

# Intellectual Property

Section K of Stikeman Elliott's *Doing Business in Canada*



# Intellectual Property

## Contents

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Patent Law .....	2
Compared to Other Countries .....	2
Term of Patent and Damages on Infringement .....	2
What Makes an Invention Patentable? .....	2
Drug Patents .....	3
Copyright .....	4
General .....	4
Requirements for Copyright Protection .....	4
What is Not Protected by Copyright .....	4
Registration of Copyright .....	4
Duration of Copyright .....	5
What Kind of Activities Infringe Copyright? .....	5
What Constitutes a "Substantial" Portion of a Work for Infringement Purposes? .....	5
Moral Rights .....	6
Trademarks .....	6
General .....	6
Requirements .....	6
Registration and Invalidation .....	7
Infringement .....	7
Industrial Designs .....	7
General .....	7
Registration Requirements .....	7
Duration of Protection .....	8
Semiconductor Chips .....	8

# Intellectual Property

## PATENT LAW

### Compared to Other Countries

Patent law in Canada has been greatly influenced by the legal systems of Great Britain and the United States. A 1989 amendment brought the *Patent Act* into substantial conformity with the equivalent legislation of the other members of the *Patent Co-operation Treaty* of 1970. Under the *Patent Act*, an inventor is granted the exclusive right to make, construct, use and sell an invention, which is defined as “any new and useful art, process, machine, manufacture or composition of matter”, and any new and useful improvement thereof. The exclusive rights conferred under the *Patent Act* are limited to Canada. A person who makes and sells the invention exclusively outside of Canada does not breach the Canadian patent.

### Term of Patent and Damages on Infringement

Post October 1, 1989, an “invention”, as defined, may be patented by the inventor who is first to file an application under the *Patent Act* (not the first to invent). The patent is valid for twenty years from the date of filing, or, for applications filed prior to October 1, 1989, for seventeen years from the date on which the patent was granted or twenty years from the date of filing, whichever is longer. Damages or an accounting of profits and injunctive relief are available where a patent has been infringed. Infringement includes the unauthorized manufacture, use, sale, import or export of the patented invention. Liability may arise for damages sustained after the application for the patent became open to public inspection and before the grant of the patent.

### What Makes an Invention Patentable?

The requirement of “novelty” must be met for a patent to be granted. Therefore, in certain circumstances, any invention that is disclosed or made available to the public anywhere in the world before a patent application is filed in Canada, or that is described in any patent application previously filed in Canada or elsewhere will not be patentable. If the invention is disclosed to the public by the applicant or a person who gained knowledge of the invention through the applicant, a patent may still be granted provided such disclosure occurs less than one year before the filing of the application. Mere scientific principles and abstract theories are not patentable under Canadian law, nor are computer programs *per se*, although patent protection has been allowed for inventions which appear to consist primarily of computer programs, at least where some additional subject-matter is claimed.

## Drug Patents

The *Patent Act Amendment Act* also modified the scheme for the pricing of patented inventions relating to medicine, which are defined as inventions intended or capable of being used for medicines, the delivery of medicine or for the preparation or production of medicine. Patentees of such inventions are required to disclose to the Patented Medicine Prices Review Board (PMPRB) prescribed information including the price at which the medicine is being or has been sold in Canada or elsewhere, and the costs of making and marketing the medicine as well as, where requested, information as to the prices at which medicines of the same class are being or have been sold in Canada or elsewhere.

Where the PMPRB determines that prices are or have been excessive, it can order the reduction of the price of the medicine or of other medicines being sold by the patentee or order payment to the Crown such as to offset the amount of the excess revenue derived from the sale of the medicine at an excessive price or, where the PMPRB finds that there was a policy of excessive pricing, double the amount of the excess revenues. In determining whether a price is excessive, the PMPRB considers, among other things, the prices at which the medicine and similar medicines have sold in the relevant market and abroad, the cost of making and marketing the medicine, the distribution of the medicine as a free good and the extent to which price increases might be attributable to inflation.

The *Patent Act Amendment Act* came into force in 1993, effectively abolishing compulsory licensing of drugs, while at the same time the *Patented Medicines (Notice of Compliance) Regulations* (NOC Regulations) were implemented. The NOC Regulations allow an innovative drug company to submit a list of patents in respect of a drug to the Commissioner of Patents to be listed on a register. If a generic drug company would like to manufacture a generic version of a drug, it must put the innovative drug company on notice of their application for regulatory approval by serving a notice of allegations (NOA). The NOA may allege that the generic company accepts that the notice of compliance (NOC) – i.e. the regulatory approval – for the drug will not issue until the patent(s) on the register expire, or (alternatively) that the patents on the register are invalid, or (as a third possibility) that the claims of the patents are not infringed by the generic's drug. The innovative drug company will then have 45 days to bring an application to the Federal Court for an order prohibiting the Minister of Health from issuing a NOC until after the expiration of the patents on the register. If the innovative drug company is not successful in obtaining a prohibition order, this does not preclude them from suing the generic company for patent infringement.

