches to the problems resulting from overlaps of intellectual property rights; however, this research is a multi-jurisdictional research and not a comparative study. Cases from non-Canadian jurisdictions are used to support the analysis of intellectual property overlaps in Canada and to guide the formulation of a response to identified problems.

By focusing on Canadian and other important common law jurisdictions such as the US, the UK, and Australia, these analyses leave decisions from the civil law tradition outside of its scope. While this limitation narrows the scope of these analyses, it does not undermine their results. Instead, it makes the analysis most effective by resulting in increased specificity. This research leaves the important issue of intellectual property overlaps in civil law jurisdictions for future analysis, but at the same time creates an analytical framework that can be used for such research.[121] Similarly, the analysis of Canadian jurisprudence and

121 There is a vivid discussion on the civilian doctrine of abuse of rights as an equivalent of the doctrine of misuse that has to be acknowledged. Those analyses form proper bases for comparative studies involving both civilian abuse of rights doctrines and the commonwealth doctrine of misuse, which was not undertaken in this

secondary sources is limited to a review of cases and commentaries available in the English language. Consequently, some cases decided in the province of Quebec and not available in a bilingual version were not considered here. This is an acknowledged limitation of the thesis, which also presents the opportunity for future complementary or comparative research in Canada. In general, subject to the small number of exceptions, the cut off date for author's analysis was May 2010.

To identify cases involving misuses of overlapping intellectual property rights, this research uses two step analyses. The first step involves purposive analysis of the rights claimed in litigation. In other words, this step answers the question: Why were particular intellectual property rights invoked by a claimant? What motivated the litigator to commence the litigation? By answering these questions, based on facts accepted by courts, this step in the analysis determines whether the rights claimed were used for purposes that are compatible with the purposes of the intellectual property segment in which the rights belong. This step is similar to the analysis employed by the US courts in the context of the "extension of the monopoly" doctrine, which is part of the US intellectual property misuse doctrine discussed in chapter five.

The second step in the analyses involves an assessment of the effects improper use of the overlapping rights identified in the first step has on the integrity of the intellectual property system. This step uses the concept of balance of rights, which distributes certain rights and exceptions to those rights in each intellectual property segments between different stakeholders. This step asks different questions: Did the use of the overlapping rights result in denying legitimate rights of other stakeholders in the overlapping segment of the intellectual property system? How was the balance of rights in that segment affected by such use? By answering these questions, the effect of intellectual property rights' misuses on the integrity of the intellectual property system can be assessed.

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thesis. See for select examples: Lucie Guibault, "Limitations Found Outside of Copyright Law," ALAI Study Days, 14-17 September 1998, Cambridge; Pierre-Emmanuel Moyse, "*Kraft Canada c. Euro-Excellence*: l'insoutenable légèreté du droit" (2008) 53 McGill L.J. 741.

Research of overlapping intellectual property rights presents serious challenges for researchers. One of them—deficiency of secondary sources—was mentioned above. The other is insufficient familiarity of law practitioners and the judiciary with complex interfaces between different intellectual property rights in the system. Consequently, even when the issues of intellectual property overlaps arise on facts of a case they are usually neither argued by parties nor discussed by courts. For this reason, a simple keyword search would not be effective. For example, searching for keywords "intellectual property overlaps," "overlap of patent law and copyright law," or their combinations would not produce satisfactory results. To put it simply, the word "overlap" is used only in a small fraction of cases involving overlapping intellectual property rights.

One way to overcome this limitation, which was used in this research, was to identify the cases in which intellectual property rights from different segments of the intellectual property system were claimed in a particular context or over one subject matter in a single case. For example, using keywords "copyright infringement" and "trademark infringement" and "design trademark" or "logo" conjunctively could identify cases where both trademark rights and copyrights were used concurrently to protect an artistic work functioning as a design trademark. A review of those cases' facts, using the two step analysis, reveals whether the rights were used properly. Similarly, a keyword search for "comparative advertising" and "copyright law" and "trademark law" can be used to identify similar problems in this context.

The search method described above, combining a keyword search with particular legal concepts that can involve overlaps of intellectual property rights, is helpful in identifying many cases involving litigation of those rights. It is effective, however, only for locating cases where intellectual property rights from different segments were claimed concurrently in a single case. This method is less effective for identifying cases where intellectual property rights from only one segment were involved, but for purposes associated with another segment. Consequently, a case like *Kraft*—where only copyrights were invoked but for the purpose of eliminating certain exemptions in trademark law—could escape this

search if the issue of intellectual property overlaps was not voiced in the case. This is a limitation that has to be acknowledged.

These analyses include, among others, considerations of intellectual property rights in the context of new technological inventions. Some of those interfaces have not yet been considered judicially. For example, chapter four includes a discussion of possible copyright protection for patentable DNA sequences. Those parts of the analyses contemplate the hypothetical use of overlapping intellectual property rights. The structure of analyses in those parts, however, is identical to that employed in the analyses of case law. First, possible uses of the overlapping intellectual property rights for improper purposes is reviewed in light of judicial interpretation of relevant legal concepts and doctrines. Second, possible effects of such uses on the balance of rights in the overlapping segments are identified.

In general, this research synthesizes the problems resulting from intellectual property overlaps in all segments of the intellectual property system and builds an analytical framework for future research. It also aspires to be a useful tool for the identification of intellectual property overlaps by judges and lawyers in the practice of law.

II. PATENT LAW

> Patent rights were never granted to prevent persons of ingenuity exercising their talents in a fair way.
>
> Lord Justice George Jessel,
> Court of Chancery[122]

> Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product, the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent.
>
> Chief Justice Harlan Stone,
> US Supreme Court[123]

This chapter discusses what is, arguably, the most important segment of the intellectual property system—patent law. To ensure robust incentives for inventiveness, patented inventions are protected by the strongest monopoly in the intellectual property system. For this reason, the possibility of claiming patent rights to complement other segments of the system offers powerful economic incentive for misusing overlaps of patent rights with other intellectual property rights.

Because patent rights are so crucial for the general public, ensuring proper functioning of this segment of the intellectual property system is of paramount importance now and for

[122] *Frearson v. Loe* (1878), 9 Ch.D. 48 at 67 [*Frearson*].
[123] *Morton Salt Co. v. G.S. Suppinger Co*., 314 US 488 (1942) at 493 [*Morton Salt*].

future generations. This inevitably requires maintaining proper balance of rights in patent law, which can ensure both sufficient level of inventiveness and access of the general public to newly developed inventions. This chapter looks at interfaces of patent law and the other segments of the system and explores how patent rights can effectively operate in other segments of the system, affecting their balances of rights. Four other segments of the intellectual property system potentially affected by overlaps with patent rights are considered: trade secret rights, copyrights, plant breeders' rights, and semiconductors topography rights. For better organization of the argument, this chapter reviews only how patent rights can enlarge or substitute rights in the other segments of the system. Instances where rights from the other segments can be used to operate within patent law are considered in chapters III.2 and IV.2.

Patents and technology have a very intimate relationship. In fact, it is practically impossible to talk about patent law without discussing some form of technology protected by patent rights. Three such technologies are reviewed in this chapter: computer programs or software, manipulations of genetic codes, and three dimensional configurations of computer chips' topography.

1. Purposes of patent law

Canadian patent law is governed by the *Patent Act*,[124] which is the sole base for patent rights. Unfortunately, neither the *Patent Act* nor its constitutional underpinnings in the *Constitutional Act*, 1867, pronounce the purposes behind patent monopoly. Such rationale has to be ascertained from the historical development of this area of law and the general structure of the *Patent Act*.

As indicated in the previous chapter, the first patent regulation introduced in Venice in the 15th century conditioned grant of patent rights on the creation of a new invention and disclosing it to the public. This approach views patent rights as a vehicle for promoting inventiveness or new technological developments.[125] Some early statutory regimes

[124] R.S.C. 1985, c. P-4 [*Patent Act*].
[125] *Statute of Monopolies, 1623* UK, 21 Ja. 1, c.3 [*Statute of Monopolies*].

employed a more relaxed approach, granting patent monopoly not only to the true inventors, but also to importers of new technologies into a jurisdiction.[126] The latter view appears to focus more on promoting economic development than inventiveness, somewhat distorting the original purposes behind patent rights, but this low threshold of patentability is no longer present in modern patent law.

The historical development of patent law in Canada seems to indicate that from its inception, it tended to focus on inventiveness rather than economic development, and judicial interpretation of the *Patent Act* supports this view. Under this interpretation, grant of patent monopoly is a form of a "deal" entered into by the public, represented by the Crown and the inventor. If the inventor discloses the invention and it meets the requirements of patentability set in the *Patent Act*, the public will grant him monopoly rights limited in duration. From this perspective, patent monopoly is no more than a consideration in contractual context, albeit statutorily regulated. In *Pioneer Hi-Bred Ltd. v. Canada (Commissioner of Patents)*,[127] the Supreme Court phrased it in the following terms:

> In Canada the granting of a patent means the kind of *contract between the Crown and the inventor* in which the latter receives an *exclusive right to exploit his invention* for a certain period *in exchange for complete disclosure* to the public of the invention and the way in which it operates ... The history of Canadian legislation in this area demonstrates that the obligation to disclose an invention has always been regarded as a prerequisite to the granting of a patent... It follows that all inventions are not necessarily patentable, even if they are the work of an inventive genius, they produce a new industrial result when compared with the mass of current knowledge, and are commercially useful... Disclosure also has an important part to play in identifying the steps followed and distinguishing between the discovery of a theoretical principle or of a product occurring in nature and an invention which requires human activity for its development. This distinction is crucial in the field of patents, since only the latter is an invention within the meaning of the Act, unless the former is associated with a new

[126] See e.g. American *Patent Act*, Ch. 7, 1 Stat. 109-112 (1790) and French Patent Law of 1791.
[127] [1989] 1 S.C.R. 1623, 1989 CarswellNat 533 [*Pioneer Hi-Bred*, cited to CarswellNat].

> method of implementation giving a new and unique result [emphasis added; citations in text omitted].[128]

Allusions of the Supreme Court in *Pioneer Hi-Bred* to the purposes of patent law indicate several important elements of the bargain establishing patent monopoly. The first conclusion is that the onerous requirements of patentability specified in the *Patent Act*, such as novelty, utility, or disclosure, are necessary but insufficient preconditions for grants of patents, due to limited interpretation of "invention" under the *Patent Act*. The second conclusion goes beyond the statutory language of the *Act* and suggests that the entire regulatory scheme for patent grants has to be viewed in the context of its purposes. Patent monopoly is supposed to promote the advancement of new technologies and for those reasons, elements of nature and theoretical principles are excluded from its scope—grant of patent monopoly over these subject matters simply would not advance that purpose. The importance of this intersection of statutory regime with what is really a public policy consideration in assessing limits to patent monopoly was reiterated by the Supreme Court of Canada in the *Bristol-Myers* case, where the Court saw no value in inventions that do not advance the purposes of patent law. To paraphrase the language used by the Supreme Court in *Consolboard*: There would be no consideration flowing from the inventor to the public, thus undermining validity of the contract.[129] Such "inventions" should properly be called non-patentable discoveries.

The purposes of patent law are ascertainable not only from the structure of the entire regulatory scheme, but are also reflected in individual provisions of the *Patent Act*. The *Act* specifies that patent monopoly protects "inventions," a term that is defined as "new and useful art, process, machine, manufacture or composition of matter."[130] This definition of "invention" contains two initial requirements for obtaining patent monopoly: novelty and usefulness.

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[128] *Ibid.* at paras. 25-27.
[129] *Consolboard*, *supra* note 20 at 517.
[130] *Patent Act*, *supra* note 124, s. 2, definition of "invention."

The requirement of novelty means that at the time the patent claim is made, the subject matter has not been "disclosed" by making it "available to the public" anywhere in the world.[131] A disclosure, in any part of the world, that reveals qualities of the invention, whether in print, in writing, orally, or through the Internet, even once,[132] will prevent patenting of the invention.[133] The requirement of novelty is related to the concept of non-obviousness.[134] When an invention is obvious, it is not novel.[135] The test for non-obviousness is objective and refers to "a person skilled in the art or science to which it pertains."[136] In other words, whether an invention is obvious or not must be assessed from the perspective of a skilled person, not the perspective of the general public. The statutory requirement of novelty is the most visible manifestation of the purposes of patent law. Because this purpose is to encourage development of new technologies, granting patent monopoly for something that is not new would not advance this purpose.

The requirement of usefulness is also related to purposes of patent law. Usefulness has two components. One is the commercial or industrial usefulness, and the other is operability, which means that the invention works when put in practice. In other words, the invention has to perform the function for which it was designed and this function has to have a practical application.[137] It must be directed to a practical use and indeed perform the way the inventor claims it does.[138] Just like the requirement of novelty, the requirement of usefulness is instrumental in ensuring that patents are granted only for inventions that promote the progress of technology as a practical application of science. The requirement of usefulness also introduces specific public policy considerations into patent law by

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[131] *Ibid.*, s. 28.2(1).
[132] *Egbert v. Lippmann*, 104 US 333 (1881).
[133] For broader analysis see Ronald E. Dimock, "Patent Anticipation or What's New, Patent Act" in Henderson, ed., *Patent Law of Canada*, *supra* note 88. Unlike Canada, the US does not recognize the notion of "absolute priority" and instead uses a one-year grace period, allowing inventors to file patent applications within one year from making the invention public; see *Patent Act*, 35 USC. §102(b).
[134] *Patent Act*, *supra* note 124, s. 28.3.
[135] *Apotex Inc. v. Wellcome Foundation Ltd.*, (1998) 79 C.P.R. (3d) 193 (F.C.T.D.); affirmed, (2000) 10 C.P.R. (4th) 65 (F.C.A.) at para. 243; *AB Hassle v. Genpharm Inc.*, 2003 FC 1443, 243 F.T.R. 6 (F.C.T.D.) at para. 45; *Bayer AG v. Apotex Inc.*, 2003 FC 1199, 29 C.P.R. (4th) 143, 240 F.T.R. 267 (F.C.T.D.) at para 58.
[136] *Patent Act*, *supra* note 124, s. 28.3.
[137] *Northern Electric*, *supra* note 20.
[138] *Consolboard*, *supra* note 20.

limiting patent monopoly to practical applications of the patented invention, leaving its theoretical or scientific aspects outside of the monopoly.

While the requirements for obtaining patents can be viewed as onerous, the scope of monopoly created under the *Patent Act* is, arguably, the broadest in the entire intellectual property system.[139] Unlike any other segment of the intellectual property system, patent law protects ideas of inventions capable of physical embodiment and meeting prescribed statutory requirements, thus preventing other inventors from manufacturing and using identical or equivalent inventions with the same functionality. This unique aspect of patent rights can be illustrated with the example of a patent involving what some believers call a breakthrough technology for rechargeable batteries—EESU ultracapacitor. This invention is supposed to be ten times more efficient than lithium ion battery and provide the answer to electrification of automobiles. Patents protecting this invention were granted around the world, including Canada,[140] even though no invention was built yet and there are serious doubts among scientists about whether this invention as claimed can be reconciled with the law of physics, as we know it,[141] and some even call it "alchemy."[142]

Patents are often issued for ideas of patentable inventions before their physical embodiment occurs, even when scientific bases for the claims on which the patent grant is based are in question. And because only one patent can be granted for the utility of identical or equivalent inventions, patent rights are the most exclusive of all intellectual property rights—in search for the patent monopoly there is only one winner. This unique characteristic of patent rights has profound consequences for overlaps of intellectual property rights, which will be explored in subsequent parts of this chapter.

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[139] *Patent Act*, *supra* note 124, s. 2, definition of "invention," should be read in conjunction with s. 42 establishing the scope of monopoly.
[140] See Canadian patent CA 2434470 and US patent 7033406 for Electrical-energy-storage unit (EESU) utilizing ceramic and integrated-circuit technologies for replacement of electrochemical batteries.
[141] See e.g. Tyler Hamilton, "Battery Breakthrough" *Technology Review* (22 January 2007), online: <http://www.technologyreview.com/business/18086/>; "GM Says EEStor-Powered Chevy Volt Would be Possible, if EESU Was," online: GM-Volt <http://gm-volt.com/2009/12/13/eestor-powered-chevy-volt-would-be-possible-if-eesu-was/>; USAF email, TheEESTORy.com, online: <http://www.theeestory.com/files/AFRL_s_ultra_capacitor_development_program.pdf>, raising doubts about utility of these patents.
[142] "EEStor submits patent for supercapacitor 'battery'" Intellectual Property Magazine (1 October 2007), online: <http://www.ipworld.com/ipwo/doc/view.htm?id=6718&searchCode=P&channelID=patent>.

Strong patent rights are balanced with various policy considerations that are expressed in specific statutory provisions. For example, the federal or provincial government may request authorization to use patented inventions for the benefit of the general public upon payment of reasonable fees without authorization of the patentee,[143] and in cases of national emergency, this request cannot be denied.[144] The government can also authorize the use of medical patented inventions and set royalties for their manufacturing for humanitarian purposes,[145] and impose compulsory licenses when patent rights are abused.[146] In this way, the general public, represented by the Government, is protected to some extent from possible abuses of patent monopolies by patentees.[147] The strength of patent monopoly is also offset by its relatively short duration. Patents are protected for 20 years.[148]

2. Patents and trade secrets[149]

Trade secrets are protected under the law of contracts, fiduciary obligations, and equity, which will pursue secret information into the hands of a third party who receives it with knowledge that it was communicated in breach of confidence.[150] Trade secret may be a plan or process, tool, mechanism, or compound known only to its owner and his employees who need to know it. It may also be a secret formula known only to certain individuals who use it to compound an article of trade that has a commercial value or is used in a business, and which gives them an advantage over competitors. Trade secret is lost when it is discovered through examination of the product or in any other honest way.[151]

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[143] *Patent Act*, *supra* note 124, s. 19.
[144] *Ibid*., s. 19.1.
[145] *Ibid*., ss. 21.04 and 83.
[146] *Ibid*., s. 65.
[147] *Ibid*., s. 65.
[148] *Ibid*., s. 44.
[149] Thirty paragraphs in this sub-chapter on pages 57-72 in that sub-chapter were published in Tomkowicz, "Uneasy Fit," *supra* note 82. This work has never been previously submitted for academic credit.
[150] *LAC Minerals Ltd. v. International Corona Resources Ltd*., [1989] 2 S.C.R. 574 [*LAC Minerals*]; *S D & A Marketing v. Horn Abbot Ltd*., (1988), 26 C.P.R. (3d) 168 (Ont. H.C.); *Cadbury Schweppes Inc. v. FBI Foods Ltd*., (1999), 83 C.P.R. (3d) 289 (S.C.C.); *Computer Workshops Ltd. v. Banner Capital Market Brokers Ltd*., (1988), 21 C.P.R. (3d) 116 (Ont. H.C.), aff'd (1990), 74 D.L.R. (4th) 767 (Ont. C.A.).
[151] *R.L. Crain Ltd*., [1949] O.R. 303 at 308-309, affd [1950] O.R. 62 (Ont. C.A.).

Elements of the cause of action for breach of confidence were affirmed by the Supreme Court of Canada in the *LAC Minerals* case. In that case Justice La Forest stated that to prove breach of confidence, it must be shown that the information is confidential, therefore not in public knowledge, that it was communicated in circumstances entailing confidence, and finally, that the person who revealed the information was not authorized to do so.[152] Trade secrets should be distinguished from trade knowledge, which is gained by an employee and can be used by that person after leaving the employment, even for competition with the former employer.[153]

Internationally, the protection of trade secrets is mandated by the TRIPS Agreement, which also identifies the purposes of these rights. The relevant provision states that holders of trade secrets shall have the right to prevent "information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices . . ."[154] In this way, the TRIPS Agreement indicates that the main purpose of trade secret rights is to ensure that persons can control the use of the information they value and protect.

A. Duty of disclosure in patent law

In theory, there should be no overlap between patent rights and trade secrets. In accordance with the Supreme Court's interpretation of the nature of patent monopoly, trade secret rights and patent rights should be exercised alternatively not conjunctively. Canadian courts have always recognized that grant of patent monopoly is a form of a contract between an inventor and the public represented by the Crown.[155] This contract involves the exchange of considerations "between the Crown and the inventor in which the latter receives an exclusive right to exploit his invention for a certain period in exchange for complete disclosure to the public of the invention and the way in which it operates."[156] In this bargain, there is no room for secrets. Either the disclosure is "complete" or there is no deal,

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[152] *LAC Minerals*, *supra* note 150 at 636-642.
[153] *Apotex Fermentation Inc. v. Novopharm Ltd.* (1995), 63 C.P.R. (3d) 77 (Man. Q.B.).
[154] *Agreement on Trade-Related Aspects of Intellectual Property Rights*, Marrakesh Agreement establishing the World Trade Organization, Annex 1C, Results of the Uruguay Round of Multicultural Trade Negotiations: The Legal Texts, 15 April 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1125, art. 39 [TRIPS Agreement].
[155] See discussion in chapter II.1.
[156] *Pioneer Hi-Bred*, *supra* note 127 at para. 25.

or so it would seem. Unfortunately, this long standing position of Canadian judiciary has been challenged by the patentability of software and its rather unique nature.

As explained in the previous section, computer programs are first developed in the form of human language statements that can be read and understood by humans, known as a source code.[157] The source code is then translated into a binary code or object code that operates computers and cannot be read by people. When software is sold to consumers, it is the object code that they can see. The source code remains in the hands of the software owner, protected by trade secrets. Because trade secret rights are so useful for protecting software, it does not come as a surprise that even now, when both copyright and patent protection is available for computer programs, trade secret rights are still relied on by software owners—almost none of them want to reveal the source code of their software.[158] This "multiple personality" of software poses a serious challenge to the duty of disclosure in patent law and can lead to overlaps between patent rights and trade secret rights.

Despite some opportunities, Canadian courts have not yet confronted the issue of concurrent protection of software under both patent law and trade secret rights to reconcile it with the established jurisprudence. For example, in *Z Mark International Inc. v. Leng Novak Blais Inc.*,[159] the plaintiff, ZMI, developed a machine for postal encoding of envelopes and filed a patent application for it. The encoder included software—to control the machine and convert postal codes to the Canada Post 27 bit fluorescent bar codes—registered as copyrighted work.[160] ZMI contracted with the defendant, LNB, for the production and sale of those encoders. LNB later contacted another manufacturer and contracted with it for the production and sale of postal encoders using software obtained

[157] *Ibid.* at paras. 25-27; see also: Stuart Graham & Deepak Somaya, "Complementary Use of Patents, Copyrights and Trademarks by Software Firms: Evidence From Litigation" (Paper presented at the DRUID Summer Conference 2004 on Industrial Dynamics, Innovation and Development, Elsinore, Denmark, 14-16 June 2004), online: DRUID <http://www.druid.dk/uploads/tx_picturedb/ds2004-1381.pdf> [Somaya, "Complementary Use of Patents"]; Andrew Johnson-Laird, "Technical Demonstration of 'Decompilation'" (1992) 16 Computer L. Rep. 469. While it is possible to "decompile" the source code from binary code, the process is very difficult and time consuming.

[158] Hostility of software companies towards revealing source codes of their computer programs fuelled development of various open source initiatives allowing programmers to have access to new source codes and use them without appropriating the original source code.

[159] (1996), 12 O.T.C. 33 (Ont. Ct. (Gen. Div.)).

[160] *Ibid.* at para. 7.

from the plaintiff. ZMI sued claiming, *inter alia*, breach of confidence. Responding, the defendant argued that the plaintiff's patent application included the software in question and that therefore, the source code disclosed was no longer confidential. The Court rejected this argument because the software, while claimed in the plaintiff's patent application, was not disclosed in form of the source code, which was passed to the third party.[161] Unfortunately, the Court did not comment on the fact that the plaintiff claimed infringement of trade secret rights in relation to patented software in light of the Supreme Court's decisions on the duty of disclosure in patent law.[162] Nevertheless, this case highlights the problem with determining the proper scope of disclosure in patent applications involving software.

Ascertaining what constitutes sufficient disclosure in the context of software patents is a difficult task. Presently, neither the US Patent Office nor the CIPO require disclosure of software source code in patent applications, even though the CIPO practice manual contemplates description of computer programs by disclosing their source codes.[163] Both institutions view the process of computer programming based on functional description of the invention in patent application as a relatively straightforward task for a skilled computer programmer. This view, however, ignores the fact that software's utility depends, to a large extent, on the environment in which it functions. Therefore, even if the description in patent application appears to be sufficient in theory, it may be insufficient for practical replication of the software's functionalities described in patent application in real life. In other words, assessing disclosure of patented software in disjunction from the technological platform on which it operates cannot answer the question about sufficiency of its disclosure in the patent application.

The scope of disclosure in software patent applications was recently considered by the Canada Patent Appeal Board in the *Re: Belzberg* case, which involved a computer program

[161] *Ibid*. at paras. 137-139.
[162] *Pioneer Hi-Bred*, *supra* note 127 at paras. 25-27.
[163] *Manual of Patent Office Practice* (Ottawa: C.I.P.O., 2009), chapter 16.02. While the C.I.P.O. refuses to compile and provide any statistical information on number of software patents disclosing source code in patent application, search of C.I.P.O.'s electronic database does not reveal even one application disclosing a source code.

for automatic and instantaneous trading of shares. Application for a patent was rejected by the examiner who, *inter alia*, found that disclosure of the invention was insufficient. In particular, the description of the software did not include information on "the input and output of data, the types of data, and the interaction or exchange of values between the data."[164] The applicant appealed and the Board reversed the examiner's rejection. Reaching its decision, the Board expressed its opinion that the disclosure of software's functionality was sufficient for its patentability.[165] Unfortunately, the position taken by the Board, while accurate in many instances, is too simplistic and may not be appropriate in other situations. Very often, a detailed description of the functions performed by relatively simple patented software will be sufficient to enable a skilled programmer to recreate the software with all its functionalities. But when the software is rather complicated, or operates in a unique environment, its recreation with all patented functionalities may be much more difficult than it appears. For example, in *Belzberg* the Board did not examine whether, based on the disclosed information, a skilled computer programmer would be able to create software that could provide the functionalities claimed in the patent application on the patentee's machines, or any other similar machines in the industry for that matter. The conclusion reached by the Board might have been different if such an inquiry could prove that there is no technological platform on which the recreated software could be employed. There is a serious difference between the theoretical ability to create software and making it work in reality, which was ignored in *Belzberg*.

B. Technological platforms

A platform consists of an operating system and application software. The operating system is the software that manages the resources of the computer. An operating system processes system data and user input, and responds by allocating and managing tasks and internal system resources as a service to users and programs of the system. It performs basic tasks such as controlling and allocating memory, prioritizing system requests, controlling input and output devices, facilitating networking, and managing file systems.[166] Application

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[164] *Re: Belzberg*, 2007 CarswellNat 3619 (Can. Pat. App. Bd.) [*Belzberg*].
[165] *Ibid*. at para. 18.
[166] Philip E. Moargolis, *Personal Computer Dictionary* (New York: Random House, 1996) *s.v.* "operating system" [Moargolis, *Personal Computer Dictionary*].

software, on the other hand, performs specific functions that are designed by a programmer. It employs the capabilities of a computer directly and thoroughly to a task that the user wishes to perform.[167] Some platforms are open, which means that they allow third party applications to run on the operating system.[168] Other platforms are closed, which means that third party applications can not run on that operating system.[169]

To keep a platform closed, the developer of the operating system does not reveal to the public all the necessary interface information, known as application programming interfaces (APIs),[170] which are involved in managing the internal resources of the operating system and communications with application software:[171] Without knowing the APIs, computer programmers are unable to ensure full functionality of their developed software on closed platforms. Thus, by keeping APIs secret, the creator of the operating system makes it virtually impossible for third party application software providers to develop computer applications that are fully compatible with the closed platform operating system in terms of its functionalities.

The ability of software developers to create closed platforms in this manner has serious repercussions for assessing the sufficiency of disclosure in software patent applications. Assuming that the assessed software is an application that works on a closed platform, describing the invention only in functional terms will most likely be insufficient to allow a person skilled in the art of computer programming to recreate that software with all patented functionalities for that particular platform—even when the description of the software's functionalities appears to be sufficient.[172] While the programmer could easily write the software, it would not be useful in the same way the patented software was, and

[167] *Ibid. s.v.* "application."
[168] Operating system for personal computers such as Microsoft Windows is the best examples of an open platform; Joacim Tåg, "Open Versus Closed Platforms," IFN Working Paper No. 747 (2008) at 2.
[169] Closed platforms are commonly found, for example, in mobile telecommunication and enterprise software.
[170] Moargolis, *Personal Computer Dictionary*, *supra* note 166 *s.v.* "API."
[171] See Douglas Lichtman, "Property Rights in Emerging Platform Technologies" (1999) John M. Olin Law & Economics Working Paper No. 97 at 4, who suggest that such practice is an effective way to go around limits of the intellectual property law in imposing limits on use of copyright protected software.
[172] The easiest way in such case would be to simply copy the software after its patent protection expires, but doing so would result in infringement of copyrights in the software. This problem is analyzed below.

the "usefulness" of the patented software is one of the main reasons for grant of the patent monopoly.

One might argue that it is not the role of the patent law to ensure that a patented invention can operate on the patentee's platform, but rather to guarantee that the software can be recreated in general, or be used in conjunction with any operating system. This view, however, ignores the realities of the environment in which software operates. In fact, different industries create different environments in which software operates and some of them are dominated by closed platforms.[173]

For example, mass market software for PC computers is dominated by Microsoft's Windows platform with only fractional shares provided by competing Apple or open source software providers.[174] Windows platform is very open, allowing software developers to create compatible software without technological restrictions. This situation can be contrasted with many technologically advanced industries, like mobile telecommunication or medical devices, which are dominated by a limited number of providers of closed platforms. In these environments, the right of the public to make the patented software rely on its functional description only is illusory. In reality, the nature of the contract for patent grant suddenly changes from one entered into by the general public and the patentee, as interpreted by the Supreme Court of Canada, to one between the patentee and a small number of other closed platform providers in the particular industry. In other words, the competitors of the patentee might be able to make the software invention work on their respective platforms with all the functionalities claimed in patent application, thus taking advantage of the disclosure, but the public in general would be denied this right. The result would be at odds with the fundamental purpose of patent law in general and public policy behind the duty of disclosure in particular.

[173] Brian Braiker, "Will closed devices like Apple's iPhone murder the Web?" *Newsweek* (2 May 2008).
[174] In 2008, 83% of new PCs sold had Windows built in; David Goldman, "Can Windows 7 save PCs?," *CNN News*, online: CNNMoney.com <http://money.cnn.com/2009/06/12/technology/pc_sales/index.htm?postversion=2009061204>.

Whether a computer program can be recreated based on its functional descriptions will, of course, depend on the nature and complexity of the software. In practice however, the US Patent Office and the CIPO do not require disclosure of the source code in patent applications for software, which suggests that both these institutions treat all software equal as far as disclosure of the source code is concerned. Such practice may be viewed as introducing overlaps of patent rights and trade secrets rights, which results in grant of patent monopoly to a patentee when no consideration flows the other way from the patentee to the public.

C. Distorted balances in patent law

It could be questioned whether the problem outlined above is significant enough to warrant fundamental changes to the present practices of the CIPO related to disclosure of software patents in order to eliminate overlaps of patent rights and trade secret rights. After all, the economic life of software is rather limited and often shorter than the term of patent protection. This argument, however, does nothing to justify deviation from the established doctrine of disclosure in case of software patents where there are no statutory bases for such exceptions. Also, this argument may not be true for inventions that use software only to enhance their functionalities. For example, MRI machines use complicated software for image processing and this software remains economically relevant for as long as the main hardware remains economically relevant, which usually extends beyond the life of the patent.

Viewing the problem of overlaps between trade secrets and patent rights resulting from insufficient disclosure of software patents as one that arises only after expiry of the patent, in relation to replication of the patented invention, is also inaccurate in light of other patent rights; it has an adverse effect on the ability of inventors to exercise their rights under patent law throughout the duration of patent monopoly.

The general purpose of patent law is to promote the creation of new inventions. To fulfil its purpose, patent law establishes economic incentives for patentees in the form of patent monopoly. There are, however, other features of patent law that promote inventiveness.

Sufficient description in patent application allows not only for the recreation of the invention after the patent expires, but also gives access to functionalities and mechanics of the invention to facilitate efficient creation of new inventions.[175] In this way, disclosure of patented inventions contributes to the scientific knowledge available to the general public and facilitates broad technological progress in line with the purposes of patent law. Indeed, denying the inventors effective access to patented inventions in order to create new ones would result in great societal costs in terms of reinventing what has already been invented.[176]

Inventiveness does not occur in a vacuum. To a large extent, inventors depend on a pool of previous inventions to come up with ideas for new inventions or new uses of old inventions. The *Patent Act* recognizes this fact and expressly states that a patent monopoly can be granted for improvements of already patented inventions.[177] However, the right of an inventor to discover and develop such improvements is predicated on sufficient disclosure of the original invention, which would enable inventors to experiment with its qualities and functionalities. This right of inventors, and indeed some of the purposes behind the *Patent Act*, are undermined when disclosure of a software patent is insufficient to recreate patented software for experimental purposes.[178] Consequently, when a software patent is granted for a computer program designed for a closed platform, and without disclosure of the relevant interfaces enabling the invention to achieve all its functionalities on the platform, the ability of inventors to create improvements for that invention is severely restricted. In practice, only employees of the patentee who have full access to the relevant parts of the source code may be in the position to invent improvements to that invention. This effect has serious economic repercussions as improvements of patented

[175] Robert Merges & Richard Nelson, "On the Complex Economics of Patent Scope" (1990) 90 Colum. L. Rev. 839; Nathan Rosenberg, "Factors Affecting the Diffusion of Technology" (1972) 10 Explorations Econ. Hist. 3; Suzanne Scotchmer, "Standing on the Shoulders of Giants: Cumulative Research and the Patent Law" (1991) 5 J. Econ. Persp. 29.
[176] Mark A. Lemley, "The Economics of Improvement in Intellectual Property Law" (2008) Stanford Law and Economics Olin Working Paper No. 365 at 9.
[177] *Patent Act*, *supra* note 124, s. 32.
[178] Julie Cohen & Mark Lemley, "Patent Scope and Innovation in the Software Industry" (2001) 89 California Law Review 1 at 24-25 [Cohen & Lemley, "Patent Scope and Innovation"].

inventions have been proven to result in more significant technological progress than the original inventions.[179]

The problem with non-disclosure of APIs for patented software can be overcome by a technological process called decompilation. It involves translation of the software's object code into a source code, which remains in the hands of the software owner. For several reasons, however, the ability to employ this process to discover software's APIs does not affect the legal analysis proposed above.

First, decompilation may involve violation of copyrights in Canada. The Canadian *Copyright Act* gives the copyright owner exclusive right of reproduction.[180] Consequently, making unauthorized copies of substantial parts of the copyrighted works may result in claims of copyright infringement. As the decompilation process involves making multiple copies of the decompiled software, it potentially results in copyright infringement. While limited decompilation for the purpose of achieving software's interoperability is expressly permitted in the EU[181] and the US,[182] no such authorization exists in Canadian copyright law, thus raising questions about the legality of this process in Canada.

Moreover, even if decompilation for the purpose of interoperability were recognized in Canada, such attempts would almost certainly violate the End User License Agreement (EULA) for the decompiled software. Most software owners oppose reversed engineering of their software's object code. To prevent such activities, the EULAs usually contain provisions prohibiting decompiling or recompiling the licensed software.[183] Consequently, decompilation of patented software would most likely result in contractual liability.

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[179] John L. Enos, "A Measure of the Rate of Technological Progress in the Petroleum Refining Industry" (1958) 6 J. Indus. Econ. 180 at 189; Mak & Walton, "Steamboats and the Great Productivity Surge in River Transportation" (1972) 32 J. Econ. Hist. 619 at 625.

[180] This issue also highlights problems with overlaps of patent rights and copyrights in software discussed in chapters II.3 and IV.2.

[181] EC, *Council Directive (EC) No. 91/250/EE of 14 May 1991 on the legal protection of computer programs*, [1991] O.J. L 122.

[182] *Sega Enterprises Ltd. v. Accolade Inc*., 977 F.2d 1510 (9th Cir. 1992) [*Sega Enterprises*]. It is still an open question whether decompilation is allowed under the DMCA.

[183] H. Ward Classen, *A Practical Guide to Software Licensing for Licensees and Licensors* (Chicago: ABA, 2007) at 30 [Classen, *A Practical Guide to Software Licensing*].

Decompilation is also incompatible with the most basic principle of patent law, which defines patent disclosure as sufficient only when no use of resources other than patent specification is required for recreation of the invention.[184] To effect the decompilation, computer programmers would have to use the patented software itself and additional software, called decompiler,[185] converting the object code into the source code. Consequently, the patent disclosure documents alone would not be sufficient for recreation of the patented software.

It is also arguable that decompilation involves "undue experimentation," which offends the duty of disclosure. While it is possible to decompile the patented software, the time required is usually substantial and involves re-testing of the results from the process,[186] leading to undue delay in its reconstruction.

Canadian Courts have not yet delineated the time frame for what would constitute undue experimentation. What would be "undue" experimentation in the context of software was, however, considered by the Federal Circuit Court in the *White Consolidated Industries, Inc. v. Vega Servo-Control, Inc*. case.[187] That case involved patent for a machine tool control system integrated with a computer program. The invention included a translator converting a numerical control language using English-like words and abbreviations into a machine code to control the tool, which the system could then execute.[188] The patent application indicated that the name of the software, called SPLIT, integrated with the system was a proprietary product of the patentee. The application, however, did not disclose the source code of the software; instead it was protected by the patentee's trade secrets.[189] The Federal Circuit Court held that the patentee did not provide sufficient evidence to prove that creating the software described in the patent application would not require a person skilled

[184] *Pioneer Hi-Bred*, *supra* note 127 at paras. 31-32.
[185] *Dictionary of Computing* (Oxford: Oxford University Press, 1996) *s.v.* "decompiler."
[186] Greg Hoglund and Gary McGraw, *Exploiting Software: How to Break Code* (Boston: Addison_Wesley, 2004).
[187] 713 F.2d 788 (Fed. Cir. 1983) [*Vega*].
[188] *Ibid*. at 789.
[189] *Ibid*.

in the art of computer programming to conduct "undue experimentation and delay."[190] While the Court did not clarify what the time limitation is for undue experimentation and delay in the context of computer programming, it did refer to an earlier case—*In re Brandstadter*[191]— where the Court commented on this issue:

> [D]evelopment of a single pass language translator would require from 1-1/2 to 2 man years of effort, a clearly unreasonable requirement … to maintain SPLIT as a trade secret, it could … theoretically extend its exclusionary rights beyond the 17 year life of the patent by controlling access to SPLIT, a result inconsistent with the objectives of the patent system.[192]

While the exact time frame for permissible experimentation in case of software disclosure has not been specified by the US courts, the cases indicate that no disclosure of source code is required in software patents when "it would be relatively straightforward for a skilled computer programmer to design a program to carry out the claimed invention."[193] But as *Vega* indicates, while generally patentees are not obligated to disclose the source code of their patented software in patent application, such duty might arise in some cases.[194] Considering the similarities between the duty of disclosure in the US and Canadian patent law, this position should be adopted in Canada.

One way to overcome the problems presented above would be to require patentees to disclose in patent applications the internal interfaces of the operating system that are necessary for compatibility with the patented software. But even this remedy is not without limitations and can easily be undermined by patentees. Patentees could simply release an updated version of the operating system with changes in parts responsible for compatibility with the patented application software. As a result, even the use of the APIs disclosed in the patent application would not be sufficient for a skilled programmer to recreate all functionalities of the patented software. Such practice has already been employed by the

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[190] *Ibid.* at 791.
[191] 484 F.2d 1395, 179 USPQ 286 (CCPA 1973).
[192] *Vega, supra* note 187 at 791.
[193] *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931 (Fed. Cir. 1990) at 941-942.
[194] *Ibid.* at 941.

software industry outside of the patent system and there is nothing to prevent such practices in patent law context. For example, Microsoft, owner of the dominant Windows operating system for PC computers, used to make minor revisions to its operating software to make competing application software incompatible with its platform and drive its competitors out of business.[195] Those measures were very successful even though Windows platform is relatively open.

D. Lessons from the private sector

The problems resulting from insufficient disclosure of software interfaces for recreation of software's functionalities have already been recognized and addressed by the private sector. The industry's response can be illustrated in the context of software development agreements. Software development agreements usually concern non-mass market software developed in compliance with particular specifications of a customer. Under the agreement, a developer creates new application software that is usually owned by the developer, but licensed to the customer. Interestingly, once the agreement is fulfilled and the software is delivered to the customer, the customer may face pitfalls similar to those present in the software patenting context. At the time the contract is executed, the customer cannot be certain with what third party software the developed application will need to be used in the future. As long as the software developer publishes its APIs, it does not pose a serious problem. The customer can ensure compatibility of his or her application software with the third party software either on its own, or through separate agreements with the third parties. However, when the software developer does not publish its APIs, the customer would need to develop the necessary interfaces, which potentially could be very difficult and expensive. In a way, the customer would be in a similar position a person skilled in the art of computer programming would be when attempting to recreate patented software with all its

[195] See e.g. Edmund A. Egan, "The Era of Microsoft? Technological Innovation, Network Externalities, and the Seattle Factor in the US Software Industry" (1996) Working Paper 87, describing Microsoft's scheme of making minor revisions to Window's operating system to make competing products incompatible and ensure Microsoft's lead in PC application software. Such practices are presently addressed under antitrust law in the US and E.U.; see Harry First & Andrew I. Gavil, "Re-Framing Windows: The Durable Meaning of the Microsoft Antitrust Litigation" (2006) New York University Law and Economics Working Papers, Paper No. 81 and John P. Jennings, "Comparing the US and EU Microsoft Antitrust Prosecutions: How Level Is the Playing Field?" (2006) 2 Erasmus Law and Economics Review 71.

functionalities when the software operates on closed platform and its APIs are not disclosed.

To ensure interoperability of the developed software with third party software and avoid the possibility of degrading the software's functionality, the customer usually includes in the software development agreement provisions protecting its interests. Such provision often has the following form:

> **Interface.** Licensor acknowledges that Customer is working with a number of third parties in developing, maintaining, and supporting Customer's various systems and that Customer's use of the Software may involve the development and/or use of one or more application programming interfaces ("APIs") between such third party systems and the Software. Licensor agrees that it will fully cooperate with the Customer and third parties to develop, maintain, and support such APIs. Licensor further agrees that Licensor shall communicate to Customer the industry-standard APIs that Licensor is evaluating and/or implementing, and shall reasonably cooperate and work with Customer and such third parties in good faith to identify industry-standard APIs and, if mutually agreed to by the parties, develop such APIs using as many industry-standard protocols as possible.[196]

In effect, this provision guarantees that the customer will receive disclosure of all necessary interfaces to adjust the software and make it functional in conjunction with other software. It places the customer in a much better position as it addresses the pitfalls outlined above in the context of non-disclosure of patented software's APIs.

The other problem related to the disclosure of software patents—possible changes to already disclosed interfaces in subsequent updated versions of the operating software—has also been addressed by the private sector through contractual provisions known as "future compatibility" warranties. Relevant warranties usually take a form similar to the following:

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[196] Classen, *A Practical Guide to Software Licensing*, *supra* note 183 at 248.

> **Future Compatibility.** Licensor warrants that all updates, upgrades, and revisions to the Software furnished hereunder will be implemented in such a manner as to maintain backward compatibility with the previous version or release of the Software furnished hereunder, under the Agreement, or under any other agreement issued pursuant to this Agreement, so that such previous versions or releases shall continue to be operable with the Software as updated, upgraded, or revised, in materially the same manner and with materially equivalent performance.[197]

Through such provision, the customer is ensured that the software ordered will maintain its functionality on the licensor's platform even after its interfaces are updated. Again, comparing the situation of the customer with the predicament of a person recreating patented software, one must recognize that the customer is in a much better situation, thanks to the contractual provisions in the software development agreement. Even if the software patent application disclosed the software's interfaces, nothing would prevent the patentee from making changes to the interfaces in the next upgraded platform during the life of the patent or after its expiry, thus making the disclosure irrelevant.

Unequal protection available to the private sector and the general public outlined above becomes even clearer when one realizes that nothing prevents the licensor developing the software for the benefit of the customer from patenting the software if it happens to satisfy the statutory requirements of patentability. As previously mentioned, it is common practice in the industry to retain the intellectual property in the developed software by the licensor. Thus, the licensor/patentee would be a party to two contracts: one with the general public for patent monopoly, and the other with the customer for the development of the software. Both contracts would concern the development of the same software, however, the level of protection afforded to the customer and the public in their respective contracts would differ significantly. While the customer would be guaranteed access to the licensor's software interfaces and continued functionality of the software, the public would not enjoy the same protection, even though the consideration given by the public in their contract, in the form

[197] *Ibid*. at 266.

of patent monopoly, would arguably be more valuable than the consideration given by the customer.

Comparison of the software development contracts with patent grant contracts suggests that adverse effects of overlaps of patent rights and trade secret rights in software could be addressed by taking into consideration the experiences of the private sector and making changes to the present approach of the CIPO to the duty of disclosure in software patent applications.[198] Since both patent grants and software development agreements can be viewed as contractual relationships, experiences in one should be relevant for the other. There is an important lesson that could be learned from the private sector: When assessing whether the duty of disclosure has been satisfied in a patent application, the examiner should consider whether the owner has made the software APIs for the patented software and its technological platform public or not. The examiner should ensure that the APIs were disclosed to the extent that allows a person skilled in the art of computer programming to recreate the patented software with all its functionalities. The applicant should also be required to disclose all the relevant APIs for future updates to the platform to anyone in the public who will need them to develop patentable improvements to the patented software and, once the patent expires, to the public in general. This undertaking should form part of the contract between the public and the applicant for grant of the patent and should be strictly enforced.[199]

Moreover, the examiners should analyze the nature of the software and its sophistication. If the analysis leads to the conclusion that while it would be possible for a person skilled in the art of computer programming to recreate the patented software, but that the endeavour would take one and a half year or more, then the disclosure should be found offensive to the requirement of disclosure established in the *Patent Act*. Indeed, considering the fast pace of change in the software industry, it is arguable that this time frame, which is in line with the American jurisprudence, should be shortened and replaced by a new *immediate* or

[198] The other approach would be to adopt the doctrine of intellectual property rights misuse in the form of an independent claim for affirmative relief, as discussed in chapter V.1.C.
[199] Enforcement of such undertaking after expiry of patent monopoly, however, would require adoption of the doctrine of misuse as an independent claim for affirmative relief, as discussed in chapter V.1.C.

without delay standard for recreating computer programs, which should probably not extend beyond three months.

3. Patents and copyrights

Purposes of copyright law are examined extensively in chapter IV.1. However, these analyses here also require a brief review of the purposes behind copyrights. The main purpose of the *Copyright Act* is to establish economic incentives for authors to create. To further this purpose, copyrights protect "every original literary, dramatic, musical and artistic work," which are further defined in the *Act*.[200] "Work" is defined as an original production in the literary, scientific, or artistic domain, in every form of expression,[201] which has been interpreted broadly by Canadian courts.

Copyright does not protect ideas but only the expressions of ideas.[202] The idea versus expression dichotomy is related to the requirement of fixation, as the person who fixes an idea can claim authorship, subject to the requirement of originality.[203] In general, Canadian copyright law requires that "a work must be expressed to some extent at least in some material form and having a more or less permanent endurance."[204] Even though the *Copyright Act* does not usually mention fixation as a general precondition for copyright protection, courts imply this requirement for evidentiary purposes.[205]

A. Functional copyright works

In theory, the issue of overlaps between copyrights and patent rights should no longer be considered important due to the operation of the doctrine of functionality codified in section 64(2) of the *Copyright Act*. According to the logic of this provision, copyrights

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[200] *Copyright Act*, *supra* note 28, s. 5(1) and s. 2.
[201] *Ibid.* s. 2.
[202] *Wall v. Horn Abbot Ltd.* 2007 NSSC 197; *Plews v. Pausch* 2006 ABQB 607. See also TRIPS Agreement, *supra* note 154, art. 9(2).
[203] *Gould Estate v. Stoddart Publishing Co*., (1998), 39 O.R. (3d) 545, 161 D.L.R. (4th) 321, 80 C.P.R. (3d) 161 (C.A.), leave for appeal refused (1999), 82 C.P.R. (3d) vi (S.C.C.), affirming (1996), 30 O.R. (3d) 520, 73 C.P.R. (3d) 206 (Ont. (Gen. Div.)) [*Gould Estate*]; *Hager v. ECW Press Ltd*., (1998), 85 C.P.R. (3d) 289 (F.C.T.D.).
[204] *Canadian Admiral*, *supra* note 17 at 529-530.
[205] Requirement of fixation is not applied uniformly to all copyrighted works. It has been argued that both musical works and performers' performances, for example, do not require fixation for copyright protection.

should not apply to utilitarian features or functional characteristics of otherwise patentable subject matters, unless limited exceptions in section 64(3) of the *Act* apply. These sections state as follows:

> 64 (2) Where copyright subsists in a design applied to a useful article or in an artistic work from which the design is derived and, by or under the authority of any person who owns the copyright in Canada or who owns the copyright elsewhere,
>
> (*a*) the article is reproduced in a quantity of more than fifty, or
>
> (*b*) where the article is a plate, engraving or cast, the article is used for producing more than fifty useful articles,
>
> it shall not thereafter be an infringement of the copyright or the moral rights for anyone
>
> (*c*) to reproduce the design of the article or a design not differing substantially from the design of the article by
>
> (i) making the article, or
>
> (ii) making a drawing or other reproduction in any material form of the article, or
>
> (*d*) to do with an article, drawing or reproduction that is made as described in paragraph (*c*) anything that the owner of the copyright has the sole right to do with the design or artistic work in which the copyright subsists.
>
> (3) Subsection (2) does not apply in respect of the copyright or the moral rights in an artistic work in so far as 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 or 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 a 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.

The doctrine of functionality contained in section 64(2) of the *Copyright Act*, however, does not apply to one technology that, although being functional in nature, is expressly included in the *Copyright Act* as a copyrightable subject matter—computer programs.

The end of the 20th century was marked by the appearance of computers and computer programs or software used in conjunction with computer hardware. This technology brought new opportunities for advancing economic progress and human development in every field of science and beyond. It also led to considerable challenges to the intellectual property system.

Patentability of software has been a source of continuous controversy with both sides of the discourse presenting compelling arguments. On the one hand, supporters of extending patent protection to this technology argue that software patents promote innovation and economic performance in the software industry.[206] On the other hand, opponents make a case that in this particular context, patent law not only does not promote innovation, but also reduces it.[207] Still other scholars try to find some form of a middle ground that could exclude inferior quality patents in an attempt to accommodate both sides of the argument.[208] This discussion, however, is practically irrelevant from the perspective of patent rights and copyrights overlap in software today. As accurately observed by

[206] See for select examples: Robert P. Merges, "Software and Patent Scope: A Report from the Middle Innings" (2007) 85 Texas Law Review 1627; John R. Allison, "Abe Dunn, Ronald J. Mann, Software Patents, Incumbents, and Entry" (2007), 85 Texas Law Review 1579; John R. Allison & Starling D. Hunter, "On the Feasibility of Improving Patent Quality One Technology at a Time: The Case of Business Methods" (2006) 21 Berkeley Tech. L.J. 729; John R. Allison & Ronald J. Mann, "The Disputed Quality of Software Patents" (2007) 85 Wash. U. L.Q. 297; See e.g. Ronald J. Mann & Thomas W. Sager, Patents, "Venture Capital, and Software Startups" (2007) 36 Res. Pol'y 193; Jean-Philippe Mikus, "Of Industrious Authors and Artful Inventors: Industrial Works and Software at the Frontier of Copyright and Patent Law" (2004) I.P.J. 187 [Mikus, "Of Industrious Authors"].

[207] See for select examples: Robert E. Thomas, "Debugging Software Patents, Increasing Innovation and Reducing Uncertainty in the Judicial Design of Optimal Software Patent Law," March 2008, online: SSRN <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1114065>; Robert E. Thomas & Larry A. DiMatteo, *Harmonizing the International Law of Business Method and Software Patents: Following Europe's Lead*, Tex. Intell. Prop. L.J. 1 (2007).

[208] See for select examples: Robert Plotkin, "Software Patentability and Practical Utility: What's the Use?" (2005) 19 International Review of Law Computers & Technology 23; Martin Campbell-Kelly and Patrick Valduriez, "A Technical Critique of Fifty Software Patents," January 2005, online: SSRN <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=650921>.

Professors Cohen and Lemley, after tens of thousands of software patents have been issued in the US alone,[209] the issue of "software patentability is a matter for the history books,"[210] especially as the US Supreme Court continues to confirm patentability of software.[211] Others argue that patent law has already surpassed copyright law as the primary source of protection for software.[212] This trend is also reflected in the practice of the CIPO.[213] In all practical terms, this overlap is now unavoidable and only its scope can be changed. While excluding some "bad" patents might reduce the scope of this overlap, this would not resolve the problems. In other words, "bad" patents may exacerbate adverse effects of intellectual property overlaps in software but do not cause it. No matter what the scope of the overlap, the adverse effects resulting from it can be resolved through purposive analysis of the rights claimed and their effects on the balance of rights. Some scholars recognize this *fait accompli* and focus instead on the consequences of this overlap.[214] But while it may be too late to reverse the overlap of patent rights and copyrights in software, a review of the process leading to this overlap gives a valuable insight into its nature.

Software is one of new hybrid technologies that defy the structure of the intellectual property system and that are capable of being protected under more than one intellectual property monopoly. Since the early development of software, its nature posed a serious dilemma for proper classification of this technology in the intellectual property system. On the one hand, software is expressed in literary form and thus naturally falls under the copyright regime, unless it is viewed as a simple mathematical algorithm excluded from copyright protection. On the other hand, its purpose is strictly functional or utilitarian—it is

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[209] Research studies in the United States measured the number of software patents issued in that country in late 1990s to be approximately eighteen thousand in just two year period; see John R. Alison & Mark A. Lemley, "Who's Patenting What? An Empirical Exploration of Patent Prosecution" (2000) 53 Vand. L. Rev. 2099. There is no doubt that the number of software patents in Canada is also very high. While the CIPO's statistics do not list the number of software patents granted, they reveal that only in the years 2004-2007 6776 computer-related patents were granted and it is safe to assume that majority of those patents included protection for software. In addition, other categories, like electrical engineering and mechanical engineering might also include some software, see *Supporting Canadian Innovation*, Annual Report 2006-07 (Ottawa: C.I.P.O., 2007) at 50. See also Graham & Somaya, "Complementary Use of Patents, *supra* note 157.
[210] Cohen & Lemley, "Patent Scope and Innovation," *supra* note 178 at 4.
[211] *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).
[212] Gregory A. Stobbs, Software Patents (New York: Aspen Law and Business, 2000) at 521-598.
[213] Practice of the Patent Office was confirmed in Canadian Courts. See e.g. *Matrox*, *supra* note 24 at para. 52 citing *Computer Associates International Inc. v. Altai Inc.*, [1992] 23 USPQ 2d 1241 (2d Cir. 1992), [*Computer Associates*].
[214] Moffat, "Mutant Copyrights," *supra* note 107 at 1500-1504.

supposed to perform certain functions designed by a software programmer—which brings it closer to patent law.[215] The first attempt to resolve the dilemma posed by the hybrid nature of software and resolve the problem of its proper classification were undertaken in the US. In 1974, the US Congress established the National Commission on New Technological Uses of Copyrighted Works (CONTU) and directed it to come up with recommendations for addressing the challenge of new information technologies, including software. In 1978, the majority of the Commission concluded that computer programs should be protected under copyright law.[216] Acting on CONTU's recommendations, the US Congress chose to assign computer programs to copyright law. Software became protected as literary works under the copyright legislation.[217]

Canadian law faced a similar dilemma even though Canadian courts generally accepted that computer programs were included within the definition of literary works as compilations, despite their functional characteristics.[218] To resolve doubts about the nature of software, the Parliament of Canada amended the *Copyright Act* and expressly included computer programs in the definition of literary works, which resembles the US definition.[219]

The protection of software under copyright law is now mandated internationally. Article 10 of the TRIPS Agreement obligates its signatories to recognize software "as literary works under the Berne Convention (1971)." Article 10, however, does not specify the extent of this protection, which is open to interpretation. In contrast to article 10, article 11 indicates

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[215] The hybrid nature of computer programs and their proper classification in the intellectual property system has been subject of heated debate in academia. See e.g. Stephen Breyer, "The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs" (1970) 84 Harv. L. Rev. 281; A. Samuel Oddi, "An Uneasier Case for Copyright than for Patent Protection of Computer Programs" (1993) 72 Neb. L. Rev. 351; Pamela Samuelson, "Benson Revisited: The Case Against Patent Protection for Algorithms and Other Computer Program-Related Inventions" (1990) 39 Emory L.J. 1025; Pamela Samuelson, et al., "A Manifesto Concerning the Legal Protection of Computer Programs" (1994) 94 Colum. L. Rev. 2308; Dennis S. Karjala, "The Relative Roles of Patent and Copyright in the Protection of Computer Programs" (1998) 17 J. Marshall J. Computer & Info. L. 41; and Cohen & Lemley, "Patent Scope and Innovation," *supra* note 178.
[216] See *Final Report of the National Commission*, *supra* note 46.
[217] In 1980 Congress passed changes to the US copyright law adopting the recommendation of the CONTU regarding copyright protection for software, see *Copyright Act*, 17 USC. §102(b).
[218] *Apple Computer Inc. v. Mackintosh Computers Ltd.* (1986), 28 D.L.R. (4th) 178, [1987] 1 F.C. 173 (Fed. T.D.), additional reasons at (1987), 12 F.T.R. 287 (Fed. T.D.), varied (1987), [1988] 1 F.C. 673 (Fed. C.A.), affirmed [1990] 2 S.C.R. 209 (S.C.C.) [*Apple Computer*, cited to D.L.R.].
[219] *Copyright Act*, *supra* note 28, s. 2, definition of "computer program."

that rental rights are to be included in copyright protection for software. These provisions state as follows:

> Art. 10
> 1. Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971).
> 2. Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.
>
> Art. 11
> In respect of at least computer programs and cinematographic works, a Member shall provide authors and their successors in title the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. A Member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, this obligation does not apply to rentals where the program itself is not the essential object of the rental.

Because article 10 refers to the Bern Convention,[220] that treaty must generally determine the scope of copyright protection for software.

While international obligations to provide copyright protection in some form for software is unambiguous due to the clear wording of article 10, provisions of the TRIPS Agreement regulating patentable subject matters do not refer to software or computer programs at all. Article 27(1) of the TRIPS Agreement, which regulates patentability of inventions, states:

[220] Bern Convention, *supra* note 2.

> Art. 27
>
> 1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

While this provision imposes on signatories of the TRIPS Agreement the obligation to protect "any invention" with patent law, there is uncertainty whether software and computer-implemented inventions are considered fields of technology under the TRIPS Agreement. To date, there have been no dispute settlement procedures regarding software patents;[221] therefore, whether inventions in relation to computer software technology and information technology should be considered patentable "inventions" within the meaning of article 27 of the TRIPS Agreement remains an open question.

Express recognition of software as copyrightable subject matter, however, did not resolve the problem of its hybrid nature. In order to maximize their protection, software owners sought patent protection for their products. This trend started before computer programs were recognized as copyrightable subject matter, and intensified afterwards. Finally, those efforts paid off and overlaps between copyrights and patent rights in software became a reality.

Recognition of computer programs as patentable subject matter was a process rather than a single decision. The major question that had to be answered before this step could be taken was whether functional characteristics of software were sufficient to warrant patent

[221] Interpretation of article 27 of the TRIPS Agreement, *supra* note 154, has been tested in the 2002 dispute between the US and Argentina over patent protection for pharmaceuticals, which was solved by mutual agreement, and the 2000 panel report also on patent protection for pharmaceuticals, in a case brought by the EU against Canada.

protection. American courts were the first to grapple with this problem. As early as in the beginning of 1970s, software programmers attempted to patent their works but the Patent Office rejected all applications. The courts reviewing the decisions of the Patent Office reasoned that the process of programming involves mathematical formulae with no substantial practical application except in connection with a digital computer. The courts argued that extending patent protection to this form of invention would pre-empt the mathematical formulae and in practice would grant patent monopoly over the algorithm itself or the knowledge.[222]

Canadian Courts adopted a similar position. In *Schlumberger Canada Ltd. v. Commissioner of Patents*[223] the Federal Court of Appeal considered patent application for a process whereby measurements obtained in the boreholes were recorded on magnetic tapes, transmitted to a computer according to the mathematical formulae set out in the specification, and converted by the computer into useful information produced in human readable form (e.g., charts, graphs, or tables of figures). The Court found that the calculations made by the computer could easily be conducted by people and therefore the plaintiff was, in fact, attempting to patent mathematical formulae.[224] Consequently, the Court rejected the patent claim.

To overcome courts' opposition to patenting computer programs *per se*, patent applicants began to reformulate their applications to claim patent protection for software in conjunction with computer hardware. A series of American cases granting patent monopoly in software as part of a tangible medium, which became known as "floppy disk" claims, started with the *Beauregard* case.[225] In that case, IBM applied for a patent monopoly over software recorded on a floppy disk. After Patent Office rejected the patent application and the Board of Patent Appeals and Interferences confirmed that decision, IBM appealed the decision to the Court of Appeals, Federal Circuit. Before the controversy was judicially resolved, however, the Commissioner reversed its decision and agreed that computer

[222] *Gottschalk v. Benson*, 409 US 63 (1972) [*Benson*].
[223] (1981), 56 C.P.R. (2d) 204 (F.C.A.).
[224] *Ibid*. at 205-206.
[225] *Beauregard*, *supra* note 47.

programs recorded on computer hardware may qualify for patent protection. Since then, American patents have been issued for a combination of software and hardware, and recently, since the *State Street Bank* case,[226] even for software alone, as long as it has useful applications.

Canadian Courts followed the path set in American jurisprudence. In *Western Geophysical*, the Patent Appeal Board considered an application for a patent related to seismic systems in marine or land surveys.[227] The invention consisted of a computer and software measuring impulses from remote sensors or detectors at spaced locations along a seismic cable. The examiner of patent application rejected it as being related to non-patentable subject matter in the nature of a computer program or algorithm. The Board however, reversed the decision of the patent examiner and decided that the invention in question related to apparatus and a related method for seismic exploration, which included software and some data processing equipment. Such apparatus, in the Board's opinion, was properly capable of patent protection. While the Board clarified that it is always a matter of judgment as to whether an apparatus is in its essential form simply a new method of calculation or whether it represents a selection of elements, which together contribute to an advance in the art, the Board opened the door for patenting computer programs in conjunction with some mechanical elements.[228]

The trend for granting patent protection over computer programs, as long as the claim includes at least one hardware component of a computer, was confirmed in the *Motorola* case.[229] The Board stated there:

> It is widely accepted that it is in not possible to obtain a patent containing claims to an algorithm per se. Similarly, a method which does nothing more than set out the step needed to solve the algorithm is not patentable. An apparatus claim which consists exclusively of a series of means-plus-functions statements is usually

[226] *State Street Bank, supra* note 47.
[227] *Western Geophysical, supra* note 47; see also *Measurex, supra* note 47.
[228] *Western Geophysical, ibid*. at 390.
[229] *Motorola, supra* note 47.

> considered to be nothing more than a "disguised" method claim and if the method itself is not patentable, this type of apparatus claim is also not patentable... This device, while it does contain many means-plus-function statements, also includes *at least one specific piece of computer hardware* which is real physical element. As a result, the Board believes that the claims of this application go beyond being directed to a mere scientific principle or abstract theorem [emphasis added].[230]

This approach seems to follow the "floppy disk" decisions in the United States and, since the use of software inevitably involves the use of some hardware components in one form or another, in practice extends patent protection to all computer programs.

B. Expanding copyrights with patent rights

Allowing concurrent protection for software under both patent and copyright law raises several important questions. Two adverse effects of extending patent protection to computer programs are of particular importance. First, the copyright monopoly becomes no longer limited to the expression of ideas, but is extended to the ideas themselves. Second, users' rights under the fair dealing provisions in the *Copyright Act* may be restricted with claims of patent rights infringement.

Copyright law does not protect ideas, but only the expressions of those ideas. The Canadian Exchequer Court put it in plain words in the *Moreau v. St. Vincent* case: "[i]t is … an elementary principle of copyright law that an author has *no copyright in ideas but only in* his *expression of them*."[231] It does not matter how creative one can be in developing new, interesting, or beneficial ideas; they become "public property" when communicated and "[e]veryone may freely adopt and use" them even if they are original.[232] The creator's copyright is confined to the literary work in which he expressed them.

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[230] *Ibid*. at 75-76.
[231] [1950] Ex. C.R. 198 at 203 (Can. Ex. Ct.) [*Moreau*]; see also *Deeks v. Wells*, (1930), [1931] O.R. 818 (Ont. H.C.), aff'd [1931] 4 D.L.R. 533 (Ont. C.A.), aff'd [1933] 1 D.L.R. 353 (Ont. P.C.) [*Deeks*]; *Cartwright v. Wharton*, (1912), 25 O.L.R. 357 (Ont. H.C.). Internationally, this distinction is expressed in Article 9(2) of the TRIPS Agreement, *supra* note 154. See also Grant Hammond, "The Legal Protection of Ideas" (1991) 29 Osgoode Hall L.J. 93.
[232] *Moreau, ibid.*

Because the ideas are public property and the literary works belong to their creators, it is not important, from the copyright law perspective, who first came up with an idea. It is not even important who first expressed it in one way or another. It is important that the expression was original to the author who expressed it. In *Francis Day & Hunter Ltd. et al. v. Bron* the House of Lords presented this principle in the context of copyright infringement explaining that "[i]f the existence of the copyright work has no causal connexion with the production of the alleged infringing work, even though the latter be identical with the former, there is no infringement of copyright."[233] The concept articulated by the House of Lords is referred to as the defence of independent creation, which means that an author of a work that is similar or even identical with another work previously crated will have copyright in her creation and not infringe the other copyright as long as her work was created independently without copying an expression from another work.

Unlike copyright law, patent law is not concerned with the idea/expression dichotomy. On the contrary, patents protect ideas that meet certain characteristics and are capable of physical embodiment. Thus, when an inventor obtains patent monopoly over his creation, he can prevent other inventors from manufacturing or utilizing identical or equivalent inventions, even those created independently.[234] To understand the perverse result of this overlap in the context of software, one has to realize that software is written in different programming languages to perform functions on different technological platforms. They are artificial languages designed to express computations that can be performed by a machine. They are a form of directions designed to invoke a specific function of the machine. A consequence of this fact is that computer programs may be written by different persons in different programming languages and for different technological platforms, resulting in very different expressions, but producing the same functionality or utility. Each of those computer programs could enjoy protection of copyrights as a separate expression or creation.

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[233] [1963] 2 All E.R. 16 (C.A.) at 27-28 [*Francis Day*]. See also *Deeks, supra* note 231; *Gondos v. Hardy*, (1982), 38 O.R. (2d) 555, 64 C.P.R. (2d) 145 (Ont. H.C.); *Verge v. Imperial Oil Ltd.*, (1987), 15 C.P.R. (3d) 187 (F.C.T.D.), aff'd (1988), 23 C.P.R. (3d) 159 (F.C.A.).

[234] *Free World Trust v. Électro Santé Inc.*, [2000] 2 S.C.R. 1024, (2000), 194 D.L.R. (4th) 232, 9 C.P.R. (4th) 168 [*Free World*].

Under patent law however, these analyses would lead to very different results. Since patent law protects new ideas of inventions capable of physical embodiment, the first programmer creating the software capable of patent protection would obtain rights to prevent other programmers from utilizing software that produces the same or equivalent functionalities. The defence of independent creation does not exist in patent law; instead, the inventor who registers his patent first is the winner who takes it all.

There are two more specific facets of the expression/idea dichotomy that are affected by the interplay of patent rights and copyrights: the merger doctrine and quantitative requirement for copyright protection.

Under the merger doctrine, when an expression and the idea expressed cannot differ substantially, the expression will not be given copyright protection because it would amount to giving the copyright holder a monopoly over the idea itself.[235] This doctrine originated in the American jurisdiction and is commonly used to distinguish between copyrightable and non-copyrightable aspects of computer programs.[236] The Ontario Court of Appeal explained the doctrine in *Delrina Corporation v. Triolet Systems Inc*. in the following way:

> The merger doctrine is a natural corollary of the idea/expression distinction which, as I have said, is fundamental in copyright law in Canada, England and the United States. Clearly, *if there is only one or a very limited number of ways to achieve a particular result in a computer program*, to hold that way or ways are protectible by *copyright could give the copyright holder a monopoly on the idea or function itself* [emphasis added].[237]

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[235] *Kenrick & Co. v. Lawrence & Co*., (1890), 25 Q.B.D. 99. Doctrine of merger is usually viewed as a bar to copyrightability, see e.g. *Mason v. Montgomery Data, Inc.*, 967 F.2d 135 (5th Cir.1992) at footnote 5; others consider it to operate only as a defense to infringement, see e.g. *Kregos v. Associated Press*, 937 F.2d 700 (2nd Cir.1991) at 705 and *Ets-Hokin v. Skyy Spirits, Inc*., 225 F.3d 1068 (9th Cir.2000) at 1082.

[236] See e.g. *Computer Associates, supra* note 213. Professor Douglas Lichtman points to *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675 (1st Cir. 1967), as the first case establishing the doctrine of merger, see Douglas Lichtman, "Copyright as a Rule of Evidence," (2003) Duke L.J. 683 at 735.

[237] (2002), 17 C.P.R. (4th) 289 (Ont. C.A.) at para. 52 [*Delrina CA*].

The doctrine of merger has a rather limited application in relation to most copyrightable works, as there are usually many ways to express an idea. In relation to software, however, it can play a very important role.

Because software is designed primarily to produce functional results, its sophistication and volume will depend on the functions to which a programmer directs the software. The size of the software is measured by counting the number of lines in the text of the program's source code, a so called source line of code (SLOC). SLOC is typically used to predict the amount of effort that is required to develop a program.[238] If the software is to perform a wide variety of functions, it will have to be elaborate. For example, Windows operating system, which incorporates many functions, has millions of SLOC.[239] It can be compared in size of its expression to a large book. Not all software is so sophisticated. Some computer programs are designed to perform only one and only very simple functions and may have only 10 lines, the size of a small poem. Others are even smaller. For example, in the *Lexmark v. Static Control Components* case the Sixth Circuit Court was considering a dispute involving a computer program eight times smaller than the phrase "Lexmark International, Inc. vs. Static Control Components, Inc."[240] When such tiny software is considered, the merger doctrine becomes relevant. Moreover, even larger software can be viewed, in certain circumstances, as a compilation of small functional parts. While the whole program would be copyrightable as a compilation, its small functionally oriented parts could be non-copyrightable due to operation of the merger doctrine.

The problem presented in the preceding paragraph has been recognized by Canadian courts, which considered the copying of simple functional characteristics of software. In *Delrina CA*, for example, the Ontario Court of Appeal held that when some characteristics of software are dictated by functional considerations, they could be reproduced with impunity

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[238] *Dictionary of Computing*, *supra* note 130, *s.v.* "SLOC"; Tom DeMarco, Controlling Software Projects: Management, Measurement and Estimation (Upper Saddle River, NJ: Prentice Hall, 1986).
[239] David A. Wheeler, "More Than a Gigabuck: Estimating GNU/Linux's Size," online: David Wheeler <http://www.dwheeler.com/sloc/redhat71-v1/redhat71sloc.html>; Les Hatton, "Estimating source lines of code from object code: Windows and Embedded Control Sytems," online: Les Hatton <http://www.leshatton.org/Documents/LOC2005.pdf>.
[240] 253 F. Supp. 2d 943 (E.D. Ky. 2003), reversed 387 F.3d 522 (6th Cir. 2004) [*Lexmark*, cited to F. 3d].

because copyrights do not protect "copying ideas for functional products."[241] This problem is always present in the context of simple single function software and that is where the overlaps between copyrights and patent rights become most visible.

For a minute single function software there may be only one way to express its idea in a literary work. And even though such idea can be expressed in different programming languages, this might not change the analysis, as courts on some occasions found that the translation of software from one programming language to another did not result in the creation of an original work. For example, in *Apple Computer* the Federal Court of Appeal considered whether conversion of a computer program from one language would result in original expression.[242] The Court rejected such possibility saying: "[t]he rendering of a literary work in code, for example, Morse or Braille, is, I think, properly characterized as a reproduction of the work."[243] Consequently, the merger of an idea with expression in software may not be affected by different expressions of the same software in several programming languages as those expressions would simply be considered reproductions of the original expression and not new original expressions.

Because the core function of patent law is to protect new ideas of invention, which must materialize to produce useful results, once the idea satisfying requirements of patentability is born it can obtain patent monopoly even if it materializes in minute software that monopolizes an expressed idea. Lack of copyright protection in such case could be overcome with patent rights. Thus, in the scenario presented in the preceding paragraph, the creator of the software would not be able to rely on copyrights to protect his software, but would be able to use patent rights instead, undermining the doctrine of merger. This adverse effect is augmented by the doctrine of equivalence in patent law. Under this doctrine, manufacturing of a new device that is not identical with an already patented device but performs substantially the same functions would infringe patent monopoly. The doctrine of equivalence emphasizes that functionality is the measuring rod for defining the

[241] *Delrina CA*, *supra* note 237 at para. 17, quoting from the Trial Court with approval.
[242] *Apple Computer*, *supra* note 218.
[243] *Ibid*. at para. 38.

scope of patent monopoly. The Supreme Court of Canada described it in the *Free World* case in the following way:

> [A] patent owner has a remedy against an alleged infringer *who does not take the letter of the invention but nevertheless appropriates its substance* (or 'pith and marrow'). This extended protection of the patentee is recognized in Anglo-Canadian law, and also finds expression in modified form in the United States under the doctrine of equivalents, which is said to be available against the producer of a device that performs substantially the same function in substantially the same way to obtain substantially the same results [emphasis added].[244]

The doctrine of equivalence increases the adverse effects of copyrights and patent rights overlaps on public rights: not only the idea expressed in otherwise non-copyrightable work becomes monopolized, but this monopoly extends to substantially similar or equivalent ideas as well.

The second facet related to the expression/idea dichotomy is the quantitative requirement for copyright protection. It has been long recognized that to be copyrightable, a creative work has to have sufficient substance.[245] While Canadian courts never confronted this issue in the context of computer programs, it was considered in relation to copyrightability of single words or short phrases. For example, in *British Columbia v. Mihaljevic*, the British Columbia Supreme Court had to consider whether the words "Expo 86" could enjoy copyright protection. Rejecting such possibility, the Court stated that "[a] person cannot have copyright in a single word, name or title, because 'apart from the law as to trade-marks, no one can claim monopoly rights in the use of a word or name'."[246] Reaching this decision, the British Columbia Court relied on an earlier decision of the English Court of Appeal in *Exxon Corp. v. Exxon Insurance Consultants International Ltd.*, where the Court

[244] *Free World*, *supra* note 234 at para. 28.
[245] See e.g. *Burberrys v. J.C. Cording & Co. Ltd.*, (1909), 100 L.T. 985, 26 R.P.C. 693 (Ch.).
[246] 1989 CarswellBC 692, 25 C.I.P.R. 298, 26 C.P.R. (3d) 184 (B.C.S.C.) at para. 16 [*Mihaljevic*, cited to CarswellBC]. See also *Sinanide v. La Maison Kosmeo*, (1928), 139 L.T. 365 (C.A.); *Francis Day*, *supra* note 233; and *Rose v. Information Services Ltd* [1987] FSR 254 (Ch.), where the Court found that short phrases have insufficient substance for copyright protection.

opined that "the mere fact that a single word is invented and that research or labour was involved in its invention does not in itself … enable it to qualify as an original literary work."[247]

As indicated in the discussion about the *Lexmark* case, some simple computer programs are extremely short and comparable in size to a single word or a short phrase. Such minute software, arguably, would not enjoy copyright protection. But this deficiency could be overcome with patent rights if the software satisfies the requirements for patentability. This result undermines the safeguards established in copyright law to ensure that copyright monopoly does not extend to ideas but is entirely consistent with patent law, underlining the conflicts arising from overlaps of these two intellectual property regimes.

One of the most important effects of extending patent protection to computer programs is its effect on public rights within the copyright framework, especially fair dealing provisions. The term "fair dealing" refers to sections 29, 29.1, and 29.2 of the *Copyright Act*, which exempt certain uses of copyrighted works, such as research or private study, criticism or review, and news reporting, from copyright protection. These provisions state as follows:

> 29. Fair dealing for the purpose of research or private study does not infringe copyright.
> 29.1 Fair dealing for the purpose of criticism or review does not infringe copyright if the following are mentioned:
>
> (*a*) the source; and
>
> (*b*) if given in the source, the name of the
>
> (i) author, in the case of a work,
>
> (ii) performer, in the case of a performer's performance,
>
> (iii) maker, in the case of a sound recording, or
>
> (iv) broadcaster, in the case of a communication signal.

[247] [1981] 3 All E.R. 241, [1982] Ch. 119, [1982] R.P.C. 69, [1981] 3 W.L.R. 541, 1981 WL 186911 (C.A.) at 79 [*Exxon*, cited to R.P.C.]. See also *Tavener Routledge Ltd v. Trexapalm Ltd.*, [1975] F.S.R. 479, [1977] R.P.C. 275, (1975) 119 S.J. 792 (Ch.).

29.2 Fair dealing for the purpose of news reporting does not infringe copyright if the following are mentioned:

(*a*) the source; and

(*b*) if given in the source, the name of the

(i) author, in the case of a work,

(ii) performer, in the case of a performer's performance,

(iii) maker, in the case of a sound recording, or

(iv) broadcaster, in the case of a communication signal.

In *CCH*, the Supreme Court of Canada interpreted these provisions as establishing "users' rights" rather than being exceptions to copyright owners' rights and decided that they "must be given a large and liberal interpretation in order to ensure that users' rights are not unduly constrained."[248] But "fair dealing" provisions in the *Copyright Act* are note equivalent with corresponding provisions in the *Patent Act*, which can have adverse consequences when copyrights and patent rights overlap.

The only provision in the *Patent Act* that addresses policy considerations similar to "fair dealing" in copyright law is section 55.2(6), which exempts "acts done privately and on a non-commercial scale or for a non-commercial purpose" from patent monopoly. And while the Canadian Federal Court of Appeal recognized "common law fair dealing exemption" to patent rights,[249] this exemption applies only when "the infringing product was made merely by way of bona fide experiment, and *not with the intention of selling and making use of the product in the commercial market* [emphasis added]"[250] and "once the user had proceeded beyond the experimental and testing phase and has taken steps to manufacture, promote and sell the product, the fair dealing exception no longer applies."[251] This is quite different from "fair dealing" rights under the *Copyright Act*, as interpreted by the Supreme Court in the *CCH* case. In that case, the Court stated "that research is not limited to non-commercial or

[248] *CCH, supra* note 41 at para. 51.
[249] *Merck & Co. v. Apotex Inc.*, 2006 FCA 323, (2006), 276 D.L.R. (4th) 686, 2006 CarswellNat 5302, 55 C.P.R. (4th) 1, 2006 CarswellNat 3206, [2007] 3 F.C.R. 588 [*Merck*]; see also *Micro Chemicals Ltd. v. Smith Kline & French Inter-American Corp.*, [1972] S.C.R. 506, 25 D.L.R. (3d) 79, 2 C.P.R. (2d) 193, 1971 CarswellNat 388 [*Micro Chemicals*].
[250] *Merck*, *ibid*. at para. 109.
[251] *Ibid*. at para. 113.

private contexts" and "[r]esearch for the purpose of advising clients, giving opinions, arguing cases, preparing briefs and factums is nonetheless research … within the meaning of s. 29 of the *Copyright Act*" even if done for consideration.[252] Presumably, all "fair dealing" rights should be given this "liberal interpretation." Consequently, copyrighted works could be used with impunity not only for research but also review and news reporting purposes in commercial context. But when patent rights and copyrights overlap in software, patent rights can be invoked to prevent "fair dealing" use of that software under copyright law for commercial purposes, eliminating these very important public rights.

