Law Society of Ontario | Barreau de l'Ontario

27th Intellectual Property Law:

The Year in Review

CO-CHAIRS

May Cheng, C.S.
Osler, Hoskin & Harcourt LLP

Monique Couture
Gowling WLG (Canada) LLP

January 18, 2023

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CO-CHAIRS: **May Cheng, C.S.,** *Osler, Hoskin & Harcourt LLP*

Monique Couture, *Gowling WLG (Canada) LLP*

January 18, 2023
9:00 a.m. to 1:00 p.m.
Total CPD Hours = 3 h + 30 m Substantive + 30 m Professionalism Ⓟ

Law Society of Ontario
Donald Lamont Learning Centre
130 Queen St. W.
Toronto, ON

SKU CLE23-00101

Agenda

9:00 a.m. – 9:05 a.m. **Welcome**

May Cheng, C.S., *Osler, Hoskin & Harcourt LLP*

Monique Couture, *Gowling WLG (Canada) LLP*

9:05 a.m. – 9:40 a.m. **Patent Update**

Jordana Sanft, *Lenczner Slaght LLP*

9:40 a.m. – 9:50 a.m.	**Question and Answer Session**
9:50 a.m. – 10:25 a.m.	**Copyright Update** Casey Chisick, C.S., *Cassels Brock & Blackwell LLP*
10:25 a.m. – 10:35 a.m.	**Question and Answer Session**
10:35 a.m. – 10:55 a.m.	**Break**
10:55 a.m. – 11:30 a.m.	**Trademarks Update** Natalie Rizkalla-Kamel, *Gowling WLG (Canada) LLP*
11:30 a.m. – 11:40 a.m.	**Question and Answer Session**
11:40 a.m. – 12:15 p.m.	**Review of the New European Unitary Patents and Unified Patent Court** Nick McDonald, *Potter Clarkson LLP*
12:15 p.m. – 12:20 p.m.	**Question and Answer**
12:20 p.m. – 12:50 p.m.	**Professional Conduct in the Time of COVID: Views from the Bench** (30 m P) Associate Justice Trent Horne, *Federal Court* Michael Crinson, *Crinson Law*
12:50 p.m. – 1:00 p.m.	**Question and Answer Session**
1:00 p.m.	**Program Ends**

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27th Intellectual Property Law:
The Year in Review

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TAB 1

27th Intellectual Property Law:
The Year in Review

2022 Year in Review: Patents

2022 Year in Review: Patents (PowerPoint)

Jordana Sanft
Andrew Moeser
Kaitlin Soye
Lenczner Slaght LLP

January 18, 2023

2022 Year in Review: *Patents*

Jordana Sanft
Andrew Moeser
Kaitlin Soye

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Introduction

Welcome to 2022 Year in Review: Patents

This paper is divided into two main sections. The first section is "Commentary" and in it we discuss key patent caselaw developments in 2022. This section has three parts. In the first part we have chosen to focus our commentary on several key areas, namely: Claims Construction, Infringement, Validity, Patentable Subject Matter, Summary Proceedings, Relief and Entitlement, and Key Procedural Motions. The second part of the Commentary section provides a brief update on relevant patent related updates to Statutes, Regulations & Rules, and Practice Directions. Finally, the Commentary section includes some "Quick Hitters". This subsection provides some key takeaways from patent-adjacent (Patented Medicine Prices Review Board (PMPRB), data protection, etc.) decisions in 2022 and touches on other interesting topics worth noting.

The second section is "The Year in Data" and includes insights from the Lenczner Slaght Patent Appeals Project, which is a database of all Federal Court of Appeal ("FCA") cases from the last twenty years. This section sheds light on interesting trends from a data focused perspective. Thank you to Paul-Erik Veel and Samantha Hargraves for their contributions to this section of the paper and for their data analysis and insights for the Lenczner Slaght Patent Appeals Project.

Case names are hyperlinked in the Commentary section to the decisions on the Federal Court and or CanLII websites. Other (non-2022) cases referenced are also hyperlinked to the decisions.

We hope you find it useful!

Commentary

Claims Construction

Claim Construction is a core tenet of patent law impacting both infringement and validity analyses. Claim construction analysis received some important guidance in 2022.

Recourse to the Disclosure is Always Permitted

In *Biogen Canada Inc. v. Pharmascience Inc.* 2022 FCA 143 ("Biogen FCA"), Gauthier JA held that in a claim construction analysis recourse to the disclosure is always permitted. Recourse to the disclosure is relevant whether or not a claim is ambiguous. Adherence to the claim language is also required. Purposive claim construction involves looking at words of the claims in context. This includes individual claim review and looking at the claims as a whole, as well as considering the description and the purpose of the patent. The inventor's objective intention is what the Court is trying to ascertain in the claim construction analysis.

The decision of Locke JA in *Betser-Zilevitch v. Petrochina Canada Ltd.* 2022 FCA 162 is dated shortly after the decision in Biogen FCA. In this decision the FCA held that more than a "gloss or stray mention" of a disputed term was present in the patent disclosure at issue. The patent describes characteristics of the invention with reference to its objects, and the disputed term was understood with reference to that aspect of the disclosure which spoke to the object of improved safety. It was not an error to rely on this part of the disclosure in construing the term. Locke JA held the Court below correctly concluded the term was ambiguous and appropriately had recourse to the disclosure to construe it.

In both decisions the FCA held recourse to the disclosure was appropriate, albeit with different approaches. Biogen FCA appears to seek to resolve the open question as to when recourse to the disclosure is permitted. The 2022 trend on claim construction leans into looking at the disclosure. In 2023 we will watch if the trend follows Biogen FCA's effort at closure.

Focus on Issues in Dispute

In *Swist v. MEG Energy Corp* 2022 FCA 118, Laskin JA held that the Court may focus its construction analysis on the issues in dispute between the parties, centering the analysis on "where the shoes pinches". The FCA further stated that the Federal Court was, at first instance, entitled to focus construction on certain disputed terms in the claims without explicitly construing other claims. To the extent the analysis implicitly required construction of other terms, there was no error. Where the parties have not provided expert evidence on how a skilled person would understand a term, or where that evidence is clearly not necessary, claim terms are to be given their plain and ordinary meaning. Leave to appeal to the Supreme Court of Canada ("SCC") sought (File No. 40363).

Infringement

A few interesting developments emerged in infringement decisions this year including as to indirect infringement, common design and attribution, the prior use defence, and the meaning of "use".

Inducement

In *Angelcare Canada Inc. v. Munchkin Inc.* 2022 FC 507 ("Angelcare"), Roy J found the Defendants infringed several patents owned by the Plaintiffs relating to their diaper disposal system sold under the brand name "Diaper Genie". The decision provides insights particularly relevant to inducement.

On the issue of inducement, the Court held the Plaintiffs established both direct and indirect infringement. In respect of inducement, the Court held that Munchkin encouraged consumers to use their products in a manner that infringes certain claims of the patents in issue. The Court further found that Munchkin's labels affixed on its Munchkin products encouraged consumers (i.e. the direct infringer) to use the Munchkin products with the diaper genie pails. The Court held there was no doubt that Munchkin knew its label was affixed on its cassette products and that those labels announced compatibility with the Diaper

Genie. The influence was deliberate. The Court further held that it was easily inferred from the evidence that the influence resulted in the completion of the act of infringement. All three prongs of the inducement test were satisfied in respect of some of the patented combinations. Decision under appeal (File Nos. A-106-22 and A-105-22 consolidated under File No. A-105-22).

Common Design and Attribution

Two appeals were heard consecutively in *Rovi Guides, Inc. v. Videotron Ltd* 2022 FC 981*. and Rovi Guides v. Bell* 2022 FC 979 by Brown J. The motions sought to strike allegations grounded in the doctrines of infringement by common design and infringement by attribution. The appeals involved similar arguments by the Defendants asserting that infringement by common design and infringement by attribution are not recognized in Canadian law and therefore the allegations disclose no reasonable cause of action. The Court dismissed the appeals and allowed the allegations to proceed.

Prior Use Defence

In *Kobold Corporation v. NCS Multistage Inc.* 2021 FC 1437, Zinn J provided the first judicial consideration of the prior use defence since the substantial amendments to section 56 of the *Patent Act* in 2018. The Court articulated the following test under s. 56(1). *First*, if the acts performed before and after the claim date are identical, then a prior use defence applies. *Second*, if the acts are not identical, determine whether the acts infringe the patent. *Third*, if the pre- and post-claim date acts are not identical, but both infringe the same claims, determine whether the changes between pre- and post-claim date acts relate to the inventive concept of the patent. If the changes do not relate to the inventive concept, then subsection 56(1) will provide a defence to infringement.

The Meaning of "Use"

In a summary trial in *Steelhead LNG (ASLNG) Ltd. v. ARC Resources Ltd.* 2022 FC 998, Manson J considered what constitutes infringing "use" in the context of s. 42 of the *Patent Act*. The Court held that the Defendants' conceptual design for purposes of future development of a liquified natural gas facility, and presentation of that design to third parties, did not constitute "use" of a patent claiming systems and methods of liquefying natural gas. The Court stated that the claimed invention is an actual physical apparatus, system, or method using such an apparatus, and that simply drawing the invention for promotional purposes would only constitute a "paper offer" that does not amount to infringement. The Court also found that, on the evidence, there was no commercial benefit obtained by the Defendants from the alleged "use". Decision under appeal (File No. A-210-22).

Validity

In 2022, as in most years, we saw ebbs and flows in the development of various validity issues. This section highlights some of the most interesting developments. Although patentable subject matter could properly be addressed in this section it is so topical it is addressed under its own heading.

Common General Knowledge and Prior Art

In *Janssen Inc. v. Sandoz Canada Inc.* 2022 FC 715, Palotta J states that the common general knowledge ("CGK") analysis is distinct from the state of the art analysis and they each play different roles. Identifying the CGK is the first step in the obviousness inquiry. A comparison of the inventive concept to the state of the art is the third step. The state of the art is the culmination of the relevant prior art and is understood by reading the prior art in light of the CGK of the skilled person. The Court further states that while in some cases there may be little practical difference between the CGK and the state of the art, in some cases, as in this one, it does matter. The Court found that the Defendant's position was inconsistent with the expert evidence and that the expert did not properly consider what would have formed part of the CGK of the skilled person. The Defendant did not establish that certain prior art references would have formed part of the CGK. Decision under appeal (A-128-22).

Prior art was also in issue before Zinn J in *Google LLC v. Sonos, Inc.* 2022 FC 1116. This decision is of interest for its discussion of obscure prior art. In this case, a key prior art document was obscure (i.e. it would not have been found in a reasonably diligent search). The prior art reference was also not found by any of the experts in preparing their reports nor was it known to them prior to the litigation. Following the FCA's decision in *Hospira* (2020 FCA 30), Zinn J found that this obscure piece of prior art was eligible to be considered for the purpose of the obviousness analysis. However, Zinn J went on to find that given the difficulty in locating this particular prior art reference, the skilled person would not have been led directly and without difficulty to combine it in the obviousness analysis. The Court rejected any obviousness argument by the Defendant that involved using that obscure prior art reference in combination with other references. Decision under appeal (A-208-22).

This decision is similar to, and consistent with the decision of Locke JA in 2022 FCA 2 upholding Kane J in 2020 FC 1158.

Inventiveness

Several decisions in 2022 considered inventiveness issues beyond the CGK and prior art discussion above. These decisions provide useful guidance on, among other things, the inventive concept, the inventiveness of salt patents, and the interplay between obviousness and sound prediction.

One such decision is *Merck Sharp & Dohme Corp. v. Pharmascience Inc.* 2022 FC 417 ("Merck v. PMS"). In this case Furlanetto J held the patent in issue (the '400 Patent) was inventive. In coming to this conclusion, the Court considered the obviousness analysis as well as selection patent analysis. Further, in looking to the inventive concept, the Court did so on a claim-by-claim basis. The Court stated that inventive concept is distinct from claims construction, although it may be informed by it.

The Court held that the inventive concept of the asserted claims consisted of the same advantages that rendered the '400 Patent a selection patent. The Court made this finding even though the advantages were not claimed.

Furlanetto J held that the analysis of a salt patent does not have general rules that can be applied in all cases. The analysis will turn on the facts, issues, and evidence in each case. The patent was held to be inventive. Decision under appeal (A-91-22).

A selection patent analysis was also before the FCA in *Pharmascience Inc. v. Bristol-Myers Squibb Canada Co.* 2022 FCA 142. ("PMS v. BMS") The FCA held that:

1. There was evidence on which the Federal Court was entitled to and did rely to conclude that the patent in issue does disclose a special advantage of apixaban over the genus of compounds described in the prior genus patent;
2. The Federal Court did not err in considering the claims of the patent in determining how the skilled person would find the special advantage was disclosed by inference; and
3. An explicit comparison of apixaban to any other individual compound within the genus was not required.

Leave to appeal to the SCC sought (File No. 40400).

The Obviousness Squeeze Argument

In *Pharmascience Inc. v. Teva Canada Innovation* 2022 FCA 2 ("PMS. v. Teva"), the FCA held that the Court can find that there is enough in the CGK to support a sound prediction but not enough to find the invention obvious. According to this decision of Locke JA, it is not necessarily inconsistent to find on one hand that something is described sufficiently in the patent disclosure and the CGK to support that a sound prediction will be useful, and on the other hand the idea is not known enough in the prior art, including the CGK, to lead skilled person directly and without difficulty to the solution taught in the patent, but not enough to find the invention obvious.

Leave to appeal to the SCC dismissed (File No. 40100).

Sufficiency is Assessed on the Issued Patent

In PMS v. BMS 2022 FCA 142, Locke JA considered among other things, the issue of sufficiency. The FCA held the sufficiency assessment should be made based on the issued patent which includes the issued claims as part of the specification. The claims relevant to the determination are the issued claims, not claims pending before the patent office at the claim date.

Further, the FCA held that there is nothing in the *Patent Act* or in the SCC decision of *Pioneer Hi-Bred Ltd v. Canada (Commissioner of Patents)* [1989] 1 SCR 1623 that indicates that a specification cannot be amended during prosecution to comply with the sufficiency requirement. In addition, in this case, the FCA held that the claims to the compound (apixaban) could be reasonably inferred from the original application. Leave to appeal to the SCC sought (File No. 40400).

Contemporaneous Testing May Be Available to Support Insufficiency Allegation

In another decision involving Pharmascience sufficiency was before the Court. In Merck v. PMS 2022 FC 417 Furlanetto J found the patent in issue was valid for sufficiency.

One of the allegations made by the Defendant was that the patent did not fully disclose the process for creating sitagliptin phosphate monohydrate. As part of this allegation the Defendant pointed to failed experiments conducted by the Plaintiffs at the relevant time. However, the Court found that there was also evidence put forward by the Plaintiffs of experiments where the salt was successfully created.

The Court held the allegation of insufficiency to be speculative. The Defendant could have had its experts conduct testing attempting to create sitagliptin phosphate monohydrate by following the disclosed process. According to Furlanetto J, if this process were shown to be insufficient as of the time of the proceeding it would be a challenge for the patentee to suggest the process would have been sufficient as of the patent filing date. Contemporaneous testing is not supportive in a defence against insufficiency allegations because contemporaneous testing would benefit from hindsight. Decision under appeal (A-91-22).

Utility: Sound Prediction

In PMS v. Teva 2022 FCA 2, a central issue on appeal was the disclosure requirement in the sound prediction test. The parties agreed that there is a “heightened” disclosure requirement applicable to inventions based on sound prediction. As such that issue was not considered by the FCA.

The Court held that the trial judge did not misunderstand the disclosure requirement. The trial judge recognized the distinction between disclosure generally per s. 27(3) of the *Patent Act* and disclosure regarding utility in s. 2 of the *Patent Act*. The trial judge further specifically discussed the disclosure requirement in the context of sound prediction.

Although the trial judge seemed to have erred in one aspect of her decision relating to “Small Studies”, the FCA held that sound prediction is an issue of mixed fact and law and reviewed on a standard of palpable and overriding error. The FCA was not convinced this error was overriding, i.e. goes to the core of the outcome of the case. The FCA came to this result because the basis for the trial judge’s finding on sound prediction is found in a paragraph in the reasons that makes no mention of “Small Studies”. Nor was it clear to the FCA that the trial judge relied on the “Small Studies” elsewhere in the reasons to support the sound prediction finding. Further the FCA stated that it was not clear to the Court that the trial judge relied on other internal information to Teva Innovation as part of her reasons to support her decision. Leave to appeal to the SCC dismissed (File No. 40100).

Anticipation by Prior Disclosure

The issue of anticipation by prior disclosure arose in Angelcare 2022 FC 507. The allegation was that the inventor made a disclosure of the invention regarding the cassettes defined in the Angelcare patents in an email, relating to a prototype of the patented invention, to third-party manufacturers. The crux of the issue was whether that disclosure was a public disclosure and hence enabling, or whether it was subject to confidentiality and thus not an enabling disclosure.

The Court held that there was an implied obligation of confidentiality and as such this disclosure of the prototype was not an enabling disclosure, available to the public and was not anticipatory.

Further, the Court stated that there was an inherent suggestion that an obligation of confidence existed because the third-party manufacturers were in the business of making prototypes and because of the nature of the relationship between the parties. Decision under appeal (File Nos. A-106-22 and A-105-22 consolidated under File No. A-105-22).

Overbreadth

2021 saw the FCA confirm that overbreadth is an independent ground of invalidity. 2022 was a less dramatic year for overbreadth, but it was specifically considered in several trial decisions as discussed below.

In *Eli Lilly et al v. Apotex et al* 2022 FC 1398, the Court held that the claims, which related to the compound tadalafil "or a physiologically acceptable salt or solvate thereof" for the treatment of erectile dysfunction, were broader than the invention made. The Court construed "physiologically acceptable" to mean the salt was non-toxic, would not cause harm, and would be stable and pure rather than degraded.

It was admitted that the inventors had not actually made any salt of tadalafil prior to the filing date. The Court also accepted the Defendants' expert's opinion that the extremes of pH required to make salts of tadalafil would result in the degradation of tadalafil and any salts that could be made would therefore not be "physiologically acceptable", as they would not be pure and stable. The Court concluded that it was more probable than not that a physiologically acceptable salt of tadalafil cannot be made, such a salt was not invented, and the claims were invalid because they were broader than what was invented.

In Angelcare 2022 FC 507, the Court held that the claims were not invalid for overbreadth simply for being broader than the described embodiments. The Defendant argued that the asserted patents only disclosed one closing mechanism but claimed diaper disposal systems that used any closing mechanism. However, the Court stated that the specific closing mechanism was not an essential element of the invention disclosed; rather, the invention was focused on how aspects of the closing mechanism interacted with aspects of the cassette to solve the "incorrect orientation problem". Decision under appeal (File Nos. A-106-22 and A-105-22 consolidated under File No. A-105-22).

In *Rovi Guides, Inc. v. Bell Canada and Telus Corporation* 2022 FC 1388, the Court held that the "invention made" for the purpose of the overbreadth analysis is to be determined as of the filing date rather than the priority date. Decision under appeal (A-231-22 and A-233-22).

Patentable Subject Matter

One of the hottest topics in 2022 was patentable subject matter. In particular, the ongoing battle between the Courts and the Patent Office relating to this issue has caught the attention of most of the patent bar.

Gagné ACJ's decision in *Benjamin Moore & Co v Attorney General of Canada* 2022 FC 923 ("Benjamin Moore") is the second time that the Federal Court stated that the Commissioner was not applying the correct test for patentability of computer-implemented invention. The Court provided instruction on how the Commissioner ought to assess patentability of such inventions.

All parties involved in the appeal agreed that the Commissioner erred in her assessment of the patent applications at issue. The only question to be decided was as to the appropriate remedy.

In this case, Benjamin Moore & Co., asked the Court to send the matter back to CIPO with a direction to follow the leading SCC decisions on claims construction and non-patentable subject matter.

The intervenor, the Intellectual Property Institute of Canada ("IPIC"), took similar positions but provided a framework with precise instructions to the Commissioner on the redetermination. The applicant agreed with the intervenor. The proposed framework requires examiners to:

1. Purposively construe the claim;
2. Ask whether the construed claim as a whole consists of only a mere scientific principle or abstract theorem, or whether it comprises a practical application that employs a scientific principle or abstract theorem; and
3. If the construed claim comprises a practical application, assess the construed claim for

the remaining patentability criteria: statutory categories and judicial exclusions, as well as novelty, obviousness, and utility.

Gagné ACJ held that determining the proper legal test to be applied is well within the purview of the Federal Court. The Court further held that the legal framework proposed by IPIC and endorsed by the applicant is in accordance with the SCC's teachings and the Federal Court of Appeal's decision in *Amazon* (2011 FCA 328).

The Court held that the framework was the proper procedure for claims construction and identifying patentable subject matter. Gagné ACJ stated, the framework "ensures consistency" between:

1. The law applied to patent applications by CIPO, and the law applied to issued patents by the Courts; and
2. The way patent law is applied to computer-implemented inventions and the way patent law is applied to all other types of inventions".

The applications in question were remitted to CIPO for a new determination along with a direction to follow IPIC's framework. Decision under appeal (A-188-22).

Patentable Subject Matter: Method of Medical Treatment

The issue of patentable subject matter was also before the Court in 2022 in relation to method of medical treatment. In *Janssen Inc. v. Pharmascience Inc.* 2022 FC 1218, Manson J comments on the dichotomy of case law that has developed in the area of method of medical treatment cases. The dichotomy identified is between:

1. Specific dosages and administration intervals contrasted with,
2. Ranges of dosages and schedules.

The former has been held to be patentable vendible products while the latter has been held, in some cases, to be unpatentable as requiring skill and judgment amounting to methods of medical treatment. Although Manson J states that there seems to be a questionable underpinning in the dichotomy of cases, he states that this is where we are under the current state of the law.

In this decision the Court finds the use claims provided for two possible dosing regimens. The Court also finds that once the physician chooses to use the products for the claimed purpose, each claim is directed to fixed dose amounts, fixed intervals, and fixed injection sites. The Court held that while there are elements where there are choices, those choices do not have clinical implications. Therefore, no skill or judgment is required that would interfere with or restrict a physician skill or judgment to prescribe the dosing regimen within the claimed invention. The patent was held to disclose patentable subject matter. Decision under appeal (A-205-22).

Summary Judgment and Summary Trial

There were several developments in summary proceedings this year, including:

1. The FCA "tapping the brakes" on summary judgment if credibility determinations are required;
2. Uncertainty regarding the burden in summary trial;
3. Summary trials in proceedings under the Patented Medicines (Notice of Compliance) Regulations ("PM(NOC)"); and
4. The range of outcomes from summary proceedings.

Summary Judgment and Credibility

Over the last several years there has been a trend towards increased adoption of summary proceedings for resolving patent cases in Canada, and the Federal Court and FCA had signaled a willingness to move away from the historic reluctance of those Courts to approve summary judgment for patent infringement actions. In August, the FCA released its decision in *Gemak Trust v Jempak Corporation* 2022 FCA 141 ("Gemak"), which "taps the brakes" on that trend.

In Gemak, the FCA held that summary judgment is not appropriate where there are serious issues with respect to the credibility of witnesses, and the Court observed more generally that "while patent infringement issues are not by definition excluded from the ambit of the summary judgment process, they tend to raise complex issues of fact and law that are usually better left for trial".

Burden in Summary Trial

Summary trial permits *viva voce* evidence, which in light of the Gemak decision may make it a preferable procedure where credibility is a major factor. However, summary trial faced its own challenges in 2022, with conflicting Federal Court decisions relating to the burden of proof. It is uncontentious that the moving party bears the burden on the threshold question in a summary trial – whether it is an appropriate procedure for determining the issues raised in the motion. The jurisprudence is now divided relating to which party bears the burden on the merits.

In three separate decisions – *Janssen Inc. v. Pharmascience Inc.* 2022 FC 62, *Janssen Inc. v. Apotex Inc.* 2022 FC 107, and *Steelhead LNG (ASLNG) Ltd. v. ARC Resources Ltd.* 2022 FC 998 – Manson J held that the burden should reflect that of the underlying action, such that the respondent patentee bore the civil burden of proof on infringement.