## COPYRIGHT

### General

Copyright in Canada derives solely from the federal *Copyright Act*. There is no common law copyright in Canada. The federal *Copyright Act* grants the owner of copyright the right to prevent the copying or commercial exploitation of original literary, dramatic, musical and artistic works and performances. Amendments to the Act in 1988 provide explicit protection for computer programs and established a system for the determination and collection of cable retransmissions royalties. The *Copyright Act* also includes provisions designed primarily to protect performer's rights (also known as neighbouring rights) and a scheme to levy blank audio recording media.

### Requirements for Copyright Protection

Copyright subsists in every original literary, dramatic, musical and artistic work subject to citizenship or residency requirements.

Broadly speaking, copyright may be claimed by an author who was, at the date of making of a work, (i) a Canadian citizen or a person ordinarily resident in Canada, (ii) a citizen of, or a person ordinarily resident in a "treaty country" (being a country which adheres to the Berne Convention, the Universal Copyright Convention, the Rome Convention or a member of the World Trade Organization), or (iii) a citizen, or a person ordinarily resident in a country to which the federal government has extended copyright protection having regard to reciprocity extended to citizens of Canada in that country. In some cases, copyright protection is also extended if the work was first published in a treaty country, even if the author is not a citizen or subject of Canada or a treaty country.

### What is Not Protected by Copyright

Copyright does not protect ideas: it protects only the concrete form of expression of ideas (i.e. in the form of a "work"). Furthermore, works are only protected by copyright to the extent that they are original, which, in the context of copyright, means that the work was created by the author rather than imitated from another or taken from the public domain.

### Registration of Copyright

The *Copyright Act* provides for registration in the Copyright Office if desired by the owner of the copyright. While registration is optional (as copyright arises at the moment of creation alone), it does confer certain evidentiary benefits. Certain remedies provided for by the *Copyright Act* may only be available in the absence of registration if the author can prove actual knowledge of the existence of the copyright on the part of the infringing party. Actual knowledge is deemed to exist by statute if registration has been effected. Infringement includes the production or

reproduction of a copyrighted work or any substantial part thereof and the knowing distribution or offering of same to the public. The author of a copyright work also has the non-assignable right to restrain any distortion, mutilation, misattribution or other modification of the work which is prejudicial to the author's reputation. Remedies for infringement are cumulative and include actual damages, statutory damages, an accounting of profits, delivery up of any infringing material and injunctive relief. Criminal sanctions are also available in limited circumstances.

Copyright in a work may be registered with the Copyright Office at a nominal fee (currently \$65, or \$50 for on-line registrations). Registration is effected by completing and submitting a registration form and a certificate is usually issued within four weeks following receipt of an application by the Copyright Office.

### **Duration of Copyright**

Subject to exceptions set out in the *Copyright Act*, the term of protection of a copyrighted work is the life of the author and 50 years from the end of the calendar year of his or her death. In the case of jointly authored works, copyright subsists for the same period based on the life of the last surviving author.

While this so-called "life plus fifty years" term applies to most copyrighted works in Canada, there are exceptions to this general rule, including unpublished works, photographs, posthumous works, some joint works and Crown works.

### **What Kind of Activities Infringe Copyright?**

As mentioned above, a copyright owner has the sole right to reproduce or publish a work or any substantial part of a work, or to authorize others to do so. In the case of reproduction, the form of reproduction varies according to the type of work in question and may include, by way of example, photocopying, translation, recording and public performance. A copyright owner also has the right to publish a work by making it available to the public. Generally, once a copyright owner has made a work available to the public, the owner loses control of any copies of the work so published.

### **What Constitutes a "Substantial" Portion of a Work for Infringement Purposes?**

It is impossible to extract any simple rule or formula for determining whether a part of a work is "substantial" beyond the fact that it is the "quality" rather than the "quantity" of the appropriated material that is determinative. Thus, the unauthorized taking of a small portion of a work may constitute a substantial taking of the work if, viewed qualitatively, what was taken amounted to a substantial taking of the author's creative skill, time and talent.

## Moral Rights

In addition to copyright rights, the *Copyright Act* grants the author of a copyrighted work rights of “integrity” and “paternity” in the work. An author’s right of integrity is infringed if the work is “distorted, mutilated or otherwise modified” to the “prejudice of the honour or reputation of the author”. In addition to physical distortion, mutilation or modification of a work, use of a work in association with a product, service or cause may be capable of infringing an author’s right of integrity.

