





## Intellectual Property & Antitrust 2012

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### Intellectual Property & Antitrust 2012

Published by  
Law Business Research Ltd  
87 Lancaster Road  
London, W11 1QQ, UK  
Tel: +44 20 7908 1188  
Fax: +44 20 7229 6910  
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2011

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ISSN 1753-0628

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Printed and distributed by  
Encompass Print Solutions  
Tel: 0844 2480 112

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**Getting the Deal Through** is delighted to publish the fully revised and updated sixth edition of *Intellectual Property & Antitrust*, a volume in our series of annual reports, which provide international analysis in key areas of law and policy for corporate counsel, cross-border legal practitioners and business people.

Following the format adopted throughout the series, the same key questions are answered by leading practitioners in each of the 24 jurisdictions featured. New jurisdictions this year include Italy, Mexico, the Philippines, Russia and Spain.

Every effort has been made to ensure that matters of concern to readers are covered. However, specific legal advice should always be sought from experienced local advisers. **Getting the Deal Through** publications are updated annually in print. Please ensure you are referring to the latest print edition or to the online version at [www.GettingTheDealThrough.com](http://www.GettingTheDealThrough.com).

**Getting the Deal Through** gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. **Getting the Deal Through** would also like to extend special thanks to contributing editor Susan M Hutton of Stikeman Elliott LLP for her continued assistance with this volume.

**Getting the Deal Through**

London

December 2011

# Canada

Susan M Hutton and Alexandra Stockwell

Stikeman Elliott LLP

## 1 Intellectual property law

Under what legislation are intellectual property rights granted? Are there restrictions on how IP rights may be exercised, licensed or transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

Legislative intellectual property (IP) rights in Canada are granted by virtue of the following primary statutes: the Trade-Marks Act, the Copyright Act, the Patent Act, the Industrial Design Act, the Integrated Circuit Topography Act and the Plant Breeders' Rights Act. Additionally, the Canadian common law and civil code of Quebec offer protection of trade secrets, confidential information, business names and common law trademarks and protection against unfair competition or passing off.

The contours of protection offered by the various statutes and the common law and Civil Code of Quebec vary with the nature of the right claimed. For example, the Copyright Act will only protect the expression of an original idea from copying, not the underlying idea itself. The term of protection for copyright in Canada is, except as otherwise expressly provided in the Copyright Act, the life of the author, the remainder of the calendar year in which the author dies, and a period of 50 years following the end of that calendar year. In contrast, the Patent Act will, subject to novelty and utility requirements, protect any 'new and useful art, process, machine, manufacture or composition of matter, or any new and useful improvement in any art, process, machine, manufacture or composition of matter'. The term of patent protection is from the day the patent is granted to a maximum of 20 years after the date on which the patent application was filed. Trademark protection is granted to a mark that is used by a person 'for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others' and includes certification marks, distinguishing guises and proposed trademarks. Trademark protection is awarded for 15 years from the date of registration and may be renewed for further 15-year terms in accordance with the Trade-Marks Act.

Restrictions on how IP rights may be exercised, licensed or transferred also vary depending on the nature of the right being asserted. For example, the Copyright Act forbids the assignment or licensing of an author's moral rights, although they may be waived entirely by the author and such waiver need not explicitly be in writing. The Copyright Act, the Industrial Design Act and the Patent Act all require that an assignment be in writing, whereas an assignment of trademark rights can be oral. The Trade-Marks Act also imposes significant statutory restraints on the assignment and licensing of trademarks by requiring that, for a trademark to remain valid, it must remain inherently distinctive such that the goods and services it is used in association with are distinguished from those of others. Provisions of the Competition Act relevant to the exercise of IP rights are discussed in greater detail below.

Canada's IP rights are compliant with minimum standards required by TRIPs. Unlike the US and EU, Canada has not extended copyright protection beyond the minimum standard required by the agreement. In the context of trademarks, TRIPs requires only a seven-year initial term of protection, while Canada's initial term is 15 years. The initial term for trademarks is renewable indefinitely, as long as conditions for renewal are met. Canada and Rwanda are the first and only countries to have taken advantage of the WTO General Council 2003 decision to waive certain TRIPs provisions to allow generic versions of patented drugs to be exported to developing and least-developed countries. In both 2008 and 2009, 7-million dose shipments of generic drugs for the treatment of HIV/AIDS were shipped from Canada to Rwanda under the TRIPs 'paragraph 6' waiver. However, the generic company which provided the shipments claimed that Canada's Access to Medicines Regime, which implements the TRIPs waiver, is prohibitively costly and complicated. In March 2011 the House of Commons passed Bill C-393, which would have reformed and streamlined the process, but the Bill was stalled in the Senate and died when Parliament was dissolved prior to the 2011 federal election. It remains to be seen whether the Bill will be reintroduced by the new government.

## 2 Responsible authorities

Which authorities are responsible for administering IP legislation?

The Canadian Intellectual Property Office (CIPO), a special operating agency associated with Industry Canada (a federal government department), is responsible for the administration and processing of the greater part of intellectual property in Canada. CIPO's areas of responsibility include patents, trademarks, copyrights, industrial designs and integrated circuit topographies. The Trade-Marks Opposition Board and the Patent Appeal Board are each divisions within CIPO, responsible for the administration of certain aspects of patent and trademark prosecution, respectively. The Canadian Food Inspection Agency (CFIA) administers plant breeders' rights. The Copyright Board of Canada is an economic regulatory body empowered to establish, either mandatorily or at the request of an interested party, the royalties to be paid for the use of copyrighted works, when the administration of such copyright is entrusted to a collective-administration society, and also has administrative responsibilities with respect to copyright licensing.

## 3 Proceedings to enforce IP rights

What types of legal or administrative proceedings are available for enforcing IP rights?

Depending on the nature of the right infringed, legal enforcement of statutory IP rights may occur before either the Federal Court of Canada or the provincial courts due to concurrent jurisdiction.

The Federal Court of Canada administers those federal statutes that confer jurisdiction upon it, including the Trade-Marks Act, the Copyright Act, the Patent Act, the Industrial Design Act, the Integrated Circuit Topography Act and the Plant Breeders' Rights Act. Additionally, each province has superior courts with concurrent jurisdiction over IP matters, and in some cases such as common law actions for misappropriation of personality, trade secrets and restrictive covenants, provincial jurisdiction is exclusive. The Trade-Marks Act also allows for any person to oppose the registration of a trademark before the Trade-Marks Opposition Board, an administrative tribunal charged with determining registrability of any contested trademark application.

#### 4 Remedies

What remedies are available to a party whose IP rights have been infringed?