However, in *Mud Engineering Inc. v. Secure Energy (Drilling Services) Inc.* 2022 FC 943 ("Mud Engineering"), St. Louis J held that the party asserting an issue in the summary trial bears the burden – i.e., the moving Defendant must prove non-infringement. The Court stated that this issue had been settled by the *Federal Court of Appeal* in *ViiV Healthcare Company v Gilead Sciences Canada, Inc* 2021 FCA 122 at para 44 (affirming 2020 FC 486).

Summary Trials in NOC Proceedings

In *Janssen Inc. v. Pharmascience Inc.* 2022 FC 62, the Court held that it was appropriate to determine infringement by way of summary trial in this PM(NOC) proceeding. The Court found infringement, the Defendant's motion was dismissed, and the case proceeded to trial on validity issues only. The trial was held eight months after the summary trial, and the patent was found valid (2022 FC 1218).

Similarly, *Janssen Inc. v. Apotex Inc.* 2022 FC 107, involved a summary trial motion in a parallel PM(NOC) proceeding, which related to the same patent and raised the same issues. This summary trial was heard separately, and involved different evidence, but the Court came to the same conclusions. Unlike *Janssen Inc. v. Pharmascience Inc.* 2022 FC 62, validity was not at issue in this PM(NOC) proceeding, and the infringement finding in the summary trial was case dispositive.

Range of Outcomes

In *Kobold Corporation v. NCS Multistage Inc.* 2021 FC 1437 (decision publicly available in 2022), the Court granted partial summary judgment, finding that certain issues could be resolved on the motion – the interpretation of s. 56 of the *Patent Act*; construction of the asserted claims; summary judgment in favour of the Defendant in respect of one tool that was admitted to be covered by the prior use defence; and summary judgment in favour of the (respondent) Plaintiffs by striking third party prior use defences pursuant to ss. 56(6) and 56(9) of the *Patent Act*. However, the Court found that there was insufficient evidence to determine whether the Defendant's other three tools were covered by the s. 56(1) prior use defence and ordered that this issue proceed to trial. This case is a helpful reminder that summary judgment motions do not necessarily have binary outcomes, in which the motion is either entirely successful (thereby ending the case) or dismissed entirely (thereby punting all issues to trial and resulting in a waste of time and money).

Mud Engineering is a reminder that a party should not assume it will get a second chance if its summary motion fails. In the underlying action, the Defendant alleged non-infringement, invalidity, and that it owned the patents asserted against it. In this summary trial, the Plaintiffs sought a declaration of ownership and dismissal of the Defendant's counterclaim of ownership of the patents. In response to the motion, the Defendant also sought a declaration of ownership. On the facts, the Court found that neither party met their burden to obtain a declaration of ownership, and the Plaintiffs' motion was dismissed. Moreover, since both parties must put their best foot forward on a motion for summary trial, the Court refused to allow the parties a "second kick at the can" to establish ownership at trial and dismissed both the Plaintiffs' underlying action and the Defendant's counterclaim.

Relief and Entitlement

Accounting of Profits

The only SCC decision in the area of patent law in 2022 was *Nova Chemicals Corp. v. Dow Chemical Co.* 2022 SCC 43.

In this case, the SCC dismissed the appeal from the FCA and found that the lower Court calculated Nova's accounting of profits ("AOP") correctly. Further the SCC held that Dow is entitled to springboard profits. The SCC articulated a 3-part test to be used in calculating an AOP:

1. Calculate the actual profits earned by the infringer from the selling of the infringing product;
2. Determine whether there is a non-infringing option ("NIO") to help isolate the profits causally connected to the invention from those that are not;
3. If there is a NIO, subtract the profits the infringer could have made had it used the NIO from its actual profits, to determine the amount to be disgorged.

Some of the important takeaways from this decision are:

- The aim of the AOP equitable remedy is to ensure the infringer does not retain a benefit from the infringing act and is not to punish the infringer or make them worse off.
- The differential profits approach is the preferred way of calculating an AOP analysis.
- Focus on causal connection to invention.
- Take the alleged infringer as you found them.
- Not a "but for world" analysis.
- There was no reason to interfere with the factual findings of the Court below regarding the NIO.
- Springboard profits are available under Canadian law and are directed to the benefit that arose and not the timing of when the benefit arose

Statute of Monopolies

A significant decision was rendered in 2022 relating to actions seeking to recover damages under the Statute of Monopolies.

In *Apotex Inc. v Eli Lilly Canada Inc*. 2022 ONCA 587, the Ontario Court of Appeal ("ONCA") held that the PM(NOC) Regulations is a complete code. At the core of the appeal from the order of Schabas J of the Superior Court of Justice - Ontario was whether the invalidity of a patent owned by Eli Lilly for olanzapine gave rise to a claim by Apotex for damages for being kept off the market during the proceeding under the PM(NOC) Regulations, pursuant to the *Statute of Monopolies*, the *Trademarks Act*, and the tort of conspiracy. The ONCA denied each ground of appeal.

The key findings are:

I. COMPLETE CODE

Section 8 of the PM(NOC) Regulations provides the sole remedy for a generic manufacturer to seek relief if it has challenged a patent within the PM(NOC) regime. On the facts of the case, Apotex did not meet the requirements for section 8 damages and no other relief was available.

II. NO LIABILITY FOR ACTIONS AUTHORIZED TO TAKE BY LAW

Apotex's delay in bringing its generic drug product to market was caused by the statutory stay mechanism provided under the PM(NOC) Regulations and the Order that Apotex was not entitled to early market access or compensation pursuant to section 8 of the PM(NOC) Regulations. Further a patentee is not liable for actions it was authorized to take by law or for alleged harms that were caused by the operation of the patent regime that the generic, in this case Apotex, invoked.

III. THE STATUTE OF MONOPOLIES EXCLUDES LIABILITY

The *Statute of Monopolies* specifically excludes liability for patents for new inventions. At the time the patent was granted to Eli Lilly, it was granted for a new invention. The *Statute of Monopolies* does not distinguish between valid and subsequently invalidated patents. This is in line with the historical purpose of the legislation.

IV. FORM IV WAS NOT A MISREPRESENTATION

The information that Eli Lilly supplied at the time of listing its patent on the Patent Register, including the brand name of the drug and that it held a valid patent, was not a misrepresentation. It was not an error for the Court below to find that a granted patent is presumed valid as per section 43(2) of the *Patent Act*. Eli Lilly did not make a misrepresentation when it completed the Form IV and stated it held a valid patent to be listed on the Patent Register.

V. NO CONSPIRACY

There was nothing unlawful in Eli Lilly applying for and protecting a registered patent under the *Patent Act* and PM(NOC) Regulations, even though the patent was later held to be invalid. There was also no failure in the factual finding that there was no evidence to support a claim for conspiracy.

Leave application to Supreme Court of Canada filed (File No. 40420).

Section 8 Damages

In *Apotex Inc v Janssen Inc.* 2022 FC 1473, Southcott J held that multiple actions for section 8 damages should not have common issues heard together.

The issue before the Court was whether the Court should grant an order under the *Federal Courts Rules* Rule 105(a) directing that portions of the trials in three separate actions commenced under section 8 of the PM(NOC) Regulations be heard together. Rule 105(a) allows for consolidation of all or part of two or more proceedings. The purpose is to avoid multiplicity of proceedings, find efficiencies, and result in more expeditious and less expensive proceedings. Factors to be considered in assessing whether consolidation is appropriate include commonality of parties, issues, facts, and relief requested as well as potential prejudice. As to the factor of commonality the Court held:

I. PARTIES

Although there is a common Defendant across the section 8 actions, each action has different Plaintiffs.

II. ISSUES AND FACTS

As a matter of law, the Court will be required to assess different factual aspects of the But For World ("BFW"). The Court accepted this argument but also stated that Rule 105(a) does not require identical questions of fact or law.

III. REMEDIES

The differences as to the BFW were most compelling to Southcott J. These differences involve a combination of different time periods and different product dosages. The impact of hypothetical notices of compliance for each Plaintiff is also a factor to be considered in the BFWs. There may also be an impact on evidence of non-parties because of the different factual parameters of each action and the BFWs.

The Court was not satisfied that the level of commonality justifies ordering a common trial.

Southcott J then considered four main assertions of prejudice raised by the Defendant:

1. Evidence of several non-parties needs to be tendered in all three actions at different times;
2. Inconsistent burdens of proof in different actions addressing the same facts;
3. Expense of having the same witnesses testify on multiple occasions; and
4. The risk of inconsistent findings.

The Court held that prejudice did not weigh in favour of granting the Defendants' motion.

Liability of Parent Corporation

In Angelcare 2022 FC 507, the Court found the parent entity liable in addition to finding the Canadian subsidiary liable for the infringing activities. Roy J found that the parent entity made design and marketing decisions. Those decisions directly impacted the resulting infringing activity that gave rise to liability. As such the parent and subsidiary were held liable. Decision under appeal (File Nos. A-106-22 and A-105-22 consolidated under File No. A-105-22).

Entitlement

In *Rovi Guides Inc. v. Videotron Ltd* 2022 FC 874, the Court dismissed Rovi Guides Inc.'s infringement action against Videotron Ltd. with respect to four patents pertaining to interactive television program guide technology. Videotron's counterclaim was granted. In *obiter* the Court held that Rovi would not have been entitled to an AOP if its patents were found to be valid and infringed.

Lafrenière J stated that an AOP is not obtained as of right, but that the Court should not refuse it without good reason. The Court further stated that a patentee bears the burden to establish its entitlement to an AOP.

The Court considered the patentee's conduct and the speculative nature and complexity of the AOP as factors weighing in favour of denying the remedy.

The Court found that the appropriate remedy would have been a reasonable royalty. The Court adopted Videotron's proposed royalty which was based on the amount it would have cost Videotron to remove or design-around an infringing feature (i.e., an NIO) in its system if Rovi's patents were found to be valid and infringed. Decision under appeal (A-186-22).

In a related decision, Lafrenière J made similar statements in *obiter* on entitlement in *Rovi Guides, Inc. v. Bell Canada and Telus Corporation* 2022 FC 1388. Despite Rovi operating within the provisions of the *Patent Act*, the Court took the perspective that Rovi had unclean hands by "failing to diligently prosecute its patents".

The Court appeared to be concerned with the patentee's ability to amend claims over the period of prosecution to encompass products and or services of others. The Court further raised concerns about licensing negotiations and whether those were carried out in good faith, which contributed to the refusal to grant equitable relief. It is unusual for the Court to consider licensing and settlement negotiations in the entitlement analysis.

The Court was further worried about a perceived "patent holdup" problem and expressed concern that granting equitable relief in this case could incentivize licensing entities to follow similar conduct. Decision under appeal (A-233-22 and A-231-22).

Key Procedural Motions

Confidentiality/ Protective Orders

Confidentiality orders and agreements, implied undertakings and protective orders are procedural issues that continued to appear before the Court in 2022.

In *FibroGen, Inc v Akebia Therapeutics, Inc.* 2022 FCA 135, the FCA set aside an order requiring a party to make certain fact witness statements from a discontinued action public. Two key concepts were at play:

1. Confidentiality agreements; and
2. The implied undertaking rule.

The FCA held that Akebia was bound by the implied undertaking rule, and the rule survived the discontinuance of the action. An applicant seeking to be relieved from the implied undertaking must demonstrate, on a balance of probabilities, a public interest of greater weight than the values that the implied undertaking protects privacy, candor, and the efficient conduct of the litigation.

The confidentiality designations made during the action remained valid at the time the action ended. Akebia failed to preserve its rights to contest the designations having consented to the discontinuance of the action. In the alternative, Akebia should have made a reservation to this effect prior to the discontinuance.

The FCA provided practical advice in stating that in many cases a party seeking to be relieved from the implied undertaking rule does not need to file the documents in question with the Court. A generic description of the situation that does not disclose confidential information is usually sufficient to allow a Court to determine if the party should be relieved of its obligations under the implied undertaking rule.

In *Janssen Inc. v. Apotex Inc.* 2022 FC 1746, the Plaintiffs brought a motion to vary the Protective and Confidentiality Order issued previously by the Court on consent of the parties. Janssen's proposed amendments would have allowed materials that were marked "Confidential" pursuant to the Order to be used in four subsequent actions involving the same parties.

An issue before the Court was whether this motion was procedurally defective because Janssen failed to seek relief from its implied undertaking. Manson J found that it would be inappropriate to vary the Confidentiality Order until Janssen sought relief from its implied undertaking, nevertheless the parties agreed to a more limited variance of the Confidentiality Order at the hearing of the motion.

Samples Motion

In *Gilead Sciences, Inc. v. Apotex Inc.* 2022 FC 1460, the Plaintiffs in a PM(NOC) action brought a motion for production of samples. A request for samples may be brought before the Court on a motion under Rule 249. Samples may be ordered where it is "necessary or expedient for the purpose of obtaining information or evidence in full."

A motion for production of samples turns on its own facts. In order to obtain such an order, the moving party is not required to lead evidence that that the proposed tests are the only means to establish their case, or at least that the facts present an exceptional case where such testing is a solution of last resort. Important statements from the Court on evidence for a Rule 249 motion included:

- While the moving party bears the burden of demonstrating that samples should be produced, expert evidence is not required.
- The moving party is not required to particularize the testing it intends to conduct beyond what its apparent on the face of the pleadings and the patent.
- The moving party is not required to produce information from a related foreign proceeding.

The Court ordered the production of samples of the drug product, the active pharmaceutical ingredient, and associated Material Safety Data Sheets; but not samples of excipients.

Motion to Strike/Amend

Bayer Inc. v. Sandoz Canada Inc. is an infringement action under the PM(NOC) Regulations 2022 FC 1187. On a motion the case management judge was asked to grant leave for the Defendant to amend its statement of defense 13 months before trial. While the Plaintiff consented to certain amendments, it conceded that the new allegations relating to the improper priority claim, anticipation, and the clarifications to the Gillette defence could, despite the lateness of the amendments, be briefed and ready to proceed to trial on the currently scheduled dates. The Defendant did not dispute that amendments which necessitated the adjournment of a trial in an action under the Regulations are inherently prejudicial to the first person, unless there is a concomitant extension of the 24-month period. However, the Defendant argued that there was sufficient time before the scheduled trial to take all the steps required.

The Court found that the contested amendments are lengthy and raise complex arguments. Thirteen months before trial is not sufficient time to be prepared to plead, conduct discovery, and prepare for trial on those issues. The Court granted the motion on the conditions that if the Defendant made some of the proposed amendments the trial dates would be adjourned, and the 24-months stay would be extended.

Bifurcation Motions

While in some, if not many cases, parties may agree to bifurcate patent actions, bifurcation motions continue to appear before Associate Judges at the Federal Court. In 2022 some of the bifurcation motions sought interesting formats to the proposed bifurcation orders:

On this motion in *Farmobile, LLC v. Farmers Edge Inc.* 2022 FC 22 the Defendant proposed an atypical bifurcation, not simply a divide of liability and damages. Given that there had been an update to the allegedly infringing system, the infringement issues were proposed to be divided between the first and second phases (phase 1 would also include validity and inventorship/ownership issues). Although an interesting example, the Court determined that the proposed bifurcation in this case would result in duplication of resources and found no reason to bifurcate. Appeal dismissed (2022 FCA 116).

In *Wi-Lan Inc. v. Apple Canada Inc.* 2022 FC 276 the Defendants brought a motion to bifurcate in which part of the relief sought was to defer the issue of the Plaintiff's right to an injunction to the second phase. Interestingly the Plaintiff provided a concession that if the matter is not bifurcated, it will forego its claim for an AOP and limit its claim to damages. The Court found that the Defendants' proposed bifurcation only results in savings if it is entirely successful at the liability phase. The Court did not find that the Defendants met their onus, and the motion was dismissed.

Appealing Interlocutory Orders to the FCA

Section 6.11 of the PM(NOC) Regulations requires that leave be sought for an interlocutory appeal and that such leave is sought no later than 10 days from the date of the Order. In *Janssen Inc. v. Apotex Inc.* 2022 FCA 185, the parties neglected to follow section 6.11 of the PM(NOC) Regulations.

In this decision the FCA states that no fewer than three judges sitting together are required to hear a leave application before the FCA. In contrast, a Direction from the FCA may be made by a single judge. A Direction is not leave.

Locke JA held the Court denies leave and refuses the appeal for failure for a formal and timely request for leave. The Court further dismissed the appeal on the merits.

Costs

The issue of costs in *Janssen Inc. v. Teva Canada Ltd*. 2022 FC 269 arose in the context of an infringement action under the PM(NOC) Regulations. Prior to the judgement being rendered, the parties agreed to a costs framework of 35% of legal fees and 100% of disbursements subject to reasonableness of the fees and disbursements. In the judgement the Court determined that the asserted claims were valid; certain claims would be directly infringed, while others would not, if the product came to market; and that the Defendant did not induce infringement. Costs were awarded to the Plaintiffs however the parties were unable to agree on a quantum. The Court awarded the Plaintiff costs in the amount of $2,697,671.79 with post-judgment interest at a rate of 2%. This included 80% of disbursements and 35% of legal fees.

Jamp brought a motion in writing under Rule 369 seeking costs arising out of two applications for judicial review (*AbbVie Corporation v. Canada (Health)* 2022 FC 1538). As part of its request for costs, Jamp sought a lump sum cost award. The Court considered this request and stated that a lump sum award is specifically contemplated in Rule 400(4), and may serve to promote the objective of the Rules of securing "the just, most expeditious and least expensive determination" of proceedings. The Court further stated that a lump sum award may be particularly appropriate in complex matters where a precise calculation of costs would be unnecessarily complicated and burdensome. The burden is on the party seeking increased costs to demonstrate why its particular circumstances warrant an increased award. In this case the Court was not persuaded that a lump sum award of costs was warranted. While the applications raised complex questions of statutory interpretation in relation to the PM(NOC) Regulations, the procedural steps preceding the short hearing were largely consistent with what one would expect in applications for judicial review. The high end of Column IV was the appropriate benchmark in this case.

Janssen Inc. v. Pharmascience Inc. 2022 FC 1218 is a noteworthy cost award in regard to recovery of expert fees. The Court reduced fees of two experts by 25% because the Court held the experts provided inconsistent evidence having regard to their previous testimony in related proceedings. The Court also held that at times their testimony was not forthcoming when it should have been. Further there were no fees awarded for an expert who was not called at the last minute. Moreover, the Court awarded costs thrown away to the other party as a result of the last-minute cancellation of the witness. Decision under appeal. (A-205-22)

Pharmascience Inc. v. Teva Canada Innovation 2022 FCA 207 is of interest because the FCA reinforced the importance of settlement offers—even when the offer is not a formal Rule 420 offer. Costs awards are determined by the facts of the case, and the Court must be sensitive to the circumstances before it. A settlement proposal or offer is a circumstance to consider when determining cost awards.

Statutes, Regulations & Rules

Several legislative changes relating to patent law or patent adjacent areas were introduced or came into effect in 2022.

Statutes

The Budget Implementation Bill (C-19): provides changes of interest to the patent bar including changes to the *College of Patent Agents and Trademark Agents Act* (Division 17); and replaces the term "Prothonotary" with "Associate Judge" for the Federal Court (Division 22).

Regulations

Regulatory amendments to the Patented Medicines Price Review Board ("PMPRB") were made on June 24, 2022. Rights holders are required to begin reporting price information to the PMPRB based on the new basket of countries as of July 1, 2022.

Although the government repealed certain aspects of the proposed amendments in June 2022, the balance of the Amendments came into force on July 1, 2022.

New Guidelines will be needed to address the new regulations. However, on December 16, 2022, the PMPRB announced that the New Guidelines will not be implemented on January 1, 2023. The interim Guidance issued on August 18, 2022, will remain in place until further notice.

The challenge to the proposed 2020 PMPRB Guidelines that was pending in the Federal Court was discontinued following the government's announcement that it would not proceed with the 2020 proposed PMPRB Guidelines.

Rules

In 2022, we saw amendments to the *Patent Rules* under the *Patent Act* and amendments to the *Federal Courts Rules*.

The amendments to the *Patent Rules* have the goal of streamline the examination process in anticipation of the CIPO's obligation to introduce Patent Term Adjustment ("PTA") provisions into Canadian patent law under the Canada-United States-Mexico Agreement ("CUSMA"). The amendments include a change to current practice before CIPO including:

- Introduction of excess claims. Fees of $100 per claim for any claim over and above 20. Multiple dependencies and claims in the alternative will still be counted as a single claim for the purpose of calculating claims fees.
- Introduction of a Request for Continued Examination ("RCE") procedure after three office actions.
- Introduction of Conditional Notice of Allowance ("CNOA") where the examiner considers the application to be allowable subject to minor defects and providing four months to correct the defect.
- Amendments to correct obvious errors in translation.
- Reference to Patent Cooperation Treaty sequence listing standards.
- Extension of time for having paid the incorrect fee due to incorrect information given by the Commissioner.

Amendments to the *Federal Courts Rules* came into force on January 13, 2022. The amendments relate to miscellaneous changes including expansion of Rule 3 to focus on 'outcome' and proportionality rather than 'determination', explicit powers to limit examinations (Rule 87.1), and a rule specifically for motions in writing at the Federal Court of Appeal (Rule 369.2), among other things. The amendments also pertain to enforcement of foreign judgments and arbitral awards and limited-scope representation.

Practice Directions

There were two important Practice Directions from the Federal Court in 2022 that impact patent litigation.

In June 2022, the Consolidated General Practice Guidelines were introduced. This Practice Direction consolidates and replaces several previous Practice Directions. Key aspects of this Direction include:

- Parties should be prepared to inform the Court as to whether they have agreed on the disposition and/or quantum of costs, otherwise they should be prepared to make submissions on those issues at the end of the hearing.
- Articling students may appear in the Federal Court where they are permitted to do so in the province or territory in which the hearing takes place.
- Parties are encouraged to file books of authorities containing copies of the authorities to which the parties intend to refer at the hearing in addition to the requirements applicable to electronic documents.

In September 2022, the Pilot Project for Online Access to Court Records was introduced. To allow for greater public access, and to enhance the open Court principles, the Court is introducing an online platform to access electronic Court records. In the pilot project, pleadings, written arguments and court-generated documents for matters commenced on or after September 12, 2022 in Maritime and Admiralty, Class Actions, Indigenous Law, and Intellectual Property matters that are not subject to confidentiality or sealing orders will be made available online.

Quick Hitters

In this section, we provide some of the key take-aways from patent adjacent decisions rendered in 2022. Because of the significance of some of these decisions the comments are not always "quick". This section also provides key take-aways on issues of interest that arose in the context of patent motions, applications, and actions.

A. Patent Adjacent Decisions

I. FEDERAL JURISDICTION OVER PATENTS

The Quebec Court of Appeal ("QCA") determined that several proposed amendments to the PMPRB Regulations were *ultra vires.* The QCA considered the purpose of the PMBRB Regulations, the purpose of the proposed amendments, as well as the purpose of the powers conferred on the PMPRB in the *Patent Act*.

The QCA held that federal jurisdiction over patents could not extend beyond the ex-factory price; and extends only to protect against excessive pricing that arises because of a patent monopoly.

As a result:

- The proposed amendments that compelled drug manufacturers to disclose discounts or rebates to third parties were held to be *ultra vires*, as this information extended beyond ex-factory pricing.
- The proposed amendments to the list of comparator countries used to determine whether prices are excessive was held *intra vires*. The objectives in selecting comparator countries are to promote research and development within Canada while controlling excessive pricing resulting from the patent monopoly. Both considerations are objectives within the federal jurisdiction over patents.
- The new factors introduced to assess whether a medicine was excessively priced were held *ultra vires*, as they imposed arbitrary price reductions unrelated to patent monopoly. *Merck Canada inc. c. Procureur général du Canada* 2022 QCCA 240.

II. AMENDMENTS TO THE PATENTED MEDICINES REGULATIONS

In the spring of 2022, Innovative Medicines Canada and several pharmaceutical companies sought a declaration that the same provisions of the proposed amendments challenged in QCA decision (discussed above) were invalid as *ultra vires* the *Patent Act*.

The key issue that remained before the FCA was to amendments to the PMPRB Regulations that change the list of comparator countries for which pricing information must be filed.

The Court held that Vavilov applies to all administrative decisions, regardless of differences in their content and applies to decisions to make regulations. The standard of review under Vavilov is reasonableness.

The FCA agreed with the Federal Court that the Governor in Council reasonably enacted the regulation changing the list of comparator countries, and that the decision to enact the amendment changing the list of comparator countries is based on a reasonable interpretation of the regulation-making power in subsection 101(1) of the *Patent Act*, a power that, on an analysis of text, context and purpose, can be viewed as relatively unconstrained.