C. Copyrights and patent rights out of balance

Overlaps of copyrights and patent rights in software not only undermine the distinctions between these two forms of intellectual property and their legal and economic functions, but also affect the balances between intellectual property owners' rights and the public's rights in both copyright law and patent law. In *Théberge*, the Supreme Court of Canada expressed concern about the danger of overcompensating artists and authors of copyrighted works.[253] This danger can materialize when overlaps of patent law and copyright law are ignored. It gives software owners an opportunity to extract additional compensation in the form of licensing, with assistance of patent rights, for uses of software that would otherwise be authorized under copyright law. Such economic overcompensation, resulting from "double dipping" in two monopoly regimes, is exactly what in the Supreme Court's view should not be tolerated.

The balance of rights is also affected by elimination of important "users' rights." The Supreme Court insisted in the *CCH* case that these rights should be given "liberal interpretation in order to ensure that users' rights are not unduly constrained."[254] But the possibility of employing patent rights for the protection of software leaves no room for "liberal interpretation" and may, in fact, make some "users' rights" in copyright law inoperative. Such result would directly affect the balance of rights between copyright

[252] *CCH, supra* note 41 at para. 51.
[253] *Théberge*, *supra* note 39.
[254] *CCH, supra* note 41 at para. 51.

owners and users of the copyright works by giving additional rights to one side of the equation at the expense of the other side.

Because proliferation of software patents most likely reached the point when reversing the trend is no longer an economically viable option, a resolution to the problems resulting from overlaps of copyrights and patent rights has to be based on accepting the present practice of granting patent protection for software as part of an apparatus. On this assumption, the conflicts between patent rights and copyrights protecting software could be resolved on case by case bases as they arise, using purposive analyses of the rights invoked in a particular dispute.

Resolving the problem of concurrent patent and copyright protection is very difficult because copyrights arise automatically upon fixation of an original work. Thus, if it is accepted that software can be patented, there is nothing to prevent the overlaps after a grant of patent monopoly. Once the patent is granted, it will be up to the judiciary to mitigate any adverse effects of the overlaps between patent rights and copyrights in software. In practical terms, to distinguish improper uses of the overlapping rights, the courts could consider whether the software has an industrial application, like running machines or processes employed in production, or whether it derives its value from an expressive form rather than function, for example in video games. Invoking copyrights in relation to the industrial software or patent rights in relation to the expressive software would be an initial indication that the overlap may be misused,[255] which would suggest need for more detailed analysis. The court could then inquire into the reason behind plaintiff's claims.

4. Patents and plant breeders' rights

Complex living organisms, also referred to as higher life forms, are generally excluded from protection of intellectual property rights. However, one category of living organisms—plants—is subject to intellectual property rights under the *Plant Breeders' Rights Act*.[256] The *Act* applies to new plant varieties, which are defined as any cultivar,

[255] See discussion of *Lexmark*, *supra* note 240 and *Chamberlain*, *infra* note 685 in chapter IV.2.C.
[256] S.C. 1990, c. 20 [*Plant Breeders' Rights Act*].

clone, breeding line, or hybrid of a prescribed category of plant that can be cultivated.[257] The scope of the protected subject matter delineated in the *Act* is rather limited. While the *Act* protects all plants, it does not protect algae, bacteria, and fungi.[258]

The purposes of this segment of the intellectual property system can be deduced from statutory provisions of the *Plant Breeders' Rights Act* that establish threshold requirements for obtaining plant breeders' rights. To obtain the protection, a new variety must meet three requirements. First, it must have distinguishable characteristics that differentiate the new variety from any other varieties known at the time of application registration. Second, its essential characteristics must remain stable after repeated reproduction or propagation. And third, any variations in its characteristics must remain predictable after plant's sexual reproduction or vegetative propagation in substantial quantity.[259] In other words, the variety must be new, distinct, uniform, and stable.[260] Interpreting these provisions, the Federal Court in *University of Saskatchewan* determined that the main purpose of the *Plant Breeders' Rights Act* is "to stimulate plant breeding in Canada."[261]

The requirements for obtaining plant breeders' rights and the comments by the Federal Court in the *University of Saskatchewan* case suggest that the purpose of plant breeders' rights is akin to the purpose of patent law.[262] This segment is supposed to promote the creation of new plant varieties. What distinguishes plant breeders' rights from patent rights is its application to higher life forms, namely plants, which in Canada are excluded from patent protection.

The holder of the plant breeders' rights acquires the exclusive rights to sell and produce the plant variety in Canada, make repeated use of its propagated material, and to use the plants

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[257] *Ibid*., s. 2.
[258] *University of Saskatchewan v. Canada (Commissioner of the Plant Breeders' Right Office)*, [2001] 3 F.C. 247, 11 C.P.R. (4th) 348 [*University of Saskatchewan*]. These simple life forms, however, can be protected by patent rights.
[259] *Plant Breeders' Rights Act*, *supra* note 256, s. 4(2) and (3).
[260] *Guide to Plant Breeders' Rights*, online: CFIA <http://www.inspection.gc.ca/english/plaveg/pbrpov/guidee.shtml>.
[261] *University of Saskatchewan*, *supra* note 258 at paras. 47-49.
[262] See also *Grain Pool of Western Australia v the Commonwealth*, (2000) 46 IPR 515 (Austl. H.C.) [*Grain Pool*].

or their parts as propagating material in the production of ornamental plants or cut flowers.[263] While in the opinion of the Federal Court balance of rights in this segment of the intellectual property system is less prominent,[264] plant breeders' rights are subject to public policy considerations just like all other rights in the intellectual property system. The rights to sell, produce, and make repeated use of propagating material are limited to commercial use. These rights are also likely subject to farmers' privilege, which allows farmers to save and use their own seed of protected varieties.[265] The rights may also be subject to a compulsory license.[266]

The basic distinction between the plant breeders' rights and the other segments of the intellectual property system—protection of higher life forms—has been tested in the context of patent law. Two cases, *Harvard College v. Canada (Commissioner of Patents)*[267] and *Monsanto Canada Inc. v. Schmeiser*,[268] illustrate the transition from separation of patent law and plant breeders' rights to overlaps between these areas.

A. Harvard College v. Canada

The *Harvard College* case involved a mouse with altered genes to make it cancer prone. In its patent application, Harvard College sought to protect both the process by which the cancer-promoting genes were produced and the end product of the process, i.e. the founder mouse and the offspring whose cells contained the oncogene. The process and product claims extended to all non-human mammals. The process claims were allowed, but the product claims were rejected by both the Patent Examiner and the Commissioner. The Federal Court dismissed the appeal from the Commissioner's decision. The Federal Court of Appeal, however, took an opposite view. Speaking for the majority of the Court, Justice

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[263] *Plant Breeders' Rights Act*, *supra* note 256, s. 5(1).
[264] *University of Saskatchewan*, *supra* note 258 at paras. 47-49.
[265] It is an open question whether farmer's privilege is recognized in Canada, however, s. 5(1)(a) and (b) establishing plant breeders' rights is limited to commercial use. It does not appear to prevent farmers from saving their own seed of protected varieties for future use. Also, farmer's privilege is recognized in other jurisdictions with advanced agriculture, which supports recognition of this right in Canada.
[266] *Ibid.*, s. 32.
[267] 2002 SCC 76, [2002] 4 S.C.R. 45, (2002), 219 D.L.R. (4th) 577, (2002), 21 C.P.R. (4th) 417, (2002), 235 F.T.R. 214 [*Harvard College*].
[268] 2004 SCC 34, [2004] 1 S.C.R. 902, (2004), 239 D.L.R. (4th) 271, (2004), 31 C.P.R. (4th) 161 [*Schmeiser*].

Rothstein reversed the decision of the Court below and directed the Commissioner of Patents to grant the patent.

Ultimately, the Supreme Court of Canada had to decide whether higher life forms were patentable subject matter under the *Patent Act*.[269] In particular, the Court had to decide whether the words "manufacture" and "composition of matter" are, within the context of the Patent Act, broad enough to include higher life forms. This issue deeply divided the Supreme Court. The majority of five justices rejected patentability of higher life forms. Justice Bastarache delivered the majority's opinion.

The majority based its decision on definition of "invention" in the *Patent Act*. If the mouse was to be patented, it had to be patented either as a "manufacture" or a "composition of matter."[270] Analyzing the scope of the definition of "invention," Justice Bastarache observed that while the definition was broad, it was also exhaustive; therefore, it could not be "interpreted as unlimited in the sense that it includes 'anything under the sun that is made by man.'"[271] Defining the meaning of "manufacture" in the Patent Act, the majority decided that the word denotes a non-living mechanistic product or process and therefore could not encompass a complex life form such as a mouse or a chimpanzee.[272] As to the definition of "composition of matter," Justice Bastarache opined that definition of this word has to be limited in some way, otherwise definitions of "machine" and "manufacture" would be redundant. "Composition," in its ordinary meaning, refers to a substance resulting from a combination of different ingredients, and "[t]he body of a mouse is composed of various ingredients or substances, but it does not consist of ingredients or substances that have been combined or mixed together by a person." Therefore, the definition of "composition of matter" could not include a higher life form whose genetic code has been altered in the process used by the applicant.[273]

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[269] *Harvard College*, *supra* note 267 at para. 118.
[270] *Ibid*. at para. 156.
[271] *Ibid*. at para. 158.
[272] *Ibid*. at para. 159.
[273] *Ibid*. at paras. 160-162.

In addition to interpreting the meaning of "composition of matter" and "manufacture," the Court engaged in an analysis that is more significant from the perspective of intellectual property rights' overlaps. The Court referred to one of its previous cases where patent claim for a cross-bred plant was rejected.[274] Justice Bastarache observed that in response to that case the Parliament enacted the *Plant Breeders' Rights Act* providing intellectual property rights over plants. Because the Parliament chose to enact a sui generis protection for plants rather than amend the Patent Act, it was indicative, in the majority's opinion, of the Parliament's intention to exclude higher life forms from patent law.[275] In particular, Justice Bastarache referred to an opinion of the Minister of Agriculture Honourable Donald Mazankowski who was overseeing enactment of the *Plant Breeders' Rights Act* and expressed the intention of the Government's parliamentary majority in passing the *Act*:

> [*Plant Breeders' Rights Act*] is designed to allow Canadian producers access to the best possible plant varieties, whatever country they originate in. It provides for certain rights for plant breeders and outlines their application, and further details restrictions that will apply to these rights to better protect the public interest. The legislation is designed to deal with the complexities of the issue and that is why we have chosen this route rather than to amend the *Patent Act* [emphasis added].[276]

This statement appears to indicate that the intention of Parliament was for plant varieties to be covered by the *Plant Breeders' Rights Act* and to be excluded from application of the Patent Act, both in theory and in practice. Enactment of the *Plant Breeders' Rights Act* as a *sui generis* legislation applying to living organisms was one of the reasons why the Supreme Court in the *Harvard College* case refused to grant patent protection to higher life forms.[277]

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[274] *Ibid*. at para. 188 referring to *Pioneer Hi-Bred, supra* note 127.
[275] *Ibid*. at paras. 188-196.
[276] *Ibid*. at para. 194 quoting from Parliament, *Minutes of Proceedings and Evidence of the Legislative Committee on Bill C-15: An Act Respecting Plant Breeders' Rights*, 2nd Sess., 34th Parl., No. 1 (11 October 1989) at 1:15.
[277] *Ibid*. at paras. 195-196.

Advancements in genetic modifications of living organisms increased pressure on extending strong patent monopoly to this new technology despite the Supreme Court's decision in the *Harvard College* case. Plant breeders' rights have not been immune to this development. Genetic modification of plants opens the possibility of changing qualities of living organisms through manipulation of their genetic codes. Such manipulation changes the hereditary material of a species leading to a change in the trait controlled by the gene. Depending on what genes are manipulated, modification of genetic code of a plant can achieve similar results natural crossbreeding can accomplish.

B. Monsanto v. Schmeiser

The issue of patentability of higher life forms resurfaced in the *Schmeiser* case. It involved a biotechnology company Monsanto that held a patent titled "Glyphosate-Resistant Plants." Monsanto described its invention as genetically engineered genes and cells containing those genes that, when inserted into canola plants, dramatically increase their tolerance to herbicides containing glyphosate. Ordinarily, glyphosate inhibits an enzyme essential for plant survival. Most plants sprayed with a glyphosate herbicide do not survive, but a canola plant grown from seed containing the modified gene will survive— herbicide manufactured by Monsanto could be sprayed after the canola plants have emerged killing all plants except the canola.[278]

Percy Schmeiser was a farmer who saved and developed his own seed.[279] Unlike other farmers in the area, he never switched to Monsanto's canola. Schmeiser never purchased Monsanto's seed nor did he obtain a licence to plant it. However, Monsanto's tests revealed that 95 to 98% of Schmeiser's 1,000 acres of canola crop was made up of Monsanto's genetically modified plants.[280] Monsanto sued, claiming patent infringement. Schmeiser defended arguing, inter alia, that by claiming patent protection in a gene embedded in canola plant Monsanto was extending its patent monopoly onto the entire living organism of canola plant and seed, a result that was rejected in the *Harvard College* case.[281]

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[278] *Schmeiser*, *supra* note 268 at para. 8.
[279] *Ibid*. at para. 60.
[280] *Ibid*. at para. 6.
[281] *Ibid*. at para. 21.

The most important question faced by the Supreme Court of Canada was whether planting of the canola seed containing Monsanto's patented gene constituted use of the invention in violation of the *Patent Act*.[282] Monsanto claimed infringement of both its rights to use the invention and to manufacture it, despite the conclusion reached by the Supreme Court in the *Harvard College* case regarding the manufacturing of life forms. In *Schmeiser,* the Supreme Court reiterated its position in the *Harvard College* case, rejecting Monsanto's claim of infringement of manufacturing rights.[283] Consequently, the central point of the appeal was the interpretation of "use" under the *Patent Act* in the context of genetically modified seed and whether it applied to natural growing of plants. The Supreme Court of Canada answered this question affirmatively. The Court found Schmeiser liable for patent infringement, thus introducing the issue of overlap between patent rights and plant breeders' rights into Canadian intellectual property system.

The appearance of overlap between plant breeders' law and patent law to some extent resembles the appearance of the overlap between copyrights and patent rights in the context of software. After software became protected under patent law, some software developers found patent law to be more suitable for protection of their intellectual property. Consequently, they pushed the boundaries of patent monopoly, using litigating process, to cover this new technology. Today, after tens of thousands of software patents have been issued, the overlap of copyrights and patent rights in software is irreversible.

The same result seems inevitable in the context of genetically modified plants and plant breeders' rights after Schmeiser was decided. While art. 2 of the 1978 UPOV Convention, which was ratified by Canada, expressly prohibites concurrent protection of plant varieties under both patent law and *sui generis* regimes, wording of this article has not been adopted into the *Plant Breeders' Rights Act* or the *Patent Act*. In *Schmeiser,* the majority of the Supreme Court of Canada found genetically modified plants *de facto* patentable and the minority – *in obiter* – recognized that genetically modified plant varieties are capable of

[282] *Ibid*. at para. 28.
[283] *Ibid*. at para. 26.

protection under the *Plant Breeders' Rights Act*. Unfortunately, although the minority appeared to reject concurrent protection of plant varietes, the majority did not comment on this issue. Consequently, the question whether concurrent protection of the overlapping rights in the context of genetically modified plants will be allowed has not yet been answered by courts in Canada. This uncertainty is also present in other jurisdiction where courts have not considered the scope of intellectual property overlaps in this context.

C. Overlaps of patent and plant breeders' rights

When Schmeiser was being decided, it appeared that the relationship between the *Patent Act* and the *Plant Breeders' Rights Act* would consume a large part of the Supreme Court's decision. After all, Monsanto was claiming patent monopoly in a gene that, in the majority's opinion, was "present throughout the genetically modified plant and the patented cells compos[ing] its entire physical structure."[284] Since the gene was present in each and every part of the plant, patent monopoly by necessity extended to the entire plant, which raised the question whether rights over Monsanto's canola with genetically engineered genes should be covered by the *Plant Breeders' Rights Act*. Surprisingly, the Court left this issue untouched, with the exception of Justice Abela who noticed in dissent that Monsanto's invention qualifies for protection under the *Plant Breeders' Rights Act*, and indeed belonged there.[285] Whether intentionally or not, the Supreme Court of Canada introduced the overlap of patent rights and plant breeders' rights in plant varieties.

In all the critique of the majority's decision in *Schmeiser*, full credit has to be given to the argument presented by the minority.[286] It took the majority's decision for what it was and recognized that *Schmeiser* "would … invalidate the Patent Office's long-standing policy of not granting exclusive rights, expressed in a patent grant, over higher life forms, that was

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[284] *Ibid*. at para. 42.
[285] *Ibid*. at paras. 168-169.
[286] Jeremy F. DeBeer, "Reconciling Property Rights in Plants" (2005) 8 J.W.I.P. 5; Robert Stack, "How Do I Use This Thing? What's It Good for Anyway? A Study of the Meaning of Use and the Test for Patent Infringement in the *Monsanto Canada Inc. v. Schmeiser* Decisions" (2005) 18 I.P.J. 277; Stephen R. Munzer, "Plants, Torts, and Intellectual Property," in Timothy Endicott, Joshua Getzler and Edwin Peel, eds., *Properties of Law: Essays in Honour of Jim Harris* (Oxford: Oxford University Press, 2006); Andrew W. Torrance, "Metaphysics and Patenting Life" (2007) 76 University of Missouri-Kansas City Law Review 363; Matthew Rimmer, "Franklin Barley: Patent Law and Plant Breeders' Rights" (2003) 10 Murdoch University Electronic Journal of Law, online: SSRN <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=603228>.

upheld in *Harvard College*."[287] The effects such step would have on plant breeders' rights were not lost to the minority either.[288]

Concurrent protection of overlapping patent rights and plant breeders' rights may have two serious repercussions for overlaps between patent rights and plant breeders' rights. The first one relates to farmer's rights or privileges, which refers to farmers' practice of saving seed from crop for future use, and the second concerns the ability of breeders to use patented seed for experimental purposes, including the right to create new plant varieties, so called breeder's exception. Both privileges promote the purposes of plant breeders' rights and both may be eliminated with the use of overlapping patent rights. As the US Supreme Court observed in *JEM Ag Supply Inc v Pioneer Hi-Bred International Inc*., a case referring to American plant breeders' rights,[289] "utility patent holders receive greater rights of exclusion than the holders of" plant variety registration, "[m]ost notably, there are no exceptions for research or saving seed under a utility patent."[290]

Farmer's privileges create a farmer's rights to use part of his harvest to plant his fields. It is disputable whether a farmer's privilege has statutory or common law bases,[291] however, the privilege should probably be viewed as an equitable right of farmers established over centuries of use and based on their right to sustainable living off land. There is no judicial consideration of this right in Canada in the context of plant breeding; therefore, reference to international plant breeders' rights and foreign jurisdictions is necessary for the purpose of this analysis.

International plant breeders' rights are established in the International Union for the Protection of New Varieties of Plants.[292] UPOV Convention implicitly recognizes a

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[287] *Schmeiser*, *supra* note 268 at para. 109.
[288] *Ibid*. at paras. 168-169.
[289] (2001) 534 US 124.
[290] *Ibid*. at 143.
[291] Jeremy deBeer, "Reconciling Property Rights in Plants" (2005) 8(1) The Journal of World Intellectual Property 5 at 29-30.
[292] *International Convention for the Protection of New Varieties of Plants*, 2 December 1961, as revised at Geneva on 10 November 1972, on 23 October 1978, and on 19 March 1991, S. Treaty Doc. No. 104-17 (1995) [UPOV Convention].

farmer's right to use part of his harvest for future planting, subject to national regulations. Article 15(2) of the UPOV Convention states as follows:

> Art. 15(2)
> Notwithstanding Article 14, each Contracting Party may, within reasonable limits and subject to the safeguarding of the legitimate interests of the breeder, restrict the breeder's right in relation to any variety in order to permit farmers to use for propagating purposes, on their own holdings, the product of the harvest which they have obtained by planting, on their own holdings, the protected variety or a variety covered by Article 14(5)(a)(i) or Article 14(5)(a)(ii).

Through its optional application, article 15(2) gives signatories of the UPOV Convention flexibility in determining the scope of the farmer's privilege applied in each jurisdiction, as long as the limitations on plant breeders' rights are reasonable. Unlike Canadian *Plant Breeders' Rights Act*, some other agriculturally important jurisdictions explicitly establish this right, albeit to different extent.

In the European Union, farmer's right, although explicit, is relatively limited. It allows farmers to save seed from their crop and replant it on their fields, but not resell it for propagating purposes. Article 14(1) of the regulation on Community plant variety rights states as follows:

> Notwithstanding Article 13(2), and for the purposes of safeguarding agricultural production, farmers are authorized to use for propagating purposes in the field, on their own holding the product of the harvest which they have obtained by planting, on their own holding, propagating material of a variety other than a hybrid or synthetic variety, which is covered by a Community plant variety right.[293]

[293] EC, *Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights*, [1994] O.J. L 227 at 1.

Application of the rights, however, is limited to 22 most important agriculturally plants listed in article 14(2).

Farmers' privilege in the United States is somewhat broader than it is in Europe, as it includes limited rights to sell for replanting the seed protected by plant breeders' rights. In particular, the relevant provision states that

> [I]t shall not infringe any right hereunder for a person to save seed produced by the person from seed obtained, or descended from seed obtained, by authority of the owner of the variety for seeding purposes and use such saved seed in the production of a crop for use on the farm of the person, or for sale as provided in this section. A bona fide sale for other than reproductive purposes, made in channels usual for such other purposes, of seed produced on a farm either from seed obtained by authority of the owner for seeding purposes or from seed produced by descent on such farm from seed obtained by authority of the owner for seeding purposes shall not constitute an infringement.[294]

Interpreting this provision, the US Supreme Court held in *Asgrow Seed Co. v. Winterboer* that in addition to selling protected seed for non-reproductive purposes, the farmers are also authorized to sell seed that was saved from their crop for the purpose of replanting it on their land.[295] Such interpretation is commonsensical and consistent with the purposes of plant breeders' rights. The pool of seed a farmer is authorized to save under the farmer's privilege for replanting on his fields is not increased, but simply ceded to another farmer, thus making use of the land more efficient, at the same time restricting overproduction of protected plant variety's seed.

Due to a lack of clear statutory provisions or judicial interpretation of the farmer's privilege in Canada, it is difficult to determine with sufficient certainty the scope of farmer's rights under the *Plant Breeders' Rights Act*. It is, however, safe to assume that Canadian law of

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[294] *Plant Variety Protection Act*, 7 USC. § 2543.
[295] 513 US 179 (1995) at 190-191. See also *Delta and Pine Land Co. v. Peoples Gin Co.*, 694 F.2d 1012 (5th Cir. 1983) and *Delta and Pine Co. v. Sinkers Co*., 177 F.3d 1343 (Fed. Cir. 1999).

equity would uphold, at the minimum, two privileges present in the aforementioned jurisdictions: the right to sell seed for non-reproductive purposes and the right to save seed for replanting on farmers' own land. It is also arguable that both rights can be implied from the statutory language of the *Act*. Section 5(1)(a) of the *Plant Breeders' Act* specifies that a plant breeder has exclusive right "to sell, and produce in Canada for the purpose of selling, propagating material, as such, of the plant variety." Thus, if a farmer saves the seed for purpose of replanting it rather than to sell it, such use, arguably, would not fall under section 5(1)(a). This right is also limited by definition of propagating material, which section 2 defines as "any reproductive or vegetative material *for propagation*, whether by sexual or other means, of a plant variety, and includes seeds for sowing and any whole plant or part thereof that may be used for propagation [emphasis added]." In other words, section 5(1)(a) protects a breeder's rights only in relation to plants or their seed used for reproductive purposes and only for the purpose of selling it for propagation. According to this interpretation, seed destined for replanting on a farmer's land intended to be consumed in the future or to be sold for consumption would, arguably, be excluded from application of plant breeders' rights.

The concept of farmer's privilege is foreign to patent law. Concurrent application of both statutory regimes to a single subject matter could indeed lead to bizarre consequence. Let's assume that some seeds are protected by both plant breeders' rights and patent rights concurrently and courts authorize this protecton—such situation is entirely possible in light of the majority's decision in *Schmeiser*. If a farmer plants the seeds without express authorization for subsequent use of the seeds, the results will be drastically different depending on which rights are applied. Under the *Plant Breeders' Rights Act*, as suggested in the analysis above, the farmer would be free to replant and sell the seeds for consumption. He would also be able to save the seed to replant it in the next season for the same purposes. However, application of patent rights, in the expanded form endorsed in *Schmeiser* would deny the farmer all these rights. It would not matter if the farmer actually used the patented genes embedded in the seed. It would not even matter if the farmer ever intended to utilize the invention. As long as the farmer possessed seed containing the patented genes and had knowledge of the patented invention's existence, his intention

would be presumed an obstacle impossible to overcome in light of the majority's decision in *Schmeiser*. He would be deemed to use the invention under the "stand-by" doctrine revived by the Supreme Court. In effect, the farmer would be liable for patent infringement at the moment he planted the seeds containing patented genes or forced to destroy the seed—an unacceptable result for public policy reasons.

Another area of potential conflict between patent and plant breeders' monopolies is the use of plants for research. There is apparent incompatibility between the *Plant Breeders' Rights Act*, the UPOV Convention, and the *Patent Act* when it comes to the use of propagating material or patented inventions for research purposes, including the creation of new plant breeds or inventions within a plant. This incompatibility results from the fact that although Canada signed the latest amended versions of the UPOV Convention on March 9, 1992, it has not yet ratified the Convention and implemented those changes into its legislation. Consequently, Canada is not presently bound to the 1991 version and instead the 1978 version is binding in this jurisdiction. This requires analysis of potential overlaps between patent rights and plant breeders' rights under both the 1991 UPOV Convention and the present wording of the *Plant Breeders' Rights Act*, which is in compliance with the 1978 UPOV Convention but, unlike art. 2 of the 1978 UPOV Convention, does not include prohibition on concurrent protection of plant varities with plant breeders' rights and patent rights.

Section 5(1)(b) of the *Plant Breeders' Rights Act* expressly prohibits repeated use of propagating material subject to plant breeders' right in order to create new plant varieties. It reads as follows:

> 5 (1) Subject to this Act, the holder of the plant breeder's rights respecting a plant variety has the exclusive right
>
> ...
>
> (b) to make repeated use of propagating material of the plant variety in order to produce commercially another plant variety if the repetition is necessary for that purpose.

Because, as observed by the Federal Court in *University of Saskatchewan*, development of new plant varieties is a long process taking several years during which the seeds subject to research are being replanted on small and large scale,[296] section 5(1)(b) effectively limits the ability of plant breeders to develop new varieties from registered plant varieties, unless the Government grants a compulsory license in furtherance of such research.[297]

Interestingly, it appears that section 5(1)(b) may be in conflict with the UPOV Convention, which expressly establishes breeder's exception to plant breeders' rights in article 15. It reads as follows:

> Art. 15
> (1) [Compulsory exceptions] The breeder's right shall not extend to
> (i) acts done privately and for non-commercial purposes,
> (ii) acts done for experimental purposes and
> (iii) acts done for the purpose of breeding other varieties, and, except where the provisions of Article 14(5) apply, acts referred to in Article 14(1) to Article 14(4) in respect of such other varieties.

Essentially, article 15(1)(iii), in conjunction with article 14(5), mimics the concept of "improvement" to patented invention in patent law. Article 14(5) states as follows:

> Art. 14
> (5) [*Essentially derived and certain other varieties*]
> *(a)* The provisions of paragraphs (1) to (4) shall also apply in relation to
> (i) varieties which are essentially derived from the protected variety, where the protected variety is not itself an essentially derived variety,
> (ii) varieties which are not clearly distinguishable in accordance with Article 7 from the protected variety and

[296] *University of Saskatchewan, supra* note 258 at paras. 7-12.
[297] *Plant Breeders' Rights Act, supra* note 256, s. 32(1).

(iii) varieties whose production requires the repeated use of the protected variety.

(b) For the purposes of subparagraph *(a)*(i), a variety shall be deemed to be essentially derived from another variety ("the initial variety") when

(i) it is predominantly derived from the initial variety, or from a variety that is itself predominantly derived from the initial variety, while retaining the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety,

(ii) it is clearly distinguishable from the initial variety and

(iii) except for the differences which result from the act of derivation, it conforms to the initial variety in the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety.

(c) Essentially derived varieties may be obtained for example by the selection of a natural or induced mutant, or of a somaclonal variant, the selection of a variant individual from plants of the initial variety, backcrossing, or transformation by genetic engineering.

These provisions give plant breeders the freedom to develop new plant varieties on top of the existing varieties without consent of the owners, but at the same time impose on them the obligation to obtain authorization from the owner of the underlying variety and account for the economic benefits derived from it. Section 5(1)(b) of the *Plant Breeders' Rights Act* has not been interpreted by Canadian courts but its wording contradicts article 15(1)(iii) of the UPOV Convention, which creates *compulsory exemptions* to plant breeders' rights. Although the *Plant Breeders' Rights Act* establishes a scheme for compulsory licensing of plant breeders' rights,[298] the scope of this section is much narrower as it has a discretionary character and does not have automatic application.

Due to this apparent discrepancy between the provisions in the amended UPOV Convention and the *Plant Breeders' Rights Act*, the assessment of the effects of overlaps

[298] *Ibid.*, s. 32(1).

between plant breeders' rights and patent rights on breeder's privilege may somewhat differ when *lex lata*, as established in the *Plant Breeders' Rights Act*, or *lex ferenda*, as pronounced in the amended UPOV Convention to be ratified and implemented into Canadian law, in breeder's monopoly is analyzed. However, before this step in analyses can be taken, the scope of research exemption in patent law has to be reviewed.

Limits on patent monopoly in relation to research and experiments leading to the development of new inventions are set in section 55.2(6) of the *Patent Act*, which allows for making, using, or sale of patented invention as long as these activities are related to research or experimental use of the invention. This provision reads as follows:

> 55.2 (1) It is not an infringement of a patent for any person to make, construct, use or sell the patented invention solely for uses reasonably related to the development and submission of information required under any law of Canada, a province or a country other than Canada that regulates the manufacture, construction, use or sale of any product.
>
> …
>
> (6) For greater certainty, subsection (1) does not affect any exception to the exclusive property or privilege granted by a patent that exists at law in respect of acts done privately and on a non-commercial scale or for a non-commercial purpose or in respect of any use, manufacture, construction or sale of the patented invention solely for the purpose of experiments that relate to the subject-matter of the patent.

The rights of inventors associated with this provision were interpreted by the Federal Court of Appeal in the *Dableh v. Ontario Hydro* case, where the Court explained that when a patented invention is not used for profit, "the mere making for the purpose of experiment, and not for a fraudulent purpose, ought not to be considered within the meaning of the prohibition" under the *Patent Act*.[299] This exception is consistent with the purposes of patent rights that are tailored to advance technological development through the promotion

[299] [1996] 3 F.C. 751, 1996 CarswellNat 735, 199 N.R. 57, 68 C.P.R. (3d) 129 (F.C.A.) at para. 44 [cited to CarswellNat], citing with approval *Frearson v. Loe* (1878), L.R. 9 Ch.D. 48; see also *Micro Chemicals*, *supra* note 249.

of inventiveness. Because a new improvement to an already existing invention is an advancement in technology, and most improvements cannot be invented without some form of access to the underlying invention, research exemption to patent rights is indeed a necessary element of patent law.

The right of inventors to develop new improvements for already existing inventions should not be confused with the right to use the invention for commercial purposes. The *Patent Act* specifies that when a new invention's utility is based on another patented invention, the improvement qualifies for grant of patent.[300] Yet these two monopolies are independent of each other—the owner of the original patent may preclude the improvement patent owner from working the original invention,[301] even if it precludes use of the improvement patent. Conversely, the owner of the original patent has no ability to make use of the patented improvement based on the technology set out in the original patent.[302]

A comparison of research exceptions in the *Plant Breeders Act* and the *Patent Act* suggests that due to different interpretations of the research exceptions in both statutes, plant breeders' rights might be effective in denying research exception under patent law. Since section 5(1)(b) of the *Plant Breeders' Rights Act* expressly prohibits repeated use of propagating material subject to plant breeders' rights in order to create a new plant variety, such use of a plant variety by an inventor for the purpose of discovering a patentable genetic modification could be prevented by the owner of the plant variety, thus undermining the research exception in patent law. It would probably not matter that the inventor would engage in the research with the intention to obtain patent monopoly rather than plant variety registration. Because the genetically modified plant would be capable of being registered, the use of propagating material leading to the development of the new

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[300] *Patent Act*, *supra* note 124, s. 32. See also: *Merck Frost Canada Inc. v. Canada (Minister of National Health & Welfare)* (1999), 86 C.P.R. (3d) 489, 236 N.R. 179 (Fed. C.A.); *SmithKline Beecham Pharma Inc. v. Apotex Inc.*, 2002 CarswellNat 1196, [2002] F.C.J.No. 801, 2002 CarswellNat 2368, 2002 CAF 216, 21 C.P.R. (4th) 129, 226 F.T.R. 144 (note), 2002 FCA 216, 291 N.R. 168, [2003] 1 F.C. 118, 219 D.L.R. (4th) 124 (F.C.A.).

[301] This situation could, possibly, be recognized as patent abusing practice and result in compulsory licensing under s. 65 and s. 66 of the *Patent Act*, *ibid.*

[302] *Western Electric Co. v. Bell*, [1929] Ex. C.R. 213, [1929] 4 D.L.R. 943, 1929 CarswellNat 27 (Can. Ex. Ct.); *Wandscheer v. Sicard Ltd.*, (1947), 7 Fox Pat. C. 93, [1948] S.C.R. 1, 8 C.P.R. 35, 1947 CarswellNat 19 at 60.

variety would fall under section 5(1)(b) even absent registration of the new plant breed and before the research was concluded. If, however, the inventor would be able to insert patentable genes into the protected variety without repeated use of propagating material infringing section 5(1)(b), he could, in practice, obtain patent protection for the genetically modified plant without any obligation to account for the benefits derived from the underlying protected plant variety.[303]

Analyses under the 1991 UPOV Convention provisions would lead to somewhat different conclusions. Since the UPOV includes absolute exemption for research activities in the process of developing new plant breed, there would be nothing that the owner of the original protected plant variety could do to stop experiments involving his plant breed and future utilization of a newly developed breed. To address this issue, article 14(5)(c) was added to the UPOV Convention imposing an obligation to reward the owner of the original plant variety by the breeder of a variety essentially derived from it. Importantly, this provision expressly applies to "transformation by genetic engineering" of the original plant variety, which refers to genetic modifications. The purpose of article 14(5)(c) is to level the playing field for patentees and owners of plant breeders' rights by imposing on patentees the obligation to reward the owner of the original plant variety when a patented plant variety is derived from a variety protected by plant breeders' rights.[304] Expansive interpretation of this provision could indeed address some adverse economic effects of overlaps between patent rights and plant breeders' rights.

Article 14(5)(c) of the 1991 UPOV Convention has not yet been adopted in Canada, but this provision, while addressing some economic inequalities between owners of plant varieties and patent holders of genome in a plant, does not address other problems associated with overlaps of plant breeders' rights and patent rights, such as the elimination of farmer's privilege.

D. Response to the challenge

[303] Obtaining patent monopoly in violation of section 5(1)(b) would most likely result in the patent monopoly being unenforceable; see discussion of the clean hands doctrine in chapter V.2.
[304] "WIPO-UPOV Symposium," *supra* note 79 at para. 18.

As the analyses above suggest, overlaps between patent rights and plant breeders' rights may potentially lead to conflicts that can undermine the purposes behind the *Plant Breeders' Rights Act*. Problems related to these overlaps could best be resolved through the application of a misuse doctrine based on purposive analysis of intellectual property rights advocated in chapter V.5. The adverse effects of overlaps between these two segments, however, can also be resolved by judicial reconsideration of the *Schmeiser* decision.

Adopting the reasoning of the minority in *Schmeiser* would prevent expanding patent monopoly to plants not only in theory but also in practice. It would also prevent the elimination of farmer's privilege with use of patent rights, when farmers use saved seed for future use without exploiting the patent's utility. And finally, it would eliminate the unfair advantage given to patentees over plant breeders, resulting from embedding patented genes in new varieties of plants, as envisaged by the WIPO and the UPOV, all in compliance with Canada's international obligations.

Under the international intellectual property law, signatories of the TRIPS Agreement may exclude from patentability higher life forms, but are obliged to provide protection for plant varieties.[305] Such protection can be afforded either through a patent regime or a plant breeders' regime. According to article 27(3) of the TRIPS Agreement, there are three options open to signatories: to provide protection of plant varieties under plant breeders' rights, patent rights, or both. This provision states as follows:

> Art. 27
> 3. Members may also exclude from patentability:
>
> (a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;
>
> (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

[305] TRIPS Agreement, *supra* note 154.

> *sui generis* system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.

As the minority in *Schmeiser*[306] and the majority of the Supreme Court in *Harvard College* suggested,[307] the apparent intention of the Parliament of Canada in establishing plant breeders' rights in *sui generis* regime was to exclude plant varieties from patent protection. Consequently, limiting the protection of genetically engineered plants to plant breeders' rights would be consistent with both intentions of the Parliament and Canada's international obligations.

The relationship between plant breeders' rights and patent rights has been a source of controversy in different common law jurisdictions and was addressed in different ways as the courts always straggled with resolving intentions of the legislators in establishing separate *sui generis* regimes for protection of new plant varieties instead of adjusting patent law to accommodate this subject matter.

For example, in *Grain Pool*, the Australian High Court found that in that jurisdiction plant varieties were concurrently protected under patent and plant breeders' legislations.[308] In reaching this conclusion, the High Court relied on the American case of *Diamond v Chakrabarty*,[309] where the US Supreme Court held that the work of a plant breeder "in aid of nature" was a patentable invention.[310] The majority of the High Court did not address the opposite view of the dissenting Justice Brennan in *Diamond*, which put into question such conclusion, but this issue was confronted by the minority of the US Supreme Court in another case—*JEM Ag Supply Inc v Pioneer Hi-Bred International Inc*.[311]

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[306] *Schmeiser*, *supra* note 268 at paras. 168-169.
[307] *Harvard College*, *supra* note 267 at para. 194.
[308] *Grain Pool*, *supra* note 262.
[309] (1980) 447 US 303.
[310] *Grain Pool*, *supra* note 262 at 527-528.
[311] (2001) 534 US 124 [*JEM*].

In *JEM*, the US Supreme Court considered whether utility patents can be granted in respect of plants. The majority of five Justices held that the plant variety legislation did overlap with utility patents, but the conflicts were not irreconcilable. In the Court's opinion, the more generous the scope of protection granted by patent scheme, the more stringent the requirements for obtaining patent monopoly.[312] The majority was also unconvinced by the argument of potential misuses of patent rights to undermine the plant breeders' rights regime and farmer's privileges by claiming patent protection in new plant varieties.[313] In dissent, Justices Breyer and Stevens argued that the plant breeders' regime is incompatible with utility patent legislation and its presence as a separate regime was a clear indication of the Congress' intention to manage this subject matter outside of patent law.[314] From the perspective of *Schmeiser*, it appears that the view of the majority of the US Supreme Court in *JEM* on effects of overlaps of patent rights and plant breeders' rights was overly optimistic. It should be noted, however, that any abusive use of patent rights limiting plant breeders' rights could easily be addressed in the US through application of the intellectual property rights misuse doctrine, which may to some extend explain the optimistic view of the majority in *JEM*.

Similar optimism was expressed by the Supreme Court of Canada in *Pioneer Hi-Bred*, where the Court suggested, in obiter, that plant varieties and genetically engineered plants can be viewed as two separate things that could be dealt with by two separate regimes, due to the different form of genetic engineering they involve.[315] But this view on genetic modification of plants does not prevent the overlaps between patent rights and plant breeders' rights from occurring. Once a genetically modified and patented seed is planted in soil, there is nothing to prevent if from finding its way into a protected plant variety; only the wind carrying the pollen can tell how fast it can happen. In practice, it is irrelevant whether plant varieties and genetically engineered plants are two separate things that are properly dealt with by separate regimes. It might be said that patented inventions and copyrighted works are two separate things that are properly dealt with by separate regimes,

[312] *Ibid.* at 143.
[313] *Ibid.* at 140, note 12.
[314] *Ibid.* at 153.
[315] *Pioneer Hi-Bred*, *supra* note 127 at paras. 16-20.

and so are trademarks and patented inventions. But those subject matters do sometimes overlap with adverse effects and those overlaps need to be resolved one way or another.

The problems resulting from overlaps of patent rights and plant breeders' rights has been recognized and considered on different forums. Internationally, these issues were raised at the WIPO and UPOV. In 2002, WIPO and UPOV organized an international symposium on the co-existence of patents and plant breeders' rights. While the participants recognized the importance of technological developments for plant breeding and the tangible benefits recent developments in biotechnology bring for the industry, they also acknowledged many challenges resulting form overlaps between these two segments of the intellectual property system. The biggest problem identified was the incompatibility of exceptions under both regimes. During the symposium, participants raised concerns about the ability of plant breeders to exercise the breeder's exemption in the case of varieties containing patented inventions.[316] Similar concerns were raised by scholars and lawyers interested in these problems.[317] For example, Professor Siebrasse recognized the adverse effects overlapping patent rights can have on plant breeders' right and plant breeders' privilege and conflicting public policy objectives resulting from this overlap.[318] Similarly, legal professionals view this overlap and conflicts of rights it produces as a potential source of litigation internationally.[319] There are signs that some governments are ready to revisit the issue of overlapping patent rights and plant breeders' rights to ensure proper development of their agriculture industries.[320]

While most jurisdictions appear to allow for *de facto* concurrent protection of plant varieties under both plant breeders' rights and patent law, it is done as a matter of choice—

[316] "WIPO-UPOV Symposium," *supra* note 79 at paras. 25-26.
[317] See e.g. Niels Louwaars, *Seed Systems and Plant Genetic Resources for Food and Agriculture Centre for Genetic Resources*, Wageninges University & Research Centre, The Netherlands, online: <http://www.fao.org/docrep/013/i1500e/i1500e21.pdf> at 15-18.
[318] Norman Siebrasse, "Intellectual Property Protection for Higher Life Forms: Current Law and Policy Issues" (2010) The Integrated Assessment Journal 23 at 34-36.
[319] Thomas Bouvet, "Hot Topics in Plant Variety Rights" CIPA Biotech Conference (26-27 November 2009), online: <http://www.veron.com/publications/Colloques/hot_topics_in_plant_variety_rights.pdf>.
[320] See e.g. "Dutch debate on patenting and breeders' right not finished" A SEED Europe (16 July 2010), online: <http://www.aseed.net/index.php?option=com_content&task=view&id=768&Itemid=174>.

not obligation—and some may be ready to reconsider this issue.[321] There is nothing that prevents Canada from taking a more sympathetic approach to farmers and their livelihood by protecting their rights under the *Plant Breeders' Rights Act*. At the same time, maintaining a separation of patent monopoly and plant breeders' rights would be beneficial for the consistency of the entire intellectual property system. Recognition of patent protection for genetically modified plants creates new overlaps in the system between plant breeders' rights and patent rights. This will have direct and adverse effect on the purposes of plant breeders' rights and may impede the main function of this segment—"to stimulate plant breeding in Canada."[322] Inventiveness of new plant varieties may be suppressed without guarantee that this effect will be compensated by increased inventiveness under patent law.

It should be reiterated, that art. 2 of the previous 1978 UPOV Convention expressly prohibited concurrent protection of plant varieties under both patent law and *sui generis* regimes. Unfortunately, this restriction was not carried over to the 1991 UPOV Convention. At the same time, art. 31 of the 1991 UPOV Convention makes the latest version of the Convention governing in all interstate relations where one of the states is bound by the 1991 UPOV Convention. Adding wording of the 1978 UPOV Convention, art. 2, to the 1991 UPOV Convention and adopting it into member states' legislation, including Canada, would effectively eliminate possible adverse effects of overlaps between patent rights and plant breeders' rights, providing sufficient response to the problems outlined in this section.

5. Patents and semiconductor topography rights

Semiconductor topography refers to innovative three-dimensional circuit designs embedded in microchips that are used in a variety of technologically advanced products such as automobiles, industrial robots, cameras, spacecraft, or computers. Examples of integrated circuit products are the Random Access Memories (RAM) and the ROM.[323]

[321] *Ibid.*
[322] *University of Saskatchewan, supra* note 258 at para. 47.
[323] *Guide to Integrated Circuit Topographies* (Gatineau, Que.: C.I.P.O., 2006) at 1.

The application of intellectual property rights to circuit topographies is regulated in the TRIPS Agreement, which requires its signatories to "provide protection to the layout-designs (topographies) of integrated circuits."[324] Canada fulfilled its international obligations by enacting the *Integrated Circuit Topography Act*.[325] The *Act* protects registered integrated circuit topographies for up to 10 years.[326] To qualify for the registration, a topography must be original, which means that it has to be developed through application of intellectual effort and not produced by the mere reproduction of all or substantial part of another topography.[327] Registration gives the rights to reproduce the protected topography or a substantial part of it, manufacture products incorporating the topography or a substantial part of it, and import or commercially exploit topography or industrial articles incorporating the topography or a substantial part of it.[328] The purpose of circuit topography rights was pronounced by the US Federal Circuit Court in *Brooktree Corp. v. Advanced Micro Devices, Inc.* as promoting "research breakthroughs" in the semiconductor industry by prohibiting "'chip piracy'—the unauthorized copying and distribution of semiconductor chip products copied from the original creators of such works."[329]

The subject matter protected by semiconductor topography rights is akin to copyrightable works. Indeed, the selection and three dimensional configurations of electrical components and connections in computer chips, which are subject to semiconductor topography rights, would qualify for copyright protection as artistic work if such protection was not expressly excluded under section 64.2 of the *Copyright Act*.[330] The effect of section 64.2 is to prevent overlaps between copyrights and circuit topography rights. This provision states as follows:

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[324] The TRIPS Agreement, *supra* note 154, art. 35.
[325] S.C. 1990, c. 37 [*Integrated Circuit Topography Act*].
[326] *Ibid.*, s. 5.
[327] *Ibid.*, s. 4(2).
[328] *Ibid.*, s. 3(2).
[329] 977 F.2d 1555 (Fed. Cir. 1992) at 1562 [*Brooktree*].
[330] *Copyright Act*, *supra* note 28, s. 64.2(1), expressly prohibits use of copyrights to protect computer chips. Without this express prohibition circuit topographies could qualify for copyright protection; *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1249, 219 USPQ 113, 121 (3d Cir.1983), cert. denied, 464 US 1033, 104 S.Ct. 690, 79 L.Ed.2d 158 (1984).

> 64.2 (1) This Act does not apply, and shall be deemed never to have applied, to any topography or to any design, however expressed, that is intended to generate all or part of a topography.
>
> (2) For greater certainty, the incorporation of a computer program into an integrated circuit product or the incorporation of a work into such a computer program may constitute an infringement of the copyright or moral rights in a work.
>
> (3) In this section, "topography" and "integrated circuit product" have the same meaning as in the *Integrated Circuit Topography Act*.

Computer chip designs and artistic works are similar not only in their forms but also in some legal concepts defining their protection under the *Integrated Circuit Topography Act* and the *Copyright Act*. In particular, section 3(3) of the *Integrated Circuit Topography Act* specifically states that topography rights do not protect "any idea … that may be embodied in topography or an integrated circuit product." Thus, topography rights operate in a similar way copyrights operate, by protecting only the expressions of ideas in the form of operating circuit topographies—not the ideas themselves. This similarity is also reflected in section 6(3) of the *Act*, which establishes the defence of independent creation analogous to similar defence in copyright law. In fact, this provision goes even further, authorizing reverse engineering of topographies. Section 6 states as follows:

> 6. (1) The exclusive right in a registered topography is infringed by any person who does any act referred to in subsection 3(2) without the consent of the owner of the registered topography.
>
> (2) Notwithstanding subsection (1), it is not an infringement of the exclusive right in a registered topography for any person
>
> (*a*) to do any act referred to in paragraph 3(2)(*a*) or (*b*) in relation to that registered topography for the sole purpose of analysis or evaluation or of research or teaching with respect to topographies;
>
> (*b*) to do any act referred to in subsection 3(2) in relation to another topography that is created on the basis of the analysis, evaluation or research

referred to in paragraph (*a*) and that is original within the meaning of subsection 4(2) or (3);

(*c*) to do any act referred to in paragraph 3(2)(*c*) in relation to a particular integrated circuit product that incorporates that registered topography or a substantial part thereof, at any time after the time at which that particular integrated circuit product is sold in any place by or with the consent of the person who owned the right to sell that registered topography at that time and in that place;

(*d*) to do any act referred to in subsection 3(2) where that act is done for a private and non-commercial purpose; or

(*e*) to bring an integrated circuit product that incorporates that registered topography or a substantial part thereof temporarily into Canada if that integrated circuit product forms part of a vehicle, vessel, aircraft or spacecraft registered in a country other than Canada that enters Canada temporarily or accidentally and is used for a purpose that is necessary or ancillary to that vehicle, vessel, aircraft or spacecraft.

(3) For greater certainty, it is not an infringement of the exclusive right in a registered topography for any person to do any act referred to in subsection 3(2) in relation to another topography that is independently created.

Because the concepts in copyrights and circuit topography rights are so similar, courts use copyright law analogy for assessing infringement of circuit topography rights.[331]

While similar in expression to copyrightable works, in function, circuit topography is more akin to patentable inventions. Circuit topographies embedded in computer chips in the form of a pattern of connections have functional characteristics and are designed to perform specific functions. While many circuit topographies will not qualify for patent protection when their creation is considered "routine" or "obvious" and thus not meeting the requirements of patentability, large numbers of circuits do meet the requirements and obtain protection of patent rights. This creates overlaps between patent rights and circuit

[331] See e.g. *Brooktree*, *supra* note 329.

topographies rights with consequences similar to the overlaps between copyrights and patent rights. The issue of overlaps between patent rights and circuit topographies rights has not yet been addressed by Canadian courts. However, both practices of the CIPO and the American jurisprudence support concurrent protection of circuit topographies under patent and semiconductor topography monopolies.[332]

The biggest problem resulting from overlaps of patent rights and circuit topography rights is the ability of patentees of computer chips embedding circuit topography to prevent independent creation or reverse engineering of circuit topography, thus denying both these rights expressly established in the *Integrated Circuit Topography Act*. Because patent rights protect ideas of inventions rather then their expressions, they can be used to eliminate the right of competitors to create identical or substantially similar computer chips, in effect expanding semiconductor topography rights into the protection of ideas. This problem was highlighted in the previous section in the context of overlaps of copyrights and patent rights in software[333] and it has the same consequences in this context.

By eliminating the right to reverse engineering expressed in the *Integrated Circuit Topography Act*, patent monopoly adversely affects the purposes behind the circuit topography rights. In the *Brooktree* case, the Federal Circuit Court explained that this right is instrumental to advancing the purposes of the statutory scheme for protection of circuit topographies, saying:

> The statute thus provides that one engaged in reverse engineering shall not be liable for infringement when the end product is itself original. In performing reverse engineering a person may disassemble, study, and analyze an existing chip in order to understand it. This knowledge may be used to create an original chip having a different design layout, but which performs the same or equivalent function as the existing chip, without penalty or prohibition. Congress was told by industry representatives that *reverse engineering was an accepted and fair practice, and*

[332] See *Guide to Integrated Circuit, supra* note 323 at 2 and *Brooktree, ibid.*
[333] See discussion in chapter II.3.B.

> *leads to improved chips* having "form, fit, and function" compatibility with the existing chip, thereby serving competition while *advancing the state of technology* [emphasis added].[334]

Consequently, overlaps of patent rights and circuit topographies rights in computer chips, by eliminating the reverse engineering exception in circuit topography rights, will adversely affect the industry as a whole while benefiting only some of the owners of circuit topographies, as can be implied from the statement of the Federal Circuit Court in *Brooktree*. Such problems have already been recognized by some scholars.[335]

There are two ways to address the problem outlined above. One would require legislative intervention and the other could be effected judicially. The former would be more effective in establishing a border between patent law and circuit topography rights but the latter is probably more reasonable in light of the recent developments in this area of law.

The Parliament could enact a provision into the *Patent Act* similar in effect to section 64.2(1) of the *Copyright Act*, possibly accompanied by a corresponding provision in the *Integrated Circuit Topography Act*. Such provisions could expressly exclude functionalities of circuit topographies from patent protection, eliminating overlaps between these two areas of intellectual property system. While arguably a comprehensive resolution to the problem, it is likely that such a step would now be too disruptive to the entire industry. A large number of patents covering circuit topographies have already been issued. They would have to be either grandfathered or invalidated, which would have an adverse effect on the economic condition of the semiconductor industry. Due to this effect, a judicial doctrine based on purposive analysis of the overlapping intellectual property rights claimed in particular litigation rather than the overlaps themselves seems to be more suitable to resolve the problem at this point in time.

[334] *Brooktree*, *supra* note 329 at 1565.
[335] Moffat, "Mutant Copyrights," *supra* note 107 at 1503-1504.

A flexible way to resolve the challenge posed by overlaps of circuit topography rights and patent rights is to recognize overlaps between these two areas of intellectual property but conclude that the overlaps are not limited to the rights and also include the limitations of those rights. For example, research exemption under patent law allows for examination and limited construction of the patented invention, as long as the acts are non-commercial in nature. Thus, even if the patented invention happens to be circuit topography, a researcher can examine it to independently produce a similar or even identical topography with the same or equivalent functionalities. He may, then, register this topography under the *Integrated Circuit Topography Act*. If he tries to manufacture the topography, he will risk patent infringement litigation. In the end, the courts will be faced with the unavoidable question whether the owner of a properly registered topography can be denied his rights, duly granted to him by the Parliament, which were also appropriately awarded to the patentee under the *Patent Act*. It is arguable that Canadian courts should recognize such action as an attempt to operate patent rights within circuit topography monopoly and reject the claim because enforcement of patent rights in this way would undermine the purposes of circuit topography rights. The provisions in the *Integrated Circuit Topography Act* established the rights for the independent creation of topographies and other rights for the purpose of "serving competition while advancing the state of technology."[336] The use of much stronger patent monopoly to undermine these purposes might serve the interests of the patentee, but would adversely affect other relevant stakeholders—competing circuit topography developers and the general public. This would distort the established balance of right through imaginative use of patent rights and therefore be rejected.

It must, however, be acknowledged that the issue of overlaps between circuit topography rights and patent rights may be more academic than practical. While many patents are issued for circuit topographies, only 25 circuit topographies were registered in Canada in the years 2000–2007. This seems to suggest that a comprehensive discussion about the need for the existence of circuit topography rights and their abilities to further the purposes assigned to this segment of the intellectual property system *vis-a-vis* the patent monopoly is warranted. It is possible that such discussion will find circuit topographies rights redundant

[336] *Brooktree*, *supra* note 329 at 1565.

and will lead to their abandonment or adoption into patent law. Before reaching this conclusion, all interests of the relevant stakeholders would have to be weighted to ensure that they are well balanced within patent law in the context of circuit topographies. Also, such initiative would have to be undertaken internationally to remove international obligations for protection of circuit topographies.[337]

[337] TRIPS Agreement, *supra* note 154, art. 35, requires signatories to protect circuit topographies.

III. TRADEMARK LAW

> [T]he Court must balance the right of the trade-mark owner to the exclusive use of his or her mark, with the right of others in the marketplace to compete freely.
>
> Justice Allen Linden,
> Federal Court of Appeal[338]

> Care must be taken not to create a zone of exclusivity and protection that overshoots the purpose of trade-mark law.
>
> Justice William Binnie,
> Supreme Court of Canada[339]

The intellectual property system is very diverse and rights protected under its umbrella are not uniform. Trademark law is one of the most important segments of the system but at the same time a bit odd. Unlike most of the other intellectual property regimes, its role is not to promote creativity or inventiveness in relation to a particular intangible form, but to create certain expectations in the minds of customers in relation to some products or services on the market. While those expectations are related to a particular trademark, it is not the mark *per se* that is protected by trademark rights. In this respect, trademark rights are similar to personality rights, which also do not protect any particular person as an individual but rather that person's image, which can take many forms in minds of the public. Aside from this somewhat different nature of trademark rights and personality rights, both segments are akin to the other intellectual property rights in the most important characteristic—they both protect intangible property that has to have a tangible medium in one form or another.

[338] *Pink Panther*, *supra* note 36 at 259.
[339] *Mattel*, *supra* note 18 at para. 22.

1. Purposes of trademark law

Canadian trademark rights originated in common law as the tort of passing off, following the English legal tradition. One of the earliest Canadian passing off cases was *Whitney v. Hickling* of 1856.[340] It involved a defendant who used printed yellow paper bags very similar to plaintiff's packages of competing flour. The Court of Chancery for Ontario found that there was such a strong resemblance between the bags of the plaintiff and those of the defendant that use by the latter amounted to imitation of the plaintiff's trademark in form of the package. In its analysis, the Court explained the nature of the tort of passing off in Canada:

> [T]he parcels used by the defendant for containing his preparation bear such a general resemblance to those used by the plaintiff as to bring him fairly within the rule against the imitation of trade marks … [W]hen the defendant's article and the plaintiff's came to be *compared*, there were palpable differences between them; but seeing the defendant's in the absence of the plaintiff's, a cursory observer, retaining no very accurate recollection of plaintiff's article, would be apt *to mistake the one for the other, and to purchase or use the defendant's article under the supposition that it was the plaintiff's* [emphasis added];[341]

This statement indicates that resemblance of the confusing trademarks is not the determinative factor for finding the tort of passion off. Even when the marks differ in appearance, they may still confuse potential customers about the origins of the marked goods, which is necessary for finding passing off.

Because of its importance to the economy, trademark law in Canada entered the process of codification in the end of the 19th century. Prior to Confederation, two Canadian provinces—Upper Canada and New Brunswick—passed trademark statutes. The first federal trademark legislation in Canada—*Trade Mark and Design Act*—replacing the provincial regimes was enacted in 1868.[342] The present *Trade-marks Act* was introduced in

[340] (1856), 5 Gr. U. C. Ch. 605, 1856 CarswellOnt 33 (Ont. Ch.) [cited to CarswellOnt].
[341] *Ibid.* at paras. 3-4.
[342] S.C. 1867-68, c. 55.

1953 and after numerous amendments remains in force.[343] But the statutory regulations did not replace the tort of passing off. Instead, the *Trade-marks Act* complements the common law by adopting the tort of passing off in sections 7(b) and (c) of the *Act*.

The purposes of the statutory trademark regime have been examined by the Federal Court of Appeal in the *Pink Panther* case. The Court explained:

> The scheme of the Act, consonant with a source theory of property rights, allows for the registration of trade-marks in relation to the marketing of wares or services. Pursuant to section 30 of the Act, the registrant of the mark must specify the wares or services in relation to which he or she is registering the mark. As well, section 40 of the Act demands that the registration can only be effected when the mark itself has actually been used. A person may propose a mark for registration, but, until it has been used, the trade-mark cannot be registered… What is important is that the trade-mark be associated in the minds of the public with the goods produced by the trade-mark owner. *It is the association of a trade-mark with a particular source which is the key to understanding the rights protected by the Act*. This notion of source in relation to the goods is also fundamental to the definition of "distinctive" set out in the Act… Again, the Act makes clear that *what is being protected is not the exclusive right to any mark that a person might think of, but the exclusive right to use it in association with certain products or services*. Where there is no use of the mark, or where the consumer is unable to rely on the mark to distinguish one person's products or services from another person's products or services, then no protection is warranted [emphasis added].[344]

This statement made by the Federal Court of Appeal points to two important characteristics defining the purposes of trademark law. The first one relates to very narrow scope of protection afforded by trademark rights—the rights protect only the mental link in the minds of buyers between the goods or services purchased and their source, specifically

[343] *Trade-marks Act, supra* 27.
[344] *Pink Panther, supra* note 36 at 257-258.

excluding the mark itself from protection of trademark rights. In this way, trademark protects the trademark owner's goodwill associated with the mark and consumers' expectations in relation to the source of the marked goods and services.[345] The other involves the conditional character of trademark rights dependant on "use" and "distinctiveness" of the mark.

The main purpose of trademark law is somewhat distorted by the concept of trademark depreciation under s. 22 of the *Trade-marks Act*. The purpose of this provision is "to protect trademarks from damage caused by the use of the marks in non-competing endeavors," which allows for trademark law to be used in situation where there is no use of a mark for the purpose of distinguishing the source of the marked goods and no likelihood of confusion.[346] The scope of the depreciation concept has not been clearly defined by Canadian courts yet. In the U.S. jurisdiction, however, application of the equivalent concept of dilusion was limited to "famous" trademarks only.

One of the most important concepts of trademark law is "use" of the mark. Indeed, in Canada, actual use of trademark is essential for both acquiring trademark right and claiming trademark rights infringement. To be registrable, a trademark must be used. A trademark is used in association with wares when it is marked on the wares or on the packages in which they are distributed in the normal course of trade transferring possession or property of wares or in another manner gives notice to the transferee of the association. With respect to services, trademark is deemed to be used when the trademark is used or displayed in the performance or advertising of those services.[347] As to continuous use of trademarks, the Supreme Court of Canada put it in a simple phrase: "use it or lose it."[348] Interruption of use

[345] *Mattel*, *supra* note 18 at para. 21.
[346] *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296 (C.D. Cal. 1996). Although Canadian courts have not yet provided a clear definition of s. 22 purposes, the U.S. courts have defined the purposes of an equivalent concept - concept of dilution – in the U.S. law. See also *Future Shop*, *infra* note 822 at para. 12.
[347] *Trade-Marks Act*, *supra* note 27, s. 4.
[348] *Mattel*, *supra* note 18 at para. 5. *Trade-Marks Act*, *ibid.*, s. 16. Use and registration of a trademark in a county signatory to the Paris Convention, *supra* note 2, also constitutes proper bases for trademark registration.

may affect trademark rights and potentially invalidate it, allowing others to obtain registration of otherwise confusing trademark.[349]

To fulfil its purpose (i.e. indicating the source of the marked goods or services), a trademark has to be distinctive, or, it "actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others or is adapted so to distinguish them."[350] The mark is distinctive "so long as people within a particular area of Canada recognize the mark as representing the owner of the wares."[351] No trademark is afforded protection without distinctiveness and no claim of trademark rights infringement can be successful without it. Trademark rights can be infringed upon when a confusing mark is used with the same category of wares of services without authorization.[352] A trademark is confusing with another trademark or trade name when its use in association with wares or services or in connection with a business in the same area is likely to lead consumers to infer that the wares or services come from the same source.[353] Consequently, confusion is predicated on distinctiveness of the original trademark.

The concept of balance of rights plays prominent role in trademark law. It involves "balancing the public right to competition with the private right to ownership."[354] In general, this balance is reflected in the definition of "use" in trademark law. While trademark law grants an exclusive right to use a trademark in association with a particular product or services, it does not preclude the public from using a similar mark with different products or services when it will not lead to confusion as to their origins in the mind of the public.[355] In other words, trademark rights operate within this limited context of "use." Because the scope of trademark monopoly is so limited, its duration, in contrast to the other intellectual property rights, is unlimited. This relatively weak monopoly and its perpetual duration arguably balance the rights of the trademark owners and those of the public.

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[349] *Ibid.*, s. 45.
[350] *Ibid.*, s. 2, definition of "distinctive."
[351] *Kamsut Inc. v. Jaymei Enterprises Inc.*, 2009 CarswellNat 1807, 2009 FC 627, 75 C.P.R. (4th) 247 (F.C.T.D.) at para. 65 [cited to CarswellNat].
[352] *Trade-Marks Act*, *supra* note 27, s. 20.
[353] *Ibid.*, s. 6(2).
[354] *Pink Panther*, *supra* note 36 at 257.
[355] See e.g. *Miss Universe Inc. v. Bohna*, (1984), 58 C.P.R. (3d) 381 (F.C.A.) and *Molson Breweries v. John Labatt Ltd.*, (2000), 5 C.P.R. (4th) 180 (F.C.A.), leave to appeal refused (2000), 7 C.P.R. (4th) vi (S.C.C.).

The traditional state of balance—unlimited duration of trademark rights and monopoly limited to use of the mark in association with particular goods or services—can be undermined by overlaps between trademark rights and other intellectual property rights leading to what is sometimes called a "propertization" of trademarks.[356] When trademark rights are decoupled from the limitations of the doctrine of "use," the balance of rights established in this segment of the intellectual property system becomes distorted and may lead to what the Supreme Court of Canada described as "a zone of exclusivity and protection that overshoots the purpose of trade-mark law."[357]

While "propertization" of trademarks affects different categories of trademarks in different industries, this trend is particularly visible in the context of new computer related technologies, such as software and the Internet, where reformulation of trademark doctrines of "use" and "confusion" progressed to the point where trademark law may offer patent or copyright like protection for trademarks.[358] Specifically, trademark rights have been employed to interfere with use of such Internet technologies as meta-tags, banner adds, search engines, and domain names in a way that effectively controls the functionalities of the aforementioned technologies, the result of which is closely associated with patent law. The elevated level of protection in this context will inevitably lead to shifting the balance of rights in trademark law adversely affecting the other side of equation—the public's right to competition in the marketplace.

2. Trademarks and patents

Traditional doctrines of trademark law do not fit the logic of the Internet. Words that in the conventional commercial environment are recognized and protected as trademarks often have a functional role on the Internet—helping users navigate the network and find information they look for. Using trademarked words in a way that enhances the functionality of the Internet rather than distinguishes products is not in conflict with the

[356] Vincent Chiappetta, "Trademarks: More Than Meets the Eye" (2003) U. Ill. J.L. Tech. & Pol'y 35.
[357] *Mattel*, *supra* note 18 at para. 22.
[358] Thomas C. Folsom, "Missing the Mark in Cyberspace: Misapplying Trademark Law to Invisible and Attenuated Uses" (2007) 33 Rutgers Computer & Tech. L.J. 137 at 165.

purposes of trademark law and yet, since it is often done for economic benefits, is viewed by trademark owners as unfair. Courts are often sympathetic to trademark owners' pleas and restrict functional uses of trademarks in such way. It is usually done through "massaging" the traditional doctrine of "use" in trademark law to encompass "unconventional" uses of trademarked words and thus expand, in effect, trademark rights into the functional domain, normally reserved for patent law. Equally problematic are findings of "confusion" and thus infringement of trademark rights when trademarks or words similar to trademarks are used for Internet search purposes, even though they are invisible to Internet users. Such deployment of "invisible" trademarks utilizes functionalities of the Internet and might be considered patentable subject matter in appropriate circumstances. But when adopted into trademark law, it changes both the character of this segment of the intellectual property system and its balances of rights. This judicial reaction, while often explained by pursuit of equity, frequently results from misunderstanding of the technologies used in connection with the Internet.

The *Trade-marks Act* defines "use" of a trademark as "any use that by section 4 is deemed to be a use in association with wares or services."[359] Section 4 states as follows:

> 4. (1) A trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred.
>
> (2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.
>
> (3) A trade-mark that is marked in Canada on wares or on the packages in which they are contained is, when the wares are exported from Canada, deemed to be used in Canada in association with those wares.

[359] *Trade-marks Act, supra* note 27, s. 2, def. "use."

What is important in this section is that it refers to a trademark that is either placed on wares or otherwise displayed. In other words, this section requires the trademark to be used in a way that is perceptible to the public. Generally, this means that the trademark has to be represented visually to qualify as a "use" under section 4 of the *Trade-marks Act*.[360] As explained by the Federal Court in the *Scott Paper Limited v. Georgia-Pacific Consumer Products LP* case, "[m]arks that are not seen or made known to the purchaser at the critical moment of sale are not deemed to be used under subsection 4(1)."[361] And although in certain circumstances audible use of trademarks may probably be treated as equivalent to visual use under the *Act*,[362] there must, nonetheless be some form of perception of the trademark by the public. This requirement is consistent with the purpose of trademarks, which is to give notice to the public of their association with a particular source. To satisfy section 4(2) of the *Trade-marks Act*, a trademark may be used in advertising, as opposed to section 4(1), which requires use in association with wares. Although Canadian courts have not expressed their opinion on the requirement of visibility or perceptibility of a trademark under section 4(2), similar rationale applies in this context. It is problematic, however, if this section can be satisfied in instances when trademarked words are used in technologies associated with the Internet. Operators of such technologies as search engines and to some extend meta-tags use them invisibly. They are perceptible only to computers that can read digital code embedding the trademarks. Those invisible trademarks are eventually brought to visual existence by individual users of the Internet. In the whole process, the individual browsers of the Internet, rather than the operator of the technology, use the trademark visually and the individual users are never the party in trademark litigation.

A. Doctrine of functionality in trademark law

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[360] *Germain, supra* note 19.
[361] 2010 FC 478 at para. 60 [*Scott Paper*]. See also Kelly Gill and R. Scott Jolliffe, *Fox on Canadian Law of Trade-makrs and Unfair Competition*, loosleaf, (Toronto: Carswell, 2002), at sect. 3.2(c) [Gill and Jolliffe, *Fox on Canadian Law of Trade-marks*].
[362] *Trade-marks Act, supra* note 27, ss. 6(5)(e) and 12(1)(b).

Trademarks and patents are separated by the doctrine of functionality.[363] Under this doctrine, "if what is sought to be registered as a trade mark has a functional use or characteristic, it cannot be the subject of a trade mark."[364] Extending trademark rights into functional features of a product would, in effect, create overlaps with patent rights and potentially give indefinite protection for patentable inventions. The doctrine of functionality is included in section 13(2) of the *Trade-marks Act*, which excludes from trademark monopoly any utilitarian features embodied in a distinguishing guise protected under the *Act*. The entire section 13 reads as follows:

> 13 (1) A distinguishing guise is registrable only if
>
> (*a*) it has been so used in Canada by the applicant or his predecessor in title as to have become distinctive at the date of filing an application for its registration; and
>
> (*b*) the exclusive use by the applicant of the distinguishing guise in association with the wares or services with which it has been used is not likely unreasonably to limit the development of any art or industry.
>
> (2) No registration of a distinguishing guise interferes with the use of any utilitarian feature embodied in the distinguishing guise.
>
> (3) The registration of a distinguishing guise may be expunged by the Federal Court on the application of any interested person if the Court decides that the registration has become likely unreasonably to limit the development of any art or industry.

The importance of the doctrine of functionality for "preventing abuses" of trademark rights was recognized by Professor Tawfik, who called it "the critical safeguard."[365]

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[363] Amy B. Cohen, "Following the Direction of *Traffix*: Trade Dress Law and Functionality Revisited" (2010) 50 IDEA 593; Emir Aly Crowne-Mohammed, "L'Ego My Trade-Mark! Mega Blocks to Protection: Lego and the Functionality Doctrine Revisited" (2007) 21 I.P.J. 25; Mark Alan Thurmon, "The Rise and Fall of Trademark Law's Functionality Doctrine" (2004) 56 Fla. L. Rev. 243; Harold R. Weinberg, "Trademark Law, Functional Design Features, and the Trouble with *TrafFix*" (2001) 9 J. Intell. Prop. L. 1.

[364] *Parke, Davis & Co. v. Empire Laboratories Ltd.*, [1964] S.C.R. 351 at 354. See also *Imperial Tobacco Company of Canada, Limited v. The Registrar of Trade Marks*, [1939] Ex. C.R. 141, 2 D.L.R. 65 (Can. Ex. Ct.) at 145 [*Imperial Tobacco*, cited to Ex. C.R.]; *Re Palmer's Trade Mark* (1883), 24 Ch. D. 504 at 521; *Canadian Shredded Wheat Company v. Kellogg Company et al.*, [1938] 2 D.L.R. 145, 1 All E.R. 618, 55 R.P.C. 125 (Ont. P.C.).

[365] Tawfik, "When intellectual rights converge," *supra* note 74 at 281.

Operation of the functionality doctrine in Canada was recently explained by the Federal Court of Appeal and the Supreme Court of Canada in the *Kirkbi SCC* case.[366] This case involved Kirkbi, a well-known and successful manufacturer of construction sets for children. The construction sets consist of standardized small plastic bricks held together by a pattern of interlocking stubs and tubes and sold under the brand LEGO. This locking system had been protected in Canada by patent but the patent expired in 1988.[367] After expiry of the patent in Canada, another manufacturer, Ritvik, decided to use LEGO's technology. It brought to market a line of small blocks, identical in size to LEGO blocks, which used the same geometrical pattern of stubs on top coupled with tubes underneath. They were sold under the name MICRO MEGA BLOKS.[368] To prevent Ritvik from manufacturing identical blocks, Kirkbi tried to register its pattern of studs as a trademark or a design but the Registrar of Trade-marks rejected the applications. Nonetheless, Kirkbi sued Ritvik claiming infringement of trademark rights in unregistered trademark. In particular, Kirkbi claimed relief under section 7(b) of the *Trade-marks Act* and under the common law doctrine of passing off. It alleged that marketing of the micro and mini lines of small bricks by Ritvik, using the same pattern of studs on the bricks, caused confusion with its unregistered trademark. Kirkbi argued that the doctrine of functionality did not apply to unregistered marks.

The Federal Court accepted the key argument raised by the defendant that purely functional features, such as the LEGO indicia, could not become the basis of a trademark. In the Court's view, Kirkbi was indirectly attempting to extend its patent protection contrary to the principles of patent system. The majority of the Federal Court of Appeal agreed with the trial Judge. Justice Sexton, for the majority, held that the doctrine of functionality applied to all trademarks, registered or unregistered, and that it was not abolished by

[366] *Kirkbi SCC, supra* note 65. See also *Imperial Tobacco, supra* note 364; *Elgin Handles Ltd. v. Welland Vale Manufacturing Co.*, (1964), 43 C.P.R. 20 (Can. Ex. Ct.).
[367] *Kirkbi SCC, ibid*. at para. 4.
[368] *Ibid*. at para. 5.

section 13 of the *Trade-marks Act*.[369] The Court also explained the public policy behind the doctrine, which remains the fundamental principle of trademark law:

> The purpose or policy behind applying this doctrine of functionality is *to ensure that no one indirectly achieves the status of patent holder through the guise of a trade-mark*. If the mark has a primarily functional use and is granted trade-mark protection, which can be perpetual, then it is providing something which a patent for the same product could not provide because patent protection cannot be perpetual. The *protection of function* and design *is what a patent does*. It would be abusive and unfair to the public and to competitors to allow a person to gain the benefits of a patent and a monopoly when merely holding a trade-mark, especially when the person otherwise could not obtain a patent or when the person merely holds a patent that has expired [emphasis added].[370]

This comment is very important for delineating boundaries between patent law and trademark law and the logic of this argument can be extrapolated into other segments of the intellectual property system. It indicates that the doctrine of functionality is not statutorily based, even though it was adopted into the *Trade-marks Act*. In fact, the *Act* refers to the doctrine only in the context of distinguishing guises and there is no reason for limiting application of the doctrine to only one category of trademarks. Consequently, other categories of trademarks, such as word or design marks are also subject to the doctrine of functionality through its common law application. While at first glance the possibility of finding a functional word mark or design mark is remote in the traditional use of the trademark, this calculation changes when the mark is used in technologically advanced environments. Such situations are presented below. Also, when the doctrine of functionality cannot be invoked under section 13 of the *Trade-marks Act*, it can be based on purposive analysis of trademark law. Trademark rights cannot be extended to functional marks because doing so would overlap with "what a patent does," as the Federal Court of Appeal put it, and not because it is prohibited by section 13 of the *Trade-marks Act*.

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[369] *Kirkbi CA*, *supra* note 68 at para. 93.
[370] *Ibid.* at para. 41.

The Supreme Court, in unanimous decision, conclusively resolved this issue. Delivering the opinion, Justice Lebel recognized the challenges technology poses to the entire structure of the intellectual property system. In the Court's opinion, if the challenges resulting from the introduction of new technologies are not answered, necessary distinctions between different forms of intellectual property and their functions will be undermined, leading to overlaps between trademark rights and patent rights. The Supreme Court confirmed the view of the Federal Court of Appeal that the doctrine of functionalities is one of the key doctrines preserving the structure of the intellectual property system as "a logical principle of trade-marks law" reflecting its purposes and not being limited to statutory underpinnings.[371] It separates the trademark monopoly from patent monopoly and prevents the latter from being extended indefinitely.[372] The Supreme Court also confirmed the application of the functionality doctrine to common law tort of passing off.

Although the functionality doctrine is less relevant for word marks as it is for distinguishing guises, it is still relevant in the context of the Internet. On several occasions, the US courts applied the doctrine of functionality as a defence in litigation involving functional uses of otherwise valid and enforceable trademarks, rather than subsistence of trademark rights. Thus, in the *Sega Enterprises* case the Ninth Circuit Court held that use of the trademark SEGA by the defendant for the purpose of initializing a software sequence to achieve compatibility of video game cartridges was functional and not infringing trademark rights because interoperability could not be achieved without the trademark sequence.[373] Similarly, in *Compaq Computer Corp. v. Procom Technology, Inc*.,[374] the US District Court found that the word trademark COMPAQ inserted in a computer code for purposes of ensuring compatibility of computer hardware was functional in nature and therefore not infringing trademark rights.

[371] *Ibid*. at para. 42.
[372] *Ibid*. at para. 54.
[373] *Sega Enterprises*, *supra* note 182.
[374] 908 F. Supp. 1409 (S.D. Tex. 1995) [*Compaq*]. See also *Rosetta Store Ltd. v. Google Inc*., 2010 WL 3063152 (E.D. Va. 2010) [*Rosetta*].

While the validity of the doctrine of functionality in Canadian law was confirmed by the Supreme Court in *Kirkbi*, it is still an open question how this doctrine will be applied in Canada in the context of new technologies, such as software or the Internet, which pose serious challenges to the consistency of the intellectual property system. Both these technologies create a unique environment in which trademarks display functional characteristics normally reserved for patentable inventions. When operation of the functionality doctrine is suspended in this context, trademarks that become part of a patentable invention can be protected with trademark rights.

B. Trademarks and meta-tags

The Internet was created in the late 1960s as a military project. In the next 20 years, the military network was combined with other government and academic networks into a decentralized computer network and called "the Internet."[375] The number of Internet hosts reached one thousand in 1984 but there was no automated search program that could access those systems to search the files.[376] In 1989, a first tool for searching publicly available files in the File Transfer Protocol (FTP) on the Internet was created at McGill University.[377] Dominance of the FTP was quickly challenged by the appearance of the World Wide Web (WWW) written in simple Hypertext Markup Language (HTML). HTML is an encoding scheme used to create and format a web document. It allows images and objects to be embedded in a web page and can be used to create interactive forms. HTML consists of a series of short codes—tags—typed into a text file by the page author. Different tags perform different functions. The tags themselves do not appear when a user views a web page through a browser but their effects do. Computer software reads the file and translates the tags into a visible form.[378] HTML soon overshadowed FTP as the number of WWW

[375] Katie Hafner & Matthew Lyon, *Where Wizards Stay Up Late: The Origins of the Internet* (New York: Touchstone, 1998) at 246-258.
[376] J.R. Okin, *The Internet Revolution: The Not-for-Dummies Guide to the History, Technology and Use of the Internet* (Winter Harbor, Maine: Ironbound Press, 2005) at 323.
[377] *Shea v. Reno*, 930 F.Supp. 916 (S.D.N.Y. 1996) at 928; National Research Council, *Signposts in Cyberspace: The Domain Name System and Internet Navigation* (Washington, DC: The National Academies Press, 2005) at 296.
[378] Valerie Illingworth & John Daintith, eds., *Dictionary of Computer Science* (New York: Facts on File Inc., 2001) *s.v.* "HTML" [Illingworth & Daintith, eds., *Dictionary of Computer Science*].

servers increased from 26 in 1992 to over 340,000 in 1996[379] and many search engines for the WWW appeared from nowhere. In the years 1994-1995 only, seven search engines were created[380] and with the search engines surfaced trademark controversies.

The first wave of trademark litigation addressing use of trademarks on the Internet involved HTML "meta-tags." Meta-tag is a tag placed in the head section of an HTML or XHTML document to specify page description, keywords, and any other metadata not provided through the other head elements and attributes. The information that is provided in a meta-tag is used by search engines to index a page so that someone searching for the kind of information the page contains will be able to find it.[381] The role of meta-tags is mostly functional—they interact with search engines to generate search results. Meta-tags are embedded in HTML code and are not ordinarily visible to users of the Internet.[382] There are two types of meta-tags: "description" and "keyword" meta-tags. The former describes the content of a particular web page and the latter contains keywords that relate to that page.[383] Keyword meta-tags became the object of vigorous litigation efforts. To attract visitors to their web sites and to increase their online sale or advertising revenue,[384] operators often used keywords that were also trademarks. Not surprisingly, those trademarked words were often competitors' trademarks and they were used as meta-tags in an attempt to lure potential customers to competing products. Predictably, this practice was opposed by owners of those particular trademarks.