The remedies available to a party whose IP rights are found to have been infringed include injunctive relief (interim, interlocutory and permanent) to prevent continued and future infringement; compensatory damages for losses suffered; an accounting of the defendant's profits proven to have been earned by the infringing activity (in the case of copyright, this is in addition to damages, and in the cases of trademarks, patents and industrial designs, it is an alternative to damages); statutory damages for infringement of copyright and punitive and exemplary damages should circumstances warrant. Anton Piller orders, permitting the plaintiff and its counsel to attend the defendant's business or residence and (without prior notice) seize infringing products and documents evidencing the extent of the defendant's infringing behaviour, the delivery up and destruction of infringing goods, and the recovery of legal costs also may be available.

#### 5 Competition and abuse of IP rights

What consideration has been given in legislation or case law to competition in the context of IP rights, and in particular to any anti-competitive or similar abuse of IP rights?

Section 7 of the Trade-Marks Act sets out specific prohibitions against unfair competition and prohibited marks and includes prohibitions against false or misleading statements intended to discredit the business of a competitor; passing off; making use of any description that is false in a material respect and likely to mislead the public as to the character, quality, quantity, composition, geographical origin or mode of manufacture production or performances of wares or services; and also prohibits any other act or business practice contrary to honest industrial or commercial use in Canada.

Sections 67 to 78 of the Copyright Act set out the legislative framework that permits the formation of collective societies to represent copyright owners and grants them the rights to file proposed tariffs with the Copyright Board or enter into agreements with users without risk of being accused of engaging in anti-competitive behaviour.

Section 65 of the Patent Act allows any interested person, three years after the grant of the patent, to apply for a compulsory licence in respect of the patent on the grounds that there has been an abuse of the exclusive rights thereunder. The exclusive rights under a patent are deemed to have been abused if, among other things, the invention is not being worked on a commercial scale in Canada without satisfactory reason; the working of the invention on a commercial scale in Canada is being impeded by the importation of the patented article into Canada by the patentee; Canadian demand for the patented article is not being met to an adequate extent and on reasonable terms; and if the refusal by the patentee to grant licences on reasonable terms impedes the industry in Canada.

In addition, the Patented Medicines (Notice of Compliance) Regulations (PMNOC) have been established for the purpose of balancing effective patent enforcement over new and innovative drugs with the timely entry of their lower priced generic competitors. These regulations establish a process whereby a drug manufacturer (typically a generic manufacturer) can apply for regulatory approval (a Notice of Compliance (NOC)) of a generic version of a patented innovative drug and either agree to wait for expiry of the patent(s) on the innovative drug before receiving its NOC or request immediate issuance of the NOC by alleging that the generic will not violate any patents or that the patents are invalid. If the owner of the patent disputes the allegations of non-infringement or invalidity or both, it may begin court proceedings that automatically preclude the issuance of an NOC to the generic manufacturer for up to two years.

There has been very little judicial consideration of the anti-competitive or abusive use of IP rights in the competition context. The main exception is *Eli Lilly and Company v Apotex Inc.*, discussed further in question 17, in which the Federal Court considered whether an alleged anti-competitive assignment of a pharmaceutical patent gave rise to damages under section 32 of the Competition Act (that allows the Federal Court to grant a remedy where certain IP rights have been used to restrain trade). In 2005, on an appeal from a motion for summary judgment in the same case, the Federal Court of Appeal held that a patent assignment could theoretically give rise to a violation of section 45 of the Competition Act. The Federal Court ultimately resolved the case in 2009 by dismissing the claim because Apotex failed to show that it had suffered any damage as a result of the assignment (and regardless, the claim was time barred).

In 2010, in *Harris v. GlaxoSmithKline Inc.*, the Ontario Court of Appeal upheld a lower court decision to strike a statement of claim in a class action alleging that the manufacturer of an antidepressant drug had misused the PMNOC process for anti-competitive ends. The respondent manufacturer (GSK) had, between 1999 and 2003, initiated six proceedings challenging the issuance of NOCs for generic versions of the antidepressant, all of which proved unsuccessful, but which had the effect of delaying entry by the generics during the four-year period. The plaintiff, a user of the antidepressant, brought a tort claim for abuse of the legal process and conspiracy to injure, claiming that the defendant had used the PMNOC process in order to delay competition and continue charging 'supra-competitive' prices for its medicine (the plaintiff brought no actions based on the Competition Act). In upholding the decision to strike the claim, the Court of Appeal stated that there could be no conspiracy because 'even if [the defendant] acted with bad intentions in bringing the NOC Proceedings [...] there can be no liability when the defendant merely employs regular legal process to its proper conclusion.' This decision seems to be consistent with the Federal Court of Appeal's statement in *Laboratoires Servier v Apotex* (see question 30), namely, where every step taken by a party is in accordance with its statutory IP rights, it is unlikely to constitute a violation of the Competition Act; interestingly, however, in *Canada (Director of Investigation and Research) v Laidlaw Waste Systems Ltd.*, the Competition Tribunal had held that a pattern of merely threatening litigation can constitute an anti-competitive act for the purposes of the Competition Act's abuse of dominance provisions.

#### 6 Remedies for deceptive practices

With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices in addition to traditional 'passing off' or trademark infringement cases?

The Competition Act contains a number of civil provisions prohibiting false or misleading representations to the public made to promote, directly or indirectly, the supply or use of a product or to promote, directly or indirectly, any business interest, by any means whatsoever.

Criminal charges for such claims may also be brought under the general prohibitions contained in the Competition Act against false or misleading representations. Additionally, the Consumer Packaging and Labelling Act contains general prohibitions against false or misleading representations, and it is a criminal offence pursuant to the Criminal Code to forge a trademark with the intent to deceive or defraud the public.

Several Canadian provinces have enacted consumer protection statutes establishing a regulatory scheme designed to address a number of specific practices considered to be 'unfair business practices' (including misleading advertising). In other provinces, separate business practices acts have been enacted to deal with potential abuse of consumers through unfair business practices. All such provincial trade practices statutes prohibit false, misleading or deceptive acts that induce the consumer to believe that the goods or services have sponsorship, approval, performance characteristics, accessories, uses, ingredients, benefits or quantities that they do not have.

#### 7 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Does legislation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Could TPM or DRM protection be challenged under the competition laws?