The FCA further found it was reasonable to conclude that it is consistent with section 85 of the *Patent Act* and its purposes, as shaped by subsection 91(22) of the *Constitution Act*, *1867*. Reasonableness is enhanced by the consistency with judicial decisions on those matters. *Innovative Medicines Canada v. Canada (Attorney General)*, 2022 FCA 210.

III. CONTROL PATENT ABUSE

The PMPRB's mandate is to control patent abuse, not regulate reasonable pricing. In 2022 the SCC dismissed the leave application in *Alexion Pharmaceuticals Inc v Canada (Attorney General)*. The Board was intended to rehear the case in Fall 2022, however the parties reached a settlement in June 2022. As such this matter has come to an end.

IV. DRUG IDENTIFICATION NUMBERS

Fothergill J dismissed an application for judicial review and found it was reasonable for the Minister of Health to interpret section 5(1) of the *PM(NOC) Regulations* as applying only to the drug identification number ("DIN") specific to the version of the innovator's drug that is marketed in Canada. *AbbVie Corporation v. Canada (Health)* 2022 FC 1209. Decision under appeal (A-203-22).

V. NEW DRUG SUBMISSIONS

In a judicial review application relating to a decision of the Minister of Health regarding issuance of a notice of compliance, the Court held that a New Drug Submission ("NDS") may be deemed to have been made on the basis of a comparison at any time up to its approval, regardless of whether an innovative drug was on the Register at time the NDS was filed. Further the Court held the threshold for "reliance" on data relating to the innovative drug, and hence what amounts to a "comparison", is ostensibly low. *Catalyst Pharmaceuticals, Inc. v. Canada (Attorney General)* 2022 FC 292. Decision under appeal (A-78-22).

VI. EVIDENCE ON JUDICIAL REVIEW

The Court held the motion to strike three affidavits filed in a judicial review proceeding relating to a PMPRB decision was allowed in part, striking the affidavit of the Applicant's patent expert in full and the other regulatory expert affidavit in part. The Court allowed the affidavit of the Applicant's fact witness, which provides non-controversial background information. *Galderma Canada Inc. v. Canada (Attorney General)* 2022 FC 19.

B. Noteworthy Patent Decisions

I. INVENTOR EVIDENCE NOT HEARSAY

The Court held that an inventor's supervisory role enabled the inventor to provide evidence at trial as to the work of his co-inventors and the team working on the invention. The Court further held that because the Defendant had already accepted the documents for the truth of their contents and had accepted this inventor's evidence on discovery as binding, the hearsay objection could not stand. *Merck Sharp & Dohme Corp. v. Pharmascience Inc.* 2022 FC 417.

II. EXPERT BLINDING

Expert Blinding is not necessarily given greater weight. Kane J stated:

> *"I note that the jurisprudence is mixed on the treatment of blinded evidence. I favour the approach noted in Janssen Inc v Apotex Inc, 2019 FC 1355 at paras 58-59 . . . that blinded opinions are not necessarily given greater weight just because they are blinded."*

Allergan Inc. v. Apotex Inc. 2022 FC 260.

III. EXPERT STRATEGY

Practical statements on strategy regarding expert evidence was provided by Locke JA when stated:

> *"A final reason that I would be hesitant to interfere with the Trial Judge's conclusion on utility is that Pharmascience adduced no evidence from its own experts on this issue, an issue on which it had the burden of proof. Pharmascience relies principally on the evidence of Teva's experts and their testimony during cross-examination. However, the reports submitted by these experts discussed the issue of obviousness, not utility. Teva's experts were not instructed on the law concerning utility and were never asked directly for their opinions on the issue."*

Pharmascience Inc. v. Teva Canada Innovation 2022 FCA 2.

IV. CONTEMPT HEARING

In a rarely seen contempt hearing, the Plaintiffs alleged that the Defendants were in contempt of the Court's infringement judgement. The Court determined that the Plaintiffs had not established beyond a reasonable doubt that the Defendants were in contempt of the Court's judgement and the contempt proceeding was dismissed. *Deeproot Green Infrastructure, LLC v. Greenblue Urban North America Inc.* 2022 FC 709. Decision under appeal (A-116-22).

V. REPLY REPORTS

The Defendants brought a motion to exclude the reply expert report of the Plaintiffs. The expert provided a report that supports the Plaintiffs' infringement allegations and defends against allegations of invalidity. The contentious reply report addresses infringement and constructions issues—and is over 240 paragraphs in length with several annexes. Despite the Plaintiffs withdrawal of about two thirds of the contentious reply report, the Court found that the Plaintiffs had not satisfied its burden that this reply report was permissible, and any new evidence constituted case splitting. The Court determined that the report was long and unduly argumentative, inadmissible. *T-Rex Property AB v. Pattison Outdoor Advertising Limited Partnership* 2022 FC 1008.

In another matter, the Defendants brought a motion seeking leave to file a reply report in a patent infringement action with a trial commencing on January 9, 2023. Pallotta J conducted a tight analysis of the reply report permitting specific paragraphs and sentences to be filed. The permitted sections of the reply report responded to a reference that was not previously at issue: it was not pleaded, asserted as prior art, cited in the patent at issue, or mentioned in any previous expert report. *Medexus Pharmaceuticals Inc. v. Accord Healthcare Inc.* 2022 FC 1734.

VI. REPRESENTATION BY NON-LAWYER

In a motion under Rule 120, a Plaintiff sought leave to be represented by a non-lawyer. Of the four factors for the Court to consider on such a motion, the Court stated that three factors did not favour the Plaintiff: the non-lawyer acting as a witness, the complexity of the action and the non-lawyer's ability to deal with the complexity, and the ability of the matter to proceed expeditiously. While the Court determined that it would be difficult for the Plaintiff to pay for counsel on this action, this was not an overriding consideration. The Court was not persuaded that the Plaintiff demonstrated the special circumstances required by Rule 120 to be granted leave. *Glycobiosciences Inc. v. L'Oreal Canada,* 2022 FC 1517.

VII. MOTION REQUESTING DETERMINATION OF LAW

In a Rule 220 motion the Plaintiff brought a question of law to the Court to be determined prior to trial in a section 8 action. The question was:

> *Under the PM(NOC) Regulations, when a patentee has exercised its right to a section 7 statutory stay against generic entry, and never resolved or renounced that right in relation to certain generics in the real world, does that same obstacle to entry by those generics prevail in the section 8 but-for world (other than the section 8 claimant)?*

The Court must first determine whether it is appropriate for the proposed question to be addressed before trial, then the Court will determine the legal question. This motion only dealt with the first stage. The Court arrived at a conclusion on the discretionary analysis, taking into account the factors considered, that the factors do not favour granting the first stage of the Rule 220 motion.

While the Court found certain factors to be neutral, it determined that three factors militated against making this determination on the motion and not in the context of the full trial. These factors were:

1. The possibility that the determination of the question before trial might save neither time nor expense;

2. The difficulty and importance of the proposed question; and
3. The desirability of answering the question in a vacuum.

On this basis, the Court dismissed the motion. The issue remains available to the Plaintiff to advance at trial. *Dr. Reddy's Laboratories Ltd. v. Janssen Inc.* 2022 FC 1672.

VIII. NORWICH ORDER

A Norwich Order under is an extraordinary request for equitable relief. On this motion the Plaintiff sought to compel the president of the Defendant to provide information regarding the Defendant's clients.

The Court dismissed the Plaintiff's motion finding that it was not persuaded that it was just and equitable to grant a Norwich Order. Significantly the Court was not able to find that the president of the Defendant was the only practical source of the information sought. The Defendant held the necessary information in its corporate records, and the Plaintiff had asked for this information on discovery. The Plaintiff had also sought the identification of the Defendant's clients at a refusals motion. The request was not granted, but the Plaintiff did not appeal the decision.

The Court stated that a Norwich Order is not intended to circumvent the normal discovery process. The Court concluded that a Norwich Order was not appropriate. *Worthware Systems International Inc. v. Raysoft Inc.* 2022 FC 1492.

******

The Year in Data: 2022 Cases at a Glance

Insights from the Lenczner Slaght Patent Appeals Project

Introduction

Patent disputes are high-stakes, complex matters. While trials and summary judgments are a milestone, they are seldom the end of the road. Whether it's a patent infringement action, a patent impeachment action, or a proceeding under the PM(NOC) Regulations, an appeal is always likely. Understanding how those appeals unfold is important to the IP bar and to parties.

That's why we maintain a database of every substantive decision of the FCA in patent disputes from 2000 onward. For present purposes, a substantive appeal includes any appeal from a trial, application, or summary judgment motion that decides whether a patent is valid or infringed, or that adjudicates an issue of remedy. This includes both prohibition proceedings under section 6 of the PMNOC Regulations as well as damages claims under section 8. This data does not include appeals of decisions on interlocutory motions or costs decisions.

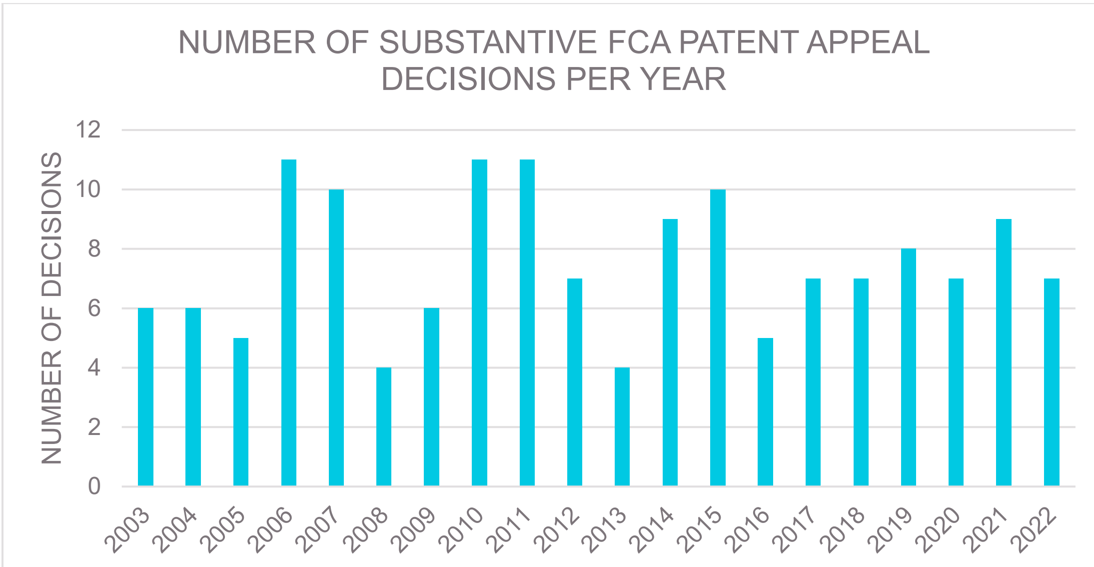
Our database includes approximately 30 characteristics of every appeal decision. This dataset allows us to provide benchmarks for the likelihood of success on different types of appeals and the timelines for resolution of appeals, among other things.

The database is intended to include every substantive appeal decision from the FCA in an appeal of a final decision pertaining to a patent-related dispute from January 1, 2000 onward.

Below we present various insights from this project.

Number of Appeals

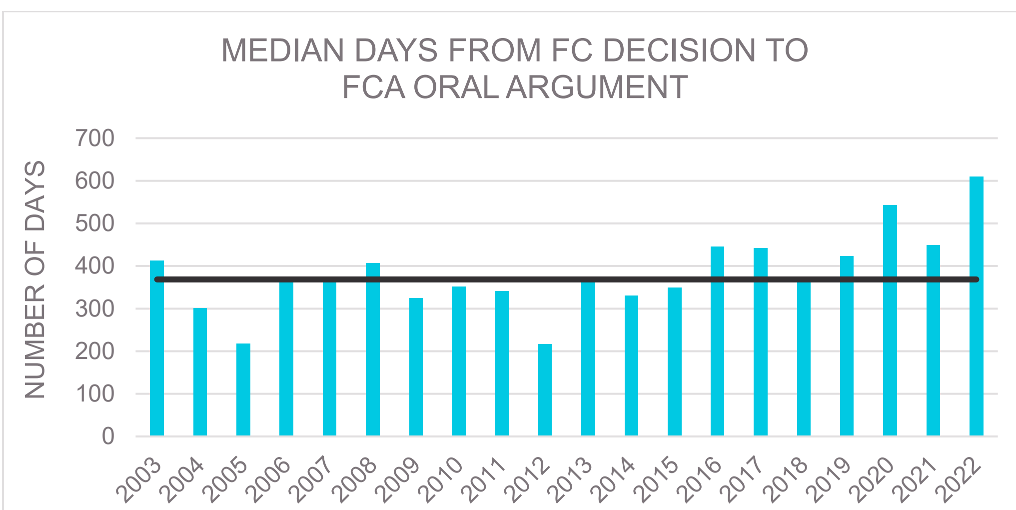
The number of substantive appeal decisions per year ranges from four to eleven, and there does not appear to be a trend in the number over the last twenty years. 2022 was consistent with the usual range, with the FCA rendering seven decisions.



Time from Federal Court Decision to Appeal Oral Argument

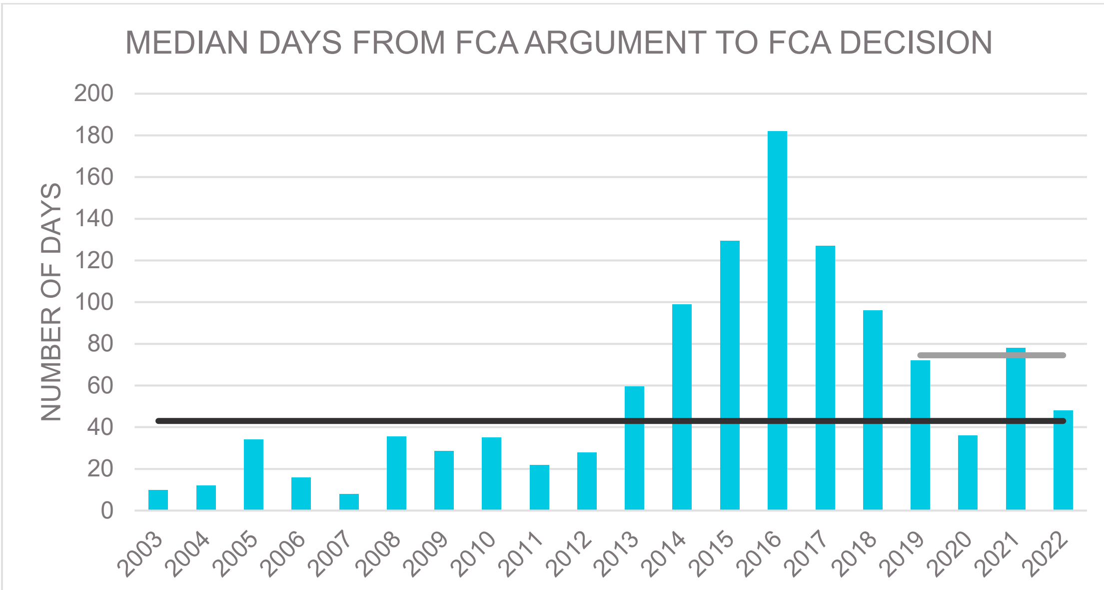
In general, the time from Federal Court decision to appeal oral argument has been fairly constant over the last twenty years. The black line at 368.5 days represents the median number of days from Federal Court decision to appeal oral argument across the entire twenty-year period from 2003 through 2022.

The time from Federal Court decision to appeal oral argument was higher than typical in 2022, rising to an average of 610 days. This is likely due to lingering effects from the COVID-19 pandemic, rather than evidence of an upward trend.

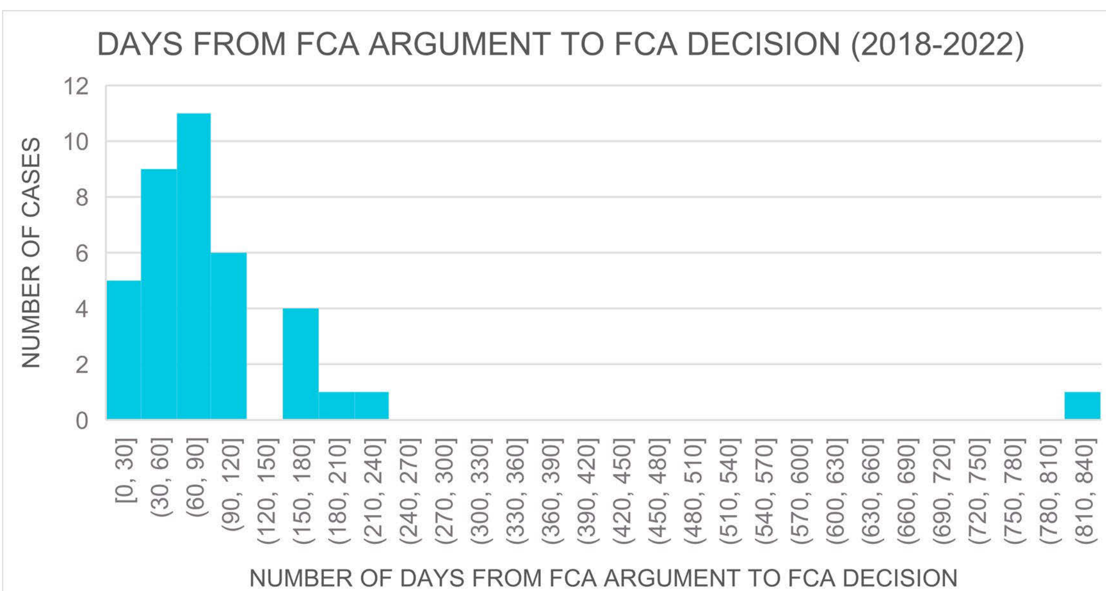


Time from Appeal Oral Argument to Decision

The time from appeal oral argument to decision was quite low for the first decade in our dataset. However, it increased year-over-year from 2013 through 2016, peaking in 2016. Since then, it has been trending downward again. The black line at 43 days represents the median days from argument to decision across the entire twenty-year period from 2003-2022. The grey line at 74.5 days represents the median days from argument to decision in the last five years only (2018-2022). The median time in 2022 of 48 days from FCA oral argument to decision represents a regression to the long-term median (black line).



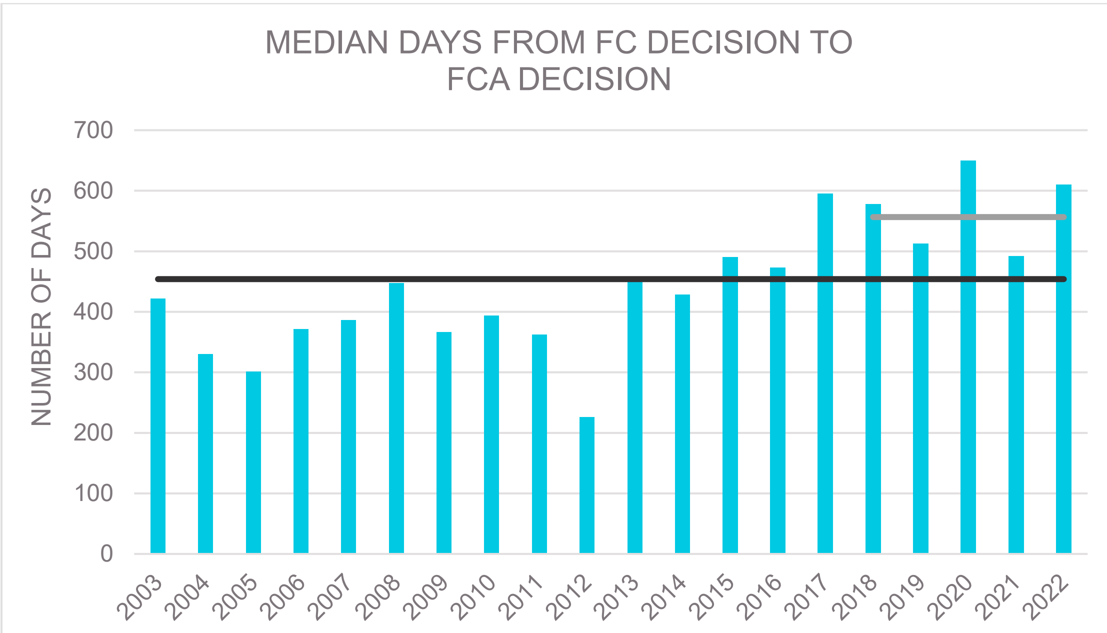
The vast majority of appeals in the last five years were decided in four months or less, and all but one appeal was decided in less than one year. One appeal took more than two years to be decided (*Nova Chemicals Corporation v Dow Chemicals Company* 2020 FCA 141), but this was due to the decision being held in abeyance to allow for settlement discussions, which were unsuccessful.



Time from Federal Court Decision to FCA Decision

The time from Federal Court decision to FCA decision has been trending slightly upwards in the last decade. That there would be a steady but only slight upward trend might initially seem surprising, in light of the fluctuation in days from FCA argument to FCA decision. However, the fluctuation in days from FCA argument to FCA decision is muted by the higher and more constant number of days from Federal Court decision to FCA argument.

The black line at 454 days represents the median number of days from Federal Court decision to FCA decision across the last twenty years (2003-2022). The grey line at 556.5 days represents the median number of days from Federal Court decision to FCA decision in the last five years (2018-2022).



Appeal Outcome Data

Below we present data relating to the success rates on appeal of particular issues (validity and infringement) by particular parties (patentee vs infringer).

It is important to clarify at the outset what the data below shows so that it can be interpreted accordingly. In the following sections, a “patent appeal” relates to an appeal of an issue relating to one particular patent by one particular party. In this terminology, there can be several “patent appeals” that are decided in a single decision of the Federal Court of Appeal, each with different possible outcomes. In most cases, there are only one or a handful of patents at issue in a particular decision, so the success rates pertaining to patent appeals are not particularly different from how we would conventionally think about success in appeals. However, there are outliers. For example, in *Eli Lilly and Company v. Apotex Inc.,* 2010 FCA 240, there were appeals by each side relating to the extent of infringement in respect of eight separate patents, all of which were dismissed. In our methodology, this counts as 16 separate patent appeals. Consequently, data pertaining to infringement appeals that includes 2010 should be assessed with this in mind.

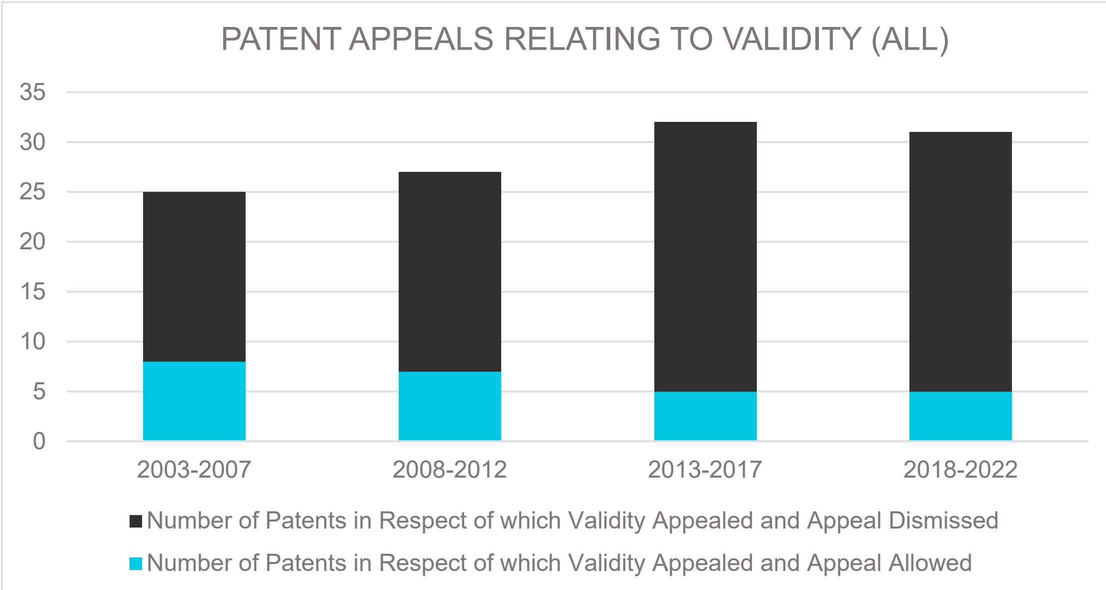
When we say that a patent appeal relating to either validity or infringement is successful, that means that the Federal Court of Appeal decided the appellant’s appeal on that particular issue in favour of appellant. It does not necessarily mean that the appellant was successful overall on the appeal. For example, in our database coding, if a patentee appealed findings of invalidity and non-infringement and was successful in overturning the finding of non-infringement but unsuccessful in overturning the finding of invalidity, they would be coded has having been successful in their appeal relating to infringement and unsuccessful in their appeal relating to validity.