There is a variety of issues involving use of meta-tags and many of them are becoming less relevant as use of this technology on the Internet changes. This section, however, discusses

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[379] Mark Ward, "Fifteen Years of the Web," BBC News (5 August) 2006, online: BBC News <http://news.bbc.co.uk/2/hi/technology/5243862.stm>.
[380] Those were: Lycos (1994), Webcrawler (1994), Yahoo! (1994), Excite (1995), Altavista (1995), Infoseek (1995), and Magellan (1995); see Danny Sullivan, "Where Are They Now? Search Engines We've Known & Loved," Search Engine Watch (4 March 3003), online: Search Engine Watch <http://searchenginewatch.com/2175241/print>.
[381] Illingworth & Daintith, eds., *Dictionary of Computer Science*, *supra* note 378, *c.v.* "meta tag."
[382] *British Columbia Automobile Association v. Office and Professional's International Union et al* (2001), 10 C.P.R. (4th) 423 (B.C.S.C.) [*BC Automobile Association*].
[383] Greg Lastowka, "Google's Law," Duke Science, Technology & Innovation, Paper No. 26, online: SSRN <http://ssrn.com/abstract=1017536> at 37.
[384] Shannon Moyer, "Frustrating the Internet Consumer and the Purpose of Trademark Law: The Unauthorized Use of Trademarks as Metatags" (1999) 27(4) AIPLA Quarterly Journal 335.

only cases where the functional nature of meta-tags was raised. In particular, the analysis focuses on the invisible nature of meta-tags. While this issue has been discussed in scholarly literature,[385] it has not been sufficiently explored. At the same time, this issue remains of primary importance as other new technologies used on the Internet operate in similarly invisible way.

On many occasions, courts assessed whether the use of trademarked words in meta-tags infringed upon trademark rights, but the decisions were inconsistent. Some US Circuit Courts' decisions found such use to be non-infringing,[386] but most appellate level decisions tended to find trademark infringement in the use of meta-tags similar to trademarks as long as such use was likely to cause confusion with the plaintiff's products or services.[387] Unfortunately, in many cases, courts were finding trademark infringement even though consumers' confusion about plaintiffs' and defendants' products or services was doubtful.[388] For example, in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*,[389] the Ninth Circuit Court decided that the use of meta-tags unfairly directed the defendant's web site consumers searching for plaintiff's products. The Court analogized

[385] See e.g. Barbara Anna McCoy, "Comment: An Invisible Mark: A Meta-tag Controversy," (1998) 2 J. Small & Emerging Bus. 377; Sarah Webb, "'Invisible' use of mark as metatag did not create consumer confusion" (2004) 4 World e-Commerce & IP Report 5.
[386] See e.g. *Bally Total Fitness Holding Corporation v. Faber*, 29 F. Supp. 2d 1161 (C.D. Cal. 1998); *Bijur Lubricating Corp. v. Devco Corp*., 72 USP.Q. 2d 1180 (D.N.J. 20004); *FragranceNet.com, Inc. v. FragranceX.com, Inc*., 493 F.Supp.2d 545 (E.D.N.Y. 2007); *S&L Vitamins, Inc. v. Australian Gold, Inc*., 521 F.Supp.2d 188 (E.D.N.Y. 2007).
[387] See e.g. *Promatek Industries, Ltd. v. Equitrac Corp*., 300 F.3d 808 (7th Cir. 2002); *Nissan Motor Co. Ltd. v. Nissan Computer Corporation*, 89 F.Supp.2d 1154 (C.D. Cal. 2000); *Movado Group Inc. v. Matagorda Ventures, Inc*., 2000 US Dist. LEXIS 18196 (S.D.N.Y. 2000); *J.K. Harris & Co. v. Kassel*, 66 USP.Q.2d 1455 (N.D. Cal. 2003); *PACCAR Inc. v. TeleScan Technologies LLC*, 65 USP.Q.2d 1761 (6th Cir. 2003); *TD Data v. Aircraft Technical Publishers*, 411 F.Supp.2d 901 (S.D. Ohio 2006); *Ty Inc. v. Perryman*, 306 F.3d 509 (7th Cir. 2002); *Starmedia Network, Inc. v. Star Media, Inc*., 2001 US Dist. LEXIS 4870 (S.D.N.Y. 2001); *Roberts-Gordon, LLC v. Superior Radiant Products, Ltd*., 85 F. Supp. 2d 202 (W.D.N.Y. 2000); *Fairbanks Capital Corp. v. Kenney et al* , 303 F. Supp 2d 583, 585 (MD Dist. Ct. 2003); *Australian Gold Inc. v. Hatfield*, 436 F.3d 1228, 77 USP.Q.2d 1968 (10th Cir. 2006); *J.G. Wentworth, S.S.C. Limited Partnership v. Settlement Funding LLC*, No. 06-0597, 2007 WL 30115 (E.D.Pa. 2007) [*J.G. Wentworth*]; *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F.Supp.2d 310 (D.N.J.2006) [*Buying for the Home*]; *Edina Realty, Inc. v. TheMLSonline.com*, No. 04-4371 (JRT/FLN), 2006 WL 737064 (D.Minn. 2006) [*Edina Realty*]; *Google v. American Blind & Wallpaper Factory, Inc.*, No. 03-05340, 2005 WL 832398 (N.D.Cal. 2005); *GEICO v. Google, Inc.*, 330 F.Supp.2d 700 (E.D.Va.2004) [*GEICO*].
[388] Jose L. Hernandez, "A Comprehensive Solution for Trademark-Triggered Display Online" (2008) 13 Journal of Technology Law & Policy 193.
[389] 174 F.3d 1036 (9th Cir. 1999) [*Brookfield*].

this situation to a deceptive billboard directing traffic to exit a highway at a wrong place.[390] While it would be more appropriate to compare the Internet search results to a placement of similar products next to each other on one shelf in a store,[391] the Ninth Circuit Court found the defendant liable for trademark infringement, even though the results of the search were not untruthful or misleading and unlikely to lead to customers' confusion about the plaintiff's and the defendant's products.[392]

While judicial consideration of trademark infringement in use of meta-tags usually focuses on analysis of "confusion," the functional nature of meta-tags has been taken into account on some occasions. And there are cases where courts recognized the importance of the functional nature of meta-tags. For example, in *Playboy Enterprises, Inc. v. Welles*,[393] a former Playboy model used the word "playboy" in meta-tags on her web page. Playboy sued claiming trademark infringement and the defendant, in response, argued, *inter alia*, that the use of the trademarked word "Playboy" was necessary for a description of her webpage. The Ninth Circuit Court agreed, finding the main function of plaintiff's trademark used in defendant's meta-tags the enhancement of the functionality of the Internet and thus non-infringing. The Court explained:

> A large portion of Welles' website discusses her association with Playboy over the years. Thus, the trademarked terms accurately describe the contents of Welles' website, in addition to describing Welles. Forcing Welles and others to use absurd turns of phrase in their metatags, such as those necessary to identify Welles, would be particularly damaging in the internet search context. Searchers would have a much more difficult time locating relevant websites if they could do so only by correctly guessing the long phrases necessary to substitute for trademarks. We can hardly expect someone searching for Welles' site to imagine the same phrase

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[390] *Ibid.* at 1064.
[391] See *1-800 Contacts v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005) at 411 [*1-800 Contacts*], where the analogy was used.
[392] Both reasoning and Courts analogy in *Brookfield* were criticized by many commentators as inaccurate; see e.g. Eric Goldman, "Deregulating Relevancy in Internet Trademark Law" (2005) 54 Emory L.J. 507 at 565-572 and Lastowka, "Google's Law," *supra* note 383 at 39-40; and rejected by some courts, see e.g. *1-800 Contacts, ibid.*
[393] 279 F.3d 796 (9th Cir. 2002) [*Welles*].

> proposed by the district court to describe Welles without referring to Playboy-"the nude model selected by Mr. Hefner's organization...." Yet if someone could not remember her name, that is what they would have to do. Similarly, someone searching for critiques of Playboy on the internet would have a difficult time if internet sites could not list the object of their critique in their metatags.[394]

The comment made by the Ninth Circuit Court in *Welles* adequately reflects the dominant motivation of website owners in including trademarked words of their competitors in meta-tags. Those trademarks are simply "signals" to computers and their users that a particular website has competing products. This practice can be analogized to placing competing products next to each other on a store shelf. There is nothing wrong in presenting consumers with choices as to possible purchases, even when it involves invisible use of competitor's trademark to produce this effect.

Just like American jurisprudence, Canadian and British jurisprudences are also inconsistent in the treatment of meta-tags containing trademarked words. Many courts found trademark infringement in cases where the use of meta-tags was in question[395] but there are also contrary examples. For example, in the *BC Automobile Association* case, a union whose members were on strike developed a "competing" web page with meta-tags diverting Internet traffic to its site to promote its cause. The meta-tags contained the trademarked name of the employer. Analyzing the plaintiff's claim, the British Columbia Supreme Court assessed the combined effects of the defendant's similar domain name, meta-tags, and overall visual design to find that the defendant's action amounted to "misrepresentation that this site was somehow connected to the plaintiff's site" and might constitute the tort of passing off.[396] But in reaching its decision, the Court looked at the overall appearance of the web page in all the circumstances, without considering the use of meta-tags in disjunction from the other elements of the defendant's web page, especially when such use is invisible, which indicates functionality.

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[394] *Ibid*. at 803-804.
[395] See e.g. *Roadtech Computer Systems Limited v. Mandata Limited*, [2000] E.T.M.R. 970 [2001] E.B.L.R. 17 (Ch.); *BC Automobile Association*, *supra* note 382.
[396] *BC Automobile Association, ibid.* at para. 212; see also *Saskatoon Star Phoenix Group Inc. v. Noton*, [2001] S.J. No. 275 (Sask. Q.B.).

The invisible use of meta-tags was considered by the English Court of Appeal in the *Reed Executive Plc v. Reed Business Information Ltd.* case.[397] In that case, the plaintiff registered the trademark "Reed" for use in association with employment services. The defendants started a UK-based recruitment website at www.totaljobs.com. They paid the search-engine company Yahoo for a banner advertisement for its www.totaljobs.com to appear when a search was conducted under the term "reed." The word REED had also been used as a meta-tag in the source code of the website and as a keyword for generating various forms of web advertising for the defendants, but none of the advertisements actually included the word REED. The defendants had also taken steps to remove all visible and invisible references to REED in relation to their website.[398] The Court in effect had to decide whether trademark infringement or passing off could be found when there is no confusion due to the invisible use of meta-tags:

> The question would appear to turn on whether the use of the word "Reed" by Yahoo at the instance of RBI properly amounted to a "use in the course of trade" as to which, as I say, I reserve my opinion. It may be that an invisible use of this sort is not use at all for the purposes of this trade mark legislation—the computers who "read" sets of letters merely "look for" patterns of 0s and 1s—there is no meaning being conveyed to anyone—no "sign."[399]

Even though the doctrine of functionality was not mentioned in *Reed*, the Court employed its logic to reject the trademark infringement claim. The Court of Appeal clearly recognized that the "internal" computer environment in which the trademark is purely functional and not intended to point to any particular origins of the marked wares or services, which is considered "use" within the meaning of trademark law, but instead enhances search functions on the Internet. In the Court's opinion, such employment of meta-tags cannot be considered "use" of a trademark and cannot lead to confusion either. The Court of Appeal explained:

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[397] [2004] R.P.C. 40, [2004] E.T.M.R. 56, [2004] EWCA Civ 159, 2004 WL 343610 [*Reed*, cited to WL].
[398] *Ibid.* at H4.
[399] *Ibid.* at para. 142.

> Assuming metatag use counts as use of a trade mark, there is simply no confusion here. I confess to not following the judge's reasoning on the point. He said that the "ultimate purpose [of the metatag] is to use the sign to suggest a connection which does not exist." But purpose is irrelevant to trade mark infringement and causing a site to appear in a search result, without more, does not suggest any connection with anyone else … There are several difficult questions:
>
> (a) First, does metatag use count as use of a trade mark at all? In this context it must be remembered that use is important not only for infringement but also for saving a mark from non-use. In the latter context it would at least be odd that a wholly invisible use could defeat a non-use attack. Mr Hobbs suggested that metatag use should be treated in the same way as uses of a trade mark which ultimately are read by people, such as uses on a DVD. But in those cases the ultimate function of a trade mark is achieved—an indication to someone of trade origin. Uses read only by computers may not count--they never convey a message to anyone.
>
> (b) If metatag use does count as use, is there infringement if the marks and goods or services are identical? This is important: one way of competing with another is to use his trade mark in your metatag—so that a search for him will also produce you in the search results. Some might think this unfair—but others that this is good competition provided that no-one is misled.[400]

The English Court of Appeal recognized that invisible or functional use of a trademark as a meta-tag cannot be considered use within the meaning of trademark law because such use does not interfere with its purposes to indicate source of wares or services. Such use cannot be confusing either, as long as it is invisible or functional. In the end, the Court in *Reed* decided that there is no use of trademark when a word mark is used invisibly to communicate between computers.

The conclusion reached in *Reed* is relevant to Canadian trademark law for two reasons. First, Canadian trademark law was historically based on its English counterpart and

[400] *Ibid*. at paras. 148-149.

Canadian jurisprudence has traditionally relied on English decisions in interpreting Canadian *Trade-marks Act*. And second, the position taken by the English Court of Appeal in *Reed* is consistent with Canadian law. In *Germain*, the Federal Court opined that to qualify for "use" under trademark law, the mark has to be visible to customers. The Court stated that to satisfy the definition of trademark under the *Trade Marks Act*, "[a] 'mark' must be something that can be represented visually."[401] While this opinion may need to be interpreted more broadly in the context of non-traditional trademarks,[402] its logic is applicable in all possible contexts—there can be no "use" of a trademark without the perception of that trademark by some human senses. When the trademark is visible only to computers, as explained in *Reed*, there is no perception and no use of that trademark under Canadian law.

The problems resulting from use of trademark right to limit use of meta-tags for searches on the Internet were recognized in a variety of contexts. Some scholars point to the difficulty with reconciling the doctrine of "use" under trademark law with the function of meta-tags on the Internet.[403] Others point to the social consequences resulting from denying the general public to effectively access information on the Internet,[404] or point to dangers in stretching the concept of confusion in the context of this new technology.[405] And although the effect of the invisible nature of trademark use in relation to technologies on the Internet

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[401] *Germain*, *supra* note 19, at para. 10. See also *Kimberly-Clark Tissue Co. v. Fort James Operating Co.*, 2004 CarswellNat 1746, 37 C.P.R. (4th) 559 (T.M. Opp. Bd.) and *Scott Paper*, *supra* note 361.
[402] See e.g. "Strawberry smell trademark denied," BBC News (27 October 2005), online: BBC News <http://news.bbc.co.uk/2/hi/business/4382308.stm> and Michael B. Sapherstein, "The Trademark Registrability of the Harley-Davidson Roar: A Multimedia Analysis" (1998) BC Intell. Prop. & Tech. F., online: Boston College <http://www.bc.edu/bc_org/avp/law/st_org/iptf/articles/content/1998101101.html>.
[403] See e.g. Uli Widmaier, "Use, Liability, and the Structure of Trademark Law" (2003) 33 Hofstra Law Review 603; Tom Monagan, Note, "Can an Invisible Word Create Confusion? The Need for Clarity in the Law of Trademark Infringement Through Internet Metatags" (2001) 62 Ohio St. L.J. 973. But see opposite view in Yelena Dunaevsky, Comment, "Don't Confuse Metatags with Initial Interest Confusion" (2002) 29 Fordham Urb. L.J. 1349 and Erich D. Schiefelbine, Comment, "Stopping A Trojan Horse: Challenging Pop-up Advertisements and Embedded Software Schemes on the Internet Through Unfair Competition Law" (2003) 19 Santa Clara Computer & High Tech. L.J. 499.
[404] Eric Goldman, "Deregulating Relevancy in Internet Trademark Law" (2005) 54 Emory Law Journal 507.
[405] Stacey Dogan and Mark Lemley, "Trademarks and Consumer Search Costs on the Internet" (2004) 41 Houston L. Rev. 777; Christine D. Galbraith, "Electronic Billboards Along the Information Superhighway: Liability Under The Lanham Act for Using Trademarks to Key Internet Banner Ads" (2000) 41 B.C. L. Rev. 847; Julie A. Rajzer, "Misunderstanding the Internet: How Courts Are Overprotecting Trademarks Used in Metatags" (2001) 2001 L. Rev. Mich. St. U. Detroit C. of L. 427; Gregory Shea, Note, "Trademarks and Keyword Banner Advertising" (2002) 75 S. Cal. L. Rev. 529.

on the traditional concepts of trademark law has not yet been widely discussed, some scholars already recognized this problem.[406] This analysis attempts to enhance this recognition and contribute to this important discourse.

C. Trademarks and banner ads

Many modern web pages still use meta-tags for search purposes, but most search engines ignore them, using sophisticated algorithms instead to search the Internet. Use of trademarked keywords, however, remains important in the context of the Internet in relation to other online features: banner ads, domain names, and search engines. A banner ad is an advertisement that appears when a web page is opened. Banner ads used to be located at the top or bottom of web pages, but now, banners can be placed in any part of the page, float across the page, or play short videos with audio. Clicking on the banner will direct users to the web site of the advertiser. Banners may appear on a web page randomly, unrelated to the search performed or web page viewed, but most commonly they are programmed to be a response to the Internet users' actions. For example, an auto manufacturer may want its ad to appear when a user searches or views web sites related to automobiles and not those related to cooking or fashion. To achieve this result, web site operators use keywords to match users' searches with relevant advertisements. These keywords are often trademarked words.

The issue of trademark infringement involving contextually relevant advertising was considered in the *1-800 Contacts* case. The defendant in that case, WhenU, created software that employed an internal directory of 32,000 web site addresses, 29,000 search terms and 1,200 keyword algorithms. The software would recognize a term searched by a user and randomly select an advertisement from the category corresponding with the term. It would then generate an add appearing in a window separate from the search result page. The user then could click on the ad to be directed to the advertiser's web site or close the advertiser's window and continue viewing the web site originally searched. Because there was usually a few seconds delay between accessing the searched web site and the

[406] Benjamin F. Sidbury, "Comparative Advertising on the Internet: Defining the Boundaries of Trademark Fair Use for Internet Metatags and Trigger Ads" (2001) 3 N.C. J.L. & Tech. 35.

appearance of the advertisement, the user was often presented with two windows showing competing products: one of WhenU's customer and the other of its competitor.[407]

In its analysis, the Court had to consider if causing pop-up ads of the plaintiff's competitors to appear on Internet users' computer monitor when the user has accessed the plaintiff's web site amounted to trademark infringement. The District Court answered this question affirmatively and found that defendants in that case used the plaintiff's mark in two ways. First, by causing two windows to appear at the same time, the defendants were displaying the plaintiff's trademark in advertising of its own services.[408] And second, by including the plaintiff's URL—www.1800contacts.com—in defendants' proprietary directory of terms that triggered advertisement windows, the defendants used the plaintiff's trademark to advertise and publicize companies that were in direct competition with the plaintiff.[409]

The Second Circuit Court, however, disagreed and reversed the District Court's decision. Referring to the defendant's directory, the Court noticed that it did not include the plaintiff's trademark but rather its URL, which is functional and therefore not protected by trademark rights.[410] Not only were the URLs containing trademarks functional, but the directory was also not visible to Internet users, therefore eliminating the "possibility of visual confusion" with the plaintiff's trademark.[411] As to the simultaneous appearance of two windows with competing products on the computer screen, the Second Circuit Court found that even though both competing web pages might appear side by side, the defendant's advertising banner did not display the plaintiff's trademark at all. In addition, the banners were not triggered by the plaintiff's trademarks but rather by its functional web address, which was similar to the plaintiff's trademark but did not enjoy trademark protection.[412] In both respects, *1-800 Contacts* is consistent with *Reed* and *Germain* in rejecting trademark infringement when the mark is used functionally and invisibly to users

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[407] *1-800 Contacts v. WhenU.com, Inc.*, 309 F. Supp. 2d 467 (S.D.N.Y. 2003) at 488 [*1-800 Contact S.D.N.Y.*].
[408] *Ibid.* at 489.
[409] *Ibid.*
[410] *1-800 Contacts, supra* note 391 at 408-409.
[411] *Ibid.* at 409. For legal analysis involving visible use of URLs containing trade-marks see e.g. *Itravel2000.com Inc. v. Fagan* (2001), 11 C.P.R. (4th) 164 (Ont. Sup. Ct.) [*Itravel2000.com*]; *British Telecommunications plc v One in a Million Ltd.*, [1998] 4 All ER 476, [1999] FSR 1 (CA).
[412] *1-800 Contacts, supra* note 391 at 410.

in pop-up advertising. Even when the result is a display of two competing web pages on users' computer screen, there is no infringement as long as the advertising window does not adopt the competitor's trademark visibly.

While trademark owners often claim significant economic losses suffered as a result of use of their trademarks as part of the URLs,[413] those claims are doubtful.[414] It is one of the reasons why some commentators reject granting property rights in URLs or domain names as economically inefficient.[415] There are many objections to extending trademark protection to URLs in the context of online advertising,[416] the most important one being the functional nature of trademark use.

D. Trademarks and Domain Names

A domain name is an identification code for an Internet site, translating human-readable computer hostnames, like *www.wikipedia.org*, into the IP addresses, for example *66.230.200.100*, that networking equipment needs to deliver information.[417] It consists of the sub-domain, which refers to particular host server where the site is located, second-level domain, which is the name of the domain, and top-level domain, which reflects the purpose of the organization or entity. For example, the domain name www.toyota.com indicates that it is a "commercial" entity named "toyota" and located on a particular host server named www.[418] Domain name locates this particular organization on the Internet. In practice, a domain name functions like a street address, directing online traffic to the place the Internet user wants to arrive.[419] This functional characteristic of URLs makes them an indispensable part of different technologies. They enhance functionalities of the Internet, such as search engines or banner ads. Those and similar technologies are potentially patentable and may

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[413] See e.g. *1-800 Contact S.D.N.Y.*, *supra* note 407 at 502.
[414] Eric Goldman, "Deregulating Relevancy in Internet Trademark Law" (2005) 54 Emory Law Journal 507 at 581-583.
[415] Anupam Chander, "The New, New Property" (2003) (81) Texas Law Review 715.
[416] See e.g. Kurt M. Saunders, "Confusion is the Key: A Trademark Law Analysis of Keyword Banner Advertising" (2002) 71 Fordham Law Review 101, suggesting that use of trademarks in banner adds should be viewed as trademark fair use and treated as a form of lawful comparative advertising.
[417] Jonar C. Nader, *Illustrated Dictionary of Computing* (Toronto: Prentice Hall`s, 1998) *s.v.* "domain name."
[418] Gervais and Judge, *Intellectual Property*, *supra* note 89 at 323.
[419] Sookman, *Computer, Internet and Electronic Commerce Law*, supra note 94 at sect. 5-77.

be hindered by trademark rights claimed in URLs, which raises the issue of overlap between patent rights and trademark rights in this context.

Since the introduction of the Internet, trademark rights became affected by registration of identical or confusing domain names. When the Internet was still in its early stages of development and neglected by most large corporations with established and valuable trademarks, a number of "entrepreneurs" engaged in the practice of registering domain names identical to famous trademarks in an attempt to either confuse the users of the Internet and attract them to the disguising sites, or to force owners of the famous trademarks into buying the domains for a steep price.[420] Today such practices, often referred to as cyber squatting, are largely prevented through the arbitration process, which is applicable to all the registrants of domain names. The arbitration panel may order transfer or cancellation of registration if the domain name is, among others, identical or confusingly similar to a complainant's trademark.[421] While it is more appropriate and certainly more efficient to resolve most of the issues related to domain names through established arbitration process, outside of the trademark law regime, as suggested by many commentators, this technology has often been an object of trademark litigation in recent years.[422]

Because second-level domains can, and usually do, contain words that can function as trademarks, they are often viewed as legitimate objects of trademark protection. This argument is supported by the fact that many owners of Internet sites spend considerable

[420] *Intermatic v. Toeppen*, 947 F.Supp. 1227 (N.D. Ill. 1996); *Panavision v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).
[421] Arbitration process follows the Uniform Dispute Resolution Procedure of the Internet Corporation for Assigned Names and Numbers, which controls assignment of domain names. See also Geist, *Internet Law, supra* note 94 at 406-470 for general presentation of issues involving disputes over domain names.
[422] Jacqueline D. Lipton, "Bad Faith in Cyberspace: Grounding Domain Name Theory in Trademark, Property, and Restitution" (2010) Harvard J. L & Tech. 447; Jacqueline D. Lipton, "A Winning Solution for YouTube and Utube? Corresponding Trademarks and Domain Name Sharing" (2008) Harvard J. L. & Tech. 509; Christine Haight Farley, "Convergence and Incongruence: Trademark Law and ICANN's Introduction of New Generic Top-Level Domains" (2008) 25 Journal of Computer & Information Law 625. But compare opposite view in Vincent-Joël Proulx, "Borrowing From Our Common Law Cousins: American and British Influences on the Merger of Canadian Trademark and Internet Domain Name Laws" (2006) 22 Ariz. J. Int'l & Comp. L. 505.

amounts of money to promote their trademarks online.[423] But there are also arguments against extending trademark rights to cover domain names, which are equally compelling. Traditionally, trademark monopoly, at least under common law, does not extend to addresses and that is what domain names really are. Domain names are also functional in nature, directing the Internet traffic to specific addresses, which weights against extending trademark protection to this feature of the Internet. In recent years, courts have struggled with this dilemma without reaching a definite conclusion on how to resolve this issue.

Problems with granting trademark protection for domain names are epitomized in the *Itravel2000.com* case.[424] In that case, the plaintiff was a travel retailer operating several web pages including itravel2000.com. The plaintiff sought to register the domain name "itravel.ca" as part of the ongoing Internet strategy and development of the marketing of this name, but discovered that the defendant had already registered that domain name. The defendant had no connection with the travel industry, but was instead in the windshield repair business. Neither the defendant nor the plaintiff had registered the domain name "itravel.ca" as a trademark, but both had trademark applications pending. The plaintiff, however, had registered the name "itravel" under the Business Names Act. The plaintiff sought an interlocutory injunction to restrain the defendant from using, selling, transferring, disposing of, or otherwise dealing with that domain name.

The Ontario Superior Court found that the plaintiff had developed goodwill through use of the name "itravel" for several years, a longer period of time than the defendant. Moreover, the Court determined that the defendant acquired the domain name for the purpose of selling it to the plaintiff or other interested buyers for $75,000, rather than to develop it for its own use. Consequently, the Court granted the injunction.

While the result in *Itravel2000.com* seems intuitively right, it also provokes some interesting questions, which, unfortunately, were not raised by the Ontario Superior Court. A search of web sites revealed that there were other domain names with the same second-

[423] *Ibid.* at 5-96.
[424] *Itravel2000.com*, *supra* note 411.

level domain name "itravel" but with different top level domains. A company in Kansas owned a domain name "www.itravel.com," and a company in Australia owned a domain name "www.itravel.com.au." In fact, it would be possible for the plaintiff to register a domain name with a different second-level domain name, other than ."ca."[425] Such an address would have the same functionality and would be accessible by users from any point on the Internet. This result simply reflects the fact that domain name is nothing more than an address and extending trademark rights to it would be analogous to giving a business entity trademark rights to parts of its address, for example, a street number in conjunction with a street name, with the only exception that all these addresses are in the same place—on the Internet.[426]

Under common law, addresses are not part of good will. For example, in the *Labouchere v. Dawson* case,[427] a vendor of a business and the goodwill associated with it sold his venture to the plaintiff. The agreement did not contain any stipulation as to non-competition of the vendor with the buyer. Shortly after completing the transaction, the vendor opened the same kind of business close by and began soliciting his former clients. The buyer sued, seeking to prevent the defendant from continuing his business and soliciting the former clients. In its decision, the English Court of Appeal stated that the goodwill transferred from the defendant to plaintiff, in the absence of express stipulation to the contrary, did not encompass the right to set up a business of the same kind either in the same place or elsewhere and publicly advertise the fact of his having done so, except when personally soliciting his former clients.[428] In other words, the common law trademark protection did not extend to the address of the business sold.

The *Trade-marks Act* does not expressly exclude addresses or their parts from being within the scope of trademark monopoly. However, Canadian courts have held that when a

[425] Such registration could not be prevented internationally although it could possibly be stopped in the jurisdiction where trademark is registered; see e.g. *British Telecommunications plc v One in a Million Ltd.*, [1998] 4 All ER 476, [1999] FSR 1 (C.A.), where the court granted relief in passing off and for infringement of registered trademark to prevent the use of deceptive domain names.
[426] Kenton K. Yee, "location.location.location: a Snapshot of Internet Addresses as Evolving Property" (1997) The Journal of Information, Law and Technology 1.
[427] (1972), L.R. 13 Eq. 322 (C.A.).
[428] *Ibid.* at 324.

trademark is placed next to a business address in correspondence or in business documents it will not be considered use of that mark; instead, the trademark will be recognized as a trade name,[429] which appears to indicate that addresses cannot form part of trademarks. Also, addresses refer to geographic location. But the *Act* allows for protection of geographical indications only when they are expressly included on a list of geographical indications protected under the *Trade-marks Act*[430] and excludes from trademark infringement use "of the geographical name of the place of business."[431] Arguably, an IP address is a place of business within the meaning of the *Trade-marks Act*. Even if a company has a physical address, its physical place of business may be separate and clearly distinguishable from its online business. Some companies may not have physical place of business at all and because the *Act* does not refer to mailing address but rather to "the place of business," the Internet address, or domain name, could be considered the place of business for those companies that conduct their business online only.

The present practice of the Trade-marks Office indicates that domain names have been recognized as registrable trademarks.[432] Canadian courts also recognized that use of a domain name confusing with a trademark may amount to passing off. This issue was considered in the *Bell Actimedia v. Puzo* case.[433] In this case the plaintiff was an owner of two registered trademarks: YELLOW PAGES and PAGES JAUNES. The defendant was using Internet addresses using URL www.lespagesjaunes.com. The plaintiff sued for trade-mark infringement and sought interlocutory injunction preventing the defendant from using its Internet address arguing, among others, that the defendant's use of the Internet address caused confusion between the wares, services, and business of the plaintiff and those of the defendants. The Federal Court agreed with the plaintiff's argument and issued the injunction.[434]

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[429] *Playboy Enterprises, Inc. v. Germain* (1979), 43 C.P.R. (2d) 271 (F.C.A.); *Goudreau Gage Dubuc & Martineau, Walker v. Niagara Mist Marketing, Ltd.* (1997), 78 C.P.R. (3d) 255 (T.M. Opp. Bd.).
[430] *Trade-marks Act*, *supra* note 27, s. 2, definition of "protected geographical indication" and s. 11.12(1).
[431] *Trade-marks Act*, *ibid*. s. 20(1)(b)(i).
[432] See e.g. the following trademark registrations: Amazon.com TMA499121; idirect.com TMA517005; NBA.com TMA503662; clickabid TMA541412; Shopfinder.com TMA491025.
[433] (1999), 2 C.P.R. (4th) 289 (F.C.T.D.).
[434] See also *Itravel2000.com, supra* note 411. But *c.f. PEINET Inc. v. O'Brien* (1995), 61 C.P.R. (3d) 334 (P.E.I. T.D. [In Chambers]) and *Toronto.com v. Sinclair (c.o.b. Friendship Enterprises)* (2000), 6 C.P.R. (4th) 487 (F.C.T.D.).

Recognition of trademark rights in domain names in Canada is probably irreversible and should be recognized as the present state of law in this jurisdiction. Yet this does not necessitate that Canadian courts should enforce those rights when they are used to interfere with functionalities of patentable technologies used on the Internet, such as metatags, banner adds, or search engines. Those technologies are potentially patentable and if trademark law can be used to restrict those functionalities on the Internet, the purposes of the patent law will be adversely affected. This, of course, does not mean that those trademarks should not be protected in other contexts where trademark rights do not interfere with patentable functionalities. As it is suggested throughout this thesis, overlaps are not a problem *per se*, instead, it is the improper use of overlapping rights that is problematic. This point can be illustrated in the context of telephone numbers, which have been recognized as capable of trademark protection.

The issue of whether telephone numbers can be protected under trademark law was considered by the Federal Court of Appeal in the *Pizza Pizza Ltd. v. Canada (Registrar of Trade Marks)* case.[435] In this case the appellant applied to register the mark 967-1111 as a trade mark for use in association with wares and services. The registrar refused the application on the ground that a telephone number, by definition, functions to enable a person to contact a pre-designated instrument and that it cannot function to distinguish wares. The registrar's decision was confirmed by the Federal Court, which held that a telephone number is a necessary function of the telephone system and that a monopoly cannot be afforded to it. The Court of Appeal, however, disagreed and reversed the lower Court's judgement.

The Court of Appeal properly characterized the nature of telephone numbers, recognizing their functional nature. The Court stated:

[435] (1989), 26 C.P.R. (3d) 355 (F.C.A.).

> A telephone number represents a sequence of electrically generated signals assigned by the operator of the telephone utility to a subscriber whereby the subscriber's instrument may be contacted for sound (usually talking) transmissions from any other instrument in the telephone region, system or network. In a very real sense that seven-digit number sequence belongs to the telephone system, if not to its owners and operators. It is a necessary function of the telephone system, translated into alphabetic letters sometimes, and most often into numerical digits, which always correspond to the electrical signals sequence needed to contact **[**10]** the instrument to which the telephone company has assigned them.
>
> It is apparent that neither a law of Canada, nor a federal official, the registrar, acting within the scope of his authority under that law, can accord a monopoly trade mark for or to a telephone number.[436]

The Court held, however, that this functional nature did not preclude registration of the telephone number as a trademark because the appellant would use the trademark also in non-functional ways.[437] And the non-functional or distinctive nature of the appellant mark made it registrable as a trademark. While the Court's decision to give precedent to the distinctive nature of the appellant trademark rather than its functional characteristics is questionable, the result of this decision does not necessarily affect any potential patent rights. Using the phone number trademark in association with the appellant's wares and services could hardly be characterized as functional and would have no effects on any patent rights. The conclusion, however, would be very different if the trademark owner would attempt to invoke those rights to prevent operators of, for example, search engines to prevent the use of that phone number from effecting Internet searches. Such use of trademark rights would suddenly extend to functionalities property protected under patent law.[438] To reiterate, adverse effects of overlapping intellectual property rights result from their improper use and not just from the fact that they occur.

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[436] *Ibid.* at 359.
[437] *Ibid.* at 361.
[438] *Sega Enterprises, supra* note 182; *Compaq, supra* note 374; *Rosetta, supra* note 374.

E. Trademarks and search engines[439]

The most recent wave of trademark litigation concerning use of trademarked keywords on the Internet involves search engines that can perform their functions without utilizing meta-tags. The latest version of search engine technology, developed by Google Inc., is of particular concern here. Google revolutionized the Internet search by developing a new formula that measures the popularity of web sites by looking at every hyperlink available on the Internet and valuing a web site by number of links pointing to that site.[440] This simple method, combined with technique for analyzing different elements of a hyperlink, delivered far better results than searches of meta-tags, but it also exposed Google to the risk of trademark litigation. Hyperlinks measured by Google's algorithms contain URLs of the web pages ranked and those URLs usually include trademarked words. Also, Google coupled its search services with advertising related to search terms. Instead of add banners, however, Google displays links to web sites that are linked to the search terms. Courts around the world have struggled to determine if Google's use of keywords constitutes trademark infringement.

One of the first cases analyzing Google's search engine was *GEICO*.[441] In that case, GEICO claimed that by selling advertising linked to search terms, which included GEICO's trademark, and allowing GEICO's competitors to display their ads next to search results constituted infringement of GEICO's trademark rights. Google filed a motion to dismiss the claim arguing, *inter alia*, that the use of GEICO's trademark was limited to internal computer algorithm—computing which advertisements would be displayed after the search was performed—and never appeared to users of the Internet, thus preventing confusion.[442] The Court, however, sided with the plaintiff. The District Court explained:

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[439] Seven paragraphs on pages 153-156 were previously published in Robert Tomkowicz, "Case Summary: *Private Career Training Institutions Agency v. Vancouver Career College (Burnaby) Inc*. 2010 BCSC 765" Intellectual Property Institute of Canada Bulletin 303 (September/October 2010) 13 and Robert Tomkowicz, "Use of Trade-marks in Search Engine Advertising: *Google v. Louis Vuitton*, C-236/08–C-238/08 (E.C.J.)" Intellectual Property Institute of Canada Bulletin 302 (July/August 2010) 10.
[440] Lastowka, "Google's Law," *supra* note 383 at 10.
[441] *GEICO*, *supra* note 387.
[442] *Ibid*. at 702-703.

> [W]hen defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so. This is a critical distinction from the *U-Haul* case, because in that case the only "trademark use" alleged was the use of the trademark in the pop-up software—the internal computer coding. WhenU allowed advertisers to bid on broad categories of terms that included the trademarks, but did not market the protected marks themselves as keywords to which advertisers could directly purchase rights.[443]

What the Court appears to suggest in this passage is that as long as the trademarks in dispute are used only internally in software, it will not constitute infringement. But when such "internal" use is solicited by reference to protected trademarks, it can infringe upon trademark rights.

Overall, jurisprudential consideration of the use of protected trademarks in search engines is lacking uniformity. While the majority of cases find use of trademarked keywords in search engines to be infringing trademark rights,[444] some cases, coming mostly from the Second Circuit, reach the opposite conclusion as long as use of the trademarks is "internal" or invisible.[445] But courts, including the Second Circuit Court, often show a lack of appreciation for the technology considered and how it is used. For example, in a recent case—*Rescuecom Corp. v. Google Inc.*[446]—one of the arguments presented by the defendant suggested that use of the trademarks in question was internal or functional. In the end, the Court sided with the plaintiff mainly due to the fact that the defendant was actively selling plaintiff's trademark to advertisers as a key word used in online advertising.[447] In the process, however, the Second Circuit Court made a comment that mixes up the effects

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[443] *Ibid*. at 704.
[444] See e.g. *GEICO, supra* note 387; *Edina Realty, supra* note 387; *Buying for the Home, supra* note 387; *J.G. Wentworth, supra* note 387; *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950 (N.D. Cal. 2007); *Viaticum, Luteciel v. Google France* (Case RG 03/00051), [2004] E.T.M.R. 63, 2003 WL 23508895 (Trib. Gde. Inst. (Nanterre)).
[445] See e.g. *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F.Supp.2d 402 (S.D.N.Y. 2006); *Rescuecom Corp. v. Google Inc.*, 456 F.Supp.2d 393 (N.D.N.Y. 2006); *Site Pro-1, Inc. v. Better Metal, LLC*. 506 F.Supp.2d 123, 82 USP.Q.2d 1697 (E.D.N.Y. 2007).
[446] 562 F.3d 123, 90 USP.Q.2d 1287 (2d Cir. 2009) [*Rescuecom,* cited to F.3d].
[447] *Ibid*. at 129.

of functional and non-functional uses of trademarks online on the concept of confusion in trademark law:

> We did not imply in *1-800* that an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace. If we were to adopt Google and its amici's argument, the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion.FN4 ...
>
> > FN4. For example, instead of having a separate "sponsored links" or paid advertisement section, search engines could allow advertisers to pay to appear at the top of the "relevance" list based on a user entering a competitor's trademark-a functionality that would be highly likely to cause consumer confusion. Alternatively, sellers of products or services could pay to have the operators of search engines automatically divert users to their website when the users enter a competitor's trademark as a search term. Such conduct is surely not beyond judicial review merely because it is engineered through the internal workings of a computer program.[448]

In this statement, the Second Circuit Court appears to suggest that it is the existence or non-existence of confusion that determines whether functional use of a trademark will be considered "use" under trademark law. It is a rationale that according to an earlier opinion of the Second Circuit Court "puts the cart before the horse."[449] The analogy offered by the Court is indicative of this misunderstanding too. In the example provided, the owner of the search engine algorithm does not use any trademarks at all, it is the user or browser of the Internet who types in the trademarked word and the algorithm simply directs that search in accordance with predetermined preferences—purely functional action dictated by the software's design.

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[448] *Ibid*. at 130.
[449] *1-800 Contacts, supra* note 391 at 412.

What the Second Circuit Court failed to see in *Rescuecom* was apparent to the English Court of Chancery in the *Victor Andrew Wilson v. Yahoo! UK Ltd, Overture Services Ltd*. case.[450] In this case, the Court engaged in careful analysis of the technology used in search engines and how it can fit in the concept of "use" in trademark law. The plaintiff in this case was an owner of the trademark MR. SPICY. The defendant was a European subsidiary of Yahoo, one of the most important providers of search engine technology used on the Internet. The defendant sold the key word "spicy" to several businesses so when a browser typed in the keyword "Mr. Spicy" on Yahoo UK and Ireland and other search engines, it would direct the browser to web pages of those businesses.[451] None of the businesses involved ever selected the trademark "Mr. Spicy" as their keyword and this trademark was never offered as the keyword by the defendant. Instead, the defendant's algorithm was constructed in a way to pick up and interpret words typed in the search box in the Internet browser to trigger the appearance of a sponsor on the screen associated with the search terms.[452] Consequently, when a user typed in the trademark "Mr. Spicy," the algorithm picked up the word "spicy" and displayed links to web sites of the plaintiff's competitors who contracted advertising services from Yahoo. This, in the plaintiff's opinion amounted to trademark infringement.

In *Wilson*, the Court rejected the claim because it could not find the defendants using the plaintiff's trademark within the meaning prescribed to this term under trademark law.[453] The Court of Chancery explained:

> The trade mark in this case is not used by anyone other than the browser who enters the phrase "Mr. Spicy" as a search query in the defendants' search engine. In particular, the trade mark is not used by the defendants. The response of the defendants to the use of the trade mark by the browser is not use of the trade mark by the defendants. That is enough to decide the case in the defendants' favour. But the matter does not stop there. If, by some process of reasoning, one were to hold

[450] [2008] E.T.M.R. 33, (2008) 31 I.P.D. 31,025, [2008] EWHC 361, 2008 WL 576810 (Ch.) [*Wilson*].
[451] *Ibid*. at para. 9.
[452] *Ibid*. at para. 43.
[453] *Ibid*. at paras. 58-61.

> that the search engine's response to the words used by the browser was, itself, use by the defendants, in my judgment, it is not use of the mark "Mr. Spicy." What, instead, is being used is the English word "spicy" as it appears in that phrase.[454]

In *Wilson*, the Court nailed the nature of the technology involved in search engines and what is disputed in the majority of cases concerning this technology. Once the functions of search engines were properly laid out, their effects on trademark infringement analysis were determinative. The Court added:

> What in fact Mr. Wilson complains about is that if one chooses the words "Mr. Spicy" as a search query and enters them in the Yahoo search engine, one will get certain results. And on the page which appears on the screen on that occasion Yahoo will speak to the viewer and will say to the viewer, "You can advertise yourself here" so that if another person uses the words "Mr. Spicy" that person will see your advertisement for your goods and services.
>
> Secondly, what the viewer sees is that Yahoo will offer other services and will advertise other features of its services when the page appears on the screen. In other words, what Yahoo is doing when the browser puts in "Mr. Spicy" is exactly the same as what Yahoo is doing when the browser puts in the word "spicy" or indeed any other word or term or phrase which the browser chooses to use.
>
> It seems to me that this is a million miles away from Yahoo using Mr. Wilson's mark in relation to goods or services which are identical to those protected by the mark or which are similar to those protected by the mark.[455]

The Court clearly employed the logic of the doctrine of functionality, although presented through a discussion of the functional use of the plaintiff's trademark and its effect on the requirement of use for finding infringement of trademark rights. In other words, the Court stated that there was no infringing use of plaintiff's trademark because the mark was used functionally by defendant's technology and the technology was put to use by ordinary

[454] *Ibid.* at para. 64.
[455] *Ibid.* at paras. 80-82.

browsers of the Internet rather than the defendants. This outcome is entirely consistent with the doctrine of functionality. Indeed, the functional or automatic nature of the search engine technology has been discussed in scholarly literature.[456]

It appears that the view of the Court of Chancery in *Wilson* on functional uses of trademarked words in search engine technology on the Internet is becoming accepted as the correct approach. In a recent case—*Google v. Louis Vuitton*—the ECJ delivered a decision adopting, in effect, the argument of the Court of Chancery.[457]

Like in all the other search engine cases, the ECJ had to consider whether a proprietor of a trademark is entitled to prohibit a third party from displaying, or arranging for display of, ads for goods or services identical with, or similar to, those for which the proprietor's mark is registered, on the bases of search engine keywords identical with, or similar to, that trademark. At the outset of its analysis, the ECJ stated that a statutory provision granting exclusive right to use a trademark "must be interpreted not solely on the basis of its wording, but also in the light of the overall scheme and objectives of the system of which it is a part," which indicated purposive nature of Court's analyses.[458] Then, the Court observed important differences between how the trademarked words are used by the search engine operators and advertisers using the services.

Assessing Google's activities, the Court observed that by storing keywords identical with trademarks Google was "carrying out a commercial activity with a view to economic advantage" and did so without the consent of the trademark owners.[459] In the opinion of the Court, however, it does not mean that Google itself was using the keywords. Instead, Google was simply allowing "its clients to use signs which are identical with, or similar to, trade marks, without itself using those signs."[460] Specifically, "[t]he fact of creating the

[456] See e.g. James Grimmelmann, "The Google Dilemma" (2009) 53 New York Law School Law Review 939.
[457] Case C-236/08 – C-238/08 *Google v. Louis Vuitton* (E.C.J.) [*Louis Vuitton*].
[458] *Ibid*. at para. 48.
[459] *Ibid*. at para. 50.
[460] *Ibid*. at para. 56.

technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign."[461]

Turning its attention to activities of the advertisers, the Court observed that while use of trademarked keywords by advertisers for the purpose "of offering internet users an alternative to the goods or services" can be characterized as "use of that sign in relation to the goods or services of that competitor," such activity can be analogized to "a comparative advertisement," and therefore authorized as long as the functions of the trademark are not affected.[462] In particular, "the proprietor of the mark cannot oppose the use of a sign identical with the mark if that use is not liable to cause detriment to any of the functions of that mark," which are "to guarantee to consumer the origin of the goods or services" and "the quality of the goods or services in question and those of communication, investment or advertising."[463] Whether those functions are affected or not "depends in particular on the manner in which that ad is presented."[464]

In *Louis Vuitton* the ECJ was unequivocal in its opinion that use of trademarked words in search engine technology is functional and therefore cannot be viewed as use of trademarks within the meaning of trademark law. This view of the search engine technology has been accepted recently in some US decisions. In *Rosetta* the US District Court dismissed trademark infringement claims against Google finding that the doctrine of functionality protected Google's use of the plaintiff's trademarks as keyword triggers explaining:

> If Google is deprived of this use of the Rosetta Stone Marks, consumers would lose the ability to rapidly locate potentially relevant websites that promote genuine Rosetta Stone products at competitive prices. Consequently, because the Court is persuaded that Google's particular use of trademarked keywords as triggers for paid

[461] *Ibid.* at para. 57.
[462] *Ibid.* at paras. 69-70.
[463] *Ibid.* at paras. 76-77.
[464] *Ibid.* at para. 83.

> advertisements is functional, and no prohibition exists otherwise, the Court holds that the functionality doctrine prevents a finding of infringement.[465]

The most recent court decisions, such as that in *Louis Vuitton* and *Rosetta* indicate a growing judicial recognition of the functional nature of keyword advertising on the Internet. Functional use of trademarks by operators of search engine technology no longer qualifies as "use" within the meaning of trademark law and infringement of trademark rights in this context can now be attributed only to advertisers using the technology to convey their message to potential customers. Although the ECJ in *Louis Vuitton* did not delineate the red line that the advertisers were facing, this issue was recently considered by the British Columbia Supreme Court.

In the *Private Career Training Institutions Agency v. Vancouver Career College (Burnaby) Inc*. case,[466] the British Columbia Supreme Court had to consider whether the respondent's internet marketing strategy and mode of promoting itself was false, deceptive, or misleading. The respondent began using business names of other institutions as triggers for keyword advertising on the Internet but the respondent never used the names of competitors or trademarked terms in the title line, description line, or URL of its online advertisements. The Court found that such practices were not false, deceptive, or misleading and were unlikely to lead to confusion. The Court found the display of the advertising resulting from keyword search on the Internet to be no different than practices used in the traditional media, such as placing advertisements in Yellow Pages next to or in close proximity to a competitor's telephone number in the same directory so that potential customers of that competitor discover there is another company offering a similar product or service and that they, the consumer, have a choice between different products and services. The Court also emphasized that the person who has conducted a search and who has chosen to examine a sponsored link can always click on the "back" button on their browser and return to the original search results page to locate other sites of interest.

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[465] *Rosetta*, *supra* note 374 at 12.
[466] 2010 BCSC 765 [*Vancouver Career College*].

There is no doubt that the search engine technology will continue to be litigated in coming years. There are many stakeholders in this technology and disputes between trademark owners and providers of the search engine technology are only a small fragment of a much more complex environment.[467] From the perspective of intellectual property overlaps between patent law and trademark law, the prospect of enforcing trademark rights in ways that interfere with potentially patentable functionalities of search engine technologies is of paramount importance for this thesis. Fortunately, the most recent decisions show growing judicial understanding of this technology and its functions.[468] The three decisions discussed here—*Louis Vuitton*, *Rosetta* and *Vancouver Career College*—read in conjunction, establish the proper use of the functionality doctrine in the context of the Internet. Use of trademarks that is necessary to effect functions of different technologies in this context should not be treated as use of those trademarks. Invisible use of those marks is one of the most important signs indicating functional use of the trademarks. Under such interpretation, the functionality doctrine becomes as effective in creating a barrier between trademark law and patent law on the Internet as it is in the context of LEGO blocks.

F. Overlaps of trademark and patent rights on the Internet

The doctrine of functionality was created to ensure that trademark rights will not be used to protect functional aspects of a trademark because "protection of function and design is what a patent does."[469] The doctrine "reflects the purpose of a trade-mark, which is the protection of the distinctiveness of the product, not of a monopoly on the product."[470] Although conceptually capable of universal application, at its inception, the doctrine was really applicable to distinguishing guises only. At that time, a word mark could not be functional in the sense prescribed under patent law. But this calculation changed with the development

[467] See e.g. James Grimmelmann, "The Structure of Search Engine Law" (2007)93 Iowa L. Rev. 1, where the author divides the stakeholders into four groups: (1)search engines operators, (2) content providers, (3) users, and (4) other concerned third parties, including trademark owners, and examines their interests in the search engine technology. See also Alex W. Cannon, "Comment: Regulating AdWords: Consumer Protection in a Market Where the Commodity Is Speech" (2009) 39 Seton Hall L. Rev. 291, assessing the technology from consumer protection perspective.
[468] See Zohar Efroni, "Keywording in Search Engines as Trademark Infringement: Issues Arising from Matim Li v. Crazy Line," Stanford's Center for Internet Society (November 2006), online: SSRN <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=946927>, discussing Israeli jurisprudence recognizing relevance of invisible use of trademarks in the context of search engine technology.
[469] *Kirkbi CA*, *supra* note 68 at para. 41.
[470] *Kirkbi SCC*, *supra* note 65 at para. 42.

of software. Software is mostly composed of words and mathematical algorithms, which only purpose is to effect functions for which the particular computer program was designed. In this context, the doctrine of functionality becomes as relevant for word marks as it is for distinguishing guises. The vast jurisprudence related to the use of trademarks on the Internet illustrates this phenomenon.

Until recently, courts generally refused to apply the functionality doctrine to technologies used on the Internet. This expansion of trademark rights created potential overlap between trademark law and patent law in this context. As the analyses of the English Court of Appeal in *Reed* and the Court of Chancery in *Wilson* show, recognizing trademark rights in the context of those technologies really leads to extension of trademark monopoly into functional characteristics of the technology involved. Authorizing this expansion of trademark rights will have two detrimental effects. First, it will create overlaps of trademark rights and patent rights, thus putting the purposes behind them in conflict. This result will mostly affect the patent law by undermining its pro-inventive functions. And second, it will effectively "propertize" trademarks in the context of software giving them attributes similar to patent monopoly.

This overlap can take two forms. It can involve patentable technology operating on the Internet that utilizes, as part of that invention, a database of trademarks similar to the database used in *1-800 Contacts* case, which involved 32,000 web site addresses, 29,000 search terms and 1,200 keyword algorithms for the purpose of advertising. In practical terms, the patent owner would claim the database of URLs or algorithms with trademarked keywords as the functional part of a new invention. In this situation, the trademarks would become an integral part of the invention creating overlap in fact between patent law and trademark law. Allowing trademark owners to prevent use of trademarked words in this context would effectively prevent patent owners from using their patented inventions. And although the Second Circuit Court in *1-800 Contacts* found use of trademarked words in URLs functional and therefore excluded from protection, in many other cases courts found use of trademarked words in algorithms to be infringing on trademark rights, which makes this scenario possible. Another form of the overlap could involve use of word trademarks as

keywords in patentable software algorithms. Already software patents were issued for search functions on the Internet. If the functionality claimed in such patented inventions becomes dependent on use of trademark words to be inserted into the inventions algorithms, every time a trademark is inserted into an algorithm, a potential overlap in fact between trademark rights and patent rights arises. Enforcing trademark rights in this context is particularly problematic because those trademarks are not inserted into the algorithms by the operators of the technology but rather by the browsers of the Internet, as observed by the Court of Chancery in *Wilson*.

The purpose of patent law is very simple—it is supposed to promote the creation of new and useful technologies, thus advancing societal progress.[471] Rights establishing patent monopoly and protecting new and useful inventions are simply means to promote that purpose. Trademark rights, on the other hand, were designed to protect consumers' expectation in relation to source of goods or services traded in the marketplace.[472] The role of the trademark monopoly is not to protect the mark itself, but rather its use in association with certain wares or services. The Supreme Court of Canada in *Kirkbi SCC* expressly warned that "despite its connection with a product, a mark must not be confused with the product—it is something else, a symbol of a connection between a source of a product and the product itself."[473] When trademark rights apply to invisible and functional uses of the marks, the purposes of patent law in relation to the technology involved become effectively undermined. The ability to utilize search functions on the Internet by new technologies and consequently the creation of new inventions operating on the Internet becomes severely restricted. The motivating role of patent rights is put into question in this context and their effective use can be restricted by trademark claims. At the same time, nothing is gained by the general public in return, as explained below, which has detrimental effects on the balance of rights within the trademark law itself.

[471] See discussion in chapter II.1.
[472] See discussion in chapter III.1.
[473] *Kirkbi SCC*, *supra* note 65 at para. 39. See also *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.*, (2000), 9 C.P.R. (4th) 297 (F.C.A.); leave to appeal refused 2001 CarswellNat 1454 (S.C.C.) at para. 7 [*Toyota*].

Two parallel concepts are the foundation of trademark law: "use" and "confusion."[474] "Use" is central to the entire regulatory scheme established under the *Trade-marks Act* and the condition *sine qua non* for acquiring trademark rights.[475] "Use" and "confusion" are linked together: "use" preconditions "confusion." There can be no confusion without use of identical or similar trademarks and even when identical or similar trademarks are used such use does not necessarily has to result in infringement of trademark rights, as long as consumers are not confused as to origins of competing products. These canons of trademark law may no longer be true if trademark rights are extended to functional uses of invisible trademarks on the Internet.

The English Court of Appeal in *Reed* noticed that functional and invisible use of trademarks on the Internet is in practice performed by a machine and not a person.[476] Finding this invisible use to be an infringement of trademark rights cannot be reconciled with Canadian jurisprudence, which requires visibility of the trademark to be considered "use" under trademark law.[477] The English Court of Chancery in *Wilson* and the ECJ in *Louis Vuitton* added that if such use is to be attributed to any person, it should be recognized as an act of a browser or user of the Internet searching for particular trademarked products—not the act of an owner of the search engine technology.[478] This use can hardly qualify as "use" under trademark law—when the search is performed, the trademark is not attached to any products or displayed in performance of any services. Moreover, such employment of the search engine technology is unlikely to result in any confusion even when the result of the search would display two competing products marked with different trademarks side by side on the computer screen. Certainly, such appearance would not be more confusing than placing two competing products on a store shelf or in comparative advertising, which is authorized under trademark law.[479]

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[474] See discussion in chapter III.1.
[475] *Standard Brands Ltd. v. Staley*, (1946), 6 C.P.R. 27 (Can. Ex. Ct.) at 33 and *Mattel*, *supra* note 18 at para. 5.
[476] *Reed*, *supra* note 397 at para. 142.
[477] *Germain*, *supra* note 19.
[478] *Wilson*, *supra* note 450 at para. 64.
[479] See chapter IV.3 for discussion of comparative advertising.

Enforcement of trademark rights in the context of search functions on the Internet would also, in effect, give trademark owners the right in the mark itself, preventing others from using it on the Internet in most circumstances. It would amount to accepting the propertization of trademarks, at least in the context of the Internet. Indeed, as observed by the English Court of Chancery in *Wilson*, the motivation of trademark owners is not to protect their trademarks, but rather to prevent users of the Internet from utilizing search functions, which may result in providing them with information about competing products.[480] Exercised in this way, trademark rights would become akin to patent rights or copyrights—they would prevent browsers of the Internet from using the trademark itself, even in separation from any wares or services.

Reformulating trademarks into a form of property in itself not only undermines the doctrine of functionality but also adversely affects the balance of rights between the general public and the owners of trademark rights. This is a serious challenge to trademark law concepts in any context but its effects may be most strongly felt in the context of software in general and the Internet in particular. One must always keep in mind that propertization of trademarks on the Internet will inevitably "create a zone of exclusivity and protection that overshoots the purpose of trade-mark law."[481]

3. Trademarks and copyrights

Overlaps of trademark rights and copyrights are expressly allowed under the *Copyright Act*.[482] This fact has to be the starting point of any analyses and poses a question that has to be answered before overlaps between these two areas of law are assessed—can overlap between trademark rights and copyrights be viewed as objectionable in light of the specific statutory provision authorizing it? This question cannot be answered without reference to the purposes behind both segments of the intellectual property system.

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[480] *Wilson*, *supra* note 450 at paras. 80-81.
[481] *Mattel*, *supra* note 18 at paras. 21-22. See also Thomas Watson, "Pay Per Click: Keyword Advertising Programs and the Search for Limitations of Online Trademark Infringement Liability," Case Western Reserve Journal of Law, Technology & the Internet (forthcoming), online: SSRN <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1591142>; Jonathan J. Darrow and Gerald Ferrera, "The Search Engine Advertising Market: Lucrative Space or Trademark Liability?" (2008) 17 Texas Intellectual Property Law Journal 223..
[482] *Copyright Act*, *supra* note 28, s. 64(3)(b).

The purpose of copyright law is to promote creativity. Once an original copyrightable work is created, it becomes automatically protected by copyrights. The purpose of trademark rights is very different. They protect association in the mind of the public between wares or services and their source. In other words, trademark rights ensure that the mark functions like a road sign that points to the true maker of the goods or provider of services. These purposes are very different and so is the scope of both monopolies. One of the most important differences between the trademark rights and copyrights is their duration—copyrights generally operate during author's life and for 50 years after the author's death in Canada or 70 years after the author's death in some other countries, but trademarks potentially indefinitely.

To become protected, a trademark has to point to its source or become distinctive. The *Trade-marks Act* specifies that to become a trademark within the meaning of the *Act* an ordinary mark[483] has to be "used by a person for the purpose of distinguishing or so as to distinguish wares or services."[484] This means that even if a form or an expression comprising the mark becomes distinctive, it will not enjoy protection of trademark rights when it is not used for the purpose of distinguishing wares or services.[485] This limitation is very important and brings much needed clarity to the express authorization of overlaps between copyrights and trademark rights, which can be illustrated with an example of a book. For example, each page of the Encyclopaedia Britannica may be distinctive in itself and all the pages together can be viewed as distinctive and pointing to the publisher of this encyclopaedia. But viewing them as a trademark, either conjunctively or separately, would be unreasonable. The reason for their existence is not to point to origins of the book but to convey information—the purpose normally associated with copyright works. In other words, even if something could technically qualify as a trademark, it does not mean that it should be protected as such. The purpose for which the mark is used is one of the key factors in determining whether it is a trademark or not.

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[483] Ordinary mark is a trade-mark that is neither distinguishing guise, certification mark, nor proposed trade-mark, see *Trade-marks Act*, *supra* note 27, s. 2, definition of "trade-mark."
[484] *Ibid.*
[485] *Bombardier Ltd. v. British Petroleum Co. Ltd.*, (1973), 10 C.P.R. (2d) 21, [1973] F.C. 480 (F.C.A.).

It is also important to keep in mind the general purposes behind trademark law when assessing the effects of overlaps between trademark rights and copyrights, in particular when trademark rights are used to extend or replace copyrights. This phenomenon has significant consequences both in the context of traditional copyrightable subject matters and in the context of new technologies such as software, where trademark rights can be used in conjunction with copyrights to protect the visual display of software, or to replace copyrights in protection of otherwise non-copyrightable visual interfaces of computers.

The interface of trademark law and copyright law is quite complex and can involve use of these rights interchangeably for the protection of a single intellectual creation. This chapter looks at how trademark rights can be used to enhance copyrights. The opposite result—use of copyrights to enlarge trademark monopoly—is considered in chapter IV.3.

A. Trademark rights in literary characters

The main "attraction" of trademark rights is their duration. Common law trademark rights last as long as the mark is used and registration of a trademark can be renewed indefinitely. Consequently, trademark monopoly is usually seen as an alternative to other intellectual property rights with limited duration when they are about to expire. This phenomenon can be illustrated by the case of *Anne of Green Gables Licensing Authority Inc. v. Avonlea Traditions Inc*.[486] It involved the famous character from L.M. Montgomery's books—Ann Shirley. The plaintiffs were heirs of L.M. Montgomery who owned copyrights in her works. The defendant, former licensee of the plaintiffs, merchandised wares bearing the names and likenesses of the characters derived from the book "Anne of Green Gables." The plaintiff commenced an action to prevent the defendant from making or selling any merchandise bearing or related to the name "Anne of Green Gables" or any sequels written by L.M. Montgomery.[487]

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[486] (2000), 4 C.P.R. (4th) 289, [2000] O.J. No. 740, 2000 CarswellOnt 731 (Ont. Sup. Ct.) [*Anne of Green Gables*]. Before *Anne of Green Gables* was decided, there were some doubts whether literary characters enjoyed separate copyright protection in Canada, see *Preston v. 20th Century Fox Canada Ltd.*, (1990), [1990] F.C.J. No. 1011, 33 C.P.R. (3d) 242, 1990 CarswellNat 205 (F.C.T.D.), affirmed (1993), [1993] F.C.J. No. 1259, 53 C.P.R. (3d) 407, 1993 CarswellNat 2391 (F.C.A.).

[487] *Ibid*. at paras. 3-4.

One of the issues Ontario Superior Court had to consider was whether the defendant infringed upon the plaintiffs' trademark rights. The trademark "Anne of Green Gables" was used since 1908 to identify a long list of products authorized by the owners of the trademark,[488] but the owners did not register the mark relying instead on common law rights to protect their unregistered trademarks.[489] It is safe to assume that their interests were better protected by copyrights and trademark rights played only a marginal role in the protection of the characters from L.M. Montgomery's books. When the copyrights in "Anne of Green Gables" were about to expire in 1992, 50 years after the death of L.M. Montgomery, the heirs filed two trademark applications for use of "Anne of Green Gables" in word and stylized logo in respect of wares and services to market the image of Anne in Canada.[490] After finding the mark distinctive and the defendant using the mark, the Ontario Superior Court found the defendant liable for infringement of plaintiff's trademark rights.

Anne of Green Gables is indicative of how trademark rights can be used to extend protection available under the copyright law. This is not an isolated occurrence. Overlaps between trademark rights and copyrights have also been utilized by owners of copyrights in Peter Pan books. In Canada, where copyrights in the characters of J.M. Barrie's play "Peter Pan" have already expired, one of Canadian authors, J.E. Somma, wrote a book that adopted Peter Pan and other characters from J.M. Barrie's play. The book was initially published in Canada in an edition of 1,000 copies. But when Somma's attempted to find a UK publisher, it drew the book's existence to the attention of the copyright holder in the UK, the Great Ormond Street Hospital for Sick Children in London. Although Somma was clearly identified as the author of the book, the Hospital objected to the publication of her work in the UK, EU, and the US, claiming, *inter alia*, protection under trademark law and preventing sales of the book in Europe.[491] The expiry of copyrights in Canada also

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[488] *Ibid.* at para. 67.
[489] *Ibid.* at para. 123.
[490] *Ibid.*
[491] Catherine Seville, "Peter Pan's rights: "To die will be an awfully big adventure" (2003) 51 J. Copyright Soc'y USA. 1 at 1; Catherine Seville, "Peter Pan's Rights: To Protect or Petrify?" (2004) 33 Cambridge Quarterly 119. Somma sued in the US for declaratory judgement, see Amended Complaint for Declaratory Judgment, *Somma v. Great Ormond Street Hosp.*, No. 02-5889 EMC, online: <http://cyberlaw.stanford.edu/attachments/Somma2dAmendedComplaint.pdf>. The case eventually settled

provoked Walt Disney, the producer of a cartoon movie based on Peter Pan story, to vigorously seek registration of trademarks associated with the name and design of Peter Pan character.[492] Similar activities in Canada involve the Hearst Corporation and the famous character Popeye, which lost copyright protection in January 2009.[493]

J.E. Somma's predicament is indicative of the adverse effects overlaps between trademark rights and copyrights can have on the purposes between both these segments of the intellectual property system and the balances of rights within each of them. The Supreme Court of Canada stated that "the purpose of copyright law [is] 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."[494] But the Supreme Court also emphasized that the reward can be claimed by the copyright owners only "for a limited period of time."[495] Extending copyright protection beyond its statutory limits would inevitably constrain public's rights "shift[ing] the balance in copyright too far in favour of the owner's rights and unnecessarily interfere[ing] with the proper use of copyrighted works for the good of society as a whole."[496] It would prevent authors like J.E. Somma from creating sequels to books in which copyrights already expired, thus restricting creativity rather than promoting it. Such an effect cannot reasonably be justified even by the express authorization of the overlaps between trademark rights and copyrights in the *Copyright Act*.

Interestingly, conflicts between overlapping copyrights and trademark rights are not unavoidable and there is a way to allow operation of trademark rights in relation to subject matter in which copyrights have already expired, which does not undermine the purposes behind copyright law. Such a solution was offered by the US Supreme Court in the *Dastar Corp. v. Twentieth Century Fox Film Corp.* case.[497] *Dastar* involved a television series based on a book by General Dwight D. Eisenhower. Copyrights in the series expired in

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out of court in March 2005. Unfortunately, the settlement was confidential and did not set any legal precedent.

[492] See TMA749207; TMA 1306215; and TMA 1312370.

[493] See TMA248151; TMA540361; TMA303560; and TMA418001.

[494] *CCH, supra* note 41 at para. 23.

[495] *Théberge, supra* note 36 at para. 123, quoting with approval from *Apple Computer, supra* note 218.

[496] *CCH, supra* note 41 at para. 41.

[497] 539 US 23, 123 S.Ct. 2041, 66 USP.Q.2d 1641 (2003) [*Dastar,* cited to S.Ct.].

1977, leaving the series in the public domain. In 1988, the plaintiff Fox Film reacquired the television rights in the book, including the exclusive right to distribute the television series on video and to sublicense others to do so. In 1995, the defendant Dastar released a video set which it made from tapes of the original version of the television series and sold as its own product for substantially less than the video set by Fox Film. Fox Film commenced an action alleging, *inter alia*, that Dastar's sale of the video without proper credit to the original television series constituted "reverse passing off."[498]

While the claim in *Dastar* was framed in trademark law, the plaintiff really tried to rely on its trademark rights instead of copyrights to prevent the use of its television series with no copyright protection by competitors. The US Supreme Court, however, quickly recognized these pretences. The Court reminded that to find infringement of trademark rights, the action of the defendant has to deceive potential customers as to the "origin" of the wares or services. Meaning of the term "origin of goods" in trademark law is an effective way to separate this segment of the intellectual property from the others. The Court explained that this "phrase refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods… To hold otherwise would be akin to finding that [trade-mark law] created a species of perpetual patent and copyright."[499] Consequently, when copyright expires, the public acquires the "right to copy, and to copy without attribution," the formerly copyrighted work.[500]

The most important aspect of *Dastar* was not the result of the dispute but the fact that the US Supreme Court based its argument on purposes of copyright law and trademark law in general and the concept of balance of rights in the intellectual property system in particular. The Court explained:

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[498] "Reverse passing off" occurs where the defendant markets the plaintiff's product as being the defendant's product; for example where a defendant may represent that he or she made goods which were in fact made by the plaintiff so as to pass off his own business as a branch of the plaintiff's. In commonwealth jurisdictions this form of passing off is usually referred to as "inverse passing off"; see e.g. *Bristol Conservatories Ltd v. Conservatories Custom Built Ltd.*, [1989] R.P.C. 455 (C.A.) and *John Roberts Powers School v Tessensohn* [1995] FSR 947 (Sing. C.A.).
[499] *Dastar, supra* note 497 at 2050.
[500] *Ibid.* at 2048.

> The rights of a patentee or copyright holder are part of a 'carefully crafted bargain,' under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution. Thus, in construing the Lanham Act, we have been 'careful to caution against misuse or over-extension' of trademark and related protections into areas traditionally occupied by patent or copyright. 'The Lanham Act,' we have said, 'does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity.' Federal trademark law 'has no necessary relation to invention or discovery,' but rather, by preventing competitors from copying 'a source-identifying mark,' 'reduce[s] the customer's costs of shopping and making purchasing decisions,' and 'helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product,' (internal quotation marks and citation omitted). Assuming for the sake of argument that Dastar's representation of itself as the "Producer" of its videos amounted to a representation that it originated the creative work conveyed by the videos, allowing a cause of action under [trade-mark law] for that representation would create a species of mutant copyright law that limits the public's 'federal right to 'copy and to use'' expired copyrights [citations in text omitted].[501]

In this analysis, the US Supreme Court presented a very reasonable approach to overlaps between trademark law and copyright law—invoking trademark rights is justifiable only when they are used to protect the source of the tangible objects marked by the owner of the trademark rights; using trademark rights to protect the intangible components embedded in the marked tangible object would confuse the purposes of the different intellectual property segments and turn trademark law into a "mutant" version of copyright law or patent law.[502]

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[501] *Ibid.*

[502] See also *Comedy III Prods., Inc. v. New Line Cinema*, 200 F.3d 593, 596 (9th Cir. 2000), where the Court refused to recognize trademark rights in 30-second clip from public domain motion picture and *Leigh v. Warner Bros.*, Civ. No. 497-340, 1998 WL 351878 (S.D. Ga. 1998), aff'd in relevan t part, 212 F.3d 1210 (11th Cir. 2000), where no trademark rights were found in a photograph used on the cover of a book.

The analysis in *Dastar* is relevant for an assessment of overlaps between trademark rights and copyrights in Canada. The purposes of Canadian and American trademark rights are identical. Canadian Courts describe it as indicating "source" of the marked goods,[503] a concept which is equivalent to the American concept of "origin." The balance of rights established in Canadian trademark law is akin to its American counterpart. Canadian trademark rights balance the right of the owners to indicate the origins of their goods with the right of the public to compete freely when there is no deception as to source or origin of the goods. While allowing an extension of trademark rights beyond the context of "origin" was viewed by the US Supreme Court in *Dastar* as "over-extension,"[504] the Supreme Court of Canada also viewed it as "overshoot[ing] the purpose of trade-mark law."[505]

B. Overlaps in visual interfaces of software

The tensions between trademark law and copyrights law surface not only in relation to traditional copyrightable subject matters but also in relation to new hybrid technologies—visual interfaces of computers in particular. A computer interface is the means by which the computer and user interact.[506] It consists mainly of audio-visual screen display, mouse or touch pad, and keyboard, but the on-screen display of software is the most important part. In fact, as the touch screen technology becomes increasingly popular, on-screen displays take over functions of keyboards and touch pads, making them obsolete. The appearance of the screen and the options available to users when interacting with the software can make the software easy or difficult to manage for an average user, which has an effect on the economic value of the software. Because the visual interface is such an important part of computer programs, it is no surprise that software owners intend to protect it through intellectual property rights. The nature of the rights invoked for this protection is the centre of the controversy.

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[503] *Mattel*, *supra* note 18 at paras. 21-22.
[504] *Dastar*, *supra* note 497 at 2048.
[505] *Mattel*, *supra* note 18 at para. 22.
[506] Gregory J. Wrenn, "Federal Intellectual Property Protection for Computer Software Audiovisual Look and Feel: The Lanham, Copyright, and Patent Acts" (1990) 4 High Tech. L.J. 279.

Generally, software is protected under the *Copyright Act*.[507] For that reason, early attempts to protect computer interfaces focused on copyright law. For example, in the *Apple Computer Inc. v. Minitronics of Can. Ltd.* case,[508] the Federal Court was considering, *inter alia*, whether the defendants infringed the plaintiff's copyrights by copying the plaintiff's two-dimensional drawings of computers and their interfaces. The defendants also used symbols on the keyboard that were confusing with the applicant's trademark "Apple Logo and Design."[509] In *Apple Computer* the Court found infringement of both copyrights and trademark rights. The comments on possible trademark protection in design of the keyboard are of particular importance. The Court found trademark infringement not only because of the similarities between the plaintiff's and the defendant's logos used, but also because the defendant used the infringing logos "on two keys of the keyboard of their computers in exactly the same way that Apple uses its logo on its keyboards,"[510] In this way, the Federal Court indicated that the visual appearance of the computer keyboard can qualify for trademark protection as distinguishing guise. *Apple Computer* became the first Canadian case, suggesting that both copyright and trademark law can be invoked to protect computer interfaces. The Court's conclusion is rather uncontroversial as far as it relates to the shape of the keyboard and the computer itself. But the Court also appeared to indicate that its decision was influenced by the way the defendant's keyboard was organized, which may be extrapolated to visual interfaces. *Apple Computer*, however, did not deal with the audio-visual display of computer software, which may be problematic for both copyright and trademark protection.

Surprisingly, there is only one Canadian case where the court considered the possibility of copyright protection for software displays. In the *Delrina Corp. v. Triolet Systems Inc*. case,[511] the Ontario Court of Justice was considering infringement of copyrights in software. One of the key aspects of the Court's deliberation was whether copyrights could subsist in screen displays. In *Delrina OC* the Court refused to find copyright infringement

[507] See discussion in chapter II.3.
[508] (1988), 19 C.P.R. (3d) 15 (F.C.T.D.).
[509] *Ibid.* at 16.
[510] *Ibid.* at 33.
[511] (1993), 47 C.P.R. (3d) 1, 1993 CarswellOnt 174, 9 B.L.R. (2d) 140 (Ont. (Gen. Div.)), affirmed (2002), 17 C.P.R. (4th) 289 (Ont. C.A.) [*Delrina OC*, cited to CarswellOnt].

in the interfaces in question based on the facts, but it did indicate that screen displays were capable of copyright protection equally to other parts of computer programs, at least in some situations. Referring to US copyright law, which the Court found "equivalent to" relevant provisions of the Canadian *Copyright Act*, the Court opined that "copyright is extended to all parts of computer programs, except in the case of programs whose very purpose is to produce screen displays for use in playing of games or for some artistic or other like purpose."[512] The Court appeared to base its conclusion on an interpretation of the visual interface as part of the software or its reflection on the screen. The Court explained:

> By using the instructions in the manual, and touching the required keys on the terminal keyboard, the user of the program causes the computer to create a screen display in form and content dictated by the way it was programmed by the object code. The screen display so produced is the reproduction of the object code in a different "material form." I am here talking about the style and format of the screen display … a set of instructions has been so embodied or stored in the computer, that the computer will reproduce those stored instructions either as object code (0s and 1s) or as a particular screen display. A particular *screen display*, so produced, *reflects exactly and is a visual reproduction of the instructions that the creator of the program embodied on the tape or disk* [emphasis added].[513]

Consequently, copying of the visual interface for use in another program would, in the Court's view, amount to copyright infringement.[514]

Unfortunately, the description of the technology involved in the creation of screen displays provided by the Ontario Court of Justice in *Delrina OC* may no longer be accurate. While early computer programs used to contain designs of screen displays in the software's code, modern software tends to generate visual interfaces as a result of "mechanical" interactions

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[512] *Ibid*. at para. 116.
[513] *Ibid*. at paras. 98-99. See also *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc*., 797 F2d 1222 (3d Cir. 1986) at 1244 [*Whelan*]; *Lotus Dev. Corp. v. Paperback Software Int'l*, 740 F.Supp. 37 (D. Mass. 1990) [*Lotus*]; and *Broderbund Software, Inc. v. Unison World, Inc*., 648 F. Supp 1127, 231 USPQ 700 (N.D. Calif. 1986); but *cf. Synercom Technology, Inc. v. University Computing Co.*, 462 F. Supp 1003, 199 USPQ 537 (N.D. Tex 1978).
[514] *Delrina OC, supra* note 511 at paras. 100-101.

between operating systems and application software, which may lead to different conclusions on copyrightability of computer visual interfaces.

Computers use two kinds of software: operating systems and application software.[515] An operating system manages the internal resources of computer. Among other things, it contains sets of operating instructions, which physically control the display of information on the computer screen. Modern operating systems are graphics based—they use pictorial features to control various processing functions, such as windows, pull-down menus, high-lighted areas, and icons. An operating system is normally sold with the computer itself. Application software, on the other hand, performs specific functions designed by a programmer but usually sold separately. Application software is also a source of design features on the display screen. In modern software, the final visual product —the computer screen—is the effect of the interaction of application software and operating system software and their various features, each of them doing independent formatting of the data before the display is created.[516]

The mechanical creation of modern visual interfaces through interaction of different software can undermine the conclusion on copyrightability of screen displays reached by the Ontario Court of Justice in *Delrina OC*. What happens in reality is that a user of the computer initiates interaction between the application software and the operating system software, where the application software uses small programs called "subroutines" to activate functions of the operating system in creating the display. Different application programs will use the same graphic features of the operating system, therefore the displays they will generate may be quite similar, but the final visual product is made by the joined action of two computer programs using both sets of data files, which are usually authored and owned by different owners. This result leads to a question about authorship of the visual interface so created, which is really a question about the originality of the work.

[515] See discussion in chapter II.2.B.
[516] Rhoda L. Rudnick, "Window Dressing: Trademark Protection for Computer Screen Displays and Software" (1990) 80 Trademark Reporter 382 at footnote 25.

The *Copyright Act* provides protection for original works only.[517] The meaning of "originality" was explained by the Supreme Court of Canada in the *CCH* case, where the Court held that while copyright work "need not be creative, in the sense of being novel or unique," it must be created through "exercise of skill and judgment" that "will necessarily involve intellectual effort" and "must not be so trivial that it could be characterized as a purely mechanical exercise."[518] This test is difficult to satisfy when a work is generated by two separate computer programs. There is no doubt that both operating systems and application software expressed in the form of the software code can meet the requirement of originality as their creation will require considerable intellectual effort and practical ability. None of the works, however, includes in its code and produces on its own the final product—visual interface. The display is produced by the interaction of both programs. This act does not involve any exercise of "skill and judgement." In fact, it can be considered "purely mechanical," as far as the final product is concerned.