There are currently no statutory provisions that grant legal protection to TPMs and DRM in Canada, but anti-circumvention provisions are included in the proposed federal legislation denoted as Bill C-11 (see 'Update and trends'), which the government expected to pass by the end of 2011. These provisions would implement Canada's WIPO obligations and allow Canada to ratify both the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

The combination of DRM and anti-circumvention legislation has raised competition concerns among some public interest groups in Canada. Among the concerns raised by public interest groups is the challenge DRM poses to interoperability, because content subject to DRM is frequently linked to specific hardware, leaving consumers unable to transfer the content from device to device or potentially being required to purchase a particular type of device. In the absence of statutory protection, and given the right facts, it is conceivable that DRM or TPMs could be challenged under the Competition Act as an abuse of a dominant position or potentially as an instance of tied selling.

#### 8 Industry standards

What consideration has been given in legislation or case law to the impact of the adoption of proprietary technologies in industry standards?

There has not yet been any consideration of this issue by the courts in Canada. A review paper on the interface between competition law and IP law was jointly commissioned by the Competition Bureau, the Department of Industry and the Canadian Intellectual Property Office in 2006 and released in March 2007. Among other things, the paper called for an empirical study of patent pooling to determine how prevalent the practice is in Canada, and whether it is used to pro- or anti-competitive effect.

### Competition

#### 9 Competition legislation

What legislation sets out competition law?

The legislation setting out competition law in Canada is the federal Competition Act. The Competition Act sets out criminal offences and civilly reviewable conduct, and was significantly amended in March 2009.

Under the amended Competition Act, criminal offences include conspiracy, bid rigging, and some types of misleading advertising and deceptive telemarketing. Civilly reviewable conduct includes abuse of dominance, deceptive marketing, refusal to deal, market restriction, exclusive dealing, tied selling, consignment selling and resale price maintenance. The amended Act sets out a US-style 'two-stage' merger regime. The amendments also introduce a 'dual-track' conspiracy provision, in force since March 2010, which treats certain types of agreements or arrangements between competitors as per se criminal offences (these include agreements to fix prices, to allocate sales, customers or markets, or to fix or control production or supply of a product) and others as civilly reviewable conduct (this category contemplates agreements that otherwise substantially lessen or prevent competition).

The Competition Act is primarily enforced by the commissioner of competition (the commissioner) who is the head of the Competition Bureau (the Bureau). The commissioner and the Bureau investigate both criminal offences and civilly reviewable matters. Regarding offences, when the commissioner believes there are sufficient grounds for a criminal prosecution, the commissioner will recommend to the director of public prosecutions (DPP) of Canada that charges be laid. The final decision to prosecute, however, lies with the DPP. Criminal matters are tried before the provincial courts. Private parties may sue for damages in respect of alleged criminal violations (but convictions are not required prior to such suits). With respect to civilly reviewable conduct and mergers, the commissioner may act as prosecutor before the specialist Competition Tribunal (the Tribunal) for all such matters. In addition, private parties may seek leave to file applications with the Tribunal with respect to refusal to deal, exclusive dealing, market restriction, tied selling cases and resale price maintenance (but, notably, not the more general abuse of dominance or merger provisions). Only injunctive relief is, however, available from the Tribunal to private parties and the commissioner alike. In such cases, fines are available only to the commissioner and only in respect of abuse of dominance.

#### 10 IP rights in competition legislation

Does the competition legislation make specific mention of IP rights?

Intellectual property rights are referred to in several sections of the Competition Act. For example, the Competition Act specifies that acts engaged in pursuant only to the exercise of an IP right will not be subject to sanction under the general abuse of dominance provision. In contrast, the Competition Act specifies that its resale price maintenance provision does apply to holders of IP rights.

Significantly, the Competition Act also contains a specific provision (section 32) dedicated to IP rights, and which contemplates that the mere exercise of such a right may, in certain circumstances, give the competition authorities grounds to seek a special remedy from the Federal Court.

#### 11 Review and investigation of competitive effect

Which authorities may review or investigate the competitive effect of conduct related to IP rights?

As noted in question 9, the commissioner, supported by the Bureau, has the jurisdiction to investigate conduct that could offend the Competition Act. Where this conduct falls under the criminal provisions, the commissioner will investigate and the DPP will lay charges and prosecute before the courts, if appropriate. Where this conduct is a civilly reviewable matter, the commissioner will investigate and will bring a case before the Tribunal, if appropriate. Private parties may, with leave, also bring civil cases before the Competition Tribunal in respect of refusal to deal, exclusive dealing, market restriction, tied selling and resale price maintenance cases involving IP rights.

Under section 32, the IP-specific provision of the Competition Act, the Bureau has stated that it will recommend to the DPP that an application be made to the Federal Court only when, in the Bureau's view, no appropriate remedy is available under the relevant IP statute and the conduct involves only the exercise of an IP right. Remedies available under IP statutes are described above. The Federal Court has held that only the attorney general may seek a remedy under section 32 of the Competition Act, but apart from two cases which were commenced in the late 1960s and early 1970s and eventually settled, no other proceedings have been brought by the authorities under this section of the Act.

## 12 Competition-related remedies for private parties

Do private parties have competition-related remedies if they suffer harm from the exercise, licensing or transfer of IP rights?

Under the Competition Act, private parties may seek damages where they have suffered loss or damage as a result of conduct contrary to the criminal provisions of the Competition Act or as a result of the failure of any person to comply with an order of the Tribunal or another court pursuant to that Act. The criminal provisions in respect of which damages may be claimed include section 45 (conspiracy or cartel) and 47 (bid rigging), among others. To the extent that conduct relating to IP rights violates one of these provisions, or violates an order of the Tribunal or another court, private parties can sue for the loss or damage they suffered (as noted, a prior conviction is not necessary).

Additionally, private parties may apply for leave to the Tribunal to make a claim under section 75 (refusal to deal), section 76 (resale price maintenance) and section 77 (exclusive dealing, tied selling or market restriction) although damages are not available in respect of these sections. To the extent that conduct relating to IP rights merits a remedy under one of these provisions, private parties could apply to the Tribunal to have the conduct stopped, although it is clear from the *Warner Music* case (discussed in question 26) that the mere refusal to license IP rights does not violate section 75. The ability to apply for leave to make a claim under section 76 (resale price maintenance) was introduced with the March 2009 amendments to the Act, and the test for obtaining such leave is lower than for applications regarding sections 75 and 77 requiring a private party to be only 'directly' affected, rather than 'directly and substantially' affected. Private parties do not have direct access to section 32, the IP-specific remedy (see question 14), but can complain to the Competition Bureau if the mere exercise of an IP right (typically, a refusal to license) is anti-competitive.

## 13 Competition guidelines

Has the competition authority issued guidelines or other statements regarding the overlap of competition law and IP?

In 2000, the Bureau released its Intellectual Property Enforcement Guidelines (the Guidelines). The Guidelines set out how the Bureau views the interface between IP law and competition law, explains the analytical framework that the Bureau uses to assess conduct involving IP and discusses the circumstances under which the Bureau may apply the Competition Act to restrain anti-competitive conduct associated with the exercise of IP rights.