Below we present data on appeals being allowed or dismissed on both validity and infringement. The data below does not include circumstances where a party appealed on an issue, but the Court decided not to address it. For example, where the Federal Court of Appeal held that it was unnecessary to consider an appeal of non-infringement because it dismissed an appeal finding that a patent was invalid, the infringement appeal is not included in the data below (but the validity appeal is). We collected data on this, but it is less informative because it is unclear what the Court’s decision not to render a decision on that issue means, so we exclude that from the data.

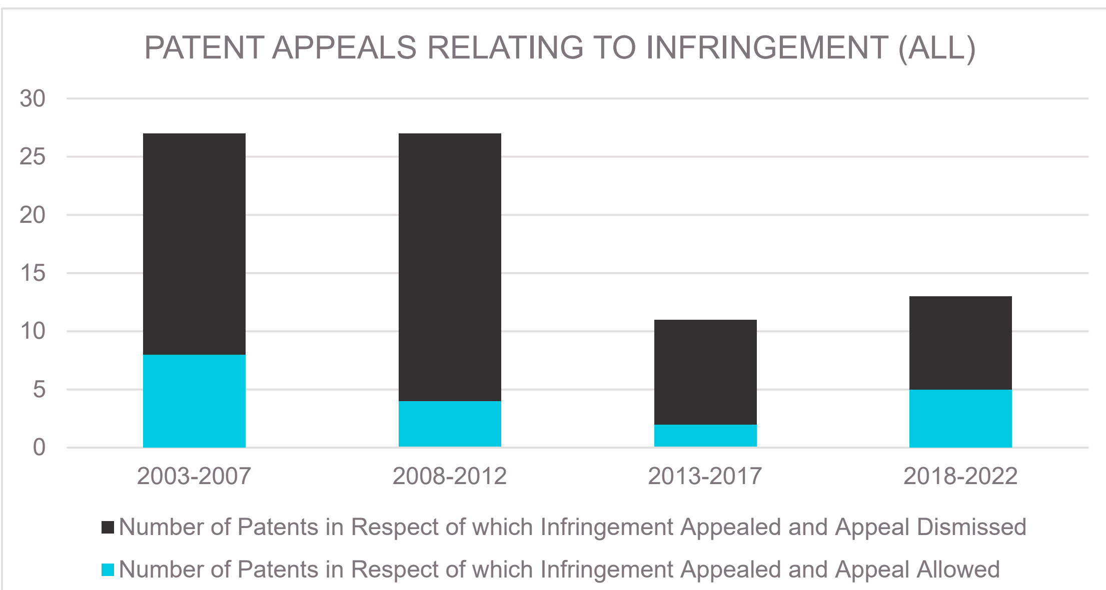
Given the relatively small number of patent appeals pertaining to either validity or infringement in any given year, we group decisions into five-year blocks below. This generates larger sample sizes so that we can more easily see whether there are any long-term trends.

Finally, as a note about terminology, we use the term “patentee” to mean any entity seeking to enforce rights under a patent, and “infringer” to mean any entity alleged to have infringed rights under a patent. Given the prevalence of claims and counterclaims, this language is more precise than “Plaintiff” or “Defendant”.

Patent Appeals Relating to Validity



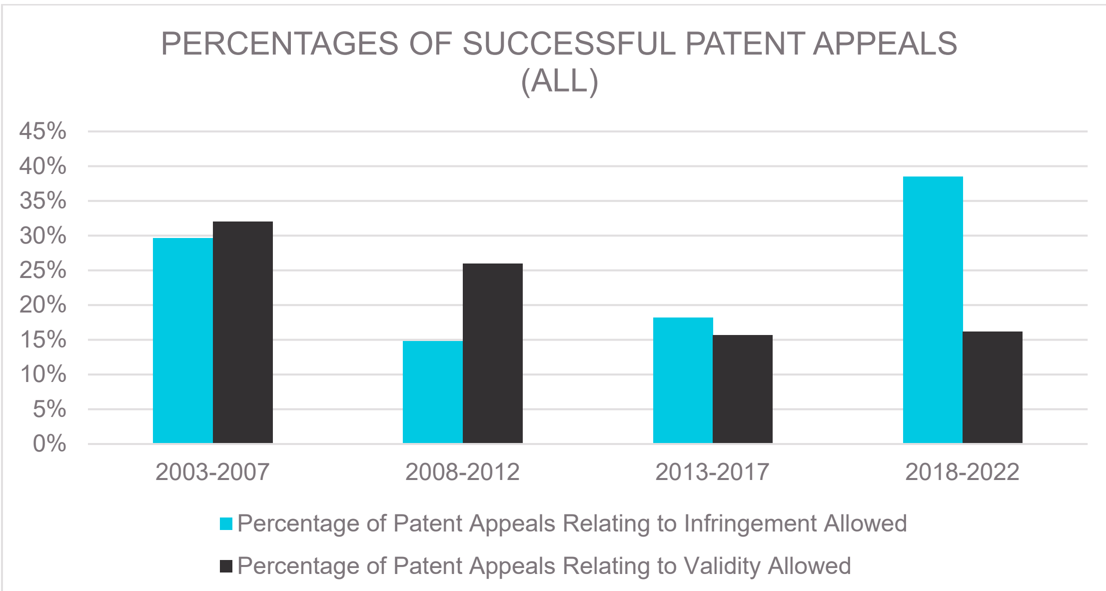
Patent Appeals Relating to Infringement



Success Percentages on Patent Appeals

This section presents data on success rates on different types of patent appeals, broken down in various ways.

We first look at the percentage of successful patent appeals over time. For validity appeals, that success rate has trended down, while for infringement appeals that success rate has trended up. Over the last five years, approximately 38% of patent appeals on infringement have been allowed, while just 16% of patent appeals on validity have been allowed.



The Year in Data: 2022 Patent Cases Infographic

THE YEAR IN DATA: 2022 PATENT CASES

Insights from the Lenczner Slaght Patent Appeals Project, a database of all substantive patent appeal cases from the last twenty years and Lenczner Slaght's 2022 Year in Review: Patents report.

A "patent appeal" relates to an appeal of an issue relating to one particular patent by one particular party. In this terminology, there can be several "patent appeals" that are decided in a single decision of the Federal Court of Appeal, each with different possible outcomes.

31 APPEALS RELATED TO VALIDITY FROM 2018-2022

Of those 31 patent appeals related to validity, 26 appeals were dismissed and 5 appeals were allowed.

16% of patent appeals relating to validity allowed.

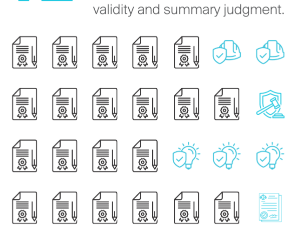
13 APPEALS RELATED TO INFRINGEMENT FROM 2018-2022

Of those 13 patent appeals related to infringement, 8 appeals were dismissed and 5 appeals were allowed.

38% of patent appeals relating to infringement allowed.

12 PATENT/PATENT ADJACENT APPEALS TO FCA IN 2022

Of those 12 appeals, 7 of those cases related to the substantive issues of claims construction, infringement, validity and summary judgment.

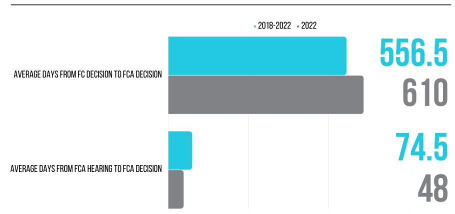


CLAIMS CONSTRUCTION

INFRINGEMENT

VALIDITY

SUMMARY JUDGMENT



BUSINESS PLANNING INSIGHTS:

The vast majority of appeals in the last five years were decided in four months or less. All but one appeal was decided in less than one year. Only one appeal took more than two years to be decided.

Lenczner Slaght

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LENCZNER SLAGHT LLP

27th Intellectual Property Law: The Year in Review

2022 Year in Review: Patents

January 18, 2023

Lenczner Slaght

Location:

LSO Hybrid

Presented by:

Jordana Sanft

Agenda

Key Topics for 2022

Quick Hitters

The Year in Data

BONUS Lenczner Slaght Patent Appeals Project

Lenczner Slaght

Key Topics for 2022

Key Topics Overview: *Substantive Issues*

1 Claims Construction

2 Indirect Infringement Prior Use

3 CGK & Prior Art Inventiveness

4 Sufficiency Overbreadth

5 Anticipation by Prior Use

6 Patentable Subject Matter

7 Summary Proceedings

8 Relief & Entitlement

9 Procedural Motions

10 Legislation & Practice Directions

Key Topics: Claims Construction

RECOURSE TO DISCLOSURE IS ALWAYS PERMITTED

Biogen Canada Inc. v. Pharmascience Inc., 2022 FCA 143

FOCUS ON ISSUES IN DISPUTE

Swist v. MEG Energy Corp., 2022 FCA 118

Key Topics: Infringement

Deliberate Influence

Angelcare Canada Inc. v. Munchkin Inc., 2022 FC 507

Common Design & Attribution

Rovi Guides, Inc. v. Videotron Ltd., 2022 FC 981 *and Rovi Guides, Inc. v. Bell*, 2022 FC 979

Meaning of Use

Steelhead LNG (ASLNG) Ltd. v. ARC Resources Ltd., 2022 FC 998

Key Topics: Prior Art & Inventiveness

The state of the art is the culmination of the relevant prior art and is understood by reading the prior art in light of the CGK of POSITA

Obscure prior art is eligible to be considered for the obviousness analysis but may not be part of mosaic

Look to the inventive concept on a claim-by-claim basis

A salt patent does not have general rules that can be applied in all cases

Special advantage was disclosed by inference

Court can find there is enough in CGK to support a sound prediction BUT not enough to find invention obvious

Key Topics: Sufficiency

Sufficiency is Assessed on the Issued Patent

PMS v. BMS, 2022 FCA 142

Contemporaneous Testing May Be Available to Support Insufficiency Allegation

Merck v. PMS, 2022 FC 417

Key Topics: Overbreadth

"Invention made" is determined as of the filing date rather than the priority date

Rovi Guides, Inc. v. Bell, 2022 FC 1388

Claims not broader than "invention disclosed" simply for being broader than described embodiments

Angelcare Canada Inc. v. Munchkin, 2022 FC 507

Key Topics: Prior Disclosure

Issue

Was disclosure of the claimed invention in an email anticipatory?

Held

There was an implied obligation of confidentiality. The disclosure of the prototype was not an enabling disclosure, available to the public, and was not anticipatory.

Angelcare Canada Inc. v. Munchkin Inc., 2022 FC 507

Patentable Subject Matter

Issue

Computer Implemented Inventions

Lenczner Slaght

Held

Proposed framework requires examiners to:

1. Purposively construe the claim;
2. Ask whether the construed claim as a whole consists of only a mere scientific principle or abstract theorem, or whether it comprises a practical application that employs a scientific principle or abstract theorem; and
3. If the construed claim comprises a practical application, assess the construed claim for the remaining patentability criteria: statutory categories and judicial exclusions, as well as novelty, obviousness, and utility.

Benjamin Moore & Co. v. Attorney General of Canada, 2022 FC 923

Key Topics: Patentable Subject Matter

Issue

Method of Medical Treatment

Held

- Once the physician chooses to use the products for the claimed purpose, each claim is directed to fixed dose amounts, fixed intervals, and fixed injection sites.
- No skill or judgment is required that would interfere with or restrict a physician skill or judgment to prescribe the dosing regimen within the claimed invention.

Janssen Inc. v. Pharmascience Inc., 2022 FC 1218

Key Topics: Summary Proceedings *Key Developments*

- FCA tapping the breaks on summary judgment if credibility determinations are required
- Uncertainty regarding burden in summary trial
- Summary trials in proceedings under the PM(NOC) Regulations
- Range of outcomes from summary proceedings

Key Topics: Accounting of Profits

New SCC 3-Part Test for Accounting of Profits

1 — 2 — 3

CALCULATE

Calculate the actual profits earned by the infringer from the selling of the infringing product.

ISOLATE

Determine whether there is a non-infringing option ("NIO") to help isolate the profits causally connected to the invention from those that are not.

DISGORGE

If there is a NIO, subtract the profits the infringer could have made had it used the NIO from its actual profits, to determine the amount to be disgorged.

Goal:

- Infringer does not retain a benefit from the infringing act
- Do not punish the infringer

New Remedy:

- Springboard Profits are available

Nova Chemicals Corp. v. Dow Chemical Co., 2022 SCC 43

Key Topics: Section 8 PM(NOC)

- Statute of Monopolies
- Complete Code
- Validity on Form IV is Misrepresentation
- Hearing Common Issues Together
- Rule 105 Does Not Require Identical Fact or Law

Remedies in PM(NOC) Actions

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Key Topics: Equitable Relief (*Obiter*)

Entitlement to AOP

- Accounting of Profits is not as of right
- Patentee bears burden to establish entitlement

Nature of Remedy

- Complex
- Speculative
- Reasonable Royalty
- NIA/NIO

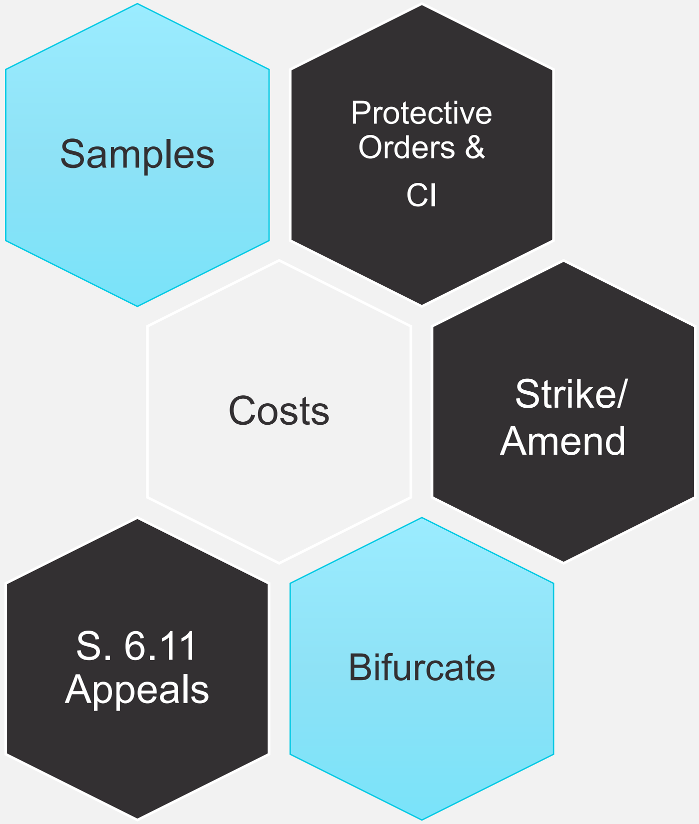
Diligence in Prosecution

- Operating within the Patent Act
- Failure to diligently prosecute can result in ‘unclean hands’

Court’s Concern

- Ability to amend claims
- Licensing negotiations in good faith
- Patent hold up

Key Topics: Procedural Motions



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Key Topics: Legislation & Practice Directions

Legislation

- Budget Implementation Bill

Regulation

- PMPRB Regulatory Amendments

Rules

- Amendments to the Patent Rules
- Amendments to the Federal Courts Rules

Practice Direction

- Consolidated General Practice Guidelines
- Pilot Project for Online Access to Court Records

Quick Hitters

2022 Quick Hitters

Patent Adjacent

- Federal jurisdiction over Patents
- Amendments to PMPRB Regulations
- Drug Identification Numbers (DINs)
- New Drug Submissions
- Evidence on Judicial Review

Issues of Interest

- Inventor Evidence ≠ Hearsay
- Expert Blinding
- Expert Strategy
- Contempt Hearing
- Reply Reports
- Self Representation
- Motion re: Question of Law
- Norwich Order

The Year in Data

The Year in Data: Patents by the Numbers

1 SCC Decision re: Patents (AOP)

0 Leave Applications Granted by SCC

3 Leave to Appeal to SCC from FCA

1 Leave to Appeal to SCC from ONCA

11 Patent/Patent Adjacent Appeals to FCA (Procedural & Substantive)

7 Substantive Patent Appeals to FCA

5 FCA decisions penned by Locke JA

FCA Substantive Cases at a Glance

CASE NAME & NEUTRAL CITATION	KEY ISSUE(S)	WRITING JUDGE	APPEAL
Pharmascience Inc. v. Bristol-Myers Squibb Canada Co. 2022 FCA 142	Validity: Selection, sufficiency	Locke	
Biogen Canada Inc. v. Pharmascience Inc. 2022 FCA 143	Claim construction	Gauthier	
Swist v. MEG Energy Corp. 2022 FCA 118	Claim construction	Laskin	
Pharmascience Inc. v. Teva Canada Innovation 2022 FCA 2	Validity: Utility, Obviousness	Locke	
Janssen Inc. v. Apotex Inc. 2022 FCA 184	Validity: Obviousness	Locke	
Gemak Trust v. Jempak Corporation 2022 FCA 141	Summary Judgment	MacTavish	
Betser-Zilevitch v. Petrochina Canada Ltd. 2022 FCA 162	Infringement claim construction	Locke	
Innovative Medicines Canada v. Canada (Attorney General) 2022 FCA 210*	Patent Adjacent	Stratas	

* Not included in the LS data set

Bonus
Lenczner Slaght Patent Appeals Project

Patent Appeals Project

- Database of every substantive decision of the FCA in patent disputes from January 1, 2000 onward.
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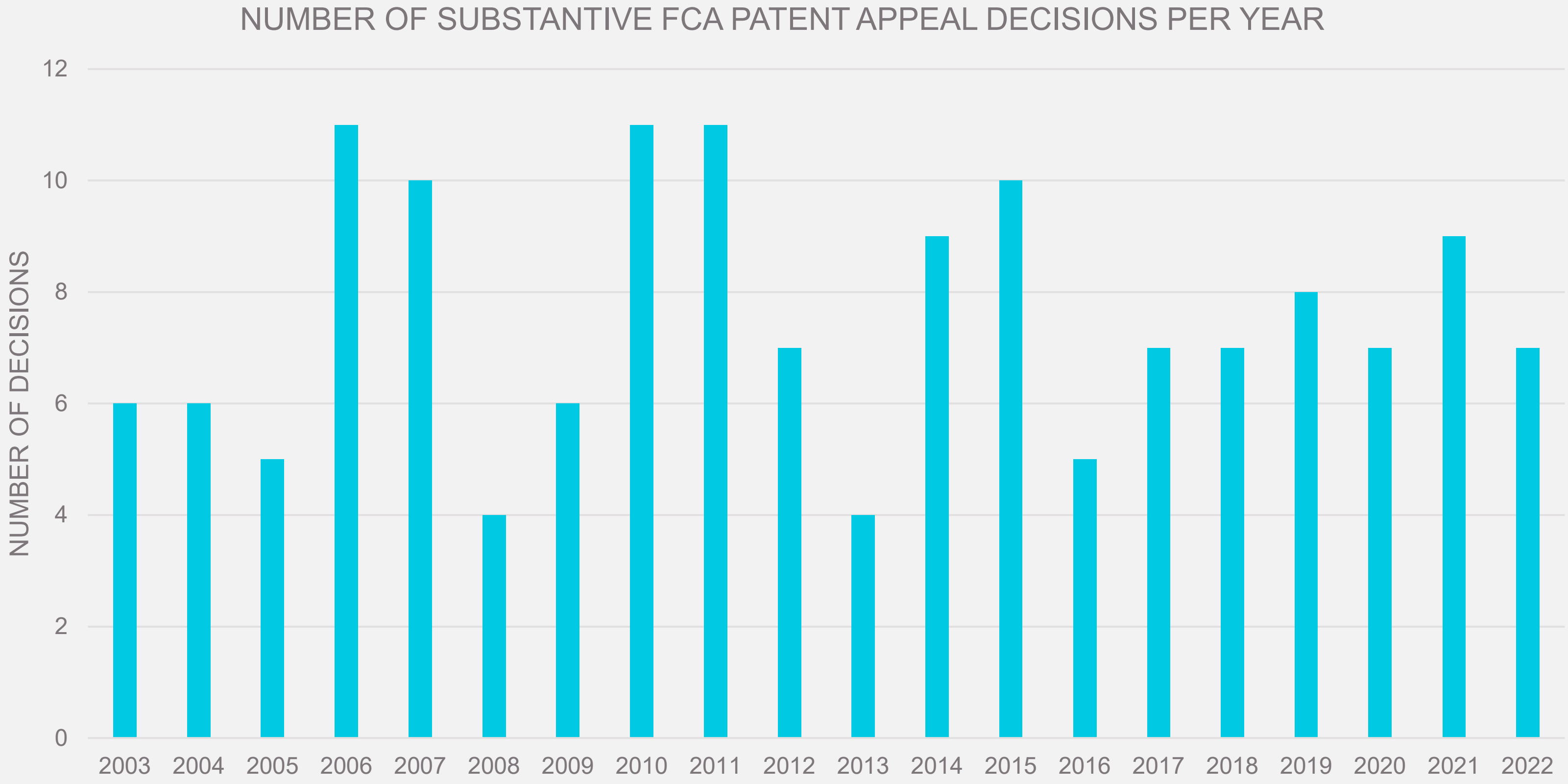
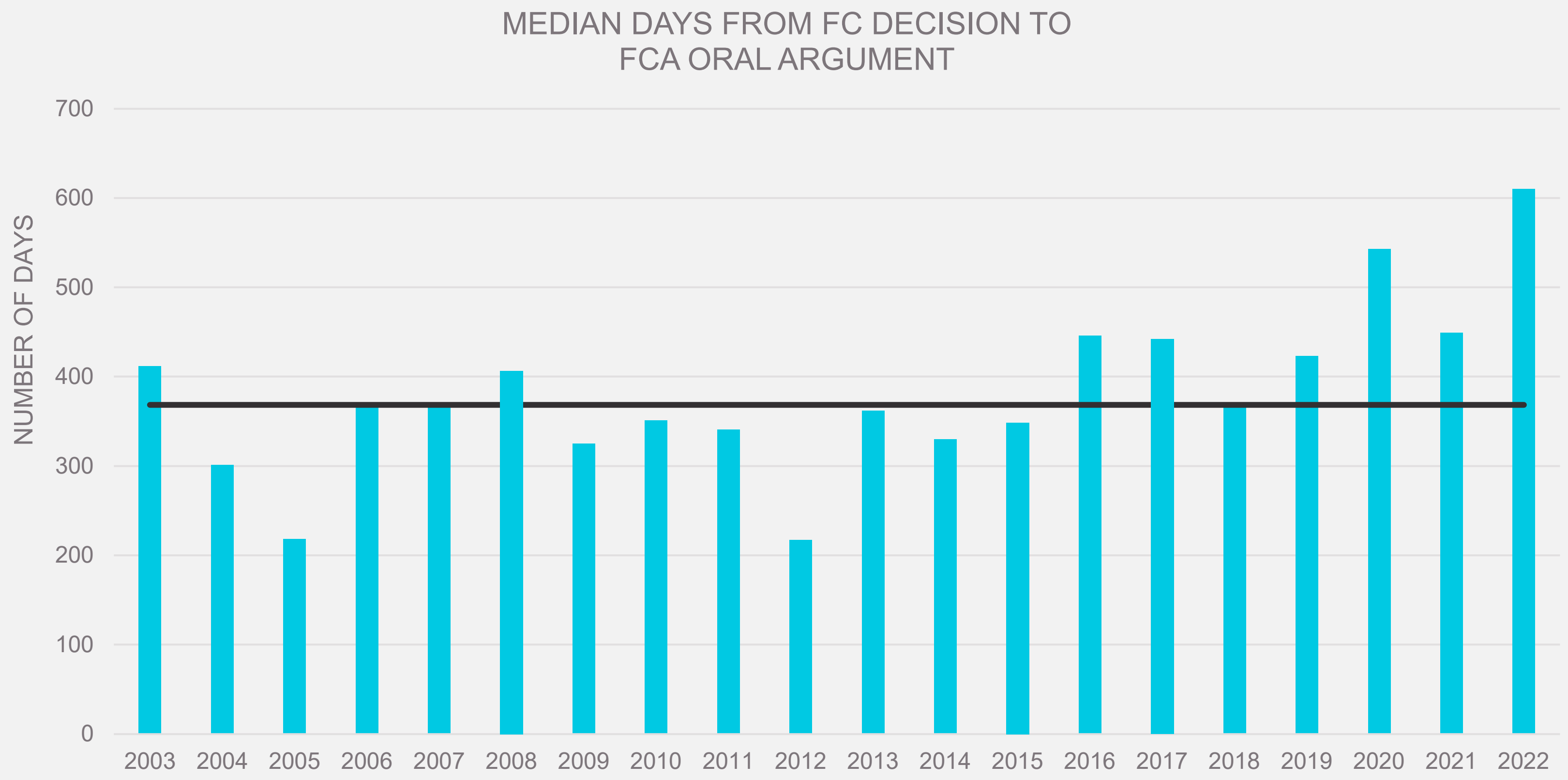
Patent Appeals Project: Number