Because the display is produced by two computer programs that operate independently, neither the manufacturer of the operating system nor the producer of the application software may be able to claim "authorship" of the display.[519] Similarly, the only role the user of the computer will play is to initiate the mechanical functions of both computer programs and, therefore, he will not be able to meet the requirement of originality pronounced by the Supreme Court in *CCH* either. At the same time, it cannot be said that the interactions between both computer programs and copying of copyrighted expressions in the process of producing the visual interface would result in any copyright infringement. Any copying of files included in the operating system or the application software would most likely involve mechanical reproduction of some parts of the other software necessary for operation of the technology. Copying of copyrighted works dictated by technological reasons was considered by the Supreme Court of Canada in the *SOCAN v. Canadian Assn.*

[517] *Copyright Act*, *supra* note 28, s. 5(1).
[518] *CCH*, *supra* note 41 at para. 16.
[519] See e.g. *Torah Soft Ltd. v. Drosnin*, 136 F.Supp.2d 276 (S.D.N.Y. 2001) at 283 distinguishing between computer art programs involving user's creativity in producing a display and programs that produce the displays mechanically.

of Internet Providers case[520] and found not to infringe copyrights. In that case, the Court held that when copying of copyrighted works is done for the sole purpose of providing technological and economic efficiencies such acts cannot attract copyright liability.[521] Copying of different files between two computer programs to produce a visual display would most likely be considered technologically necessary to ensure compatibility of the software and consequently be immune from copyright protection.

Even if authorship of the visual interface created through the interaction of two computer programs could be attributed to one individual, it is still problematic whether the display would meet the requirement of fixation for copyrightability. Both literary and artistic works require fixation in some material and permanent form.[522] But because the visual interface is created from two separate computer programs, its copyrightability cannot depend on fixation in the form of the object code. The operating system and application software files generating the display are fixed on the hard drive or in the RAM memory of the computer where they are more accessible. However, the display is not what is fixed in the memory. Instead there are two object codes which are recorded in the memory and read by the computer. What is seen on the computer screen is not a copy of the object code but a separate product. This distinction was apparent to the Supreme Court of Quebec, which described the process of generating visual display in the following way:

> With the arrival of electronic reproduction and display, serious problems of adaptation have arisen. Electronic publishing is analogous not so much to the print shop of the 18th century as to word of mouth communication, to which copyright was never applied. Consider the crucial distinction in copyright law between reading and writing. To read a copyright text is no violation, only to copy it in writing. The technological basis for this distinction is reversed with a computer text. *To read a text stored in electronic memory, one displays it on the screen, i.e., one writes it to read it*. To transmit it to others, however, one does not write it; one only

[520] 2004 SCC 45, 32 C.P.R. (4th) 1, 240 D.L.R. (4th) 193, 322 N.R. 306, [2004] 2 S.C.R. 427, 2004 CarswellNat 1919 [*SOCAN*].
[521] *Ibid.* at 116.
[522] *Canadian Admiral, supra* note 17; *Théberge, supra* note 39 at para. 25; *CCH, supra* note 41.

> gives others a password to one's own computer memory. One must write to read, but not to write! [emphasis added][523]

As accurately described by the Supreme Court of Quebec, the creation of the display involves the production of a separate work in a material form that is different from the form recorded in memory of the computer. An assessment as to whether the display satisfies the requirement of fixation has to be based on its own merit and not the merit of the in-memory recordings. Also, while to the human eye the display appears to be displayed once and static, the image is in fact recreated over and over on a computer screen many times per second, until the process is ended with a click of the mouse.

Canadian Courts have not yet considered at what point a literary or artistic work ceases to be transitory and becomes sufficiently fixed to satisfy the requirement of copyrightability. Australian courts, however, did consider when a temporary display of otherwise copyrightable work will satisfy the requirement of fixation. In the *Victoria Park Racing and Recreation Grounds Ltd. v. Taylor* case,[524] the plaintiff was operating a horse racecourse. The defendant, a radio station, erected a tower next to the plaintiff's property broadcasting the races, including the numbers on the placed horses, the post positions, and the scratchings appearing on the plaintiff's notice boards. The plaintiff sued claiming, *inter alia*, copyright infringement arguing that the content of the notice boards was copyright protected. The Supreme Court of New South Wales rejected the copyright claim due to the transient character of the information displayed, which was posted only for a few minutes and then removed. The Court opined that no copyright could be found in the work because "the evanescent character of the information, which is posted up to be pulled down after a few minutes exposure" made it impossible for meeting the requirement of fixation.[525] Reviewing the decision of the Supreme Court of New South Wales, the Court of Appeal agreed with reasoning of the lower Court and reiterated that a few minute fixations were insufficient to give rise to copyrights, adding:

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[523] *Matrox, supra* note 24 at paras. 46-47. See also *John Richardson Computers Ltd. v. Flanders*, [1993] F.S.R. 497 (Ch.) at 527 where the Court found that a screen display was a product of a program, not the program itself.
[524] (1936), 37 S.R. (N.S.W.) 322, aff'd (1937), 38 S.R. (N.S.W.) 33 (H.C.).
[525] *Ibid.* at 344.

> Much more argument than has been produced in this case would be required to convince me that because the plaintiff caused those numbers to be exhibited for a few minutes upon a notice board, everybody in Australia was thereafter for a term of fifty years from somebody's death precluded from reproducing them in any material form [citations in text omitted].[526]

Since the computer display stays on the screen only for a fraction of a second, it is questionable if such short term fixation can be characterized as a permanent endurance that is sufficient for finding fixation of the work.[527] And even if the "blinking" of the screen could be characterized as one continued display, in most cases the screen displays do not remain on the computer screen for more than a few minutes and are then changed by the user into a different display or turned off automatically by the computer and replaced with a screen saver, which still raises the doubts as to sufficient fixation of the visual display.

C. Substituting copyrights with trademark rights

Copyrights still remain the primary tool for protection of screen displays or visual displays on computer monitors but the nature of this technology makes it also suitable for concurrent trademark protection. In situations where copyrights may be inadequate for protection of visual interfaces, as suggested above, trademark rights are capable of replacing copyrights and indeed offer more robust protection for this technology. In fact, because of the conceptual problems with applying the traditional copyright doctrines to computer screen displays, trademark rights are arguably more apt than copyrights for such protection.

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[526] *Victoria Park Racing and Recreation Grounds Ltd. v. Taylor*, [1937] ALR 597, 38 SR (NSW) 33, 55 WN (NSW) 13, 11 ALJ 197, [1937] HCA 45, 1937 WL 27007, 58 CLR 479 (H.C.A.) at 497-498 [cited to CLR].

[527] See also US, *Copyright Law Revision* H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 52-53 (1976) explaining view of the US Congress on the definition of "fixation" in relation to computer screens and *Minutes of Proceedings and Evidence of the Sub-committee of the Standing Committee on Communications and Culture of The Revision of Copyright*, 2nd Sess., 33d Parl., No. 27 (27 June 1985 – 24 September 1985) at 41-42, but *cf. MAI v. Peak Computing*, 991 F.2d 511 (9th Cir. 1993) and *British Leyland Motor Corp. Ltd. v. Armstrong Patents Co. Ltd.*, [1986] R.P.C. 279 (H.L.) [*British Leyland*].

Visual displays appear to fit the definition of distinguishing guise in the *Trade-marks Act*. Distinguishing guise is a form of trademark that protects the shaping of wares or their containers and a mode of wrapping or packaging wares when they are used by a person for the purpose of distinguishing or so as to distinguish them from products provided by others.[528] A computer display may be characterized as a distinguishing guise because it combines words, shapes, and colours into a pattern that can be recognized by customers as a sign of a particular source of the product. The key to this protection is distinctiveness of the guise and its non-functionality.

The possibility of using trademark rights to protect visual computer displays was recognized by the US District Court in the *Midway Mfg. Co., v. Dirkschneider* case.[529] This case involved coin-operated electronic video games. The plaintiff claimed that the defendant engaged in the manufacture, distribution, and sale of video games that are virtually identical to the plaintiff's games. In particular, the plaintiff argued, *inter alia*, that the shape and colour of the fictional characters in its games was identical to the shape and colour of the characters in the defendant's games. In addition, the manner in which these characters were presented was the same in each game. The only difference was in the attract mode or presentation of the game and certain non-essential textual material found in the plaintiff's game.[530] The Court recognized the distinguishing nature of the characters used in the game and their mostly non-functional nature explaining that the characters "have been given unique shapes and colouring which can only be described as arbitrary embellishments, not essential to the games' operation."[531] It was the adoption of the appearance of the characters displayed on the computer's monitor during the game that in the Court's opinion attracted liability for trademark infringement. The Court found "that the defendants consciously imitated the non-functional design features of the plaintiff's games with the intent to enjoy some of the consumer acceptance of the plaintiff's games."[532]

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[528] *Trade-Marks Act*, *supra* note 27, s. 2, definition of "distinguishing guise."
[529] 543 F. Supp 466, 214 USP.Q. 417 (D. Neb. 1981) [*Midway*, cited to F. Supp]. See also *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd*., 604 F.2d 200 (2d Cir. 1979); *Truck Equipment Service Co. v. Fruehauf Corp*., 536 F.2d 536 F.2d 1210 (8th Cir. 1976).
[530] Midway, *ibid.* at 477.
[531] *Ibid.* at 485.
[532] *Ibid.* at 486.

There has been no Canadian case directly on the point of trademark protection for visual displays of computer programs. But the reasoning presented in and conclusions reached in *Midway* are consistent with the principles of Canadian trademark law. When shapes and colours forming elements of the software visual display become distinctive and thus indicative of the source of the software, such display could qualify for protection of trademark rights as distinguishing guise. As long as any functional characteristics of the display remain non-essential,[533] the display overall could withstand scrutiny and qualify for trademark protection.

The use of trademark rights instead of copyrights to protect visual interfaces of software is also unlikely to interfere with purposes of copyright law. If we assume that modern visual displays do not qualify for copyright protection due to their inability to meet the requirement of originality and fixation, the issue of overlaps does not arise. But even if we assume that visual displays are capable of copyrights protection, which is controversial, there is a minimal likelihood that purposes of trademark law and copyright law will conflict in this narrow context. Because visual displays are capable of being very distinctive, they are well suited to further the purposes of trademark law. At the same time, because they operate in a very functional environment, the restrictive effect of trademark rights on creativity in this context is very limited. Many elements of the visual interfaces are determined by functional characteristics of the technology that displays them and those elements are excluded from trademark protection, giving potential creators enough space to develop new displays without infringing on trademark rights. Moreover, there is also a safety mechanism build into the *Trade-marks Act* that would prevent owners of trademark rights from undue interference in the development of new visual interfaces. Under s. 13(3) of the *Act*, registration of a distinguishing guise can be expunged if it is likely to unreasonably "limit the development of any art or industry." This situation can be contrasted with overlaps of trademark rights and copyrights in traditional subject matters such as literary characters. Because those contexts are not usually constrained by the doctrine of functionality and s. 13(3) of the *Trade-marks Act*, the ability of trademark rights

[533] Such display would be most property be viewed as not primarily but merely functional; see *Remington Rand Corp. v. Phillips Electronics N.V.*, 64 C.P.R. (3d) 467 (F.C.A.); *Gillette Canada Inc. v. Mennen Canada Inc*., 40 C.P.R. (3d) 76 (F.C.T.D.); *Thomas & Betts, Ltd. v. Panduit Corp.*, [2000] 3 F.C. 3 (F.C.A.).

to operate in a manner that restricts creativity and interferes with purposes of copyright law becomes apparent, as experienced by Canadian author J.E. Somma.[534]

4. Trademarks and industrial designs

Industrial designs in Canada are governed by the *Industrial Design Act*.[535] The *Act* defines "design" as a feature of shape, configuration, pattern, or ornamentation and any combination of those features that appeal to and are judged solely by the eye.[536] The *Act* protects only the appearance of a useful article and does not extend to the article's utilitarian functions or any method or principle of its manufacture or construction,[537] as these matters properly belong in patent law. Thus, the doctrine of functionality operates within the industrial design law in the same way it operates within trademark law and copyright law.

To be entitled to registration, the design must be original, which means that it was not in use by any person other than the designer or an assignee of his rights at the time the design was adopted.[538] In this respect, the concept of originality under the *Industrial Design Act* appears to be closer to the concept of novelty in patent law rather than to the concept of originality in copyright law.[539] Application for registration of a design must be filed not later than one year after publication,[540] which is defined as offering or making the article available to the public.[541] Disclosure of a design with a view to obtaining orders for an article to be made according to it is also a publication of the design.[542] But if the design is disclosed in confidence in order to have the design worked into a commercial condition, it

[534] See discussion in chapter III.3.A.
[535] R.S.C. 1985, c. I-9 [*Industrial Design Act*].
[536] *Ibid*., s. 2.
[537] *Ibid*., s. 5.1.
[538] *Clatworthy & Son Ltd. v. Dale Display Fixtures Ltd.*, [1928] Ex. C.R. 159 (Can. Ex. Ct.), aff'd [1929] S.C.R. 429 (S.C.C.).
[539] *Rothbury International Inc. v. Canada (Minister of Industry*), (2004), 36 C.P.R. (4th) 203 (F.C.T.D.) at para. 36 [*Rothbury*].
[540] *Industrial Design Act*, *supra* note 535, s. 6(3).
[541] *Ribbons (Montreal) Ltd. v. Belding Corticelli Ltd.*, (1961), 21 Fox Pat. C. 156 at 168 (Can. Ex. Ct.). The sale of the article to which the design is applied will be sufficient; see *Epstein v. O-Pee-Chee Co. Ltd.*, [1927] Ex. C.R. 156 (Can. Ex. Ct.).
[542] *Algonquin Mercantile Corp. v. Dart Industries Canada Ltd*., (1983), 71 C.P.R. (2d) 11 (F.C.T.D.).

is not a publication.[543] Again, these characteristics make industrial design rights somewhat akin to patent rights. Registered design is protected for ten years from the date of its registration.[544] This short duration of industrial design rights is their major "deficiency" and is in stark contrast with the potentially unlimited duration of trademark rights.

The subject matter of industrial design rights can easily qualify for protection as distinguishing guise, which also protects visual appearance of wares, once it acquires distinctiveness. Unlike the *Copyright Act*, which expressly addresses overlaps of copyrights and trademark rights,[545] neither the *Industrial Design Act* nor the *Trade-marks Act* contains any provisions that address this overlap. The intersection of trademark rights and industrial design rights was considered recently by the Federal Court in the *WCC Containers* case.[546] It involved a manufacturer of animal-proof garbage cans for national parks and other areas with wildlife. The refuse container had been the subject of industrial design registration. After the industrial design registration expired, the manufacturer registered the container as a distinguishing guise. A competitor making refuse containers that were almost identical in design applied for an order expunging the trademark registration. One of the issues the Federal Court had to consider was whether industrial design protection and trademark protection were mutually exclusive. Based on English jurisprudence[547] and the fact that overlaps between trademark rights and industrial design rights were not expressly prohibited, the Court decided that the overlap was authorized.[548]

Unfortunately, the Federal Court in its analysis never referred to the purposes of industrial design rights to compare them with the purposes of trademark rights. Without this step in the analysis, the Federal Court avoided confronting the issue whether the overlaps it was authorizing could actually be justified in the context of the entire intellectual property system and the purposes of its individual segments. The Federal Court ultimately held that

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[543] *Allaire v. Hobbs Glass Ltd.*, [1948] Ex. C.R. 171 (Can. Ex. Ct.) at 184; *Global Upholstery Co. v. Galaxy Office Furniture Ltd.*, (1976), 29 C.P.R. (2d) 145 (F.C.T.D.).
[544] *Industrial Design Act*, *supra* note 535, s. 10(1).
[545] *Copyright Act*, *supra* note 28, s. 64(3)(b).
[546] *WCC Containers*, *supra* note 25.
[547] *In Re United States Playing Card Co's Application*, [1908] 1 Ch. 197 (Ch.); *Sobrefina S.A.'s Trade Mark Application*, [1974] R.P.C. 672 (Ch.).
[548] *WCC Containers*, *supra* note 25 at para. 64.

the design was primarily functional and that therefore the trademark registration was invalid. While in *WCC Containers* this finding effectively prevented objectionable use of the overlapping trademark rights and industrial design rights, the result would be different if no functionality was found. Unfortunately, the Court did not explore this issue in its judgement. The question that follows is whether courts should continue avoiding the problems of intellectual property overlaps when they arise by resolving them on *ad hoc* bases, like the Federal Court did in *WCC Containers*, or confront the issues head on in an attempt to formulate a uniform response to this phenomenon. While the former approach can be satisfactory in some instances, it does nothing to resolve the underlying problem.

Most commentators support the argument that the lack of express prohibition of overlaps between trademark rights and industrial design rights should be interpreted as permission for convergence of those rights, or even intellectual property rights in general.[549] Surprisingly, the proponents of such overlaps never consider the purposes of the overlapping rights and how, or if, these purposes are affected by the overlaps. To some extent, this deficiency in legal analyses can be explained by the fact that Commonwealth courts never really explained what the purpose of the statutory regime establishing industrial design rights is. And without determining the reason for existence of industrial design rights, one cannot form a reasonable view on overlaps between this area of law and trademark law.

The starting point for determining the purpose of industrial design rights is the realization that the subject matter protected by these rights corresponds with the definition of "artistic work" in the *Copyright Act*. This correlation is especially visible from a historical perspective. Early protection of artistic works in the UK was available under several different statutes: the *Fine Arts Copyright Act* of 1862,[550] the *Engraving Acts* of 1734,[551] 1766,[552] 1777,[553] 1836,[554] and the *Sculptures Copyright Act* of 1814.[555] While these statutes

[549] See e.g. Myra J. Tawfik, "Follow the *Lego* Brick Road," *supra* note 100 at 77-78; Gervais and Judge, *Intellectual Property*, *supra* note 89 at 604; *cf.* Gordon J. Zimmerman, "Extending the Monopoly?," *supra* note 99 at 347 and 364-367.
[550] (UK), 25-26 Vic., c. 68.
[551] (UK), 8 Geo. II, c. 13.
[552] (UK), 7 Geo. III, c. 38.

did not extend to Canada,[556] their concepts were implemented in the Canadian *Copyright Act* of 1906,[557] which protected original paintings, drawings, statues, sculptures, or photographs, or anyone who invented, designed, etched, engraved or caused to be engraved, etched, or made from their own design, any print, cut, or engraving.[558] As the structure of these statutes indicates, they were designed to protect two and three dimensional artistic works. The word "artistic," however, does not indicate any intrinsic quality of the work. It is simply "general description of works which find expression in a visual medium."[559] A work is protected as an artistic work irrespective of its artistic merit or aesthetic value.[560]

The "expression in a visual medium," as the central characteristic of artistic works, corresponds with the key requirement for protection of industrial designs, which have to be capable of being applied to an article in such a way that the article to which it has been applied shows to the eye the particular shape, configuration, pattern or ornament, the conception or suggestion of which constitutes the design.[561] In other words, based on their appearance, artistic works could be viewed as industrial designs and *vice versa*, which raises key questions for assessing the purposes of industrial design rights: why was a different regulatory scheme created for works that would otherwise be protected under copyright law and why are industrial design rights so much shorter in duration than copyrights? The answers to these questions lie in the context in which the industrial design rights operate. The first English industrial design statutes the *Copyright of Design Act* of 1839[562] and the *Design Act* of 1842[563] indicated that the rights applied to any article of manufacture. In 1843 this protection was extended to articles of manufacture having a

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[553] (UK), 17 Geo. III, c. 57.
[554] (UK), 6-7 Will. IV, c. 59.
[555] (UK), 54 Geo. III, c. 56.
[556] *Graves & Co. v. Gorrie*, (1900), 2 Can. Com. R. 186 (Ont. P.C.); *Mansell v. Star Printing & Publishing Co. of Toronto*, [1937] A.C. 872 (Ont. P.C.); *Tuck & Sons v. Priester*, (1887), L.R. 19 Q.B.D. 629 (C.A.).
[557] R.S.C. 1906, c. 70.
[558] *Ibid.* s. 4.
[559] *DRG Inc. v. Datafile Ltd.*, (1987), 18 C.P.R. (3d) 538, 1987 CarswellNat 765, 17 C.I.P.R. 136, 15 F.T.R. 174, [1988] 2 F.C. 243 (F.C.T.D.) at 550; aff'd (1991), 35 C.P.R. (3d) 243 (F.C.A.).
[560] *King Features Syndicate Inc. v. O. & M. Kleemann Ltd.*, [1941] 2 All E.R. 403 (H.L.); *Hildesheimer & Faulkner v. Dunn & Co.* (1891), 64 L.T. 452 (C.A.).
[561] *Pugh v. Riley Cycle Co.*, (1912), 29 R.P.C. 196 at 202.
[562] (UK), 2 Vic., c. 17.
[563] (UK), 5 & 6 Vic., c. 100, as amended (UK), 6 & 7 Vic., c. 65.

utilitarian function,[564] and in 1907, in new *Patents and Designs Act*,[565] the protection was further extended to features of shape, configuration, pattern, or ornament applied to any article by any industrial process or means.

Looking at the simultaneous development of copyrights and industrial design rights, it appears that both subject matters did not differ in key characteristics. Instead, it was the context in which they were used that distinguished them. Unlike artistic works, otherwise copyrightable industrial designs are applied to useful articles in industrial processes of mass production. While the nature of industrial designs is identical with the nature of artistic works, it appears that the purpose of industrial design rights is not so much to promote the creation of new designs/artistic works—that purpose is promoted by copyrights—but rather to encourage application of the copyrightable artistic works in the industrial context of mass production and make them more available to the general public in this way. Some scholars support such conclusion.[566] This conclusion is supported by the fact that it is not the application of an artistic work to a useful article that removes the work from copyright protection; instead, the production of those articles in substantial quantity has this effect.[567] And because it is the only significant difference between both subject matters, it must also be the reason for the starkly different duration of both rights. Courts have not discussed the balance of rights in the industrial design segment of the intellectual property system yet, but it appears that because the rights are exploited industrially they offer potentially higher economic benefits to their owners in a given time than copyrights would do. For this reason, vesting industrial rights in the public sooner than what the copyright law would offer results in more appropriate balance of rights in this area of law—the incentives are sufficient to promote the adoption of artistic works into industrial context without "inefficient" overcompensation of the owners of the creations.[568]

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[564] *Ibid.*
[565] (UK), 7 Ed. VII, c. 29, as amended by 4 & 5 Geo. V, c. 8; 9 & 10 Geo. V, c. 80; 18 Geo. V, c. 3; 22 & 23 Geo. V, c. 32.
[566] Tawfik, "When intellectual rights converge," *supra* note 74 at 270.
[567] Section 64(2)(a) of the *Copyright Act*, *supra* note 28, sets the number at 50 articles. Consequently, it is possible to have valid design right registration and maintain copyright protection for the design if the number of manufactured useful articles embedding the copyrighted work is below 50. Of course, such double protection would not give any advantage as copyrights offer far greater protection than industrial design rights.
[568] *Théberge*, *supra* note 39.

If the purpose of the industrial design rights is to promote application of copyrightable artistic works to useful articles in the industrial context of mass production, and the relatively short duration of the rights is reflective of the balance of rights in this segment of the intellectual property system, allowing trademark rights to be used as means for extending industrial design rights indefinitely will inevitably lead to undermining the purposes of this area of law by creating a form of "mutant" industrial design rights. As explained by the US Supreme Court in *Dastar* in the context of copyrights and trademark rights, using trademark rights to extend the duration of industrial design rights indefinitely will eliminate "carefully crafted bargain" in the industrial design law under which, once the rights protecting the design has expired, the public may use the design at will.[569]

The adverse effects of the overlaps will be felt in trademark law as well. Because industrial designs are often product specific, when trademark rights will begin to function effectively like industrial design rights, the ability of competitors to use the trademark protected design outside of the general class of wares used in association with the trademark/design will be limited, unless application of s. 13(3) of the *Trade-marks Act* is justified. Trademark rights will in practice become industrial design rights of indefinite duration. One might respond that this objection could be raised with respect to any distinguishing guise, but such argument would ignore the requirement of acquired distinctiveness that distinguishing guises have to meet before acquiring protection while industrial designs do not.

Most industrial designs qualify for trademark protection as distinguishing guises.[570] However, before a distinguishing guise can be registered as a trademark, it has to acquire distinctiveness.[571] To satisfy the test of acquired distinctiveness, it is not sufficient that a distinguishing guise is merely distinctive in channels of trade as, for example, to the manufacturer or wholesaler, but it must be distinctive to those who are probable purchasers,

[569] *Dastar*, *supra* note 497 at 2048.
[570] In fact, this overlap involves more than industrial design rights and copyrights. Industrial designs as a subject matter are basically artistic works operating in a defined industrial context; therefore, copyrights are also implicated in this analysis. The issue of overlap between copyrights and industrial design right is discussed in chapter IV.4.
[571] *Trade-Marks Act*, *supra* note 27, s. 13(1)(a).

including the consumers. The proof of acquired distinctiveness requires substantial recognition of the trademark secondary meaning in the territorial area in Canada in issue. An applicant has to show that the trademark distinguishes wares in a restricted area in which registration is sought. The test for determining distinctiveness was stated by the Federal Court of Appeal in the following way:

> [D]istinctiveness is to be determined from the point of view of an everyday user of the wares in question and that the trade-mark must be considered in its entirety and as a matter of first impression.[572]

On several occasions, the Trade Marks Opposition Board held that the test for acquired distinctiveness is difficult to satisfy and will require a significant amount of sales during a significant period of time to be met.[573] Each application for trademark registration is determined on a case-by-case basis but the magnitude of the applicant's sales must be substantial. Thus, for example, while in *Toronto Salt & Chemicals Ltd. v. Softsoap Enterprises Inc.*, the Board found that evidence of sales in excess of $4 million in the five-year period prior to the application was not *per se* insufficient with respect to the period of use and quantities sold in Canada,[574] in *Holiday Juice Ltd. v. Sundor Brand Inc.* the Board decided that "sales figures for the applicant's product totalling approximately $500,000 to $600,000 for the three or four year period prior … would appear to be far from sufficient to satisfy the 'heavy burden' on the applicant."[575] Overall, the cases appear to suggest that it will take at least four or five years and sale in amount of at least several million of dollars during that period of time to acquire the distinctiveness necessary for registration of a distinguishing guise. And till the distinguishing guise acquires distinctiveness required for protection of the *Trade-marks Act*, any competitor can use it with impunity, unless industrial design rights interfere.

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[572] *Molson Breweries, A Partnership v. John Labatt Ltd.* (2000), 5 C.P.R. (4th) 180 (Fed. C.A.); leave to appeal refused (2000), 261 N.R. 398 (note) (S.C.C.) at para. 61. See also: *Novopharm Ltd. v. Astra AB* 2004 CarswellNat 2240 (T.M. Opp. Bd.) at para. 22; *Canadian Tire Corp. v. Hunter Douglas Inc.* (2010), 2010 CarswellNat 310 (T.M. Opp. Bd.); *Parke Davis v. Empire Laboratories*, (1963), 41 C.P.R. 121 (Can. Ex. Ct.); *Calumet Manufacturing v. Mennen*, (1991), 40 C.P.R. (3d) 76 (F.C.T.D.).
[573] See e.g. *Toronto Salt*, *infra*; *Holiday Juice*, *infra* note 575.
[574] (1993), 50 C.P.R. (3d) 549 (T.M. Opp. Bd.) [*Toronto Salt*].
[575] (1990), 33 C.P.R. (3d) 509 (T.M. Opp. Bd.) at para. 15 [*Holiday Juice*].

The ability of industrial design rights to function as a springboard for acquiring distinctiveness of a guise or as pre-distinguishing guise rights preventing competitors from adopting similar trademarks, before the guise acquires distinctiveness and qualifies for registration under the *Trade-marks Act*, has adverse effects on the balance of rights in trademark law by undermining "the public right to competition."[576] Allowing industrial design rights to operate in this way would be contrary to the view of the Supreme Court of Canada, which "requires consideration of the interest of the public and other merchants and the benefits of open competition" and not only "the interest of the trade-mark owner" to ensure the proper balance of rights in trademark law. Describing the balance of rights in trademark law more specifically, the Supreme Court stated that it involves two competing interests—"free competition and fair competition."[577] But this balance cannot be assessed in isolation from the core purpose of trademark law, which is to ensure proper identification of the source for various wares and services. In practical terms, it means that a trademark that is distinctive is protected by trademark rights because to hold otherwise would deny fairness to the trademark owner, while non-distinctive trademarks are not protected because to hold otherwise would undermine free competition in marketplace.[578]

Using industrial design rights to expand protection for distinguishing guises unavailable otherwise under the *Trade-marks Act* will most certainly distort this balance of rights in trademark law and undermine the purposes of this segment of the intellectual property system.[579] Allowing an owner of a design to prevent the general public from using the design as a trademark, even though it has not acquired a secondary meaning in the marketplace, pointing to the design owner as the source of the wares, would effectively eliminate free competition—an indispensable part of the balance of rights in trademark law. In a way, the industrial design regime would effectively function as a registration of

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[576] *Pink Panther*, *supra* note 36 at 257.
[577] *Mattel*, *supra* note 18 at para. 21.
[578] Sheldon W. Halpern, "A High Likelihood of Confusion: *Wal-Mark*, *Traffix*, *Moseley*, and *Dastar*-the Supreme Court's New Trademark Jurisprudence," (2005) 61 NYU Annual Survey of American Law 237.
[579] Moffat, "Mutant Copyrights," *supra* note 107 at 1518-1519. See also Antoon Quaedvlieg, "Concurrence and Convergence in Industrial Design: 3-dimensional Shapes Excluded by Trade Mark Law," in Grosheide and Brinkhof, eds., *Intellectual Property Law*, *supra* note 78; Stephanie M. Greene, "Separating Form From Function: *Marketing Displays, Inc. v. Traffix Devices, Inc.*" (2001) 34 Business Law Review 59.

proposed distinguishing guises, which is not authorized under the *Trade-marks Act*. This problem was recognized by the Royal Commission on Patents, Copyright, Trade Marks and Industrial Designs, which in its 1958 studies recommended denial of trademark protection for industrial designs at least for some time after the industrial design rights expire.[580] In this way the general public would be able to adopt the design after the design rights expire and prevent the former owner of the design from claiming distinctiveness in the expired design to claim trademark rights.

5. Trademarks and personality rights[581]

The tort of appropriation of personality was introduced into Canadian law in the *Krouse v. Chrysler Canada Ltd.* case.[582] It involved a football player in the CFL league who wore number 14 on his jersey. Chrysler, a car manufacturer, launched an advertising campaign for its car line-up and as part of that promotion it distributed a device containing pictures of football players recognizable by their jersey numbers and cars produced by the defendant. Krouse commenced an action claiming, *inter alia*, that use of his picture by the defendant publicly and without his consent was wrongful and warranted remedy in common law.[583] Despite the novelty of the claim, the Ontario Supreme Court agreed with the plaintiff's argument and explained:

> It is obvious from the copy, the colour and the design, that Chrysler is using the Spotter in an attempt to identify itself with football. The picture is a crucial piece of the identification process, and Krouse is the focal point of it, and the only identifiable figure in the picture. Whether intended or not, Krouse is being used in the advertisement of the cars. His identity cannot be severed from the ad qualities of the Spotter and treated as mere flavouring. The picture, and he, are essential elements of the ad. Since Krouse is being used in the advertisement, I find as a fact

[580] *Report on Industrial Designs* (Ottawa: Queen's Printer, 1958) at 33.
[581] Five paragraphs describing the facts of three cases on pages 184-187 were derived from this author's paper, Robert Tomkowicz, "Appropriation of Personality – The Tort for Digital Future," April 2005, [unpublished], previously submitted for DCL 7310 course in partial fulfillment of the requirements of the LL.M. with Concentration in Law and Technology at the University of Ottawa. Professor Judge taught the course. All ideas and expressions contained in this thesis are this author's alone.
[582] (1972), D.L.R. (3d) 49, 1971 CarswellOnt 300, [1972] 2 O.R. 133, 5 C.P.R. (2d) 30 (Ont. H.C.) [*Krouse*, cited to CarswellOnt].
[583] *Ibid*. at para. 10.

> that there is definite, if faint, implied endorsement of the cars. This finding is not necessary to my determination of this action, as the mere identifiable use of Krouse in the Spotter in this manner would be sufficient to constitute a tort.[584]

While the Court of Appeal reversed the lower Court's decision based on facts,[585] it did recognize the newly created tort by stating that "the common law does contemplate a concept in the law of torts which may broadly be classified as an appropriation of one's personality."[586]

The existence of personality rights was soon confirmed in another Ontario case—*Athans v. Canadian Adventure Camp Ltd*.[587] It involved a professional athlete who achieved the highest national and international recognition in water skiing. He exploited his image using a distinct photograph showing him in performance and displaying what was considered his unique personal style of water skiing. This photograph was taken by a professional photographer and purchased by Athans. It was regarded as personal "trademark" of the plaintiff and was printed on his letterheads and business cards.[588] The photograph appeared also on Athans's promotional materials and in other advertisements. The defendant created a graphic representation of that photograph and used it in his advertisement promoting summer camps for water skiers. Even though the defendant's depiction was not intended to represent the plaintiff, there was a striking similarity between the drawing and the plaintiff's photograph.[589] Athans sued, alleging both passing off and appropriation of personality.

The claim of passing off was quickly dismissed by the Ontario Supreme Court, which found that there was no likelihood of confusion between the plaintiff's business and that of

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[584] *Ibid*. at para. 37.
[585] *Krouse v. Chrysler Canada Ltd. et al*. (1973), 40 D.L.R. (3d) 15, 13 C.P.R. (2d) 28, 1973 CarswellOnt 884, 1 O.R. (2d) 225 (CA) [*Krouse CA*, cited to CarswellOnt].
[586] *Ibid*. at para. 38.
[587] (1977), 80 D.L.R. (3d) 583, 1977 CarswellOnt 453, 4 C.C.L.T. 20, 17 O.R. (2d) 425, 34 C.P.R. (2d) 126 (Ont. H.C.) [*Athans*, cited to CarswellOnt].
[588] *Ibid*. at para. 6.
[589] *Ibid*. at para. 11.

the defendant.[590] In particular, the evidence suggested that only the most knowledgeable persons familiar with the sport of water skiing would identify Mr. Athans from the drawings.[591] After analyzing the appropriation of personality claim, however, the Court found that Athans' personality rights were "invaded." The Court declared that "Athans ha[d] a proprietary right in the exclusive marketing for gain of his personality, image and name, and that the law entitle[d] him to protect that right."[592] And because "the reproduction for commercial advantage of the photograph in the form which it took was an invasion of Mr. Athans' exclusive right to market his personality," the defendants were liable for appropriation of plaintiff's personality.[593] *Athans* confirmed the existence of the nascent tort in Canadian law but it also introduced some uncertainty about its scope—the Ontario Supreme Court appeared to endorse liability based on mere use—even in the absence of recognition of plaintiff's image.

The issue of recognition was revisited in the *Joseph v. Daniels* case involving a plaintiff with a non-celebrity status.[594] Joseph was an amateur bodybuilder who posed for a photograph in exchange for a small fee. The photograph was commissioned by *Vancouver Magazine* and was to be used to publicize a cat show. The photograph depicted a grey kitten against the background of a black bodybuilder's torso. The photograph framed the plaintiff's torso without showing his face. Joseph understood that the photograph would be used only to publicize the show and refused to sign Daniels' standard release form for unrestricted use of the photograph. To the surprise of the defendant, the photograph won an award for graphic design and acquired international fame. After receiving several offers from investors willing to produce posters of the picture, Daniels decided to invest his own money in the production of posters, mini-posters, and cards made with the photo. Attempts to locate Joseph and obtain a release failed at which point Daniels chose to proceed without authorization. Joseph sued, *inter alia*, for infringement of personality rights.

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[590] *Ibid*. at para. 23.
[591] *Ibid.*
[592] *Ibid*. at para. 24.
[593] *Ibid*. at para. 28.
[594] (1986), 11 C.P.R. (3d) 544, 1986 CarswellBC 172, 4 B.C.L.R. (2d) 239 [*Joseph*, cited to CarswellBC].

In *Joseph* the British Columbia Supreme Court rejected the plaintiff's claim because it found that the defendant made a conscious effort to design his composition in such a way as to "avoid any reference to the identity of the person providing the background for the picture."[595] Since Joseph could not be identified by a viewer of the photograph, none of his "proprietary interests associated by the public with [his] individuality" were appropriated.[596] The Court explained that "[f]or the defendant to be found liable, he must be taking advantage of the name, reputation, likeness or some other component of the plaintiff's individuality or personality which the viewer associates or identifies with the plaintiff."[597] In this statement, the British Columbia Supreme Court clarified that personality rights are infringed only when there is some recognition or identification of the image or likeness of the plaintiff by the public.[598]

Since *Krouse*, personality rights were recognized and delineated in numerous Canadian cases in a variety of contexts. This new tort has been invoked to protect personality interests of sportsmen,[599] a professional actor,[600] wealthy family,[601] an amateur bodybuilder,[602] and heirs of a famous pianist.[603] Based on these decisions, it appears that the purpose of personality rights is to create a form of a monopoly over commercial exploitation of one's image that the individual projected into minds of the public.[604] The image can take different forms, not necessarily associated with appearance or other characteristics of ones body. Thus, in *Krouse*, the Trial Court found that the plaintiff's

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[595] *Ibid*. at para. 15.
[596] *Ibid*.
[597] *Ibid*. at para. 14.
[598] See also *Mavis v. Lavoie*, [2000] N.B.J. No. 527, 2000 CarswellNB 562 (N.B. Small Cl. Ct.).
[599] *Krouse*, *supra* note 582; *Athans*, supra note 587; *Racine v. C.J.R.C. Radio Capitale Ltee*. (1977), 17 O.R. (2d) 370 (Co. Ct.) [*Racine*]; *Horton v. Tim Donut Ltd.* (1997), 75 C.P.R. (3d) 451 (Ont. Ct. (Gen. Div)), affd 104 O.A.C. 234, 75 C.P.R. (3d) 467 (C.A.).
[600] *Heath v. Weist-Barron School of Television Canada Ltd*. (1981), 62 C.P.R. (2d) 92 (Ont. H.C.).
[601] *Baron Philippe de Rothschild, S.A. v. La Casa de Habana Inc*. (1987), 19 C.P.R. (3d) 114 (Ont. H.C.) [*Baron Philippe de Rothschild*].
[602] *Joseph*, supra note 594.
[603] *Gould Estate*, *supra* note 203.
[604] Attempts to use personality rights to protect dignitary interests as opposed to commercial interests in Canada so far proved to be unsuccessful. Thus the question whether the tort of appropriation of personality operates outside of commercial context still remains unanswered; see *Dowell et al. v. Mengen Institute et al*., (1983), 72 C.P.R. (2d) 238 (Ont. H.C.); *Shaw v. Berman*, (1997), 72 C.P.R. (3d) 9 (Ont. H.C.).

personality rights were infringed upon,[605] even though the plaintiff's face did not appear on the objectionable picture. Similarly, in *Athans* the plaintiff was successful even though the infringing drawings depicted only the shape of a person. What was common in both cases was that the plaintiffs could be associated with the portrayal of the image. This result can be contrasted with unrecognizable use of plaintiff's image in *Joseph*, which proved to be decisive in that case. These and other cases suggest that to be successful in appropriation of personality claims, the plaintiff has to be able to establish the existence of a mental link, in the form of recognition, between the image or likeness used by the defendant for commercial purposes and the plaintiff. The commercial context almost inevitably involves association of the image or likeness with some wares or services. Interestingly, these purposes correspond to a large extent with the purposes of trademark law. The main purpose of trademark rights is to protect the mental link in mind of the public between a trademark and the wares or services marked,[606] a purpose closely aligned with the purposes of personality rights.

In addition to the tort of appropriation of personality, interests in personality can also be protected under sections 9(1)(k) and (l) of the *Trade-marks Act*, which prohibit the use of marks that may falsely suggest a connection with any living individual or that are a portrait or signature of any individual who is living or has died within the preceding 30 years—whether such mark is used as a trademark or for any other purposes. These provisions state as follows:

> 9 (1) No person shall adopt in connection with a business, as a trade-mark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for,
>
> …
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> (*k*) any matter that may falsely suggest a connection with any living individual;

[605] The Court of Appeal reversed judgement of the lower court for other reasons, see *Krouse CA*, *supra* note 585.
[606] *Pink Panther*, *supra* note 36 at 257-258.

> (*l*) the portrait or signature of any individual who is living or has died within the preceding thirty years;
>
> …

Thus, sections 9(1)(k) and (l) can be used to prevent commercialization of one's image in the same way common law personality rights can be used. It is also worth noting that s. 9 in general creates rights that are somewhat different from other trademark rights in the *Trade-marks Act* in a way that makes rights under this section resemble personality rights.

Generally, trademark rights can be found infringed upon when a protected mark is used in a way that leads to confusion about sources of wares or services associated with it. In this way, trademark rights fulfil their purpose of acting as a "certificate of origin" for marked wares. But it also means that the protected mark can be used legally by the public and even competitors of the trademark's owner in a variety of ways that do not affect this purpose. For example, a competitor can use the mark in comparative advertising,[607] or adopt it for use in association with different general class of wares or services when there is no likelihood of confusion.[608] Section 9, however, operates differently: It creates prohibition for adopting and using certain categories of marks and gives privileges to certain institutions for adopting these categories of marks. What is most important in section 9, from the perspective of correlation between personality rights and trademark rights, is that it does not employ the concept of confusion to determine its application. Instead, it uses a test that is similar to the requirement of resemblance in personality rights. A mark offends section 9 when it is "identical to the official mark or so nearly resemble it so as to be likely to be mistaken for it."[609]

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[607] Comparative advertising is extensively discussed in chapter IV.3 in the context of overlaps between copyrights and trademark rights.

[608] *Toyota*, *supra* note 473.

[609] *Vancouver Organizing Committee for the 2010 Olympic & Paralympic Winter Games v. Bester*, 2009 CarswellNat 3269 (T.M. Opp. Bd.) at para. 15. See also: *Assoc. Olympique Canadienne c. Coopérative Fédérée de Québec*, (2000), 7 C.P.R. (4th) 309, 2000 CarswellNat 1202, 2000 CarswellNat 1203, [2000] F.C.J. No. 842, 183 F.T.R. 290 (F.C.T.D.); additional reasons at (2000), 2000 CarswellNat 2627, [2000] F.C.J. No. 1725, 8 C.P.R. (4th) 429, 195 F.T.R. 216 (F.C.T.D.); affirming (1997), 77 C.P.R. (3d) 232, 1997 CarswellNat 2947, 1997 CarswellNat 2948 (T.M. Opp. Bd.). The new test is an evolution of the earlier strict resemblance test for infringement of s. 9 of the *Trade-marks Act*, *supra* note 27; see *Canadian Olympic Assn. v. Flame Pizza Ltd.*, (1990), 34 C.P.R. (3d) 447 at 451 (T.M. Opp. Bd.); *Canadian Olympic Assn. v. Holmont Industries Ltd.*, (1986), 13 C.P.R. (3d) 308 (T.M. Opp. Bd.).

The similarity of the tests under section 9 of the *Trade-marks Act* and the appropriation of personality tort can be seen when an image or likeness of a look-alike person is used in a commercial context. This situation has not yet been considered by Canadian courts in the context of plaintiff's likeness, but was adjudicated in the *Onassis v. Christian Dior* case by the New York Supreme Court.[610] This case involved advertisements of Christian Dior wardrobes featuring a Jacqueline Onassis look-alike double in surroundings suggesting the appearance of the plaintiff. Jacqueline Onassis sued Christian Dior for trying to capitalize on her popularity in an advertising campaign and succeeded. The Court held that the exact duplication of the plaintiff's appearance was not necessary to make out a cause of action, so long as the overall impression created clearly was that Jacqueline Onassis had herself appeared in the advertisement.[611]

The same result would most likely be reached in Canada under personality rights as long as the plaintiff could be recognized or identified from the "impostor's" appearance. But the same result could also happen if the claim was pursued under sections 9(1)(k) and (l) of the *Trade-marks Act*. Canadian courts interpreted the requirement of "resembling" as being satisfied when a mark in question is likely to be mistaken for the "original," which would be satisfied on the facts in *Onassis*. Consequently, sections 9(1)(k) and (l) of the *Trade-marks Act* and the tort of appropriation of personality can be used for protection of personality rights in similar way. This possibility can be illustrated with the example of the *Baron Philippe de Rothschild* case.[612] In this case the plaintiffs sought an interlocutory injunction to restrain the defendants from using a sign to identify their commercial operation using the words "Rothschild at Yorkville." The plaintiff represented the Rothschild family, which is synonymous with wealth and luxury. The plaintiff claimed both infringement of section 9(1)(k) and personality rights. The Court found that the defendant, being aware of the Rothschild family's status, adopted the Rothschild name to indicate quality and give prestige to his shop. Consequently, the Court held that the

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[610] 472 N.Y.S.2d 254 (N.Y. Sup. Ct. 1984) [*Onassis*].
[611] *Ibid.* at 262. See also *Midler v. Ford Motor*, 849 F.2d 460 (9th Cir. 1988) [*Midler*],where use of a voice imitating Bette Midler performance in Ford's commercial was found to be infringing.
[612] *Baron Philippe de Rothschild*, *supra* note 601.

defendant infringed both section 9(1)(k), by using mark that falsely suggested connection with living individuals, and personality rights, by commercially exploiting the plaintiff's name without permission. Although the Court did not discuss the issue of recognition of the plaintiff's name, it was implicit in the Court's decision.

The issue of recognition, as the common test for section 9 and appropriation of personality infringement, was clarified in the *Carson v. Reynolds* case.[613] It involved an appeal from the Registrar's decision to permit registration of HERE'S JOHNNY as a trade mark to be used in association with portable trailers and outhouses. The appellant/opponent was the host of the well known television program "The Tonight Show Starring Johnny Carson." Each program started with the words of the introduction "And now, here's Johnny!," which acquired recognition among the general public as identifying the appellant and his program. The Federal Court allowed the appeal and refused the registration. Referring to sections 9(1)(k) and (l), the Court explained that these provisions are "clearly aimed at the prohibition of the commercial exploitation" of listed institutions and persons.[614] This indicates that sections 9(1)(k) and (l) of the *Trade-marks Act* can be used in similar ways as personality rights, as long as there is sufficient recognition of the persona in Canada.[615]

Despite the strong similarities between personality rights and sections 9(1)(k) and (l) of the *Trade-marks Act*, there are also some differences between them. One of the dissimilarities may involve different territorial application of the rights. Generally, statutory trademark rights apply to the entire territory of Canada.[616] But the tort of appropriation of personality is enforced provincially and may be further restricted territorially by limited recognition of a particular image or likeness by the public. Therefore, an image or likeness may be

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[613] *Carson v. Reynolds*, (1980), 49 C.P.R. (2d) 57, 1980 CarswellNat 68, [1980] 2 F.C. 685, 115 D.L.R. (3d) 139 (F.C.T.D.) [*Carson*, cited to CarswellNat].
[614] *Ibid.* at para. 8.
[615] *Waltrip v Boogiddy Boogiddy Racing Inc.*, 2007 CarswellNat 4096, 2007 CarswellNat 4097, 64 C.P.R. (4TH) 357 (T.M. Opp. Bd.); *Daniel E. Aykroyd & Judith Belushi Pisano, A Partnership v. Brews Brothers Coffee Corp.*, 1997 CarswellNat 2935, 83 C.P.R. (3d) 230 (T.M. Opp. Bd.); *Bousquet v Barmish Inc.*, 48 F.T.R. 122, 1991 CarswellNat 878, 37 C.P.R. (3d) 516, [1991] F.C.J. No. 813 (Fed. T.D.); *Fawcett v. Linda Lingerie Manufacturing Inc.*, 3 C.I.P.R. 180, 1984 CarswellNat 594, 2 C.P.R. (3d) 198 (T.M. Opp. Bd.).
[616] There are some exceptions to this rule. For example, protection of a registered trademark can be limited geographically by acquired distinctiveness in some situations, see e.g. *Trade-Marks Act*, *supra* note 27, s. 32(2). Section 9 rights, however, are not affected by those limitations.

protected by publicity rights only in parts of Canada, resulting in a narrower geographical application *versus* prohibited marks provisions in the *Trade-marks Act*.

Another important difference between trademark rights and personality rights is the requirement of damages for successful appropriation of a personality claim. Whether a plaintiff has to prove actual damages or tort is actionable *per se*, without the need to show actual damage, to a large extent determines the effectiveness of a cause of action. While this issue has not been resolved definitively in the context of personality rights, the majority of decisions required proof of actual damages for a successful claim of personality rights. For example, the Court of Appeal in *Krouse* stated that "the plaintiff must prove both injury and damages if he is to succeed in the action."[617] Similarly, in *Holdke v. Calgary Convention Centre Authority*,[618] the Alberta Provincial Court rejected a claim of a trick roper for unauthorized use of his performance in an advertising for Canada's Cowboy Festival because the plaintiff did not prove "the commercial value of the assets he owns and which has been misappropriated,"[619] which prevented recovery.[620] The issue of damages is important for the protection of individuals with non-celebrity status, as there may not be a relevant market to measure value of the economic loss. Sections 9(1)(k) and (l), on the other hand, create absolute prohibition for the commercial exploitation of a living individual's image, regardless of injury or damage.[621] Consequently, for those persons trademark law may offer better protection.

Undoubtedly, there is an overlap between statutory protection of personality rights under sections 9(1)(k) and (l) of the *Trade-marks Act* and the common law tort of appropriation of personality, which allows for pursuing both these claims jointly.[622] This overlap, however, is not overly alarming. First, there is little difference in the scope of protection offered by the common law and statutory regimes or the required elements of both claims. And

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[617] *Krouse CA*, *supra* note 585 at para. 36.
[618] *Holdke v. Calgary Convention Centre Authority* (2000), 265 A.R. 381, 2000 CarswellAlta 523, 2000 ABPC 80 (Prov. Ct.) [cited to CarswellAlta].
[619] *Ibid*. at para. 20.
[620] But *cf*. *Racine*, *supra* note 599, where the Court found the tort to be actionable *per se*.
[621] *Carson*, *supra* note 613 at para. 8 [cited to CarswellNat]; *Villeneuve v. Mazsport Garment Manufacturing Inc*., (2005), 50 C.P.R. (4th) 127, 2005 CarswellNat 2902 (T.M. Opp. Bd.) at para. 50 [cited to CarswellNat].
[622] See e.g. *Baron Philippe de Rothschild, supra* note 601, where the plaintiff successfully made both claims.

because the purposes of both regimes are closely aligned, the risk of misusing such differences, like the proof of damages, appears to be negligible. Nothing suggests that the tort of appropriation of personality cannot coexist with sections 9(1)(k) and (l) of the *Trade-marks Act* in the same way the tort of passing off coexists with sections 7(b) and (c) without undermining the purposes of either of these regimes. Indeed, since the *Trade-marks Act* is often more suitable for protecting personality interests,[623] the common law personality rights could evolve in the future to extend their reach into the sphere of dignitary interests and thus more complement sections 9(1)(k) and (l) of the *Trade-marks Act* rather than duplicate them.[624]

[623] Most celebrities recognize potency of trademark rights and register their names and likenesses as trademarks; see e.g. TMA524855 for face design of Jacques Villeneuve and Application number 0850276 for name Jacques Villeneuve registered by Jacques Villeneuve; TMA666631 for name Celine Dion registered by Celine Dion; TMA739326 for name Shania registered by .Shania Twain.

[624] Some recent cases suggest that the tort of appropriation of personality might be moving this direction; see e.g. *Poirier v. Wal-Mart Canada Corp*., 2006 BCSC 1138, [2007] B.C.W.L.D. 131, [2007] B.C.W.L.D. 132, [2007] B.C.W.L.D. 153 (B.C.S.C.).

IV. COPYRIGHT LAW

> 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.
>
> Justice William Binnie,
> Supreme Court of Canada[625]

> [I]n order to protect the essential balance which lies at the heart of copyright law, care must be taken to ensure that copyright protection is not allowed to extend beyond the legitimate interests of a copyright holder.
>
> Justice Michel Bastarache,
> Supreme Court of Canada[626]

Copyright law is the segment of the intellectual property system most predisposed to overlaps with other segments. Two factors lead to this conclusion. First, unlike most of the other intellectual property rights, copyrights arise automatically without any formalities once a copyrightable work is created and fixed in a tangible medium. Consequently, when a new technology with hybrid characteristics or new means for expressing traditional subject matter is developed, it may automatically fall under protection of copyright law in addition to other intellectual property rights, whether or not its owner is interested in acquiring this protection. Copyright also has a longer duration than most other intellectual property rights, which encourages subsequent use of overlapping copyrights when the other intellectual property monopoly expires. And second, since the inclusion of computer programs as a subject matter is protected by copyright law, this segment of the intellectual property

[625] *Théberge, supra* note 39 at para. 30.
[626] *Kraft, supra* note 22 at para. 80.

system expanded its protective umbrella into many forms of technology. This evolution is ongoing and slowly turns copyrights into a scheme that controls access to many technologically advanced products. In this context, the purpose of copyright law is being replaced with purposes normally associated with patent law. This issue is further explored in this chapter.

1. Purposes of copyright law

Determining the purposes of Canadian copyright law is a difficult task. Neither the *Constitution Act* of 1967[627] nor the *Copyright Act* pronounces such purposes. However, looking at the development of copyright law from a historical perspective and categorizing works protected under its umbrella can be helpful in delineating the functions of copyrights today.

Copyright law evolved over time and its protected subject matters have been constantly changing. The first English copyright statute enacted in 1709, *Statute of Anne*, was limited to the protection of books. The purpose of this statute was explicitly stated in its preamble: It was enacted "for the Encouragement of Learned Men to Compose and Write useful Books."[628] This declaration leaves no room for speculation about the role of the first copyright regime. At its inception, copyright law's purpose was simply to promote creativity in the form of books. The *Statute of Anne* was quickly supplemented by other statutory regimes establishing protection for new subject matters. Thus, copyright law was expanded to include engravings in 1734,[629] sculptures in 1814,[630] and lithographs in 1852.[631] Protection of dramatic works was added in 1833,[632] and when the *Statute of Anne* was replaced by the *Copyright Act* of 1842,[633] musical works were added to its protected subject matters. Copyright monopoly further extended to fine arts, including paintings,

[627] (UK), 30 & 31 Vict., c. 3.
[628] *Statute of Anne*, *supra* note 12.
[629] *Engraving Copyright Act, 1734* (UK), 8 Geo. II, c. 13, subsequently replaced by *Engraving Copyright Act, 1766* (UK), 7 Geo. III, c. 38, *Prints Copyright Act, 1777* (UK), 17 Geo. III, c. 57, and *Prints and Engravings Copyright Act, 1836* (UK), 6-7 Will. IV, c. 59.
[630] *Sculpture Copyright Act, 1814* (UK), 54 Geo. III, c. 56.
[631] *International Copyright Act, 1852* (UK), 15-16 Vic., c. 12, s. 14.
[632] *Dramatic Copyright Act, 1833* (UK), 3-4 Will. IV, c. 15.
[633] (UK), 5-6 Vic., c. 45.

drawings, and photographs, in 1862.[634] This extremely fragmented nature of copyright law in the UK ended in 1911 when one uniform copyright law regime was created under the *British Copyright Act*.[635]

Canadian copyright law experienced similar developments. Because the British *Copyright Act* of 1842 applied to the entire British Dominion, even to colonies with their own copyright legislation,[636] the heritage of British copyright law, including its purposes, was adopted into the Canadian legal system.[637] The first modern Canadian legislation regulating copyrights was enacted in 1921.[638] It mostly followed the *British Copyright Act* of 1911 and repealed all the enactments relating to copyrights that had been passed by the Parliament of Great Britain so far as they were operating in Canada.[639] Its amended and consolidated version regulates copyrights in Canada today.[640]

The early development of copyright law and the nature of the new categories of copyrightable works added to the scope of copyright law appear to suggest that this area of law is concerned with the protection of rights related to broadly defined culture. While the term "culture" is very broad, it also refers to "refinement in intellectual and artistic taste."[641] Indeed, association of copyrights with culture and the development of cultural industries are uncontroversial and recognized internationally.[642] In an attempt to draw a crude line between copyright law and other areas of the intellectual property system, copyrights might be described as artistically inclined. This description is also supported by

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[634] *Fine Arts Copyright Act, 1862* (UK), 25-26 Vic., c. 68.
[635] (UK), 1 & 2 Geo. V, c. 46 [*British Copyright Act*].
[636] *Routledge v. Low*, (1868), L.R. 3 H.L. 100 (J.C.P.C.).
[637] *Smiles v. Belford*, (1877), 1 O.A.R. 436 (ON C.A.); *Durand & Cie v. La Patrie Publishing Co.*, (1960), 20 Fox Pat. C. 84 (S.C.C.); *Black v. Imperial Book Co.*, [1904] 35 S.C.R. 488.
[638] *Copyright Act*, S.C. 1921, c. 24.
[639] *Ibid*. s. 47.
[640] *Copyright Act*, *supra* note 28.
[641] *Webster's II New Riverside Dictionary* (New York: Houghton Mifflin Company, 1996), definition of "culture" [*Webster's Dictionary*].
[642] See e.g. "Copyright," online: UNESCO <http://portal.unesco.org/culture/en/ev.php-URL_ID=12313&URL_DO=DO_TOPIC&URL_SECTION=201.html>; Hon. Bruce Lehman, "Copyright, Culture and Development: The Role of Intellectual Property and of WIPO in the Cultural Industries" (A presentation to the Policy Advisory Commission of the World Intellectual Property Organization, Beijing, China, 22 May 2002), online: IIPI <http://www.iipi.org/speeches/Beijing_Culture_052202.pdf>; "Basic Notions About Copyright and Neighboring Rights," online: UNESCO <http://portal.unesco.org/culture/en/files/30671/11443368003faq_en.pdf/faq_en.pdf>.

the definition of the term "art," which refers to "creative or imaginative activity, especially the expressive arrangement of elements within a medium" and "a field or category of artistic activity, as literature, music, or ballet."[643] All the categories of copyrightable works, with the notable exception of computer programs falling under the category of literary works, fit neatly in this definition of "art" either directly or indirectly, by supporting distribution of the "art" to the public. The term "art", however, should be interpreted very broadly and include technical works in the literary, artistic and scientific domain, such as blueprints, graphs, or tables. In other words, this term refers to the mode of expression rather than quality or taste.

The traditional purpose of copyright law expressed in the *Statute of Anne* was recently confirmed in *Théberge* by the Supreme Court of Canada, which described the role of copyrights "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" and linked it to the purposes of the early British copyright law.[644] This correlation between proper balance of rights in the copyright regime and the ability of the copyright law to fulfil its purposes is also instructive in delineating the outer boundaries of copyright law and other segments of the intellectual property system overlapping with it.

A discussion about the purposes of Canadian copyright law also has to account for the role of moral rights. Moral rights are a relatively new addition to Canadian copyright law and represent the influence of the civil law tradition in the development of Canadian legal system. They give effect to the personal link between the author and his work and are separate and distinct from the economic rights associated with copyrights. Because, in theory, moral rights have a stronger link to the author than to economic rights, their purposes are different,[645] and they might, arguably, enjoy different treatment than other intellectual property rights or economic copyrights in the assessment of the effects of overlaps. This issue was considered by the European Court of Justice (ECJ) in the *Music-*

[643] *Webster's Dictionary*, *supra* note 641, definition of "art."
[644] *Théberge, supra* note 39 at para. 30.
[645] Unlike economic rights, moral rights cannot be assigned and can only be waived; *Copyright Act*, *supra* note 28, s. 14.1.

Vertrieb Membran v. GEMA case.[646] In this case, the Court had to decide whether the universal doctrine of exhaustion of intellectual property rights was inapplicable to copyright law due to existence of moral rights, as argued by the French government. The ECJ rejected this argument, saying:

> [T]he French government has argued that that case-law cannot be applied to copyright, which comprises *inter alia* the right of an author to claim authorship of the work and to object to any distortion, mutilation or other alteration thereof, or any other action in relation to the said work which would be prejudicial to his honor or reputation. It is contended that, in thus conferring extended protection, copyright is not comparable to other industrial and commercial property rights such as patents or trade-marks.
>
> It is true that copyright comprises moral rights of the kind indicated by the French government. However, it also comprises other rights, notably the right to exploit commercially the marketing of the protected work…
> While the commercial exploitation of copyright is a source of remuneration for the owner it also constitutes a form of control on marketing exercisable by the owner…From this point of view commercial exploitation of copyright raises the same issues as that of any other industrial or commercial property right.[647]

As accurately observed by the ECJ, because both economic and moral copyrights are designed to empower copyright owners to control the use of their creations, they are both subject to all copyright doctrines. The logic of the ECJ argument in *Music-Vertrieb* is also applicable to the issue of overlaps of intellectual property rights. Because moral rights are part of the *Copyright Act*, they are also part of the balance like any other intellectual property rights and therefore cannot be used to enlarge other segments of the intellectual property system.

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[646] *Music-Vertrieb Membran v. GEMA*, C-55/80 and 57/8019, [1981] E.C.R. 174, [1981] 2 C.M.L.R. 44 (E.C.J.) [*Music-Vertrieb*].
[647] *Ibid.* at paras. 11-13.

2. Copyrights and patent rights[648]

Copyright law and patent law are two very different regimes. Both are designed to encourage human creativity or inventiveness but their subject matters are not alike. Generally, copyright law is concerned with artistic creations in a variety of forms appealing to aesthetic senses or good taste. Patent law, on the other hand, deals with inventions that have very practical applications and is entirely divorced from aesthetics. Copyrights protect expressions, patents protect ideas. Also, both regimes differ significantly in scope and duration. Arguably, patent law offers stronger, but at the same time shorter protection. To prevent overlaps between these two areas and confusion of their purposes, intellectual property law developed the doctrine of functionality. But the ability of the doctrine to effectively divide patent law and copyright law has been limited in recent years by the appearance of new technologies that may escape application of the doctrine. Two such technologies—Technology Protection Measures (TPMs) and artificial engineering of genetic code—are particularly predisposed to cross the boundaries between copyright law and patent law.

A. TPM and DRM technology[649]

The term "right of access" refers to new category of rights established under international treaties mandating protection of intellectual property rights. Because the right of access is formulated within the framework of international copyright law, it may suggest that right of access is a form of copyright. However, more careful review of the subject matter protected by this right leads to serious doubts about its nature. The right of access is embedded in anticircumvention provisions in copyright statutes and prohibits disabling or tampering

[648] Analysis presented in this sub-chapter are based on analysis in Tomkowicz, "Right of Exclusive Access," *supra* note 85, Appendix I. This paper was subsequently published as Tomkowicz & Judge, "Right of Exclusive Access," *supra* note 85, Appendix II. Professor Judge supervised the LL.M. research and suggested editorial changes reflected in the publication. This thesis is a continuation and extention of the LL.M. research, which considered only the overlap between copyright law and patent law in the context of TPM/DRM technology. In particular, this thesis reiterates the ideas that the overlap of copyrights and patent righs in the context of TPM/DRM technology can be used by copyright holders to undermine important exemptions to patern rights, such as the doctrine of exhaustion, the doctrine of implied license, the right to build an invention for private and experimental use, and even create a substitute for patent monopoly, all of which has adverse effect on the balance of rights in patent law. All ideas derived from the LL.M. research and expressions contained in this thesis are this author's alone.

[649] Analysis presented in this section are based on analysis in Tomkowicz, "Right of Exclusive Access," *supra* note 85, Appendix I at paras. 16-24, see also Tomkowicz & Judge, "Right of Exclusive Access," *supra* note 85, Appendix II at paras. 16-24.

with technology protecting access to copyrighted works. Consequently, this right does not protect copyrighted works *per se* but rather protects technology which is coupled with those works. This, of course, leads to the question whether the right of access should be a part of copyright law, which historically has not applied to functional subject matters, or rather belongs in patent law, which is mainly preoccupied with technology. This problematic positioning of the right of access in copyright law has serious repercussions for overlaps between patent law and copyright law.[650]

The issue of legal protection for TPM technology became an international concern after it was raised during debates on international copyright reform at the World Intellectual Property Organization (WIPO). WIPO members recognized that TPM was vulnerable to circumvention and agreed to introduce some form of legal protection for the technology.[651] Subsequently, provisions mandating signatories to amend their domestic laws to include anticircumvention protection for TPM technology were included in two WIPO Treaties: the WIPO Copyright Treaty[652] and the WIPO Performances and Phonograms Treaty.[653] The anticircumvention provisions in the treaties have a similar wording and obligate signatories to "provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures."[654] The provisions protect TPMs that are effective, are used by authors to exercise copyright, and restrict acts not authorized by authors or permitted by law.

In 1998, the US became the first country to adopt anticircumvention provisions into its national copyright regime. The US enacted the *Digital Millennium Copyright Act*,[655] which

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[650] *Ibid.*
[651] Mihály Ficsor, *The law of copyright and the Internet: the 1996 WIPO treaties, their interpretation and implementation* (New York: Oxford University Press, 2002) at 384-387 and 403-406; Jörg Reinbothe & Silke von Lewinski, *The WIPO treaties 1996: the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty: Commentary and legal analysis* (London: Butterworths, 2002) at 135-147.
[652] *WIPO Copyright Treaty*, 20 December 1996, S. Treaty Doc. No. 105-17 (1997), 36 I.L.M. 65 (1997), art. 11 [WCT].
[653] *WIPO Performances and Phonograms Treaty*, 20 December 1996, S. Treaty Doc. No. 105-17 (1997), 36 I.L.M. 76 (1997), art. 18 [WPPT].
[654] WCT, *supra* note 544; WPPT, *ibid*. See also , Michael Geist, "The Case for Flexibility in Implementing the WIPO Internet Treaties: An Examination of the Anti-Circumvention Requirements," in Michael Geist, ed., *From "Radical Extremism," supra* note 91.
[655] Pub. L. No. 105-304, 112 Stat. 2860 [DMCA].

prohibits: circumventing TPMs to gain access to a copyright work;[656] trafficking in devices that can circumvent access control;[657] and trafficking in devices that can circumvent TPMs' limitations on copying and distribution.[658] These provisions have been interpreted broadly as giving copyright holders a right of access that is independent of the right to protected content. Under this interpretation, acquisition of a protected work does not necessarily involve acquisition of the right to access it. Most importantly, copyright law imposes few limits on exercise of this right of access through TPM technology, allowing the copyright holders to use it in ways that may offend purposes of copyrights.

Soon after, many other major industrialized countries followed the US in adopting the anticircumvention provisions into their copyright law. For example, Japan amended its copyright law in 1999 but its anticircumvention provisions are significantly different from the DMCA.[659] In particular, Japanese law appears not to prohibit the acts of circumvention directly but rather focuses on the infringement of copyrights.[660] It is thus narrower than the DMCA, protecting only those technological "measures [used] to prevent or deter such acts as constitute infringements."[661] The right of access is also defined narrowly. It applies only to devices which primary purpose is to circumvent technological protection measures in the course of enabling acts prevented by the statute. This separation of the right of access from the traditional reproduction rights minimizes the possibility of its unintended use.

Anticircumvention provisions were also implemented into European legal systems; however, due to the fragmented nature of the intellectual property system in the EU, the scope of the anticircumvention provisions in different European countries is not identical.

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[656] *Ibid.*, § 1201(a)(1)(A).
[657] *Ibid.*, § 1201(a)(2).
[658] *Ibid.*, § 1201(b)(2)(B).
[659] *Copyright Law*, 1971 Japan, Law No. 48, promulgated on May 6, 1970) (As amended by: Law No. 49, of May 18, 1978, Law No. 45, of May 19, 1981, Law No. 78, of December 2, 1983, Law No. 23, of May 1, 1984, Law No. 46, of May 25, 1984, Law No. 62, of June 14, 1985, Law No. 64, of May 23, 1986, Law No. 65, of May 23, 1986, Law No. 87, of November 1, 1988, Law No. 43, of June 28, 1989, Law No. 63, of May 2, 1991, Law No. 106, of December 16, 1992, Law No. 89, of November 12, 1993, Law No. 112, of December 14, 1994, Law No. 91, of May 12, 1995, Law No. 117, of December 26, 1996, Law No. 86, of June 18, 1997, Law No. 101, of June 12, 1998 and Law No. 56 of May 8, 2000, online: Copyright Research and Information Center < http://www.cric.or.jp/cric_e/clj/clj.html >.
[660] *Ibid.*, art. 120bis. However, art. 30 prohibits copying for permitted private use if circumvention affects effectiveness of the TPM.
[661] *Ibid.*, art. 2, def. "technological protection measures."

Although the European Parliament has been striving to harmonize the intellectual property systems of member states, there is still no uniform copyright regime in the EU.[662] In 2001, the Parliament passed a Directive mandating member states to provide adequate protection against circumvention of TPMs and against trafficking of circumvention devices.[663] But the role of this directive is more to set objectives rather than stipulate particular means to achieve them. Consequently, individual member states can comply with it, enacting somewhat different anticircumvention provisions into their legal systems.

Some signatories were less successful in implementing the anticircumvention provisions into their law. In 1997, Canada signed the WCT and WPPT treaties. For several years, however, the government refrained from taking concrete steps to implement the treaties into Canadian law. In the years 2005 and 2008, the Canadian Government introduced two bills intended to bring Canadian copyright law in line with Canada's international obligations but the Government was not able to pass them before calling new election.[664]

In 2010, the Government of Canada introduced Bill C-32, which is the latest attempt to bring Canadian copyright law in line with Canada's international obligations.[665] Just like the two previous bills, Bill C-32 includes anticircumvention provisions, which Professor Geist finds "far more restrictive" than the DMCA provisions.[666] As Professor Geist observed, the anticircumvention provisions that introduce the right of access and exception to this right are "a virtual mirror of the US DMCA."[667] In particular, the proposed new provision prohibits circumvention of the TPMs,[668] while the proposed definitions of "circumvention" and "technological protection measure" make it clear that the circumvention is prohibited—even if it does not result in infringement of the traditional

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[662] Copyright law is regulated in each member state separately.
[663] EC, *Directive of the European Parliament and of the Council (EC) No. 2001/29/EC of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society*, [2001] O.J. L 167, art. 6.
[664] Bill C-60, *An Act to amend the Copyright Act*, 1st Sess., 38th Parl., 2005; Bill C-61, *An Act to amend the Copyright Act*, 2d Sess., 39th Parl., 2008.
[665] Bill C-32, *An Act to amend the Copyright Act*, 3rd Sess., 40th Parl., 2010 [Bill C-32].
[666] Michael Geist, "Bill C-32: My Perspective on the Key Issues," online: <http://www.michaelgeist.ca/content/view/5316/125/>.
[667] Michael Geist, "Setting the Record Straight: 32 Questions and Answers on C-32's Digital Lock Provisions, Part Two," online: <http://www.michaelgeist.ca/content/view/5100/125/>.
[668] Bill C-32, supra note 665, s. 41.1(1)(a).

copyrights.[669] Consequently, the experiences of the US jurisdiction with the right of access will be relevant for Canadian law if Bill C-32 passes in its present form.

There are several references in this sub-chapter to Bill C-32 to illustrate possible interactions between statutory anticircumvention provisions and the TPM/DRM technologies. But this sub-chapter is not an exhaustive examination of the Bill and references to its specific provisions are only examples of the interfaces between copyright law and technology that can result in overlaps.

B. Protecting technology with copyrights[670]

TPMs, which are often a part of the much larger Digital Rights Management (DRM), is a new technology born out of digital revolution.[671] One of the most important aspects of the digital revolution was a merger of software, as a tool for transforming copyrightable works into digital formats that are capable of being stored on electronic devices, and the Internet, as a tool for efficient transferring of those digital works around the world. This convergence of digitization and electronic distribution of copyrighted works brought incredible opportunities to all segments of society and all parts of the global economy by facilitating speedy and inexpensive exchange of information to further both social and economic progress. It also resulted in many challenges to the rights of copyright holders. On the one hand, copyright holders embrace economic efficiency of multiplying their works in digital format and distributing them effortlessly with almost no cost. On the other hand, illegal copying and global distribution of copyrighted works has become extremely easy. As the economic losses of copyright holders multiplied, so did their determination to prevent infringement of copyrights in digital world. TPMs were designed as a tool capable of preventing unauthorized copying of digitized copyrighted works by controlling access to and use of those works.

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[669] *Ibid.*, s. 41.

[670] Analysis presented in this section are based on analysis in Tomkowicz, "Right of Exclusive Access," *supra* note 85, Appendix I at paras. 10-15, see also Tomkowicz & Judge, "Right of Exclusive Access," *supra* note 85, Appendix II at paras. 10-15.

[671] Distinctions between TPMs and DRM become less and less relevant as most of TPMs take form of more sophisticated DRM. In some of the cases cited here the technology being used could be characterized as a TPM rather than DRM but for the purpose of these analyses the distinction is irrelevant. See Ian R. Kerr, Alana Maurushat & Christian S. Tacit, "Technical Protection Measures: Tilting at Copyright's Windmill" (2002-2003) 34 Ottawa L. Rev. 7 for a thorough presentation of different TPM and DRM technologies.

TPMs have been developed since 1995 and have become commonly used in recent years. DRM systems, frequently including TPMs, have been developed later and are still a relatively new technology. A TPM can be defined in simple terms as a technology designed to ensure that the use of digital works is authorized. It can control access to protected content and different uses of the works, such as copying, distribution, performance, and display.[672] In its simplest form, the TPM can be just a password, but in a more sophisticated form it becomes a cryptography technology. In the beginning, TPM functions were limited to preventing the unauthorized reproduction of protected works; however, new TPMs control both access to protected content and the scope of its use once the access is granted.

DRM is a sophisticated information system combining TPMs with a database containing information about particular licensing terms associated with a protected work. From a practical point of view, DRM is a form of software attached to copyrightable works in digital formats and utilizing other external resources organized into a complex system. The system provides "dynamic management of rights in any kind of digital information, throughout its lifecycle and wherever and however it is distributed."[673] It allows the copyright holders to control remotely the use of their works and even change the conditions of the use long after the work is distributed to the consumers.[674] The remote control is possible due to the tracking and reporting capabilities of DRM.[675] The technology appears to be very flexible, constantly evolving and being combined with new different products. It has been adopted, for example, by car manufacturers protecting software routines to prevent competitors in the aftermarket for replacement tires, wiper blades, or other

[672] Mark Perry & Casey Chisick, "Copyright and Anti-circumvention: Growing Pains in a Digital Millennium" (2000) New Zealand Intellectual Property Journal 261.
[673] Nic Garnett, "Technological Protection of Copyright Works, and Copyright Management Systems" (Paper presented to the ALAI Congress, June 2001), online: ALAI 2001 Congress Program and Presentation <http://www.alaiusa.org/2001_conference/pres_garnett.doc>.
[674] Mark Stamp, "Risks of digital rights management" (2002) 45 Communication of the ACM 120.
[675] Chris Hoofnagle, "Digital Rights Management: Many Technical Controls on Digital Content Distribution Can Create a Surveillance Society" (2004) 5 Colum. Sci. & Tech. L. Rev. 3.

automotive parts, and cell phone manufacturers applying DRM to replacement batteries, headsets, or car adapters.[676]

DRM technology is also referred to as a "contract-enabler" because it is effective in enforcing contractual restrictions on the use of protected content.[677] There is a long and growing list of attributes that DRM systems can control. They can restrict, for example, how many times the content is used, the time of a day and length of time, and the number of times the use is authorized. The systems can also limit use by a particular individual and can require interaction with another DRM protected content before use is authorized.[678] All these restrictions could be included as terms in a contract, but could not be enforced adequately without DRM technology.[679] The legal enforcement of contractual restrictions, while possible, is rather ineffective when a large number of individual violators is involved.

Although often an effective tool in fighting online piracy and a useful mechanism for enforcing copyright owners' rights, DRM systems are vulnerable to technological disabling. To overcome the technological shortcomings of DRM, an additional layer of legal protection has to be created, which led to inclusion of the right of access into copyright law at both international and national levels. Unfortunately, by protecting access to copyrighted works rather than the works themselves, anticircumvention provisions make overlaps between copyright law and patent law easier. Once a copyrighted work is embedded in a functional device, copyright owners can control the use of that device with their copyrights rather than patent rights.

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[676] Stefan Bechtold, "The Present and Future of Digital Rights Management —Musings on Emerging Legal Problems," in Eberhard Becker, *et al*., eds., *Digital Rights Management—Technological, Economic, Legal and Political Aspects* (Berlin: Springer, 2003).

[677] Alex Cameron & Robert Tomkowicz, "Competition Policy and Canada's New Breed of 'Copyright' Law" (2007) 52 McGill L. J. 291 [Cameron & Tomkowicz, "Competition Policy"]. This work was co-authored in equal proportions. All ideas and expression included in this thesis are the author's alone.

[678] Timo Ruikka,"DRM Consumer Issues—An Industry Perspective" (Presentation at DRM Workshop hosted by DG Infosoc, Brussels, 6 April 2005) at slide 6, online: EC <http://europa.eu.int/information_society/eeurope/2005/all_about/digital_rights_man/doc/drm_workshop_2005/nokia.ppt>.

[679] Adoption of the DRM technology is sometimes promoted indirectly by other statutory provisions. For example, the *Sarbanes-Oxley Act*, Pub.L. 107-204, 116 Stat. 745, requires strict control over access to and use of sensitive corporate documents, which may encourage implementation of the DRM technology in internal corporate setting.

C. Substituting patent rights with the right of access[680]

Patent law protects patentable matters, which include new and useful art, process, machine, manufacture, or composition of matter, or any new and useful improvements to patented subject matters.[681] Patent rights establish a strong monopoly but only after onerous requirements of patentability are met. A valid patent offers only temporary and relatively short 20 years protection. The length of the patent is of major concern for inventors. Longer patent protection generally results in higher rewards for the invention.[682] In fact, the length of patent protection has been extended over the last 400 years from 14 to 20 years.[683]

While patent law offers, arguably, the strongest monopoly in the intellectual property system, the strength of patent rights is offset or balanced by stringent requirements a patentee has to meet to obtain the patent and its relatively short duration. Through this balance, patent law can fulfil its purpose—provide inventors with strong economic incentives to create new technological inventions and ensure that the general public will be able to utilize the inventions without restrictions within a reasonable period of time. But the balance is not set in stone. As historical development of patent law indicates, patentees will always try to extend duration of their monopolies and economic benefits associated with them. Such extension could be effected through legislative changes but there is reluctance on the part of legislative bodies to significantly increase the duration of patent monopoly. Over the last 400 years, patent monopoly was extended by six years only. By comparison, the duration of copyrights was increased during similar period of time by over 50 years in some countries. Interestingly, new technologies, such as the DRM, offer a viable alternative to legislative changes in the duration of patent monopoly. Indeed, through controlling access to an invention, copyright protected DRM can act as a patent substitute, either

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[680] Analysis presented in this section are based on analysis in Tomkowicz, "Right of Exclusive Access," *supra* note 85, Appendix I at paras. 29-36, see also Tomkowicz & Judge, "Right of Exclusive Access," *supra* note 85, Appendix II at paras. 29-36.

[681] *Patent Act*, *supra* note 124, s. 2, def. "invention."

[682] The relevance of the patent length will vary from industry to industry but longer protection for an invention will always be more beneficial for the patentee than the shorter one. For the discussion on the optimal length of patent protection see e.g. William D. Nordhaus, *Invention, Growth and Welfare: A Theoretical Trea* (Cambridge, MA: MIT Press, 1969); Frederic M. Scherer, "'Nordhaus' Theory of Optimal Patent Life: A Geometric Reinterpretation" (1972) 62 American Economic Review 422.

[683] The *Statute of Monopolies*, *supra* note 125, established 14 years patent monopoly. Today, the 20 years duration of patent monopoly is accepted in all jurisdictions.

offering protection for inventions that cannot meet the requirements of patentability or expanding protection for inventions when their patents already expired. It can be done by embedding copyrighted software in a device and claiming the right of access to the combination of these two.

The strategy of protecting a functional and potentially patentable device with copyright protected TPMs can be illustrated with the example of the *Lexmark* case.[684] It involved one of the largest manufacturers of printers in the US—Lexmark. Lexmark used TPM in the form of an encryption algorithm generating an "authentication sequence" performing a "secret handshake" between Lexmark printers and a microchip on each Lexmark toner cartridge. The TPM allowed only cartridges manufactured by Lexmark to be used with Lexmark's printers. The defendant in this case, Static Control, was a manufacturer of microchips that mimicked Lexmark's authentication sequence, allowing competing manufacturers of cartridges to provide products that would work with Lexmark printers. Lexmark sued claiming infringement of anticircumvention rights and although it was ultimately unsuccessful this case shows how the right of access in copyright law can be used to protect functional devices rather than copyright works.