The Guidelines provide that the circumstances in which the Bureau may apply the Competition Act to restrain anti-competitive conduct involving IP rights fall into two broad categories: those involving anti-competitive conduct that is 'something more' than the mere exercise of the IP right, and those involving the mere exercise of the IP right and nothing else. Although the Guidelines are not binding statements of law, they do reveal the Bureau's approach to IP and competition law and have been cited by the courts. In March 2007 the Bureau released a paper entitled *The Competition/Intellectual Property Interface – Present Concerns and Future Challenges*.

The paper discusses topical issues at the intersection of competition and intellectual property law and identifies areas of study and concern for law and policy makers in Canada, such as patent pooling, authorised generic drugs, TPMs, whether litigation settlements can violate the Competition Act, and the compulsory licensing of intellectual property rights.

Most recently, in September 2010, the commissioner indicated that while it would be 'worthwhile' to reconsider the intersection between competition and intellectual property rights, the Bureau has no current intentions to do so.

## 14 Exemptions from competition law

Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

The Guidelines state that the mere exercise of an IP right is not cause for concern under the general provisions of the Competition Act, no matter to what degree competition is affected. The mere exercise of an IP right is defined as the exercise of the owner's right to unilaterally exclude others from using the IP, and includes the owner's use or non-use of the IP. The approach of the Guidelines is consistent with the Tribunal's approach in several earlier decisions, where it was held that the mere exercise of the right to refuse a licence to a complainant was not an anti-competitive act under the general provisions of the Competition Act, as well as with express language in the abuse of dominance provision to this effect.

However, under section 32, the Bureau may seek a remedy for the unilateral exercise of an IP right where the Bureau establishes that the mere exercise (typically the refusal to license IP) has unduly restrained trade or lessened competition. In these circumstances, the Bureau will use a two-step approach that resembles closely the approach of the European Court of Justice in its *IMS Health* judgment.

First, the Bureau will consider whether the unilateral exercise of an IP right has adversely affected competition to a degree that would be considered substantial in a relevant market that is different or significantly larger than the subject matter of the IP or the products or services that result directly from the exercise of the IP. This first step is satisfied only by the combination of the following factors:

- the holder of the IP is dominant in the relevant market; and
- the IP is an essential input or resource for firms participating in the relevant market – that is, the refusal to allow others to use the IP prevents other firms from effectively competing in a broader or different market.

In the second step, the Bureau must establish that invoking a special remedy against the IP holder would not adversely alter the incentives to invest in research and development in the economy. According to the Guidelines, this step is satisfied if the refusal to license the IP is stifling further innovation.

The Bureau recognises that only in very rare circumstances would this test be satisfied and states that it will recommend to the attorney general that an application be made to the Federal Court under section 32 only when no appropriate remedy is available under the relevant IP statute. No such applications have been made since the 1970s.

## 15 Copyright exhaustion

Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws, for example with regard to efforts to contract out of the doctrine, to control pricing of products sold downstream and to prevent 'grey marketing'?

In Canada, copyright includes the right to sell or distribute copies of the copyrighted work. The doctrine of 'copyright exhaustion' or 'first sale' means that once this right to sell or distribute has been used and a copy is sold, the right to control the further sale or distribution of that particular copy is 'exhausted'.

As the Supreme Court of Canada stated in *Théberge v Galerie d'Art du Petit Champlain Inc*, 'once an authorised copy of a work is sold to a member of the public, it is generally for the purchaser, not the author, to determine what happens to it'. Thus, although the doctrines of copyright exhaustion and first sale have not been specifically adopted in Canada, Canadian law generally recognises that a copyright owner cannot control or prevent subsequent downstream sales of genuine products within Canada.

As framed in *Théberge*, this notion of exhaustion was seen in terms of protecting the balance between the interests of the public and creators, rather than in terms of preserving competition. That said, competition law applies to copyrighted products as it would to other products. For example, section 76 of the amended Competition Act prohibits 'resale price maintenance', and is drafted to include IP rights such that certain attempts by licensors to influence prices upwards (or discourage reductions in price) in a downstream market are prohibited. See question 23 for further information on section 76 of the Competition Act. To our knowledge, there has been no case law in Canada dealing specifically with the interaction of copyright exhaustion and price maintenance – not surprisingly, since the two concepts are conceptually aligned.

A potential exception to the general rule exists in Canada, however, with respect to 'grey marketing' (parallel imports). Section 27(2)(e) of the Copyright Act prohibits the importation of goods into Canada, for sale or distribution purposes, that either infringe a copyright in Canada or would infringe a copyright in Canada if the goods had been made in Canada by the person who made it abroad. With respect to 'grey marketing', the notion of exhaustion applies insofar as Canadian copyright cannot be used to prevent the importation and sale of works that have already been legitimately made and sold in a different country by the same person who owns the Canadian copyright. However, in situations where a foreign owner of copyright has assigned the Canadian copyright to another entity, including a subsidiary company, the foreign owner no longer has the right to make copies in Canada. If copies made or authorised by that foreign owner are then imported into Canada, the Canadian copyright owner (assignee) can make a claim of infringement under section 27(2)(e). In *Kraft Canada v Euro Excellence Inc*, six of the nine Supreme Court judges confirmed this position, stating that assignees could bring infringement actions against assignors, as well as against parallel importers.

Whether copyright can be used by exclusive licensees (as opposed to assignees) to prevent the importation of copies made or authorised in another country by a licensor who remains the owner of the Canadian copyright is less clear. In *Kraft*, the Supreme Court faced such a plaintiff: Kraft Canada (the exclusive Canadian importer and distributor of Cote d'Or and Toblerone chocolate bars and exclusive licensee of the Canadian copyright in the chocolate bar logos) sought to rely on section 27(2)(e) to prevent another firm, Euro-Excellence, from importing and then distributing and selling in Canada legitimate chocolate bars that had been purchased in Europe from Kraft Canada's parent companies (the owners of the Canadian copyright). Three majority judges (in obiter) and the two dissenting judges held that an exclusive licensee can sue a copyright owner for infringement (and can therefore sue parallel importers), while four majority judges found that it could not. In the result, based on all the facts of the case, the exclusive licensee, Kraft Canada, was not successful, and the right of exclusive licensees to challenge parallel importing remains in doubt. Following the Supreme Court's decision, the European parent companies assigned the copyright in question to Kraft Canada, which promptly re-launched the case against Euro-Excellence, but the parties settled out of court early in 2009.