Patent Appeals Project: Time



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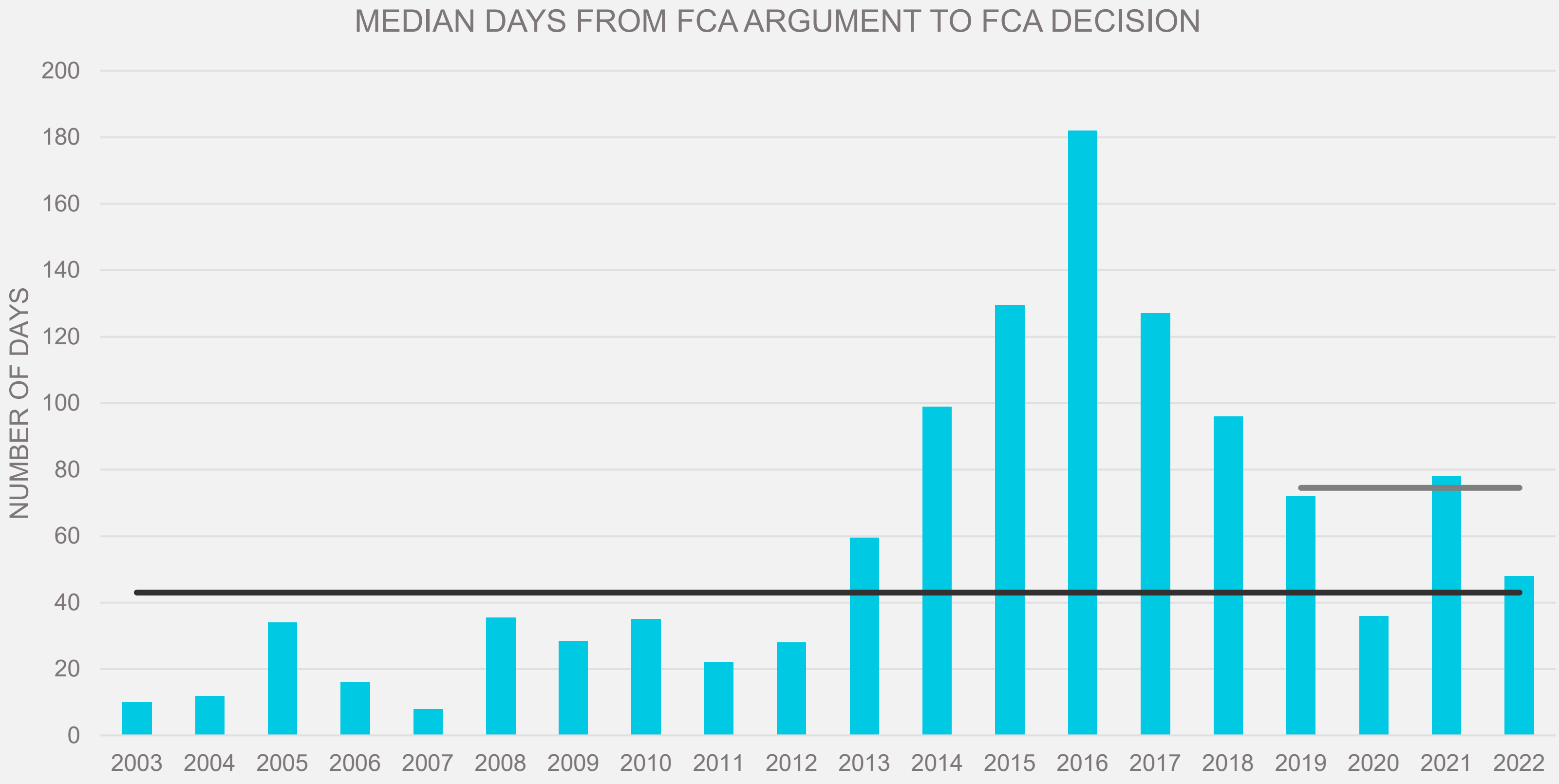
Patent Appeals Project: Time



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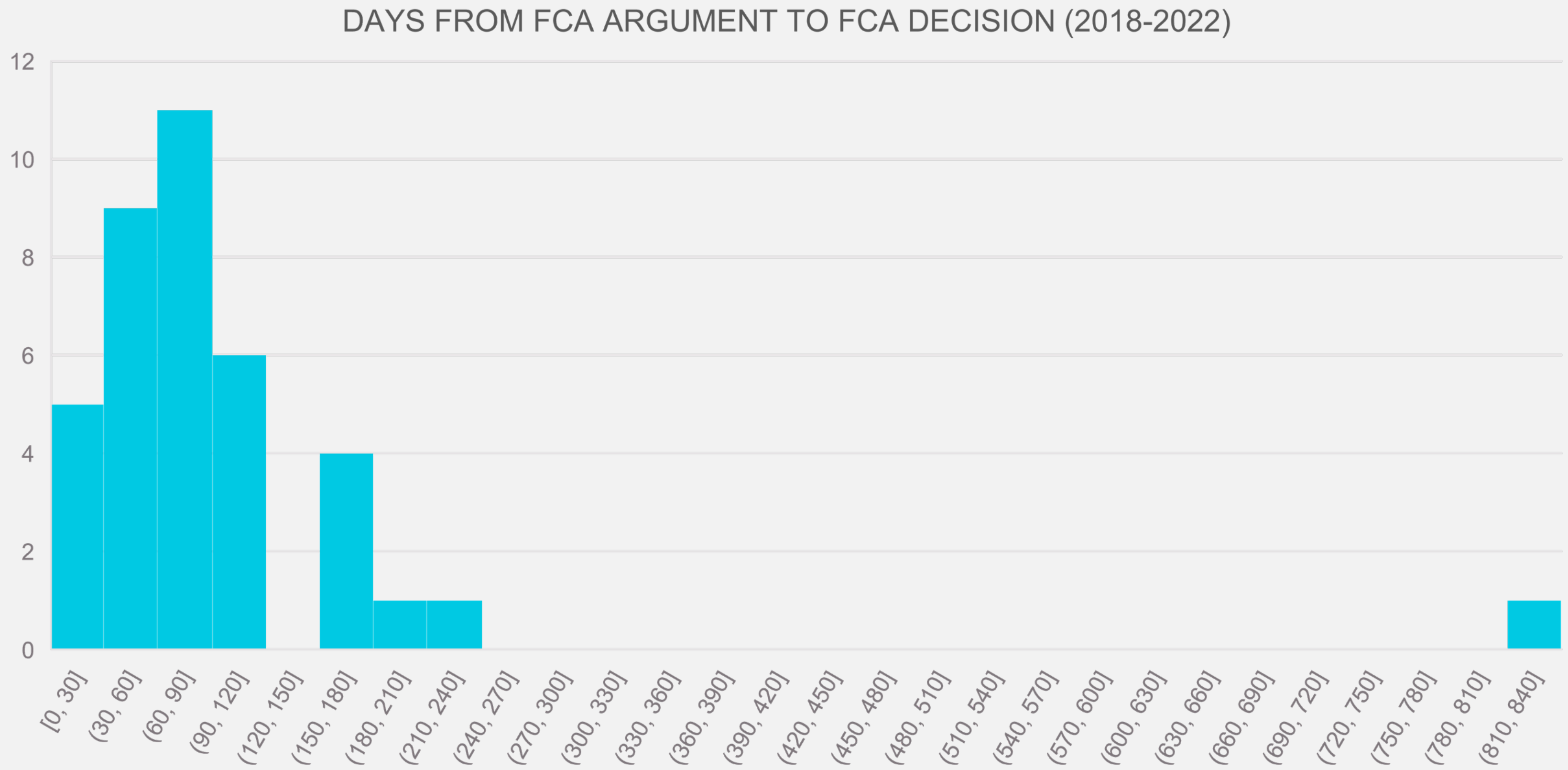
Patent Appeals Project: Time



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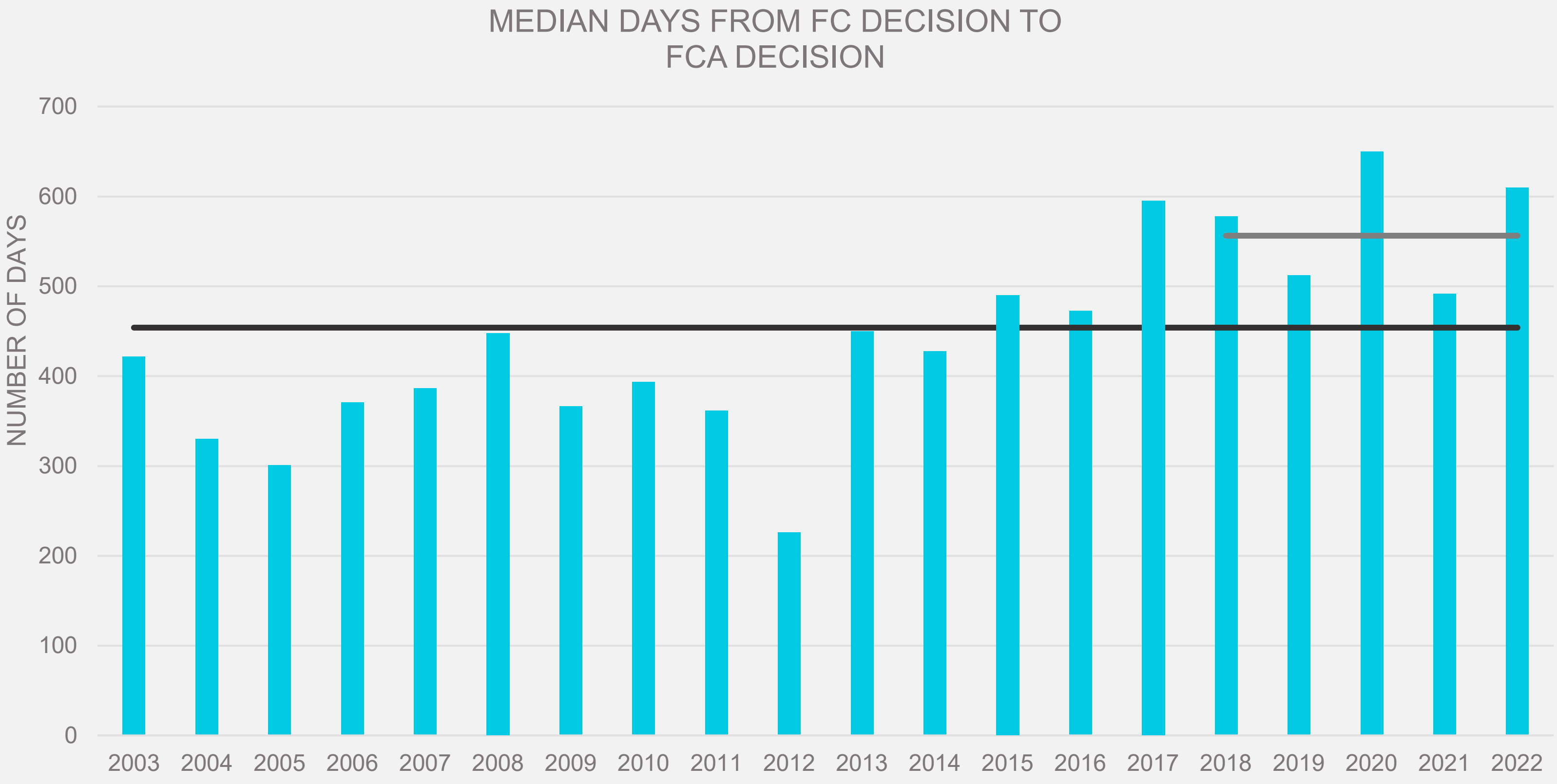
Patent Appeals Project: Time



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Patent Appeals Project: *Success*

- A “patent appeal” relates to an appeal of an issue relating to one particular patent by one particular party.
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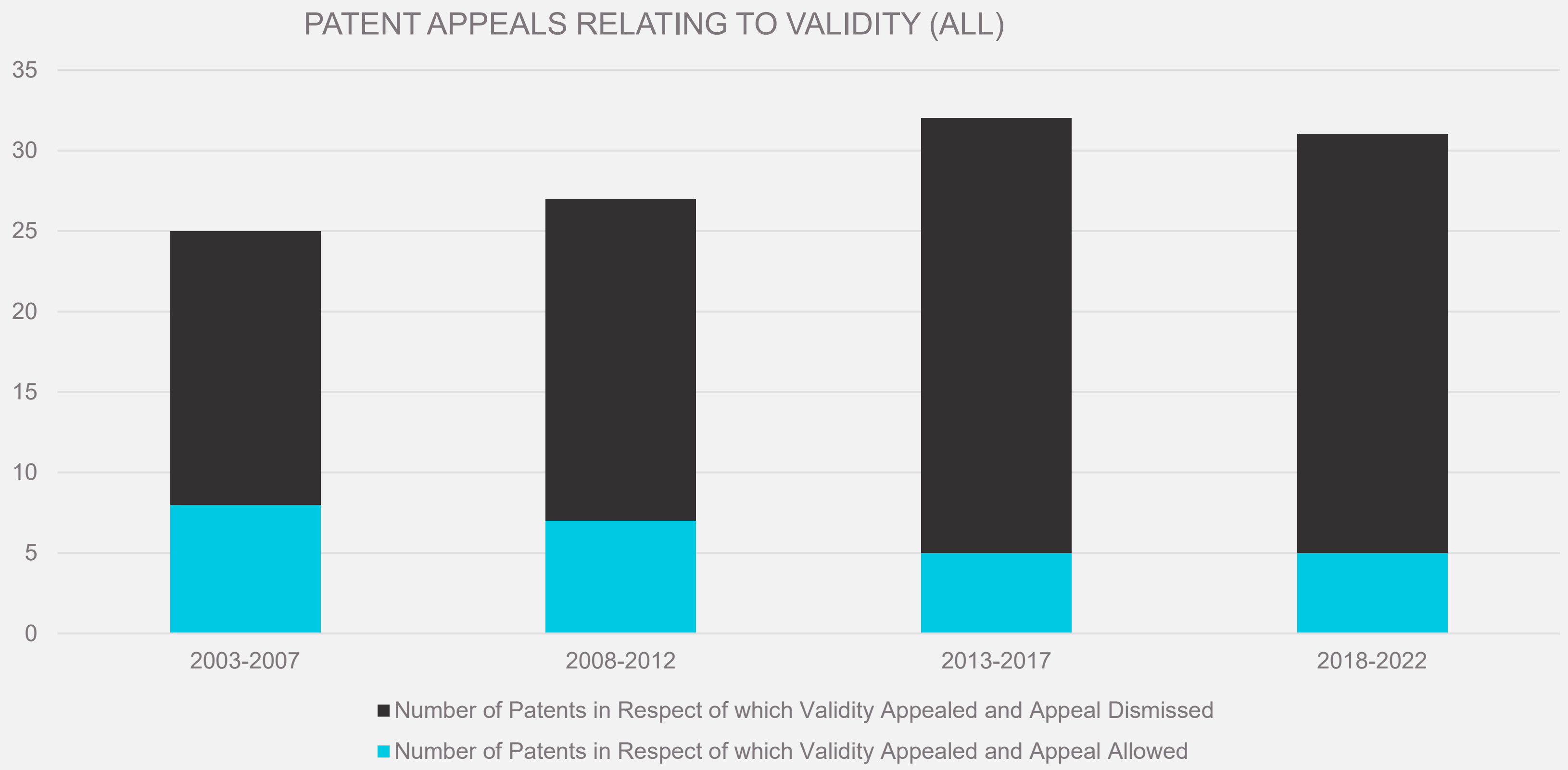
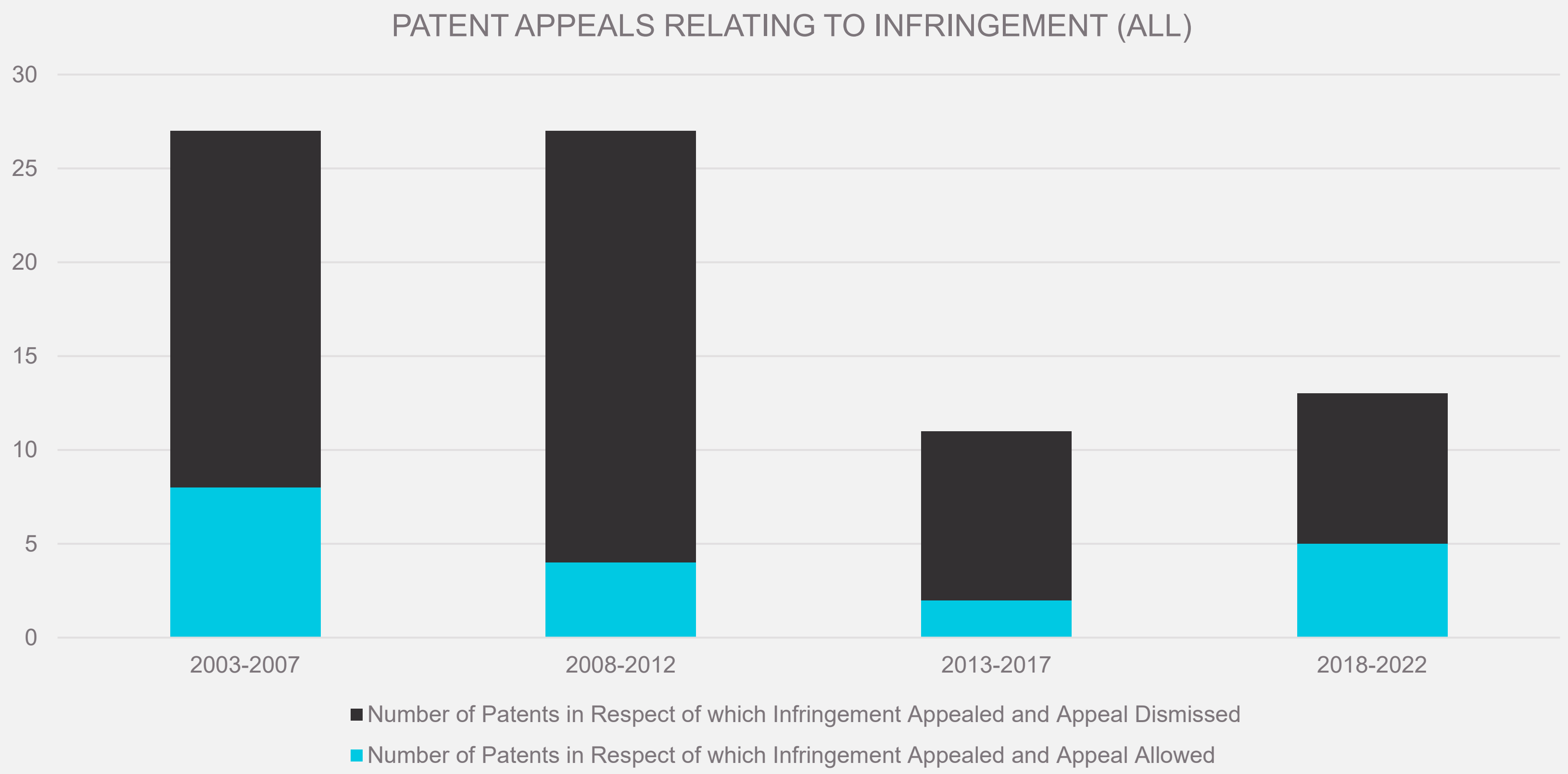
Patent Appeals Project: Success



Patent Appeals Project: Success



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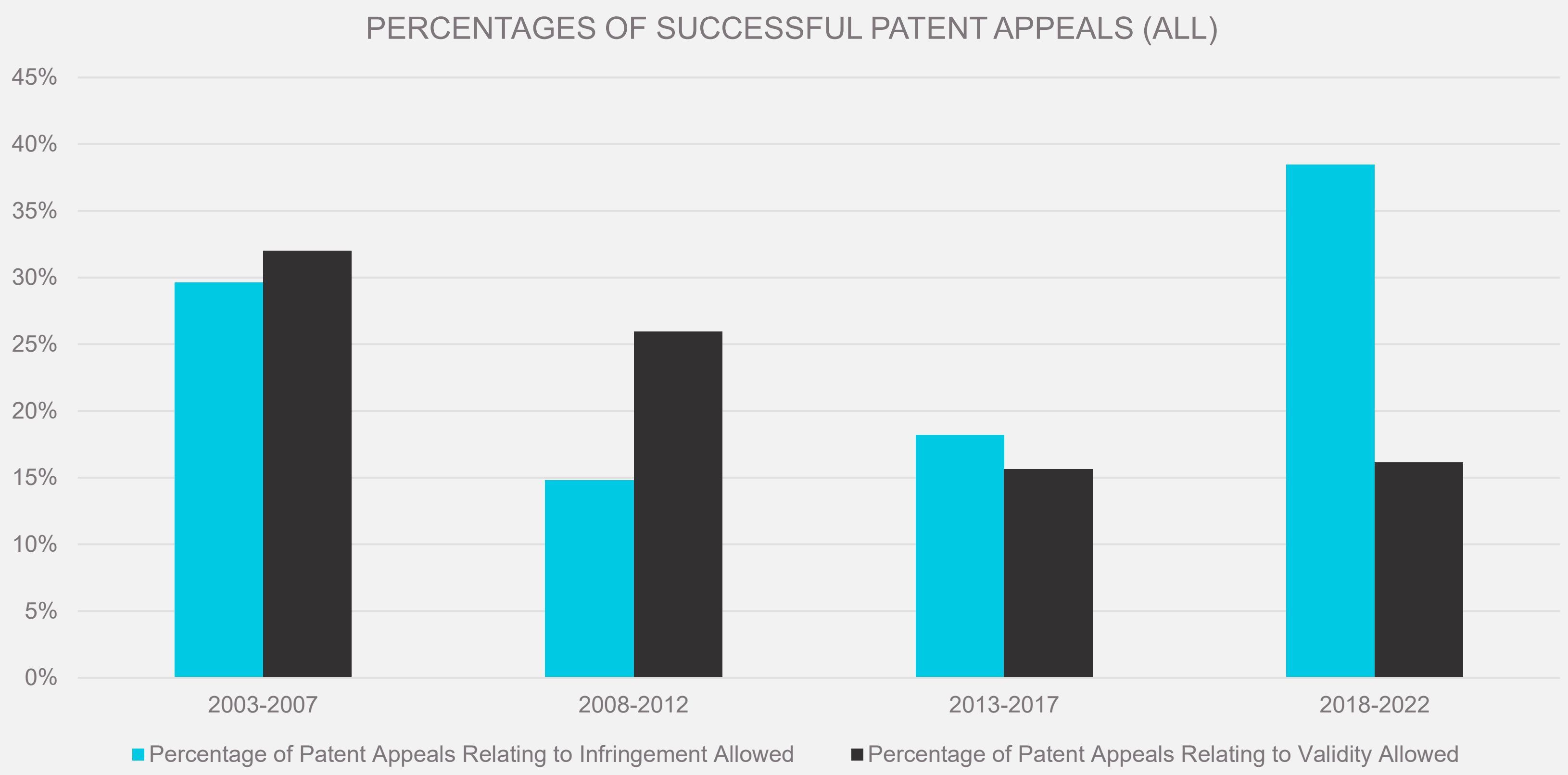
Patent Appeals Project: Success



Be in Touch!