A similar strategy of using DRM technology to protect a technological device was employed in the *Chamberlain Group, Inc. v. Skylink Techs., Inc*. case.[685] In this case the plaintiff, Chamberlain, was a manufacturer of garage door openers. The defendant, Skylink Technologies, manufactured and sold universal hand-held portable transmitters that were compatible with Chamberlain's receiving mechanism. Chamberlain sued claiming, *inter alia*, that Skylink violated anticircumvention provisions by mimicking its "rolling code" software controlling access to its garage door openers. Interestingly, Chamberlain did not allege that Skylink infringed its copyrights. Instead, it argued that the anticircumvention provisions allowed manufacturers to prohibit consumers from using embedded software products in conjunction with competing products. In other words, Chamberlain was not invoking anticircumvention provisions to prevent infringement of copyrights, which is the

[684] *Lexmark*, *supra* note 240.
[685] 381 F. 3d 1178 (Fed. Cir. 2004) [*Chamberlain*].

purpose of copyright law, but rather to protect its functional devices, which is more consistent with purposes of patent law.

While the plaintiffs in *Lexmark* and *Chamberlain* did not succeed in preventing the defendants' access to their products, providers of online video games were more successful. In *MDY Industries v. Blizzard Entertainment*,[686] the plaintiff, MDY, developed a software program which automatically played the beginning levels of the defendant, Blizzard, online videogame, even when the users were away from their computers. However, MDY neither altered the game in any way nor allowed the user to avoid paying a subscription fee. In response, Blizzard developed software that scanned the user's computer to ensure that there in no software allowing automatic play of the game. If such software was discovered, user's access to Blizzard's game was denied. This, of course, prompted MDY to modify its software and make it undetectable to the plaintiff's control. The war of software modifications had to be finally resolve in courts where the MDY commenced an action for a declaratory judgment to establish that its software do not infringe Blizzard's copyright or other rights.

While the Ninth Circuit Court found that MDY was not secondarily liable for copyright infringement, the Court also held that the plaintiff infringed Blizzard's right of access under the DMCA. More importantly, the Ninth Circuit Court rejected the approach of the Federal Circuit Court in *Chamberlain* requiring a nexus between exercise of the right of access and infringement of copyrights saying:

> While we appreciate the policy considerations expressed by the Federal Circuit in Chamberlain, we are unable to follow its approach because it is contrary to the plain language of the statute. In addition, the Federal Circuit failed to recognize the rationale for the statutory construction that we have proffered. Also, its approach is based on policy concerns that are best directed to Congress in the first instance, or

[686] No. 09-15932 (9th Cir. 2010) [*MDY Industries*].

> for which there appear to be other reasons that do not require such a convoluted construction of the statute's language.[687]

In effect, by refusing to consider public policy concerns involving the right of access, the Ninth Circuit Court took position similar to that chosen by the Federal Court of Canada in *WCC Containers* and opined that "[i]f greater protection of the public's ability to access copyrighted works is required, Congress can provide such protection by amending the statute."[688]

The confusion about whether public policy considerations should play any role in the interpretation of potential misuses of the DMCA right of access provisions became apparent in the decision of the Fifth Circuit Court in the *MGE UPS Sys. v. GE Consumer & Indus.* case.[689] In this case the plaintiff, MGE, was a manufacturer of uninterruptible power supply machines used by the defendant. To repair the machines, technicians had to use MGE's copyrighted software programs. The software could be unlocked with an external hardware security key, which had expiration dates, passwords, and a maximum number of uses. Some posted information on the Internet about the methods for bypassing the security key, which allowed any user of the plaintiff's power supply machines to access them for the purpose of repairing. MGE sued GE claiming that one of the defendant's employees had obtained a copy of software from a hacked machine and used it at least 428 times without permission.[690]

The facts in the *MGE UPS* case were very similar to the facts in *Alcatel* and although the doctrine of misuse was not discussed in this case, the Fifth Circuit Court rejected the plaintiff's claim of the DMCA infringement based on public policy rationale. The Court stated:

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[687] *Ibid.* at para. 16.
[688] *Ibid.*
[689] 612 F.3d 760 (5th Cir. Tex. 2010) [*MGE UPS*].
[690] *Ibid.* at 763.

> Merely bypassing a technological protection that restricts a user from viewing or using a work is insufficient to trigger the DMCA's anti-circumvention provision. The DMCA prohibits only forms of access that would violate or impinge on the protections that the Copyright Act otherwise affords copyright owners.[691]

In support of the proposition that "[w]ithout showing a link between "access" and "protection" of the copyrighted work, the DMCA's anti-circumvention provision does not apply," the Court specifically referred to *Lexmark* and *Chamberlain* decisions.[692]

Surprisingly, two months later, the Fifth Circuit Court withdrew its decision and replaced it with a new one.[693] While the Court maintained its finding that there was no violation of the DMCA provisions in that case because the evidence provided by the plaintiff was insufficient, the Court deleted the analysis of what constitutes "access" to software. Especially, in its latest version of the decision the Court made no reference to public policy considerations in general and *Lexmark* and *Chamberlain* in particular. The confusion around the *MGE UPS* decision indicates that there is hesitancy in the US judiciary about what to do with potential misuses of the new access copyrights.

Jurisprudence interpreting the DMCA illustrates how the right of access in copyright law can be used to restrict the use of functional devices containing DRM technology rather than protect copyrighted works, turning the anticircumvention provisions into a form of patent rights. Because requirements for patentability are difficult to satisfy and because of the length of the application process, many manufacturers of functional devices may view TPMs and DRM as a form of a substitute for patent protection. The technology creates rights similar to patent rights in relation to functional devices combined with the TPM software, without satisfying the requirements of patentability, and it is not subject to durational limitations on patent monopoly. This adverse effect is mitigated by statutory provisions exempting the copying of copyrighted software from the definition of infringement if such act is done for the purpose of ensuring compatibility of functional

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[691] *Ibid.* at 765.
[692] *Ibid.*
[693] *MGE UPS Sys. v. GE Consumer & Indus. Inc.*, 622 F.3d 361 (5th Cir. Tex. 2010).

devices,[694] or exemptions to circumvention of TPMs pronounced *ad hoc* by the Librarian of Congress.[695] Those exemptions, however, do not address many other misuses of the DRM technology.

D. Eliminating the doctrine of exhaustion with patent law[696]

Exhaustion is one of the most important intellectual property doctrines. It reflects important public policy considerations by imposing limits on the economic exploitation of intellectual property rights after the first lawful transfer of a physical object enclosing the intellectual property. The gist of doctrine of exhaustion was expressed by the US Supreme Court in *United States v. Univis Lens Co., Inc.* in the following way:

> [The patentee's] monopoly remains so long as he retains the ownership of the patented article. But sale of it exhausts the monopoly in that the article and the patentee may not thereafter, by virtue of his patent, control the use or disposition of the article.[697]

The doctrine of exhaustion responds to the natural tensions between intellectual property and classic property—while on a conceptual level intellectual property is independent from tangible or classic property, it cannot be distributed or used without some tangible component. In fact, there can be no use of intellectual property without a tangible medium carrying it. And when the medium is sold by the intellectual property owner to a customer, competition of interests arises between the owner of the classic property and the owner of the intellectual property. To negotiate these competing interests, the judiciary developed the doctrine of exhaustion, which limits the rights of intellectual property owners after the first

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[694] DMCA, *supra* note 655, § 1201(f).
[695] See "Rulemaking on Exemptions from Prohibition on Circumvention of Technological Measures that Control Access to Copyrighted Works," US Copyright Office, online: <http://www.copyright.gov/1201/>.
[696] Analysis presented in this section are based on analysis in Tomkowicz, "Right of Exclusive Access," *supra* note 85, Appendix I at paras. 37-42, see also Tomkowicz & Judge, "Right of Exclusive Access," *supra* note 85, Appendix II at paras. 37-42.
[697] 316 US 241 (1942) at 250. See also *Curtiss Aeroplane & Motor Corp. v. United Aircraft Eng'g Corp.*, 266 F. 71 (2d Cir. 1920); *Fawcett Publications v. Elliot Publ'g Co.*, 46 F. Supp. 717 (S.D.N.Y. 1942); *Sanofi, S.A. v. Med. Tech Veterinarian Prod., Inc.*, 565 F. Supp. 931 (D.N.J. 1983); *Eli Lilly and Co. v. Apotex Inc*. (1996), 66 C.P.R. (3d) 329 (F.C.A.); *Eli Lilly & Co. v. Novopharm Ltd.*, [1998] 2 S.C.R. 129 (SCC) [*Eli Lilly*].

sale of a product embedding the intellectual creation.[698] By paying the purchase price, the consumer acquires not only possession of the device but also many rights of its use.

The doctrine of exhaustion in patent law reflects the public policy that exclusive rights granted to the patentee should be limited in scope. The doctrine does not apply to "manufacturing" rights and therefore the patentee has the right to control the "making" of her invention throughout the existence of the patent monopoly. But the doctrine applies to "using" rights in patent law; thus, the patentee's right to control use of a particular device ends when it is sold to a purchaser. One of the rights associated with the "using" rights is the right to repair the patented device. The purchaser can repair the device as long as the extent of the repair does not become a reconstruction of the invention, which would infringe upon patentee's "manufacturing" rights. Whether the activity is repair or reconstruction is an issue of fact depending on what the patent claims, the nature of the patented article, and the character of the work done on it. Other rights that are transferred to the purchaser upon sale include the right to rent the purchased device, and to use it for an unlimited number of times or at any time.

The scope of the doctrine of exhaustion was considered in the *Hewlett-Packard Co. v. Repeat-O-Type Stencil Manufacturing Corp*. case.[699] In this case, the plaintiff was a printer manufacturer trying to prohibit contractually purchasers of the printers from refilling empty cartridges with third party ink. In a way, *Hewlett-Packard* was trying to achieve with contractual means what *Lexmark* tired to accomplish with the TPMs. Hewlett-Packard's claim, however, was rejected by the Federal Circuit Court, which invoked the doctrine of exhaustion and refused to find patent infringement. The Court stated:

> The question is not whether the patentee at the time of sale intended to limit a purchaser's right to modify the product. Rather the purchaser's freedom to repair or modify its own property is overridden under the patent laws only by the patentee's

[698] DeBeer & Tomkowicz, "Exhaustion of Intellectual Property," *supra* note 16. That work was co-authored in equal proportions. One paragraph from this thesis was included in the published article. All ideas and expression included in this thesis are the author's alone.
[699] 123 F.3d 1445 (Fed. Cir. 1997), cert. denied, 118 S. Ct. 1304 (1998).

> right to exclude the purchaser from making a new patented entity… [A] seller's intent, unless embodied in an enforceable contract, does not create a limitation on the right of a purchaser to use, sell, or modify a patented product.[700]

Because the doctrine of exhaustion, as employed by the Federal Circuit Court in *Hewlett-Packard*, restricts patentees' ability to enforce contractual limitations on uses of patented inventions after their sale to customers, patentees increasingly turn to TPMs and DRM technology to undermine the effects of the doctrine of exhaustion, as evidenced by *Lexmark*, *Chamberlain* and other cases.[701]

One of the most important rights exhausted upon sale of a tangible object embedding intellectual property is the distribution right. Thus, a purchaser of an invention can resell it on the secondary market or aftermarket, should he or she choose so. Exhaustion of distribution rights is particularly important in the international context as it contributes to eliminating trade barriers and proper functioning of the global market. But although the doctrine of exhaustion is present in all segments of the intellectual property system, it may have a different scope in respect to different intellectual property rights. And those deviations in application of the doctrine may be explored with use of overlapping intellectual property rights. In Canada, for example, international distribution rights are subject to the doctrine of exhaustion in all segments of the intellectual property system except copyright law. Thus, patent owners cannot restrict the importation of their products into Canada from another country. The effects of the doctrine of exhaustion on patent monopoly, however, can be eliminated with copyrights overlapping in the patented invention. By embedding copyright protected software in a patented invention, the patentee can prevent its importation into Canada relying on international distribution rights under copyright law, which are not subject to the doctrine of exhaustion. And when the software is also a TPM or DRM technology, the patentee can rely on anticircumvention provisions to prevent removal of the software from the invention to preserve the overlap. In this way,

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[700] *Ibid.* at 1453.

[701] See also *Sony Computer Entertainment America, Inc. v. Gamemasters*, 87 F.Supp.2d 976 (N.D. Cal. 1999); *Sony Computer Entertainment v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000); *Sony Computer Entertainment America v. Bleem*, 2000 US App. LEXIS 8774 (9thCir. 2000).

anticircumvention provisions in copyright law can give a patent owner additional protection that is denied under patent law.

The adverse effects of TPMs and DRM on parallel importation are becoming widespread as new categories of products become coupled with this technology to restrict the use of functional devices to particular geographic regions. For example, copyright owners have been using region coding to prevent the unrestricted international trade of DVDs.[702] Recently the same strategy has been employed by printer manufacturers to limit international trade in printer cartridges.[703] And when electric cars replace piston engine cars, the same strategy can be used for electric cars and their parts.

The right of access coupled with the TPM and DRM technology could also be used to license rights that normally fall under the doctrine of exhaustion, such as the right to repair or rent a patented device. As the *MGE UPS* case illustrates, when software is a shield that prevents owners of a functional device from repairing it, the right of access can be used in a way that interferes with patent law and its purposes. Relying on copyright law, the patentee is able to commercially exploit rights that belong to the general public, thus undermining the balance of rights in patent law. Moreover, since the right of access does not expire, this economic exploitation could extend beyond the life of the patent. In *Brullotte v. Thys Co.*,[704] the US Supreme Court decided that payment of royalties after the expiration of a patent is *per se* misuse of rights granted to the patentee. However, since the right of access has no time limitation, it could be licensed in perpetuity without being subjected to claims of abuse.

The same result could, possibly, be produced under the provisions proposed in Bill C-32. Although the Bill includes an exemption from liability for circumvention when it is done for the purpose of interoperability,[705] this provision appears to apply only to computer

[702] *DVD Copy Control Assoc. v. Andrew Bunner*, 113 Cal. Rptr. 2d 338 (Cal. Ct. App. 2001), reversed 4 Cal. Rptr. 4th 864 (Cal. 2003); *Universal City Studios v. Reimerdes*, 82 F. Supp. 211 (S.D.N.Y. 2000).
[703] David Pringle & Steve Stecklow, "Electronics Without Borders: Some Work Only in the US," *The Wall Street Journal* (17 January 2005) at B1.
[704] 379 US 29 (1964).
[705] Bill C-32, *supra* note 665, s. 41.12(1).

programs in the hands of the circumventor and not to functional patentable devices. Interpretation of this provision would most likely be in line with the argument presented by the Ninth Circuit Courts in *MDY Industries* and allow for use of the right of access to expand patent rights.

E. Re-writing contracts with technology[706]

While the doctrine of exhaustion is based on important public policy considerations in patent law, the doctrine of implied licence is based on principles of contract law.[707] The doctrine implies that sale of a patented product grants the buyer a license to use and resell it.[708] Application of the doctrine was explained by the Supreme Court of Canada in the *Eli Lilly* case in the following way:

> [T]he sale of a patented article is presumed to give the purchaser the right "to use or sell or deal with the goods as the purchaser pleases" … [A]ny limitation imposed upon a licensee which is intended to affect the rights of subsequent purchasers must be clearly and unambiguously expressed; restrictive conditions imposed by a patentee on a purchaser or licensee do not run with the goods unless they are brought to the attention of the purchaser at the time of their acquisition… [I]n the absence of express conditions to the contrary, a purchaser of a licensed article is entitled to deal with the article as he sees fit, so long as such dealings do not infringe the rights conferred by the patent [citations in text omitted].[709]

Because the doctrine of implied licence is designed to protect the intentions and expectations of the contracting parties, its application can be overcome with "clearly and unambiguously expressed" contractual provisions. In other words, the doctrine applies

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[706] Analysis presented in this section are based on analysis in Tomkowicz, "Right of Exclusive Access," *supra* note 85, Appendix I at paras. 43-45, see also Tomkowicz & Judge, "Right of Exclusive Access," *supra* note 85, Appendix II at paras. 43-45.
[707] *Signalisation de Montreal Inc. v. Services de Béton Universels Ltée* (1992), 46 C.P.R. (3d) 199 (F.C.A.) at 208.
[708] *General Electric Co. v. United States*, 572 F.2d 745 (1978) at 784-785.
[709] *Eli Lilly, supra* note 687 at 186-187. See also *Dunlop v. Longlife*, [1958] R.P.C. 473; *Goodyear v. Lancashire Batteries* (1958), L.R. 1 R.P. 22 (C.A.); *Roussel-Uclaf v. Hockley International*, [1996] R.P.C. 441; *Smith Kline v. Salim*, [1989] F.S.R. 407 (Malaysia H.C.); *De Forest Radio Telephone & Telegraph Co. v. US*, 273 US 236 (1927); *Anton/Bauer, Inc. v. PAG, Ltd.*, 329 F.3d 1343. (Fed. Cir. 2003).

outside the scope of contractual provisions, filling the gaps but not undermining express terms of the contract. In a recent case examining the doctrine of exhaustion—*Quanta Computer, Inc. v. LG Electronics, Inc.*—the US Supreme Court suggested, unanimously, that the doctrine of exhaustion cannot be restricted contractually to affect the rights of the original purchaser or subsequent purchasers under patent law.[710] Consequently, after selling of a patented invention, patentees cannot invoke patent rights to restrict uses of the invention by purchasers and are limited to possible contractual claims, which offer much less potent protection. This position of the Supreme Court in *Quanta* can be justified doctrinally as protecting public policy considerations, which have a universal nature, and distinguishing them from expectations of contracting parties, which have limited application. Such distinctions, however, may not always be relevant. Because the doctrine of exhaustion applies only to products that are sold, it will not apply to transactions that may be characterized as restricted licences. This practically excludes from application of the doctrine of exhaustion the software industry, which distributes its products under licensing rights. For that industry, the doctrine of implied license is of primary importance.

Because the TPM and DRM technology offers contract enforcing capabilities, it is normally used to ensure that purchasers stay within the corners of their sale agreements. However, the technology is capable of "improving" contractual terms and imposing new restrictions on purchasers' uses of patented devices—even after they are sold to the customers and third parties with no privity. In this way, DRM is able to undermine the doctrine of implied license by restricting uses falling under its application. While the purchaser could seek judicial recourse to remedy change of contractual terms, this option is viable only in respect to high-ticket items. For the majority of customers, judicial recourse would not be viable.

Because Bill C-32 does not make the infringement of the right of access dependent on infringement of the traditional copyrights in a protected work, circumvention of TPM for the purpose of enforcing a user's valid contractual rights would lead to liability under the copyright law. While the user would have recourse to courts to enforce those rights, such opportunity would be illusory for the majority of users for financial reasons.

[710] 128 S. Ct. 2109 (2008) at para. 18.

F. Private and experimental use exemptions[711]

Patent monopoly, although very restrictive, is subject to certain public policy limitations. Two such limitations in particular—private and experimental uses—are important for the maintenance of proper balance of rights in patent law.

Private and non-commercial uses of patented inventions could technically qualify as infringements of patent rights, yet are nonetheless expressly authorized in most jurisdictions.[712] This exception to patent rights is a reflection of public policy that use of a patented invention that does not interfere with patentees' economic rights should not be prohibited. It also furthers the purpose of patent law: enabling a patentee to benefit economically in exchange for disclosure of his invention. Consequently, individuals can make patented inventions as long as they are used for their own benefit or the benefit of close relatives and friends. The line is drawn between private non-commercial activities and industrial activities, which infringe upon patent rights.[713]

The exception of experimental use allows researchers to build the patented device and use it on a small scale for the purpose of testing and evaluating its work. [714] By allowing the construction and testing of the patented inventions, patent law promotes improvements of existing devices and the creation of new inventions, thus advancing its purposes.[715] This exemption also differentiates between good faith research and commercial exploitation of the invention,[716] although the experiment "may yet have a commercial end in view."[717]

Although private and experimental use exemptions to patent rights are authorized in most jurisdictions, they can potentially be eliminated with use of the TPM and DRM technology.

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[711] Analysis presented in this section are based on analysis in Tomkowicz, "Right of Exclusive Access," *supra* note 85, Appendix I at paras. 46-49, see also Tomkowicz & Judge, "Right of Exclusive Access," *supra* note 85, Appendix II at paras. 46-49.
[712] *Patent Act*, *supra* note 124, s. 55.2(6).
[713] *Monsanto Co. v. Stauffer Chemical Co*., [1985] R.P.C. 515 (C.A.) [*Stauffer*].
[714] *Patent Act*, *supra* note 124, s. 55.2(6).
[715] *Harvard College*, *supra* note 267 at para. 174.
[716] *Frearson*, *supra* note 122; *Micro Chemicals*, *supra* note 249 at 203; *Cochlear Corp. v. Cosem Neurostim LTeE* (1995), 64 C.P.R. (3d) 10 (F.C.T.D.) at 44.
[717] *Stauffer*, supra note 713 at 538.

This danger can materialize whenever constructing a patented invention, whether for private or experimental use, will require accessing TPM or DRM protected components. In those cases, owners of the protected device may control the scope of both exemptions with copyright protected technology. And while copyright law recognizes fair dealing exceptions for the purpose of research, those exceptions refer to use of the copyrighted work and not the functional device tied with it.

A review of the proposed provisions in Bill C-32 suggests that the anticircumvention provisions in the Bill could be used to eliminate private and experimental use exemptions in patent law. While the Bill includes research exemptions, they apply only to encryption and security research and would not be applicable to research that aims to invent improvements to patented devices,[718] which opens the door to their potential misuses.

G. Copyrighting life

The discovery of the DNA code and subsequent mapping of human genome has fundamentally changed the way we view and treat many diseases. This technology, often hyped as the Holly Grail of medicine, offers answers not only to many ailments but also to shortages in food supply by improving genetic traits of plants and livestock. But DNA as a technology is not free from controversies. And while the usual discourse involving genetic manipulations relates to ethical dilemmas, attempts to accommodate this technology in the intellectual property system raise some serious technical issues as well. One of the most important and still unresolved issues is whether biotechnological works in the form of DNA sequences qualify for copyright protection. Copyright law may be broad enough to recognize DNA code as copyrightable subject matter.[719] The question whether DNA sequences are capable of copyright protection has not yet been judicially considered, but if such protection is accepted, it will pose a new challenge to the structure of the intellectual property system.

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[718] Bill C-32, *supra* note 665, ss. 41.13 and 41.15.

[719] Donna Smith, "Copyright Protection for the Intellectual Property Rights to Recombinant Deoxyribonucleic Acid: A Proposal" (1987) 19 St. Mary's L.J. 1083; Doreen M. Hogle, "Copyright for Innovative Biotechnological Research: An Attractive Alternative to Patent or Trade Secret Protection" (1990) 5 High Tech. L.J. 75.

There are three theories in support of copyright protection for DNA sequences.[720] Under the first theory a DNA sequence is just an ordinary literary work. The second one views it as a compilation of literary works. And the third theory treats DNA sequences as a literary work in the form of software. Each of these theories can be supported with a strong argument but only one of them seems to meet all the requirements and overcome all obstacles that an intellectual creation has to meet to qualify for copyright protection.

The *Copyright Act* states that copyrights can arise when an original literary, dramatic, musical, or artistic work is created.[721] Of these four categories of copyrightable works, literary works are well suited to encompass DNA sequences. Although the *Act* does not contain a clear definition describing literary works,[722] Canadian courts determined that any intellectual creation expressed in print or writing irrespective of their quality or style falls under this category.[723] The standard of originality in Canada is relatively low. A copyrightable work is original when it originates from the author through the exercise of her skills and judgment and is more than just a mechanical exercise.[724] The work also has to be fixed in some material form to attract copyright protection.[725]

At a cursory glance, DNA sequences seem to satisfy these requirements. When a scientist creates a new DNA sequence of nucleotides, she can and usually does write out the sequence, fixing it on paper before fixing it in a DNA strand.[726] A copyright protected DNA sequence fixed on paper would be infringed upon by reproduction of the code in any material form, including a biological product.[727] Such creation, however, may not overcome other obstacles for copyright protection in Canada. DNA sequences are considered to be just a collection of genes present in nature or, in other words, scientific

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[720] James G. Silva, "Copyright Protection of Biotechnology Works: Into the Dustbin of History?" 2000 B.C. Intell. Prop. & Tech. F. 012801, online: Boston College Law School <http://www.bc.edu/bc_org/avp/law/st_org/iptf/articles/content/2000012801.html>.
[721] *Copyright Act*, *supra* note 28, s. 5(1).
[722] See *ibid.* s. 2, definition of "literary work."
[723] *CCH, supra* note 41 at para. 16.
[724] *Ibid.*
[725] *Ibid.* at para. 8; see also *Goldner v. Canadian Broadcasting Corp.* (1972), 7 C.P.R. (2d) 158 (F.C.T.D.), at 162 and *Grignon v. Roussel* (1991), 38 C.P.R. (3d) 4 (F.C.T.D.) at 7.
[726] Silva, "Copyright Protection," *supra* note 720.
[727] *Copyright Act*, *supra* note 28, s. 3(1).

facts. And since a mere recitation of actual facts is not viewed by the Supreme Court of Canada as an original creation,[728] DNA sequences most likely would not qualify as a literary work under this theory.

The obstacle for recognizing DNA sequence as a literary work can possibly be overcome under the second theory, which views DNA sequences as compilations of literary works. The *Act* defines compilation as a work resulting from a selection or arrangement of copyrighted works or their parts, or a work resulting from a selection or arrangement of data.[729] When an author arranges existing material or facts and gives them an original form, she will be granted copyright protection in the form represented by the compilation, even though copyrights will not encompass individual components of the compilation. In the words of the Supreme Court of Canada: "The arrangement of these different components requires the exercise of skill and judgment. The compilation, viewed globally, attracts copyright protection."[730]

Under the compilation theory, combining different bits of DNA and introducing them into a host cell would create a copyrightable compilation of pre-existing material or facts.[731] This theory has some deficiencies as well. The nature of DNA sequences is strictly utilitarian. The purpose of creating a sequence is to produce certain results. Indeed, the design of a sequence is always influenced by utilitarian considerations. In *Schmeiser*, for example, canola's genome was modified to make it resistant to herbicides. Other situations may involve the creation of a new genome to produce certain proteins or other biological materials by plants or animals. This intrinsic utilitarian character of DNA sequences may exclude them from copyright protection. Specifically, the *Copyright Act* states that it is not an infringement of copyright to apply to a useful article features that are dictated solely by a utilitarian function of the article.[732] In other words, copyrights do not protect utilitarian functions of an article. And since all features of DNA sequences are dictated solely by

[728] *CCH, supra* note 41 at para. 22.
[729] *Copyright Act, supra* note 28, s. 2, definition of "compilation."
[730] *CCH, supra* note 41 at para. 34.
[731] Irving Kayton, "Copyright in Living Genetically engineered Works" (1981) 50 Geo. Wash. L. Rev. 191 at 201.
[732] *Copyright Act, supra* note 28, s. 64.1(1)(a).

utilitarian functions, practical applications of this technology would not, arguably, infringe copyrights.[733]

The most interesting, and indeed most convincing, theory for copyright protection of DNA sequences views this technology as a form of biological software.[734] The *Copyright Act* defines computer programs or software as a set of instructions or statements, expressed, fixed, embodied, or stored in any manner, to be used directly or indirectly in a computer in order to bring about a specific result.[735] This definition seems to accommodate DNA sequences, which can be described as strings of symbols of the nucleotides of DNA resembling a programming language. The sequences act like application software designed to produce certain proteins or other biological material. To bring about these results, DNA sequence/software has to be inserted into a cell, which functions as computer hardware, thus satisfying the definition of computer program in the *Copyright Act*. This argument possibly overcomes the limitations of the *Copyright Act* on the protection of functional works, as the *Act* expressly includes software in the definition of copyrightable matters despite its utilitarian character, and thus expressly excludes software from limitations on copyright protection of useful articles.[736]

The theory of DNA sequence as biological software is most convincing, but to become accepted it has to escape application of the merger doctrine. Under the merger doctrine, when expressions of an idea cannot differ substantially, they will not be given copyright protection because to do so would amount to giving the copyright holder a monopoly over the idea itself.[737] DNA sequences, viewed as a form of software, are simply instructions designed to produce certain results. If there is only one sequence that can produce a given

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[733] This conclusion is predicated on a premise that inserting or engineered modification of genes in a DNA sequence can be considered "application" of genes to the carrier of the DNA. This premise, however, is open to challenge; see chapter IV.5 discussing the term "applied to" in s. 64 and s. 64.1 of the *Copyright Act*, *ibid.*
[734] Guido Westkamp, "Protection of Biological Material in Copyright: From Bioinformatics back to Biotechnology Copyright?" (2005) 19 IPR Bulletin, online: IPR <http://ipr-helpdesk.org/newsletter/19/html/EN/IPRTDarticleN101A8.html>.
[735] *Copyright Act*, *supra* note 28, s. 2, definition of "computer program."
[736] *Ibid.*, s. 64.2(2).
[737] In Canada and the UK merger doctrine was criticized; see *Ibcos Computer Ltd. v. Barclays Finance Ltd.*, [1994] F.S.R. 275 (Ch.) at 290-292; *Apple Computer*, *supra* note 218. But it was nonetheless implemented in the context of computer programs; *Delrina CA*, *supra* note 237 at para. 52.

result, then the sequence, as an expression, would merge with the idea of expression and thus become non-copyrightable. Because modification of DNA codes and the role different genes play in the genome as a whole is still not fully understood, it is difficult to assess whether a particular biological result can be associated with only one genetic sequence. It is, however, possible that individual genes do not have single applications and there could be several different code sequences producing the same or substantially similar biological results. In such cases, these sequences would escape application of the doctrine of merger and could potentially qualify as copyrightable biological software.

The question whether DNA sequences can become a copyrightable subject matter has never been considered judicially in any jurisdiction and remains unanswered. But as the argument presented above suggests, it is possible that copyright law is broad enough to encompass DNA sequences. However, if a DNA code was to be construed as copyrightable work, it would significantly expand the reach of copyright law into scientific domains normally reserved for patent law and plant breeders' rights, resulting in overlaps with both these segments of the intellectual property system.

H. Copyrights in technology[738]

At the very time software became a copyrightable subject matter, copyright and technology became joined at the hip. Incredible advances in computer chip technology resulted in computer processors being used in virtually all technologically advanced products or devices available today. Computers, once used only in industrial settings, now replaced personal typewriters in form of PC computers and are implanted into the most common household products. And because all computer chips require more or less complicated software to run them, copyright law has become the area of the intellectual property system that is intimately related to technology. In some respects, it is more important for technology than patent law, as it can protect technological devices that, for various reasons, cannot be patented. Very close bonding of software with technological devices can

[738] Analysis presented in this section are based on analysis in Tomkowicz, "Right of Exclusive Access," *supra* note 85, Appendix I at paras. 50-60, see also Tomkowicz & Judge, "Right of Exclusive Access," *supra* note 85, Appendix II at paras. 50-61.

sometimes lead to what is called "technological tying,"[739] making them virtually inseparable and blurring the outer limits of copyright law. It may also confuse the role of copyright law with patent law, resulting in many unintended consequences.

Patent rights are supposed to promote inventiveness. Copyrights are designed to encourage creativity. To fulfil these purposes, authors and inventors are granted monopoly rights over their intellectual creations. Both monopolies, however, implement the concept of balance of rights to ensure that the costs resulting from their existence does not outweigh the benefits of innovation and creativity. This balanced landscape of intellectual property law has lately been affected by the arrival of new technologies such as DRM and genetic modifications. Both technologies are able to expand copyright protection beyond the borders of copyright law and into the patent law domain. Consequently, the danger of "overcompensating" the copyright holders envisaged by the Supreme Court of Canada in *Théberge* becomes real.

The differences in balances of rights in patent law and copyright law are the result of the fundamental distinctions that separate these two segments of intellectual property system. In particular, while patents protect ideas of technological inventions, copyrights protect literary, artistic, and musical works expressed in tangible medium. The scope and duration of rights under these two segments of the intellectual property are very different because their protected subject matters have a different nature and social utility. Balances in copyright law and patent law may be very different, but they may be perfectly well suited to promote diverse purposes and policy objectives of these two separate areas of law. These distinctions, however, can be blurred when a patented device is technologically tied with a copyrighted work, usually in form of software.

Attempts of patent holders to expand their patent monopoly over patented inventions are not a new phenomenon. This practice usually took the form of subsequent use of copyrights overlapping with patent rights in attempts to prolong patent monopoly.[740] The choice of using overlapping copyrights subsequently after expiry of patent monopoly rather than

[739] Dale M. Clapperton & Stephen G. Corones, "Technological Tying of the Apple iPhone: Unlawful in Australia?" (2007) 7(2) Queensland University of Technology Law and Justice Journal 351.
[740] *Rucker*, *supra* note 23; *British Leyland*, *supra* note 527.

concurrently with it was simply a recognition of the fact that patent monopoly offers more forceful protection than copyrights. But this landscape was changed by the arrival of some new hybrid technologies, such as the TPM and DRM software or modification of DNA codes, which can, due to their nature, enjoy stronger protection under copyright law than under patent law. In some cases, these technologies, DRM in particular may offer, with the assistance of copyright law, an alternative protection for inventions that do not meet the requirements of patentability, thus creating a form of a substitute for patent monopoly. When the full potential of this convergence of technology and copyrights is utilized, many restrictions and limitation imposed on enforcement of patent rights may be eliminated. This will inevitably affect the balance of rights in this segment of the intellectual property system. The effects may be quite adverse.

Generally, courts have looked unfavourably on using copyrights to protect patentable inventions. For example, the Federal Court of Canada in *Rucker* expressly rejected the use of copyright law to expand the protection of patented devices and the Court's position was subsequently confirmed by corresponding amendments to the *Copyright Act*. However, the barriers between copyright law and patent law established in legislative language and the judicial doctrine of functionality can be overcome with copyright protected TPM and DRM technology embedded in patentable inventions. So instead of using copyrights in the "old way" attempting to enforce copyright protection in the drawings of the invention, patentees can now seek protection of software embedded in the device. In this way, patentees will be able not only to extend the term of patent protection, but also its scope by using copyrights for purposes other than those envisaged by Parliaments. And because the bond between the software and the invention is often unbreakable, for example when the software is embedded in ROM chip being part of the invention's electronics, copyrights can change into a regime that protect utilitarian devices rather than promote the creation, distribution, and utilization of copyright works.

While the anticircumvention provisions are often viewed as the main villain responsible for improper uses of copyrights in relation to copyright works in digital format, it is rather the nature of the TPM and DRM technology that is the source of problems in relation to

overlaps between copyright law and patent law. The overlap is possible because software is capable of being inseparably bonded with patentable technological devices. And through its access controlling capability, DRM technology can be used to restrict or modify the scope of patent monopoly in relation to the bonded device. This adverse effect may be amplified by legal protection of the TPM and DRM technology but is not caused by it. In any event, attempts to invoke copyrights in conjunction with this technology to expand patent protection by restricting access to patentable inventions, whether through anticircumvention provisions or traditional reproduction rights, should be rejected on policy grounds inherent to intellectual property law.

When responding to problems resulting from overlaps of patent rights and copyrights through operation of the TPM and DRM technology, courts should always keep in mind the purpose of copyrights. The balance of rights in copyright law promotes two objectives closely related to each other—encouraging creativity of authors and distribution of copyrighted works to the public.[741] And when a copyright holder invokes protection of copyrights for other purposes, he steps outside of the monopoly created by Parliament.

When an owner of the TPM or DRM access controlling technology invokes copyrights to exercise control over use of a patentable invention, he may rely on either the traditional reproduction rights or just the anticircumvention provisions.[742] In other words, he may either claim infringement of copyright in software, when the defendant copied some parts of it, or he may claim the right of access, when no copying of the software actually took place and the infringement was limited to disabling of the DRM technology. While the latter employment of copyright law is a blatant misuse of copyrights, the former raises significant doctrinal questions inherent to copyright law.

As it was illustrated with the example of *Chamberlain*, anticircumvention provisions can be invoked in situations when there is no actual infringement of traditional copyrights, such as

[741] *CCH*, *supra* note 41 at para. 10, citing with approval *Théberge*, *supra* note 36 at paras. 30-31.
[742] This distinction can be illustrated by comparison of facts in *Alcatel*, *supra* note 69, where infringement of reproduction rights was claimed, with facts in *MGE UPS*, *supra* note 689, where infringement of anti-circumvention provisions was argued.

reproduction or distribution rights. What the plaintiff really claimed in this situation is that the defendant should be liable for making the TPM or DRM technology unworkable. It is, however, difficult to reconcile a claim so formulated with the purposes of copyright law when the purpose of the TPM or DRM is to control use of a functional device. Disabling of the TPM or DRM technology has no bearing on the economic interests of the copyright holder related to the protected work as long as there is no infringement of the traditional copyrights. When economic rights of the copyright holders are not affected, the motivating function of copyright law is not undermined either.

There are situations, however, where the exercise of some rights available under patent law may result in copying of the software attached to the invention. This situation is more complicated doctrinally as it involves a genuine violation of copyrights. The most reasonable approach in these circumstances would be to inquire into the intent of the copyright holder in implementing TPM or DRM software in the functional device.[743] If the bonding of copyrighted work and patentable device is found to be motivated simply by an attempt of the copyright owner to control the functional device,[744] protection of copyright law should be denied for being incompatible with the purposes of copyright law. Because the main function of copyrights in relation to an author's economic rights is to provide a just reward for his or her creativity, using copyright law to protect functional devices, which are not copyrightable subject matters, would not further this purpose. Instead, it would be fulfilling the purposes of patent law, which is intended to provide economic benefits to patentees in relation to functional inventions. Copyright law used in this way would also adversely affect the balance of rights in patent law by creating excessive control of patentable inventions at the expense of public's rights. The "protective" use of copyright work embedded in a functional device can be contrasted with use that economically exploits the copyrighted work, which would justify invoking copyrights to protect it. Used in this way, copyright law remains faithful to its purpose of promoting creativity by protecting the economic interests of the copyright owner.

[743] *Lexmark*, *supra* note 240 at 551-552.
[744] See e.g. *Alcatel*, *supra* note 69.

In most cases, it would not be difficult to determine the purpose for which copyrights are used—the nature of the object hosting the TPM or DRM software would reveal intentions of the copyright owner. Protecting MP3 files, e-books, or Hollywood movies with the TPM or DRM software would be indicative of genuine intentions of the copyright holder. This situation could be contrasted with facts similar to those in *Lexmark* or *Chamberlain*, where the software was embedded in purely functional devices to protect marketing practices of those manufacturers. No doubt, there will be some borderline cases, for example when sophisticated software for a notebook is embedded in the computer's ROM chip to run the machine but also to restrict some of public's rights in relation to functional devices being part of the computer or its technological platform. Those situations can be resolved on case-by-case bases after proper factual determinations are made by courts.

Although the refusal to enforce copyrights in some situations where they overlap with patent rights is a serious intrusion into copyright monopoly, this position is justified on public policy grounds. Bonding of TPM or DRM software protected by anticircumvention copyrights with functional devices has the potential of resulting in serious adverse effects affecting the intellectual property system. It can extend the scope of patent monopoly eliminating some uses enjoyed by the general public under patent law. It can also allow effective protection of inventions that for a variety of reasons may not meet the stringent requirements of patentability, such as novelty or disclosure. Operating in this way, anticircumvention provisions may become a substitute for patent monopoly, with no guarantee that goals of patent law in this context will be preserved.

Similar problems will arise in the context of genetic manipulation technology if engineered DNA code becomes a copyrightable subject matter. In this situation, not only will copyright law become a viable alternative to patent law for protection of this technology, but it may also, in fact, become the better alternative overcoming certain public policy considerations that limit patent rights. In the *Harvard College* case, the Supreme Court of Canada reasoned that "manufacturing" rights in patent law do not apply to natural multiplication of higher life forms. This position was confirmed by the same Court in *Schmeiser*. The right to multiply higher life forms, however, while excluded from patent law protection, might be

successfully protected by copyrights. Multiplication of copyrighted works is governed by "reproduction" rights.[745] This right was recently interpreted by the Supreme Court of Canada in *Théberge* in a way that would potentially encompass multiplication of higher life forms. The Court stated:

> The legal concept [of "reproduction"] has broadened over time to recognize what might be called metaphorical copying (transformation to another medium, e.g. books to films). It is recognized that technologies have evolved by which expression could be reproduced in ways undreamt of in earlier periods, such as evanescent and "virtual" copies in electronic formats. Transformation of an artistic work from two dimensions to three dimensions, or *vice versa*, will infringe copyright even though the physical reproduction of the original expression of that work has not been mechanically copied. Equally, translations or transformations into another medium may be infringements of economic rights.[746]

Under this broad interpretation of "reproduction" rights, the offspring of plants could be considered a three dimensional reproduction of two dimensional literary work expressing DNA codes or simply the reproduction of a three dimensional work in form of the plant. The Supreme Court of Canada indicated that reproduction does not have to involve mechanical copying; natural propagation of plants could potentially qualify as "reproduction."

Extension of copyright protection to DNA code could allow owners of this technology to overcome public policy considerations promoted by patent law. Controversies about whether intellectual property rights could be used to control procreation of living organisms and if so, how broad such rights should be would be imported from patent law to copyright law, inflaming new passions and moral dilemmas into an already controversial area of law. There is no convincing reason for allowing concurrent protection to be introduced into copyright and patent law. Each of these segments of the intellectual property system has so

[745] *Copyright Act*, *supra* note 28, s. 3(1).
[746] *Théberge*, *supra* note 36 at para. 47.

far been effective in pursuing their goals. Allowing overlapping protection of patent rights and copyrights could upset the delicate balance of rights in these areas of intellectual property law.

Delineating the proper scope of copyrights in the context of new technologies poses serious challenges. Often, what on the face of it looks like copyright infringement, and indeed can technically be classified as such, is simply a function of the technology involved.[747] In those cases, attaching copyright liability to mechanical functions of new technologies, by blindly applying copyrights, brings confusion not only to copyright law, but also to the entire intellectual property system. Solving this problem is difficult because it requires judicial determination of why and when rights available under copyright law will not be enforced, the result which, in itself, is counterintuitive.

3. Copyrights and trademarks

The most common forms of trademarks are single words or short phrases and logos. Generally, neither words nor short phrases can qualify for copyright protection as a literary work, due to insufficient substance.[748] They can, however, together with logos, enjoy copyright protection as artistic work if they meet the threshold of originality. This overlap of trademark rights and copyrights is expressly allowed under s. 64(3)(b) of the *Copyright Act*. This provision raises an important question whether it authorizes owners of copyrights in artistic works used as trademarks to rely on rights available under the *Copyright Act* for the purpose of eliminating certain exemptions to trademark rights under the *Trade-marks Act*. The decision of the Supreme Court in the *Kraft* case appears to answer this question affirmatively, arguing that such was the intention of Parliament; however, this argument leads to the absurd conclusion that the Parliament intended to give the general public certain rights with one hand and then take them back with the other. The only way to avoid this irrationality and reconcile the express authorization of the overlaps between trademark rights and copyrights is to interpret s. 64(3)(b) in light of the purposes of copyright law.

[747] *SOCAN*, *supra* note 520.
[748] See discussion in chapter II.3.B.

There are two exemptions to trademark rights in particular that can be eliminated by the use of copyrights in trademarks. One is the right to parallel importation of goods and the other is comparative advertising. Both correspond with the purposes of trademark rights and reflect the balance of rights in this area of intellectual property law.

A. Parallel importation[749]

"Parallel importation" refers to goods that are produced and sold legally (genuine products), and subsequently exported.[750] Sometimes this practice is referred to as "grey marketing" or "grey goods." However, as it was pointed out by English Court of Chancery, there is nothing "grey" about the sale of these goods.[751] They are perfectly genuine products put on the market by an owner of intellectual property rights associated with the products or with his consent. Nevertheless, parallel importation is resisted by holders of intellectual property rights, not so much because it infringes their rights, but rather because it interferes with their marketing methods for products or services sold.[752] For various reasons, producers often price their goods differently in different countries. This practice, however, can be undermined by the appearance of independent distribution channels for these products. Thus, in their drive to prevent parallel importation, manufacturers and distributors are not motivated by safeguarding their intellectual property rights, but rather by desire to preserve their price discrimination practices.[753] While trademark owners often present their claims as addressing concerns about quality control, standards, or safety of the independently imported products,[754] such arguments are considered by most scholars to be

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[749] Five paragraphs in this section on pages 230-233 were published in Tomkowicz, "Copyrighting Chocolate," *supra* note 86. This work has never been previously submitted for academic credit.
[750] See e.g. Chrisopher Heath, *Parallel Imports and International Trade*, online: WIPO <http://www.wipo.org/sme/en/activities/meetings/pdf/atrip_gva_99_6.pdf>.
[751] See *Roussel Uclaf v. Hockley International*, [1996] R.P.C. 441 (Eng. Pat. Ct.).
[752] This obvious motivation was recognized by the US Supreme Court in *Quality King Dist. Inc., v. L'anza Research Int. Inc.*, 523 US 135 (1998) at para. 6 [*L'anza*]. See also Arthur Renaud, "The Elephant Parades the Circus Ring: Grey Goods Versus Copyright—No Clear Winner ... Yet" (2008) 39 Ottawa L. Rev. 281.
[753] Carsten Fink, "Entering the Jungle of Intellectual Property Rights Exhaustion and Parallel Importation" in Carsten Fink & Keith E. Maskus, eds., *Intellectual Property and Development* (New York: Oxford University Press, 2005) at 176-178.
[754] *Wilts United Dairies v. Robinson (Thomas) & Sons & Co.* [1958] RPC 94; *Yardley & Company Ltd & Two others v. Kenneth Higson & Four others*, [1984] FSR 304; *Colgate-Palmolive v. Markwell Finance Ltd.* , (1988) R.P.C. 283 (Ch.); (1989) R.P.C. 497 (C.A.); *Wilkinson Sword Ltd. v. Cripps & Lee Ltd.*, [1982] FSR 16.

more an excuse than the true reasons for opposition to parallel importation and as resulting in more societal costs than benefit.[755]

The use of trademark law to prevent parallel importation has been restricted, to different extents, by courts in many jurisdictions.[756] In general, such use of trademark rights has been rejected. It is worthwhile to consider the position taken by the US courts on parallel importation. The *Lanham Act* prohibits importation of merchandise that copies or simulates a registered trademark.[757] The US courts, however, interpreted this provision as not applying to parallel importation of genuine products bearing a genuine mark,[758] unless the imported goods are "physically and materially" different from products intended for the US market.[759] While the US jurisprudence recognizes many situations where parallel importation of genuine goods bearing genuine marks can be prevented,[760] the tendency in other developed countries is to limit those possibilities further.[761]

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[755] Frederick M. Abbott, *Parallel Importation: Economic and social welfare dimensions* (Winnipeg: International Institute for Sustainable Development, 2007); Matthew Burgess and Lewis Evans, "Parallel Importation and Service Quality: An Empirical Investigation of Competition Between DVDs and Cinemas in New Zealand" 1(4) (2005) Journal of Competition Law & Economics 747; Peter Ganea, "Exhaustion of IP Rights: Reflections from Economic Theory," Max Planck Institute for Intellectual Property, Competition and Tax Law (February 2006), online: Hitotsubashi University <http://hermes-ir.lib.hit-u.ac.jp/rs/handle/10086/15995>. But see an opposite view in A. Bryan Bear, "Price Controls Through the Back Door: The Parallel Importation of Pharmaceuticals" (2001) 9 J. Intell. Prop. L. 109.

[756] This restriction has usually been effected by invoking the doctrine of exhaustion of intellectual property rights. See Darren E. Donnelly, "Parallel Trade and International Harmonization of the Exhaustion of Rights Doctrine" (1997) 13 Santa Clara Computer & High Tech. L. J. 446 for review of the doctrine of exhaustion in various jurisdictions and its application to copyright, patent, and trademark law.

[757] 15 USC. § 1124 (1988), s. 42. In addition to trademark law, the US Customs Regulation also affect parallel importation; see *Tariff Act*, 19 USC. § 1526 (1988).

[758] *Weil Ceramics and Glass Inc. v. Dash*, 11 USP.Q. 2d 1001 (3d Cir. 1889). But *cf. Kmart Corp. v. Cartier, Inc*., 486 US 281 (1988) [*Kmart*], where the US Supreme Court limited the doctrine of exhaustion in the context of trademark law.

[759] *Lever Bros v. United States*, 981 F.2d (C.A.D.C. 1993), affirming 796 F. Supp. 1 (D.D.C. 1992), on remand from 877 F.2d 101 (D.D.C. 1989).

[760] See e.g. *Kmart supra* note 758; *Lever Bros. v. United States*, *ibid*.; *Yamaha Corp. of America v. US*, 961 F.2d 245 (DC. Cir. 1992); *Swatch S.A. v. New City, Inc.*, 454 F.Supp.2d 1245 (S.D. Fla. 2006); *Kia Motors America, Inc. v. Autoworks Distrib.*, 2009 US Dist. LEXIS 15642 (D. Minn. Feb. 26, 2009).

[761] For New Zealand see the *Trade Marks Act*, 2002 (N.Z.), No. 49, s. 97(a); for the European Union see EC, *First Council Directive No. 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks*, [1998] O.J. L 040 art. 7; online: EUR-LEX <fhttp://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31989L0104:EN:HTML>.

In Canada, Courts traditionally recognized the authority of trademark owners to effectively prevent "the importation or sale in Canada of a product which may even be identical."[762] This practice, however, practically ended after the Supreme Court of Canada decided in the *Consumers Distributing Co. v. Seiko Time Canada Ltd.* case.[763] It involved a manufacturer of watches trying to prevent unauthorized sales of their products in Canada. The plaintiff alleged trademark infringement but the Court held for defendant. The Supreme Court unequivocally stated that "the distribution of a trade marked product lawfully acquired is not, by itself, prohibited under the *Trade Marks Act* of Canada, or indeed at common law."[764]

If there were any doubts on the effect of *Seiko* on the use of trademark rights to prevent parallel importation into Canada, they were put to rest by the Federal Court of Appeal in two subsequent cases: *Smith & Nephew Inc. v. Glen Oak Inc*.[765] and *Coca-Cola Ltd. v. Pardhan*.[766] The latter case in particular is worthy of careful review. In *Coca-Cola*, the defendant was an unauthorized exporter of Coca-Cola products purchased in Canada. The plaintiff alleged infringement of its trademark rights. The Federal Court of Appeal rejected the plaintiff's argument and decided "that subsequent transactions in the goods in which the goods pass from one owner to another, with the trade mark intact identifying the originator of the goods" do not infringe trademark rights.[767] More importantly, the Court emphasized that inquiring into the purpose of the *Trade-marks Act* was of paramount importance for determining outcome of the case:

> It seems to me that, viewing the Trade-marks Act as a whole and the fundamental purpose of trade-mark law, it must be concluded that such activity is not "use"

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[762] *Ulay (Canada) Ltd. v. Calstock Traders Ltd.* (1969), 1969 CarswellNat 53, 42 Fox Pat. C. 178, 59 C.P.R. 223 (Ex. Ct.) at para. 18 [cited to CarswellNat]. See also: *Remington Rand Ltd v. Transworld Metal Co.*, (1960), 32 C.P.R. 99, [1960] Ex. C.R. 463 (Can. Ex. Ct.); *Sony of Canada Ltd. v. Hi-Fi Express Inc*. (1982), 67 C.P.R. (2d) 70 (H.C.).
[763] [1984] 1 S.C.R. 583, 1 C.P.R. (3d) 1, 1984 CarswellOnt 869, 3 C.I.P.R. 223, 10 D.L.R. (4th) 161 [*Seiko*, cited to CarswellOnt].
[764] *Ibid*. at para. 18.
[765] (1996), 68 C.P.R. (3d) 153 (F.C.A.) [*Smith & Nephew*].
[766] [1999] F.C.J. No. 484 (F.C.A.) [*Coca-Cola*].
[767] *Ibid*. at para. 17.

> within the purview of the Act, and in particular within section 19 which gives to the registered owner the exclusive right to use that mark throughout Canada.[768]

Consequently, *Coca-Cola* not only confirms the position taken by the Supreme Court of Canada in *Seiko,* excluding the use of trademark rights to prevent parallel importation of goods, but also reminds us that there can be no infringement of trademark rights without offending the purposes of trademark law.

It should be noted that even though the ruling of the Federal Court of Appeal in *Coca-Cola* and *Smith & Nephew* restricted the use of trademark rights to prevent parallel importation into Canada, it did not eliminate this practice entirely. It is still possible to restrict the parallel importation of genuine goods,[769] including those marketed abroad by the Canadian trade-mark owner, when they are manufactured according to different formulations.[770] Similarly, when the imported goods comply with different standards of quality or health/safety standards, the parallel importation can be prevented, which is sometimes referred to as "material difference" doctrine.[771] While the legitimacy of using trademark rights in this way is open to dispute, such practice does not involve use of overlapping intellectual property rights and is therefore outside of the scope of this analysis.

B. Kraft Canada v. Euro-Excellence[772]

It was not difficult for manufacturers of products to figure out that the doctrine of exhaustion can operate differently in different segments of the intellectual property system and they could do what trademark law does not allow them to do by relying on copyrights instead. This strategy of invoking copyrights to prevent parallel importation of genuine

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[768] *Ibid*. at para. 14.
[769] Jim Holloway, "Towards a Lighter Shade of Grey? A Critical Look at the Erosion of Canadian Trade-Mark Law as a Vehicle to Address Grey Marketing" (2006) 19 I.P.J. 427.
[770] *H.J. Heins Co. of Canada Ltd. v. Edan Foods Sales Inc.* (1991), 35 C.P.R. (3d) 213 (F.C.T.D.).
[771] *Sharp Electronics of Canada Ltd. v. Continental Electronic Info Inc.* (1988), 23 C.P.R. (3d) 330 (B.C.S.C.); *Mattel Canada Inc v. GTS Acquisitions Ltd.* (1989), 27 C.P.R. (3d) 358, [1990] 1 F.C. 462, 25 C.I.P.R. 150 (F.C.T.D.); *Maple Leaf Foods Inc. v. Robin Hood Multifoods Inc*., 17 B.L.R. (2d) 86, 1994 CarswellOnt 1032, 58 C.P.R. (3d) 54 (Ont. Gen. Div.).
[772] Three paragraphs in this section on pages 233-236 were published in Tomkowicz, "Copyrighting Chocolate," *supra* note 86. This work has never been previously submitted for academic credit.

products, which themselves were not subject to copyrights protection, was employed in different jurisdictions and can be illustrated with two recent cases from the US and Canada.

Omega S.A. v. Costco Wholesale Corp.[773] is an example of a case where copyright law was successfully invoked to prevent parallel importation of genuine products bearing a copyright work rather than the work itself. In this case the plaintiff was a famous manufacturer of watches that were engraved underside with a tiny *Omega Globe Design*. Watches bearing the copyrighted design were genuine products sold by the plaintiff to authorized distributors overseas. The defendant purchased the watches from third parties, imported them to the US, and sold them in California without authorization of the plaintiff. The plaintiff claimed copyright infringement in the copyrighted design.

There is no doubt that by commencing the lawsuit the plaintiff did not try to prevent unauthorized importation of the copyrighted design into the US, but instead to prevent importation of the watches. The nature of the copyrighted design and its positioning on the watches indicates that it was never intended to be purchased as a copyrighted work by buyers of Omega watches or indeed sold as such by the plaintiff. It may have performed the function of a trademark and should have been treated as such. While it might be argued that the design had the ornamental qualities performing function of a copyright work, this argument would be difficult to reconcile with the engraving of the design on the underside of the watches. Despite this obvious use of copyrights for ulterior motives, the Ninth Circuit Court treated this case like any other copyright infringement case. The Court decided that the first sale doctrine does not apply to copyright works manufactured and first sold overseas and that therefore their importation infringed plaintiff's copyrights.[774] Unfortunately, the Ninth Circuit Court did not comment on the purpose for which the plaintiff invoked his copyrights and whether it had any bearings on outcome of that case.

[773] 541 F.3d 982 (9th Cir. 2008), affirmed by an equally divided Court 96 USP.Q.2d 2025 (US 2010) [*Omega*].
[774] *Ibid*. at 985.

A prominent Canadian case where similar issue was considered was the *Kraft* case.[775] It involved Kraft, a manufacturer of chocolate bars Toblerone and Côte d'Or, and Euro Excellence, a former distributor of Kraft's products in Canada. The plaintiff, Kraft, wished to keep the Canadian distribution of the chocolates to itself. The defendant, Euro Excellence, was once under contract to distribute the Côte d'Or line of confectionary products in Canada. That contract was not renewed. However, the defendant managed to buy both Côte d'Or and Toblerone products from an unnamed source in an unnamed European country, imported and distributed them in Canada in their original European wrappers, with a label affixed in an effort to conform to Canadian packaging regulations. The name "Kraft" appeared on these wrappers, so there was no doubt that the products distributed by Euro Excellence were genuine Kraft products.[776] The plaintiff alleged that distribution in Canada by Euro Excellence violated copyright in the artwork on the wrappers and sought injunctive relief as well as damages.[777] Although *Kraft* ultimately turned on interpretation of statutory provisions in the *Copyright Act*, those issues are not relevant for intellectual property overlaps and therefore are not discussed here.

It was obvious that the motivating factor behind Kraft's action was to prevent importation of its chocolate bars to Canada outside of its distribution channels rather than to protect its copyrights. Indeed, this hidden purpose was clearly recognized by the Trial Court which described Kraft's application as "concerned with … parallel importation of goods."[778] The judge considered claiming copyright instead of trademark rights to be "an interesting strategy."[779]

Euro Excellence raised several points in its defence, but the most important one, from the perspective of intellectual property rights' overlap, was a public policy argument. Euro Excellence argued that "copyright in a work cannot be used to prevent competitive distribution of goods, or at least in circumstances such as this where the copyright works

[775] *Kraft*, *supra* note 22.
[776] *Kraft Canada v. Euro Excellence*, 2004 FC 652, 33 C.P.R. (4th) 246, 252 F.T.R. 50, [2004] 4 F.C.R. 410, 2004 CarswellNat 1371 (F.C.T.D.) at para. 1 [*Kraft TD*, cited to CarswellNat].
[777] *Ibid*. at para. 3.
[778] *Ibid*. at para. 1.
[779] *Ibid*. at paras. 4 and 55-58; Judge Harrington seemed to recognize that the facts were more appropriate for a trademark violation claim.

are merely ancillary to the main product, the chocolate itself."[780] Judge Harrington rejected this argument and to support his decision referred to an Australian case based on similar facts.[781] Unfortunately, Judge Harrington made an important error, which may have affected the outcome of his analyses. He expressed his view that the purpose of the *Copyright Act* is "to prevent unauthorized distribution of copyrighted works."[782] This is simply inaccurate. The purpose of copyrights is to promote creativity. Rights granted under the *Copyright Act*, including distribution rights, are simply a means to promote this objective and should be enforced only when they do so. Properly framing the purpose of copyright might have led the Judge to a different analysis, not necessarily resulting in "imaginative frolic."[783] Ultimately, the Federal Court granted an injunction prohibiting the defendant from selling, distributing, or offering the protected works for sale, and from possessing or importing those works for the purpose of selling, distributing or offering them for sale. To resolve the issue of accumulated chocolate inventory in the hands of the defendant, the Court allowed the defendant to sell it after covering the artistic works on wrappers with plastic film.[784]

The Federal Court of Appeal did not consider the public policy issues arising on facts of that case.[785] Instead, the Court focused on "technical" interpretation of the *Copyright Act* provisions preventing parallel importation of copyright works.[786] But even if the Court's interpretation of those provisions was right, the Court still should have answered the question whether plaintiff's rights should have been enforced in that particular case, in light of Judge Harrington's finding that the plaintiff was using copyrights to protect chocolates rather than the copyright works.

On appeal, the Supreme Court of Canada had the opportunity to clarify the purposes behind copyrights and trademark rights and resolve how they can be affected by overlaps.

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[780] *Ibid*. at para. 55.
[781] *Bailey (R. & A.) Co. Ltd. v. Boccaccio Pty Ltd.*, (1986), 84 FLR 232; see *ibid.* at paras. 55-57.
[782] *Ibid*. at para. 60.
[783] *Ibid*.
[784] *Kraft Canada v. Euro Excellence* (2004), 35 C.P.R. (4th) 193, 2004 FC 1215 (F.C.T.D.).
[785] *Kraft Canada v. Euro Excellence*, 2005 FCA 427, 47 C.P.R. (4th) 113, 346 N.R. 104, 265 D.L.R. (4th) 555, [2006] 3 F.C.R. 91, 2005 CarswellNat 4933.
[786] *Copyright Act*, *supra* note 28, s. 27(2).

Unfortunately, the Supreme Court missed this opportunity. While the majority of seven Justices decided that there was no merit in the plaintiff's case, they were unable to form a positive majority for any argument. Four of them found for the defendant based on "technical" interpretation of distribution rights' provision. Three Justices reached the same result, but based their decision on purposive interpretation of the *Copyright Ac*t. Worst of all, these two groups criticized each other's approach (with the exception of Justice Fish in the first group, who did not participate in this quarrel), which made the decision virtually useless as a source of guidance on issues involved in this case. From the perspective of intellectual property rights' overlaps, however, the discussion of the *Copyright Act*'s purposes in *Kraft* remains relevant.

Three Justices, Bastarache, LeBel, and Charron, accepted the "incidental use" or purposive argument presented by Euro Excellence. The reasons of this group were delivered by Justice Bastarache. He observed that interpreting rights under the *Copyright Act*, or any other intellectual property statute for that matter, without regard to other statutory regimes in the system would open door to expanding copyrights beyond their limits and onto areas that belong in other segments of the system or are outright in the public domain. He explained:

> [T]he *Copyright Act ought not only to be interpreted with an eye to the internal coherence of its own scheme; it must also not be interpreted in a fashion which is inconsistent with the Trade-marks Act*. Trade-mark law protects market share in commercial goods; copyright protects the economic gains resulting from an exercise of skill and judgment. If trade-mark law does not protect market share in a particular situation, the law of copyright should not be used to provide that protection, if that requires contorting copyright outside its normal sphere of operation. The protection offered by copyright cannot be leveraged to include protection of economic interests that are only tangentially related to the copyrighted work [emphasis added; citations in text omitted].[787]

[787] *Kraft*, *supra* note 22 at para. 83.

This group of Justices clearly recognized that the case did not concern copyright law at all and should rather be decided on the grounds of trademark law. They accurately observed that the defendant "did nothing for the purpose of selling the logos as copyrighted works, or dealing with those works by way of trade; nor did Euro Excellence distribute the logos as works to the extent of prejudicially affecting the legitimate interests of [the plaintiff] as copyright holder."[788] In essence, this group of Justices reasoned that enforcement of all rights under the *Copyright Act* should be consistent with the general purpose of copyright law and not conflict with purposes of other segments of the intellectual property system and their respective balances of rights.[789]

Another group of four Justices did not pay much attention to the issue of integrity of Canadian intellectual property law. Justice Rothstein, writing for this group, stated his support for purposive interpretation of the *Copyright Act* but reasoned that s. 64(3)(b) of the *Act*, which expressly authorizes overlaps between trademark rights and copyrights, was evidence of Parliament's intention to allow it, which the Supreme Court should respect.[790] In his view, the "Parliament enacted this provision after having turned its mind to the possibility of overlap between trade-mark and copyright law" and by reading this provision in light of the purposes of copyrights, the Supreme Court "would be substituting a different policy preference from that chosen by Parliament."[791] In his argument, Justice Rothstein appears to assume that because artistic works used as trademarked logos were exempted from losing copyright protection, it was the intent of the Parliament to allow copyright holders to use copyrights in "labels" to eliminate the public's rights available under trademark law. What is missing from his analysis, however, is any reference to actual pronouncement of the Parliament's intent in public debates.

Justice Fish, who concurred with Justice Rothstein, recognized improper use of copyrights by Kraft in the case at hand but refrained from discussing the purposes of different

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[788] *Ibid*. at para. 105.
[789] Abraham Drassinower, "The Art of Selling Chocolate: Remarks on Copyright's Domain," in Michael Geist, ed., *From "Radical Extremism," supra* note 91 [Drassinower, "The Art of Selling Chocolate"].
[790] *Kraft, supra* note 22 at paras. 9-10.
[791] *Ibid*. at para. 13.

intellectual property segments and how they relate to the integrity of the entire system.[792] At the same time, he noted, referring to previous Supreme Court decision in *Robertson v. Thomson Corp.*,[793] that the overarching purposes of copyright law are to encourage dissemination of artistic and intellectual works and to justly reward the creator of the work.[794] Unfortunately, reiterating the position already expressed in numerous recent Supreme Court of Canada cases,[795] without actually explaining how and if invoking copyrights by Kraft could or could not further these purposes, does nothing to limit the conflicts between different intellectual property rights and strengthen the integrity of the intellectual property system.

It is practically impossible to form a coherent argument that would support the conclusion that allowing Kraft to prevent parallel importation of its chocolates, relying on the *Copyright Act*, would promote creativity in the form of artistic works. If a defendant's conduct involved reproducing Kraft's logo and selling it as a poster, decoration on a hat, or a computer icon, then Kraft would be justified in seeking copyright protection. On the facts in *Kraft*, however, the Supreme Court would be more reasonable in recognizing the use of copyrights by the plaintiff as misuse of the rights and rejecting the claim for this reason.[796] Inadequacy of the Supreme Court's argument for addressing the problem of overlapping copyrights and trademark rights was recognized by some scholars, Professor Tawfik in particular.[797]

It should also be noted that although the Federal Court in *Kraft* allowed the defendant to sell the imported chocolate bars in its inventory, after covering parts of the wrappers with plastic film, and refused order for delivering up the inventory to the plaintiff, it did, nonetheless, grant the injunction, thus preventing future parallel importation of the plaintiff's chocolates by the defendant. In effect, the adverse effect of the overlap between

[792] *Kraft*, *supra* note 22 at para. 53.
[793] 2006 SCC 43, [2006] 2 S.C.R. 363 [*Robertson*].
[794] *Kraft*, *supra* note 22 at para.55.
[795] See e.g. *Robertson*, supra note 793, at para. 67; *Théberge*, *supra* note 39, at para. 30; *CCH*, *supra* note 41 at para. 23; *SOCAN*, *supra* note 520 at para. 40.
[796] Leah M. Howie, "Using Copyright Law to Stop Grey-Marketed Candy: A Case Comment on *Kraft Canada, Inc. v. Euro Excellence, Inc.*" (2008) 21 I.P.J. 245.
[797] Tawfik, "When intellectual rights converge," *supra* note 74 at 287-289.

copyrights and trademark rights considered in *Kraft* was sanctioned, albeit without bankrupting the defendant.

C. Overlaps of rights, not purposes

There is no doubt that section 64(3)(b) of the *Copyright Act* is an express authorization of overlaps between copyrights and trademark rights. The key question, however, remains whether the overlap was intended by the Parliament to be limited in some way or not. To determine the authorized scope of this overlap, one has to take a step that was not taken by the Supreme Court of Canada in *Kraft*—inquire into Parliament's intentions in enacting this provision.

Section 64 was introduced into the *Copyright Act* in Bill C-60, amending the *Act*.[798] Presenting the Bill, the government explained that the main motivation behind the entire section 64 was to clarify one of the basic premises of copyright law—copyrights *are not and never were* intended to protect functional articles, despite some judicial decisions reaching the opposite conclusion. Consequently, Parliament's initiative was a response to those judicial decisions creating overlaps between intellectual property rights contrary to their purposes and was intended to clarify that "[c]opyright was never intended and did not apply to functional articles."[799] There is no doubt that the main reason for enactment of section 64 was not to expand the reach of copyright law, but rather to limit it by eliminating overlaps between copyrights and patent rights.

The limiting function of section 64 was extended to potential overlaps between industrial design rights and copyrights as well. The Minister of Communication expressed general dissatisfaction with "transforming" *Copyright Act* "into a kind of a catch-all legislation protecting works for which copyright is not appropriate."[800] She blamed misguided "judicial decisions" for granting "redundant protection" over some categories of intellectual

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[798] Bill C-60, *An Act to Amend the Copyright Act and to amend other Acts in consequence thereof*, 2nd Sess., 33d Parl., 1986-87.

[799] See *House of Commons Debates, Government Orders, Copyright Act, Measure to Amend*, 2nd Sess., 33d Parl., Vol. X (3 February 1988) at 12588 (Mr. Roger Clinch, Parliamentary Secretary to Minister of Communications).

[800] See *House of Commons Debates, Government Orders, Copyright Act, Measure to Amend*, 2nd Sess., 33d Parl., Vol. VI (26 June 1987) at 7669 (Hon. Flora MacDonald, Minister of Communications).

creations. Apparently, the government's intention in enacting section 64 as a whole was to prevent overlaps rather than authorize them. This inevitably raises a question: Why would a provision intended to eliminate overlaps between different segments of the intellectual property system also expressly authorize what appears to be unlimited overlap of trademark rights and copyrights? To make this determination one has to go "below" the floor of the House of Commons and observe the discussions in the Legislative Commission, where the exact wording of section 64(3)(b) was decided.

When the provision expressly authorizing overlaps between copyrights and trademark rights was introduced, the government of Canada made it clear that its intention was to make this section limited in application. In particular, this provision was never intended to allow copyright holders to extend their control under copyright law into tangible objects bearing copyrighted works. The purpose of this provision, as stated by representatives of the government, is actually contrary to what the majority in *Kraft* ascribed to it:

> The clear objective of the government is to say we do not want to take away copyright from creators of copyrightable works, but neither do we want to extend that right onto other articles which the copyrighted work may be applied to.[801]

Thus, when Kraft used copyrights to control distribution of its chocolate products, which was the finding of the Federal Court at trial, it was using section 64(3)(b) contrary to its purposes.

Interestingly, not only the Parliament enacting the amendment, but also the representatives of copyright owners supporting this provision, saw section 64(3)(b) as ensuring the continuation of copyrights in trademark logos, but not necessarily resulting in overlaps with trademark rights. They expressed their position in the following way:

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[801] *Minutes of Proceeding and Evidence of the Legislative Committee on Bill C-60 An Act to amend the Copyright Act and to amend other Acts in consequence thereof, House of Commons*, 2nd Sess., 33d Parl., No. 1 (29 June 1987, 10 September 1987, 13 October 1987) at 1:37 (Mr. Mel Cappe, Assistant Deputy Minister, Policy Coordinator, the Department of Consumer and Corporate Affairs).

> [I]f you can get trademark protection, why would you want copyright protection? ... [Trademark] is limited in that it has to indicate the origin of manufacture, etc. It is time-consuming—it can take up to a year and a half to three years—and it is costly. It cannot serve multiple use ... [I]f we had to get protection under the Trade Marks Act for every variation of a logo as applied to an event, by the time we got the protection, the event would be over.
>
> ...
>
> [O]ur argument is that if we could get trademark, we would not need copyright. What we need is the kind of protection that copyright gives us, because trademark does not suit our purposes.[802]

It appears that the industry supporting enactment of section 64(3)(b) was interested in alternatives rather than concurrent protection of intellectual property rights in trademarks or logos.

When the exact wording of section 64(3)(b) was decided, discussants suggested that the overlap thus created would only extend to uses of trademarks as artistic works and for the purposes limited to copyright law, thus avoiding interference with trademark law purposes:

> I would like to point out one technical point, which is not a change of substance but is a change of unfortunate wording that came to light very recently … [I]t refers to the use of an artistic work as or for a trademark. The intention is that if a trademark such as Coca-Cola bottle is put on a T-shirt, it should be covered. From a practical perspective, that is *the use of a trademark as a design and not as a trademark*. It does not indicate that the T-shirt was made by Coca-Cola Company. The point could very easily be addressed by a very simple amendment which would reward it

[802] *Minutes of Proceeding and Evidence of the Legislative Committee on Bill C-60 An Act to amend the Copyright Act and to amend other Acts in consequence thereof, House of Commons*, 2nd Sess., 33d Parl., No. 2 (15 October 1987) at 2:27 statement by (Mr. Lefaive, Witness, President, Sport Marketing Council, Sports Federation of Canada).

> to read "a trademark or a representation of a trademark or label" [emphasis added].[803]

This seems to indicate that it was never intended that copyrights would protect trademarks in their source indicating function. When the new wording, which is the present language of section 64(3)(b), was introduced by a motion in the Legislative Committee, members of the Parliament made it clear that the role of this provision is very different from what was attributed to it by Justice Rothstain in *Kraft*. The role of section 64(3)(b) was explained in the following way:

> This motion also clarifies that *trademarks may be used decoratively*, for example on a T-shirt, *in additional to* [sic] formal trademark usage (i.e. in association with protected wares and services under the Trade Marks Act) without losing protection under the Copyright Act [emphasis added].[804]

This statement indicates that it was not the intention of the Parliament to allow section 64(3)(b) of the *Copyright Act* to be used for purposes associated with trademark law. On the contrary, this provision was designed to apply only to "additional" uses of trademarks, other than for the purpose of distinguishing source of wares or services. Specifically, to ensure that trademarks could be used decoratively like any other artistic works without losing copyrights. This function is clearly distinct from indicating origins of the marked wares or services. In other words, section 64(3)(b) can be invoked in agreement with the intention of the Parliament when a copyrighted trademark is used for decorative purposes and not as to distinguish wares or services.

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[803] *Minutes of Proceeding and Evidence of the Legislative Committee on Bill C-60 An Act to amend the Copyright Act and to amend other Acts in consequence thereof, House of Commons*2nd Sess., 33d Parl., No. 5 (29 October 1987) at 5:26 (Mr. Bernard Mayer, Witness, Member, Canadian Bar Association and Patent and Trademark Institute of Canada Joint Copyright Legislation Committee).

[804] *Minutes of Proceeding and Evidence of the Legislative Committee on Bill C-60 An Act to amend the Copyright Act and to amend other Acts in consequence thereof, House of Commons*, 2nd Sess., 33d Parl., No. 8 (8 December 1987) at 8:33-8:34 (Mrs. Bourgault, Member of the Committee, introducing the motion implementing the present wording of s. 64(3)(b)).

Parliamentary discussions leading to enactment of section 64 in the *Copyright Act* appear to suggest that Justice Bastarache's view on the role of this provision presented in *Kraft* accurately represented intentions of the legislator. While the Parliament did want to avoid loss of copyrights in trademarks used for decorative purposes, nothing suggests that the Parliament intended this provision to enhance trademark rights. In fact, representatives of the government strongly suggested that the purpose of the entire section 64 was to eliminate overlaps, not create them. Kraft did not use trademark's representation as a decoration on its chocolates; instead, it used its trademarks to indicate source of the product. Parliament never wanted to give Kraft benefit of section 64(3)(b). And while it is true that discussions in the Parliament are not decisive for determination of legislative intent in enacting a specific statutory provision, and by no means binding on courts in their findings, judges refer to the legislative history of a statute, which includes documents generated during the conception, preparation, and passage of the enactment, to ascertain the purpose of legislation. Parliamentary debates around the bill, committee reports, government policy papers, explanatory papers, press releases, royal commission or law reform commission reports, transcripts and a variety of other sources are used for this purpose.[805] While reference to legislative history may not always produce satisfactory results, and indeed in some cases lead to conflicting findings in the context of intellectual property overlaps, it may nonetheless be useful for identifying relevant stakeholders in the legislative process and their motivations in promoting those provisions, as illustrated with the example of section 64(3)(b).

Separating permissible from impermissible uses of copyrights in relation to trademarks, through analysis of purposes behind claimed rights, is a difficult task and misunderstood by many courts. Practical application of this approach, however, is possible as can be illustrated on an example of a recent case.

In the *Tommy Hilfiger Licensing Inc. v. International Clothiers Inc*. case,[806] the plaintiff owned a Crest Design, registered as a trademark, used on its line of clothing. That clothing

[805] Ruth Sullivan, *Sullivan on the construction of statutes* (Markham, Ont.: LexisNexis, 2008); Elmer A. Driedger, *Driedger on the construction of statutes* (Markham, Ont.: Butterworths, 1994).
[806] 2003 FC 1087, 29 C.P.R. (4th) 39, 239 F.T.R. 260 (F.C.T.D.) [*Tommy Hilfiger TD*].

also generally displayed labels bearing the plaintiffs' trademark TOMMY HILFIGER accompanied by plaintiffs' Flag Design trademark on hang tags or packaging. The defendant purchased several thousands of men's shirts manufactured in Pakistan, which bore an embroidered crest design on the front chest similar to plaintiff's trademarked Crest Design. At the time of purchase, the defendant did not recognize the crest design as more than a generic heraldic crest and did not associate it with the plaintiffs' wares or those of any other merchant. The defendant affixed labels and hang-tags with its own GARAGE USA trademark and sold the shirts through its stores. The plaintiff commenced an action claiming infringement of both trademark rights and copyrights by the defendant. Shortly after commencement of the action, the plaintiff registered its Crest Design as an artistic work.

The Federal Court without difficulty found secondary infringement of the plaintiff's copyrights due to the distribution of crest designs that were substantially similar to the plaintiff's Crest Design. This part of Court's judgment remains uncontroversial and consistent with the purposes of copyright law in general and section 64(3)(b) in particular. Such use of copyright law to prevent reproduction and distribution of artistic works affixed to functional products was the outcome specifically envisaged by the Parliament when section 64(3)(b) was enacted.

Deciding the claim of trademark infringement, the Federal Court observed that to satisfy the requirements of the *Trade-marks Act*, the defendant must have used the plaintiff's trademark as a trademark to distinguish its wares from those of others.[807] Because the Court found that the plaintiff's artistic work was used for the purpose of ornamentation rather than as a trademark, and since the defendant had attached its own trademarks to the merchandise, there was no use for the plaintiff's trademark and thus no infringement of trademark rights.[808] The Federal Court's analysis in *Tommy Hilfiger TD* are correct and correspond with the intentions of the Parliament in enacting section 64(3)(b) of the *Copyright Act*. It is the purpose for which the copyrighted representation of trademark is

[807] *Ibid*. at para. 37.
[808] *Ibid*. at paras. 38-40.

used that should determine which rights can be invoked to protect it. In this case, the purposes were not associated with trademark law, so the plaintiff could not rely on trademark rights to protect use of its copyrighted trademark.

On appeal, the Federal Court of Appeal considered whether the Trial Court erred in rejecting the infringement of registered trademark's claim.[809] The Court sided with the appellant and concluded that a trademark was used for the purposes protected by the *Trade-marks Act* that is to distinguish the origins of the goods. The Court of Appeal argued that even though the plaintiff used the mark in association with his goods for merely aesthetic or decorative motives, the marks came to be recognized by the public as indicating a certain origin. This approach is problematic, not only doctrinally but also based on facts. The fact that the defendant, being the plaintiff's competitor in the industry, did not recognize the plaintiff's crest design as pointing to the plaintiff indicates that the chances that the general public could be mislead in this respect were very small.

As to the doctrinal objection, concluding that something is a trademark and should be protected as such simply because it is recognized by the public as pointing to a manufacturer, absent any likelihood of confusion, is problematic. The House of Lords encapsulated this problem in a hypothetical question:

> In this regard I cannot forbear adding the extreme hypothetical example beloved of trade mark lawyers. If a magazine publisher were to register an ordinary question mark, "?," as a trade mark for magazines this would not prevent the grammatical use of question marks on the covers of other magazines.[810]

The House of Lords answered this question negatively by reasoning that "the offending use of the sign must be use as a trade mark."[811] Thus, when a trademark on a T-shirt is recognized by the public as property of that trademark owner that, in itself, does not mean

[809] *Tommy Hilfiger Licensing Inc. v. International Clothiers Inc*., 2004 FCA 252, 32 C.P.R. (4th) 289, 241 D.L.R. (4th) 559, 325 N.R. 239, [2005] 1 F.C.R. 148 (F.C.A.) [*Tommy Hilfiger CA*].
[810] *Regina v. Johnstone*, [2003] UKHL 28 at para. 13.
[811] *Ibid*. at para. 27.

that such reproduction should be considered use of that trademark within the meaning of trademark law or infringing on trademark rights. It should be kept in mind that trademark law "rests on principles of fair dealing."[812] There is nothing unfair under trademark law in using an artistic work, which also happens to represent a trademark, for decorative purposes when the product is clearly marked to indicate the true origin of the product and there is no likelihood of deception or confusion as to where the product originated. In other words, even if a purchaser of a T-shirt with the decorative Tommy Hilfiger heraldic mark recognizes that the mark is Tommy Hilfiger's but due to appropriate labelling knows that the T-shirt originated from Garage, such use of the mark does not offend the purposes of trademark law. Contrary approach will confuse the distinction between decorative and distinctive uses of trademarks.