Although the court did not expressly deal with issues in the case based on competition law principles, Justice Fish stated in obiter that the exclusive licensing agreements that Kraft Canada entered into with its parent companies had more to do with the monopoly on the sale of these chocolate bars in Canada than with copyright protection of the 'works' that appeared on the packaging.

Justice Fish went on to express 'grave doubt whether the law governing the protection of intellectual property rights in Canada can be transformed in this way into an instrument of trade control not contemplated by the Copyright Act'. No reference was made by the court to the Competition Act or competition law principles and, in particular, no evidence was discussed that would suggest an attempt to properly define a relevant competitive market.

The Copyright Act also contains an explicit provision – section 27.1 – to allow Canadian copyright holders, exclusive licensees and exclusive distributors to use copyright to prevent the parallel importation of books. This provision applies only to books (as opposed to other literary works like magazines) in English and in French, and its application is restricted by a number of rules regarding, for instance, the ability of an exclusive distributor to supply the public's needs within a specified time frame.

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## 16 Import control

To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

See question 15 for a discussion of copyright holders' ability to prevent parallel importation.

Trademarks cannot be used, by either owners, licensees, or authorised distributors, to prevent the parallel importation of goods put on the market abroad by the Canadian trademark owner or a licensee or authorised distributor (namely, international exhaustion – once the goods are put on the market anywhere in the world, the trademark is considered exhausted). However, it is possible to use the passing-off action to restrict the parallel importation of branded goods which are manufactured according to different formulations, quality standards or health and safety standards than those for goods intended to be marketed in Canada, since these goods are arguably different from Canadian-marketed goods and thus an element of deception is involved if they are sold as if they were equivalent. It is also possible to prevent importation if the 'grey' goods originated with a foreign trademark owner different from the Canadian trademark owner, that is, if the mark is owned by different entities in different jurisdictions.

In Canadian patent law, infringement has been interpreted to mean any act that interferes with the full enjoyment of the monopoly granted to the patent owner. Therefore, the importation and sale of 'grey' goods that are protected or produced by a Canadian patent is an act of infringement. The infringement action may be brought by the owner of the patent, as well as by an exclusive or non-exclusive licensee or an exclusive distributor, provided that the owner of the patent is made a party to the action. Although there have not yet been any reported cases involving a 'grey' patented product obtained abroad from the Canadian patent owner, licensee or authorised distributor, Canada would likely follow English precedent and limit exhaustion in such a case to the jurisdiction in which the goods were obtained (and thereby, provided the goods were sourced outside Canada, allowing a patent infringement action to proceed).

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## 17 Competent authority jurisdiction

Are there circumstances in which the competition authority may have its jurisdiction ousted by, or will defer to, an IP-related authority, or vice versa?

As noted in question 14, the Bureau has said in the Guidelines that it will only seek a remedy under section 32 of the Competition Act where the conduct in question involves the 'mere' exercise of an IP right, and no appropriate remedy is available under the relevant IP statute. It is of note that, while the mere fact of licensing an IP right is permitted under IP statutes, the Bureau views the establishment of the terms of such licences and indeed the choice of the licensee to constitute 'more' than the mere exercise of those rights.

Significantly, in the 2005 *Eli Lilly v Apotex* case, the Federal Court of Appeal found that there is no inherent conflict between section 45 of the Competition Act (the conspiracy provision) and the right of a patent holder to assign a patent under the Patent Act. The court therefore rejected the argument that, because the assignment of patents is permitted under the Patent Act, all such assignments should be immunised from the conspiracy provision of the Competition Act. The court found that where the assignment of a patent increases the assignee's market power in excess of that inherent in the patent rights assigned, section 45 may apply. The court's finding was therefore supportive of the Bureau's Intellectual Property Enforcement Guidelines, which provide that the Bureau may challenge an arrangement where it creates, enhances or maintains market power. It is clear therefore that with respect to licensing behaviour (other than a mere refusal to license), the Bureau will not be impeded from enforcing the general provisions of the Competition Act simply because an IP statute generally authorises licensing of the IP rights.

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## Merger review

### 18 Powers of competition authority

Does the competition authority have the same powers with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

The Bureau's powers in reviewing a merger are not reduced or enhanced by the presence of IP rights. However, as explained in questions 19 to 21, the Bureau's analysis of the competitive impact of a merger involving IP rights will differ from its analysis of one that does not. Furthermore, the merger remedies sought by the Bureau may also be different where IP rights are involved.

### 19 Analysis of the competitive impact of a merger involving IP rights

Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

In general, the Bureau can challenge a merger before the Competition Tribunal or negotiate remedies with the merging parties where it believes that a merger is likely to substantially prevent or lessen competition. This substantive test does not depend on whether IP rights are involved. However, the Bureau has stated in the Guidelines that its assessment of market power in the IP context will focus less on traditional measures of market share and more on qualitative factors such as barriers to entry and the pace of technological change. Among other things, the Guidelines also note that a high degree of concentration is less problematic in industries characterised by low barriers to entry, rapid technological change, and a pattern of firms 'leap-frogging' or 'innovating around' previous technologies. The Guidelines also note that transactions involving IP often have pro-competitive benefits (such as combining complementary factors) and these would be considered as part of any efficiencies analysis conducted by the Bureau.

### 20 Challenge of a merger

In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights?

As noted above, the Bureau can challenge a merger before the Tribunal where it believes that a merger is likely to substantially prevent or lessen competition in a relevant market. In practice, the Bureau has tended to negotiate remedies with merging parties, in the form of registered consent agreements, rather than litigate at the Tribunal. As a result, case law is sparse.

Some examples of negotiated remedies involving IP are as follows:

- in the Teva/ratiopharm acquisition the Bureau was concerned that the merger would decrease competition in the generic drug market. The parties agreed to the divestiture of two drugs in certain dosage forms, which included the divestiture of all intellectual property rights associated with the two drugs;
- in the Novartis/Alcon acquisition the Bureau was satisfied that the divestiture of three products, including associated licences and all intellectual property rights, would alleviate the risk of a lessening competition in relation to certain ophthalmic products;
- in the Danaher/MDS acquisition, Danaher signed a consent decree with the United States Federal Trade Commission agreeing to a divestiture package including all relevant Canadian intellectual property rights relating to MDS's Arcturus brand of laser microdissection (LMD) instruments in Canada. The Bureau determined that the US decree was sufficient to adequately resolve competition concerns in Canada;
- in the BASF/Ciba Holdings acquisition, BASF agreed to divest Canadian intangible assets, including the IP rights relating to marketing and sales activities of these rights in Canada. The Bureau had been concerned that the merger would result in a decrease of competition in Canada for the supply of indanthrone blue and bismuth vanadate pigments which are used in paints and automobile coatings;
- in the Dow Chemical/Rohm and Hass Company acquisition, the Bureau was satisfied when Dow agreed to divest IP rights relating to marketing and sale of acrylic acid products, acrylic latex polymer products and hollow sphere particle products in Canada;
- in the Schering-Plough/Organon acquisition, the Bureau was satisfied that Organon's divestiture of the Cholervac-PM-1 fowl cholera vaccine, as required by the US FTC, would resolve any outstanding competition concerns in the Canadian market for fowl cholera vaccines; and
- in the Akzo Nobel/Imperial Chemical Industries acquisition, Akzo Nobel agreed to divest the PARA and Crown Diamond paint brands, as well as cease its loyalty reward programmes in Quebec for a period of five years, to address the Bureau's competition concerns regarding the supply of paint.