An author’s right of paternity is the right, “where reasonable in the circumstances”, to be associated with the work as its author, by name or pseudonym, or to be anonymous. There is little guidance respecting the scope of an author’s right of paternity beyond the language of the *Copyright Act*, which restricts the right to what is “reasonable in the circumstances”. Accordingly, the scope of an author’s right of paternity must be assessed on a case-by-case basis.

Moral rights may not be assigned or licensed, but they may be expressly waived. This being the case, an assignee of copyright in a work should try to obtain a waiver of moral rights from the author if he or she wishes to have complete freedom with respect to the work. There is no requirement that such a waiver be in writing, but it is highly advisable.

## TRADEMARKS

### General

A trademark is a word, symbol or design, or a combination of these, used to distinguish the source of a particular product or service. While registration of a trademark under the federal *Trade-marks Act* is not mandatory, the extent of protection available to the owner of an unregistered trademark may be limited geographically to the area in which the trademark enjoys some reputation. In respect of a registered trademark, there is protection throughout Canada. In addition, broader remedies may be available where there has been an improper use of a registered trademark as opposed to an unregistered one.

### Requirements

In order to be registrable, a trademark must be neither clearly descriptive nor deceptively misdescriptive of the character or quality of the goods or services, the persons employed in their production, or their place of origin. Furthermore, a trademark must not be simply the name of the ware or service in another language, primarily merely the name or surname of an individual who is living or who has died within the past 30 years, nor likely to cause confusion with a trademark previously used or put forward for registration by someone else.

In order to register a trademark, the applicant must claim to have used or made known the trademark in Canada, or have registered and used the trademark in another country adhering to the Paris Convention, or propose to use the trademark in Canada.

### **Registration and Invalidation**

A trademark registration lasts for fifteen years, and may be renewed for further fifteen-year periods upon payment of a fee. A trademark registration will be invalid if at the time proceedings questioning the validity of the trademark are commenced, the mark has lost its distinctiveness and therefore cannot be said to identify in the minds of the public the particular source of the goods or service. Formerly, the most common means of losing distinctiveness was the licensing of the trademark without registering such licence. However, the requirement for the registration of licensed users of marks has been abolished in Canada. Trademark licensing in Canada now requires the licensor/owner of the mark to maintain direct or indirect control over the character or quality of the wares or services in respect of which the mark is licensed.

### **Infringement**

Infringement of a trademark, which may lead to both civil and criminal liability, occurs when there is a sale, offering for sale, distribution or advertisement of wares or services in association with a confusing trademark or trade name. Infringement also occurs where a person uses a registered mark in a manner likely to have the effect of depreciating the goodwill attached to it. Use of a trademark in a competing business may also give rise to an action either at common law or pursuant to statute for passing off or unfair competition. Criminal sanctions are available, but rarely used.

## **INDUSTRIAL DESIGNS**

### **General**

The federal *Industrial Design Act* grants exclusive rights with respect to a registered industrial design within Canada for the duration of its registration. Industrial design is defined as “features of shape, configuration, pattern or ornament and any combination of those features that, in a finished article, appeal to and are judged solely by the eye.”

### **Registration Requirements**

Registration requires the filing of a drawing or photograph, a description of the design, and a declaration that the design was not being used and had not been used, to the applicant’s knowledge, by any other person at the time that the applicant adopted it. A valid registration requires “novelty,” which means that the design should neither be found to be identical with

some other design already registered, nor to so closely resemble some other design as to be confused with it. Initial application must be made within one year of the publication of the design in Canada or elsewhere.

#### **Duration of Protection**

The registration of an industrial design is valid for five years and may be renewed for a further period of five years, to a limit of ten years in total. The infringement of a registered industrial design may give rise to civil remedies. In the absence of the marking of the object with the notice provided by statute, only injunctive relief is available. Infringement includes making, importing for the purposes of trade or business, selling or renting, and offering or exposing for sale or rent any article in respect of which the design is registered and to which the design or a design not differing substantially therefrom has been applied. However, it is not an infringement to apply a design similar or identical to that which has been registered to a substantially different article or in a new or novel manner.

### **SEMICONDUCTOR CHIPS**

The *Integrated Circuit Topography Act, 1993*, gives registrants a ten-year exclusive term of protection for the design or topography of integrated circuits (that is, semiconductor chips). Registration is available to creators of topographies who are nationals of Canada, legal entities who create topographies or manufacture circuit products in Canada, and nationals and residents of foreign countries who offer sufficient protection to Canadian topographies or who are parties to treaties or conventions respecting the protection of topographies to which Canada is also a party.

The application for registration must be filed in Canada within two years of the first commercial exploitation of the topography anywhere in the world. Registration gives the exclusive right to reproduce, manufacture, import or commercially exploit the topography and any integrated circuit which incorporates the topography or a substantial part thereof. Reverse engineering is lawful for the purposes of evaluation, research or teaching, but not for commercial purposes.

# Canadian Business Law – Worldwide

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