The premise of excluding trademark protection for marks used for decorative purposes is reflected in the doctrine of "aesthetic" functionality. The gist of this doctrine was aptly described by the TM Opposition Board in *Dot Plastics Ltd. v. Gravenhurst Plastics Ltd.* in the following way: "Ornamentation applied to wares for purposes of enhancing the appearance of the wares is not proper subject matter for a trade mark."[813] Application of the doctrine was considered in *Adidas (Canada) Inc. v. Colins Inc*.[814] In this case the Court considered a design registration of three stripes of any colour running vertically on various sport clothing items. There was evidence from an expert that stripes make a garment more attractive. Because the Court found that the stripes were essentially used for decorative purposes rather than the regular purpose of trademarks to distinguish source of the wares, the Court rejected the application and explained:

> Moreover aside from the question of distinctiveness there is a very serious question as to whether the three stripes do not constitute a functional design, serving the function of decoration and are not properly registrable as a trademark.

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[812] *Mattel*, *supra* note 18 at para. 21.
[813] (1988), 22 C.P.R. (3d) 228, 1988 CarswellNat 1430 (T.M. Opp. Bd.) at para. 6 [cited to CarswellNat].
[814] (1978), 38 C.P.R. (2d) 145, [1978] F.C.J. No. 8 (QL) (F.C.T.D.) [*Adidas*, cited to C.P.R.]. See also: *W.J. Hughes & Sons "Corn Flower" Ltd. v. Morawiec* (1970), 62 C.P.R. 21 (Can. Ex. Ct.); *Canada's Royal Gold Pinetree Manufacturing Co. v. Samann*, 4 C.I.P.R. 17, 1985 CarswellNat 513, 3 C.P.R. (3d) 313 (F.C.T.D.); *Procter & Gamble Inc. v. Colgate-Palmolive Canada Inc*., 364 F.T.R. 288 (Eng.), 2010 CarswellNat 459, 2010 CarswellNat 2357, 81 C.P.R. (4TH) 343, 2010 FC 231, 2010 CF 231 (F.C.T.D.).

> There is some evidence to the effect that striping on the sleeves or legs of garments, and athletic garments in particular, adds to their attractiveness for a potential buyer. Longitudinally placed stripes have a slenderizing effect and may perhaps give an illusion of speed or motion. Certainly I believe that it is fair to say that a garment bearing some such decorative stripes is more attractive and has more eye appeal than a plain garment. This has been recognized by manufacturers for many years and no doubt accounts for the great variety of striping which is so used. For one particular manufacturer to seize upon one particular type of striping, and by consistent use of it in certain widths and spacing claim that this particular type of stripe has acquired a significance so as to indicate to the public garments of its manufacture appears to be an attempt to convert what is merely ornamental design into a trade mark, which is not permissible.[815]

In other cases, however, courts distinguished trademarks that are used primarily for the purpose of ornamentation and those uses where decorative or ornamental aspect is only incidental,[816] allowing those marks that are partly ornamental to be allowed protection. Although the doctrine of ornamental functionality has generally been applied by courts at the trademark registration stage, this approach appears is reasonable and should, arguably, immunize the defendant from trademark infringement claim in the *Tommy Hilfiger CA* case.

D. Comparative advertising

Overlaps between trademark rights and copyrights can also be misused in the context of comparative advertising. Comparative advertising is a very effective way to promote products and capture market share from competitors. It may be done unfairly when it involves statements about competing products that are not true. To prevent such unfair competition, trademark law, both common law and under the *Trade- marks Act*,[817] prohibit

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[815] *Ibid.* at 169.
[816] *Santana Jeans Ltd. v. Manager Clothing Inc.*, 52 C.P.R. (3d) 472 (Fed. T.D.); *Canada's Royal Gold Pinetree Mfg. Co. v. Samann*, (1986), 65 N.R. 385, 9 C.P.R. (3d) 223 (F.C.A.); *Procter & Gamble Inc. v. Colgate-Palmolive Canada Inc*., 2010 FC 231.
[817] *Trade-marks Act*, *supra* note 27, s. 7(a), enjoins false and misleading statements about competitors trademarks.

false comparative advertising that amounts to unfair competition.[818] But trademark law cannot be used to prevent comparative advertising that is truthful.[819] In other words, a competitor can say that his product is better in certain respects than other products, as long as this statement is true.[820] Truthful claims can be accompanied by display of the competitor's trademark. Such use of protected trademarks is recognized as legitimate in most jurisdictions because it has no effect on the purposes of trademark law.[821]

Generally, Canadian courts do not find comparative advertising infringing upon trademark rights. This issue was considered by the Supreme Court of British Columbia in the *Future Shop Ltd. v. A. & B. Sound Ltd.* case.[822] It involved two parties engaged in the retail sale of commercial electronic products. The defendant, A & B Sound, used in its comparative advertising three registered trademarks of the plaintiff. The ads were found to be fair and accurate. The plaintiff sued claiming infringement and depreciation of trademark rights, but the Supreme Court rejected the plaintiff's argument for infringement of s. 19 of the *Trade-marks Act*. Focusing on the purposes of trademark rights, the Court opined that trademark rights cannot be used to prevent legitimate comparisons of prices or criticism of products. The Court also rejected the possibility of using depreciation of goodwill provision under s. 22 of the *Trade-marks Act* saying:

> … In my view, the *Clairol* decision supports the position of A. & B. Sound that their fair and accurate comparative price ads do not offend s. 22(1) of the *Trade Marks Act*. I respectfully disagree that *Clairol* supports the decision in *Eye Masters*. …

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[818] *Glo-Klen Distributors Ltd. v. British Columbia Chemicals Ltd.*, (1959), 32 C.P.R. 63 (B.C. C.A.); *137240 Assn. Canada Inc. v. Ontario Medical Assn.*, (1989), 29 C.P.R. (3d) 63 (Ont. H.C.); *Church & Dwight Ltd. v. Sifto Canada Inc*., (1994), 58 C.P.R. (3d) 316 (Ont. Ct. (Gen. Div.)); *Unitel Communications Inc. v. Bell Canada*, (1994), 56 C.P.R. (3d) 232 at 243 (Ont. Ct. (Gen. Div.)); *Beatrice Foods Inc. v. Ault Foods Ltd.*, (1995), 59 C.P.R. (3d) 374 at 385 (Ont. Ct. (Gen. Div.)), additional reasons at (1995), 60 C.P.R. (3d) 462 (Ont. Ct. (Gen. Div.)).

[819] *Johnson & Johnson Inc. v. Bristol-Myers Squibb Canada Inc.*, (1995), 62 C.P.R. (3d) 347, 1995 CarswellOnt 259 (Ont. Ct. (Gen. Div.)), additional reasons at (1996), 66 C.P.R. (3d) 26 (Ont. Ct. (Gen. Div.)).

[820] *Rust Check v. Young*, (1988), 22 C.P.R. (3d) 512 at 530-531 (Ont. H.C.).

[821] See e.g. *Barclays Bank plc v RBS Advanta* [1996] R.P.C. 307; *Vodaphone Group plc v Orange Personal Communications Services Ltd* [1997] F.S.R. 34; *Chanel*, *infra* note 828; *Deere*, *infra* note 830. See also EC, *Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising*, [2006] O.J. L. 376.

[822] [1994] 8 W.W.R. 376, 55 C.P.R. (3d) 182, 93 B.C.L.R. (2d) 40 (B.C.S.C.) [*Future Shop*].

> Returning to *Clairol*, as Thurlow J. noted, s. 22 is a unique provision capable of substantially divergent interpretation. Insofar as I am aware, it has not been definitively interpreted by an appellate court in Canada. The broad construction pressed by Future Shop would preclude comparative pricing, at least of services, and prohibit comparative price ads of a type that are commonplace in contemporary retail advertising of price-sensitive products, among grocery stores for example. For that reason, I share the reservations of the merits of a broad interpretation of s. 22 expressed by Thurlow and Reed JJ. I doubt that an expansive interpretation will ultimately prevail. …[823]

English courts also reject use of trademark rights to prevent comparative advertising as incompatible with the purposes of trademark law. In the *O2 Holdings Ltd v. Hutchison 3G Ltd*. case,[824] for example, the defendant used the plaintiff's registered trademark in comparative advertising. The English Court of Appeal had to answer the question whether the use of plaintiff's trademark by the defendant in the course of trade, but purely for the purpose of comparing the merits (including the price) of his goods or services with those of the plaintiff, and in such a way that it could not be suggested that the essential function of the trademark as an indicator of origin was in any way jeopardized, violating trademark rights. The Court said "no," explaining that the defendant was not "using the mark to indicate the trade origin of his goods or services" and therefore did not interfere with "the key function of trade marks—as repeatedly identified by the Court."[825] In this way, the English Court of Appeal unequivocally linked infringement of trademark rights with offending their purposes.[826]

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[823] *Ibid* at paras. 14 and 16. See also: *Michelin*, *supra* note 77 at para. 35, *Clairol Int'l Corp. v. Thomas Supply & Equipment Co. Ltd.*, (1968), 55 C.P.R. 176, [1968] 2 Ex. C.R. 552, 38 Fox Pat. C. 176 (Can. Ex. Ct.), and Gill and Jolliffe, *Fox on Canadian Law of Trade-makrs*, *supra* note 361 at sect. 7.8(c). But *cf*. Norman Siebrasse, "Comparative Advertising, Dilution and the Meaning of Section 22 of the *Trade-marks Act*", online: University of New Brunswick <http://law.unb.ca/Siebrasse/Download/Section22.pdf>.

[824] [2007] R.P.C. 16, [2006] EWCA Civ 1656 [2007] 2 C.M.L.R. 15 [2007] E.C.C. 14 [2007] E.T.M.R. 19 (C.A.) [cited to R.P.C.].

[825] *Ibid*. at 419. The Court referred the question to the European Court of Justice for confirmation, which found that there was use of the plaintiff's trademark of facts of the case exempted comparative advertising from liability for such use for public policy reasons; see *O2 Holdings Limited and O2 (UK) Limited v. Hutchison 3G UK Limited*, C-533/06, [2008] E.C.R. 4231, [2008] ETMR 55 (E.C.J.) at paras. 35-37 and 45.

[826] See also *Red Dot Technologies Ltd v Apollo Fire Detectors Ltd*. [2007] EWHC 1166, [2007] EWHC 1166, 2007 WL 1574376 (Ch.).

American courts take a similar position.[827] In the *Smith v. Chanel, Inc*. case,[828] the defendant copied unpatented formula for Chanel #5 fragrance and used comparative advertising displaying plaintiff's trademark to market its product. The plaintiff claimed trademark infringement, but the Ninth Circuit Court rejected the claim, saying that the right of competitors to make "use of another's trademark to identify the trademark owner's product in comparative advertising … rests upon the traditionally accepted premise that the only legally relevant function of a trademark is to impart information as to the source or sponsorship of the product."[829] American courts view truthful use of competitors' trademark in comparative advertising not only as consistent with the purposes of trademark law but even as enhancing those purposes. The Second Circuit Court explained it in the *Deere & Co. v. MTD Prods*. case:

> Sellers of commercial products may wish to use a competitor's mark to identify the competitor's product in comparative advertisements. As long as the mark is not altered, *such use serves the beneficial purpose of imparting factual information about the relative merits of competing products* and poses no risk of diluting the selling power of the competitor's mark [emphasis added; citations in text omitted].[830]

This position is consistent with the argument that relies on distinguishing proper from improper uses of trademarks. Alteration of a trademark brings use of the mark within purposes of trademark law as it can lead to dilution of the mark, which makes such use improper.

While distinction between true and untrue statements in the context of comparative advertising is determinative under trademark law, it is irrelevant under copyright law.

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[827] *Calvin Klein Cosmetics Corp. v. Lenox Laboratories, Inc*., 815 F.2d 500, 503 (8th Cir.1987); *Dataphase Systems, Inc. v. C.L. Systems, Inc*., 640 F.2d 109, 113-14 (8th Cir.1981); *Tommy Hilfiger Licensing, Inc. v. Nature Labs*, LLC, 221 F.Supp.2d 410, 414 (S.D.N.Y. 2002).
[828] 402 F.2d 562, 159 USP.Q. 388 (9th Cir. 1968) [*Chanel*].
[829] *Ibid*. at 565-566.
[830] 41 F.3d 39, 63 USLW 2349, 32 USP.Q.2d 1936 (2d Cir. 1994) at 44 [*Deere*, cited to F.3d].

Exceptions to copyright infringement are expressly specified in the *Copyright Act* and they do not appear to accommodate comparative advertising. This incompatibility of copyrights and trademark rights in relation to comparative advertising allows copyright owners to invoke copyrights in order to prevent activities that are allowed under trademark law—even when this activity has no relation to the purposes of copyright law. This tactic can be illustrated by an English case: *IPC Media Ltd. v. News Group Newspaper Ltd*.[831]

IPC Media involved two competing magazines: "What's on TV" and "TV Mag." TV Mag was a free television listings magazine launched as a weekly addition to newspaper The Sun. What's on TV, on the other hand, was a paid edition. The Sun launched an advertising campaign promoting TV Mag which included a comparison of both magazines and highlighted the free nature of its product. In several of its ads, the Sun reproduced front covers of two issues of What's on TV, which showed protected trademarks.[832] What's on TV sued, claiming, *inter alia*, infringement of its copyrights in literary and artistic works by reproduction of its logos and the front covers of the magazine. The defendant raised the defence of fair dealing.[833]

The Court of Chancery rejected the fair dealing argument, finding that comparative advertising cannot be classified as "criticism or review" of the plaintiff's works.[834] Interestingly, when the defendant raised an argument that it was merely engaged in the process of comparative advertising, which is allowed under trademark law,[835] the Court rejected this argument and commented that it was not indispensable for the defendant to infringe on the claimant's copyright in order to make the comparative advertising.[836] Unfortunately, in its argument the Court of Chancery did not pay much attention to the purposes of copyright law and imputed to copyrights the function associated with trademark law, which led to a wrong conclusion. The Court stated:

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[831] [2005] EWHC 317 (Ch.) [*IPC Media*].
[832] *Ibid*. at para. 1.
[833] *Ibid*. at paras. 3-4.
[834] *Ibid*. at para. 21.
[835] *Ibid*. at para. 8.
[836] *Ibid*. at para. 17.

> The virtue is said to be that the defendant is *merely* using the copyright work for the purpose of identifying the claimant's product and not because it wishes to make unfair use of the copyright work itself. But this, it seems to me, ignores the fact that the essential, or at least principal, function of the copyright work in the claimant's trade *is* to identify the claimant's product and to do so for the benefit of the claimant. The claimant has devoted its skill and labour in the production of literary and artistic work for the very purpose of identifying its product for its own commercial purposes. In copying the work to advance its own competing commercial purposes at the expense of the claimants, the defendant was taking advantage of the fact that the claimant's work has created that literary/artistic identity for its product.[837]

This view of copyright law does not accurately reflect its purposes. The function ascribed by the Court to copyrights is actually furthered by trademarks, which are to indicate the source of the marked goods. The role of copyrights is to promote creativity. None of these purposes were undermined with the use of the plaintiff's trademarks by the defendant in comparative advertising.

The Court's focus on the technical possibility of comparing products without exhibiting trademarks associated with them also resulted in a conclusion that would adversely affect the public's rights under trademark law and thus the balance of rights within this segment of the intellectual property system. Such an interpretation seems to make the exemption for comparative advertising in trademark law virtually meaningless. It is probably always possible to do comparative advertising without actually reproducing a competitor's logo or distinguishing guise, but the effectiveness of such advertising may be illusory or seriously diminished. The only way to make the exception meaningful and allow comparative advertising to fulfil its "beneficial purpose of imparting factual information about the relative merits of competing products"[838] is to allow the use of a competitor's trademark in a way that does not undermine the purposes of trademark law. Even if an alternative way of

[837] *Ibid.* at para. 21.
[838] *Deere*, *supra* note 730 at 44.

advertising is technically possible, it may result in non-effectiveness of comparative advertising, which would restrict or eliminate this right in practical terms.[839]

E. Using copyrights to expand trademark rights[840]

The exception established by the Parliament in section 64(3)(b) of the *Copyright Act* seems to reflect the Parliament's intention to allow use of trademark logos for other purposes than to indicate the origins of merchandise without fear of losing copyright protection in the artistic work forming the trademark logo. It is doubtful that the Parliament intended to allow the use of copyrights to eliminate rights of competitors or the general public under trademark law, such as parallel importation or comparative advertising of trademarked products. One might imagine more legitimate uses of this section to protect justifiable interests of trademark owners. For example, a restaurant owner could license her aesthetically appealing trademark to be used on t-shirts for decorative purposes as a copyrighted work and to derive economic interest from such a license. Or an author of an artistic work in the form of a painting might want to use it as a trademark or license such use and still derive economic benefit from reproduction or display of his artistic work. Such use of copyrights would be more consistent with the intent of Parliament in enacting section 64(3)(b) of the *Copyright Act* than use of copyrights under false pretences to prevent parallel importation of chocolate bars or other products. Similarly, invoking copyrights to make trademark rights under the *Trade-marks Act* and common law meaningless in the context of comparative advertising was not likely something that the Parliament envisaged and condoned.

Sorting out problematic from unproblematic uses of copyrights in trademarks is not always an easy task, but it can be done by focusing on the motivations of intellectual property owners in invoking their rights and confronting these motives with the purposes of the

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[839] The Court made the comment on "indispensability" of trademark's use in the context of the EC, *Directive 1997/55/EC of European Parliament and of the Council of 6 October 1997 amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising*, 23 October 1997, [1997] O.J. L 290, which creates exemption to trademark infringement in comparative advertising when such use of trademarks is "indispensable in order to make a comparative advertising effective." Thus, by considering the element of "indispensability" and ignoring the element of "effectiveness" the Court in *IPC Media* erred in interpretation of the Directive.

[840] Four paragraphs in this section on pages 254-257 were published in Tomkowicz, "Copyrighting Chocolate," *supra* note 86. This work has never been previously submitted for academic credit.

rights invoked. Courts are well equipped to engage in this analysis. The *L'anza* case, decided by the US Supreme Court,[841] is a good example of such analysis.

L'anza involved facts similar to those in *Kraft*. L'anza was a California company manufacturing and selling expensive shampoos, conditioners, and other hair care products. It sold those products exclusively to domestic distributors who agreed to resell them within limited geographic areas and then only to authorized retailers such as barber shops or beauty salons. L'anza affixed copyrighted labels to all its products. L'anza also sold its products in Europe where they were subsequently purchased by Quality King and sold in California to unauthorized retailers. L'anza sued for copyright infringement. Both the District Court and the Court of Appeal held for the plaintiff.[842]

The US Supreme Court, however, quickly recognized L'anza's pretences and was appalled by such use of copyrights. The Court observed that the plaintiff did "not claim that anyone has made unauthorized copies of its copyrighted labels. Instead, L'anza [was] primarily interested in protecting the integrity of its method of marketing the products to which the labels [were] affixed."[843] And although the case ultimately was decided on the interpretation of the statutory doctrine of "first sale,"[844] the Supreme Court's argument relied on the *Bobbs-Merrill Co. v. Straus* case,[845] which predated codification of the doctrine into American copyright law.[846] Most importantly, the Supreme Court stipulated that its decision was really based on public policy grounds. The Court explained that when interpreting copyright law, it "must remember that its principal purpose [is] to promote … creativity, and its principal function is the protection of original works, rather than ordinary commercial products that use copyrighted material as a marketing aid."[847] Although different in language, this argument is strikingly similar to the reasoning of Justice

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[841] *L'anza*, *supra* note 752.
[842] *L'Anza Research Intern., Inc. v. Quality King Distributors, Inc*., 1995 WL 908331 (C.D.Cal. 1995), aff'd by 98 F.3d 1109 (9th Cir. 1996).
[843] *L'anza*, *supra* note 752 at para. 6.
[844] 17 USC. § 109(a) and 17 USC. § 109(d).
[845] 210 US 339 (1908) [*Bobbs-Merrill*].
[846] *L'anza*, *supra* note 752 at paras. 6-8; in 1909, US Congress legislated "first sale" doctrine into the *Copyright Act*, 17 USC. § 27 (1909), implementing the logic of the US Supreme Court's argument in *Bobbs-Merrill*, *ibid.*
[847] *Ibid*. at para. 20.

Bastarache and contrary to the view of the majority in *Kraft*. Justice Bastarache's interpretation of copyright law as a scheme that is designed to advance its purposes and leaves outside of its scope "incidental" use of copyrighted works[848] resonates with Justice Stevens' logic finding such use of copyrighted works outside of copyright protection. And even though the relevant provisions interpreted by both Courts in both cases were different, with Canadian provisions establishing the right to prevent parallel importation of copyrighted works and the US provisions giving away such rights, public policy consideration were identical in both cases—plaintiffs were attempting to misuse their copyrights for purposes foreign to this area of law. The only difference is that in *L'anza* these pretences were recognized and rejected, while a large part of the Supreme Court of Canada in *Kraft* refused to denounce such misuses of copyrights.

Reading the US Supreme Court's argument in *L'anza* illuminates the real issue in *Kraft*. While on the surface *Kraft* involved copyright infringement, in reality it was about using one segment of the intellectual property system, copyright law, to expand another one, trademark law. In this sense, *Kraft* belongs in the same category of cases such as *Kirkbi SCC*—defining the structure of the entire intellectual property system by delineating their borders based on their purposes or "basic and necessary distinctions … and their legal and economic functions."[849] To understand this correlation one must see the whole forest of the intellectual property system rather than the tree, or the single provision in the *Copyright Act*. The judgement of the Supreme Court of Canada in *Kraft* is not the only example of a case where courts chose strict literary interpretation of a single statutory provision over consistency of the entire intellectual property system. A similar mistake was made by the Ninth Circuit Court in *Omega*, where the Court distinguished *L'anza* based on a strict literary interpretation of statutory provisions, ignoring important public policy concerns in the process.

Copyright law and trademark law have very different functions. The former is designed to encourage creativity in the artistic domain, the latter is supposed to indicate the source of

[848] *Kirkbi SCC*, *supra* note 65 at paras. 83 and 86.
[849] *Ibid*. at para. 37.

the marked goods or services. It is concerned with fairness more than creativity. Keeping this basic distinction in mind, it is easy to distinguish proper uses of copyright and trademark rights from improper ones. When a copyright holder invokes his rights to protect the economic benefits derived from distribution of the copyrighted work, he stays within the corners of the *Copyright Act*. When those rights are used to protect economic benefits derived from the sale of products used in connection with copyrighted works, he steps outside of the copyright scheme and enters the domain of trademark law. Claims of this sort should be rejected simply because such exercise of copyrights can not possibly lead to an increase in creativity, the very purpose of the *Copyright Act*.

While one might argue that finding the exact purpose for which an intellectual property rights' holder invokes his rights will be difficult, and indeed there may be cases when such inquiry will not produce clear cut answers, usually those intentions are apparent. For example, claiming distribution rights to prevent parallel importation of books or movies recorded on DVDs is clearly an attempt to protect benefits derived from the copyrighted works.[850] Claiming copyright protection in elements of a chocolate wrap, which is never sold as a separate copyrighted work, is clearly an attempt to protect the market for chocolate products. While technically such practices could be viewed as complying with the letter of the *Copyright Act*, it is obviously against the purpose of the copyright law. The Supreme Court was very clear on several occasions that the purpose of copyrights is to provide just rewards for "works of the arts and intellect" not bars of chocolate.[851] Protecting general business models favoured by manufacturers of various products with rights granted under the *Copyright Act* will most likely not further the goals of copyright law. Similarly, invoking copyrights to restrict customers' access to truthful information about competing products could hardly be considered in line with purposes of copyright law.

The problems resulting from conflicts between various intellectual property rights and questions about the integrity of the intellectual property system will have to be resolved by the Supreme Court of Canada sooner rather than later. New technologies, especially those

[850] It is arguable that such practice should not be allowed for public policy reasons. But at least the purpose for which copyright is used in such case is justifiable.
[851] *CCH, supra* note 41 and *Théberge, supra* note 39.

related to computer software and DNA sequences, open the possibility of using copyrights for purposes that are foreign to this segment of the system.[852] Allowing this practice to continue and ignoring the appearance of more misguided litigation attempts will inevitably lead to additional confusion about the nature and scope of intellectual property rights.

It is unfortunate that the issue of intellectual property rights' overlaps was not seriously considered in *Kraft*. This case, like *Kirkbi SCC*, gave the Supreme Court of Canada a rare opportunity to bring consistency and balance to the entire intellectual property system, a difficult task that requires the intelligence of the entire Supreme Court acting in unison in the manner exemplified by the US Supreme Court's decision in *L'anza*.

4. Copyrights and industrial designs

Subject matter that is protected by industrial design rights is identical to one of the subject matters protected by copyrights. The *Industrial Design Act* is intended to protect appearance or aesthetics of products,[853] which perfectly fits the definition of artistic works in the *Copyright Act*. Indeed, "any artistic work including paintings, drawings, maps, charts, plans are within the ambit of the definition 'articles'" in the *Industrial Design Act*.[854]

Despite the similarity in the protected subject matters, both monopolies are very different in scope and duration. Copyrights offer much broader and longer lasting protection than industrial design rights and therefore would be preferred for the protection of artistic works, except such protection is expressly prohibited by section 64 of the *Copyright Act*.[855] There is, however, one context—visual displays of software—in which industrial design rights may offer a viable alternative or a supplement to copyright protection.

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[852] See similar cautionary notes in Gordon F. Henderson, "An Introduction to the Law of Copyright, Confidential Information, and Trade Secrecy," in Henderson, eds., *Copyright and Confidential Information*, *supra* note 88 at 18-19.
[853] *Amp Inc. v. Utilux Pty. Ltd.*, [1972] R.P.C. 103 (H.L.) [*Utilux*].
[854] *Milliken & Co. v. Interface Flooring Systems (Canada) Inc.* [1998] 3 F.C. 103 at 114 (F.C.T.D.).
[855] *Canadian Private Copying Collective v. Amico Imaging Services Inc.*, 2004 FC 469, 249 F.T.R. 312 (F.C.T.D.).

Internationally, the visual interfaces of software have been recognized as copyrightable works in several judicial decisions.[856] Those cases, however, concerned software in the early stages of its development and quite different from modern computer programs. While there is a strong argument for denying copyright protection to visual displays of modern software,[857] this issue has not yet been judicially resolved. It is arguable, however, that these displays may be suitable for protection of industrial design rights and able to escape application of section 64 of the *Copyright Act* creating, potentially, overlap between copyrights and industrial design rights.

Attempts to protect visual displays of software with industrial design rights are not new and many jurisdictions now allow this overlap,[858] but originally such attempts were rejected. For example, in the *Ex parte Strijland*[859] case, the United States Board of Patent Appeals and Interferences considered an application for the registration of ornamental design of an icon on a display screen of a computer. The Board refused the application on formal grounds because the application drawings did not illustrate how the design would be applied to an article.[860] However, the majority of the Board stated that if the design had been property described and claimed as applied to a programmed computer system, the application could have been allowed.[861]

The argument of the Board was later rejected by the Examiner-in-Chief who, while concurring with the result reached by the majority, held that ornamental design of an icon

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[856] See e.g. *Express Newspapers Plc. v. Liverpool Daily Post & Echo Plc*. [1985] 3 All E.R. 680 (Ch.); *Whelan*, *supra* note 513; and *Lotus*, *supra* note 513.
[857] See discussion in chapter III.3 *supra*.
[858] In contrast to Canada, both US and E.U. allow for overlaps of copyrights and industrial design rights. Till 1974 the Patent and Trademark Office in the US required authors to elect between copyright and industrial design (design patent) protection. However, in *In re Yardley*, 493 F.2d 1389, 181 USPQ 331 (CCPA 1974) case the Court of Customs and Patent Appeals decided that it was intention of the Congress to allow for overlap of industrial design rights and copyrights and rejected the "election of protection doctrine"; *Manual of Patent Examining Procedures* (Washington, DC: US Department of Commerce, 2008), Ch. 1512 Relationship Between Design Patent, Copyright, and Trademark; EC, *Directive (EC) No. 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs*, 28 October 1998, [1998] O.J. L 289, art. 17; EC, *Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs*, 5 January 2002, [2002] O.J. L 3, art. 96(2).
[859] 1992 Pat. App. LEXIS 8, 26 USP.Q.2d 1259 (Bd. Pat. App. & Int. 1992) [*Strijland*, cited to LEXIS].
[860] *Ibid*. at 2.
[861] *Ibid*. at 4. Similar result was reached in *Ex parte Donaldson*, 1992 Pat. App. LEXIS 6 (Bd. Pat. App. & Int. 1992).

that is part of software's interface displayed on computer screen, even if properly described, was not an appropriate subject matter for industrial design rights.[862] In particular, he likened a computer screen to a sheet of paper, or a medium, on which a design is displayed rather than applied to. He explained:

> It is my conclusion that the computer screen just like the articles of manufacture, such as a sheet of paper, an artist's canvas and a movie screen, are all articles of manufacture that are not normally ornamented by a design being placed thereon or more properly stated, in my opinion, displayed thereon. The computer display screen of the present claim is merely a different medium (article of manufacture) from a piece of paper, an artist's canvas or a movie screen for such design display and the computer screen. One must, to appreciate this distinction, understand the *significant difference between* the phrases *a design displayed on and a design applied to an article of manufacture*. Accordingly, in the case before us, since the computer display screen is only a medium for the display of the designed icon, the claim under review is merely directed to the designed icon and not an icon that is 'applied to' or 'embodied in,' the article of manufacture as required by the decisions of our review courts. [emphasis added; citations in text omitted][863]

While *Ex parte Strijland* suggested that the display of a computer interface could not be "applied" to a computer monitor, and thus could not meet this prerequisite for grant of industrial design rights, the position of the US Patent Office subsequently changed and now this requirement may refer to a "central processing unit and computer program" rather than the computer's monitor.[864] Indeed, to date, many industrial designs for parts of computer displays have been granted in the US, such as icons for a waste basket, a file divider, a floppy disk drive, a telephone, a spelling dictionary, and a graphical "softkey" menu display.[865]

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[862] *Strijland*, *ibid.* at 4.
[863] *Ibid.* at. 7.
[864] *Manual of Patent Examining Procedures*, *supra* note 744, Ch. 1504.01(a) Computer-Generated Icons.
[865] See e.g. US Patents: D597099; D413588; D424543.

Possible protection of industrial design rights for icons appearing on computer screens was also the subject of consideration in the Australian case of *Re Applications by Comshare Incorporated*.[866] In this case, the applicant submitted that an icon appearing on a computer screen is a pattern or ornamentation applicable to a computer screen and that the article is the computer screen, which is either an article in itself, or a part of an article, that is part of the computer display device. The application for industrial design was rejected on two grounds. First, the Registrar opined that the design was not distinguishable from a fundamental form of the article because "when the applicant's designs are displayed on a computer screen" the user will not view "the computer screen or any other hardware associated with the computer as being characterized by those designs," as "the screen image is transitory and that the hardware is still the same hardware as it was before the design was displayed on the screen."[867] In other words, "[b]ecause the designs are transitory they do not give a 'particular individual any specific appearance to the computer screen."[868] This argument is similar to that of the Examiner-in-Chief in *Ex parte Strijland* in suggesting that icons are part of the screen display rather than applied to it. The second argument suggested that the designs could not qualify as a "'pattern or ornamentation' within the meaning of the *Designs Act* ." The Registrar explained that "[a] design should not be primarily literary or artistic in character," and "if design features are subordinate to content and layout of literary or textual matter, as judged by the eye, then the design features could not form a registrable design."[869]

Canadian courts have not yet considered the availability of industrial design rights for protection of icons and other screen displays under the *Industrial Design Act* and therefore the issue of potential overlap between copyrights and industrial design rights in this context remains open. It appears that only one of the objections raised by the Examiner-in-Chief in *Strijland* and the Registrar in *Comshare* are relevant under Canadian law.

[866] (1992), 23 I.P.R. 145 (Austl. Pat. Off.) [*Comshare*].
[867] *Ibid.* at 147.
[868] *Ibid.*
[869] *Ibid.*

The objection of the Registrar in *Comshare,* related to the character of an industrial design, is probably unsupported in Canadian law. Generally, Canadian courts interpret the "ornamental" nature of industrial design as signifying its attractiveness or appeal to good taste.[870] This nature corresponds with the character of artistic works, which also have a decorative function.[871] Consequently, it appears that the predominantly artistic character of an industrial design should not bar its registration.

The second objection related to whether visual displays of software can be applied to computer screens within the meaning of the *Industrial Design Act* appears to be more applicable to Canadian law. It should be noted, however, that although both *Strijland* and *Comshare* raised this objection, they appear to rest it on different arguments. In *Strijland*, the Examiner-in-Chief argued that the computer screen is only a medium for display of a design and therefore the design is never applied to it. While Canadian courts held that protection of a design is not dependent upon it having been applied to a useful article,[872] other cases held that a design has to be capable of being applied to an article to enjoy protection of industrial design rights.[873] Moreover, such application must show to the eye the particular shape, configuration, pattern or ornament, the conception or suggestion of which constitutes the design,[874] which precludes computer chips or the software itself as the possible article to which the design could be applied—the design could not be shown to the eye when applied to either of them.

Also, the argument in *Comshare*, referring to the transient nature of visual displays, is consistent with Canadian law. Industrial design rights in Canada do not protect designs of transient character.[875] This position corresponds with the requirement of substantial fixation

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[870] *Cimon Ltd. et al. v. Bench Made Furniture Corpn. et al.*, [1965] 1 Ex.C.R. 811; *Bayliner Marine Corp. v. Doral Boats Ltd.*, (1986), 10 C.P.R. (3d) 289 (F.C.A.); leave to appeal refused (1986), 9 C.I.P.R. 311n (S.C.C.); *Gandy v. Canada (Commissioner of Patents)*, (1980), 47 C.P.R. (2d) 109 (F.C.T.D.).
[871] *New Brunswick Telephone*, *supra* note 84.
[872] Protection, however, seems not to depend on actual application of the design to a useful article; see *Milliken & Co. v. Interface Flooring Systems (Canada) Inc.* (2000), 5 C.P.R. (4th) 209 (F.C.A.) at para. 18.
[873] *Pugh v. Riley Cycle Co.*, (1912), 29 R.P.C. 196 (Ch.) at 202.
[874] *Ibid.* See also *Rothbury*, *supra* note 539 and *Utilux*, *supra* note 853.
[875] *Re Industrial Design Application No. 1997-2899*, (2003), 29 C.P.R. (4th) 85, 2003 CarswellNat 4649 (Can. Pat. App. Bd. & Pat. Commr.).

as a threshold of copyrightability.[876] Industrial designs are nothing more than copyrightable artistic works used in specific context,[877] and their transient nature should prevent application of the *Industrial Design Act*.

It is an open question whether visual displays of software can enjoy overlapping protection of copyrights and industrial design rights. It is still unknown whether courts will view modern visual displays in the same way the older technology was treated in the *Delrina OC* case.[878] And even if computer visual interfaces continue to enjoy copyright protection, Canadian courts will still have to resolve if the display can be treated as applied to computer screen to obtain protection of the industrial design rights. Assuming that both obstacles can be overcome, the issue of overlaps will have to be resolved and addressed through purposive analysis of both segments of the intellectual property system. There is no doubt that the Canadian Parliament, through enactment of section 64 of the *Copyright Act*, intended to prohibit overlaps between copyrights and industrial design rights.[879] Yet, because software is excluded from the application of this section, Parliament's intent cannot be adhered to through interpretation of section 64. Instead, it will require reliance on purposive analysis of the entire intellectual property system.

From a practical point of view, it remains beneficial for software owners to continue registration of their industrial designs in visual interfaces of computers while claiming copyright protection of the displays. Because the scope of protection for this technology is so uncertain, it is prudent to err on the side of caution and secure the widest protection possible until judicial decisions bring some clarity to this area of law.

5. Copyrights and personality rights

There is a strong correlation between copyrights and personality rights. In a way, the subject matter of personality rights can be viewed as a form of copyrightable work expressed in human form. This overlap is complex because the purposes of these two areas

[876] See discussion in chapter II.3.
[877] See discussion in chapter III.4.
[878] *Delrina OC*, supra note 511.
[879] See discussion in chapter IV.3.C.

of intellectual property law are not exactly aligned. Copyrights' purpose is to promote the creation of new work. To fulfil this purpose, copyright law empowers creators to economically exploit their creations. This protection extends only to the work itself and does not encompass the underlying ideas. Consequently, independently created works, even if very similar to other copyrighted works, will enjoy separate copyright protection. The only purpose of personality rights, on the other hand, is to protect one's entitlement to the economic exploitation of his or her image. This right often has been interpreted as preventing others from economic exploitation of similar personalities. In *Onassis,* for example, the appearance of the plaintiff's look-alike was found to infringe personality rights,[880] even though the look-alike's striking resemblance to the plaintiff was a "natural occurrence" or "independent creation." This result is inconsistent with principles of copyright law and indicates protrusion of personality rights into the idea of the image rather than its expression.

The distinction between copyrights and personality rights outlined in the previous paragraph has been exploited recently in some cases where creators tried to regain control of their copyrighted works with personality rights after they had released their copyrights to those creations. In the *Romantics v. Activision Pub., Inc*. case,[881] for example, the plaintiffs were authors and performers of a famous 1980 song "What I Like About You." They transferred their copyrights in the song to a record company, EMI Entertainment World, Inc., which subsequently issued a non-exclusive synchronization license to the defendant Activision. The license permitted the defendant to make a new recording of the underlying composition and to use that recording in synchronization with visual images in a video game. The defendant developed a game that allowed players to pretend to play guitar in a rock and roll band. Players could choose among options such as character, costume, and model of guitar, and then simulate the guitar play of various songs by correctly timing the pressing of fret buttons and strum bars on a guitar-like controller. The game includes 30 songs from the 1980s to add to the realistic experience of playing in a rock band from that

[880] *Onassis, supra* note 610; see also *Woody Allen v. National Video, Inc.*, 610 F.Supp. 612, 226 USP.Q. 483 (S.D.N.Y. 1985).
[881] 532 F.Supp.2d 884, 85 USP.Q.2d 1630, 36 Media L. Rep. 1193 (E.D.Mich. 2008) [*Romantics*, cited to F.Supp.2d].

era.[882] One of the songs was "What I Like About You." The defendant's product became one of the top selling games. The plaintiffs sued claiming, *inter alia*, appropriation of personality.

In theory, the main issue the Michigan Court had to resolve in *Romantics* was whether the defendant was using the identities, persona, or distinctive sound of the plaintiffs in connection with the game. In practice, however, the Court had to decide whether the plaintiffs should be allowed to utilize overlaps between personality rights and copyrights to control reproduction and distribution of the musical work in which the plaintiff no longer hand any copyrights. The Court accurately observed that the plaintiffs did not allege that they owned any rights in the song; the song has appeared ubiquitously in popular culture for the previous two decades, frequently being used in commercials and films.[883] The Court also did not fail to notice that the plaintiffs were not objecting to their song being used in a video game but simply wanted to receive money for the alleged harm caused to them by use of the song in the game,[884] which appears to indicate an attempt to extend economic benefits of copyrights with publicity rights.

The Court ultimately rejected the claim because "Michigan never has recognized … a right of publicity in the sound of a voice, even if distinctive, nor has it recognized a right of publicity in a combination of voices."[885] More importantly, the Court made important comments in *obiter* related to the purposes of the rights involved and their effects on the balance of rights. The Court explained that copyright law allows "the owner of a copyright in a musical composition to license others to make specified commercial uses of the composition" and "[t]his expressly allows third parties such as Defendants to make a sound-alike recording of a song."[886] Therefore, the game containing plaintiffs' song was

[882] *Ibid.* at 887.
[883] *Ibid.*
[884] *Ibid.* at 888.
[885] *Romantics v. Activision Pub., Inc.*, 574 F.Supp.2d 758, 88 USP.Q.2d 1243, 36 Media L. Rep. 2345 (E.D.Mich. 2008) at 764 [cited to F.Supp.2d].
[886] *Romantics*, supra note 881 at 889.

"not likely to interfere with the economic interest protected by the right of publicity," as those have already been exercised under copyright law.[887]

While the Michigan Court in *Romantics* did not recognize publicity rights in "the sound of a voice,"[888] courts in other states, California in particular, did accept publicity rights in this context.[889] Also, on a conceptual level, it should not really matter how a protected personality is expressed—through music, appearance, gesture, or voice. In each expression, the medium is simply a carrier of the intellectual property in the form of a recognizable personality. Indeed, in *Holdke,* the Alberta Provincial Court acknowledged that rope tricks could be the protected expressions of personality, but rejected the claim for a lack of recognition.[890] Similarly, in *Athans,* the Ontario Supreme Court accepted personality rights in a specific shape of a person, when recognizable by the public.[891] Recognition is a key element of the Canadian tort of appropriation of personality, so it is very likely that Canadian personality rights encompass sound of a voice.

The use of overlap between copyrights and personality rights to expand economic rights under copyright law as described above should be rejected by Canadian courts. Interpreting the balance of rights in copyright law, the Supreme Court of Canada explained in *Théberge* that it would be "inefficient to overcompensate artists and authors for the right of reproduction" and leading to distortion of the balance of rights in this area of law.[892] Allowing performers to invoke their personality rights to obtain additional economic benefits in relation to a copyrighted work, after already releasing copyrights in that work, would in effect result in additional compensation for copyrighted creations and would be inconsistent with the concept of balance of rights as pronounced in *Théberge*.

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[887] In *Offley v. Activision, Inc.*, 273 Fed.Appx. 610 (9th Cir. 2008) the 9th Circuit Court resolved identical dispute under implied license analysis.
[888] It is arguable that the 6th Circuit Court, which has jurisdiction over Michigan, did recognize personality rights in sound of voice; see *Carson v. Here's Johnny Portable Toilets, Inc.,* 698 F.2d 831 (6th Cir.1983).
[889] *Midler, supra* note 611; *Waits v. Frito-Lay,* 978 F.2d 1093 (9th Cir.1992); *cf. Sinatra v. Goodyear Tire & Rubber Co.*, 435 F.2d 711 (9th Cir.1970).
[890] *Holdke, supra* note 518.
[891] *Athans, supra* note 587.
[892] *Théberge, supra* note 39 at paras. 30-33.

V. PROTECTING THE STRUCTURE OF THE SYSTEM

> The vast and expanding domain of the law of intellectual property is going through a period of major and rapid changes. The pressures of globalization and technological change challenge its institutions, its classifications and sometimes settled doctrines … The economic value of intellectual property rights arouses the imagination and litigiousness of rights holders in their search for continuing protection of what they view as their rightful property. Such a search carries with it the risk of discarding basic and necessary distinctions between different forms of intellectual property and their legal and economic functions.
>
> Justice Louis Lebel,
> Supreme Court of Canada[893]

The phenomenon of overlapping intellectual property rights and the adverse consequences that may be associated with it are inherent to the fragmented nature of the intellectual property system. They might be eliminated in a radical and effective way with elimination of all the borders separating the individual segments and the creation of one uniform intellectual property system that encompasses all present and future protected subject matters. Several commentators have already advocated for the establishment of a uniform system with just one statutory regime tailoring intellectual property rights more accurately to reflect their economic value and social utility.[894] In such a system, the issue of intellectual rights overlaps would be largely eliminated. While those ideas are interesting

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[893] *Kirkbi SCC*, *supr*a note 65 at para. 37.
[894] Rochelle Cooper Dreyfuss, "A Wiseguy's Approach to Information Products: Muscling Copyright and Patent Into A Unitary Theory of Intellectual Property" (1992) Sup. Ct. Rev. 195; Pamela Samuelson, "A Manifesto Concerning the Legal Protection of Computer Programs"(1994) 94 Colum. L. Rev. 2308; Jerome H. Reichman, "Charting the Collapse of the Patent-Copyright Dichotomy: Premises for a Restructured International Intellectual Property System" (1994-1995) 13 Cardozo Arts & Ent. L.J. 457.

and have important academic value, such profound changes would require significant initiatives on both international and national levels, which makes them utterly impractical. It can be safely predicted that problems associated with overlaps of intellectual property rights will plague the system in the foreseeable future and will have to be resolved within its present construction.

The analyses conducted in chapters two, three, and four reveal one pattern of intellectual property owners' behaviour that is reflected in the analysed cases—owners will always attempt to expand the scope of protection for their intellectual creations when there is an opportunity to utilize intellectual property overlaps for this purpose. They try to do this in two ways. One is to extend temporal protection, as illustrated with the examples of *Interlego*, *Rucker*, *Anne of Green Gables*, and other cases. The other is to combine the protection of rights from different segments of the intellectual property system simultaneously, as demonstrated with the examples of *Kraft*, *IPC Media*, *Omega*, and other cases. The cases, however, do not reveal a common pattern in courts' response to those challenges.

Because the problems will not disappear, some resolution has to be found to respond to them. Chapters two, three, and four included some suggestions of possible responses that could alleviate specific instances of overlaps detrimental effects. While useful in limited circumstances, those ideas do not provide a uniform response to the challenge overlapping intellectual property rights pose to the entire system. Such an answer can only be found in a comprehensive and coherent doctrine that is flexible enough to apply to the wide variety of overlaps in all segments of the system illustrated in the previous chapters. This chapter searches for an appropriate legal doctrine that could address adverse effects of the overlapping intellectual property rights posing challenges to structure of the entire system. Before such doctrine can be formulated, its necessary features have to be identified.

1. Finding the answer

Whether a response to the challenge of the overlapping intellectual property rights is found within the existing legal doctrines or in a newly formulated doctrine, the fundamental

problem resulting from improper use of the overlapping rights has to be reiterated before the analyses can be undertaken. Improper use of overlapping intellectual property rights involves operation of rights that belong in one segment of the system within another segment, undermining the purposes for which the other segment was designed and restricting the public's rights that are entirely legitimate under that segment. This phenomenon often takes place in the context of new technologies, defying established structures of the system and constantly evolving. Thus, the major characteristics defining this systemic problem as presented in the preceding chapters are: use of the rights in a way that defies the structure of the intellectual property system; an ability of intellectual property rights owners to rely on all rights and remedies available in the overlapping segments to produce adverse consequences; the possibility of embedding software protected by copyrights in new, technologically advanced, objects to prevent access to or use of that object and all intellectual property rights associated with it; and a constantly changing environment and interfaces of the overlaps. Any viable solution to the problem of overlaps will have to address these four key characteristics.

A. Not morally wrong, but not right either

The starting point for the search for a proper solution to the problem of improper use of the overlapping intellectual property right is a recognition of the fact that such use of the rights is not intrinsically evil. It may be wrong in a structural or economic sense, but this assessment can hardly result in moral condemnation. In fact, as suggested in chapter I.F, attempts to maximize the protection of an intellectual creation with several segments of the system can be viewed as good or innovative lawyering, professionally commendable. Finding loopholes in the law is not wrong, which does not mean, of course, that such attempts should be tolerated.

Use of overlapping intellectual property rights becomes objectionable when it disturbs the balance of rights in the intellectual property system, thus undermining certain intellectual property law policies. There can be no doubt that certain public rights or exceptions to intellectual property rights were established to promote important social values. For example, dissemination of information is universally accepted as a fundamental aspect of a

properly functioning society and any rights promoting this end do not inflame any controversies. This important public policy is reflected in a different form in all segments of the intellectual property system. Thus, patent law includes common law fair dealing exemption excluding use of patented inventions for research purposes from infringement of patent monopoly and requires full disclosure of a patented invention before patent monopoly is granted.[895] In this way, patent law facilitates new scientific discoveries and the spread of information about new inventions to the general public. Copyright law promotes the same public policy by exempting from copyright protection the use of copyrighted works for research or news reporting purposes.[896] Trademark law allows for use of trademarks in comparative advertising to assist competitors on the market in disseminating truthful information about their products to the public.[897] But the important social value promoted by this public policy can be eliminated through improper use of the overlapping intellectual property rights. Such use of rights is not morally wrong, but it does not mean it should be allowed and this conclusion must be recognized by the doctrine addressing this problem.

B. No right left unanswered

Intellectual property rights, like all legal rights, are enforced, and their violations are prevented, redressed, or compensated by recourse to remedies available under individual segments of the intellectual property system. Generally, those remedies can be classified as at law or in equity. Remedies at law are designed to compensate intellectual property owners for injury to their rights and equitable remedies usually provide means to force the defendant to take certain action or refrain from it. The former can be described as providing monetary, and the latter as non-monetary relief.[898]

When intellectual property rights overlap in a creation, they become subject to all rights available in both monopolies. For example, when software is created, it is automatically protected by copyrights. And when it meets all the requirements of patentability, it can also

[895] *Merck*, *supra* note 249 at para. 109 and *Pioneer Hi-Bred*, *supra* note 127 at paras. 25-27.
[896] *Copyright Act*, *supra* note 28, s. 29.2; see also *CCH*, *supra* note 41.
[897] See discussion in chapter IV.3.D.
[898] *Black's Law Dictionary* (St. Paul, MN: West, 2009), *s.v.* "remedy."

acquire protection of patent rights, thus enjoying protection of both these monopolies and all their remedies. Owners of intellectual property rights in the software will be able to claim compensatory damages and injunctions under both patent law and copyright law to protect their creation. Similarly, when an artistic work is created, it will be protected by copyrights. When it is used as a trademark in association with wares or services, it will also enjoy protection of trademark rights. In the aforementioned example, the owner of the artistic work in trademark will be able to claim both remedies at law and in equity under both monopolies to protect his creation. Because the overlap of rights is complete, the doctrine responding to improper uses of the overlapping rights also has to be far-reaching, affecting remedies both at law and in equity. If effects of the doctrine were limited only to, for example, equitable remedies, overlaps could still be used to extend any given monopoly in the intellectual property system. Detrimental effects of overlaps would not be avoided; they would simply be done with a more limited arsenal of remedies.

Determination of the effects the adopted doctrine will have on intellectual property rights claimed by a plaintiff is not only a matter of the doctrine's effectiveness but also an issue of doctrinal interpretation. If the doctrine is to address attempts of intellectual property owners to expand boundaries of their monopolies, then limiting remedies available under the doctrine to equitable remedies only could not be justified doctrinally. Intellectual property monopolies are limited in scope. There are no intellectual property rights outside of any given monopoly and one way to step outside of the monopoly's borders is to employ the rights to operate within different intellectual property monopoly. It would be illogical, from a doctrinal perspective, to allow owners of intellectual property right to claim remedies outside of the monopolies' borders, for example, at law but not in equity, and thus expend their monopolies with such claims.

C. Sword and shield

Legal doctrines are often characterized as a "sword" or a "shield," which refers to the way they can be used in judicial process.[899] A doctrine being a shield functions as an affirmative

[899] *Combe v. Combe*, [1951] 2 K.B. 215, [1951] 1 All E.R. 767 (C.A.); *Deer Valley Shopping Centre Ltd. v. Sniderman Radio Sales & Services Ltd.*, (1989), 96 A.R. 321 (Q.B.).

defence, allowing defendants to avoid liability when the doctrine's requirements are met. A doctrine being a sword acts as an independent claim for affirmative relief, giving a plaintiff authority to initiate judicial proceedings or respond with a counterclaim to protect his rights. How the doctrine is characterized often determines its effectiveness in practice.

It is arguable that a doctrine addressing improper use of overlapping intellectual property rights should function as both a shield and a sword to be effective in responding to very diverse overlaps of rights in the system. For example, when a patentee attempts to undermine the duty of disclosure in patent law after his software patent expires, instead relying on trade secret rights and updates to interfaces of the technological platform hosting the software, thus undermining the duty of disclosure in patent law,[900] the doctrine would allow affected parties to initiate court proceedings to force the former patentee to disclose the relevant interfaces. If the doctrine was functioning only as a defence, the improper use of the former patentee's trade secret rights would remain unchecked. Similarly, when copyright protected TPM or DRM software is embedded in a patented device to prevent its legitimate use under patent law, users of the invention who do not possess technological expertise to circumvent the software would not be able to legitimately use that invention without recourse to court proceedings. And only a doctrine functioning as a sword would give them the authority to enforce their rights under patent law. Consequently, while a doctrine formulated as a shield would probably be useful and effective in the majority of cases involving improper uses of overlapping intellectual property rights, only a doctrine that can function as both a shield and a sword would answer all such instances.

D. Virtue of flexibility

The appearance of overlaps in the intellectual property system is a very dynamic phenomenon. While it has been present in the system since its inception, overlap has become widespread only recently due to the appearance of new hybrid technologies. For this reason, any doctrine intended to control improper uses of overlapping rights will have to be flexible enough to adapt to the changing environment in which the overlaps occur. In

[900] This problem was discussed in chapter II.2.

particular, the doctrine has to have the ability to apply to all segments of the intellectual property system.

To ensure flexibility of the doctrine, one must consider the structure of the intellectual property system—it consists of both statutory regimes and common law torts. For this reason, to become uniform, the doctrine will have to be formulated judicially. While this conclusion does not preclude legislative intervention to create statutory underpinnings for the doctrine, the doctrine cannot and should not be dependent on statutory authority. To precondition the formulation of the doctrine on express statutory language would, in effect, suspend its uniform application till proper provisions are enacted for each statutory intellectual property regime, which would delay the adoption of the doctrine in the foreseeable future. And even then, judicial intervention would still be required to ensure that common law torts fall under the application of the doctrine.

2. The doctrine of clean hands

Improper uses of intellectual property rights have traditionally been analyzed in commonwealth jurisdictions, including Canada, under the doctrine of clean hands. The doctrine is based on a principle that a court should not grant a remedy when a plaintiff's conduct is fraudulent or represents some other abuse of the judicial process and exhibits immoral tendencies bearing directly upon appropriateness of the remedy.[901] However, the clean hands doctrine affects a plaintiff's equitable remedies only, such as specific performance or injunction.

A. Patent law

The issue of unclean hands in patent law was considered in several cases. For example, in the *Thermionics Ltd. v. Philco Products Ltd*. case,[902] decided by the Supreme Court of Canada, the defendant alleged an illegal conspiracy in restraint of trade in which the plaintiff participated. The Supreme Court found that there was no evidence of such conspiracy, but it did recognize that "[i]f the plaintiff's title is founded upon an agreement

[901] *Raso v. Dionigi*, (1993), 100 D.L.R. (4th) 459, 12 O.R. (3d) 580 (C.A.); *Tinsley v. Milligan*, [1993] 1 W.L.R. 126 (H.L.); *Stephens v. Avery*, [1988] 2 All E.R. 477 (Ch.).
[902] [1940] S.C.R. 501, [1940] 4 D.L.R. 1, 1940 CarswellNat 40.

that amounts to a criminal conspiracy to which he is a party, and which he must establish in order to prove his title, then he cannot succeed."[903] In this statement, however, the Court appeared to precondition refusal to enforce the plaintiff's patent rights on improper acquisition of patent monopoly rather than on improper use of properly acquired rights. It also indicated that the improper act would have to have an illegal or immoral character.

The scope of the clean hands doctrine in the context of patent law was also recently considered by the Federal Court of Appeal in the *Sanofi-Aventis Canada Inc. v. Apotex Inc*. case.[904] In this case, the defendant filed a defence and a counterclaim in which it claimed damages and other relief against the plaintiffs for their inequitable and unlawful conduct in the form of an agreement to cause harm to the defendant.[905] The Federal Court struck out the defence and granted stay of the counterclaim; the defendant appealed. The Court of Appeal reviewed previous patent cases considering plaintiffs inequitable conduct and opined that such conduct has to relate directly to the subject matter of the plaintiff's claim.[906] Because the Court found no relationship between the alleged improper conduct on the part of the plaintiff and the equitable relief it sought in the statement of claim, it agreed with the motion judge. The Court also appeared to confirm that the doctrine was applicable to equitable relief only.[907]

B. Copyright law

Relatively few cases considering plaintiff's *male fide* conduct can be found in Canadian copyright law. One of the early cases is *Massie & Renwick v. Underwriters' Survey Bureau Ltd.*,[908] decided by the Supreme Court of Canada, where the defendant pleaded that the plaintiffs were disentitled to succeed in their claim for copyright infringement on the ground that they had combined and conspired together to prevent the defendant from competing with the plaintiffs in the business of fire insurance. The defendant also alleged that the action was commenced in order to attain the object of the alleged conspiracy. While

[903] *Ibid*. at para.3.
[904] 2008 FCA 175, 2008 CarswellNat 1396 [*Sanofi-Aventis*]; see also *Amoco Canada Petroleum Co. v. Texaco Exploration Canada Ltd.*, [1976] 1 F.C. 258, 24 C.P.R. (2d) 84, 1975 CarswellNat 88 (F.C.T.D.).
[905] *Sanofi-Aventis*, *ibid.* at paras. 4-5.
[906] *Ibid*. at para.16.
[907] *Ibid*.
[908] [1940] S.C.R. 218.

the Supreme Court did not find sufficient evidence for conspiracy, it did recognize that such defence would be successful in appropriate circumstances:

> If the plaintiffs in an action for the infringement of copyright are obliged, for the purpose of establishing the existence of, and their title to, the copyright to rely upon an agreement, and that agreement constitutes a criminal conspiracy, and their title rests upon such agreement and upon acts which are criminal acts by reason of their connection with such an agreement, then I have on general principles great difficulty in understanding how such an action could succeed.[909]

In this comment, the Supreme Court of Canada appears to suggest that the defence alleging moral misconduct will be effective in undermining the plaintiff's claim, but only when the plaintiff's title to copyrighted works depends on such fraudulent or intrinsically evil criminal acts.

A relatively recent Federal Court of Appeal case considering the application of the clean hands doctrine in copyright law is *Volkswagen Canada Inc. v. Access International Automotive Ltd.*[910] Facts in this case were almost identical to the facts in *Kraft.*[911] *Volkswagen* involved a defendant who imported auto parts bearing the Volkswagen and Audi logos into Canada for sale. All those accessories, while manufactured by or under authorization of Volkswagen, originated outside of Volkswagen's authorized distribution channels for those products in Canada. Since such practices are legal under trademark law,[912] Volkswagen chose to rely on copyright law instead to stop the sale of those products in Canada. Volkswagen assigned its Canadian copyrights in Volkswagen and Audi logos to Volkswagen Canada and registered them in Canada as copyrighted artistic works. Shortly thereafter, Volkswagen Canada commenced an action against Access International, claiming copyright infringement by unauthorized distribution of copyrighted works and

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[909] *Ibid.* at 244.
[910] 2001 FCA 79, [2001] 3 F.C. 311, 271 N.R. 363, 2001 CarswellNat 621 [*Volkswagen*, cited to CarswellNat].
[911] See also *Havana House Cigar & Tobacco Merchants Ltd. v. Worldwide Tobacco Distribution Inc.*, 2008 CarswellNat 5658, 73 C.P.R. (4th) 131 (F.C.T.D.), for more recent example of copyrights being invoked to prevent parallel importation of tobacco products.
[912] See *Seiko*, *infra* note 763; *Coca-Cola*, *infra* note 766; and *Smith & Nephew*, *supra* note 765.

seeking a number of remedies, including a permanent injunction, delivery up of all infringing materials, damages, and accounting of profits.[913] Access International responded with the argument that Volkswagen Canada, in acquiring the copyright for the logos and then attempting to use its copyright to prevent Access International from importing genuine Volkswagen and Audi parts and accessories, was abusing the copyrights. In addition, Access International claimed, both in the statement of defence and counterclaim, violation of the *Competition Act* by Volkswagen.[914]

To decide if Access International's pleadings should be struck down, the Federal Court of Appeal had to answer whether the plaintiff's conduct, if violating provisions of the *Competition Act*, could form the basis of a clean hands defence.[915] The Court found that the assignment of copyrights to Volkswagen Canada could result in sufficient relationship between the clean hands defence and the plaintiff's copyrights:

> Access International wishes to argue that the assignment of copyright in the VW and Audi logos to Volkswagen Canada is conduct described in subsection 32(1) of the *Competition Act*, because the result of Volkswagen Canada's obtaining the copyright was to unduly limit or prevent competition in authentic Volkswagen and Audi parts and accessories ... In my view, it is at least arguable that in this case there is a sufficient relationship between the copyright and the unclean hands defence that the equitable remedy might not be granted.[916]

Unfortunately, the Federal Court of Appeal did not comment in this statement on whether the plaintiff abused copyrights from the perspective of copyrights' purposes. In not doing so, the Court lost an excellent opportunity, just like the Supreme Court did in *Kraft*, to analyze the use of intellectual property rights, in this case copyrights, for purposes related to other intellectual property segments, focusing instead on a possible illegality of the plaintiff's action in undermining competition. There was no doubt that Volkswagen's

[913] *Volkswagen, supra* note 910 at para. 1.
[914] *Ibid.*
[915] *Ibid.* at para. 9.
[916] *Ibid.*

copyright infringement lawsuit was motivated by the attempt to prevent importation of its patentable products to Canada and not the protection of its artistic works in the form of trademark logos, which indicated the use of copyrights for improper purposes. The Federal Court of Appeal also reiterated that the clean hand doctrine, if satisfied, was applicable to equitable remedies only.

C. Trademark law

Jurisprudence on misuses of trademark rights in Canada is rather limited, but some cases considering a plaintiff's misconduct can be found also in this segment of the intellectual property system. For example, in the *Imperial Developments Ltd. v. Imperial Oil Ltd.* case,[917] the Federal Court was considering the meaning of public interest in the context of application for trademark registration. The Court explained that when a trademark applicant relies on some "dishonest" acts "contrary to the public interest" to make his case, courts can reject such attempts.[918] While the Federal Court's argument related to acquisition of trademark rights rather than their exercise, it appears to recognize that courts, at their discretion, may enforce public policy interest even when a plaintiff's conduct is not intrinsically evil and simply involves some form of "negligence." When the conduct is fraudulent or dishonest, the courts are "virtually" obligated to do so.[919]

D. Missing elements

A review of Canadian intellectual property cases employing the doctrine of clean hands indicates that this doctrine is inadequate to address objectionable uses of overlapping intellectual property rights. Generally, the doctrine is applicable only to criminal or morally wrongful acts and not suitable to prevent uses of rights that simply defy the structure of the intellectual property system. The principles of the clean hands doctrine focus on a plaintiff's conduct, but do not provide clear guidance regarding how the conduct has to be related to intellectual property involved in disputes to constitute improper use of the rights—any conduct of the plaintiff found by the courts to be abusive and somehow related to the subject matter of his claim will invoke the doctrine of clean hands. There are very

[917] (1984), 79 C.P.R. (2d) 12, 1984 CarswellNat 834 (F.C.T.D.) [*Imperial Oil*, cited to CarswellNat].
[918] *Ibid.* at para. 29.
[919] *Ibid.*

few cases where courts were willing to relax this limitation of the clean hands doctrine. In *Imperial Oil*, the Federal Court was willing to consider the broad and undefined "public interest" as a basis for refusing plaintiff relief, but this example is rather isolated and the clean hands doctrine is interpreted by Canadian courts rather narrowly, as applicable to morally wrongful acts only. The courts also tend to focus on conduct that leads to the acquisition of rights rather than their exercise, which is the relevant context in which improper use of overlapping intellectual property rights has to be analyzed.

The doctrine of clean hands is also unable to satisfy the other necessary characteristics that an effective doctrine for the prevention of abuse of overlapping intellectual property rights requires. Canadian courts analyzing this defence are uniform in limiting its application to equitable remedies only. Such a limited view cannot be effective in preventing improper uses of the overlapping rights, but simply make it more difficult. Plaintiffs might be prevented from claiming equitable remedies to defy the structure of the intellectual property system, but could achieve the same result with compensatory remedies. Similarly, no Canadian court recognized the doctrine of clean hands as a basis for an independent claim for affirmative relief. All in all, the doctrine of clean hands might satisfy only the requirement of flexibility, which to a large extend reflects its judicial nature. It has been applied in all areas of intellectual property law in a wide variety of circumstances.

3. Other doctrines in commonwealth jurisdictions

Commonwealth jurisdictions, just like Canadian jurisdiction, most often rely on the doctrine of clean hands to remedy abuses of intellectual property rights. However, some jurisdictions used the doctrine of clean hands as a starting point to develop advanced doctrines designed to address more specific policy considerations that are wider in scope than the doctrine of clean hands. Two doctrines in particular—*ex turpi causa* doctrine and the doctrine of public interest—warrant a closer look.

A. Ex turpi causa doctrine

The doctrine of *ex turpi causa* is often framed in judicial analysis of the clean hands doctrine but those cases usually involve public policy concerns and produce results that are

inconsistent with a traditional interpretation of the clean hands doctrine. For example, in the *Leather Cloth Co. Ltd. v. American Leather Cloth Co. Ltd*. case,[920] the defendant clearly used a mark that imitated the plaintiff's trademark. In its defence, the defendant argued that the plaintiff's trademark included statements that were untrue and misleading the public as to the nature of marked goods. The Court of Chancery agreed.[921] The Court applied the doctrine of clean hands and refused to grant equitable remedy claimed by the plaintiff. More importantly, the Court made a comment that envisaged the use of the doctrine beyond equitable remedies and affecting the plaintiff's remedies at law, thus going beyond the classic doctrine of clean hands. The Court of Chancery stated that "where any symbol or label claimed as a trademark is so constructed or worded as to make or contain a distinct assertion, which is false" the courts will refuse assisting the plaintiff in protecting his trademark, because "no property can be claimed on it, or, in other words, the right to the exclusive use of it cannot be maintained."[922] This statement indicates that the Court was not only willing to deny the plaintiff rights both in equity and at law, should they be claimed, but also linked this refusal to the specific purposes of trademark rights, namely informing the public of the source of marked products. Reference to public policies inherent to intellectual property law to undermine not only the plaintiff's equitable remedies, but also his remedies at law goes beyond the doctrine of clean hands and may indicate its transformation into a doctrine more suitable to address improper uses of overlapping intellectual property rights.

A similar line of reasoning was applied in another English trademark case—*Ford v. Foster*.[923] In this case, the defendant imitated the plaintiff's trademark, but argued in his defence that the plaintiff did not have clean hands and therefore should not be assisted by the Court of Chancery. After considering the facts, the Court decided that the plaintiff's conduct did not amount to unclear hands but could merely be considered a "collateral

[920] (1863), 4 De G.J. & S. 137, 46 E.R. 868 (Ch.), aff'd 11 H.L. Cas. 523, 11 E.R. 1435 (H.L.) [*American Leather*, cited to E.R.].
[921] *Ibid*. at 872.
[922] *Ibid*. at 871.
[923] (1872), 7 Ch. App. 611 [*Ford*].

misrepresentation."[924] Most importantly, the Court pronounced that when misrepresentation or fraud in use of a trademark is proven, it will be a good defence to an action at law for infringement of a trademark on the ground that *ex turpi causa non oritur actio*:

> [W]ould it be a defence to that action at law that the Plaintiff has made false representations to the public that his article was patented when in fact it was not? … I am disposed to think, and indeed I have a pretty clear opinion, that if that question were raised it would be held that the fact of the trade mark itself containing a false representation to the public would be *an answer at law to an action* brought for a deceptive use of the trade mark by the Defendant ... It appears to me that it would come within the rule *Ex turpi causa non oritur actio* [emphasis added];[925]

This argument is consistent with the earlier decision in *American Leather,* but the Court's reference to the doctrine of *ex turpi causa* is particularly relevant. This principle, which is an offspring of the clean hands doctrine, is an unequivocal bar to the granting of any relief to plaintiffs in equity or at law.[926] Quoting this Latin maxim, the Court of Chancery in *Ford* seemed to indicate that the clean hands doctrine, when responding to public policy concerns specific to trademark rights, should operate as affecting the very substantive rights sued upon and not just the availability of equitable remedies. The reasoning of the Court of Chancery in *Ford* was subsequently confirmed in several English[927] and Australian decisions,[928] also in the context of industrial designs[929] and copyrights.[930]

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[924] The Court reasoned that because the misrepresentation was made only by a wholesale dealer to a retail dealer and not the general public, and it was unlikely that the retail dealer would have been deceived by the misrepresentation, the scope of misrepresentation was insufficient to amount to unclean hands; see *ibid.* at 629-630.

[925] *Ibid.* at 630-631.

[926] *Ex turpi causa non oritur actio* means: "no action ca be based on a disreputable cause," *A Dictionary of Law* (Oxford: Oxford University Press, 1997) *s.v.* "*ex turpi causa non oritur actio*." The doctrine of *ex turpi causa* was also referred to by the Federal Court of Canada in *Imperial Oil*, *supra* note 917, which may explain discussion of public policy concerned by the Federal Court in that case.

[927] *Cropper Minerva Machines Co. v. Cropper, Charlton & Co.*, (1906), 23 R.P.C. 388 (Ch.); *In re Lyle and Kinahan Ltd.'s Application*, (1907), 24 R.P.C. 249 (C.A.); *Newman v. Pinto*, (1887), 4 R.P.C. 508 (C.A.); *Cochrane v. Macnish Son*, (1896), A.C. 225 (J.C.P.C.); *Glyn v Weston Feature Film Co.*, [1916] 1 Ch. 261 (Ch.); *Chocosuisse Union Des Fabricants Suisse De Chocolat v. Cadbury Ltd.*, [1997] E.W.H.C. 360 (Ch.).

[928] *A-G (N.S.W.) ex rel Tooth and Company Ltd. v. Brewery Employees' Union of New South Wales*, (1908), 6 C.L.R. 49, [1908] HCA 94; *Angelides v. James Stedman Hendersons Sweets Ltd.*, (1927), 40 C.L.R. 43, [1927] H.C.A. 34.

[929] *Review Australian Pty Ltd. v. Innovative Lifestyle Investments Pty Ltd.*, [2008] F.C.A. 74.

There are some other indications that commonwealth courts are ready to separate the doctrine of *ex turpi causa* from the doctrine of clean hands in other aspects than wrongful or fraudulent conduct of the plaintiff and its effect on a plaintiff's remedies. In the Australian case *Kettles & Gas Appliances Ltd. v. Anthony Hordern & Sons Ltd.*,[931] the plaintiff was a manufacturer of aluminium kettles marked with words "Patented, Copyrighted."[932] When the defendant began to produce and sell kettles identical to those manufactured and sold by the plaintiff, the plaintiff sued, seeking an injunction to restrain the defendant from passing off confusingly similar kettles. In response to the claim, the defendant raised, *inter alia*, the defence of unclean hands.[933] The New South Wales Court agreed with the defendant's argument and concluded that by fraudulently using the word "Patented, Copyrighted," the plaintiff was attempting to deceive the public and other manufacturers as to the facts about its products. Consequently, the Court applied *Ford* and refused to grant an injunction because by doing so it would, in effect, assist the plaintiff in defrauding the public. The Court opined that the clean hands doctrine as pronounced in *Ford* is applicable to conducts that are not necessarily fraudulent:

> I do not agree that *Ford v. Foster* establishes that the only cases in which an injunction will be refused are those in which there is a false representation in the plaintiff's trade mark, or where the plaintiff's trade itself is fraudulent; [citation in text omitted].[934]

Unfortunately, the Court did not elaborate on whether objectionable but not fraudulent or wrongful acts of the plaintiff might relate to public policy concerns inherent to intellectual property rights, but such a conclusion can be implied from the subject of the dispute. More importantly, the Court was willing to reject the plaintiff's claim even though the misrepresentation on which the defendant relied was related to copyrights and patent rights

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[930] *Post v. Marsh* (1880), 16 Ch. D. 395 at 406 [*Post*]. Interestingly, this case can also be viewed as an archetype of moral rights in old English copyright law.
[931] (1934), 35 S.R. (N.S.W.) 108 [*Kettles & Gas*].
[932] *Ibid.* at 109.
[933] *Ibid.* at 109-110.
[934] *Ibid.* at 128.

and not trademark rights, which were claimed in this case. This is inconsistent with the classic doctrine of clean hands, which requires the misconduct to relate directly to the subject matter of the plaintiff's claim.[935]

The *ex turpi causa* doctrine, as employed by commonwealth courts in relation to intellectual property rights, is more suitable than the doctrine of clean hands to form a basis for adopting a doctrine that is effective in addressing improper uses of the overlapping rights. As indicated by the New South Wales Court in *Kettles & Gas,* it can be applied to a plaintiff's conduct that does not involve moral turpitude and possibly relates to the structure of the intellectual property system. It can also affect remedies both at law and in equity, following the logic of the Court of Chancery in *Ford,* and is sufficiently flexible to adapt to all segments of the intellectual property system. The only element it is lacking is its defensive nature—all courts employ this doctrine as a defence only. This doctrine is also relatively undeveloped in intellectual property law with a limited number of cases that can be used as a point of reference for the development of the misuse doctrine in Canada.

B. The doctrine of public interest

One of the most recent and at the same time most interesting doctrines developed in the UK to address improper uses of intellectual property rights is the doctrine of public interest. The first English case pronouncing this doctrine was *Lion Laboratories Ltd. v Evans*.[936] The plaintiff in this case was a manufacturer of a device for testing the breath of drivers suspected of driving under the influence of alcohol, contrary to traffic control legislation. Two of the plaintiff's former employees provided some national newspapers with copies of the plaintiffs' internal correspondence, suggesting that the instruments were prone to serious errors and could result in prosecution of motorists as drink-driving offenders when no alcohol limits were exceeded.[937] The plaintiff sued, claiming damages for breach of confidence and copyrights, but also applied for and was granted an *ex parte* injunction restraining its former employees and the national newspapers from disclosing or making use of the confidential material. Undeterred, the newspapers published extracts from the

[935] *Sanofi-Aventis*, *supra* note 893 at para.16.
[936] [1985] Q.B. 526, [1984] 2 All E.R. 417, [1984] 3 W.L.R. 539 (C.A.) [*Lion Laboratories*, cited to Q.B.].
[937] *Ibid*. at 532-534.

documents and sought to have the injunction discharged. The judge continued the injunction.[938]

On appeal, however, the Court of Appeal accepted defendants' public interest argument and recognized the defence of public interest:

> I am quite satisfied that *the defence of public interest is now well established in actions for breach of confidence and*, although there is less authority on the point, that it also extends to *breach of copyright*. *I can see no sensible reason why this defence should be limited to cases in which there has been wrongdoing on the part of the plaintiffs* ... [I]t is not difficult to think of instances where, although there has been no wrongdoing on the part of the plaintiff, *it may be vital in the public interest* to publish a part of his confidential information [emphasis added; citation in text omitted].[939]

After weighting the rights of the plaintiff in maintaining confidentiality and protecting its copyrights in the documents against the public interest in accuracy of an approved device on which the liability of motorists in cases involving drink driving offences depended, the Court of Appeal decided that the information should be available to the public and held for the defendant.[940]

There are important aspects of the decision in *Lion Laboratories* that make it suitable as a springboard for adapting the public policy doctrine to respond to overlaps in the intellectual property system. The decision of the Court of Appeal not to enforce the plaintiff's intellectual property rights was based strictly on public policy grounds and divorced from a moral assessment of the plaintiff's conduct. Instead, the Court focused on balancing the rights of the intellectual property owners and the general public in a way that strikes a chord with the argument of the Supreme Court of Canada in *Théberge*.[941] The English

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[938] *Ibid.* at 528.
[939] *Ibid.* at 550.
[940] *Ibid.* at 551.
[941] *Théberge*, *supra* note 39 at paras. 30-33.

Court of Appeal recognized the existence of the plaintiff's intellectual property rights but found that enforcing them would undermine the balance of rights on which the rights are based:

> What makes this case so special is that *the plaintiffs' right* to keep inviolate the secrecy of the information which the defendants wish to publish *is undisputed, and the only question* for interlocutory decision *is whether that right is outweighed by the public interest* [emphasis added].[942]

It appears that the doctrine of public interest, as employed by the English Court of Appeal in *Lion Laboratories*, is designed, in general, to pursue substantially the same objective that was endorsed by the Supreme Court of Canada in *Théberge* in the context of Canadian copyright law—maintenance of the proper balance of rights. In this way, the doctrine is instrumental in preserving the structure of the entire intellectual property system. Employment of the doctrine depends not so much on the existence—or not—of particular exemptions to intellectual property rights, but rather on an assessment as to how enforcement of those rights will affect the balance of rights in that particular segment of the intellectual property system. So far the doctrine has been applied only to trade secret rights and copyrights but there is nothing to prevent extension of the doctrine to other segments of the system, which also share reliance on the concept of balance of rights to fulfil their purposes.

The doctrine of public interest also meets another important characteristic that is necessary for an effective doctrine preventing overlaps of intellectual property rights—it applies to both claims at law and in equity. In the *A-G v. Guardian Newspapers (No. 2)* case,[943] decided by the House of Lords a few years after *Lion Laboratories*, the Lords explained that the doctrine of public interest is based on the doctrine of *ex turpi causa*,[944] which

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[942] *Lion Laboratories*, *supra* note 936 at 540.
[943] [1989] 2 F.S.R. 181, [1990] 1 A.C. 109, [1988] 3 All E.R. 545, 3 W.L.R. 776 (H.L.) [*Guardian*, cited to F.S.R.].
[944] *Ibid.* at 312.

seems to indicate that the doctrine of public interest, like the doctrine of *ex turpi causa*, will undermine not only the plaintiff's equitable remedies but also his remedies at law.

Recently, the doctrine of public interest was given extensive consideration in the *Hyde Park Residence Ltd v. Yelland* case.[945] In this case, the English Court of Appeal made significant comments on the legal foundations of the doctrine. All the Justices agreed that the jurisdiction of the courts to refuse enforcement of copyrights under the doctrine of public interest comes from courts' "inherent jurisdiction to refuse to allow their process to be used in certain circumstances" offending public policy.[946] They also agreed that the doctrine should be interpreted broadly.[947] Although the Justices could not agree on whether the public policy considerations must relate to the work in question[948] or to use of the rights associated with the work, even when the work itself is inoffensive,[949] subsequent cases supported the latter view.[950]

A review of the doctrine of public interest suggests that this doctrine not only meets most of the required characteristics an effective doctrine addressing improper uses of overlapping intellectual property rights has to possess, it is also predisposed to fit doctrinally in Canadian intellectual property law. As indicated by the English Court of Appeal in *Lion Laboratories*, the doctrine is employed to protect important public policies inherent to intellectual property law rather than respond to specific wrongdoings of plaintiffs. And because, as explained by the House of Lords in *Guardian*, the doctrine was developed on the bases of the doctrine of *ex turpi cause*, it can be used to deny plaintiff's remedies not only at law but also in equity in all segments of the system. Most interestingly, the analytical framework of the doctrine is based on weighting the rights in the individual segments of the intellectual property system to preserve their balances, which has traditionally been done by Canadian courts.[951] And because uses of overlapping

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[945] [2000] R.P.C. 604, 3 W.L.R. 215, [2001] Ch. 143 (C.A.) [*Hyde Park*].
[946] *Ibid*. at para. 44.
[947] *Ibid*. at paras. 64-66 and 83-64.
[948] *Ibid*. at paras. 66 and 64.
[949] *Ibid*. at para. 83.
[950] *Ashdown v Telegraph Group Ltd.*, [2002] QB 546 (C.A.); *Imutran Ltd v. Uncaged Campaigns Ltd.*, [2002] F.S.R. 2, [2001] 2 All E.R. 385 (Ch.).
[951] See discussion in chapter I.C.

intellectual property rights become objectionable when they adversely affect the balances of rights in the overlapping segments of the system, judicial analysis under the doctrine of public interest could easily be adopted by Canadian courts to distinguish proper from improper uses of the overlapping rights. However, to be suitable for addressing the overlaps of intellectual property right, additional steps should be added in the doctrine's analysis. While the doctrine in its present form is well formed to assess the adverse effects of overlapping rights by employing the concept of balance of rights, it does not include an analysis that can assist in distinguishing whether rights claimed in a dispute are being used for improper purposes. By adding a purposive analysis of intellectual property rights used in litigation, as the first step in the analysis under the doctrine of public interest, this doctrine could become as effective as the US doctrine of intellectual property misuse in addressing objectionable uses of overlapping intellectual property rights.