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### 21 Remedies to alleviate anti-competitive effect

What remedies are available to alleviate the anti-competitive effect of a merger involving IP rights?

As a preliminary matter, the Bureau's preference is to negotiate remedies with the parties rather than litigate at the Tribunal. Negotiated remedies often include divestment of assets. The Bureau views 'structural remedies' such as divestments to be more effective than behavioural remedies. In the IP context, although the Bureau has sought and obtained divestments, it has also noted that remedial action involving IP is often accomplished through licensing rather than outright divestment. The Bureau has stated that licensing can enable one or more third parties to participate in markets and that, compared to divestments, licensing can be efficiency-enhancing because it is less likely to discourage future research and development. A licence that is part of a remedy may be exclusive to the licensee, co-exclusive or non-exclusive, depending on the facts of the case.

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## Specific competition law violations

### 22 Conspiracy

Describe how the exercise, licensing, or transfer of IP rights can relate to cartel or conspiracy conduct.

Under section 45 of the Competition Act, an agreement among competitors or between suppliers and customers that would lead or would likely lead to an undue lessening or prevention of competition is a criminal offence punishable by a fine, imprisonment or both.

As of March 2010, section 45 prohibits agreements between competitors or potential competitors to fix prices, allocate sales, customs or markets, or fix or control production or supply of a product (subject to a defence that the agreement was ‘ancillary’ and ‘necessary’ to a broader, non-prohibited agreement). Section 45 is comprehensive enough to apply to agreements between owners of competing IP rights and between licensors and licensees. The Guidelines recognise that most restrictions contained in licensing agreements will not lead to the requisite ‘undue lessening or prevention of competition’ because licensing IP is generally pro-competitive. However, it is still possible that the market power of the contracting parties or the effect of the agreement on the relevant market could lead the competition authorities to allege that section 45 has been violated.

As noted, section 45 allows pro-competitive agreements and therefore permits cross-licensing arrangements and patent pools to the extent that they are pro-competitive. The Bureau has stated in its Guidelines that pro-competitive benefits of such arrangements can include the clearing of blocking patents, reduction of transaction costs, integration of complementary technologies and avoidance of costly infringement litigation. Protection for collective societies is provided for in the Copyright Act (see question 5).

In December 2009, the Bureau released new Competitor Collaboration Guidelines in anticipation of the coming into force in March 2010 of changes to the criminal conspiracy provisions of the Competition Act. The Guidelines provide insight into the Bureau’s approach to the new laws and suggest that vertical agreements as well as joint venture or licensing agreements will generally be evaluated under the new civil agreements provision in section 90.1 (with a competitive effects test and an efficiencies defence) rather than under the per se criminal provision in section 45 of the Act. The interpretation of these guidelines and the application of the new per se cartel rules to such agreements, however, remains to be seen.

### 23 (Resale) price maintenance

Describe how the exercise, licensing, or transfer of IP rights can relate to (resale) price maintenance.

Resale price maintenance was previously prohibited under section 61 of the Competition Act and carried criminal sanctions, but since March 2009, resale price maintenance has been re-characterised as a civilly reviewable practice. As was the previous section 61, section 76 is designed to include IP rights in such a way that attempts by licensors to influence prices upwards (or discourage reductions in price) in a downstream market fall within the scope of the provision. Although a licensor may suggest a resale price, it should make clear to the licensee that he or she need not accept the suggested price and that the licensee’s business relations with the licensor or any other person will not suffer if it chooses not to accept the suggested price.

### Acquisition and merger control – competition

#### 24 Exclusive dealing, tying and leveraging

Describe how the exercise, licensing, or transfer of IP rights can relate to exclusive dealing, tying and leveraging.

Both exclusive dealing and tied selling (which are forms of leveraging) fall under section 77 of the Competition Act, and are civilly reviewable by the Tribunal, upon application by the commissioner or, with leave, by a private party. Generally, a supplier engages in tied selling where, as a condition of supplying a product, it requires or induces a customer to purchase another product or refrain from using a particular brand of product; exclusive dealing occurs where a supplier requires or induces a customer to deal exclusively or primarily with products supplied or chosen by the supplier.

In order to offend section 77 (or the abuse of dominance provision in section 79 if they form part of a ‘practice of anti-competitive acts’), both tied selling and exclusive dealing must result or be likely to result in a substantial lessening of competition.

Therefore, a holder of IP rights may not use its rights to prevent or compel the use of other products where this conduct leads or is likely to lead to the requisite anti-competitive effect. The Bureau has stated in its Guidelines that even where it concludes that exclusive dealing or tied selling will substantially lessen competition, it is not likely that it will challenge conduct that has a strong efficiency rationale or pro-competitive business justification.

#### 25 Abuse of dominance

Describe how the exercise, licensing, or transfer of IP rights can relate to abuse of dominance.

Abuse of dominance is civilly reviewable by the Tribunal upon application by the commissioner. The Competition Act’s abuse of dominance provision (section 79) specifically exempts conduct engaged in pursuant only to the exercise or enjoyment of any interest derived from specified IP statutes. In the *Tele-Direct* case, the Tribunal found that the respondents’ refusal to license their trademarks fell within the exemption because it represented nothing more than the mere exercise of statutory rights. The Guidelines further emphasise that the mere exercise of a unilateral right (the owner’s right to exclude, for example) cannot result in a finding of abuse of dominance.

However, both the case law and the Guidelines provide that non-unilateral conduct falls outside the scope of the exemption. In the *NutraSweet* case, the Tribunal found that conduct seeking to extend an IP right beyond its scope (in that case, inducing customers to enter long-term supply agreements just before patents expired) amounted to an abuse of dominance. Furthermore, in the *Interac* case, in which the director of investigation and research under the Competition Act (the former title of the commissioner) and the respondents entered into a consent order, the director alleged that respondents used their control over the Interac electronic banking network and enacted exclusionary by-laws to engage in joint abuse of dominance. Among other things, the consent order contained provisions requiring Interac to grant a commercially reasonable software licence enabling others to join the Interac network, without any licence fee or royalty charge.