Jordana* brings innovation§ to litigation‡.

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Thank You

Law Society of Ontario | Barreau de l'Ontario

TAB 2

27th Intellectual Property Law:

The Year in Review

Copyright Law: 2022 in Review

Casey Chisick, C.S.

Cassels Brock & Blackwell LLP

January 18, 2023

cpd

Copyright Law: 2022 in Review

Casey M. Chisick, C.S.
Cassels Brock & Blackwell LLP

January 18, 2023

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      ii. Statutory Damages for Infringement: *2424508 Ontario Ltd. v. Rallysport Direct LLC*, 2022 FCA 24 12

      iii. Interlocutory Orders in Copyright Infringement Proceedings: *White (Beast IPTV) v. Warner Bros Entertainment Inc.*, 2022 FCA 34 13

      iv. Copyright and the Duty to Defend: *IT Haven Inc. v. Certain Underwriters at Lloyd's, London*, 2022 ONCA 71 14

      v. Moral Rights Claims for Damaged Works: *91439 Canada lteé (Editions de Mortagne) c. Robillard*, 2022 QCCA 76 16

   c. Notable Lower Court Decisions 16

      i. Canada's First Dynamic Site-Blocking Order: *Rogers Media v. John Doe 1*, 2022 FC 775 16

      ii. Dynamic Site-Blocking Orders, Take 2: *Bell Media Inc. v. John Doe 1*, 2022 FC 1432 19

iii. Copyright and Anti-SLAPP: *Proctorio, Incorporated v. Linkletter*, 2022 BCSC 400 20

iv. The *Room Full of Spoons* Saga Continues: *Wiseau Studio, LLC, et al. v. Richard Harper, et al.*, 2022 CanLII 28614 and *Wiseau Studio, LLC v. Harper*, 2022 FC 568 22

v. Anton Piller Orders in Copyright Infringement Cases: *Bell Media Inc. v. Macciacherra (Smoothstreams.tv)*, 2022 FC 1139 and 2022 FC 1602 23

vi. Jury Trials in Copyright Cases: *Henni v. Food Network Canada Inc.*, 2022 BCSC 1711 25

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Copyright: 2022 in Review

Casey M. Chisick, C.S.*

1. Introduction

The year 2022 was another busy one for copyright law, and copyright lawyers, in Canada.

The excitement began in January with the Supreme Court of Canada's hearing on the implementation of the making available right in Canada. And it continued all the way through December 30, when the term of copyright in Canada was extended to the life of the author plus 70 years. In between, the Federal Court issued Canada's first dynamic website-blocking order, followed just a few months later by its second; the British Columbia Supreme Court dismissed Canada's first copyright anti-SLAPP motion and struck out what might well have been its first copyright jury notice; and other courts weighed in on everything from copyright in jewellery to the computation of statutory damages, various interlocutory orders in infringement cases, and even the burning question of who owns copyright in photographs of J. Lo. Meanwhile, Parliament set the stage for a new "right to repair", an interoperability exception, and perhaps an artist's resale right, while the Copyright Board of Canada finally issued proposed Rules of Practice and Procedure for public consultation.

This paper reviews some of the most significant developments of the last 12 months.

The first part discusses amendments and proposed amendments to the *Copyright Act*, the copyright implications of the proposed *Online Streaming Act*, and the Copyright Board's proposed Rules. The second part summarizes notable copyright law decisions, beginning with the highly-anticipated decision of the SCC in *Society of Composers, Authors and Music Publishers of Canada v. Entertainment Software Association* and continuing with detailed summaries of certain other notable appellate and lower court decisions. It concludes with a table of other lower court decisions released in 2022.[1]

2. Legislative and Regulatory Developments

a. Copyright Term Extension: *Budget Implementation Act, 2022, No. 1*

After years of consultation, debate and international commitments, the term of copyright protection in literary, dramatic, musical, and artistic works in Canada was extended from 50 years to 70 years after the end of the year of the author's death. The extension was implemented

* Partner and Chair, Intellectual Property, Cassels Brock & Blackwell LLP. Certified Specialist in Intellectual Property Law (Copyright). I gratefully acknowledge the invaluable assistance of Steven Henderson, an associate at Cassels, in preparing this paper, as well as the contributions of Jessica Zagar, Eric Mayzel, Alexander De Pompa, and other members of the Cassels copyright team.

[1] The Copyright Board of Canada also released several decisions in 2022 on tariff approvals, tariff withdrawals, and licence applications for works by unlocatable owners. The significance of those decisions is not to be diminished, but they are not addressed here.

through amendments to the *Copyright Act*[2] that were included in the *Budget Implementation Act, 2022, No. 1*[3] (previously Bill C-19) and came into force on December 30, 2022.

Term extension fulfilled a commitment made as part of the Canada-United States-Mexico Agreement (CUSMA), which required Canada to extend the term of copyright protection for Canadian works to not less than the life of the author plus 70 years. It also brought Canada's term of copyright protection in line with those of most of its major trading partners.[4]

Term extension was not retroactive; works whose copyright had already expired as of December 31, 2021 remained in the public domain. However, works that would have fallen into the public domain at the end of 2022 were captured by this amendment and are now subject to copyright protection for an additional 20 years. All other existing and future works benefit from the extended term.

In addition to amending section 6 of the *Copyright Act*, which establishes the general term of copyright, the *Budget Implementation Act, 2022, No. 1* also amended the following provisions of the *Copyright Act*:

- **Section 6.2(2):** Where the identity of one or more of the authors of a previously anonymous or pseudonymous work of joint authorship becomes commonly known, copyright now subsists for 70 years, instead of 50 years, after the end of the calendar year in which the last surviving of these newly identified authors died.

- **Section 7(1):** For "posthumous works"—works in which copyright subsists at the date of the death of the author but which have not been published, performed in public or communicated to the public by telecommunication before that date—copyright will now subsist for the longer of 50 years after the end of the calendar year in which publication, performance in public, or communication to the public by telecommunication first occurs (the status quo before amendment) or 70 years after the end of the calendar year of the author's death.

  The applicability of this provision was also clarified, with section 7(2) now stating that section 7(1) only applies to works that were published, performed in public, or communicated to the public by telecommunication before December 31, 1998. The previous version of section 7(2) referred generally to the "coming in force" of that provision.[5]

- **Section 9:** For works of joint authorship, copyright now subsists for 70 years, rather than 50 years, after the end of the calendar year in which the last surviving author died. Section 9(2), which enshrined the "rule of the shorter term" in Canada by providing that that authors who were nationals of any country that is not a party to CUSMA and grants a shorter term of protection were not entitled to claim a longer term of protection in Canada, has been repealed.

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[2] RSC 1985, c C-42.

[3] SC 2022, c 10.

[4] Certain other term-related amendments, relating to anonymous and pseudonymous works (sections 6.1 and 6.2), cinematographic works (section 11.1), and sound recordings (sections 23(1) and 23(1.1)), were enacted earlier through the *Canada-United States-Mexico Agreement Implementation Act*, S.C. 2020, c. 1.

[5] The transitional provision in section 7(3) was similarly amended to refer specifically to December 31, 1998.

b. Broadcasting Modernization: Bill C-11, The *Online Streaming Act*

On February 2, 2022, the Government of Canada introduced Bill C-11, *An Act to amend the Broadcasting Act and to make related and consequential amendments to other Acts* (the *Online Streaming Act*).[6] As of the end of 2022, the bill had passed in the House of Commons and completed two of its three required readings in the Senate.

The *Online Streaming Act* revives and reworks its predecessor, Bill C-10, *An Act to amend the Broadcasting Act and to make related and consequential amendments to the other Acts*,[7] which was first introduced to the House of Commons in November 2020 but died on the order paper with the end of the previous Parliamentary session.

With the last major update to the *Broadcasting Act*[8] having occurred in 1991, the *Online Streaming Act* would usher in a new era of broadcasting regulation in Canada by expanding the authority and powers of Canada's broadcasting regulator, the Canadian Radio-television and Telecommunications Commission (CRTC). It would also bring online broadcasters, including online streaming platforms, under the same regulatory framework as traditional broadcasters providing services and content in Canada. Although the CRTC has long recognized that new media digital and Internet content delivery platforms do fall within the definition of "broadcasting" for the purposes of the *Broadcasting Act*, it has chosen until now to exempt these platforms from broadcast licensing and regulation through the promulgation of successive Digital Media Exemption Orders. That would change with the *Online Streaming Act*.

The proposed amendments to the *Broadcasting Act* also aim to create more opportunities to showcase and support Canadian talent, including by granting the CRTC the power to require online broadcasters and over-the-top (OTT) platforms to make financial contributions in support of Canadian creators and programming (as traditional broadcasters are already required to do).

The amendments proposed in the *Online Streaming Act* largely reflect the recommendations outlined in the January 2020 *Final Report of the Broadcasting and Telecommunications Legislative Review Panel*, commonly referred to as the Yale Report.[9] The panel's mandate was to consider how to renew the regulatory framework for the communications sector and to support the creation, production, and discoverability of Canadian content, all with a view to ensuring that Canada's broadcasting regime would be able to adapt to ever-evolving cultural and technological developments.

As might be expected, the *Online Streaming Act* mostly proposes amendments to the *Broadcasting Act*, including by making "online undertakings", including OTT platforms, a defined class of broadcasting undertakings under that statute. That would give the CRTC the explicit authority to require online services, including OTT platforms, to promote and contribute further to the creation of Canadian content. At the same time, the proposed legislation would also clarify, among other things, that the *Broadcasting Act* does *not* apply to individual users of social media services, even those operated by online undertakings, or to the content that those users upload to those services. It would also update Canada's broadcasting policy to be more inclusive of all Canadians, including by providing new opportunities to Indigenous people and promoting production and broadcasting for other linguistic minority communities; authorize the CRTC to impose administrative monetary penalties (AMPs) for the violation of certain provisions of the

[6] 1st session, 44th Parl, 2021-2022.

[7] 2nd session, 43rd Parl, 2020-2021.

[8] SC 1991, c 11.

[9] *Canada's Communications Future: Time to Act*, Final Report, January 2020.

Broadcasting Act; and modify aspects of the current regulatory regime. The details of those amendments, and the controversy surrounding some of them, are outside the scope of this paper.

Notably, however, the *Online Streaming Act* also proposes amendments to some definitional provisions of the *Copyright Act* to bring certain terms in line with the proposed amendments to the *Broadcasting Act*:

- The definition of **"programming undertaking"** under section 30.8(11) would be amended to clarify that the definition does not include an online undertaking as defined in the *Broadcasting Act*, and that programming undertakings or distribution undertakings must be carried on lawfully under the *Broadcasting Act* to fall under this definition.
- The definition of "**broadcasting undertaking"** under section 30.9(7) would be amended to clarify that the definition does not include an online undertaking.
- The definition of "**new media retransmitter"** under section 31(1) would be repealed, and a new definition would be added to define the term as "a person whose retransmission would be lawful under the *Broadcasting Act* — as that Act read immediately before the day on which section 31.1 of that Act comes into force — only by reason of the Exemption order for digital media broadcasting undertakings, issued by the Canadian Radio-television and Telecommunications Commission as the appendix to Broadcasting Order CRTC 2012-409, as it read immediately before that day."
- The definition of "**retransmitter"** under section 31(1) would be amended to give it the meaning assigned by the regulations. Relatedly, section 31.3(a) would be amended to add "retransmitter" as a term that the Governor in Council may define by regulation.

The first two amendments are necessary to ensure that online undertakings are not inadvertently given the benefit of existing exceptions for recordings made by conventional broadcasters to facilitate their broadcasting operations. The other two are intended to avoid confusion as to whether and when online platforms (and other online undertakings) are subject to the retransmission regime in the *Copyright Act*.

If the *Online Streaming Act* becomes law, the Canadian Minister of Heritage will ask the federal cabinet to issue a policy direction to the CRTC on how it should implement its new regulatory powers under the *Broadcasting Act*. That will be followed by consultation with stakeholders, and most likely a public hearing, to develop regulations that establish and balance the regulatory obligations of traditional and online broadcasting services.

c. Right to Repair: Bill C-244, *An Act to Amend the Copyright Act (Diagnosis, Maintenance and Repair*)

On February 8, 2022, Bill C-244, *An Act to Amend the Copyright Act (Diagnosis, Maintenance and Repair*)[10] was introduced in the House of Commons as a private member's bill. As of the end of 2022, the Bill had completed two of its three required readings in the House of Commons and was in the process of being studied by the Standing Committee on Industry and Technology (INDU).

The purpose of Bill C-244 is to amend the *Copyright Act* to allow for the circumvention of a technological protection measure (TPM) in a computer program if the circumvention is solely for the purpose of diagnosing, maintaining, or repairing a product in which the program is embedded.

[10] 1st session, 44th Parl, 2021-2022.

The Bill would also amend the *Copyright Act* to allow for the manufacture, importation, distribution, sale, renting and provision of technologies, devices or components that are used to diagnose, maintain, or repair such products.

Currently, section 41.1(1) of the *Copyright Act* prohibits any person from

- circumventing a TPM;
- providing or offering services to the public if those services are marketed, offered, or provided primarily for the purpose of circumventing a TPM; and
- manufacturing, importing, distributing, offering for sale or renting, or providing any technology, device or component that is designed or produced primarily for the purpose of circumventing a TPM.

The *Copyright Act* defines "technological protection measure" as any technology, device or component that controls access to a work in a manner authorized by the work's copyright owner or that restricts others from doing acts with respect to a work that constitute copyright infringement. While the *Copyright Act* already contains some exceptions to this general prohibition, it does not contain an exception for repairing a device that is protected by a TPM.

Critics of the current formulation of section 41.1 have argued that this prohibition effectively prevents Canadian consumers from being able to repair their own devices without authorization by manufacturers. In other words, section 41.1 implicitly allows manufacturers to include so-called "digital locks" or other restrictive measures on the devices they sell to consumers, at which point consumers are prohibited from circumventing these measures to repair their devices on their own or with the help of a third party. Critics argue that this harms consumers by restricting their ability to repair their devices in affordable and convenient ways, since only the manufacturer of the device can control how the device can be repaired.[11]

Partly to address this criticism, Bill C-244 would amend the *Copyright Act* to add section 41.121.

Section 41.121(1) would provide that the general prohibition against circumventing a TPM does not apply to a person who circumvents a measure that controls access to a computer program if the person does so for the sole purpose of diagnosing, maintaining, or repairing a product in which the program is embedded.

Section 41.121(2) would similarly provide that the general prohibition against manufacturing, importing, or providing a technology, device, or component whose primary purpose is circumventing a TPM does not apply if the measure controls access to a computer program and the person who manufactures, imports, or provides the device does so for the sole purpose of diagnosing, maintaining, or repairing a product in which the program is embedded. To fall under this exception, the manufacturer, importer, or provider of the device must use the device, or provide it to another person, solely for that purpose.

To add further clarity, Bill C-244 would also amend the definitions of "circumvent" and "technological protection measure" under section 41 to refer explicitly to computer programs.

[11] See, for example, Automotive Retailers Association of British Columbia, "Bill C-244: Why it is Important for Industry."

d. Interoperability: Bill C-294, *An Act to Amend the Copyright Act (Interoperability)*

A few months after the introduction of Bill C-244, a related bill—Bill C-294, *An Act to Amend the Copyright Act (Interoperability)*[12]—was introduced.

If passed, Bill C-294 would amend section 41.12(1) of the *Copyright Act*, which currently provides an exception to the general prohibition against circumventing a TPM where the circumvention is done solely for the purpose of obtaining information to achieve interoperability between computer programs. The amendments proposed by Bill C-294 would clarify that circumvention is permitted not only for the purpose of obtaining information that would allow for interoperability, but also to allow the person to make the programs interoperable. The bill would also introduce an interoperability exemption to the prohibition against circumvention, allowing a manufacturer of a product to circumvent a TPM that protects a computer program embedded in another product if such circumvention is for the sole purpose of allowing the manufacturer to make the computer program, or a device in which it is embedded, interoperable with the manufactured product.

Like Bill C-244, Bill C-294 had completed two of its three required readings in the House of Commons as of the end of 2022. INDU is expected to study it during the first quarter of 2023.

e. Artist's Resale Right

In August 2022, the office of the Minister of Innovation, Science and Industry confirmed that amendments to the *Copyright Act* were being drafted in collaboration with the Minister of Canadian Heritage to introduce a resale right for artists.[13]

An "artist's resale right" (ARR) is a right that entitles painters, sculptors, and other visual artists to receive a percentage royalty when their work is re-sold by an art gallery or at an auction after its initial sale by the artist. It has been reported that the amendments that are being drafted would fix the royalty rate at 5% and apply to any Canadian art that is re-sold publicly for $1,000 or more.[14]

This is not the first time an ARR has been contemplated in Canada. A private member's bill to add an ARR was introduced in 2013 but this bill did not advance past a first reading in the House of Commons.[15] The Liberal Party included a commitment to "amending the [*Copyright Act*] to allow resale rights for artists" as part of its successful re-election platform in 2021.[16]

Under the current *Copyright Act*, unless an artist enters into an agreement with the purchaser of their artwork that provides otherwise, an artist does not receive any additional remuneration if the value of the work increases dramatically upon resale. Advocates argue that an ARR—which exists in some form in over 90 countries, including the United Kingdom, Australia, and members of the European Union—is necessary to allow artists to benefit financially from the full value of their artwork, which is often not realized on its first sale.[17] Opponents, for their part, argue that it would result in increased prices for art, reduced sales, and a significant bureaucratic burden on smaller

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12 1st session, 44th Parl, 2021-2022.

13 Marie Woolf, "Canadian artists will now get paid when work is resold in shakeup of copyright laws." *The Globe and Mail*, August 6, 2022.

14 Kate Taylor, "Canada's new resale royalty may only benefit already-successful artists." *The Globe and Mail*, September 9, 2022.

15 1st session, 41st Parl, 2011-2013.

16 Liberal Party of Canada, "Helping Artists and Cultural Industries Recover."

17 Canadian Artists Representation/Le Front des artiests canadiens (CARFAC), "The Artist's Resale Right."

art galleries.[18] Others have expressed concern that an ARR, while well-intentioned, would disproportionately benefit artists who are already successful and will do little to correct inequities in the Canadian art market.[19]

As of the end of 2022, a bill containing these amendments had not yet been formally introduced. Legislation is expected to be introduced sometime in 2023.[20]

f. Proposed Rules of Practice and Procedure for the Copyright Board

On June 18, 2022, the Copyright Board of Canada published a set of proposed Rules of Practice and Regulation in the Canada Gazette for consultation. The Rules will ultimately be promulgated as regulations to the *Copyright Act*, pursuant to Part VIII.

The stated purpose of the Rules is to "streamline, clarify, and increase transparency and predictability of the rules supporting tariff-setting procedures at the [Board]."[21] The Rules seek to increase consistency across Board proceedings and provide parties with reliable directions on how to participate. Once the Rules come into force, the Board will also publish accompanying guide documents, practice notes, and templates to further support parties when participating in Board proceedings.

The Rules contain new or clarified requirements for Board proceedings in the following key areas:

- **Filing of Proposed Tariffs:** Part 3 of the Rules would outline the information that parties must submit to the Board when filing a proposed tariff or related objection. Among other things, collective societies would be required to provide a Notice of Grounds within seven days of filing a tariff proposal, describing the uses covered under the proposed tariff and explaining the basis for the proposed royalty rate. Parties who object to the proposed tariff would similarly be required to provide a Notice of Grounds for Objection, outlining the nature or reasons for their objections. Both requirements are broadly consistent with practice notices issued by the Board in August 2022.[22]

- **Conduct of Proceedings:** Part 4 of the Rules would outline and standardize how proceedings are to be conducted. As part of this standardization, parties would now be required to file a Joint Statement of Issues within 90 days of starting a proceeding or in response to an order by the Board. This Joint Statement of Issues would outline the specific issues that the parties have agreed should be considered by the Board during the proceedings. If the parties cannot agree on the issues, they would each be required to file individual Statements of Issue.

- **Case Management:** Part 4 of the Rules would also clarify the Board's case management authority in accordance with section 66.504 of the *Copyright Act*. The Rules outline matters which may be considered during case management conferences, including the clarification, simplification and elimination of issues to be considered or any other issues

[18] Hadani Ditmars, "Canada moves towards adopting artist's resale rights law." *The Art Newspaper*, August 12, 2022.

[19] Taylor, *supra* note 14.

[20] *Ibid*.

[21] Copyright Board of Canada, "Copyright Board Rules of Practice and Procedure."

[22] Copyright Board of Canada, *Practice Notice on Filing of Grounds for Proposed Tariff*, PN 2022-06, and *Practice Notice on Filing of Grounds for Objections*, PN 2022-07 (both effective August 5, 2022).

to be resolved. The Rules would also allow for case managers to issue binding orders on procedure where necessary and appropriate after a case management conference.

- **Evidence:** Part 5 of the Rules would clarify various practices related to the use of evidence in proceedings. This includes procedures on how a document can be designated as confidential, as well as standards for participation of expert witnesses and submissions of expert reports.

- **Parties to Proceedings:** Part 6 of the Rules would allow a person other than a collective management society or an objector to make a request to the Board to participate in a proceeding as an intervener. When deciding whether to grant an intervener's request, the Board would consider whether the proposed intervener has a sufficient interest in the proceeding, whether the proposed intervener will present information or submissions that are useful and different, and whether the intervention would prejudice any party to the proceeding or interfere with the proceeding's fair and expeditious conduct.

Following the initial publication of the proposed Rules, collective management societies, rightsholders, representatives of creators and users of copyright, and the public were invited to participate in a consultation period. That period ended in July 2022. Although the Board indicated at that time that it expected the final version of the Rules to be published "in the coming months," it had not yet been published as of the end of 2022.

3. Copyright Jurisprudence

a. Supreme Court of Canada

i. Clarifying the "Making Available" Right: *Society of Composers, Authors and Music Publishers of Canada v. Entertainment Software Association*, 2022 SCC 30

Overview: In this decision, the Supreme Court of Canada considered the proper interpretation of section 2.4(1.1) of the *Copyright Act*, commonly referred to as the "making available" provision. The SCC confirmed that all acts of "making available" are now protected under the *Copyright Act*. If a work is streamed or made available for on-demand streaming, section 2.4(1.1) clarifies that the communication in section 3(1)(f) is engaged immediately, even if it is never actually streamed. If the work is made available for download, the right to authorize reproductions is engaged, while the reproduction right is engaged if and when the work is actually downloaded. There are no gaps in protection.

However, the SCC also held that the making available provision does not require users to pay two separate royalties to access works that are made available online. If a work is made available for streaming and is subsequently streamed, section 3(1)(f) is engaged only once and only one royalty is owed. To hold otherwise would violate the principle of technological neutrality.

Beyond clarifying the scope of the making available right in Canada, the SCC also

- clarified that the authorization right is a distinct right granted to copyright owners and is engaged even if the act that is authorized is never actually committed;

- reaffirmed the relevance of international treaties in interpreting the *Copyright Act*; and

- held that concurrent first-instance jurisdiction between courts and administrative decision-makers should be recognized as an additional situation in which an administrative decision must be reviewed on the standard of correctness.

Background: Section 2.4(1.1) of the *Copyright Act*, sometimes known as the "making available provision", provides that the communication of a work or other subject matter by telecommunication includes making it available to the public in a way that it can be accessed on-demand—that is, from a place and at a time chosen by each individual user.

The making available provision was introduced in 2012, through the *Copyright Modernization Act*,[23] to implement Canada's obligations under the *WIPO Copyright Treaty* (WCT). The WCT was negotiated in 1996, together with the *WIPO Performances and Phonograms Treaty*, for the purpose of updating international copyright norms for the digital age. As part of that modernization, these WIPO Internet Treaties required state parties to provide copyright protection for the act of making works and other subject matter available on demand.[24] Canada signed both treaties in 1997 but did not ratify them until after the *Copyright Modernization Act* was enacted.