4. The American misuse doctrine

Improper uses of intellectual property rights in American jurisdiction are subject to a doctrine that was specifically designed to prevent such practices—the doctrine of intellectual property rights misuse. The doctrine of intellectual property misuse overlaps with competition law. In fact, there is a dichotomy of analysis under the doctrine of misuse. One line of argument considers use of intellectual property rights that has anticompetitive effects.[952] The other involves use of intellectual property rights in an abusive way, leading to an expansion of intellectual property monopolies beyond their boundaries.[953] This dichotomy was explained by the US District Court in *Microsoft Corp. v. Compusource Distributors, Inc*. in the context of copyright law:

> To establish copyright misuse, a defendant must establish either "(1) that [the plaintiff] violated the antitrust laws, or (2) that [the plaintiff] illegally extended its

[952] *USM Corp. v. SPS Tech.*, 694 F.2d 505 (7th Cir. 1982).
[953] *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640 (7th Cir. 2003) at 647 [*Assessment Technologies*]. See also *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990) at 978 [*Lasercomb*]; *Braun Medical, Inc. v. Abbott Laboratories*, 124 F.3d 1419 (Fed. Cir. 1997) at 1426 [*Braun Medical*]; *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir.2001) [*A & M Records*]; *DSC Communications Corp. v. DGI Technologies, Inc.*, 81 F.3d 597 (5th Cir.1996); *Alcatel*, supra note 69.

> monopoly beyond the scope of the copyright or violated the public policies underlying the copyright laws."[954]

And as indicated by the Ninth Circuit Court in *Practice Management Information Corp. v. American Medical Ass'n* in the context of copyright law, "a defendant in a copyright infringement suit need not prove an antitrust violation to prevail on a copyright misuse defence."[955]

The distinction between the two analyses was discussed in *Assessment Technologies* by Judge Posner,[956] who explained the rationale behind the distinction:

> Cases such as *Lasercomb,* however, cut misuse free from antitrust, pointing out that the cognate doctrine of patent misuse is not so limited, 911 F.2d at 977-78, though a difference is that patents tend to confer greater market power on their owners than copyrights do, since patents protect ideas and copyrights, as we have noted, do not. The argument for applying copyright misuse beyond the bounds of antitrust, besides the fact that confined to antitrust the doctrine would be redundant, is that for a copyright owner to use an infringement suit to obtain property protection, here in data, that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively, is an abuse of process.

In other words, limiting the doctrine of misuse only to anticompetitive use of intellectual property rights would leave unchecked many misuses of the rights that should be addressed by courts even when they do not have anticompetitive effect, such as manhandling of economically vulnerable users of that intellectual property with litigation process.

Although the anticompetitive branch of analysis under the doctrine of misuse has been most commonly commented on,[957] and some commentators even ignore the other branch of

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[954] 115 F.Supp.2d 800 (E.D.Mich. 2000) at 810.
[955] 121 F.3d 516 (1997), amended, 133 F.3d 1140 (9th Cir. 1998) at 521.
[956] *Assessment Technologies, supra* note 953.

analysis entirely,[958] the other branch of the doctrine, sometimes referred to as the "extension of the monopoly," was discussed by other commentators.[959] Some even suggested suitability of this branch to protect freedom of speech,[960] which is entirely outside of the antitrust analysis. Most importantly, this branch of the misuse doctrine continues to be recognized by US courts,[961] which ensures that it will remain a viable option for addressing intellectual property overlaps.

Because improper uses of overlapping intellectual property rights often do not have anticompetitive consequences and instead result in abusive use of the rights leading to enlargement of intellectual property monopolies, the expansion of monopoly branch is more suitable to address this phenomenon. In other words, while the antitrust branch of the misuse doctrine might be useful for some improper uses of overlapping intellectual property rights, the expansion of monopoly branch is useful for all such instances. For this reason, this thesis considers only the expansion of monopoly branch of the misuse doctrine, leaving examination of the interface between intellectual property misuse doctrine and antitrust law for future analysis.

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[957] See e.g. Michael Geist, "Anti-circumvention Legislation and Competition Policy: Defining a Canadian Way?," in Michael Geist, *In the Public Interest*, supra note 91; Cameron & Tomkowicz, "Competition Policy," *supra* note 677; John T. Cross and Peter K. Yu, "Competition Law and Copyright Misuse" (2007-2008) 56 Drake L. Rev. 477; G. Gervaise Davis III and Terra Law, "The Affirmative Defense of Copyright Misuse And Efforts To Establish Trademark Misuse And Fraud On The Copyright Office: Establishing Limitations On The Scope Of Copyright Owners' Rights Based On Various Legal Theories" (2009) 984 PLI/P 347; Howard Knopf, "Towards a Positive Agenda for International Copyright Reform From a Developed Country's Perspective," UNCTAD-ICTSD Dialogues on IPRs and Sustainable Development, 24-28 October 2005, Bellagio, Italy..

[958] Marshall Leaffer, "Patent Misuse and Innovation" (2010) 10 J. High Tech. L. 142.

[959] See e.g. Eugene R. Quinn, Jr., "Abusing Intellectual Property Rights in Cyberspace: Patent Misuse Revisited" (2002) 28 Wm. Mitchell L. Rev. 956; Tomkowicz, "Right of Exclusive Access," *supra* note 85, Appendix I; Tomkowicz & Judge, "Right of Exclusive Access," *supra* note 85, Appendix II; Tomkowicz, "Copyrighting Chocolate," *supra* note 86; Tom W. Bell, "Codifying Copyright's Misuse Defense" (2007) 3 Utah L. Rev. 573; Jennifer R. Knight, "Copyright Misuse v. Freedom of Contract: And the Winner Is..." (2006) 73 Tenn. L. Rev. 237; Cory Tadlock, Copyright Misuse, Fair Use, and Abuse: How Sports and Media Companies are Overreaching Their Copyright Protections" (2008) 7 J. Marshall Rev. Intell. Prop. L. 621.

[960] David S. Olson, "First Amendment Based Copyright Misuse" (2010) 52 Wm. & Mary L. Rev. 537; JuNelle Harris, "Beyond Fair Use: Expanding Copyright Misuse to Protect Digital Free Speech" (2004) 13 Tex. Intell. Prop. L.J. 83.

[961] See e.g. *Altera Corp. v. Clear Logic, Inc*., 424 F.3d 1079 (9th Cir. 2005); *Independent Ink, Inc. v. Illinois Tool Works et al.*, 396 F.3d 1342 (Fed. Cir. 2005), cert, granted 125 S.Ct. 2937 (2005); *Allan Block Corp. v. County Materials Corp.*, 512 F.3d 912 (7th Cir.2008); *McIntosh v. Northern California Universal Enterprises Co*., 670 F.Supp.2d 1069 (E.D.Cal., 2009).

The appearance of the doctrine of misuse was a process rather than a single act. In fact, while the doctrine is well formulated in some segments of the system, it is still in the early stages of development in others.[962] The doctrine of intellectual property misuse was developed in the US on the foundation of the much older clean hands doctrine.[963] It is often described as a group of doctrines functioning in all segments of the system; however, it should rather be viewed as a uniform doctrine that was first developed in patent law and subsequently adopted in other intellectual property segments. Today, the doctrine is relatively well established in the United States with a considerable body of jurisprudence defining its application.

A. Patent law

The logic of the misuse doctrine was initially employed in the context of patent law by the US Supreme Court in the beginning of the 20th century.[964] It was expressed in the *Motion Picture Patents Co. v. Universal Film Mfg. Co*.[965] case as a response to increasing attempts of patentees to contractually expand the scope of their patent monopoly beyond statutory limits. The plaintiff in this case, Motion Picture, owned a patent covering a key part of a mechanism that feeds films through picture projecting machines, which prevents excessive strain or wear of the film.[966] Motion Picture used to grant licenses to manufacture and sell the invention under the condition that the licensee would agree not to sell them unless all subsequent purchasers would consent to being contractually bound to use the invention with specific films. In addition, each machine sold was to be fitted with a plate that indicated the conditions imposed on the use of the machine.[967] These restrictions were intended to impose limitations on the use of the property other than the patented invention by invoking patent rights.[968] The defendant, Universal, supplied films for use with the

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[962] Brett Frischmann & Dan Moylan, "The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and Its Application to Software" (2000) 15 Berkeley Tech. L.J. 865.
[963] *Braun Medical*, *supra* note 953 at 1426.
[964] Earlier, misuse argument was rejected by courts as inconsistent with the view of property as natural right; see e.g. *Strait v. National Harrow Co.*, 51 F. 819 (C.C.N.D.Y. 1892). See also William E. Ridgway, "Revitalizing the Doctrine of Trademark Misuse" (2006) 21 Berkeley Tech. L.J. 1547 at 1550.
[965] 243 US 502 (1917) at 509 [*Motion Picture*].
[966] *Ibid.* at 505.
[967] *Ibid.* at 506-507.
[968] J.B.W., "Limitation upon the Use, after Sale, of Patented Articles" (1917) 15 Mich. L. Rev. 581.

machines containing the invention despite a notification from Motion Picture threatening litigation. Soon after, Motion Picture sued, claiming patent infringement.

The US Supreme Court was faced with the question whether a patentee may restrict use of the invention by the purchaser or by the purchaser's lessee with films that were not part of the patented machine, and which themselves were not patented.[969] In its analysis, the Court made a clear distinction between intangible property, which is protected by patent monopoly, and tangible property, which is protected by classic property rights. In the Court's view, patent law "is not concerned with and has nothing to do with the materials with which or on which the machine operates."[970] It is not difficult to distinguish proper uses from misuses of patent rights in this context. "The difference is clear and vital between the exclusive right to use the machine, which the law gives to the inventor, and the right to use it exclusively with prescribed materials to which such a license notice as we have here seeks to restrict it."[971] Attempts of patentees to use patent rights to exercise control over property other than patented inventions are simply inconsistent with the principles of patent law.[972] In the US Supreme Court's opinion, such attempts amount to misuse of patent rights.

On the face of it, *Motion Picture* appears to be more suitable for application of the doctrine of exhaustion than the doctrine of misuse. The doctrine of exhaustion is based on a patent law policy that a patentee's right to control the use of a particular device ends when it is sold to a purchaser.[973] The US Supreme Court, however, recognized that in *Motion Picture* the plaintiff not only wanted to control the use of tangible property with patent rights, but also in effect attempted to exercise control over copyrightable subject matter through that tangible property:

> Such a restriction is invalid because such a film is obviously not any part of the invention of the patent in suit; … and because to enforce *it would be to create a*

[969] *Motion Picture*, *supra* note 965 at 508.
[970] *Ibid.* at 512.
[971] *Ibid.*
[972] *Ibid.* at 513.
[973] See discussion of the doctrine of exhaustion in chapter IV.2.

> *monopoly in the manufacture and use of moving picture films, wholly outside of the patent* in suit and of the patent law as we have interpreted it [emphasis added].[974]

The distribution and display of movies might be controlled by reliance on copyrights, but using patent rights for this purpose was a misuse of this monopoly. The Court rejected the plaintiff's claim as an attempt to use patent monopoly for purposes that are associated with copyrights. In this way, the US Supreme Court adopted into American intellectual property law a doctrine that can respond to misuses of intellectual property rights and undermine structure of the entire system.

Application of the misuse doctrine in patent law was reiterated and explained in numerous cases decided after *Motion Picture*.[975] But the term "misuse" was actually used for the first time by the US Supreme Court in the *Morton Salt* case, where the plaintiff attempted to use a patent on a machine for depositing salt tablets in food cans to force lessees of those inventions to buy salt from patentee's subsidiary. In this case, the Court explained that the doctrine of misuse is rooted in the law of equity and reflects the policy that courts should not be used for broadly understood unlawful purposes.[976] In subsequent cases, the Federal Circuit Court described this doctrine as designed to address impermissible expansion of *both temporal and physical scope* of patent monopoly.[977]

Development of the patent misuse doctrine has been affected by amendments to the US *Patent Act*.[978] Those changes, however, apply only to anticompetitive analysis under the misuse doctrine and do not affect the expansion of monopoly branch of the doctrine.

B. Copyright law

The next segment of the intellectual property system adopting the misuse doctrine was copyright law. In the *M. Witmark & Sons v. Jensen* case the US District Court had to

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[974] *Motion Picture*, *supra* note 965 at 518.
[975] See e.g. *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661 (Fed.Cir.1986); *Transitron Elec. Corp. v. Hughes Aircraft Co.*, 487 F.Supp. 885 (D.Mass.1980), aff'd 649 F.2d 871 (1st Cir.1981).
[976] *Morton Salt*, *supra* note 123 at 493.
[977] *Braun Medical*, supra note 953 at 1426.
[978] 35 USC. §271(d).

consider licensing practices of the American Society of Composers, Authors, and Publishers (ASCAP) for musical works integrated into motion pictures.[979] The defendants in this case operated motion picture theatres showing certain films without first obtaining from the plaintiffs a license to perform publicly musical compositions contained in those movies.[980] When the plaintiffs claimed copyright infringement, the defendants responded, *inter alia*, with an argument that the plaintiffs illegally extended their copyrights. In the analysis of ASCAP's licensing practices, the Court observed that when the rights in the musical works were licensed to motion picture producers, ASCAP was giving license to synchronization rights only, expressly excluding performance rights from the license.[981] In this way, the owners of copyrights in music extended their monopoly to encompas use and distribution of motion pictures—separate copyrightable works.[982] The District Court decided that such practice was an unlawful expansion of copyrights beyond their statutory limits and could not be tolerated:

> Refuge cannot be sought in the copyright monopoly which was not granted to enable plaintiffs to set up another monopoly, nor to enable the copyright owners to tie a lawful monopoly with an unlawful monopoly and thus reap the benefits of both.[983]

Importantly, in reaching this conclusion, the Court referred to the patent misuse doctrine established in *Morton Salt*,[984] thus adopting the doctrine into copyright law.

Despite the *Witmark & Sons* decision, there were doubts about the existence of the copyright misuse doctrine as there was no subsequent US Supreme Court or Circuit Court decision confirming the doctrine in a manner analogous to the pronouncement of the patent misuse doctrine in *Morton Salt*. Those doubts were put to rest by the Fourth Circuit Court

[979] 80 F.Supp. 843 (D.C. Minn. 1948) [*Witmark & Sons*].
[980] *Ibid.* at 844.
[981] *Ibid.*
[982] *Ibid.* at 847.
[983] *Ibid.* at 848-849.
[984] *Ibid.* at 850.

in *Lasercomb* decision.[985] The plaintiff in this case, Lasercomb, a software program developer, developed a software program for manufacturing steel rule dies that are used to cut and score paper and cardboard for folding into boxes and cartons. Lasercomb licensed the software to the defendant under its standard license agreement, which restricted licensees from creating any of their own die-making software. Subsequently, the defendant copied Lasercomb's software and created its own almost identical computer program.[986] Lasercomb sued claiming, *inter alia*, copyright infringement and the defendant responded by raising the doctrine of copyright misuse.

The first issue that the Fourth Circuit Court had to resolve was whether the doctrine of misuse was adopted into American copyright law. To answer this question, the Court focused on the purposes of intellectual property law from a historical perspective. Starting with the development of patent law and copyright law in England, the Court concluded that both these areas of law have similar purposes—promoting creativity and inventiveness for the benefit of society,[987] and this common rationale was adopted into the American intellectual property law.[988] After concluding that public policies of copyright law and patent law are the same,[989] the Fourth Circuit Court had no trouble finding that misuse defence is equally applicable in copyright and patent law. The Court explained:

> [S]ince copyright and patent law serve parallel public interests, a "misuse" defense should apply to infringement actions brought to vindicate either right. As discussed above, the similarity of the policies underlying patent and copyright is great and historically has been consistently recognized. Both patent law and copyright law seek to increase the store of human knowledge and arts by rewarding inventors and authors with the exclusive rights to their works for a limited time. At the same time, the granted monopoly power does not extend to property not covered by the patent or copyright.[990]

[985] *Lasercomb*, supra note 953.
[986] *Ibid*. at 971-972.
[987] *Ibid*. at 974.
[988] *Ibid*. at 975.
[989] *Ibid*.
[990] *Ibid*. at 976.

In other words, because both patent and copyright monopolies are limited to only certain categories of property and the doctrine of misuse preserves these limits, it is equally useful for protecting public interests in both these areas of law. Applying the doctrine to facts at hand, the Court found that the plaintiff attempted to use its copyright in a manner adverse to public policy embodied in copyright law by forbidding the licensees to develop—or assist in developing—*any* kind of computer-assisted die-making software. This extremely broad restriction was limiting the creative abilities of the defendant's employees and deprived the public of their creative fruits.[991]

The Fourth Circuit Court's comments in *Lasercomb* on a purposive analysis of misused intellectual property rights are particularly important in underlining this most important element of doctrinal analysis under the misuse doctrine. The doctrine's analytical framework is largely limited to the determination of the purposes for which the intellectual property rights in question are used. If they are used for other purposes than those associated with the rights in question, the courts will recognize such use as a misuse of the rights intended to expend the boundaries of the intellectual property monopoly. Consequently, the use of intellectual property rights for ulterior purposes will always bring into play the doctrine of misuse, whether it involves overlaps with other intellectual property rights or not.

Since *Lasercomb*, the doctrine of copyright misuse has been applied in many cases where public policy issues had to be taken into account, including overlaps of intellectual property rights, and is now well established in American copyright law.[992]

C. Trademark law

The doctrine of intellectual property rights misuse is less developed in the US trademark law than it is in copyright law and patent law. Indeed, it is still difficult to determine the exact scope of the misuse doctrine in this segment of the intellectual property system.

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[991] *Ibid.* at 978.
[992] See e.g. *Alcatel, supra* note 69; *A & M Records*, supra note 953; *Assessment Technologies, supra* note 953.

At the time patent misuse doctrine was pronounced, it appeared that trademark law would not be immune to this development. In the *Morton Salt* case, the US Supreme Court not only proclaimed the existence of the misuse doctrine in patent law, but also seemed to suggest that the principles underlining the doctrine are universal to the entire intellectual property system, including trademark law:

> *It is the adverse effect upon the public interest of a successful infringement suit* in conjunction with the patentee's course of conduct *which disqualifies him to maintain the suit*, regardless of whether the particular defendant has suffered from the misuse of the patent. Similarly equity will deny relief for infringement of a trademark where the plaintiff is misrepresenting to the public the nature of his product either by the trademark itself or by his label [emphasis added; citations in text omitted].[993]

It appears that by emphasising the public policy rationale as the bases for the doctrine of misuse and linking the public policy concerns resolved by American courts under the doctrine of clean hands in the context of misrepresenting trademarks, the US Supreme Court in *Morton Salt* suggested that the doctrine of misuse could address public policy concerns in trademark law as well.

Some other decisions also seemed to indicate that attempts to employ trademark rights to exercise control over trademarked articles are inconsistent with principles of trademark law,[994] a notion that is consistent with the misuse doctrine. Most of the subsequent cases, however, tended to focus on antitrust principles instead,[995] provoking some commentators

[993] *Morton Salt*, *supra* note 123, at 493-494. See also *Carbice Corp. of America v. American Patents Development Corp.*, 283 US 27 (1931) at 35, footnote 5.
[994] *United States v. Bausch & Lomb Optical Co.*, 45 F. Supp. 387 (S.D.N.Y. 1942), aff'd 321 US 707 (1944); *United States Jaycees v. Cedar Rapids Jaycees*, 794 F.2d 379 (8th Cir.1986).
[995] *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena*, 298 F. Supp. 1309 (S.D.N.Y. 1969); *Queen City Pizza, Inc. v. Domino's Pizza, Inc.*, 124 F.3d 430 (3d Cir. 1997); *Collins v. International Dairy Queen, Inc.*, 980 F. Supp. 1252 (M.D. Ga. 1997).

to doubt whether the doctrine of trademark misuse separated from the clean hands doctrine.[996]

Despite some doubts as to the existence of the doctrine of misuse and its scope in American trademark law, it appears to be accepted now by American courts. For example, in the *Northwestern Corp. v. Gabriel Manufacturing Co*. case,[997] the US District Court considered a claim of trademark infringement in the shape of gumball machines after expiry of its patent. While the Court rebuffed the trademark misuse argument raised by the defendant based on facts, it did accept the existence of the misuse doctrine in trademark law.[998] In particular, the Court distinguished the doctrine of misuse from the doctrine of clean hands in this segment of intellectual property.[999]

D. Scope of the American doctrine of misuse

The doctrine of intellectual property misuse is now well established in American law as a doctrine specifically designed to prevent misuses of intellectual property rights, with its purposive branch being suitable to address improper use of overlapping intellectual property rights in all the major segments of the intellectual property system. While it has not yet been embraced wholeheartedly in trademark law, its significance is growing in this segment too. The doctrine is still being developed, but it appears that it meets at least three of the characteristics that an effective doctrine addressing overlaps of intellectual property rights requires.

First, the doctrine of misuse addresses attempts of intellectual property rights owners to extend the scope of their rights in a way that undermines the rights' purposes.[1000] These practices are not intrinsically evil. The doctrine is supposed to discourage conducts that expand the borders of monopolies in the intellectual property system, thus preserving specific intellectual property law policies. By holding intellectual property rights

[996] See e.g. Frischmann & Moylan, "The Evolving Common Law Doctrine," *supra* note 839 at 867 and Ridgway, "Revitalizing the Doctrine," *supra* note 841 at 1557.
[997] 1998 WL 525431 (N.D.Ill. 1998).
[998] *Ibid*. at 7-8.
[999] *Ibid*. at 6.
[1000] The anticompetitive branch, on the other hand, addresses uses of intellectual property rights that have anticompetitive effects.

unenforceable in those situations, the doctrine preserves the social value of the rights promoted by these policies.[1001] It ignores the conduct of the plaintiff *per se*, focusing instead on the intellectual property rights involved in the lawsuit. This focus on preserving the structure of the intellectual property system rather than addressing some morally wrongful acts distinguishes the doctrine of misuse from the doctrine of clean hands.

Second, the misuse doctrine affects not only a plaintiff's equitable remedies but also his entire claim. In *Morton Salt*, the US Supreme Court explained that the misuse doctrine can bar the "suit for infringement."[1002] The rationale for this position is that "holders of an exclusive privilege granted in the furtherance of a public policy, may not claim protection of his grant by the courts where it is being used to subvert that policy."[1003] This element indicates definite separation from the ancestor of the misuse doctrine—the doctrine of clean hands.

Third, the fact that application of the doctrine has been extended to all major segments of the intellectual property system suggests that it is sufficiently flexible in practical use to have a universal application to the entire intellectual property law. This characteristic is, to a large extent, the result of the judicial nature of the doctrine. Although elements of the doctrine have been adopted into different statutory provisions, the doctrine has not been codified and is still being developed judicially.

Although the last characteristic—operation as both a sword and a shield—has not been yet satisfied by the doctrine of misuse, and the doctrine, just like the doctrine of clean hands, still remains an affirmative defence rather than an independent claim for affirmative relief,[1004] it appears that American courts may be willing to reconsider and change this element in the future due to challenges posed to the intellectual property system by the

[1001] Purpose of the anticompetitive branch is different. It responds to use of intellectual property rights that have a detrimental economic effect judged by the standard of competition law rather than equity.
[1002] *Morton Salt*, *supra* note 123 at 493.
[1003] *Ibid.* at 494.
[1004] *Novell, Inc. v. CPU Distributing, Inc.*, 2000 US Dist. LEXIS 9952 (S.D. Tex. 2000) at 15-16; *Atari Games Corp. v. Nintendo of Am., Inc.* 975 F.2d 832 (Fed. Cir. 1992).

appearance of new technologies.[1005] In fact, in recent cases some US courts accepted that the misuse doctrine can be used as a counterclaim for declaratory relief. For example, in *Apple Inc. v. Psystar Corp.*[1006] Apple Incorporated, the plaintiff, filed a lawsuit against Psystar Corporation, the defendant, asserting copyright, trademark, and other claims related to the defendant's use of the plaintiff's computer operating system. The defendant filed counterclaims, alleging violations of federal and state antitrust laws. After the Court order granted the plaintiff's motion to dismiss the counterclaims without prejudice, the defendant moved for leave to amend in order to assert counterclaims under the copyright misuse doctrine and the plaintiff opposed. The US District Court allowed the defendant's motion and explained:

> Apple contends that copyright misuse may *only* be asserted as a defense, not as a counterclaim. This order is unconvinced, however, that misuse may never be asserted as a counterclaim for declaratory relief. PsyStar may well have a legitimate interest in establishing misuse independent of Apple's claim against it, for example, to clarify the risks it confronts by marketing the products at issue in this case or others it may wish to develop. Moreover, if established, misuse would bar enforcement (for the period of misuse) not only as to defendants who are actually a party to the challenged license but also as to potential defendants not themselves injured by the misuse who may have similar interests.
>
> The best analogy is to patent misuse. Apple identifies no rule analogous to the one it here urges barring counterclaims for patent misuse, and in fact patent misuse counterclaims have been permitted. This order finds no reason to reject plaintiff's misuse counterclaims as necessarily futile [citations in text omitted].[1007]

[1005] In *Juno*, *supra* note 71 at 687 the District Court refused to take this step but did not reject such evolution in the future.
[1006] 90 USP.Q.2d 1123, 2009 WL 303046 (N.D.Cal. 2009) [*Psystar*, cited to WL].
[1007] *Ibid.* at 2-3.

The Court also referred to two cases where patent misuse counterclaims were permitted.[1008] And more recently, in *Midwest Tape, LL v. Recorded Books, LLC*,[1009] the District Court allowed the doctrine of misuse to be raised in a claim for declaratory judgment, explaining that "because the Complaint seeks declaratory judgment, the plaintiff may assert copyright misuse as an affirmative claim."[1010]

Review of the most recent US jurisprudence suggests that although some US courts are still reluctant to take this step,[1011] acceptance of the misuse doctrine as an affirmative claim appears to gain momentum.

5. Adopting the doctrine of misuse in Canada

A review of Canadian jurisprudence involving improper uses of intellectual property rights suggests that no coherent doctrine capable of answering challenges resulting from overlapping intellectual property rights has been formulated yet. So far, public policy concerns in this context have not received the attention they deserve from Canadian courts. This tepid approach to problems that are at the heart of the entire intellectual property system is becoming more and more at odds with new developments in technology that shape our everyday lives. Listening to music during a morning commute or planting a tomato plant in our home garden suddenly turns into important legal issues. Whether we like it or not, whether we know it or not, technology invades our lives and intellectual property rights, with their restrictions, follow. In the end, we are faced with a simple question, which will inevitably have to be answered on public policy grounds: How can we balance intellectual property rights with our lifestyle? This question is fundamental for the entire intellectual property system and the answer to it will have profound effects on the rights of both intellectual property owners and the general public. Luckily, the answer does not have to tramp one side of the equation at the expense of the other. The only way to answer the question posed above, without coming to a zero-sum conclusion, is to view

[1008] *Allan Block Corp. v. County Materials Corp.*, 512 F.3d 912 (7th Cir.2008); *Glitsch, Inc. v. Koch Engineering Co., Inc.*, 216 F.3d 1382 (Fed.Cir.2000).
[1009] 2010 WL 1258101 (N.D.Ohio 2010). But cf.
[1010] *Ibid.* at para. 1.
[1011] See e.g. *Maverick Recording Co. v. Chowdhury*, Nos. CV-07cv200(DGT), CV-07-640(DGT), 2008 WL 3884350 (E.D.N.Y. 2008); *Interscope Records v. Kimmel*, No. 3:07-cv-0108, 2007 WL 1756383, at *5 (N.D.N.Y. 2007); *Nielsen Co. (US), LLC v. Truck Ads, LLC*, 2011 WL 221838 (N.D.Ill. 2011).

intellectual property rights in light of their purposes, which are advanced through a balance of competing rights. Any doctrine that effectively resolves overlaps of intellectual property rights adopted in Canada should be based on these two principles—purposive analysis of the rights involved and an assessment of the effects resulting from the overlaps by reference to established balances of rights of diverse stakeholders. After all, the intellectual property rights were created to benefit the entire Canadian society by balancing the interests of its different groups. The very purpose of the existence of intellectual property rights is to enrich and benefit the entire public—includes owners.

A. Scope and character of the doctrine

Internationally, the most developed doctrine capable of an effective response to improper uses of overlapping intellectual property rights is the doctrine of intellectual property misuse developed by American courts. Unlike other doctrines, such as *ex turpi causa* or public interest, it is supported by an extensive body of jurisprudence and therefore, arguably, it should become the starting point for a formulation of an indigenous doctrine of misuse in Canada.

The doctrine of misuse, as developed on the foundation of the clean hands doctrine, addresses potential uses of intellectual property rights that are at odds with their underlying purposes. In this way, it is instrumental in maintaining the balance between the public's rights and the intellectual property owners' monopolies. It is surprising that the Supreme Court of Canada has not yet used it as a springboard for adopting its own version of the misuse doctrine in Canada. After all, on several occasions, the Supreme Court expressed its desire to maintain proper balances between the rights of the intellectual property rights owners and the users of intellectual creations subject to those rights. The doctrine of misuse would provide Canadian courts with a flexible instrument to further this objective.

Canadian courts should also take into consideration the experiences of other commonwealth jurisdictions when designing their version of the misuse doctrine. Because Canadian intellectual property law developed from British law, commonwealth jurisprudence, British decisions in particular, has been traditionally called upon to assist

Canadian courts in resolving difficult problems inherent to intellectual property law. And because the purposes of Canadian and British intellectual property law, together with relevant public policy concerns, are aligned, British jurisprudence would be particularly helpful in refining the newly developed Canadian doctrine of misuse of intellectual property rights with assistance of the principles developed by commonwealth courts.

As already indicated in this chapter, there are several characteristics that the doctrine of misuse should meet to be effective. The first characteristic—an ability to respond to structural problems in the intellectual property system—is the most important and requires an analytical framework for distinguishing objectionable uses of the overlapping rights from benign uses. The analysis should probably involve two separate steps. The first step would be similar to an analysis conducted under the purposive branch of the American doctrine of misuse.[1012] The role of the purposive branch of the misuse doctrine is to prevent the use of intellectual property rights that are contrary to the functions of those rights. To put it simply, the doctrine can be invoked when intellectual property rights are used to achieve results that should be pursued with other intellectual property rights. At this stage of the analysis, the courts would determine the purpose for which the rights are invoked.

Practical employment of this step in the analysis can be illustrated with facts similar to those in *Kraft* and *Volkswagen*. When an owner of copyrighted work in a trademark commences litigation, claiming copyright infringement, the court would ask whether the process is intended to protect the owner's economic or moral rights in the artistic work or rather distribution of products marked by the copyright protected trademark. If the latter, the proceeding should be recognized as an attempt to expand copyrights into trademark domain, contrary to their purposes. In *Kraft*, the Federal Court determined that infringement of copyrights was claimed by the plaintiff to prevent distribution of products marked with copyright protected trademarks rather than economically exploit the artistic

[1012] The American doctrine of misuse consists of two branches: anticompetitive and purposive. It is arguable that the anticompetitive branch could easily be replicated by making minor changes to s. 32 of the *Competition Act*, R.S.C. 1985, c. C-34. Indeed, such changes have already been advocated and should be considered by the Competition Bureau in the process of competition law reform; see Cameron & Tomkowicz, "Competition Policy," *supra* note 677.

work contained in the mark,[1013] and the same conclusion should have been reached in *Volkswagen*. In other words, the plaintiff was using copyrights for purposes associated with trademark law, thus satisfying the first step of analysis.

The second step would have to focus on the effects of the use found objectionable under step one of the analysis. At this stage, the courts would assess whether an extension of the intellectual property rights claimed would have an adverse effect on the balance of rights in the overlapping segment. In other words, the courts would have to determine if such use negates some legitimate rights enclosed in the balance of rights in the affected segment of the intellectual property system. This analysis would be similar to the analysis conducted under the English doctrine of public interest. The courts would not deny the existence of the plaintiff's rights claimed in a particular dispute, but simply refuse to enforce them as the owner's interest in enforcing those rights would be "outweighed by the public interest" in preserving the balance of rights in the particular segment of the system.[1014] This step in the analysis would recognize the fact that some uses of overlapping intellectual property rights are not necessarily objectionable as they do not result in adverse consequences to other rights balance in the particular segment, but others are. This step would also utilize the vast jurisprudence from commonwealth jurisdictions assessing the balances of rights in the intellectual property system and emphasising their importance for the system's proper functioning.

Again, referring to the facts in example from the first step of analysis, the court would move to practical effects resulting from improper use of the claimed rights. If use of the rights is found to eliminate some of the public's rights or exceptions in the overlapping segment, it will indicate undermining of the balance of rights in the overlapping segments. In *Kraft,* the only reason the plaintiff chose to rely on copyrights rather than trademark rights to protect its products was to eliminate the effects of the doctrine of exhaustion in trademark law, which makes importation of genuine trademarked products to Canada legal,[1015] thus satisfying the second step in analysis.

[1013] *Kraft TD, supra* note 776 at paras. 1-4.
[1014] *Lion Laboratories, supra* note 936 at 540.
[1015] *Kraft TD, supra* note 776 at paras. 1-4.

Acceptance of the doctrine as applicable to remedies both at law and in equity would also be necessary to ensure the doctrine's effectiveness and should be based on the recognition of the fact that intellectual property monopolies are limited in scope. There are no intellectual property rights outside of the monopoly's limits and one way to step outside of these borders is to use rights for purposes that are inconsistent with the purposes of their respective monopolies. Preserving the boundaries of all segments of the intellectual property system is an important public policy consideration and courts protecting public interests in this context should be able to resort to wide scope of remedies. Canadian courts could justify this position by invoking the doctrine of *ex turpi causa*. This doctrine has already been interpreted broadly in other areas of Canadian law as affecting claims at law. For example, in the *British Columbia v. Zastowny* case,[1016] the Supreme Court decided that "[a]pplication of the *ex turpi* doctrine in the tort context invalidates otherwise valid and enforceable actions in tort." [1017] There is no reason why the principle of *ex turpi causa* should be interpreted differently in intellectual property law and be limited to equitable remedies only.[1018] Limiting misuse doctrine to equitable remedies only would seriously undermine the doctrine's effectiveness. It would not prevent intellectual property owners from misusing their monopolies, but simply make it more difficult, time consuming, and costly. It is also arguable that fear of high monetary damages would be as effective as injunctions or other equitable remedies in discouraging users of intellectual creations and the general public from defending their rights.

The issue of constructing the misuse doctrine as simply an affirmative defence or rather an independent claim for affirmative relief is more complex as it involves both statutory and common law regimes, which raises question about courts' authority to interfere in schemes established by legislator—can courts create an affirmative right to enforce upon intellectual property owners rights that belong to the general public under intellectual property law?

[1016] 2008 SCC 4, [2008] 4 W.W.R. 381, 290 D.L.R. (4th) 219.
[1017] *Ibid*. at para. 20 citing with approval *Hall v. Hebert* (1993), [1993] 4 W.W.R. 113, 152 N.R. 321, 101 D.L.R. (4th) 129, [1993] 2 S.C.R. 159, 26 B.C.A.C.161, 78 B.C.L.R. (2d) 113.
[1018] Expansive application of the clean hands doctrine in intellectual property law through application of *ex turpi causa* doctrine is also supported by some commentators; see e.g. Robert J. Sharpe, *Injunctions and Specific Performance*, looseleaf (Toronto: Canada Law Book, 1993) at 1-49; see also Zechariah Chafee, Jr., *Some Problems of Equity* (Ann Arbor, MI: University of Michigan Law School, 1950) at 46-68 and 94.

The answer to this question will affect not only the effectiveness of the doctrine but also the universality of its application. The American doctrine in its present form is still a defence, as is the English doctrine of public interest. But the US District Court in *Juno* did not preclude transforming the doctrine of misuse from a defence to affirmative claim and it is arguable that in light of new technological developments this step would be desired. For this reason, adoption of the doctrine of misuse in the form of a claim for affirmative relief in situations involving, for example, DRM technology and other similar circumstances would be more appropriate. It is arguable that courts have the authority to establish a misuse doctrine as an independent claim for affirmative relief under the doctrine of inherent jurisdiction, notwithstanding the statutory nature of some of the intellectual property segments, as discussed *infra*.

B. The doctrine of inherent jurisdiction

The first actor that comes to mind regarding the idea of creating a doctrine of intellectual property misuse is the Parliament which, after all, established most of the system's segments and their borders. This view appears to be supported by many courts, which point to "legislative responsibility" as the source of resolution for problems involving overlaps of intellectual property rights.[1019] Unfortunately, this view is as unrealistic as the academic initiatives for creating a uniform intellectual property system. As failed attempts of reforming Canadian copyright law in recent years indicate, the Parliament is hostage to a political process that is usually preoccupied with other things than intellectual property law. This inability of Canadian Parliament to respond effectively and timely to the problems of intellectual property overlaps has already been recognized by some scholars and this realization will hopefully become more common.[1020] In this light, pointing the finger at the Parliament looks more like an excuse for doing nothing. Even if Parliament does decide to act in a coordinated manner and implements a uniform doctrine of misuse in all the statutory segments of the intellectual property system, a contribution by the courts is still

[1019] *WCC Containers*, *supra* note 25 at para. 64 This view also seems to be supported by some commentators; see e.g. Tawfik, "Follow the *Lego* Brick Road," *supra* note 100 at 77-78 and Gervais and Judge, *Intellectual Property*, *supra* note 89 at 604.
[1020] See e.g. Tawfik, "When intellectual rights converge," *supra* note 74 at 292.

unavoidable to ensure that the doctrine applies also to judicially created intellectual property rights.

The fact of the matter is that courts do not have to abdicate their role of interpreting laws enacted by Parliament and hide behind pretences of deference for the legislator. They are well equipped to respond to problems of overlapping intellectual property rights on their own. Indeed, they have the positive duty to interpret the law in a manner that eliminates an interpretation of intellectual property rights that leads to absurd results. Many improper uses of the overlapping rights lead to such conclusion. The conflicts between different overlapping intellectual property rights can be resolved in a way that respects the Parliament's intentions in establishing the intellectual property system as a whole in general and its individual segments in particular. Arguably, a judicially created doctrine of misuse would be the appropriate answer to the problems posed by adverse effects of the overlapping intellectual property rights presented in the previous chapters. It would not deny intellectual property owners their rights and instead ensure that they are enforced only in accordance with their purposes.

While the majority of intellectual property rights are statutory in nature, this, by itself, does not eliminate the courts' authority to apply established common law doctrines to both interpretation and enforcement of those rights. This problem was at the heart of the *Aldrich v. One Stop Video Ltd*.[1021] case, where the British Columbia Supreme Court considered whether enforcement of copyrights in obscene materials should be refused. While the Court in *Aldrich* rejected the defence of obscenity based on facts; it did assert its rights to refuse enforcement of statutory copyrights by reliance on common law principles. The Court explained:

> [P]laintiffs conduct may be relevant to the granting of equitable relief to protect copyright and, if the principle of *Amoco Can.* is read broadly, public policy must also be relevant. The cases also contradict the proposition that common law

[1021] (1987), 13 B.C.L.R. (2d) 106, 17 C.P.R. (3d) 27, 13 C.I.P.R. 202, (sub nom. Aldrich v. Struk) 39 D.L.R. (4th) 362, 1987 CarswellBC 104 (B.C.S.C.) [*Aldrih,* cited to CarswellBC].

> principles do not apply in action for infringement of rights established by federal legislation ... Further, there is authority that common law principles may be applied in actions brought under federal statutes by s. 20(1) of the Copyright Act, which provides entitlement for the owner of copyright "to all such remedies by way of injunction, damages, accounts, and otherwise, as are or may be *conferred by law* for the infringement of a right" (emphasis added). Although this would not encompass the denial of copyright per se, in my view the section does incorporate the principles of common law and equity which apply to the granting of remedies.[1022]

Basically, the British Columbia Supreme Court in *Aldrich* made a distinction between denying copyright *per se*, which has to have a statutory base, and grant or refuse to grant remedies, in any form, which is within the courts' discretion.[1023] This view on the nature of courts' jurisdiction supports the adoption of the judicial doctrine of misuse. The doctrine would not be designed to deny intellectual property rights *per se*, instead, it would be intended to prevent their improper use inconsistent with their purposes.

The nature of courts' right to refuse the enforcement of intellectual property rights in cases offending public policies was also explained by the English Court of Appeal in *Hyde Park*, where such authority was found in the inherent jurisdiction of the Court. The Court of Appeal explained that "[a] court has, under its inherent jurisdiction, the right to refuse to enforce an action for infringement of copyright just as it can refuse to enforce a contract or other cause of action that offends against the policy of the law."[1024] According to this argument, courts can implement a doctrine of intellectual property misuse to protect public policies supportive of preserving the structure of the intellectual property system and its balances of rights as long as the doctrine does not interfere with the existence of the rights. In other words, a misuse doctrine that simply restricts enforcement of intellectual property rights in specifically defined circumstances could be employed within courts' inherent jurisdiction.

[1022] *Ibid.* at paras. 87-89.
[1023] *Ibid.* See also *Pro Arts Inc. v. Campus Crafts Hldg. Ltd.* (1980), 28 O.R. (2d) 422, 10 B.L.R. 1, 50 C.P.R. (2d) 230, 110 D.L.R. (3d) 366 (Ont. H.C.), which held that s. 20(1) of the *Copyright Act* permitted the Court to grant exemplary damages under common law principles.
[1024] *Hyde Park, supra* note 945 at para. 48.

This view appears to be supported by the Supreme Court of Canada, which interpreted the doctrine of inherent jurisdiction in the *Baxter Student Housing Ltd. v. College Housing Co-operative Ltd.* case.[1025] Setting the doctrine's outer limits, the Supreme Court explained that "the inherent jurisdiction of the Court of Queen's Bench is not such as to empower a judge of that Court to make an order negating the unambiguous expression of the legislative will."[1026] In particular, "[i]nherent jurisdiction cannot … be exercised so as to conflict with a statute or Rule."[1027] The Ontario Court of Appeal further specified that "limits of this power are difficult to define with precision but cannot extend to the creation of a new rule of substantive law."[1028]

The doctrine of inherent jurisdictions, as defined in the UK and Canadian jurisprudence, has sufficient scope to support the judicial doctrine of intellectual property misuse based on a purposive analysis of statutory rights. Such a doctrine would not deny or create rights but rather interpret them in a way that avoids conflicts between them. Indeed, the fragmented nature of the intellectual property system, organized around different statutory regimes and judicial doctrines, implies that the system was designed and is intended to support the maintenance of boundaries between its individual segments. The doctrine of misuse would simply be instrumental in giving effect to this intention of Parliament. Even the express authorization of overlaps between trademark rights and copyrights in section 64(3)(b) of the *Copyright Act* would not deny judicial authority to employ the doctrine of inherent jurisdiction to prevent misuse of this overlap in appropriate circumstances. Express authorization of overlaps between some intellectual property rights by Parliament does not necessarily indicate express authorization for overlaps of the rights' purposes. It was explained in chapter IV.3, by reference to legislative processes that lead to the enactment of section 64(3)(b) of the *Copyright Act*, that this section was intended to authorize very

[1025] [1976] S.C.R. 475, [1976] 1 W.W.R. 1, 57 D.L.R. (3d) 1, 5 N.R. 515, 1975 CarswellMan 3, 20 C.B.R. (N.S.) 240 [cited to CarswellMan].
[1026] *Ibid.* at para. 6.
[1027] *Ibid.* at para. 8, quoting from *Montreal Trust Co. v. Churchill Forest Industries (Man.) Ltd.*, [1971] 4 W.W.R. 542 (Man. C.A.) at 547.
[1028] *R. v. Unnamed Person*, (1985), 10 O.A.C. 305, 22 C.C.C. (3d) 284, 20 C.R.R. 188, 1985 CarswellOnt 1375 (Ont. C.A.) at para. 9 [cited to CarswellOnt].

limited overlaps between trademark law and copyright law, and one that does not lead to conflicts between their purposes.

Concluding that the doctrine of inherent jurisdiction provides sufficient authority to support the establishment of a judicial doctrine of misuse as an affirmative defence seems to be doctrinally uncontroversial. Whether the creation of a misuse doctrine as an independent cause of action for affirmative relief would be within the inherent jurisdiction of courts is an open question. It appears that even this broader doctrine would be consistent with judicial interpretation of both the doctrine of inherent jurisdiction and the nature of intellectual property rights in appropriate circumstances.

In *Aldrich*, the British Columbia Supreme Court referred to section 34(1) of the *Copyright Act* as giving Canadian courts the authority to deny enforcement of intellectual property rights for public policy reasons.[1029] This section has the following wording:

> 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.

This section gives not only authority to invoke the inherent jurisdiction of the courts in a passive way in the form of a defence, as explained in *Aldrich.* Most importantly, it gives authority to employ the judicial process offensively in the form of an affirmative claim. In particular, this section refers to both "infringement" and "owner" of copyrights as the necessary elements supporting the cause of action. In light of the *CCH* decision, this section can be interpreted as referring also to the general public or individual users of copyrighted works, at least in cases when "fair dealing" provisions of the *Copyright Act* are involved. In the *CCH* case, the Supreme Court interpreted "the scope of both owners' and users' rights under the *Copyright Act*,"[1030] which indicates that "users' rights" were also considered by the Supreme Court of Canada to be a form of copyrights. This view is

[1029] Section 34(1) was formerly s. 20(1) of the *Copyright Act*. *Aldrich*, *supra* note 1021.
[1030] *CCH*, *supra* note 41 at para. 13.

consistent with the notion of balance of rights in copyright law being a proper distribution of rights between copyright owners and the general public, as pronounced in *Théberge*.[1031] And because these fair dealing copyrights "must be given a large and liberal interpretation in order to ensure that users' rights are not unduly constrained,"[1032] section 34(1) could be interpreted as a base for a misuse doctrine in the form of an independent cause of action for affirmative relief, at least in relation to fair dealing provisions of the *Copyright Act*. Indeed, it could be argued that the general public should also have the right to enforce common law fair dealing exemptions under the umbrella of the misuse doctrine to ensure equal treatment of both sides of the balance of rights in judicial process.[1033]

While the possibility of using section 34(1) of the *Copyright Act* to support affirmative claims of fair dealing rights has not yet been examined in judicial or scholarly analysis, such development is consistent with some scholarly analyses advocating for expansive view of fair dealing provisions in Canadian copyright law. Most scholars recognize the paramount importance of fair dealing for maintaining proper balance of rights in copyright law,[1034] but others go even further and recognize fair dealing as user right "*par excellence*" rather than a defence to copyright infringement action.[1035] Professor Drassinower in particular suggests that fair dealing "is to be understood and deployed not negatively, as a mere exception, but rather positively, as a user right integral to copyright law."[1036] Professor Drassinower justifies such a strong position of fair dealing rights because in the process of balancing of users and owners, copyright owners are also users of copyright works, which puts their interests on both sides of the equation. Viewing the position of a copyright owner as the simultaneous user of copyrighted works leads Professor Drassinower to a recognition of equality of claims the copyright owner has, both as the

[1031] *Théberge, supra note 39.*
[1032] *CCH, supra* note 41 at para. 51.
[1033] See *Merck, supra* note 249 at para. 109, discussing the role of common law fair dealing exemptions in patent law.
[1034] See e.g. Myra Tawfik, "International Copyright Law: W[h]ither User Rights?," in Geist, ed., *In the Public Interest, supra* note 91; Carys Craig, "The Changing Face of Fair Dealing in Canadian Copyright Law: A Proposal for Legislative Reform," in Geist, ed., *In the Public Interest, supra* note 91.
[1035] Abraham Drassinower, "Taking User Rights Seriously," in Geist, ed., *In the Public Interest, supra* note 91.
[1036] *Ibid.* at 467.

owner and as the user.[1037] From this position, there is only one step to finding that this equality should also be reflected in equal treatment in judicial process—giving the copyright owner the right to initiate court proceedings with an independent cause of action for affirmative relief both as the owner and as the user.

C. Statutory underpinnings

Even though the preferred method for implementing the doctrine of misuse into Canadian intellectual property law is the judicial initiative, it does not mean that such a doctrine could not have statutory underpinnings. However, to be effective, such statutory provisions would have to be broadly worded. Otherwise, the doctrine's flexibility and effectiveness could be adversely affected when the environment in which it functions evolves in unanticipated directions. This problem can be illustrated by the Canadian *Patent Act*, which contains provisions addressing potential abuses of patent rights. Section 65 of the *Act* states as follows:

> 65. (1) The Attorney General of Canada or any person interested may, at any time after the expiration of three years from the date of the grant of a patent, apply to the Commissioner alleging in the case of that patent that there has been an abuse of the exclusive rights thereunder and asking for relief under this Act.
>
> (2) The exclusive rights under a patent shall be deemed to have been abused in any of the following circumstances:
>
> ...

It appears that the wording of section 65(1) is sufficiently broad to encompass any abusive use of patent rights, including the use of overlapping patent rights inconsistent with their purposes. In fact, it gives authority to any aggrieved person to use the doctrine as a sword rather than a shield.

[1037] *Ibid.* at 471-472.

Section 65 was recently interpreted in the *Torpharm Inc. v. Canada (Commissioner of Patents)* case.[1038] In this case, the plaintiff alleged that the defendant abused its patent rights not only by refusing to grant a license for the patent, in violation of sections 65(2)(c) and (d), but also by not generally acting *bona fide* in its dealings with the plaintiff.[1039] After the Commissioner of Patents rejected the general *bona fide* argument, the Federal Court had to decide on the relationship between sections 65(1) and (2), specifically, whether section 65(2) includes an exhaustive list of abuses referred to in section 65(1).[1040] The Court agreed with the plaintiff's argument viewing section 65(1) as addressing broad and undefined categories of patent rights abuses and not limited to examples enlisted in section 65(2). According to the Court's interpretation of section 65 of the *Patent Act*, section 65(2) "is a deeming provision listing particular circumstances set out therein which are to be considered to constitute abuse whether or not those circumstances would appear to fall within the general terms of [subsection] 65(1). Subsection (2) is not merely a definition of the general terms of [subsection] 65(1)."[1041] According to this broad interpretation of patent abuse provisions by the Federal Court in *Torpharm*, section 65(1) could encompass a purposive analysis of patent rights consistent with the American doctrine of patent misuse and form a proper basis for the announcement of a statutory doctrine of patent misuse in Canadian intellectual property law.[1042]

At first glance, section 65(1) could be useful for curtailing an extension of patent rights into other segments of the intellectual property system not associated with them. Unfortunately, the ability of section 65 to perform this function is illusory due to the very limited arsenal of remedies available under this section. Section 66 of the *Patent Act* limits the remedies available for infringement of section 65 to imposing a mandatory license on patentee or revocation of the patent. In practice, the former remedy is not suitable in most cases of

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[1038] 2004 FC 673, 252 F.T.R. 161, [2004] 4 F.C.R. 29 [*Torpharm*].
[1039] *Ibid.* at para. 11.
[1040] *Ibid.* at para. 16.
[1041] *Ibid.* at para. 37.
[1042] But *cf. Brantford Chemicals Inc. v. Canada (Commissioner of Patents)*, 2006 FC 1341, 54 C.P.R. (4th) 158, [2007] 4 F.C.R. 547 at paras. 66-70, where the Federal Court appears to view the purpose of section 65 as simply addressing the issue of positive obligations to work a patented invention; such limited view of this section cannot be reconciled with *Torpharm, supra* note 1038.

patent misuses and the latter will be too harsh to be the proper response.[1043] Other more appropriate remedies would require judicial intervention through a purposive analysis of the intellectual property system under the doctrine of inherent jurisdiction separate from section 65 analysis. Consecutively, section 65(1) of the *Patent Act* is inadequate as a basis for a doctrine of patent misuse due to its inadequate language.

The language of sections 65 and 66 can be contrasted with the language of the statutory provision supporting the doctrine of public interest in the UK. Section 171(3) of the *Copyright, Designs and Patents Act* of 1988 states as follows:

> 171(3) Nothing in this Part affects any rule of law preventing or restricting the enforcement of copyright, on grounds of public interest or otherwise.[1044]

This provision is simply a confirmation of the judicial authority to develop the doctrine rather than an attempt to codify it and has been interpreted as such.[1045] It does not restrict courts' ability to tailor the doctrine and its remedies to adapt its application to changing environments, thus ensuring its flexibility. Indeed, it has been advocated that should Canadian Parliament chose to legislate the doctrine of copyright misuse in the next copyright law reform, the provision establishing the doctrine should have very broad language, similar to section 171(3) of the *Copyright, Designs and Patents Act*.

[1043] It is questionable if the Federal Court could rely on its inherent jurisdiction to go beyond remedies available under section 66 considering the fact that section 69(4) eliminates the right to appeal from the Federal Court's decision.
[1044] (UK), 2000, c. 48. It should also be noted that a limited doctrine of trademark misuse has been adopted into s. 21 of the UK *Trade Marks Act, 1994* (UK), 1994, c. 26. Interestingly, this statutory doctrine of trademark misuse creates an independent claim for affirmative relief.
[1045] *Hyde Park*, *supra* note 945 at para. 44. For discussion of legislative intent in introduction of the public interest doctrine into English statutory law see also Saw Cheng Lim , "Is there a Defence of Public Interest in the Law of Copyright in Singapore?" (2003) Sing. J. Legal Stud. 519 at 527.

VI. CONCLUSION

Intellectual property law protects a wide variety of intangible products of human creativity, inventiveness, and entrepreneurship. It can be viewed as a structured system consisting of several segments. Each segment creates different forms of limited monopoly over certain categories of intellectual creations, preventing their unauthorized use or multiplication. The system was not created as a uniform project. Instead, its segments developed independently at different times to achieve different objectives and perform different functions. Originally, there were no overlaps between the segments, but as the scope of each segment expanded, their boundaries began to overlap, which resulted in consequences that had not been anticipated at the time of their inception, and the issue of intellectual property rights overlaps became relevant.

Changes in boundaries within the system increased the complexity of interfaces between different intellectual property rights and produced conflicts between its various segments. This phenomenon has accelerated with the appearance of new hybrid technologies that cannot be contained in only one segment of the system. In effect, overlaps became both a factual and legal reality to be tackled with. Their authorization or prohibition can no longer be legislated in practical terms. What the law can address, however, is how the overlapping rights can be used, which uses should be tolerated, which should be opposed, how legitimate and illegitimate uses can be distinguished, and how misuses of the overlapping rights can be answered.

The distinction between permissible and impermissible uses of overlapping intellectual property rights must focus on the general purposes of the respective segments of the intellectual property system. Each segment was established for specific purposes and those purposes remain the fundamental reasons behind the existence of the respective intellectual property rights. When rights from different segments overlap, the purposes behind them may overlap as well. And while it is possible that the overlapping purposes will not be in conflict, it is more likely that concurrent or subsequent exercise of rights advancing purposes behind one segment of the intellectual property system will undermine the rights in and purposes of the other overlapping segment.

All segments of the intellectual property system try to achieve different purposes by creating different balances of rights between intellectual property owners and the general public.[1046] Broadly speaking, to advance its purposes, each intellectual property segment balances different and often conflicting public policy considerations. On the one hand, intellectual property rights are created to protect the interests of their owners; on the other hand, owners' rights are limited or counter-rights benefiting the general public are established to maintain proper balance in each segment of the system and ensure optimal level of protection. Because the purposes are diverse, the balances created in the separate segments of the system have to be reached in different ways. Thus, the scope of rights granted within each segment, their duration, and exceptions to those rights differ. Unfortunately, rights that were designed for one intellectual property segment, and placed in that segment to maintain its proper balance and advance its purposes, may be used in ways that distort the balance in the overlapping segments and undermine the overlapping segments' purposes. In other words, owners of an intellectual creation can use the rights of one segment to restrict users' or the general public's rights that are legitimate in the overlapping segment, and *vice versa*, thus creating super protection for their creations. Such uses of intellectual property rights are properly characterized as misuses. Their enforcement would not contribute to preservation of balance of rights in a given intellectual property segment but rather result in undermining a different balance of rights in another overlapping segment.

The purposes of intellectual property rights remain largely unchanged since the creation of their respective segments and their interpretation by courts has also been generally consistent. But the rights exist in a changing environment and therefore have to be adjusted to ensure that their purposes are adequately promoted. The expanded scope of the rights and their increased variation, while inevitable, makes the entire system more complicated. This development often leads to confusion among scholars and law practitioners about what constitutes the purpose of the rights and what are the means to achieve those purposes. An effective analysis of intellectual property overlaps must ensure a proper

[1046] See discussion in chapter I.C.

distinction between these two concepts. Confusing intellectual property rights with their purposes will always lead to intellectually unsatisfactory conclusions about the proper balance of rights in the intellectual property system and optimal level of protection for all stakeholders.

This thesis investigated a broad variety of overlaps of intellectual property rights in an attempt to determine the nature of those interfaces in the intellectual property system. The overlaps are both a factual and legal reality and have been recognized judicially as such. Even though many cases cited and analysed in this thesis considered intellectual property overlaps, no uniform response that could distinguish between proper and improper uses of the overlapping rights has been formulated in that jurisprudence. This lack of coherent approach to the phenomenon of overlaps was the major motivation of this research.

This research presented the thesis that all uses of intellectual property rights should be viewed in light of their purposes. In other words, the phenomenon of overlapping intellectual property rights is not a problem *per se;* instead, it is the use of the rights for purposes that are incompatible with their intended function and instead to enlarge another segment of the intellectual property system that may be considered objectionable.[1047] To determine whether an improper use of overlapping rights occurred in the cases analyzed, facts of a given case were assessed to reveal the motivations of an intellectual property owner behind his or her claims. In a way, this step in the analyses resembled a judicial analysis normally done by trial courts. The analyses also used the concept of balance of rights as the measuring rod for assessment of the consequences resulting from use of the overlapping rights. Thus, this thesis investigated how the use of intellectual property rights associated with one segment of the system can affect the carefully crafted balance of rights of various stakeholders in an overlapping segment and whether the effectiveness of this segment to advance its purposes will be impeded by such use. In general, this research undertakes to synthesize the problems resulting from intellectual property rights in all segments of the intellectual property system and build an analytical framework for future

[1047] See discussion in chapters I.I and I.K.

scholarly studies. It also aspires to be a useful tool for judges and lawyers in the practice of law.

The thesis investigated intellectual property overlaps as a phenomenon occurring in different environments, particularly in the context of new technologies, and tried to explain its consequences. It also attempted to predict certain overlaps that have not yet occurred as an observable phenomenon based on legal framework of intellectual property law and the patterns of intellectual property owners' behaviour revealed in the analyzed cases. To ensure proper focus of the analyses, this research did not investigate all possible uses or misuses of intellectual property rights, concentrating instead on improper uses of overlapping intellectual property rights that can adversely affect balances of rights established in other segments of the intellectual property system. This methodology is not exhaustive and it does not have to be. The cases relied on in this research were intended to illustrate the problems rather than to be a comprehensive inventory of every conceivable intellectual property overlap. For the same reason, possible interfaces between intellectual property rights and structural or regulatory regimes outside of the intellectual property system were not considered. The issues discussed in this thesis are both novel and very dynamic, and there are many new interfaces left to be discovered and analyzed in future scholarly analysis.

Limiting the analysis to common law jurisdictions with emphasis on Canadian law was also motivated by the need for a proper research focus.[1048] While the research was primarily intended to analyze intellectual property overlaps in Canada, cases from other common law jurisdictions, such as the US, the UK, and Australia, were used to support the analysis of intellectual property overlaps in Canada and formulate a response to identified problems. This use of jurisprudence from other jurisdictions rooted in English law broadened the perspective on this phenomenon and assisted in developing an effective analysis. Because all those jurisdictions share common legal heritages, a judicial interpretation of legal concepts inherent to intellectual property law is similar in their case law, even when it is not identical. In fact, courts in common law jurisdictions often refer to decisions from other

[1048] See discussion in chapter I.K.

common law countries for guidance in their analysis when adjudicating intellectual property disputes, even if there are some minor differences in substantive law in those jurisdictions. This multi-jurisdictional approach resulted in a useful comparison of different approaches to the problems resulting from overlap of intellectual property rights. It also allowed for filling gaps in the judicial analysis of different interfaces in individual common law jurisdictions.

While limiting the analysis to common law jurisdiction and leaving the civil law tradition outside of its scope diminishes value of this research, it also ensures consistency and makes the analysis most effective by resulting in increased specificity. In this way, this research leaves the important issue of intellectual property overlaps in civil law jurisdictions for future analysis, but, at the same, creates an analytical framework that can be used for such research.

This thesis analyzed intellectual property overlaps in all segments of the system. Chapter two considered a variety of interfaces between patent right and other intellectual property rights. A discussion of trade secrets illustrated how the duty of disclosure in patent law can be undermined with us use of trade secret rights. This overlap can be explored to the benefit of the patent software owner primarily because of the nature of this technology. By slightly modifying the technology after the patent is granted or expires, the software patent owner can effectively make the duty of disclosure meaningless, which has adverse consequence to the balance of rights in patent law. Many rights that belong to the general public and can be exercised by the software patent owner's competitors, such as the right to research the patented invention for the purpose of inventing and improvement or the right to manufacture the invention after the patent expires, can be undermined by exploring this overlap.

Similar problems can arise in the context of overlap between patent rights and copyrights in software. Because copyrights arise automatically once a copyrightable work is created, this overlap materializes every time a computer program acquires patent protection, with serious potential adverse effects on the balance of rights in copyright law. A software

patent owner may prevent the independent creation of functionally similar software or obtain protection for software that does not meet the requirements of copyrightability. And because fair dealing exceptions in copyright law and patent law are not equivalent, these discrepancies can be exploited for the benefit of the software patent owner.

One of the areas where intellectual property overlaps manifested only recently is the interface between patent rights and plant breeders' rights. In fact, this overlap was introduced in Canada with the *Schmeiser* case. It can be utilized by the patent owner to eliminate two important rights under plant breeders' rights: farmer's right and plant breeders' privilege. One allows farmers to save seeds for subsequent use and the other authorizes plant breeders to develop new plant varieties from existing ones. While the scope of such adverse effects may differ, depending on the scope of both these privileges, their adverse effect on the balance of rights in plant breeders' law is undeniable, only the degree of this effect is a question. In this respect, it was noted in the analysis that different conclusions on the effects of this overlap will be reached under the present status of plant breeders' rights in Canada and the 1991 UPOV Convention, which was signed by Canada but has not yet been retified and implemented into Canadian law. It was also observed that although the 1978 UPOV Convention ratified by Canada expressly prohibits concurrent protection of plant varieties with both patent rights and plant breeders' rights, that restrictive language has not been imported into the *Plant Breeders' Right Act* or the *Patent Act* leaving unanswered question about this overlap in Canadian law.

An investigation of the overlap between patent rights and semiconductor topography rights revealed that although there is potential for adverse effects resulting from this interface, its practical significance is minimal. The role of semiconductor topography rights is diminishing in the industry and this segment of intellectual property is effectively replaced by patent law. This trend is reflected in a small number of circuit topography registrations issued in Canada. It can safely be assumed that while this overlap will exist in law, its significance will soon be minimal.

Chapter three looked at trademark law and its interfaces with the other intellectual property segments. One of the most important technologies discussed there was the Internet. The analysis of the overlap between trademark law and patent law in the context of the Internet relied heavily on the functionality doctrine, which separates these two areas of intellectual property. While the doctrine is generally used to prevent subsistence of trademark rights in distinguishing guises, it also has an important role to play in excluding the application of trademark rights to functional use of word trademarks in software, including the HTML code. This section analyzed several specific technologies used on the Internet, such as meta-tags, banner ads, domain names, and search engines. Trademark owners often claim infringement of their rights when those technologies use word trademarks invisibly and functionally. Those uses should be left outside of the scope of trademark law; the functionality doctrine is one of the tools that can ensure this result. Enforcing trademark rights in the context of search functions on the Internet can, in effect, give trademark owners the right in the mark itself, preventing others from using it on the Internet in most circumstances. Exercised in this way, trademark rights become akin to patent rights, preventing use of potentially patentable technologies on the Internet, even in separation from any wares or services.

Chapter three also discussed both traditional and new interfaces between trademark law and copyright law—overlap between their respective rights in literary characters and visual interfaces of software. Review of the overlap in the traditional context suggests that it can have serious adverse consequences on creativity by potentially extending the protection of literary works indefinitely and turning trademark law into what the US Supreme Court described as “mutant copyright law.” The overlap of trademark rights and copyrights in visual software interfaces, on the other hand, does not appear to pose serious challenges to the integrity of the intellectual property system and the balances of rights in both these segments. Many elements of the visual interfaces are determined by functional characteristics of the technology that displays them and those elements are excluded from trademark protection, giving potential creators enough space to develop new displays without infringing on trademark rights. There is also a safety mechanism built into the *Trade-marks Act* that prevents owners of trademark rights from undue interference in

development of new visual interfaces. This situation can be contrasted with overlaps of trademark rights and copyrights in the traditional subject matters, such as literary characters, where those constraints are not present.

Examination of the overlaps between trademark law and industrial designs law also revealed potentially severe consequences. While some trademarks, such as distinguishing guised, are excluded from protection of trademark law until they acquire secondary meaning or distinctiveness, they may, in some instances, qualify for registration as industrial designs. Because trademark rights, unlike industrial designs rights, can have unlimited duration, this overlap can be exploited by effectively turning industrial designs into proposed distinguishing guises and then trademark rights into permanent "mutant" industrial designs rights. Use of this overlap in such way will adversely affect the balance of rights in both these segments of the intellectual property system. Firstly, it will restrict free competition being the indispensable part of the balance of rights in trademark law, by preventing competitors from adoption of that industrial design as a trademark. Second, it will extend the protection of the industrial design indefinitely with protection of trademark rights after the industrial designs rights expire.

The last interface reviewed in chapter three was between trademark law and personality rights. Overall, this overlap does not appear to result in serious challenges to the consistency of the intellectual property system. There is little difference in the scope of protection offered by these two segments of the system. And because the purposes of both regimes are closely aligned, the risk of misusing some minor differences between them appears to be negligible.

Chapter four analyzed overlaps between copyrights and the other intellectual property rights. The interfaces between copyright law and patent law were considered in the context of two technologies: TPM/DRM and the modification of DNA codes. The former technology can utilize the rights of access recently implemented into copyright law to effectively enlarge patent monopoly or even substitute the patent law regime. The latter could have the same effect if it becomes copyrightable. It could also allow owners of

copyright in DNA code to overcome public policy limitations under patent law by controlling the reproduction of higher life forms.

The next interface analysed in this chapter was between copyright law and trademark law. Because this overlap is expressly authorised under the *Copyright Act*, the analyses focused on legislative intent of the relevant provisions. A review of the provision's legislative history, Parliamentary debates around the bill in Legislative Committee in particular, suggested that this provision should be interpreted very narrowly, specifically as not authorizing use of the overlapping rights inconsistently with their purposes. The result of these analyses directly contradicts recent judgement of the Supreme Court of Canada in the *Kraft* case. The analyses also explain how a broad interpretation of the prevision expressly authorizing overlap between patent rights and copyright can adversely affect the balance of rights in trademark law by undermining the right to parallel importation and comparative advertising.

The potential overlap between copyrights and industrial design rights was considered in the context of software's visual interfaces. The analysis suggested that the existence of this overlap in Canada is still uncertain as are its potential consequence.

The last interface considered was the overlap between copyrights and personality rights in the context of video games. These analyses revealed a potential significant adverse effect of this overlap. In particular, they suggest the possibility of using personality rights to control the use of copyrighted works even after the author releases copyrights in that work. This creates opportunities for extracting additional economic benefits in relation to that copyrighted work and potentially constitutes abuse of copyrights.

The analyses conducted in chapters two, three, and four reveal one important pattern in the litigators' behaviour. Whenever there is an opportunity to utilize overlaps of intellectual property rights and enlarge protection of an intellectual creation, owners of the creations will attempt to extend their monopoly rights. Such instances may be identified by examining the purposes for which the rights are used. When the rights are used for

purposes that are not associated with the segment of the intellectual property system in which the rights belong, this indicates their use outside of the boundaries of that particular monopoly. And when such use undermines some rights or exemptions that are granted in another segment of the system, it indicates improper use of the intellectual property overlaps. This pattern was revealed throughout this thesis in numerous cases and is epitomized by the *Kraft* case. Facts in that case unequivocally indicate that the purpose of copyright infringement claim made by the plaintiff was not to protect its artistic work but instead to prevent importation of the plaintiff's products into Canada. From a literary interpretation of *Copyright Act* alone, there was nothing wrong with the plaintiff's claim—the plaintiff undeniably had copyrights in that work. But it was equally obvious that the rights were used for purposes that had nothing to do with those copyrights, which inevitably leads to the question whether those right should be enforced. One might argue that once rights are granted, they should be enforced. This is a sound argument but it is based on the presumption that those rights were granted for the purpose for which they are enforced. If every right granted were to be enforced in all circumstances, the notion of human rights might cease to exist. In other words, by focusing on the purposes for which rights are used, one can determine whether they should be enforced or not. This approach would not strip intellectual property right owners of their rights but simply ensure that they are enforced only in accordance with their purposes.

The most important advantage of the purposive analysis of the enforced intellectual property rights is that it resolves the question how to choose between patent and copyright, or trademark and industrial design protection, and all the other segments of the intellectual property system uniformly. Certainly, there are other ways to make this determination. For example, one might argue that the least protective right which is considered should be the appropriate regime; or that the rights acquired first should be enforced; or, finally, that the intent of the creator should govern. All these questions could lead to the creation of a competing framework for addressing intellectual property overlaps, but none would be as effective as the purposive analysis of the enforced rights. Firstly, it is very difficult to determine which intellectual property regime is the least protective as all the regimes are more protective on some issues and less advantageous on others, and the relevance of that

protection will vary, depending on the circumstances of every intellectual property owner. Secondly, if the rights first acquired should only be enforced, copyrights would always pre-empt all the other overlapping intellectual property rights, with difficult to predict consequences. This option would no longer be able to resolve the overlap between copyrights and patent rights in software either, as this overlap is no longer reversible in practice. And finally, making the determination based on the intention of the creator might be a viable option for the overlap between industrial designs law and copyright law but it would be difficult to apply this method to other segments of the intellectual property system, such as patent law, personality rights, or plant breeders' rights, and therefore would not provide a uniform answer.

An analysis of intellectual property overlaps can lead to proper identification of the variety of interfaces occurring in the system. The formulation of a response to adverse effects of those overlaps is the next step. Regrettably, no such response has been articulated by Canadian courts yet. Reluctance of Canadian courts to tackle the problem of overlapping intellectual property rights is often motivated by deference to the role of Parliament in structuring the statutory regimes of intellectual property law. Unfortunately, statutory intervention, while desirable, is unlikely to provide a sufficient and timely answer to misuses of the overlapping intellectual property rights. The Parliament is customarily late in enacting necessary amendments responding to new technological developments, and it is doubtful that a comprehensive response to the problems outlined in this dissertation can be formulated legislatively in the foreseeable future. Even if such an initiative takes place, it is unlikely to be effective—technological developments will always precede legislative foresight. And some overlaps cannot be resolved through legislative intervention anymore. As explained in chapter two, tens of thousands of software patens have already been issued for copyrighted software and many more are being issued every day. Those rights cannot be denied without serious economic consequences that might even outweigh the adverse consequences of the overlaps. Consequently, only courts, relying on their inherent jurisdiction, can address the existing and future problems related to misuses of overlapping intellectual property rights in a sufficient and timely manner.

So far, public policy concerns in intellectual property law have not received the attention they deserve from Canadian courts. The time is ripe for the creation of a Canadian doctrine of misuse, which could be both helpful and effective in maintaining balances between the public's rights and the intellectual property owners' monopolies. It could address potential misuses of the rights when they are at odds with their underlying purposes. In this sense, it would further the key objective of the intellectual property system, as expressed by the Supreme Court of Canada on several occasions, of maintaining a balance between the interests of the intellectual property rights holders and the users of intellectual creations subject to those rights, which is instrumental to advancing their purposes. Such a doctrine of misuse would not deny or create rights but rather interpret them in a way that prevents internal conflicts in the entire intellectual property system. Indeed, the fragmented nature of the intellectual property system, which is organized around different statutory regimes and judicial doctrines, implies that the system was designed and is intended to support the maintenance of boundaries between individual segments. The doctrine of misuse would simply be instrumental in giving effect to this intention of Canadian Parliament.

The problems associated with misuses of overlapping intellectual property rights have already been recognized in other jurisdictions, the US in particular. In response to this challenge, in the beginning of the 20th century, the US judiciary developed the doctrine of misuse of intellectual property rights. This doctrine can be effective in preventing attempts of intellectual property owners to use rights from the one segments of the intellectual property system for purposes that are associated with other segments. In this way, the doctrine became an effective tool to maintain the boundaries in the system by separating the proper uses of intellectual property right from improper ones and thus helping to maintain the balance of rights in the entire system.

The doctrine of misuse was discussed in *Kraft,* but this discussion indicated that adoption of this doctrine by the Supreme Court of Canada is unlikely in the near future. While Justice Bastarache envisaged consideration of the misuse doctrine, the majority in *Kraft*, in effect, rejected application of this doctrine to intellectual property overlaps. Justice Rothstein commented on the doctrine in the context of the *Kirkbi SCC* decision, where

Justice Lebel made the famous comment on the importance of making distinctions between the different forms of intellectual property and their purposes. That comment, which goes to the heart of the purposive analysis of intellectual property rights, was seen by the majority as just a literary interpretation of the *Trade-marks Act*. In light of the recent changes on the Supreme Court's bench and decisions such as *Kraft* and *Schmeiser*, the question about possible adoption of the misuse doctrine by the Canadian Supreme Court appears to be misplaced. The proper question is if the most seminal cases in Canadian intellectual property law—*CCH* and *Théberge*—will be reversed.

Because the deeply divided Supreme Court of Canada is unlikely to provide any guidance on resolution of the problems resulting from intellectual property overlaps, lower courts will have to fill the gap in authority. And although it is difficult to expect from trial courts or even the courts of appeal an outright adoption of the US misuse doctrine into Canadian law, some smaller steps in that direction can be taken. One possibility way is to expand the doctrine of *ex turpi causa*, which is well developed in other areas of Canadian law, with the assistance of English and Australian jurisprudence. Those cases, such as *Ford* or *Kettles & Gas*, would allow the lower courts to develop the doctrines of *ex turpi causa* as a transformation of the doctrine of clean hands through application of *ex turpi causa* principle. The development would be slower but the results consistent with the misuse doctrine's principles.

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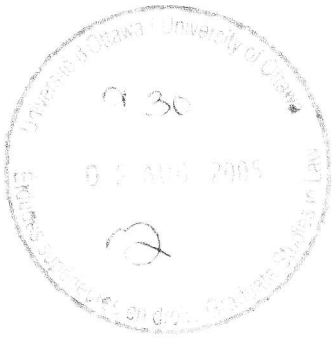
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APPPENDIX I

Robert Tomkowicz, "Right of Exclusive Access: Using Copyright to Expand Patent Protection," Research Paper, LL.M. with Concentration in Law and Technology at the University of Ottawa.

RIGHT OF EXCLUSIVE ACCESS: USING COPYRIGHT TO EXPAND PATENT PROTECTION

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29 July 2005

RIGHT OF EXCLUSIVE ACCESS: USING COPYRIGHT TO EXPAND PATENT PROTECTION

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RIGHT OF EXCLUSIVE ACCESS: USING COPYRIGHT TO EXPAND PATENT MONOPOLY

> What is needed for rapid technical progress is a subtle blend of competition and monopoly, with more emphasis in general on the former than the latter, and with the role of monopolistic elements diminishing when rich technological opportunities exist.
>
> - Frederic M. Scherer & David Ross[1]

[1] Since the creation of the Intellectual Property (IP) system in the end of the nineteenth century, copyright and patent law developed independently. Both are monopolies, trying to balance the rights of inventors and creators with the users' interests, but the balance reached in each of these segments of the IP system is different. While patentees enjoy stronger monopoly rights over their inventions, the duration of those rights is relatively short. Copyright holders, on the other hand, benefit from much longer protection, which is offset by a weaker monopoly. While both protect fruits of human intellect, they are subject to different exceptions. What copyright and patent have in common, however, is their limited period. At a certain point they both expire and vest in the public domain.

[2] Patent law is often credited with creating a fertile environment for technological progress. Indeed, the twentieth century, particularly its second half, brought us an abundance of inventions, which had been hard to imagine when patent law was created. Microwave ovens, computers, cellular phones, or satellites, all improve the welfare of the society and bring real economic benefit to patentees. And as the value of patent rights increased dramatically with economic progress, so did patentees' attempts to expand their monopoly and the economic benefits derived from utilization of their inventions. Three methods of expanding patent monopoly deserve particular attention: using contracts to go beyond the corners of patent legislation; claiming copyright law protection concurrently with patent law rights; and using technology to expand both scope and term of patent protection.

[3] Contractual provisions can be a convenient way to restrict certain uses of patented devices, which are allowed under the *Patent Act*.[2] But this method, while relatively easy to

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[1] Frederic M. Scherer & David Ross, *Industrial Market Structure and Economic Performance* (Boston: Houghton Mifflin, 1990) at 660.
[2] R.S.C. 1985, c. P-4.

enforce against business entities, is rather impractical for controlling individual purchasers and their uses of the inventions.

[4] For example, claiming copyright protection for blueprints of patented inventions has been seen as a way to extend the limited term of patent protection. After all, copyright work has the benefit of a much longer protection than patent. And even though the scope of copyright protection is narrower, the longer term is preferable, at least from the patentees' perspective. Such attempts, however, have been opposed by the courts, which looked unfavorably on an interpretation of different IP statutes that could result in overlapping protection for inventions.[3]

[5] Using technology as a method for expanding patent monopoly is relatively new. But it is also much more effective than the previous two methods and has the potential to not only expand the patent protection but virtually become a substitute for the patent. The technology for controlling access to and use of copyright works has been developed by copyright holders in an attempt to protect their rights in digital environment. But this technology, like any technology, has its shortcomings. It can be defeated by other technologies, which means that to be effective it has to be protected - legally protected - to deter its circumvention. And through this legal protection, under copyright statute, patent rights can be expanded to a point where they change their nature.

[6] While the technology on its own is capable of expanding patent protection, situations when it is used in this way should be addressed on competition law grounds. When, however, copyright law, in conjunction with the technology, is invoked to provide concurrent protection for a patented or patentable device, policy issues specific to intellectual property become involved. The latter situation is the topic of this paper.

[7] Many countries have already amended their copyright laws to give legal protection to access and use-controlling technology. In June 2005, Canada introduced Bill C-60,[4] containing similar provisions. The Bill is supposed to protect copyright works in digital form and prevent their unauthorized distribution over the Internet.[5] It is possible, however, and

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[3] See e.g. *Rucker Co. v. Gavel's Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294 (F.C.T.D) [*Rucker*]

[4] Bill C-60, *An Act to Amend the Copyright Act*, 1st Sess., 38th Parl., 2005 (1st reading 20 June 2005), online: The Parliament of Canada <http://www.parl.gc.ca/PDF/38/1/parlbus/chambus/house/bills/government/C-60_1.PDF>.

[5] At least this was the declared intent of the legislator, see "Government Statement on Proposals for Copyright Reform", online: Government of Canada - Industry of Canada <http://strategis.ic.gc.ca/epic/internet/incrp-

indeed very likely, that the anticircumvention provisions in Bill C-60 will be used by patentees to expand patent monopoly in addition to limiting copying of copyright works.

[8] Copyright holders argue that access and use controlling technology is necessary for protection of their rights in the digital environment.[6] Although there is some credence to this argument, it is becoming apparent that the technology has potential for much broader use. Many equipment manufacturers have already used it to eliminate competition in markets for complementary products,[7] and many more plan to use it on a grand scale.[8] Such practices suggest that this technology can be employed for purposes which have little to do with copyright protection.[9] Bill C-60, with its anticircumvention provisions, opens the door for those objectionable uses of copyright law. This risk, however, can be minimized, if the experience of other jurisdictions with similar legislations is considered and the clauses proposed in the Bill C-60 are modified to take that experience into account.

[9] This paper attempts to identify and analyze the effects of access and use controlling technology on the patent monopoly and to offer possible solutions that could mitigate objectionable uses of the anticircumvention provisions. Part I of this paper introduces the technology and explains the rise in its international prominence. Part II presents a short philosophical justification for IP rights protection, including the notion of balancing owner and user interests as the foundation of the modern IP system. It further explains how the technology, with its legal protection, can be used to expand the patent monopoly, or even

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prda.nsf/en/rp01142e.html>. The anticircumvention provision in the Bill C-60, however, protects works in "any material form". See *ibid.* s. 34.02(1).

[6] See e.g. Jack Valenti, "Thoughts on the Digital Future of Movies, the Threat of Piracy, the Hope of Redemption", Presented to the Permanent Subcommittee on Investigations Senate Committee on Governmental Affairs on behalf of the member companies of the Motion Pictures Association of America, 30 September 2003, online: MPAA <http://www.mpaa.org/jack/2003/2003_09_30b.htm>; Tom Spring, "Copy Controls: Fair Use or Foul Play?", *PC World News*, (15 March 2002), online: PCWorld.com <http://www.pcworld.com/news/article/0,aid,89404,00.asp>; Scarlet Pruitt, "Users Warned About Anti-Piracy Campaign", *PC World News*, (8 September 2003), online: PCWorld.com <http://www.pcworld.com/news/article/0,aid,112362,00.asp>.