In an abuse of dominance application filed in February 2010 against the Canadian Real Estate Association (*Commissioner of Competition v Canadian Real Estate Association*, see question 32) the Commissioner alleged that the Canadian Real Estate Association (CREA) violated section 79 of the Competition Act by imposing certain rules on the use of CREA’s MLS® trademarks and on the access to CREA’s multiple listing service (MLS) for residential real estate transactions. Among its grounds for opposing the application, CREA asserted that its rules were an expression of its right to control the use of its trademarks. Under section 50 of the Trade-Marks Act, an owner must control the quality or character of the wares or services offered by a licensee in association with the trademark. However, the Tribunal never had the opportunity to settle the issue because the case was resolved through a consent agreement in October 2010.

More recently, the Bureau initiated abuse of dominance proceedings on 7 July 2011 against the Toronto Real Estate Board (TREB) (*Commissioner of Competition v Toronto Real Estate Board*), alleging that its policy and rules governing the use of information in the TREB MLS prevent real estate agents from introducing innovative real estate brokerage services over the internet. TREB responded by alleging that, as the owner and author of the electronic database that constitutes the TREB MLS, it has the exclusive right, under the Copyright Act, ‘to produce, reproduce, perform or publish any translation of the [TREB MLS] [...] and to authorize any such acts’, and that its policy and rules constitute ‘no more than the mere exercise’ of its rights under the Copyright Act. In her reply, the commissioner contended that the copyright argument was inapplicable, and to the extent that any rights did apply, TREB’s policy went well beyond the mere exercise of those rights. This case may give the Tribunal a new opportunity to clarify what constitutes the ‘mere exercise’ of an IP right, this time in the copyright context.

### Update and trends

On 6 October 2011, the Competition Bureau released revised Merger Enforcement Guidelines (MEGs). The new MEGs do not reflect a significant departure from the Bureau's previous merger enforcement policy or practice, nor do they include any IP-specific changes.

However, they do provide some additional clarification as to how the Bureau will approach certain aspects of merger review generally.

Changes include:

- a more nuanced approach to market definition;
- a more detailed explanation of the Bureau's approach to monopsony (buyer) power, minority interests and interlocking directorates;
- the use of various economic tools in the analysis of competition between firms with differentiated products;
- a change in the approach to assessing whether entry is likely to be 'timely';
- a more nuanced treatment of coordinated effects; and
- an expanded analysis of anti-competitive effects in non-horizontal mergers.

On 29 September 2011, the federal government introduced Bill C-11, entitled 'An Act to Amend the Copyright Act'. This marked the fourth time since 2005 that copyright-reform legislation has been introduced. Previously, Bill C-32 (introduced in 2010), Bill C-61 (introduced in 2008), and Bill C-60 (introduced in 2005) all died on the order paper due to dissolutions of government. However, unlike the three previous bills, Bill C-11 was introduced by a majority government, making its passage virtually certain, and the government expressed an expectation that the new legislation would be passed by the end of 2011. Among the changes proposed in Bill C-11 are heightened protection of digital rights management (DRM) and technological protection measures (TPM), which some interest groups feel raise competition concerns by reducing interoperability and tying content to specific hardware. In the absence of statutory protection, and given the right facts, it is conceivable that the use of DRM or TPMs could be challenged under the Competition Act as an abuse of a dominant position or potentially as an instance of tied selling.

### 26 Refusal to deal and essential facilities

Describe how the exercise, licensing, or transfer of IP rights can relate to refusal to deal and refusal to grant access to essential facilities.

See question 14 for a discussion of the circumstances in which a simple refusal to license IP could violate section 32 of the Competition Act, the section specifically dealing with the unilateral exercise of IP rights. Also, see question 28 for a discussion of the remedies available for violations of section 32 of the Competition Act.

Section 75 is the general provision of the Competition Act covering refusals to deal. Refusals to deal are civilly reviewable by the Tribunal, upon application by the commissioner or, with leave, by private parties. Under section 75, a refusal to deal occurs where a supplier refuses to supply a product to a customer and where the refusal has an adverse effect on competition (and the customer is willing and able to meet the usual trade terms, but is unable to obtain adequate supply because of insufficient competition among suppliers). In the *Warner Music* case, the Tribunal rejected an application made by the director of investigation and research under section 75 in which the director sought compulsory licensing of copyrights to enable a new, fledgling competitor to compete with an incumbent. Although the Tribunal disposed of the application on other grounds, it noted that as a matter of copyright law the respondents (namely, the IP holders) had the right to refuse to license their IP. The Tribunal seems therefore to be of the general view that section 75 does not apply to mere refusals to license IP.

### Remedies

#### 27 Remedies for violations of competition law involving IP

What sanctions or remedies can the competition authority or courts impose for violations of competition law involving IP?

See question 28 for a summary of the remedies available for violations of section 32, the section of the Competition Act specifically dealing with IP. In addition to these special IP-specific remedies, which include compulsory licensing and the voiding of licences, other remedies are available for violations of the general sections of the Competition Act for conduct that happens to involve IP. For example, if an IP-related agreement was found to violate section 45 of the Competition Act (the cartel or conspiracy provision), then the normal remedies available under section 45 (that is, as of March 2010, fines up to C\$25 million, imprisonment for up to 14 years, or both) would be available. If the Bureau blocked a merger on the basis that the combination of the merging parties' IP would substantially lessen or prevent competition, then the Bureau may seek the same remedies as are available for mergers that do not involve IP (divestitures, for example) or IP-specific remedies such as mandatory licensing.

### 28 Competition law remedies specific to IP

Do special remedies exist under your competition laws that are specific to IP matters?

As noted in question 14, section 32 of the Competition Act provides for special remedies specific to IP-related matters. Where the factors outlined in question 14 are met, and when it is the Bureau's view that no appropriate remedy is available under the relevant IP statute, the Bureau will recommend to the attorney general that an application be made to the Federal Court under section 32.

If it agrees with the attorney general, the Federal Court may make one or more of the following orders:

- declaring void, in whole or in part, any agreement, arrangement or licence relating to the impugned use of IP rights;
- restraining a person from carrying out or exercising any or all of the terms or provisions of the agreement, arrangement or licence;
- directing the grant of licences to such person and on such terms and conditions as the court may deem proper or, if the grant and other remedies under this section would appear insufficient to prevent the impugned use, revoking the patent;
- directing a registration of a trademark or an integrated circuit topography to be expunged or revoked; and
- directing that such other acts be done or omitted as the court deems necessary to prevent the impugned use.