In 2013, the Copyright Board initiated a special proceeding to consider the impact of section 2.4(1.1). It ultimately concluded that the provision expanded the existing communication right in the *Copyright Act* by deeming the initial act of making a work available for on-demand access to be a distinct act of communication to the public by telecommunication, regardless of whether the work is later transmitted as a stream, as a download, or not at all. As a result, the Board held that two royalties are payable when a work is distributed online: first, when the work is made available online; and second, when the work is subsequently streamed or downloaded.

The Federal Court of Appeal overturned the Board's decision. In that decision, the FCA chose not to opine on the correct interpretation of section 2.4(1.1). It did hold, however, that the meaning of the provision was constrained by the SCC's 2012 decision in *Entertainment Software Association v. SOCAN*,[25] which held that a download was not a communication to the public by telecommunication, and therefore that the Board had erred by concluding that section 2.4(1.1) could cover the act of making a work available for download. The FCA also held that the Copyright Board had erred in the way it used the WIPO Internet Treaties in interpreting section 2.4(1.1). Lastly, the FCA held that Parliament did not intend to create an entirely new compensable making available right and that, when properly interpreted, section 2.4(1.1) does not subject downloads and streams to two separate royalties.

Both SOCAN and Music Canada appealed the FCA decision to the SCC.

Decision:

The SCC dismissed the appeal. Its decision addressed a number of important considerations related not only to the making available provision but also the authorization right, the relevance of international treaties to the interpretation of the *Copyright Act*, and the standard of review to be applied to decisions of the Copyright Board.

- ***All acts of "making available" are protected.*** The SCC confirmed that Article 8 of the WCT "requires that member countries give authors the right to control when and how their work is made available for downloading or streaming," and that it is the "initial act" of

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[23] *Copyright Modernization Act*, SC 2012, c 20.

[24] WCT, Article 8. The *WIPO Performances and Phonograms Treaty* requires similar "making available" protection for sound recordings and performers' performances.

[25] 2012 SCC 34.

providing on-demand access to the work that attracts protection, whether or not an actual transmission follows. However, under the WCT's "umbrella solution," member countries are free to protect the act of making available in their domestic legislation through various means, including a combination of exclusive rights.

With that context in mind, the SCC held that the effect of section 2.4(1.1) is to clarify that (i) the communication right in section 3(1)(f) applies to on-demand streams, even though they are transmitted to individual members of the public rather than to the public generally, and (ii) a work is performed as soon as it is made available for on-demand streaming, whether or not it is ever actually streamed. Making a work available for download, by contrast, does not engage the communication right; it is protected by the authorization right—in this case, the right to authorize the reproduction of the work as a download—while the subsequent download, if any, is protected by the reproduction right.

The SCC held that this interpretation accords with Canada's obligations under Article 8 of the WCT and leaves no gaps in protection. Copyright protection applies to all acts of making works available for on-demand access, as soon as the act takes place, and regardless of whether the works are subsequently accessed. Any unauthorized act of making a work available, and any subsequent unauthorized streaming or downloading of the work, is an act of infringement.

- ***The "making available" provision does not lead to two royalties.*** According to the SCC, the making available provision did not create a new separately compensable activity that requires the payment of an additional royalty when a work is streamed or downloaded. Because section 2.4(1.1) was worded in a way that modifies the scope of section 3(1)(f), as opposed to establishing an entirely separate copyright interest, the SCC concluded that there was nothing in the text to suggest that Parliament intended to allow authors to charge two royalties, one for the act of making available and another for a subsequent act of communication. If Parliament had intended to allow that, it would have added making available as a distinct copyright interest in the opening paragraph of section 3(1).

  The SCC emphasized that the structure of section 3(1), as modified by section 2.4(1.1), ensures that there are no gaps in protection for authors without needing to create a new separately compensable activity. If a work is streamed or made available for on-demand streaming, the author's performance right is engaged. If a work is downloaded, the author's reproduction right is engaged. If a work is made available for downloading, an author's right to authorize reproductions is engaged.

  The SCC further noted that the Board's "two royalties" interpretation would violate the principle of technological neutrality that grounds the *Copyright Act* because it would require users to pay additional royalties to access works that are online compared to works that are available in physical form. When determining which of an author's rights is engaged, the focus must be on what the user receives, not how the user receives it. Even though section 2.4(1.1) by its nature applies only to digital technologies, not physical ones, the SCC did not find that to be a persuasive reason to conclude that Parliament intended to derogate from the principle of technological neutrality. As a result, it concluded that it was required to interpret section 2.4(1.1) in a technologically neutral way.

- ***Authorization is a distinct right.*** The SCC also provided new clarity on the operation of the authorization right. It confirmed that authorization "is a distinct right granted to copyright owners" and that "a user who unlawfully authorizes a reproduction or a performance of a work may be held liable for infringement of that right, *regardless of* *whether the work is ultimately reproduced or performed*" (para. 105) (emphasis added). By doing so, it settled any previous uncertainty as to whether an infringing act must actually occur for the act of authorizing it to be actionable.

- ***International treaties are relevant in interpreting the* Copyright Act*.*** Unlike the FCA, the SCC confirmed that a treaty should be considered when interpreting a statute that purports to implement it in whole or in part. The treaty is relevant at the context stage of the "text-context-purpose" approach to statutory interpretation. There is no need to find textual ambiguity in a statute before considering the treaty. To the contrary, whenever the text permits, the presumption of conformity requires that legislation be interpreted so as to comply with Canada's treaty obligations.

  That said, the task of a court remains to give effect to legislative intent. Accordingly, while a treaty can be highly relevant to statutory interpretation, it cannot overwhelm clear legislative intent. Put differently, international law cannot be used to support an interpretation that is not permitted by the words of the statute.

  This aspect of the decision is of particular importance in relation to the *Copyright Act*, which was based on and designed to implement Canada's obligations under a number of international treaties and conventions. Developments at the international level are often implemented through amendments to the *Copyright Act*, such as the amendments introduced through the *Copyright Modernization Act* in 2012. As a result, the decision reaffirms the importance of international treaties in the interpretation of the *Copyright Act*.

- ***Matters involving concurrent jurisdiction between courts and administrative decision-makers are subject to correctness review.*** Traditionally, decisions of the Copyright Board on questions of law have been reviewed on the standard of correctness, rather than reasonableness, because the Copyright Board and the courts share concurrent first-instance jurisdiction over such questions under the *Copyright Act*. That approach, however, was cast in doubt by the 2019 decision in *Canada (Minister of Citizenship and Immigration) v. Vavilov*,[26] in which the Supreme Court recognized just five situations in which an administrative decision will be reviewed on the standard of correctness. Concurrent jurisdiction was not one of those situations.

  In this decision, the SCC confirmed that Copyright Board decisions on questions of law continue to be reviewable on the standard of correctness. In doing so, it held that concurrent first-instance jurisdiction between courts and administrative decision makers should be recognized as an additional "correctness category."

b. Appellate Decisions

i. Copyright in Jewellery: *Pyrrha Design Inc. v. Plum and Posey Inc.*, 2022 FCA 7

Overview: In this decision, the Federal Court of Appeal clarified how to assess originality and infringement where the work in question is the expression found in the design of jewellery. The FCA emphasized that, where the design of a piece of jewellery is relatively simple, the degree of originality of the design will be found to be lower. The FCA also emphasized the relationship between the simplicity of a copyrighted work and the ambit of copyright protection afforded to it. The simpler the work, the more exact the copying must be to constitute infringement.

[26] 2019 SCC 65.

Background: Pyrrha Design Inc. is a jewellery company that creates metal jewellery from wax seal impressions. Pyrrha claimed that another jewellery company, Plum and Posey, infringed its copyrighted designs by creating similar wax seal impression jewellery. Since Pyrrha could not claim copyright in the method used to cast the metal jewellery, or in the concept of creating jewellery from wax seal impressions, it claimed copyright in the *expression* found in the Pyrrha Designs.

The Federal Court dismissed Pyrrha's claim for copyright infringement. Although the FC found that the Pyrrha designs were original and subject to copyright protection, it concluded that Plum and Posey had not reproduced a "substantial part" of Pyrrha's skill and judgment.

Decision: The FCA concluded that the FC had made no palpable and overriding errors in its analysis of the originality of the Pyrrha designs or its assessment of whether Plum and Posey infringed those designs. Accordingly, it dismissed the appeal.

- ***The degree of originality of a relatively simple work may be lower.*** The FCA concluded that the FC did not err in finding that each of the Pyrrha designs was relatively simple and that the degree of originality of the designs was therefore lower. As the FC observed, copyright does not protect ideas, concepts, or methods. Although Pyrrha argued that the FC erroneously relied on the "sweat of the brow" approach to make its determination, the FCA found that it correctly referred to the "skill and judgment" approach and made no palpable or overriding errors in its application.

- ***The simpler the work, the more exact the copying must be to infringe.*** In reviewing the FC's infringement analysis, the FCA found no error in the trial judge's consideration of all the similarities between the works before determining whether those similarities represented a substantial portion of the author's skill and judgment. The FCA confirmed that the Pyrrha Designs were relatively simple copyrighted works; it followed that there was a limited ambit of copyright protection. Put another way, "the simpler a copyrighted work is, the more exact must be the copying in order to constitute infringement."

- ***The perspective of the layperson is not the only relevant consideration in assessing similarity.*** Citing the SCC in *Cinar Corp. v. Robinson*,[27] the FC held that, "[a]lthough the perspective of the lay person may be useful, it does not take one all the way. The real question is whether there are substantial similarities based on the relevant parts of the works, including latent similarities not necessarily obvious to the layperson that may influence how a layperson experiences the work." The FCA found no error either in that reasoning or to the trial judge's approach to assessing whether infringement had occurred. While Pyrrha argued that the works should only be examined through photographs taken from two or three feet away, since that was the likely spacing from the purchaser's perspective, it was open to the FC to compare the actual physical exhibits.

ii. Statutory Damages for Infringement: *2424508 Ontario Ltd. v. Rallysport Direct LLC*, 2022 FCA 24

Overview: In this decision, the Federal Court of Appeal clarified the assessment of statutory damages under the *Copyright Act*. It reaffirmed that statutory damages can be awarded for copyright infringement even if no monetary damages are suffered and no business is lost by the copyright owner. The FCA also cautioned against applying general damages principles from the

[27] 2013 SCC 73.

landmark SCC case *Whiten v. Pilot Insurance Co.*[28] when specifically considering statutory damages under the *Copyright Act*. Lastly, the FCA clarified when a punitive damages award can be made in the same case as a statutory damages award.

Background: Before being placed into bankruptcy, 2424508 Ontario Ltd ("242 Ontario") carried on business as an aftermarket online dealer in specialized automotive components and accessories. After its bankruptcy, the business was carried on by 2590579 Ontario Limited ("259 Ontario"). The individual appellants, officers, and directors of 242 Ontario and 259 Ontario appealed a Federal Court decision that awarded RallySport Direct LLC, another aftermarket specialized automotive components seller, $357,500 in statutory damages and $50,000 in punitive damages for copyright infringement.

Decision The appellants argued that the damages were excessive and disproportionate to the infringement because the amount awarded was not directly linked to the harm sustained by RallySport or the profits earned from the infringement. The FCA dismissed the appeal.

The FCA noted that the minimum amount for statutory damages is $500 per work where the infringement is for commercial purposes. In this case, the amount awarded by the FC for statutory damages was 50% of the minimum amount, which already weakened the appellants' argument that the damages awarded against it were excessive. Although previous jurisprudence (*Trader Corp v. CarGurus*)[29] has stated that statutory damages are intended to compensate a party for its losses, and that there should be some correlation or proportionality between actual damages and statutory damages, it did not say that a plaintiff is only entitled to damages to the extent of the loss or that the metric to determine statutory damages needs to match the loss. The FCA confirmed that statutory damages can be awarded even if no monetary damages are suffered and no business is lost.

The appellants also argued that the SCC decision in *Whiten* supported their position on statutory damages. The FCA disagreed, noting that *Whiten* was not a case dealing with statutory damages under the *Copyright Act* and, of greater concern, that the appellants failed to acknowledge that the passages they relied upon were from the dissenting reasons in *Whiten*.

The FCA concluded that the appellants did not establish that the lower court made any error in reducing the statutory damages from $500 per photograph to $250 per photograph nor that any error was made in awarding punitive damages. There was no merit to the appellants' argument that the punitive damages were awarded for the same conduct or based on one of the same factors considered in determining the amount of statutory damages. The conduct addressed in the punitive damage award was not conduct that resulted in copyright infringement, but conduct undertaken in an attempt to avoid paying a judgment for copyright infringement.

iii. Interlocutory Orders in Copyright Infringement Proceedings: *White (Beast IPTV) v. Warner Bros Entertainment Inc.*, 2022 FCA 34

Overview: In this decision, the Federal Court of Appeal reviewed a decision by the Federal Court to extend a set of earlier *ex parte* interim orders into interlocutory orders pending the final disposition of a copyright infringement action. In dismissing the appeal, the FCA reaffirmed the applicability of the "strong *prima facie* evidence" test for the issuance of an *Anton Piller* order. The FCA also considered evidentiary issues and the impact of a party's failure to disclose relevant case law when seeking an interlocutory order.

[28] 2022 SCC 18 [*Whiten*].

[29] 2017 ONSC 1841.

Background: Tyler White, an owner of Beast IPTV, appealed a decision from the Federal Court that extended its earlier *ex parte* interim orders into interlocutory orders with certain modifications. White also appealed a show cause order that required him to appear at a contempt hearing for his alleged non-compliance with the FC's *ex parte* interim orders. After the appeal was commenced, White appeared before the Federal Court and pleaded guilty to contempt. As a result, the show cause order portion of White's appeal was moot.

Decision On appeal, White argued that the remaining portions of the FC decision should be set aside because the court applied the incorrect legal test to issue the *ex parte* interim orders. According to White, the applicable test required the court to be satisfied that there was "extremely strong *prima facie* evidence" (emphasis added) rather than "strong *prima facie* evidence."

The FCA rejected White's argument, stating that the applicability of the strong *prima facie* evidence test for the issuance of an *Anton Piller* order was confirmed by the SCC in *British Columbia (Attorney General) v. Malik*.[30]

The FCA also rejected White's argument that the respondents failed in their duty of candour by failing to disclose the FCA's decision in *Entertainment Software Association v. Society of Composers, Authors and Music Publishers of Canada,*[31] which White argued was "apparently controlling" case law on the scope of the making available right in Canada. For essentially the reasons given by the lower court, the FCA was not persuaded that *ESA* was so decisive that failure to refer to it required that the *ex parte* orders be set aside.

Lastly, the FCA rejected White's argument that, by admitting evidence based on information and belief, the FC erred by relying on hearsay and double hearsay evidence from confidential sources. The impugned evidence was admissible by virtue of Rule 81(1) of the *Federal Courts Rules*, which expressly authorizes evidence of that nature. In any event, the disputed evidence was largely irrelevant to White, since it was primarily directed toward the identification of another co-defendant.

For those reasons, the FCA dismissed the appeal.

iv. Copyright and the Duty to Defend: *IT Haven Inc. v. Certain Underwriters at Lloyd's, London*, 2022 ONCA 71

Overview: In this decision, the Ontario Court of Appeal considered whether a copyright infringement claim fell within the scope of the insurance policy coverage that the alleged infringer held with an insurance company. The ONCA used this opportunity to emphasize the flexible approach that courts should take when determining whether an insurer must defend an insured where the insurer alleges a breach of condition or a misrepresentation by the insured. If a claim presumptively falls within the scope of an insurance policy, and the applicability of an exclusion that the insurer wants to rely on will only be determined after the underlying claim is decided, then the insurer may be required to defend the claim first and only recover costs later if the applicability of the exclusion is proven.

Background: In 2016, IT Haven Inc., an information technology business, applied for and received errors and omissions insurance from Certain Underwriters at Lloyd's of London. Among other things, the insurance covered intellectual property infringement, including any actual or

[30] 2011 SCC 18.

[31] 2020 FCA 100 [*ESA*].

alleged unauthorized use or violation by IT Haven of any copyright or trademark in the performance of its business. The insurance policy was automatically renewed in 2017 and 2018.

In 2019, IT Haven was sued by Niantic Inc., a US-based mobile video game producer. Niantic alleged that IT Haven infringed the copyright in Niantic's mobile applications by creating and selling unauthorized derivative versions. Lloyd's refused to defend IT Haven, alleging that IT Haven violated the "Material Information" clause in its policy by misrepresenting its business operations when applying for the insurance and failing to correct the misrepresentations during the policy period. Specifically, Lloyd's argued that the Niantic proceeding was excluded from coverage because a copyright claim related to electronic gaming in the United States was inconsistent with IT Haven's description of its business as a business that derived 100% of its gross revenues from Canada, did not provide products or services to the electronic games industry, and did not incorporate products or services designed by others into its own designs.

IT Haven brought an application seeking a declaration that Lloyd's was required to defend it in the Niantic proceeding. The application judge granted the application. Lloyd's appealed.

Decision On its face, Niantic's claim fell within the scope of the insurance policy: it was a claim for copyright infringement allegedly committed by IT Haven in the performance of its business. In a typical "duty to defend" case, Lloyd's would then have the onus of showing that the claim fell outside the policy because of an applicable exclusion clause. In the view of the ONCA, however, this was not a typical "duty to defend" case because determining whether the exclusions applied—that is, whether IT Haven made misrepresentations about its business and failed to correct them at the time of renewal—would require the determination of some of the very issues at play in Niantic's lawsuit. In fact, whether IT Haven was involved in the US electronic gaming industry, and whether it infringed Niantic's copyright, were central issues in Niantic's claim, and IT Haven asserted in its defence that it was *not* involved in the US electronic gaming industry. Therefore, it would be impossible to determine whether Lloyd's could deny coverage on the basis of the alleged misrepresentation until after the Niantic action was decided.

The ONCA reviewed case law related to the "duty to defend" and concluded as a general matter that a flexible approach should be taken when determining whether an insurer is required to defend an insured where the insurer alleges a breach of condition or a misrepresentation by the insured. Applying that flexible approach to this case, the ONCA held that it was consistent with the application judge's finding that Lloyd's was required to defend the Niantic proceeding. It emphasized that Lloyd's allegations of misrepresentation were hotly contested by IT Haven; that the resolution of the misrepresentation issue would involve contested factual matters and expert evidence; and that determining at this stage that IT Haven had misrepresented its business created a real risk of inconsistent findings between this decision and the ultimate Niantic lawsuit.

The court also noted that, if Lloyd's was later able to establish that IT Haven had made misrepresentations following the resolution of the Niantic lawsuit, it could always recover the costs of the defence from IT Haven.

For those reasons, the court dismissed the appeal.

v. Moral Rights Claims for Damaged Works: *91439 Canada lteé (Editions de Mortagne) c. Robillard*, 2022 QCCA 76

Overview: In this decision,[32] the Quebec Court of Appeal considered whether a publisher's sale of allegedly damaged and faded copies of an author's book for lower prices infringed the author's moral rights in the book. In upholding the trial judge's conclusion that the author's moral rights were not infringed, the QCCA highlighted the importance of specific evidence to prove the actual condition of copies in a case where the alleged infringement turned on that alleged damage. Evidence that merely suggests that some copies of a work *might* have been sold in a damaged condition may be insufficient to establish an infringement of moral rights.

Background: Les Éditions de Mortagne is a publisher who publishes the work of Anne Robillard, the author of a popular series of books in Quebec and France. Robillard filed an application seeking an interlocutory and permanent injunction prohibiting de Mortagne from selling damaged or faded copies of her books to a distribution company who then sold the copies to Dollarama. Among other arguments, Robillard claimed that selling these damaged copies at a lower price, $2 per book, infringed her moral rights under the *Copyright Act*. At trial, the trial judge concluded that there was no moral rights infringement.

Decision On appeal, Robillard argued that the trial judge should have concluded that the physical structure containing her work was modified since the books sold by de Mortagne to the distributor were greatly damaged, which would constitute an infringement of Robillard's moral rights. Robillard claimed this infringement was exacerbated by the sale of these books at a chain specializing in the sale of items at a lower price and quality, which prejudiced her reputation.

The QCCA rejected Robillard's argument, pointing to insufficient evidence that the copies sold by Dollarama were actually damaged. While Robillard had attempted to rely on a letter written by a representative of de Mortagne as evidence of her claim, the QCCA held that she had misinterpreted the letter as stating that all the copies sold to Dollarama for re-sale were unsellable due to their condition. What it actually said was that *some* of the 10,000 damaged copies that were accumulated were deemed to be unsellable. The QCCA also referred to testimony from a representative of the distributor, who explained the cleaning and purification work that the distributor had done to the copies of the book before they were sold.

Overall, the QCCA could not find sufficient evidence as to the actual condition of the copies on sale at Dollarama stores for the purpose of assessing the integrity of the works. As a result, it dismissed the appeal.

c. Notable Lower Court Decisions

i. Canada's First Dynamic Site-Blocking Order: *Rogers Media v. John Doe 1*, 2022 FC 775

Overview: In this decision, the Federal Court granted Canada's first-ever dynamic site-blocking injunction. It had previously issued static site-blocking orders, listing specific websites that were subject to the order and requiring a further order for new websites to be added to the list. In this case, the plaintiffs successfully persuaded the court that, due to the evolution of online copyright piracy and the sophistication of the defendants' efforts to defeat traditional site-blocking mechanisms, a static order would be insufficient and that a dynamic order that could block

[32] This summary is based on an unofficial translation of the QCCA decision. As a result, it may contain minor inaccuracies.

websites in real time was needed. The court's willingness to grant this dynamic order was partially based on its being satisfied that it could tailor the order to reflect the rights and interests of affected Internet service providers and minimize the burden that a dynamic order may impose on them.

This represents a significant development in the range of remedies available to copyright owners to combat online piracy in Canada. It is also a useful reminder that courts will still seek to limit the scope of these orders so that they can reasonably be implemented by ISPs without undue burden.

Background: The plaintiffs were Canadian media companies that own and operate television stations and online subscription services in Canada. Collectively, they held the copyright for the live broadcasts of all NHL games in Canada, including the exclusive right to communicate those games to the public through television broadcast and online streaming. The plaintiffs commenced an action against certain unknown defendants whom they alleged were infringing their copyright by arranging for and facilitating the streaming of unauthorized copies of the NHL broadcasts to viewers in Canada. When the piracy continued despite the plaintiffs' efforts, they sought a novel dynamic site-blocking order requiring the respondent ISPs to cut off access to the infringing material.

A few years earlier, in *Bell Media Inc. v GoldTV.Biz*,[33] the Federal Court had issued the first site-blocking order in Canada. In that case, the court granted a mandatory interlocutory injunction that required certain ISPs to block access to specified websites that offered unauthorized subscription services to programming over the Internet. *GoldTV* was upheld by the Federal Court of Appeal in *Teksavvy Solutions Inc. v Bell Media Inc.*,[34] with leave to appeal to the Supreme Court of Canada denied.[35]

The plaintiffs in *Rogers Media* argued that the type of static site-blocking order issued in *GoldTV*, which listed specific websites subject to the order and provided that new websites could only be added by further order, would be ineffective under the circumstances. As they pointed out, new measures adopted by the defendants to defeat traditional site-blocking mechanisms, including moving the infringing content from site to site during the course of a single game, made it impractical for the plaintiffs to obtain court approval before each new infringing site could be blocked. They argued that a dynamic site-blocking order, enabling websites to be blocked in real time, was necessary to keep up with the evolution of online copyright piracy.

Several of the respondent ISPs—who, as the court repeatedly emphasized, were innocent of any wrongdoing in the case at hand—opposed the plaintiffs' requested order. They argued, among other things, that compliance would saddle them with undue risks, practical difficulties, and significant costs, including the potential costs of upgrading their network infrastructure.[36]

Decision In determining whether to grant the injunction, the Federal Court first held that there was no question that the defendants were infringing the plaintiffs' copyright in the NHL broadcasts,

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[33] 2019 FC 1432 [*GoldTV*].

[34] 2021 FCA 100 [*Teksavvy*].

[35] 2022 CanLII 21665.

[36] Some of the respondent ISPs, who are affiliates or wholly-owned subsidiaries of the plaintiffs, indicated their consent to the order sought by the plaintiffs. However, those ISPs still needed a court order to undertake the site-blocking. Section 36 of the *Telecommunications Act*, SC 1993, c 38 requires ISPs to obtain the approval of the Canadian Radio-television and Telecommunications Commission (CRTC) before taking steps to "control the content or influence the meaning or purpose of telecommunications carried by it for the public." Without CRTC approval or a court order, blocking the offending sites might have contravened that provision.

in an ongoing and flagrant fashion, by unlawfully distributing the broadcasts to individuals in Canada.