[7] See e.g. *Sony Computer Entertainment v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000) [*Connectix*]; *Sony Computer Entertainment America v. Bleem*, 2000 U.S. App. LEXIS 8774 (9th Cir. 2000) [*Bleem*]; *Davidson & Associates, Inc. v. Internet Gateway*, 334 F.Supp.2d 1164 (ED Mo, 2004).

[8] See Ross Anderson, "'Trusted Computing' Frequently Asked Questions", August 2003, Computer Laboratory, University of Cambridge, <http://www.cl.cam.ac.uk/~rja14/tcpa-faq.html>; and Seth Schoen, "Trusted Computing: Promise and Risk", Electronic Frontier Foundation, (2003) <http://www.eff.org/Infrastructure/trusted_computing/20031001_tc.php>.

[9] Sonia Katyal, "The New Surveillance" (2004) 54 Case Western Law Revies 297; Chris Sprigman, "Copyright Versus Consumers' Rights: How Companies are Using the Digital Millennium Copyright Act to Thwart Competition", online: FindLaw <http://writ.corporate.findlaw.com/commentary/20030325_sprigman.html>.

replace it, effectively eliminating the concept of rights' balance. In particular, it discusses several rights that patent law gives to the public and which are in danger of being eliminated by the objectionable uses of the anticircumvention provisions. The last part, Part III, explores the policy issues resulting from the effects access controlling technology has on the Intellectual Property regime. It proposes changes to Bill C-60, which would preserve the traditional balance of rights in patent law. It suggests that the main reason accounting for objectionable uses of access and use controlling technology is its recognition as a separate right. The need for an independent cause of action for circumvention of DRM systems is questioned, unless it actually leads to copyright infringement. It is also proposed that an independent cause of action should be created in the *Copyright Act*[10] to address the potential misuse of copyright law to expand patent monopoly.

I. NEW TECHNOLOGY CONQUERS THE WORLD

1. TPMs and DRM

[10] Access and use controlling technology takes the form of technological protection measure (TPM) or digital rights management (DRM) systems.[11] TPMs have been discussed since 1995 and have become commonly used in recent years. DRM systems, being a more advanced version of TPMs, have been developed lately and are still in an early stage of development. This part of the paper is intended to provide a basic introduction of these technologies, in so far as they raise patent law issues.

[11] A TPM can be defined in simple terms as a technology designed to ensure the authorized use of digital works.[12] It can control access to protected content and different uses of the works, such as copying, distribution, performance and display.[13] In its simplest form, the TPM can be just a password, but in a more sophisticated form it becomes a cryptography technology.[14] In the beginning, TPM functions were limited to preventing the unauthorized

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[10] R.S.C. 1985, c. C-42.

[11] In this paper, I usually refer to access controlling technology as DRM. In some of the cases cited here the technology being used could be characterized as a TPM rather than DRM. For the purpose of my argument, however, this distinction is not important. See Ian R. Kerr, Alana Maurushat & Christian S. Tacit, "Technical Protection Measures: Tilting at Copyright's Windmill" (2002-2003) 34 Ottawa L. Rev. 7 for a thorough presentation of different TPM and DRM technologies.

[12] *Ibid.*

[13] Mark Perry & Casey Chisick, "Copyright and Anti-circumvention: Growing Pains in a Digital Millennium" (2000) New Zealand Intellectual Property Journal 261.

[14] Kerr, Maurushat & Tacit, *supra* note 11.

reproduction of protected works;[15] however, new TPMs being developed control both access to protected content and the scope of its use, once the access is granted.[16]

[12] DRM is a sophisticated information system that combines TPM with a database which contains information about particular licensing terms associated with a protected work.[17] The system provides "dynamic management of rights in any kind of digital information, throughout its lifecycle and wherever and however it is distributed".[18] It allows the copyright holders to control remotely the use of their works and even change the conditions of the use long after the work is distributed to the consumers.[19] The remote control is possible due to the tracking and reporting capabilities of DRM[20]. The technology is very flexible and can be used in a variety of different products.[21]

[13] DRM technology is sometimes referred to as a "contract-enabler".[22] It allows copyright owners not only to expand their legal rights through contractual restrictions on the use of protected content, but also, more importantly, to actually enforce those restrictions. Even though DRM systems are still in their infancy, they already can control an impressive list of attributes. They can constrain, for example, how many times the content is used, the

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[15] Kamiel J. Koelman & Natali Helberger, "Protection of Technological Measures" in P. Bernt Hugenholtz, ed., *Copyright and Electronic Commerce: Legal Aspects of Electronic Copyright Management* (The Hague: Kluwer Law International, 2000) at 168.

[16] Jacques de Werra, "The Legal Systems of Technological Protection Measures under the WIPO Treaties, the *Digital Millennium Copyright Act*, the European Directives and other National Laws (Japan, Australia)" (Paper presented to the ALAI Congress, June 2001)[unpublished] at 6, online: ALAI Congress Program and Presentation <http://www.law.columbia.edu/conferences/2001/program_en.htm>.

[17] See Daniel J. Gervais, "Electronic Rights Management and Digital Identifier Systems" (1999), The Journal of Electronic Publishing, online: University of Michigan Press <http:// www.press.umich.edu/jep/04-03/gervais.html>.

[18] Nic Garnett, "Technological Protection of Copyright Works, and Copyright Management Systems" (Paper presented to the ALAI Congress, June 2001) [unpublished], online: ALAI 2001 Congress Program and Presentation <http://www.alai-usa.org/2001_conference/pres_garnett.doc>.

[19] Mark Stamp, "Risks of digital rights management" (2002) 45 Communication of the ACM 120.

[20] See Chris Hoofnagle, "Digital Rights Management: Many Technical Controls on Digital Content Distribution Can Create a Surveillance Society" (2004) 5 Colum. Sci. & Tech. L. Rev. 3, online: Colum. Sci. & Tech. L. Rev. <http://www.stlr.org/html/volume5/hoofnagle.pdf>.

[21] DRM technology is usually associated with IT products, like computer operating systems, software and hardware, however, some envisage its application to more "traditional" products, like pharmaceuticals, cars, perfumes, and even luxury foodstuffs; see Ross Anderson, "EU Consultation on Digital Rights Management", Foundation for Information Policy Research, online: European Commission - Information Society - eEurope 2005 - Digital Rights Management <http://europa.eu.int/information_society/eeurope/2005/all_about/digital_rights_man/doc/foundation%20for%20information%20policy%20research.pdf>.

[22] Alex Cameron and Robert Tomkowicz, "Competition policy and Canada's new breed of copyright law" [unpublished, copy on file with the author].

time of a day and length of time, and the number of times the use is authorized.[23] The systems can also limit the use to a particular individual and can require interaction with another DRM-protected content before use is authorized.[24] All these restrictions could be included as terms in a contract, but could not be enforced adequately without DRM technology. The legal enforcement of contractual restrictions, while possible, is rather ineffective when a large number of individual violators is involved. The experience of the music industry with prosecuting P2P file sharers is a good example of this predicament.[25]

[14] A growing number of DRM systems is being developed and implemented around the world.[26] Although they are still uncommon, it is estimated that by 2006 about 20 percent of the top 2,000 global organizations will use DRM systems to protect digital content.[27] Indeed, the technology seems to be promoted indirectly by various policies and laws, such as the *Sarbanes-Oxley Act*, which require increased control over access to and use of sensitive corporate documents.[28] There is no doubt that the technology is here to stay and flourish; the only question is how it will be used and how effective it will be.

[15] Although hyped as an effective tool in fighting online piracy and as a useful mechanism for enforcing copyright holders' rights, DRM systems have already suffered serious setbacks.[29] Some even suggest that they will never be effective.[30] After all, every

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[23] "DRM Consumer Issues - An Industry Perspective", Presentation by Timo Ruikka, Nokia, at DRM Workshop hosted by DG Infosoc, Brussels, 6 April 2005, at slide 6, online: European Commission - Information Society - eEurope 2005 -eHealth <http://europa.eu.int/information_society/eeurope/2005/all_about/digital_rights_man/doc/drm_workshop_2005/nokia.ppt>.

[24] *Ibid.*

[25] See e.g. Fred von Lohmann, "Don't Sue the Customers", *IP Law and Business* (December 2004), online: IP Law and Business <http://www.ipww.com/texts/1204/music1204.html>; Declan McCullagh, "P2P's little secret", *CNET News.Com* (8 July 2003), online: CNET <http://news.com.com/2100-1029_3-1023735.html>.

[26] See e.g. Gordon E. Lyon, "Information Technology: A Quick-Reference List of Organizations and Standards for Digital Rights Management", National Institute of Standard and Technology Special Publications 500-241, online: Information Technology Laboratory <http://www.itl.nist.gov/div895/docs/NIST241assm.9oct.pdf>; "XML and Digital Rights Management (DRM): Key DRM Projects", online: Cover Pages <http://xml.coverpages.org/drm.html>.

[27] Eweek Staff, "Analysts Predict Swelling of DRM Use", *eWeek.com* (31 March 2004), online: eWeek.com <http://www.eweek.com/article2/0,1759,1572171,00.asp>.

[28] Jim Rapoza, "DRM: Some Restrictions May Apply", *eWeek.com* (8 September 2003), online: eWeek.com <http://www.eweek.com/article2/0,1759,1258742,00.asp>.

[29] There were several highly publicized successful circumventions of DRM systems, see e.g. Andrew Orlowski, "iTunes DRM cracked wide open for GNU/Linux. Seriously.", *The Register* (5th January2004), online: The Register <http://www.theregister.co.uk/2004/01/05/itunes_drm_cracked_wide_open/>; Evan Hansen, "Court: DeCSS ban violated free speech", *CNET News.Com* (February 27, 2004), online: CNET <http://news.com.com/Court+DeCSS+ban+violated+free+speech/2100-1026_3-5166887.html>; "CD Crack:

technological barrier can be defeated by another technology.[31] To overcome the technological shortcomings of DRM, an additional layer of protection has to be created, specifically a legal one. Consequently, new initiatives have been introduced in various countries to outlaw the circumvention of DRM systems. It is somewhat ironic that the technology which was supposed to remedy the perceived ineffectiveness of copyright law in preventing online piracy itself requires legal protection to be effective.[32]

2. Protecting the technology

[16] Legal protection for TPM technology became an international issue after it was raised at the World Intellectual Property Organization (WIPO) during debates on international copyright reform. This section will briefly discuss how WIPO addressed the issue and what legal measures were taken in the U.S., Japan, and the European Union (E.U.) to deal with the problem. After that, the next section will present the proposed changes to copyright law to implement legal protection for TPMs into Canadian law.

[17] In 1996 the issue of legal protection for TPMs was put on the agenda at the WIPO. Since the vulnerability of TPM technology to circumvention was widely acknowledged, the need for some kind of legal protection was accepted.[33] The concerns of copyright holders were addressed in two WIPO Treaties: the WIPO Copyright Treaty (WCT)[34] and the WIPO

Magic Marker Indeed", *Reuters* (May 20, 2002), online: Wired News <http://www.wired.com/news/technology/0,1282,52665,00.html>.

[30] See e.g. Cory Doctorow, "Microsoft Research DRM Talk", Presentation to Microsoft on June 17, 2004, online: Craphound.com <http://craphound.com/msftdrm.txt>; Peter Biddle, "The Darknet and the Future of Content Distribution", online: Stanford University – Computer Science Department – Security Lab <http://crypto.stanford.edu/DRM2002/darknet5.doc>.

[31] See e.g. Tony Smith, "Old code defeats new CD anti-ripping technologies", *The Register* (10 August 2001), online: The Register <http://www.theregister.co.uk/2001/08/10/old_code_defeats_new_cd/>; Jim Rapoza, *supra* note 28; Alan S. Horowitz, "Marching to a Different DRM", *TechNewsWorld* (21 August 2003), online: TechNewsWorld <http://www.technewsworld.com/story/31387.html>.

[32] It has been suggested that the legal protection of copyright-guarding technology, in particular criminalization of its circumvention, is really an attempt to shift the increased cost of enforcing copyrights to taxpayers, see James Plummer, "Expanding the Market's Role in Advancing Intellectual Property", Issue Analysis 2005 No. 4, online: Competitive Enterprise Institute <http://www.cei.org/pdf/4452.pdf>.

[33] Mihály Ficsor, *The law of copyright and the Internet: the 1996 WIPO treaties, their interpretation and implementation* (New York: Oxford University Press, 2002) at 384-387, 403-406; Jörg Reinbothe & Silke von Lewinski, *The WIPO treaties 1996: the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty: Commentary and legal analysis* (London: Butterworths, 2002) at 135-147.

[34] WIPO Copyright Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17 (1997), 36 I.L.M. 65 (1997), online: WIPO <http://www.wipo.int/treaties/en/ip/wct/trtdocs_wo033.html>.

Performances and Phonograms Treaty (WPPT)[35]. Provisions mandating signatories to amend their domestic laws to include anticircumvention protection for TPM technology are contained in Article 11 of the WCT and Article 18 of the WPPT. Article 11 of the WCT reads as follows:

> Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.[36]

It is important to notice that the provisions adopted by the WIPO are much weaker than what was proposed by the U.S. delegation. The U.S. supported an absolute prohibition of the circumvention of TPMs, for any purpose. But the wording of Article 11 supports only the prohibition of TPMs that are effective, are used by authors to exercise copyright, and restrict acts not authorized by authors or permitted by law.[37]

[18] The United States was the first country to bring its legislation in line with the WIPO treaties. In 1998 the U.S enacted the *Digital Millennium Copyright Act (DMCA)*[38] containing anticircumvention provisions. The *Act* prohibits: circumventing DRM to gain access to a copyright work;[39] trafficking in devices that can circumvent access control;[40] and trafficking in devices that can circumvent DRM limitations on copying and distribution.[41] The provisions of the *DMCA* have been interpreted broadly as giving the copyright holders a right of access that is independent of the right to protected content.[42] Thus even when a consumer acquires a protected work, that does not mean that he also acquires the right to access it. Importantly, the limits on access and use of the work, rather than being set by copyright law, are set by the copyright holder and enforced by DRM.

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[35] WIPO Performances and Phonograms Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17 (1997), 36 I.L.M. 76 (1997), online: WIPO <http://www.wipo.int/treaties/en/ip/wppt/trtdocs_wo034.html>.
[36] WCT *supra* note 34. Article 18 of the WPPT contains a similar provision.
[37] Koelman & Helberger, *supra* note 15 at 10. See also Kerr, Maurushat & Tacit, *supra* note 11 at 34-36.
[38] Pub. L. No. 105-304, 112 Stat. 2860.
[39] § 1201(a)(1)(A).
[40] § 1201(a)(2).
[41] § 1201(b)(2)(B).
[42] Urs Gasser, "iTunes: How Copyright, Contract, and Technology Shape the Business of Digital Media - A Case Study" (June 2004), Berkman Center for Internet & Society at Harvard Law School Research Publication No. 2004-07, online: SSRN <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=556802>at 36-37.

[19] The *DMCA* and its subsequent judicial considerations are of particular relevance for assessing policy options in Canada. Thus far, it is the only anticircumvention legislation with a sufficient number of court decisions to indicate how the anticircumvention provisions can be used and misused in practice. For this reason, in this paper the *DMCA* will often be used as a point of reference for assessing potential effects of anticircumvention provisions in Canadian law, with consideration being given to different wording of corresponding clauses in the Bill C-60.

[20] To comply with the WIPO treaties, Japan amended its copyright law in 1999.[43] Although similar to the *DMCA* provisions, Japanese anticircumvention law has significant differences. The most important one is that the law seems not to prohibit the acts of circumvention directly,[44] but rather to focus on the infringement of copyrights.[45] The law is thus narrower than the *DMCA*, with protection for only those technological "measures [used] to prevent or deter such acts as constitute infringements".[46] In addition, the right of access is defined narrowly, since the law applies only to devices whose primary purpose is to circumvent technological protection measures in the course of enabling acts prevented by the statute.[47] Overall, Japanese law attempts to keep access and copying separate,[48] minimizing the possibility of its unintended use.

[21] The E.U. has also implemented the anticircumvention provisions of the WIPO treaties. Although there is no uniform copyright regime in the Union (copyright law is regulated in each member state separately), the European Parliament has been striving to harmonize the legal systems of member states. In 2001, the Parliament passed the *EU Copyright Directive (EUCD)*[49] which, among other things, implemented the WIPO treaties.

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[43] Copyright Law of Japan, online: Copyright Research and Information Center <http://www.cric.or.jp/cric_e/clj/clj.html>.

[44] See Brian Bolinger, "Focusing on Infringement: Why Limitations on Decryption Technology Are Not the Solution to Policing Copyright" (2002) 52 Case W. Res. L. Rev. 1091 at 1108.

[45] Copyright Law of Japan, *supra* note 43, Article 120*bis*. However, Article 30 prohibits copying for permitted private use if circumvention affects effectiveness of the TPM; see also Gasser, *supra* note 42 at 39.

[46] *Ibid.* Article 2, definition of "technological protection measures". See also Gasser, *supra* note 42 at 39.

[47] Bolinger, *supra* note 44 at 1109.

[48] Kerr, Maurushat & Tacit, *supra* note 11 at 60.

[49] Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society, OJ L 167, 22.6.2001, p. 10, online: EUR-Lex <http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/consleg/2001/L/02001L0029-20010622-en.pdf >.

Consequently, sooner or later, E.U. member states will adopt the anticircumvention provisions into their national copyright regimes.[50]

[22] The *EUCD* mandates member states to provide adequate protection against circumvention of TPMs and against trafficking of circumvention devices.[51] However, because the role of the Directive is to set objectives rather than to stipulate particular means to achieve them,[52] specific anticircumvention provisions may be very different in each E.U. member's legal system. In addition, the *EUCD* contains twenty three exceptions to anticircumvention prohibition, and only one of them is mandatory.[53] The consequence is a system that is far from harmonized. Thus, for example, while the U.K. law does not differentiate between "access" and "copy" controlling TPMs and bans circumvention that does not infringe copyright, the law in Denmark seems to allow circumvention of technological measures controlling "access", as long as the use of the content is legal.[54] Similarly, the sanctions imposed for violation of the anticircumvention law vary among member states from fines and imprisonment, to fines and civil remedy only.[55]

3. The Canadian way

[23] In 1997, Canada signed the WCT and WPPT treaties.[56] For several years, however, the government refrained from taking concrete steps to implement the treaties into Canadian

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[50] The Directive allowed only 19 months for implementation by the member states; however, due to controversy and considerable opposition in many countries only two states - Denmark and Greece - met the deadline; see Ian Brown, "Implementing the European Union Copyright Directive", online: Foundation for Information Policy Research <http://www.fipr.org/copyright/guide/>.

[51] Article 6(1) and (2) of the *EUCD*, *supra* note 49.

[52] Maria Martin-Prat, "The Scope of the Legal Protection of Technological Measures (Access Control/Rights Control) in the EU Directive on Copyright and Related Rights in the Information Society: The Relationship Between Such Protection and Exceptions to Copyright and Related Rights" (Paper presented to the ALAI Congress, June 2001) [unpublished] at 1, online: ALAI Congress Program and Presentation < http://www.alai-usa.org/2001_conference/pres_martin-prat.doc>.

[53] See Lucie M.C.R. Guibault, "The nature and scope of limitations and exceptions to copyright and neighbouring rights with regard to general interest mission for the transmission of knowledge: prospects for their adaptation to the digital environment", June 2003, online: UNESCO <http://portal.unesco.org/culture/en/file_download.php/5b3fc8d648fd58d613f2f35b86cb1bffl_guibault_en.pdf>

[54] See Gasser, *supra* note 41 at 38.

[55] *Ibid.* at 38-39.

[56] "Canada Commits to Sign International Copyright Treaties", News Release (18 December 1997), online: Government of Canada - Canadian Heritage <http://www.canadianheritage.gc.ca/newsroom/news_e.cfm?Action=Display&code=7NR135E>.

law. Finally, in June 2005, Bill C-60 to amend the *Copyright Act* was introduced.[57] It contains proposed changes concerning protection of the TPMs. The anticircumvention provision is framed as follows:

> Section 34.02 (1)
> An owner of copyright in a work, a performer's performance fixed in a sound recording or a sound recording and a holder of moral rights in respect of a work or such a performer's performance are, subject to this Act, entitled to all remedies ... against a person who, without the consent of the copyright owner or moral rights holder, circumvents, removes or in any way renders ineffective a technological measure *protecting any material form of the work*, the performer's performance or the sound recording *for the purpose of* an act that is an infringement of the copyright in it or the moral rights in respect of it or for the purpose of making a copy referred to in subsection 80(1) [emphasis added].[58]

Although this section specifically addresses circumventing acts done "for the purpose of" copyright infringement, it does not require actual infringement of a copyright work for finding liability. This section seems to introduce an element of intent, not present in the *DMCA*, which could distinguish between benign and infringing circumvention. There is little doubt that by framing this provision much more narrowly than the equivalent provision in the *DMCA*, Canadian legislators left less room for patentees to use this provision in objectionable ways. Whether this will make any difference in the practical application of the anticircumvention provisions in Canada will depend on how the intention is interpreted.

[24] Anticircumvention provisions in the Bill C-60, in their simplicity, are in stark contrast to the elaborate provisions in the *DMCA*. Unfortunately, the simplicity of these provisions does not result in clarity. In simple terms, the *DMCA* is based on three major restrictions. First is the prohibition of circumvention.[59] Second is the prohibition of supplying products or services that could be used for circumventing access controlling DRM.[60] And the third is the

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[57] "Government of Canada Introduces Bill to Amend the Copyright Act", News Release (20 June 2005), online: Industry Canada <http://www.ic.gc.ca/cmb/welcomeic.nsf/261ce500dfcd7259852564820068dc6d/85256a5d006b9720852570260064a852!OpenDocument>.

[58] Bill C-60, *supra* note 4.

[59] *DMCA*, *supra* note 32 sec. 1201(a)(1)(A). ("No person shall circumvent a technological measure that effectively controls access to a work protected under [copyright law].")

[60] *DMCA*, *supra* note 32 sec. 1201(a)(2). ("[A] technological measure that effectively controls access to a work protected under [copyright law].")

prohibition of supplying products or services that could be used for circumventing DRM controlling use of copyright work.[61] Unlike the *DMCA* provisions, section 34.02 (1) of Bill C-60 does not indicate whether it prohibits circumvention of access or use controlling DRM. The prohibition simply refers to circumvention of DRM that protects "any material form of the work". The intention of the legislator seems to be expressed in the definition of DRM in section 2. In that section DRM is described as technology that "restricts the doing... of any act that is mentioned in section 3, 15, or 18", thus referring to the exclusive copyright rights for authors, performers and sound recording makers. This distinction, although *in theory* significant, is, *in practice*, irrelevant, since most DRM systems presently designed are multifunctional, protecting both use of and access to the copyright works. Thus the major practical difference between the anticircumvention provisions in the *DMCA* and Bill C-60 lies in the element of intent contained in section 34.02 (1).

II. PATENT LAW OFF BALANCE

1. Philosophical justifications for protection

[25] Traditionally, the common law has been using the utilitarian approach to justify intellectual property. The utilitarian theory "assert[s] that property rights are necessary as a means to an end – the end being human happiness".[62] Happiness is understood broadly and includes different kinds of human satisfactions. In its dominant variant, the utilitarian argument focuses on the economic aspect of that satisfaction. The legal system, with its institutions, provides an environment where such satisfaction can be achieved.[63] From its outset in the early mercantilist period, patents have been used to increase the wealth of nations and societies through the development of manufacturing.[64] They grant inventors a limited monopoly over their inventions in an attempt to spur more inventions and thus wealth. Even Adam Smith, a vocal opponent of monopolies, justified the existence of patents

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[61] *DMCA*, *supra* note 32 sec. 1201(b)(1). ("[A] technological measure that effectively protects a right of a copyright owner under [copyright law]...")
[62] Lawrence C. Becker, *Property Rights: Philosophical Foundation.* (London: Routledge & Kegan Paul, 1977) at 57.
[63] *Ibid.* at 57-61.
[64] See Robert P. Merges, Peter S. Menell, Mark A. Lemley and Thomas M. Jorde, *Intellectual Property in the New Technological Age* (New York: Aspen Publishers Inc., 1997) at 122.

as a means to promote innovation and commerce.[65] The utilitarian position on patents was eloquently expressed by Jeremy Bentham:

> [T]hat which one man has invented, all the world can imitate. Without the assistance of the laws, the inventor would almost always be driven out of the market by his rival, who finding himself, without any expanse, in possession of a discovery which has cost the inventor much time and expense, would be able to deprive him of all his deserved advantages, by selling at a lower price.[66]

Bantham's thinking was shared by John Stuart Mill, who saw the *temporary* "exclusive privilege" of patents as the best method for awarding inventors.[67]

[26] While the usefulness of patents for promoting inventions is still recognized,[68] since the 1960s economists began to focus their attention on achieving the optimal duration and scope of patent protection to create the most effective incentives for innovation and to balance them against the cost of an intellectual property monopoly.[69] Although there are different theories on the implications of varying the scope and term of patent protection,[70] there is little doubt that giving the patent monopoly full expansion, by eliminating limits on its breadth and length, would result in welfare loss, by producing higher prices.[71]

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[65] Adam Smith (E. Cannan ed.), *The Wealth of Nations* (Oxford: Clarendon, 1976) at 277-278.
[66] Jeremy Bentham, *A Manual of Political Economy* (New York: G.P. Putnam, 1839) at 71.
[67] John Stuart Mill, *Principles of Political Economy* (New York: Appleton, 1862).
[68] There are also some skeptical views about the practical effectiveness of patents for encouraging innovations; see e.g. Arthur C. Pigou, *The Economics of Welfare* (London: Macmillan, 1924); John B. Clark, *Essential of Economic Theory* (New York: Macmillan, 1927); Joan Robinson, *The Economics of Imperfect Competition* (London: Macmillan, 1933); and Arnold Plant, "The Economic Theory Concerning Patents for Inventions", 1 Economica 30 (1934).
[69] See e.g. William D. Nordhaus, *Invention, Growth and Welfare: A Theoretical Trea* (Cambridge, MA: MIT Press, 1969); Frederic M. Scherer, "'Nordhaus' Theory of Optimal Patent Life: A Geometric Reinterpretation" (1972) 62 American Economic Review 422; and Scherer & Ross, *supra* note 1.
[70] See e.g. Richard Gilbert & Carl Shapiro, "Optimal Patent Length and Breadth", 21 Rand Journal of Economics 106; Paul Klemperer, "How broad should the scope of patent protection be?" (1990) 21 Rand Journal of Economics 113; Nancy Gallini, "Patent Policy and Costly Imitation" (1992) 23 Rand Journal of Economics 52; and Joshua Lerner, "The Importance of Patent Scope: An Empirical Analysis" (1994) 25 Rand Journal of Economics 319.
[71] Klemperer, *ibid.* See also Frederic M. Scherer, *Industrial market structure and economic performance* (Chicago: Rand McNally College Publishing Company, 1980) at 442; ("Here one of the patent system's many paradoxes appears. Under the system, inventors are given the right to control and restrict utilization of their inventions, so output may be lower and prices higher than they would be if the inventions were utilized under purely competitive conditions.")

[27] What is really needed to ensure a fertile environment for innovative activities is a limited patent monopoly that would not hinder innovation.[72] Numerous studies during the 1970s and 1980s found that, while patents offer a real incentive for innovation, their effect is limited and varies among different industries. The linkage between intellectual property rights, including patents, and social welfare improvement is extraordinarily complex and while increased patent protection may offer benefits for one industry,[73] the overall effect on business and society may be negative. Because the expansion of patent monopoly might hinder innovation in technologically advanced sectors of economy, it is better to preserve the balance of patent law, which thus far has produced satisfactory results.[74]

[28] Balance is an elusive concept, but there is a consensus that balancing is an important correlative to the IP system. Some might argue that present patent law does not accurately weigh the rights of patentees with the rights of the public but that critique is still based on the premise that there should be some form of balance, or a certain category of rights reserved for users of patented devices. The problem with DRM and its possible employment is that it can effectively deny all the rights reserved for the public under patent law or even eliminate the need for patent law entirely. As suggested in the following section, the argument is no longer about the state of the balance but rather about its survival.

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[72] The positive effect of competition on innovation, particularly in technologically advanced sectors of economy, has been acknowledged by many scholars. See e.g. Philippe Aghion, Richard Blundell, Rachel Griffith, Peter Howitt & Susanne Prantl, "Firm Entry, Innovation and Growth: Theory and Micro Evidence" (2004), online: Harvard University – Economics Department <http://post.economics.harvard.edu/faculty/aghion/papers/firm_entry_and_growth.pdf>; Ramon Marimon & Vincenzo Quadrini, "Competition, Innovation and Growth with Limited Commitment" (2005), online: Universitat Pompeu Fabra – Centre de Recerca en Economia International <http://www.econ.upf.es/crei/activities/crei_seminar/marimon2.pdf >; Michael E. Porter, *The Competitive Advantage of Nations* (London: Macmillan Press ,1990); Philippe Aghion & Peter Howitt, *Endogenous Growth Theory* (Cambridge and London: MIT Press, 1998); Mark Lorell, *The U.S. Combat Aircraft Industry, 1909-2000: Structure Competition Innovation* (Arlington: Rand, 2003), online: RAND <http://www.rand.org/publications/MR/MR1696/MR1696.pdf>; Scherer & Ross, *supra* note 1. A broad patent monopoly, in both scope and length, is seen as limiting competition.

[73] Outside of pharmaceutical and chemical industries, patents seem to have a more limited economic effect; see David Schwartzmann, *Innovation in the Pharmaceutical Industry* (Baltimore: John Hopkins University Press, 1976); Christopher T. Taylor & Z.A. Silberston, *The Economic Impact of the Patent System* (London: Cambridge University Press, 1973); Edwin Mansfield, "Patents and Innovations: An Empirical Study" (1986) 32 Management Science 173; and Eike von Hippel, *The Sources of Innovation* (New York: Oxford University Press, 1988).

[74] Scherer & Ross, *supra* note 1 at 660.

2. Substituting patent with access

[29] In Canada, patents for inventions are issued under the *Patent Act*.[75] The Act protects patentable matter, which is defined 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".[76] Once the patent is issued, it grants to the patentee "the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used".[77] To be granted the patent, however, the invention has to satisfy some stringent requirements. First, the invention has to be new.[78] The requirement of novelty means that at the date the patent claim is made the subject matter has not been "disclosed" by making it "available to the public" anywhere in the world.[79] Thus, a disclosure, in any part of the world, that reveals qualities of the invention, whether made by print, written, orally, or through the Internet, even once,[80] will prevent patenting of the invention.[81] Second, the subject matter has to be non-obvious.[82] The test is objective and refers to "a person skilled in the art or science to which it pertains".[83] And third, the invention must be useful.[84] It must be directed to a practical use, and indeed perform the way the inventor claims it does.[85]

[30] A valid patent offers only temporary protection. It is valid for "twenty years from the filing date",[86] and once that time expires the patentee's rights vest in the public domain, benefiting the whole society. The length of the patent is of major concern for inventors. The

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[75] *Patent Act*, *supra* note 2.
[76] *Ibid.*, s. 2, def. "invention".
[77] *Ibid.*, s. 42.
[78] *Ibid.*, s. 2, def. "invention".
[79] *Ibid.*, s. 28.2(1).
[80] *Egbert v. Lippmann*, 104 U.S. 333 (1881).
[81] David Vaver, *Intellectual Property Law* (Concord: Irwin Law, 1997) at 133; see also Ronald E. Dimock, "Patent Anticipation or What's New, Patent Act" in Gordon F. Henderson ed., *Patent Law of Canada* (Toronto: Carswell, 1994). Unlike Canada, the U.S. does not recognize the notion of "absolute priority" and instead uses a one-year grace period, allowing inventors to file patent applications within one year from making the invention public; see 35 U.S.C. §102(b).
[82] *Patent Act*, *supra* note 2, s. 28.3.
[83] *Ibid.*
[84] *Patent Act*, *supra* note 2, s. 2, def. "invention".
[85] *Consolboard Inc. v. MacMillan Bloedel (Sask.) Ltd.*, [1981] 1 S.C.R. 504.
[86] *Patent Act*, *supra* note 2, s. 44. For patents filed before October 1, 1989, the term of patent protection is seventeen years, see s. 45.

longer the term of protection, the higher the potential rewards for the invention may be.[87] Consequently, the length of patent protection, just like the terms of other forms of intellectual property, has been considerably extended since its inception. While the English *Statute of Monopolies* of 1624[88] and the U.S. *Patent Act* of 1790[89] granted fourteen years of exclusivity for patent holders, that length was extended in the U.S to seventeen years in 1861, and later to twenty years in 1995.[90] In Canada, since 2001 the term of patent protection is twenty years.

[31] While the stringent conditions of patentability and the limited length of patent protection can be seen by some inventors as a "deficiency", DRM technology offers the possibility to overcome these "shortcomings". Indeed, through controlling access to an invention, DRM can act as a patent substitute, either offering protection for inventions that cannot meet the requirements of patentability or expanding protection for inventions when their patents already expired. It can be done by imbedding copyright software in a device and claiming the right of access to the combination of those two. Two American cases, *Lexmark v. Static Control Components*[91] and *Chamberlain Group, Inc. v. Skylink Techs., Inc.*,[92] are an example of DRM's capacity to function in such a way.

[32] In 2003, Lexmark, the second largest printer vendor in the United States, sued a chip manufacturer, Static Control Corp., asserting, among other claims, that Static Control had violated the *DMCA* by circumventing DRM technology, controlling access to a computer program contained in a microchip embedded in Lexmark's cartridge toners.[93] The DRM employed by Lexmark was an encryption algorithm generating an "authentication sequence" performing a "secret handshake" between each Lexmark printer and a microchip on each

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[87] The relevance of the patent length will vary from industry to industry but longer protection for an invention will always be more beneficial for the patentee than the shorter one. For the discussion on the optimal length of patent protection see e.g. Nordhaus, *supra* note 69; Scherer, *supra* note 69.

[88] 21 Ja. 1, c.3.

[89] Ch. 7, 1 Stat. 109-112 (10 April 1790).

[90] In adherence to the GATT-TRIPS agreement, Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement establishing the World Trade Organization, Annex 1C, Results of the Uruguay Round of Multicultural Trade Negotiations: The Legal Texts, 1869 U.N.T.S. 299, 33 I.L.M. 1125, most of the countries also changed the method of counting the term of the patent protection. Instead of running from the date of patent grant, patent protection is now counted from the date the patent application is filed. The U.S. legislated this change in 1995 and Canada in 1989. There is also a noticeable difference between the U.S. and the rest of the world in priority rules. Unlike the rest of the world, where patent law is based on the "first-to-file" system, the U.S. established the "first-to-invent" system.

[91] 253 F. Supp. 2d 943 (E.D. Ky. 2003), 387 F.3d 522 (6th Cir. 2004) [*Lexmark* cited to F. 3d].

[92] 292 F. Supp. 2d 1040 (N.D. Ill. 2003), 381 F. 3d 1178 (Fed. Cir. 2004) [*Chamberlain* cited to F. 3d].

[93] *Lexmark*, *supra* note 91 at 529-530.

Lexmark toner cartridge.[94] In this way Lexmark's DRM ensured that only its own cartridges could be used with its printers. Static Control began to manufacture and sell its own microchips that mimicked Lexmark's authentication sequence each time it would otherwise be performed. Thus competing manufacturers of cartridges would be able to provide products that would work with Lexmark printers.[95]

[33] Lexmark's practice was clearly contrary to the purpose of anticircumvention provisions. Instead of protecting its copyright, Lexmark, in reality, was trying to protect a business model which involves collecting high profits on the sale of the toner cartridges, while forfeiting profits on sale of the printers. This highly controversial practice has been defended on economic grounds as potentially beneficial to consumers.[96] But there is little doubt that such use of DRM technology was not what the American Congress intended when *DMCA* was enacted.[97]

[34] A similar mechanism of using DRM technology to protect a technological device was revealed in *Chamberlain*. The plaintiff in this case was a manufacturer of garage door openers. The defendant, Skylink Technologies, developed and supplied universal hand-held portable transmitters that were compatible with Chamberlain's receiving mechanism. Chamberlain alleged, among other arguments, that Skylink violated *DMCA* by circumventing its "rolling code" software controlling access to the receivers. It is noteworthy that Chamberlain did not allege that Skylink in any way infringed its copyright.[98] It claimed instead that the legislation empowered manufacturers to prohibit consumers from using

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[94] *Ibid.* at 530.

[95] In practice, cartridge toner manufacturers patent the shape of their cartridges to prevent competitors from supplying compatible products, see Barry Nalebuff, "Bundling, Tying, and Portfolio Effects", DTI Economics Paper no. 1 (2003), online: The Department of Trade and Industry <http://www.cerna.ensmp.fr/Enseignement/CoursEUCompetionLaw/13-EconomicsBundlingTying.pdf> at 79-80, in which case the DRM technology is used to expand the patent rather than as a substitute for it, as discussed in the part below. However, Lexmark's example clearly shows that DRM has the potential to become a patent substitute.

[96] For arguments opposing this practice see Severin Borenstain, Jeffrey K. MacKie-Mason & Janet S. Netz, "Exercising Market Power in Proprietary Aftermarket" (2000) 9 (2) Journal of Economics & Management Strategy 157. For arguments supporting such a business model see Mark A. Glick & Duncan J. Cameron, "When Do Proprietary Aftermarkets Benefit Consumers?" (1999) 67 Antitrust L.J. 357, online: University of Utah Department of Economics <http://www.econ.utah.edu/les/version_2.0/papers/Aftermarkets-Glick.htm>.

[97] Marcus Howell, "The Misapplication of the DMCA to the Aftermarket", (2005) 11 B.U.J. Sci. & Tech. L. _, online: B.U.J. Sci. & Tech. L. <http://www.bu.edu/law/scitech/volume11issue1/HowellNoteWEB.pdf>. See also *Lexmark*, *supra* note 91 at 552.

[98] *Chamberlain*, *supra* note 92 at 1185.

embedded software products in conjunction with competing products.[99] In other words, the *DMCA* was not invoked in this case to prevent infringement of copyright, which is the purpose of that legislation, but rather to expand rights of the plaintiff over its device.

[35] Both *Lexmark* and *Chamberlain* indicate how the anticircumvention provisions in copyright legislation can be used to protect access to functional devices containing copyrightable software. Use of DRM for such purposes is becoming widespread. The technology is being employed, for example, by car manufacturers protecting software routines to prevent competitors in the aftermarket for replacement tires, wiper blades or other automotive parts, and cell phone manufacturers applying DRM to replacement batteries, headsets or car adapters.[100] In all those situations DRM technology acts in a similar way to patents, preventing the use of similar devices. Indeed, the surrogate is more effective than the original, since it acts also as an enforcement mechanism.

[36] Requirements for patentability are quite onerous and the process leading to a patent grant may be both prolonged and difficult. For that reason, many manufacturers may see technological protection as a viable substitute for patents. In some situations DRM technology may offer more attractive protection for inventions associated with copyrighted content not only because it allows burdensome requirements for patentability to be ignored, but also because it offers indefinite protection that is not limited by the term of the patent. And although the Bill C-60 presumably attempts to address this problem by limiting prohibition of circumvention to DRM systems controlling use of copyright works, copyright holders will be able to achieve the same results by employing multifunctional DRM systems and claiming circumvention of their use-control functions in order to protect access control.

3. Emergence of a super-patent - exhausting the doctrine of exhaustion

[37] As the old saying goes, you cannot eat your cake and have it too. As Pratte J.A. of the Federal Court of Appeal phrased this simple truth in the context of inventors:

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[99] *Ibid.* at 1193.

[100] Stefan Bechtold, "The Present and Future of Digital Rights Management - Musings on Emerging Legal Problems", in Eberhard Becker, Willms Buhse, Dirk Günnewig, & Niels Rump (eds.), *Digital Rights Management - Technological, Economic, Legal and Political Aspects* (Berlin: Springer, 2003), online: Universität Tübingen <http://www.jura.uni-tuebingen.de/bechtold/pub/2003/Future_DRM.pdf> at 626.

> If a patentee makes a patented article, he has, in addition to his monopoly, the ownership of that article... If the patentee sells the patented article that he made, he transfers the ownership of that article to the purchaser. This means that, henceforth, the patentee no longer has any right with respect to that article which now belongs to the purchaser who, as the new owner, has the exclusive right to possess, use, enjoy, destroy or alienate it. It follows that, by selling the patented article that he made, the patentee impliedly renounces, with respect to that article, to [sic] his exclusive right under the patent of using and selling the invention. After the sale, therefore, the purchaser may do what he likes with the patented article without fear of infringing his vendor's patent.[101]

This statement indicates that a patentee's rights are limited after the first sale of a patented product. By paying the purchase price, consumers acquire not only possession of the device, but also many rights of its use.

[38] The doctrine of exhaustion is based on patent policy that exclusive rights granted to the patentee should be limited in scope. While the patentee has the right to control the "making" of her invention throughout the existence of the patent, her right to control the use of a particular device ends when it is sold to a purchaser. One of the rights exhausted after the transaction of sale includes the right to repair the device. The purchaser can exercise this right as long as the extent of repair does not turn the process into reconstruction. Once the repair is considered reconstruction, the patentee's right to "making" the device is infringed upon.[102] Whether the activity is repair or reconstruction is an issue of fact depending on what the patent claims, the nature of the patented article and the character of the work done on it.[103]

[39] The doctrine of exhaustion imposes serious limitation on the scope of patent protection. This aspect of the doctrine of exhaustion was considered in *Hewlett-Packard Co. v. Repeat-O-Type Stencil Manufacturing Corp.*,[104] where the printer manufacturer tried to enforce various unilateral statements prohibiting users of its products from refilling empty cartridges. The court invoked the doctrine of exhaustion and refused to find patent infringement:

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[101] *Eli Lilly and Co. v. Apotex Inc.* (1996), 66 C.P.R. (3d) 329 (F.C.A.) at 343. This passage was quoted with approval by the Supreme Court on appeal, see [1998] 2 S.C.R. 129 (SCC) at 186 [*Eli Lilly* cited to S.C.R.].
[102] *Rucker*, *supra* note 3 at 324-325.
[103] *Ibid.*
[104] 123 F.3d 1445 (Fed. Cir. 1997), cert. denied, 118 S. Ct. 1304 (1998).

> The question is not whether the patentee at the time of sale intended to limit a purchaser's right to modify the product. Rather the purchaser's freedom to repair or modify its own property is overridden under the patent laws only by the patentee's right to exclude the purchaser from making a new patented entity... [A] seller's intent, unless embodied in an enforceable contract, does not create a limitation on the right of a purchaser to use, sell, or modify a patented product.[105]

Faced with the difficulty of enforcing contractual limitations on users of patented inventions, patentees turn to DRM technology. As *Lexmark*, *Chamberlain* and other cases show,[106] DRM protection can be very effective in expanding the scope of patent protection by eliminating consumers' rights under the doctrine of exhaustion.

[40] Although the right of repair is one of the most important patent rights that are exhausted when the invention is sold, there are other rights that are transferred to the purchaser upon sale, such as the right to rent the device, to use it for an unlimited number of times or at any time, and others. All of them could be potentially affected by objectionable uses of the anticircumvention provisions.

[41] An important aspect of the doctrine of exhaustion, especially in the age of global economy, is its international application. In Canada, with a narrow exception for copyright,[107] the international exhaustion of IP rights applies to all areas of IP.[108] Consequently, patent holders cannot restrict the importation of products into Canada from another country, absent the express notice of restriction on resale or export out of the country of origin.[109] Although the restrictions can limit the application of the doctrine of exhaustion, they have to be brought to the attention of the party importing the products into Canada. Once a subsequent purchaser acquires the product without knowledge of the restrictions, he

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[105] *Ibid.* at 1453.
[106] See e.g. *Sony Computer Entertainment America, Inc. v. Gamemasters*, 87 F.Supp.2d 976 (N.D. Cal. 1999) [*Gamemasters*]; *Connectix*, *supra* note 7; *Bleem*, *supra* note 7.
[107] The *Canadian Copyright Act*, *supra* note 10, is the only Canadian legislation containing the express provision, in s. 27.1, against the international exhaustion of IP rights.
[108] G. Alexander Macklin & Jacques A. Léger, "International Exhaustion of Industrial Property Rights", Report Q 156 of the Canadian Group, online: International Association for the Protection of Intellectual Property <http://www.aippi.org/reports/q156/gr-q156-Canada-e.htm> at 1.
[109] *Ibid.* at 2.

has the right to use it without the limitations imposed by the patentee.[110] Here again, anticircumvention provisions can give a patent holder additional protection that is denied by patent law. Even when the purchaser is not informed about the restrictions being placed on export of the device, DRM will prevent use outside of the region where its use is authorized, effectively preventing its export.

[42] Since the invention of DVD technology, copyright holders have been using region coding to prevent the unrestricted importation of DVDs.[111] Aside from its anticompetitive effects,[112] this practice is a clear attempt to replace the language of contractual restrictions with technological limitations. Patent holders, including printer manufacturers, began to employ DRM for the same purpose. In 2004 Hewlett-Packard started to embed region encoding in its printer cartridges.[113] Consequently, toner cartridges sold by H-P in other geographic regions will not work with printers sold in Canada, and *vice versa*. In this way DRM practically nullifies the benefits of the international patent exhaustion doctrine for the public. Although it is still good law in Canada, the doctrine becomes irrelevant in this respect.

4. Perfecting contracts

[43] Unlike the doctrine of exhaustion, which represents the reflection of public policy in patent law, the doctrine of implied license is contract based.[114] It is based on the presumption

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[110] *Ibid.* at 4. See also *Eli Lilly*, *supra* note 101 at 187 ("Unless otherwise stipulated in the license to sell a patented article, the licensee is thus able to pass to purchasers the right to use or resell the article without fear of infringing the patent. Further, any limitation imposed upon a licensee which is intended to affect the rights of subsequent purchasers must be clearly and unambiguously expressed; restrictive conditions imposed by a patentee on a purchaser or licensee do not run with the goods unless they are brought to the attention of the purchaser at the time of their acquisition.")

[111] Andrés G. González, "Trouble with Prime Numbers: DeCss, DVD and the Protection of Proprietary Encryption Tools" 2002 (3) The Journal of Information, Law and Technology, online: JILT <http://www2.warwick.ac.uk/fac/soc/law/elj/jilt/2002_3/guadamuz2/#a1>. See also *DVD Copy Control Assoc. v. Andrew Bunner*, 113 Cal. Rptr. 2d 338 (Cal. Ct. App. 2001), rev'd 4 Cal. Rptr. 4th 864 (Cal. 2003); *Universal City Studios v. Reimerdes*, 82 F. Supp. 211 (S.D.N.Y. 2000).

[112] Kajal Gorasia,Sushil Sheth, Yoko Baden & Matt Lavin, "A Presentation on DVD Regioning and its effect on Competition", online: Keble College <http://senior.keble.ox.ac.uk/fellows/filestore/phpr7P6so1039079725/C__Documents%20and%20%20%20%20Settings_Harish_My%20Documents_eco%20presentation.ppt>.

[113] David Pringle & Steve Stecklow, "Electronics Without Borders: Some Work Only in the U.S.", *The Wall Street Journal* (17 January 2005), Page B1.

[114] See Julie E. Cohen & Mark A. Lemley, "Patent Scope and Innovation in the Software Industry" (2001) 89 Cal. L. Rev. 1 at 30-35.

that by selling a patented product, the patentee gives an implied right to use and resell it.[115] In the words of the Supreme Court of Canada (SCC):

> [T]he sale of a patented article is presumed to give the purchaser the right "to use or sell or deal with the goods as the purchaser pleases"... [A]ny limitation imposed upon a licensee which is intended to affect the rights of subsequent purchasers must be clearly and unambiguously expressed; restrictive conditions imposed by a patentee on a purchaser or licensee do not run with the goods unless they are brought to the attention of the purchaser at the time of their acquisition... [I]n the absence of express conditions to the contrary, a purchaser of a licensed article is entitled to deal with the article as he sees fit, so long as such dealings do not infringe the rights conferred by the patent.[116]

As a contract-based doctrine, implied license is designed to protect the intentions and expectations of the contracting parties. If, at the time of sale, the purchaser accepts express limitations imposed on the use of the product, the doctrine of implied license will apply only outside of the contractual frames. This gives rise to an interesting question whether, or to what extent, contractual restrictions could nullify the effect of the doctrine of exhaustion.[117] This question, however, may become irrelevant once the effect of DRM technology protected by anticircumvention provisions is considered.

[44] As already noted, DRM technology offers contract enforcing capabilities. It may be used to ensure that purchasers restrict their use of patented devices to permitted activities. Used in this way, the technology does not change the conditions of use agreed upon between the parties. It simply acts as the contract enforcer. But DRM is much more potent. It offers a "dynamic management "of rights, which can go beyond the conditions set at the time of sale. It may be used to change the conditions of use long after the device is sold. Presumably, this might violate the doctrine of implied license if the transfer of the device involved outright purchase; however, this outcome might be different if the transfer was characterized as a

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[115] *General Electric Co. v. United States*, 572 F.2d 745 (1978) at 784-785. ("[I]t can be properly assumed that as part of the bargain the seller of a device incorporating a patented combination... authorizes the buyer to continue to use the device.")

[116] *Eli Lilly*, *supra* note 101 at 186-187 (citations in text omitted).

[117] For discussion of this issue see Cohen & Lemley, *supra* note 114 at 33-35 and John W. Osborne, "A Coherent View of Patent Exhaustion: A Standard Based on Patentable Distinctiveness" (2004) 20 Santa Clara Computer & High Tech. L.J 643. Canadian law seems to allow patentees to modify or eliminate implied license, limiting the purchaser's right to repair; see Vaver, *supra* note 81 at 166.

restricted license. Indeed, the practice of licensing has become common in the software industry, where it is assumed that software is licensed rather than sold.[118] It is probable that patentees will employ the same practice to restrict most of the rights enjoyed by users of patented devices.

[45] An issue related to the doctrine of implied license is the possibility of using DRM in licensing the right of access. In this way, a patentee would be able to obtain from the purchaser of the patented invention an additional license fee, in additional to the royalties fee, for certain uses of the device, like repair. Thus, the rights that are presently granted under the doctrine of exhaustion could be commercially exploited. Importantly, these access rights provided through technology, unlike the rights provided under patent law, do not have temporal limitations and could be exploited indefinitely.[119]

5. Private and experimental uses

[46] The Canadian *Patent Act* tolerates uses that, even though technically could qualify as an infringement, for policy reasons are nonetheless allowed. One of those exemptions is private and non-commercial use of patented inventions.[120] The *Act* allows individuals to make patented inventions as long as they are used for their own benefit or the benefit of close relatives and friends.[121] This use, however, cannot turn into industrial activity, at which point it would conflict with the patentee's right to economically exploit her invention. By drawing the line between private and commercial use, this exemption remains faithful to the purpose of the *Patent Act*: enabling a patentee to benefit economically in exchange for disclosure of his invention.

[47] Another patent law exception that permits making of a patented device, which would otherwise be considered an infringement, is experimental use.[122] It allows researchers to build the device and use it on a small scale for the purpose of testing and evaluating its work. The rationale behind this exemption is purely utilitarian: research and experiments facilitate

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[118] Mark A. Lemley, "Beyond Preemption: The Law and Policy of Intellectual Property Licensing" (1999) 87 Calif. L. Rev. 111.

[119] The Supreme Court of the United States, in *Brullotte v. Thys Co.*, 379 U.S. 29 (1964), decided that payment of royalties after the expiration of a patent is per se misuse of rights granted to the patentee. Since the right of access has no time limitation, it could be licensed in perpetuity without accusation of abuse.

[120] *Patent Act*, *supra* note 2 s. 55.2(6).

[121] See Vaver, *supra* note 81 at 164.

[122] *Patent Act*, *supra* note 2 s. 55.2(6).

improvement of existing devices and creation of new inventions.[123] Like in the private use exemption, the line is drawn between good faith research and making money from the experiment.[124]

[48] Both private and experimental use exemptions are in danger of being eliminated by DRM technology. Indeed, if the experience of the United States can serve as an indication of how severe the effect can be, the impact of objectionable uses of DRM on research has to be taken seriously.

[49] Since the inception of the *DMCA* its anticircumvention provisions have been used to restrict research on this technology.[125] Often, litigation was used by copyright holders to prevent creation of useful products with high social value.[126] This persecution of the scientific community in the United States has had an adverse effect on various research projects and exchange of ideas at scientific conferences.[127] The Canadian research and business communities have been aware of this problem and expressed their concern with the possibility of facing similar actions in this country, once anticircumvention provisions are implemented into Canadian copyright law.[128]

III. POLICY AT A CROSSROAD

1. Old dilemma, new challenge

[50] Intellectual property is based on a simple premise that the welfare of the society as a whole will increase by granting certain rights or privileges to people engaging in some socially beneficial activities. Because patents and copyrights are encouraging invention and

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[123] *Harvard College v. Canada (Commissioner of Patents)* (2002), 21 C.P.R. (4th) 417 (S.C.C.) at para. 174.

[124] *Frearson v. Loe* (1878), 9 Ch.D. 48 ("Patent rights were never granted to prevent persons of ingenuity exercising their talents in a fair way. But if there be neither using nor vending of the invention for profit, the mere making for the purpose of experiment, and not for a fraudulent purpose, ought not to be considered within the meaning of the prohibition...") quoted with approval by the SCC in *Micro Chemicals Ltd. v. Smith Kline & French Inter-American Corp.* (1971), 2 C.P.R. (2d) 193 (S.C.C.) at 203. See also *Cochlear Corp. v. Cosem Neurostim LTeE* (1995), 64 C.P.R. (3d) 10 (F.C.T.D.) at 44.

[125] See Pamela Samuelson, "Anticircumvention Rules: Threat to Science" (2001) 293 Science Magazine 2028.

[126] See e.g. Lawrence Lessig, "Jail Time in the Digital Age", *NewYork Times*, 30 July 2001; Lisa M. Bowman, "Sklyarov testifies in copyright trial", *CNET News.com* (9 December 2002), online: CNET <http://news.com.com/2100-1023-976621.html>.

[127] Will Knight, "Computer scientists boycott US over digital copyright law", *New Scientist*, 23 July 2001, online: New Scientist <http://www.newscientist.com/article.ns?id=dn1063>.

[128] See Letter from coalition of Canadian security businesses to Industry Minister David Emerson and Minister of Canadian Heritage Liza Frulla, 8 March 2005, <http://www.cippic.ca/en/news/documents/Letter_to_Ministers_Emerson_and_Frulla_from_Security_Business_Community.pdf>.

creativity, authors and inventors are granted monopoly rights over their products. As the U.S. Supreme Court put it, "the overriding purpose of providing a reward for an authors' creative activity is to motivate that activity and to allow the public access to the products of their genius after the limited period of exclusive control has expired".[129] But because the products of creativity and invention protected under the umbrella of IP and their usefulness are different, so is the extent of protection and associated rights granted to people involved in those activities. Each segment of the IP system tries to reach the balance of rights between creators and the public differently.[130] But all of them try to ensure that the cost of IP monopolies suppressing competition does not outweigh the benefits of encouraged innovation and creativity.

[51] The notion of balance between IP holders' monopolies and the public's rights is also present in Canadian copyright and patent law. In *Théberge*, Justice Binnie of the SCC described this balance:

> The proper balance... 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... 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 long-term interest of society as a whole, or create practical obstacles to proper utilization.[131]

However, this balanced landscape of intellectual property law has lately been affected by the arrival of DRM technology. As suggested in the previous sections, DRM is able to expand protection of intellectual creations beyond what has been envisaged by legislators.

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[129] *Eldred v. Ashcoft*, 123 S.Ct. 769 (2003) at 793. The same justification was expressed by Canadian courts, see e.g. *Apple Computer, Inc. v. Mackintosh Computer Ltd.*, [1987] 1 F.C. 173 (F.C.T.D.) at 200 ("The purpose of the *Copyright Act* is and always has been to grant a monopoly... The legislation historically, in my view had two purposes: to encourage disclosure of works for the 'advancement of learning', and to protect and reward the intellectual effort of the author (for a limited period of time) in the work.") cited with approval by the SCC in *Théberge v. Galerie d'Art du Petit Champlain Inc.* [2002] 2 S.C.R. 336 at 391 [*Théberge*].

[130] The intellectual property system was built around the Paris Convention for the Protection of Industrial Property, 20 March 1883, and the Berne Convention for the Protection of Literary and Artistic Works, 9 September 1886. These conventions separated patent and copyright domains in intellectual property and attempted to set a balance between incentives for creators and public interest in free competition for each of the respective domains.

[131] *Théberge*, *supra* note 129 at 355-356.

Consequently, the danger of "overcompensating" the IP rights holders suddenly becomes more real.

[52] The balance discussed by Justice Binnie in *Théberge* is achieved differently in patent law and copyright law.[132] This difference is a result of the fundamental distinction separating these two segments of IP law. While patents protect inventions, copyrights protect artistic, literary, dramatic, and musical works.[133] Consequently, the rights protecting these different categories of intellectual creations have to reflect their different nature and social utility. Even if the balance is, arguably, not perfect, it represents certain policy goals that legislators try to pursue. Distinctions between copyright law and patent law simply reflect different policy objectives. Unfortunately, these distinctions become irrelevant in situations where a patented device is combined with copyrighted work and protected by access-controlling DRM.

[53] For many years IP rights holders tried to expand their rights to intellectual creations by claiming concurrent protection under different statutes. Such practice has usually involved patents and copyrights,[134] but on some occasions concerned other segments of IP law.[135] This practice has intensified after the appearance of legal hybrids, like software or DNA code,

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[132] Patent law probably offers stronger monopoly rights. While it is possible for two or more authors of identical but independently created works to have copyrights in their creations, only one patent can be granted for an invention. Once the patent is issued, no identical invention can be patented, even if created independently. But the stronger monopoly rights enjoyed by patentees correspond with the longer term of protection granted to copyright holders.

[133] Although copyright law can protect works that have functional or practical functions, see Teresa Scassa, "Originality and Utilitarian Works: The Uneasy Relationship between Copyright Law and Unfair Competition" (2003-2004) 1 UOLTJ 51, online: UOLTJ <http://www.uoltj.ca/articles/vol1.1-2/2003-2004.1.1-2.uoltj.Scassa.51-74.pdf>, the scope of that protection is very different from the protection offered by patent law. While copyright law may protect the functional expression of an idea, patent law protects the functional use of that idea. Copyright also protects neighboring and moral rights but they are not relevant for the purpose of this argument.

[134] For example, in 1999, Sony used litigation under DMCA provisions to eliminate competition from Connectix, which created software allowing PC owners to play on their computers games intended for the Sony Playstation video game console. The software was created through reverse engineering, which has been recognized as noninfringing fair use in a series of Ninth Circuit cases. After losing its case, Sony immediately filed another lawsuit claiming that Connectix's reverse engineering constituted patent infringement. See Cohen, *supra* note 84 at 21.

[135] Trademark protection has sometimes been used to replace expired copyright, see e.g. *Dastar v. Twentieth Century Fox*, 123 S. Ct. 2041(2003); Jessica Bohrer, "Strengthening the Distinction Between Copyright and Trademark: The Supreme Court Takes a Stand" (2003) Duke L. & Tech. Rev. 0023, online: Duke L. & Tech. Rev. <http://www.law.duke.edu/journals/dltr/articles/PDF/2003DLTR0023.pdf>; or patent, see e.g. *TrafFix Devices Inc. v. Marketing Displays Inc.*, 523 U.S. 23 (2001). See also Mark V.B. Partridge, "Using Patent and Copyrights to Create Strong Brands", online: Guiding Rights <http://www.guidingrights.com/images/strong_brands.pdf> on copyright as surrogate for trademark rights.

which could fall under both patent and copyright protection.[136] In response to this challenge, some commentators argue that a new paradigm should be implemented, at least in cases involving new technology;[137] others come with more radical ideas, suggesting replacement of the traditional fragmented IP structure with a unified system organizing IP rights on a broad continuum linking increased protection with maximizing public welfare.[138] But all of those models are still based on the premise of balancing the rights of IP holders and the public, and therefore susceptible to the challenge of DRM. When the full potential of this technology is utilized, most of the limits on the exercise of patent or copyright monopoly will be eliminated. To classify such situation as a "balance" would require significant stretching of this term's definition.

[54] Canadian courts have looked unfavorably on using rights granted under one segment of the IP system to protect intellectual creations belonging in another segment. Indeed, Canadian court in *Rucker Co. v. Gavel's Vulcanizing Ltd.* expressly rejected use of *Copyright Act* to expand protection of patented devices:

> Most mechanical patents have drawings in connection therewith and the drawings can readily be copyrighted, but when patent infringement protection is no longer available to the owner of the patent it is not desirable that he should be able to extend this protection by application of the Copyright Act to the drawings from which the physical object covered by the patent was constructed, and thereby prevent anyone else from manufacturing the same device, even without the use of the drawings. I strongly believe that it was not the intention of Parliament nor from a practical view is it desirable that the Patent Act, the Copyright Act, and the Industrial Design Act should be interpreted so as to give overlapping protection. Something suitable for industrial design cannot be registered for copyright, as that statute states, and something for which a patent is granted should not also be given double protection

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[136] See Dennis S. Karjala, "Distinguishing Patent and Copyright Subject Matter" (2003) 35 Conn. L. Rev. 439; Dennis S. Karjala, "The Relative Roles of Patent and Copyright in the Protection of Computer Programs"(1998) 17 J. Marshall J. Computer & Info. L. 41; Jerome H. Reichman, "Legal Hybrids Between the Patent and Copyright Paradigms" (1994) 94 Colum. L. Rev. 2432; Dan L. Burk, "Patenting Speech" (2000) 79 Texas L. Rev. 99, online: University of Minnesota <http://www.isc.umn.edu/research/papers/Patent2.pdf>.

[137] Pamela Samuelson, "A Manifesto Concerning the Legal Protection of Computer Programs"(1994) 94 Colum. L. Rev. 2308; Jerome H. Reichman, "Charting the Collapse of the Patent-Copyright Dichotomy: Premises for a Restructured International Intellectual Property System" (1994-1995) 13 Cardozo Arts & Ent. L.J. 457.

[138] Rochelle Cooper Dreyfuss, "A *Wiseguy*'s Approach to Information Products: Muscling Copyright and Patent Into A Unitary Theory of Intellectual Property" (1992) Sup. Ct. Rev. 195.

> for an extended period of time by registering for copyright drawings from which the patented object was made.[139]

Interestingly, with assistance of the anticircumvention provisions in Bill C-60 the patentee can do what the court in *Rucker* said she could not do. Instead of enforcing copyright protection in the drawings of the invention, a patent holder will enforce copyright in the software imbedded in the device. In this way a patentee would be able not only to extend the term of patent protection but also its scope.[140]

[55] There is no convincing reason for allowing concurrent protection to be introduced into Canadian copyright and patent law. Each of these segments of the IP system has so far been effective in pursuing its goals. Allowing overlapping protection of the *Patent Act* and the *Copyright Act* could not only upset the balance of rights set in those segments of IP, but would also run contrary to the intention of the Parliament, which clearly separated these two areas of law.

2. Facing the problem

[56] The ability of DRM technology to cumulate copyright and patent rights comes from its access controlling capability. This particular attribute is amplified by legal protection of the technology. As already indicated, DRM technology can be used for objectionable purposes even without protection of copyright legislation. Those situations should be addressed with the assistance of competition or consumer protection law. However, attempts to invoke the *Copyright Act* in conjunction with this technology, to expand patent protection, should be rejected on grounds of IP policy.

[57] In assessing policy choices the purpose of the *Copyright Act* should always be kept in mind. According to the SCC in *Théberge*, the purpose of the *Act* is to "enable the author to

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[139] *Rucker*, *supra* note 3 at 312; see also *Burnaby Machine & Mill Equipment Ltd. v. Berglund Industrial Supply Co. Ltd.* (1984), 81 C.P.R. (2d) 251. U.K. courts took a similar approach, see e.g. *Catnic Components Ltd. v. Hill & Smith Ltd.*, [1978] F.S.R. 405 (Ch. Div.) at 427-428 ("The question is the effect, if any, of the publication of the patent drawings on the enforcibility by the plaintiffs of their independent copyright in substantially identical drawings... In my view, by applying for a patent and accepting the statutory obligation to describe and if necessary illustrate embodiments of his invention, a patentee necessarily makes an election accepting that, in return for a patent monopoly, upon publication, the material disclosed by him in the specification must be deemed to be open to be used by the public, subject only to such monopoly rights as he may acquire on his application for the patent and during the period for which his monopoly remains in force, whatever be the reason for the determination of the monopoly rights."

[140] As previously indicated DRM is capable of eliminating various rights enjoyed by users under patent law.

profit from his or her work".[141] Consequently, when a copyright holder invokes the protection of the *Copyright Act* for other purposes, he steps outside of the monopoly created by the legislator. In the context of the anticircumvention provisions proposed in the Bill C-60, two possible scenarios warrant consideration. One is the circumvention of DRM imbedded in a patented device when no copyright infringement takes place, and the other involves circumvention coupled with actual infringement of the copyright.

[58] Giving credit to the drafters of the proposed Bill C-60, it has to be emphasized that by inserting the element of intent in the anticircumvention provisions, the legislators minimize the risk of using the *Copyright Act* for purposes other than copyright protection. Presumably, only those who circumvent "for the purpose" of infringing copyrights could be found liable. Unfortunately, the exact effect of this qualification is rather uncertain. It remains to be seen if the courts will interpret the purpose of this qualification as requiring an actual attempt to infringe, or whether the fact that the circumvented DRM had the function of protecting the copyright work will be enough to satisfy "the purpose". It would be difficult, however, to reconcile liability of a person who circumvented DRM but did not take any steps to infringe upon the protected copyright work with the purpose of the *Copyright Act*. The sole act of circumvention would not affect the economic interests of the copyright holder in the protected work.

[59] The second situation, involving circumvention of DRM and actual copyright infringement, is more complicated since it involves a genuine violation of copyright. A sensible approach would be to analyze the intent of the copyright holder in implementing DRM protection and using the copyright work.[142] If his intent is to create a patent-like monopoly for a functional device, or to expand an existing patent, protection of the *Copyright Act* should be denied. Going back to the statement of the SCC in *Théberge*, the purpose of the *Copyright Act* is to "enable the author to profit" from the copyrighted work and not from a functional device. That purpose is reserved for the *Patent Act*. If, on the other hand, DRM and the copyright work are used to derive economic benefit from the work, then the copyright law should protect his interests to the extent of his copyright monopoly. In practice, it would not be difficult to determine the copyright holder's intent. After all, the

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[141] *Théberge*, *supra* note 129 at 396. Although the Copyright Act also protects moral rights, they are not involved in the patent law context.

[142] *Lexmark*, *supra* note 91 at 551-552.

copyright works imbedded in patented devices are not MP3 files or Hollywood movies. If they are used, as in case of Lexmark or Chamberlain, simply for the purpose of restricting access to the device and to protect the business model favored by the manufacturer, using the *Copyright Act* to further those purposes would have little to do with the goals of copyright law.

[60] Although the idea that copyright holders should not be able to use their rights under the *Copyright Act* to the full extent when they encroach on patent law may seem offensive to some, there is a sound policy argument for it. When DRM is used for the purpose of providing concurrent patent and copyright protection for a patentable device, the cost of such practice is the extended patent. Some uses enjoyed by the public under patent law are eliminated and the term of the patent is prolonged, possibly in perpetuity. But as was suggested in the previous sections, DRM also has the potential of becoming a patent substitute and not just a supplement. And when this practice is allowed, not only will certain uses have to be forfeited, but the whole patent system, as applicable to those devices, may be eliminated, with no guarantee that its goals will be preserved. The *Copyright Act*, used in this way, will not protect just patented or patentable devices. It will protect all devices. Period. It would also mean that, in practice, the category of works protected under the *Copyright Act* would be expanded to cover inventions, which traditionally fall under patent law.

3. Minimizing the effects

[61] The simplest way to limit the effects of unwanted uses of DRM would be to deny it legal protection. The proposed section 34.02 (1) of Bill C-60, in practice, gives copyright holders the legal right to deny access to an invention with copyright work imbedded in it, even when no violation of copyrights takes place. As suggested in the preceding section, the wording of the anticircumvention provision in the Bill allows for its broad interpretation, depending on how "the purpose" of the circumvention is defined and what functions a particular DRM performs.[143] If the legislature chooses to retain this provision, it should be redrafted to make sure that copyright protection is separated from patent rights. One way of doing so would be to focus on copyright infringement rather than access to the work.[144]

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[143] See discussion in paragraphs 23-24 and 58 above.
[144] Brian Bolinger, *supra* note 44.

There should be no independent cause of action for circumvention unless it actually leads to copyright infringement. Indeed, if a copyright work is imbedded in a functional device, the public should be given an affirmative right to circumvent DRM for purpose of exercising its rights under patent law, as long as this act does not lead to copyright infringement.

[62] The purpose of the proposed anticircumvention provisions in Bill C-60 was to ensure that copyright works in digital form are adequately protected.[145] However, the definition of TPMs in the Bill can be interpreted so broadly that even very benign acts could lead to violation of section 34.02. Bill C-60 defines TPMs as:

> [A]ny technology, device or component that, in the ordinary course of its operation, restricts the doing - in respect of a material form of a work, a performer's performance fixed in a sound recording or a sound recording - of any act that is mentioned in section 3, 15 or 18 or that could constitute an infringement of any applicable moral rights.[146]

Under this definition, anticircumvention provisions can apply equally to digital measures and analog devices that are part of an invention. In theory, this device could be as simple as plastic tape that has to be broken before the device could be opened or a screw-on cover to an electronic chip containing software. Consequently, an attempt to repair such a device would easily lead to violation of anticircumvention provisions. Such risks should be mitigated by redrafting the definition of TPMs and narrowing it down. Since the supposed purpose of DRM technology is to protect copyright works in digital form, the DRM protected by anticircumvention provisions should be limited to encryption technology in digital form, integrated with the protected digital content. By narrowing down the definition of protected technology this way, the risk of accidental infringement would be minimized and the link between copyright work and DRM technology emphasized.

[63] The wording of section 34.02(1) should also be changed to adequately address the dangers that copyright holders face as a result of the digital revolution. Instead of protecting "any material form of the work", the provision should protect works in *digital form*. In its present form, this clause suggests that either the *Copyright Act* did not adequately protect

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[145] "Government Statement...", *supra* note 5.

[146] Bill C-60, *supra* note 4 s. 2, definition of "technological measure".

copyright works in non-digital form before the appearance of the Internet, or that it is just an attempt to expand copyright protection for works in tangible form, under false pretenses.

[64] Changing the proposed provisions in Bill C-60 would make the practice of cumulative copyright and patent protection more difficult, but there is little hope that it will stop such abuses of the *Copyright Act*. A more effective way to address this problem would be to include in the amended *Copyright Act* a provision similar to the equitable doctrine of copyright misuse in the United States. The doctrine was first mentioned in *Morton Salt Co. v. G.S. Suppiger* case,[147] which established the patent misuse doctrine.[148] It remained largely unused until the 1990 *Lasercomb America Inc. v. Reynolds* decision,[149] but since then it has often been used in cases where copyright law is employed to protect information technologies.[150]

[65] A good example of how the doctrine can be applied is the *Alcatel USA, Inc. v. DGI Tech., Inc.* case,[151] where Alcatel attempted to use its copyright to obtain a patent-like monopoly over an unpatented microprocessor card, or switching card. Alcatel, a manufacturer of telephone switches, developed and copyrighted software to operate the switches.[152] Alcatel licensed this software to its customers but prohibited its copying or use in conjunction with switching cards provided by competing manufacturers.[153] DGI manufactured switching cards that could be used with Alcatel's telephone switches and increase their capability. To ensure compatibility of their cards with Alcatel's switches, DGI tricked one of its customers into providing it with Alcatel's software and then made a copy of it. Alcatel sued for copyright infringement. The lower court found that DGI, by developing a microprocessor for a telephone switching system compatible with software developed by Alcatel, violated Alcatel's copyright. The court of appeals, however, rejected Alcatel's

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[147] 314 US 488 (1942).

[148] Intellectual property misuse doctrines in the United States are developing separately. While the patent misuse doctrine has developed significantly and copyright misuse doctrine is established as a viable defense, trademark and trade secret misuse doctrines have been discussed but not yet implemented; see Brett Frischmann & Dan Moylan, "The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and Its Application to Software" (2000) 15 Berkeley Tech. L.J. 865, online: BTLJ <http://www.law.berkeley.edu/journals/btlj/articles/vol15/frischmann.pdf>.

[149] 911 F.2d 970 (4th Cir. 1990) [*Lasercomb*].

[150] Robert P. Merges, Peter S. Menell & Mark A. Lemley, *supra* note 64 at 494.

[151] 166 F.3d 772 (5th Cir. 1999).

[152] *Ibid.* at 775.

[153] *Ibid.* at 793.

argument and applied the doctrine of copyright misuse.[154] The court stated that, although copyright law gives creators "the exclusive rights to their works for a limited time", this "monopoly power does not extend to property not covered by ... copyright".[155] The court found that Alcatel did not try to protect its copyright but rather to obtain patent-like control over the market for its unpatented microprocessor cards.[156]

[66] Canadian courts have not adopted the misuse of copyright doctrine yet.[157] It is arguable, however, that with proper construction such doctrine could offer an adequate response to misuse of anticircumvention provisions in the amended *Copyright Act*. In particular, it could respond to situations where multifunctional DRM systems are used and an anticircumvention provision is invoked to protect access to a functional device. However, unlike the American doctrine, which creates only an affirmative defense,[158] the Canadian provision should create an independent claim for affirmative relief. By establishing such a claim in the *Copyright Act*, Parliament would empower the public to protect its rights actively under the doctrines of patent exhaustion and implied license, when those rights are denied through improper use of DRM technology.

[67] Inserting a misuse of copyright provision into the *Copyright Act* would not be unusual in Canadian intellectual property. The *Patent Act* already includes provisions targeting abuse of patent monopoly rights.[159] Although those provisions may be seen as weak and imperfect, with little teeth to discourage abusive practices of patentees,[160] they can serve as a precedent for the creation of copyright misuse doctrine in Canadian copyright law.

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[154] Unfortunately, in subsequent cases courts refused to apply the doctrine to anticircumvention provisions. See e.g. *Lexmark*, *supra* note 91 at 965 and *Gamemasters*, *supra* note 106 at 989.

[155] *Ibid.* (quoting *Lasercomb*).

[156] *Ibid.* at 778.

[157] In *Massie & Renwick v. Underwriters' Survey Bureau Ltd.* [1940] S.C.R. 218 at 244 the SCC suggested that in some situations illegal activity would prevent a copyright holder's claim for infringement. ("If the plaintiffs in an action for the infringement of copyright are obliged, for the purpose of establishing the existence of, and their title to, the copyright to rely upon an agreement, and that agreement constitutes a criminal conspiracy, and their title rests upon such agreement and upon acts which are criminal acts by reason of their connection with such an agreement, then I have on general principles great difficulty in understanding how such an action could succeed." Unfortunately, the doctrine was not seriously considered in subsequent cases. However, in *Bell Canada v. Intra Canada Telecommunications Ltd.* (1982), 62 C.P.R. (2d) 21 (F.C.T.D.), rev'd in part (1982), 70 C.P.R. (2d) 252 (F.C.A.), the court put a question mark on the applicability of such defense in Canada. ("[T]he plaintiffs are seeking equitable relief and must come into the Court with their hands clean. Should they in fact be in breach of the Combines Investigation Act... this would constitute a most valid reason for refusing injunctive relief although the allegations might not constitute a defense to a claim at law.")

[158] *Novell, Inc. v. CPU Distributing, Inc.*, 2000 U.S. Dist. LEXIS 9952 (S.D. Tex. 2000) at 15-16.

[159] *Patent Act*, *supra* note 2 ss. 65-66.

[160] See Vaver, *supra* note 81 at 169-170.

CONCLUSION

[68] The digital revolution opened new perspectives and opportunities for seemingly unlimited technological progress. But at the same time, it made copying and distribution of copyright works inexpensive and effortless. This prospect, undoubtedly frightening to copyright holders, prompted worldwide action for tightening control of copyright works in digital form. The need for such control was expressed in international treaties and many countries subsequently introduced legislations giving effect to their international obligations. Canada has not been different in this respect and lately announced proposed changes to the *Copyright Act* to comply with the WCT and WPPT treaties. Unfortunately, the anticircumvention provisions included in Bill C-60 seem to ignore the experience of other countries with similar legislation. Although the wording of the anticircumvention provisions seems to indicate that their purpose is to protect copyrighted works, the link between circumvention and copyright infringement is tenuous at best.

[69] The cumulative use of intellectual property rights is not a new phenomenon. There are many examples of copyright law being used in an attempt to expand patent protection. Those attempts have usually been rejected by Canadian courts ensuring that the monopoly rights granted in each segment of IP is not expanded beyond what the legislator intended. But the appearance of DRM technology, protected under the *Copyright Act*, poses a serious threat to the traditional balance of rights between copyright holders and the public, which both legislators and courts have been trying to achieve. The expansion of patent rights through copyright protection for anticircumvention devices is done at the expense of the public, whether intentionally or not. Anticircumvention provisions have the potential of redefining the existing landscape of intellectual property law by expanding patent protection beyond the limits set in the *Patent Act*. Potentially, the *Copyright Act* could replace the system of patent protection, allowing DRM to act as a substitute of a patent, without the need to satisfy the onerous requirements of patentability first. Expanding protection of the *Copyright Act* to functional devices would not only affect patent law, but also change the paradigm of copyright law, an outcome the legislator most likely has not intended.

[70] This paper makes two suggestions to minimize the risk of the anticircumvention provisions being used in a manner not intended by the legislator. One is to change the

proposed provisions in Bill C-60. By connecting the circumvention of DRM technology with actual copyright infringement and narrowing down the definition of access controlling technology, many of the risks identified in this paper can be mitigated. The second suggestion is to introduce into Canadian copyright law a statutory cause of action, or defense, similar to the American equitable defense of copyright misuse, which could be invoked in situations when the *Copyright Act* is abused. Such provision could address the improper use of not only anticircumvention provisions but also other copyright rights.

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APPPENDIX II

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APPPENDIX III

uOttawa
L'Université canadienne
Canada's university

Jeremy de Beer
Associate Professor | Professeur agrégé
Faculté de droit | Faculty of Law
Section de common law | Common Law Section

March 18, 2011

Dean Gary Slater
Faculty of Graduate and Postdoctoral Studies,
University of Ottawa

Re: Robert Tomkowicz – Authorization

Dear Dean Slater:

This letter is to advise you that Robert Tomkowicz has been authorized to include in his revised LL.D. thesis, entitled "Crossing the Boundaries: Overlaps of Intellectual Property Rights," research undertaken during a previous program of study. More specifically, I am aware of and expressly consent to the inclusion in the revised LL.D. thesis of work derived from underlying research previously submitted in different form and context for academic credit as an LL.M. research paper.

As you know from my earlier letter of 21 October 2010, I had already been aware of and consented verbally the incorporation of some text verbatim from the LL.M. research paper in the original LL.D. thesis, given the different contextualization of the work and Mr. Tomkowicz's disclosure of his intention in documents filed with FGPS. However, as this information was not available to the thesis examiners, you recommended during a teleconference on 2 November 2010 that written authorization from me, the graduate program director and the academic unit be filed as an appendix to the revised LL.D. thesis.

Furthermore, I note that Mr. Tomkowicz has taken the additional measures in his revised LL.D. thesis of completely redrafting the text that had been previously submitted as part of the LL.M. research paper, and indicating clearly in the revised LL.D. thesis the relationship between the revised LL.D. thesis and any portions of his work that had been previously submitted for academic credit and/or already published as an individually authored or co-authored articles. He also included the LL.M. research paper as it was accepted by FGPS, and

a subsequently published version of that paper, as appendices to the revised LL.D. thesis, following your suggestion.

I trust that this authorization and the measures Mr. Tomkowicz has taken resolve or preempt any possible issues about compliance with the University's Academic Regulations.

Sincerely,

Associate Professor