### 29 Remedies and sanctions

What competition remedies or sanctions have been imposed in the IP context?

Section 32 remedies (see question 28) have not yet been imposed by a court. Furthermore, it should be noted that the Bureau has adopted a cautious approach to section 32, as set out in the Guidelines, which is unlikely to produce a great number of cases (there have been only a few applications over the years, all of which have been settled, and no such applications have been made since the 1970s).

Under the general provisions of the Competition Act, however, sanctions or remedies have been imposed in the IP context. For example, sanctions or remedies were imposed or agreed upon in the abuse of dominance context in the *NutraSweet* and *Interac* cases, described in question 25. In merger cases (see question 20), the Bureau has entered into a number of consent agreements with the merging parties in which divestments or licensing of IP or both have been obtained.

### 30 Scrutiny of settlement agreements

How will a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective?

As noted in question 13, the Bureau released a paper in 2007 dealing with the interface between competition and intellectual property laws. The paper highlighted litigation settlements as a future challenge for competition law and policymakers, stating that although litigation settlements are not regulated under any particular law, they may result in the following conduct which could have anti-competitive effects:

- the grant of exclusive and restrictive licences such as licences that define narrow geographical areas in which the licence can be exploited;
- parties engaging in cross-licensing and patent pooling such as where two or more parties agree to license IP rights to each other or to pool patents together – the Bureau recognises that these agreements can be pro-competitive, but they can also result in price-setting structures, coordinated output restrictions and illegal tying arrangements;
- reverse payments where one party agrees to a restrictive covenant or delayed licence in return for a substantial amount of money; and
- payments made from one party to another party not to enter a market.

A July 2008 patent infringement case, *Laboratoires Servier v Apotex*, is the only one in which a court has considered the possibility of a Competition Act claim arising from a patent dispute settlement agreement. In that case, the patent at issue had been the subject of a dispute among three applicants before it was issued. There was disagreement as to which of the applicants were entitled to patents for particular claims in the application. The three applicants brought the matter before the Federal Court for resolution, but they settled soon afterwards. In response to the allegation that it had infringed said patent, Apotex alleged that the settlement agreement among the three companies amounted to a conspiracy to lessen competition unduly, contrary to section 45 of the Competition Act. The *Servier* court followed the basic reasoning in *Eli Lilly v Apotex*, discussed in question 17, but distinguished the two because there was nothing in the *Servier* case that resulted in the parties to the settlement obtaining more market power than was inherent in the patent itself.

In June 2009, the Federal Court of Appeal affirmed the Federal Court's decision in the *Servier* case, reiterating that every step leading up to the issuance of the patent, including the settlement agreement, was in accordance with the parties' rights under the Patent Act, and that there must be 'something more' beyond the mere assertion of patent rights to sustain a finding of contravention of section 45 of the Competition Act. The appellate court went on to state that:

[...] this is not to say there might never be circumstances where a settlement agreement could constitute the 'something more' contemplated in the [*Eli Lilly v Apotex*] cases. It is not the situation here. I have some difficulty conceptualizing that an agreement effecting a remedy that was open to the court to grant and was placed before the court for its approval could constitute an offence under the Competition Act.

Leave to appeal to the Supreme Court of Canada was refused in March 2010.

Although, to our knowledge, there have been no Competition Bureau proceedings based on settlement agreements to date, there is no reason why such a settlement agreement could not offend section 45 or 79 of the Competition Act (the cartel or conspiracy and abuse of dominance provisions), particularly if it, arguably, extends beyond the area of exclusivity granted by the IP rights. See question 22 for a brief discussion of section 45, and question 25 for a discussion of section 79.

### Economics and application of competition law

#### 31 Economics

What role has economics played in the application of competition law to cases involving IP rights?

As there have been relatively few competition law cases involving IP rights, it is difficult to assess what role the courts and the Tribunal have assigned to economics in the IP context. However, the Guidelines are replete with economics-based reasoning and the Bureau's approach to IP rights as evidenced in the Guidelines, speeches of the commissioner and elsewhere suggest that the Bureau's understanding of the relationship between IP rights and competition policy is suitably informed by economic theory.

#### 32 Recent cases

Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

As noted in question 25, in February 2010 the commissioner of competition filed an application with the Competition Tribunal alleging that the Canadian Real Estate Association (CREA) engaged in abuse of dominance contrary to section 79 of the Competition Act. The application took issue with certain rules imposed by CREA on the use of CREA's MLS® trademarks and on access to CREA's multiple listing service, which the commissioner alleged substantially lessen or prevent competition in the market for the supply of residential real estate brokerage services to home sellers. Because the primary mechanism by which CREA was alleged to have exercised control over the market and lessened competition was its control over the use of its trademarks by its licensee members, the case raised interesting issues

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with respect to the interface of competition law and trademark rights, and in particular what constitutes the ‘mere exercise’ of trademark rights and what constitutes ‘something more’ in the context of section 79 of the Competition Act. In October 2010, however, CREA and the Commission entered into a consent agreement and the case was closed, pursuant to the terms of which, homeowners who wish to have their homes listed on CREA’s MLS® website must do so through a licensed agent, but can choose what additional services, if any, to acquire.

In July 2011, the commissioner filed another abuse of dominance application with the Competition Tribunal, this time against the Toronto Real Estate Board (TREB). The commissioner challenged TREB’s policy and rules related to its MLS system. Specifically, the commissioner took issue with rules that prevent real estate agents from introducing innovative real estate brokerage services over the internet. TREB’s response relied in part on copyright.

As the copyright holder of the data contained in the TREB MLS electronic database, TREB alleged that it had the exclusive right, under the Copyright Act, ‘to produce, reproduce, perform or publish any translation of the [TREB MLS] [...] and to authorize any such acts.’ Consequently, TREB argued that its rules were a ‘mere exercise’ of its IP rights, and therefore excluded from the definition of ‘anti-competitive act’ pursuant to section 79(5) of the Act. As noted in question 25, this case may thus provide the Tribunal with the opportunity to clarify what constitutes the ‘mere exercise’ of an IP right under section 79(5).

As discussed in question 5, in 2010, the Ontario Court of Appeal upheld the lower court’s decision in *Harris v. GlaxoSmithKline*, dismissing a tort class-action in which the plaintiff alleged that the defendant had used sham regulatory proceedings to delay the entry of generic competitors into the market, allowing it to charge ‘supra-competitive’ prices. Leave to appeal to the Supreme Court was denied in July 2011.



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