The court also found that the plaintiffs would suffer irreparable harm if the injunction was not granted. While the damages resulting from the defendants' unauthorized streaming were primarily financial, and ordinarily such damages cannot amount to irreparable harm because they can be recovered after trial, the court cited *GoldTV* and *Teksavvy* for the proposition that irreparable harm can be established in the context of ongoing copyright infringement by defendants who are anonymous and making clear efforts to remain that way to avoid liability. The court also inferred that unlawful streaming contributed to consumers' decisions to cancel their subscriptions with authorized services, or not to sign up in the first place, and that copyright piracy also harms the Canadian broadcasting system generally.

As in *GoldTV*, in considering the balance of convenience, the court considered the factors set out in *Cartier International AG v British Sky Broadcasting Ltd*.,[37] a United Kingdom case, to assess whether a site-blocking order is appropriate and proportional in the circumstances. The *Cartier* factors involve an analysis of the proposed order's necessity, effectiveness, dissuasiveness, complexity and cost, barriers to legitimate use or trade, fairness, substitutability, and safeguards.

In this case, the court determined that the balance of convenience weighed in favour of issuing the injunction. It was satisfied that each of the respondent ISPs had the technical capability to engage in dynamic IP address site-blocking and that the order could be tailored to reflect their legitimate rights and interests and minimize the burden imposed upon them. The court also emphasized that, by the time the order was implemented, the NHL playoffs would have already begun. That would substantially reduce the overall burden on the respondent ISPs and mean that the order would be in place for a limited duration and a finite number of games.

The dynamic site-blocking order issued by the court included the following key terms:

- The plaintiffs would collectively appoint a single agent responsible for notifying the respondent ISPs of the infringing websites to be blocked during the window of a live NHL game and unblocked following that window.
- The ISPs would block or attempt to block access to each of the IP addresses identified by the plaintiffs or their agent.
- The ISPs could use either manual or automated IP address blocking, or an alternative or equivalent technical means, provided that they gave the plaintiffs notice of the alternative or equivalent means.
- The ISPs were to use reasonable efforts, subject to the limits of their networks and resources, to disable access to the IP addresses "as soon as practicable,"—that is, within 30 minutes of the start of the live game window and at least every hour after that until the end of the window.
- The ISPs had no obligation to verify whether the IP addresses identified by the agent had been correctly identified.

[37] [2016] EWCA Civ 658.

- The ISPs were to comply with the order immediately, if possible, or take steps to begin complying with the order within seven days. An ISP that was unable to fully comply with the order within 15 days was to notify the plaintiffs.
- An ISP would not be in breach of the order if it temporarily suspended compliance in certain enumerated circumstances, such as to respond to an actual or potential security threat, provided that the ISP gave the plaintiffs notice and the suspension lasted no longer than reasonably necessary.
- The ISPs were to provide affected customers with information about the order and the agent's contact information for complaints.
- The plaintiffs were to retain an independent expert to prepare two confidential reports and one public report assessing the effectiveness of the order.
- The defendants, or any other third party who claimed to be affected by the order (including any Internet service customer of the affected ISPs), could bring a motion to seek a variance of the order to the extent that it affected their ability to access or distribute non-infringing content.
- The plaintiffs were to indemnify the ISPs for the reasonable marginal costs of implementing the order up to a maximum of $50,000.

The order terminated at the end of the 2021-2022 NHL season.

ii. Dynamic Site-Blocking Orders, Take 2: *Bell Media Inc. v. John Doe 1*, 2022 FC 1432

Overview: Six months after the decision in *Rogers Media*, the Federal Court applied that decision to grant another dynamic site-blocking order, this time with respect to FIFA World Cup broadcasts.

Background: The plaintiffs, Bell Media Inc., CTV Specialty Television Enterprises Inc., The Sports Network Inc., and Le Reseau des Sports (RDS) Inc., held an exclusive license from FIFA to broadcast live footage of the FIFA World Cup Qatar 2022 matches in Canada. The plaintiffs sought a dynamic site-blocking order to prevent unknown defendants from continuing to infringe their rights by arranging for and facilitating the streaming of unauthorized copies of the World Cup broadcasts to viewers in Canada.

Decision The Federal Court granted the requested dynamic site blocking order with respect to the FIFA World Cup matches. Specifically, during specified time periods designated as FIFA World Cup live match windows, various ISPs were ordered to block Internet access to IP addresses identified as communicating a FIFA World Cup live match, or a station on which a match was scheduled to be broadcast, to the public by telecommunication without authorization.

In granting the order, the court cited both of its previous decisions on site-blocking orders: *GoldTV.* for its jurisdiction to issue site-blocking orders and *Rogers* Media for confirmation that the ISPs that would be subject to the new order each had the capacity to engage in the type of live and dynamic IP address blocking sought by the plaintiffs.

This case was also notable for the fact that two of the named ISPs, Bell Media and Ebox Telecommunications Inc., actively consented to the order, while the other named ISPs indicated to the court that they did not oppose the order and did not wish to present any argument. The court noted that the order was made without prejudice to the ability of any of the ISPs to subsequently seek to stay, vary, or set aside the order.

iii. Copyright and Anti-SLAPP: *Proctorio, Incorporated v. Linkletter*, 2022 BCSC 400

Overview: In this decision, the British Columbia Supreme Court dismissed an "anti-SLAPP" application by a defendant to a copyright infringement claim. The decision marked the first time that a Canadian court had considered an anti-SLAPP application in the context of a copyright infringement claim. In addition to highlighting some of the unique considerations that come with bringing an anti-SLAPP motion in the copyright infringement context, the decision also contributed to the evolving case law regarding when and how the use of hyperlinks can constitute copyright infringement. The BCSC also used this decision to generally emphasize the inherent value in a copyright owner's right to control who gets to access its content, even if the practical risks of harm from the disruption of that control are low.

Background: The Plaintiff, Proctorio Incorporated, licenses software that monitors students remotely during virtual examinations without the need for a human proctor. The Defendant, Ian Linkletter, is a former learning technology specialist at the University of British Columbia, which licenses and uses Proctorio's software.

Linkletter began criticizing Proctorio and its software on his public Twitter account, suggesting that it caused harm to students. He then used his UBC credentials to set up a practice course so that he could access Proctorio's Help Center, which is available only to course instructors and administrators. The Help Center includes links to videos stored in an unlisted channel on YouTube that provide confidential details about the software's functionality. Linkletter copied these links and retweeted them from his public Twitter account, making them available to anyone viewing his Twitter feed. He also tweeted a screenshot of a confidential webpage from Proctorio training material.

Objecting to the public disclosure of its copyrighted and confidential information, Proctorio sued Linkletter for copyright infringement, among other claims. In response, Linkletter brought an "anti-SLAPP" application under section 4 of the B.C. *Protection of Public Participation Act* (the PPPA).[38] Under section 4 of the PPPA, the court will dismiss an action that arises from expression that relates to a matter of public interest unless the plaintiff can show grounds to believe that the action has substantial merit, that the defendant has no valid defence, and that the harm the plaintiff suffered from the defendant's expression outweighs the public interest in protecting that expression.

Decision The BCSC dismissed Linkletter's anti-SLAPP application, allowing Proctorio's action to proceed to trial. It gave the following reasons:

- ***Proctorio's copyright claim had substantial merit; Linkletter had no valid defence.*** Despite finding that Linkletter's expression in sharing the video links and web page in his tweets related to a matter of public interest, the court found that Proctorio had met its burden to show that its copyright claim had substantial merit and that Linkletter had no valid defence.

[38] SBC 2019, c 3.

The court rejected Linkletter's argument that sharing a hyperlink to published content cannot constitute copyright infringement. While it acknowledged Supreme Court of Canada jurisprudence in the defamation context, which held that sharing a link to a page with defamatory content may not itself constitute publication of defamatory content. It distinguished that context from the context of copyright infringement. While the wrongdoing in a defamation claim lies with the content itself, the wrongdoing in a copyright infringement claim is the act of sharing access to content without the owner's authorization.

The court also agreed with Proctorio that *Warman v. Fournier*,[39] a Federal Court decision addressing the issue of hyperlinks, was distinguishable because the judge in that case found that the plaintiff had implicitly authorized the public to view the work on his own website without restriction. In this case, there was no such authorization. That led the court to conclude that the unauthorized sharing of a hyperlink could constitute copyright infringement if it causes content that was only available to a restricted segment of the public to be shared with a wider "new public."

The court also found that Linkletter's fair dealing defence was bound to fail; all but one of the "fairness factors" suggested that his dealing was not fair. Among other things, the court found that Linkletter had alternatives to the dealing and could have availed himself of non-copyrighted equivalents to achieve his purpose of informing the public about the software's allegedly harmful features. The court also considered the confidential nature of the works and the fact that Proctorio had a legitimate interest in keeping its materials for instructors separated from its other public materials. Although it was unlikely that a violation of this separation would harm Proctorio's business, Proctorio still had the right to control who could view information about its software.

The court also rejected Linkletter's reliance on the "non-commercial user generated content" exception in s. 29.21 of the *Copyright Act*. It found that Linkletter had merely shared a link to existing works—the videos and the screenshot—and did not create a "new work," which is a fundamental element of the exception.

- ***The balance favoured Proctorio.*** In addressing the final criterion under the BC PPPA, the court concluded that the harm to Proctorio outweighed the need to protect Linkletter's expression.

  As the court indicated in its fair dealing analysis, the harm to Proctorio was that Linkletter had compromised the integrity of its Help Center, which had been purposely designed to segregate instructor information from public information. On the other side of the balancing exercise, the court accepted that Linkletter's expression stemmed from a genuine sense of public duty. However, it found that some of Linkletter's tweets had "crossed the line" and suggested that he knew that what he was doing was improper.

  Overall, the court found that Proctorio's action did not constrain legitimate expression because of the narrow nature of its claims. Proctorio was not trying to stop Linkletter or anyone from criticizing its software. Its action was only intended to prevent people from sharing information that was intended solely for instructors. In the court's words,

[39] 2012 FC 83.

"Linkletter's right to freedom of expression does not include a right to decide for himself what among Proctorio's confidential information the public should be allowed to see."

iv. The *Room Full of Spoons* Saga Continues: *Wiseau Studio, LLC, et al. v. Richard Harper, et al.*, 2022 CanLII 28614 and *Wiseau Studio, LLC v. Harper*, 2022 FC 568

Overview: For more than five years, Tommy Wiseau, the writer, director, and lead actor of the modern cult classic film *The Room*, has been pursuing legal proceedings against Richard Harper, the creator of a documentary film about *The Room*, for various claims including copyright infringement. In 2022, the dispute continued with two defeats for Wiseau: the Supreme Court of Canada dismissed his application for leave to appeal from an order for security for judgment, and six days later, a Federal Court judge struck a new action Wiseau brought against Harper on the basis of cause of action estoppel. These latest developments highlight the courts' growing impatience with Wiseau's use of the Canadian judicial system to pursue this line of litigation.

Background: Wiseau wrote, directed, and starred in *The Room*, a film that has attained modern cult classic status for being considered by many to be one of the worst films ever created. Due to the film's notoriety, Harper created a documentary about the film called *Room Full of Spoons*. According to Wiseau, Harper promised him before the documentary was released that the documentary would portray him in a positive light. However, after seeing the documentary, Wiseau alleged that the documentary mocked *The Room* and made unsubstantiated allegations about his private life.

The lengthy litigation history between these parties started in June 2017, when Wiseau sued Harper in the Ontario Superior Court of Justice for copyright infringement, infringement of moral rights, misappropriation of personality, and more. The trial judge dismissed those claims in their entirety, finding, among other things, that Harper's use of clips from *The Room* were fair dealing for the purpose of criticism, review, and news reporting.[40] It also allowed a counterclaim against Wiseau for having improperly obtained an *ex parte* injunction to prevent the release of *Room Full of Spoons*.[41]

After an unsuccessful attempt to vary the trial judge's decision, Wiseau appealed the decision to the Ontario Court of Appeal. Before the appeal was heard, however, Wiseau was ordered to post security both for the costs of the trial and the appeal and for the trial judgment itself—a "rare and exceptional" remedy that the court saw fit to order nonetheless, owing in part to what it described as a "frivolous" notice of appeal that did not articulate the errors supposedly made in the trial decision.[42] While the Supreme Court of Canada considered his application for leave to appeal that order, Wiseau failed to post security for costs by the required deadline. As a result, the Ontario Court of Appeal dismissed the appeal.[43]

Undeterred by his track record, Wiseau commenced another action in the Ontario Superior Court of Justice in August 2021, this time alleging fraudulent misrepresentation and intentional infliction of mental suffering. The court stayed that action for being "quite clearly" an abuse of process.[44]

[40] *Wiseau Studio, LLC et. al. v. Harper et. al.*, 2020 ONSC 2504.

[41] *Wiseau Studio et al. v. Richard Harper*, 2017 ONSC 6535.

[42] *Wiseau Studio, LLC v. Harper*, 2021 ONCA 31.

[43] *Wiseau Studio, LLC v. Harper*, 2021 ONCA 532.

[44] *Wiseau Studio LLC v. Harper*, 2021 ONSC 8324.

At the same time, he commenced yet another action, this time in the Federal Court. That third action alleged breach of section 41.1(1) of the *Copyright Act*, which deals with the circumvention of technological protection measures. Although Wiseau had not raised that specific cause of action in either of his previous Ontario actions, he sought the same relief: an order requiring Harper to deliver up or destroy all copies of *Room Full of Spoons*. In response, Harper brought a motion to strike the action for cause of action estoppel and abuse of process.

The Supreme Court of Canada Leave Application: In the first of the two decisions released in April 2022 related to this saga, the SCC dismissed Wiseau's application for leave to appeal from the security for judgment order. As usual, it did not provide reasons for the dismissal.

Motion to Strike the Federal Court Action: Six days later, a case management judge of the Federal Court issued a decision on Harper's motion to strike the new Federal Court action. The case management judge applied the test for cause of action estoppel, concluded that it was met, and struck the action accordingly.

The case management judge found that there had been a final court decision in the original Ontario action. The case management judge had agreed to reserve his decision until the SCC had decided Wiseau's application for leave to appeal (which the case management judge acknowledged had a "slim" chance of success). After the SCC's decision came out, the case management judge was satisfied that Wiseau had exhausted all avenues of appeal.

The case management judge also concluded that the causes of action in the Federal Court action were not separate and distinct from the original Ontario action. Although Wiseau was technically relying on a different provision of the *Copyright Act*, both claims were for copyright infringement, involved the same works, and sought identical relief.

The case management judge noted as well that Wiseau could have argued the basis of the Federal Court action in the original Ontario action had he exercised reasonable diligence. Wiseau claimed that he did not plead circumvention of technological protection measures in the Ontario action because he was not aware of Harper's wrongful acts of circumvention at the time. However, that directly contradicted his own affidavit, in which he stated that he was closely involved in the production of the Blu-ray discs of *The Room*. Issues related to circumvention of technological protection measures had also arisen during the discovery phase of the Ontario action, so Wiseau could have amended his statement of claim in that action to include those new allegations.

The case management judge ended his analysis by pushing back firmly against Wiseau's "hollow" submission that he was merely "honestly seeking [his] day in court." Wiseau had been given ample opportunities in court—a full trial, numerous motions, and appeals—and had commenced a second Ontario proceeding, which was struck. Permitting this third action to proceed would be, in the case management judge's words, "an abuse, not only for the defendants, but also for the Court."

v. Anton Piller Orders in Copyright Infringement Cases: *Bell Media Inc. v. Macciacherra (Smoothstreams.tv)*, 2022 FC 1139 and 2022 FC 1602

Overview: In a pair of decisions released in 2022, the Federal Court analyzed the execution of an Anton Piller order and considered various other proposed orders resulting from the execution. The first decision provides insight on when the failure to comply with an Anton Piller order can ground a case for contempt of court. The second decision reiterates the high standard that those responsible for executing an Anton Piller order must meet in relation to the execution and includes specific examples of what types of action will be found to have met that standard.

Background: The defendants, Marshall Macciachera, Antonio Macciachera, and various companies under their control, operated an IPTV service network called Smoothstreams.tv. The Smoothstreams network provided subscribers with unauthorized access to a wide variety of films and television channels. The plaintiffs, including Bell Media, Rogers Media, and numerous film and television production companies, brought a copyright infringement action against the Macciacheras, alleging that, by operating Smoothstreams, they were promoting and selling subscriptions to unlawful Internet services by providing unauthorized access to works owned by the plaintiffs.

On the same day they filed their statement of claim, the plaintiffs also brought an *ex parte* motion for an interim injunction and an Anton Piller order. The Federal Court granted the motion and issued both requested orders. The injunction enjoined the Macciacheras from being involved in the operation of Smoothstreams, while the Anton Piller order provided for the search, seizure, and preservation of evidence and equipment related to Smoothstreams. Both orders were only valid for 14 days from the date that the Macciacheras were served with the statement of claim. Within those 14 days, the plaintiffs were permitted to bring a separate motion to review the execution of the orders or convert them into interlocutory orders.

The plaintiffs brought a motion seeking both a declaration that the execution of the orders was lawfully conducted and an interlocutory injunction order on similar terms as the initial interim injunction. They also sought orders charging the Macciacheras and the companies under their control with contempt of the initial interim order, due to their alleged refusal to cooperate with the execution of the Anton Piller order, and requiring the Macciacheras to identify to the plaintiffs' solicitors the identities of any third parties who were involved in the operation of Smoothstreams.

The Contempt Order and Identification Order: In the first of the two decisions,[45] the court held that the plaintiffs had made out a *prima facie* case of contempt against the Macciacheras. Specifically, the court was satisfied that the Macciacheras were given the opportunity to comply with the terms of the Anton Piller order and that they deliberately failed to do so. The evidence on the motion indicated that Marshall Macciachera refused to answer questions related to the source of streams that remained online after Smoothstreams' servers were already seized, login credentials for Smoothstreams accounts, servers, and hosting providers, and financial details about the assets of companies under his control. He also refused to provide the password for his personal computer which contained relevant financial documents. The court therefore ordered the Macciacheras to appear for a contempt hearing at a later date.

The court also agreed that an order should be made requiring the Macciacheras to identify any involved third parties. This was particularly necessary because, during the execution of the Anton Piller order, the it was observed that an unknown individual named "Sam" was interacting with the Smoothstreams infrastructure. Since this individual could be complicit in the operation of Smoothstreams, it was appropriate for the plaintiffs to know his identity so they could decide whether to add him to the action.

Reviewing the Execution of the Anton Piller Order: In the second decision,[46] the court confirmed that the execution of the Anton Piller order was conducted lawfully. The court noted the "very high standard of professional diligence" that is required of those responsible for executing an Anton Piller order, given the "serious" potential for the order to be abused. In concluding that

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[45] 2022 FC 1139.

[46] 2022 FC 1602.

the individuals who supervised the execution in this case had met that standard, the court emphasized the following points:

- Both the independent supervising solicitors (ISS) and the plaintiffs' counsel made numerous attempts to explain to the Macciacheras the terms of the order and the rights available to them, despite interruptions by the Macciacheras;
- Those responsible for executing the orders abided by reasonable health and safety precautions related to COVID-19, including completing a negative antigen test the day before execution, wearing masks on the day of the execution, and maintaining physical distancing with the Macciacheras;
- The responsible individuals had reasonable explanations for deeming it necessary to continue the execution outside of the main timeframe stated in the order;
- Although the responsible individuals chose not to record video of the entire execution, this was within their permitted discretion, and the Macciacheras presented no evidence that anything improper took place while the video recording was off; and
- The Macciacheras' allegations that the responsible individuals acted aggressively when posing questions was directly contradicted by the video recordings of the execution.

Since the court found the execution of the Anton Piller order to be lawful, the plaintiffs were permitted to withdraw the $100,000 that they had previously been ordered to deposit as security for any damages that might result from the execution.

The Interlocutory Injunction: The court in the second decision also granted an order for an interlocutory injunction on similar terms as the first interim order. The court emphasized that the execution of the Anton Piller order led to evidence that bolstered the plaintiffs' case that the Macciacheras infringed their copyrights. The court also noted that, without an interlocutory injunction to prohibit the Macciacheras from being involved in unauthorized subscription services, the plaintiffs would suffer irreparable harm.

vi. Jury Trials in Copyright Cases: *Henni v. Food Network Canada Inc.*, 2022 BCSC 1711

Overview: In this decision, the British Columbia Supreme Court considered whether a copyright infringement action should be heard by a jury. Since the vast majority of Canadian copyright proceedings are brought to the Federal Court or another federal decision-maker, there had previously been little consideration in Canada of whether copyright issues are appropriate for a jury of laypeople to consider. In this case, the court struck the jury notice primarily because the sole or principal question at issue was alleged to be the construction of a submission release that the plaintiffs signed in favour of the broadcaster when they first submitted a proposed television show for consideration. In case the court was mistaken in doing so, however, it also concluded that the claim should be struck because the issues in the copyright infringement claim were intricate and complex and required an examination of documents so prolonged that it could not conveniently be made with a jury. The decision therefore offers unique insights about the ability of a jury to assess a copyright infringement claim.

Background: The plaintiffs, four individuals and a company, developed a concept for a television show, *Food Factories*, about the mass production of food items. Believing that their concept was suitable for the Food Network Canada television channel, the Plaintiffs created a 22-minute demo reel DVD for *Food Factories* and submitted it to Food Network Canada Inc. together with a submission release in the standard form required by Shaw Media, the parent company of Food Network Canada.

Food Network Canada rejected the demo. About a year later, it aired a new television show entitled *Food Factory*. The plaintiffs brought an action for copyright infringement against Food Network Canada and various other operators and producers associated with it, alleging that *Food Factory* was virtually identical to the *Food Factories* demo that the plaintiffs had submitted a year earlier.

The plaintiffs filed a jury notice. In response, the defendants applied for an order pursuant to British Columbia's *Supreme Court Civil Rules* to strike the jury notice and have the trial heard without a jury.

Decision The British Columbia Supreme Court granted the application and struck the plaintiffs' jury notice.

First, the court held that the jury notice should be struck under Rule 2-6(2)(j), which requires among other things that a jury notice ought to be struck where "the sole or principal question at issue is alleged to be one of construction" of a contract. In this case, the defendants maintained that the principal issue was the construction of the submission release, which they characterized as a "silver bullet" that had the potential to dispose of the plaintiffs' claims in their entirety. The court agreed: while much of the trial was likely to be devoted to the plaintiffs' copyright infringement claim, which was the central issue from the plaintiffs' perspective, that claim could not succeed if the defendants were to prevail on their interpretation of the submission release. As a result, it found that the interpretation and application of the submission release was the principal issue in the case and struck the jury notice on that basis.

In case it was wrong in that conclusion, however, the court also found that the jury notice should be struck under Rule 12-6(5)(a) because the copyright issues were intricate and complex by nature and would require nuanced factual findings and a complex legal analysis that would not be suitable for trial by jury.

After reviewing general principles of copyright law—including that infringement requires a finding that the defendant has taken a "substantial part of the author's skill and judgment", as opposed to merely whether a layperson could identify similarities between the works—the court noted that determining the copyright infringement would not be "simply a matter of watching a selection of the allegedly infringing programs to determine if they are facially similar." It also noted that copyright claims are not ordinarily tried by jury and that the plaintiffs had not identified a single case in which a claim under the *Copyright Act* was found to be appropriate for a jury trial. That reinforced further the complexity of copyright claims and their general unsuitability for trial by jury.

The court also observed that this case would require a prolonged examination of documents that cannot conveniently be made by a jury. Determining whether the plaintiffs' demo reel attracted copyright protection would require an in-depth review of the reel to determine which aspects are original and which are not, raising considerations that might not be immediately apparent to a casual observer. Similarly, while the trier of fact may not need to watch every single allegedly infringing episode of the *Food Factory* show, they would likely need to view a significant amount of that footage to assess whether there were sufficient similarities between the plaintiffs' reel and the defendants' show to make out a claim for copyright infringement. The court concluded that it would be unrealistic to expect a jury of laypeople to conduct the required copyright analysis of a significant number of hours of footage and retain that knowledge through the entirety of a five-week trial.

In the result, the court determined that it would be “exceptionally difficult” to instruct a jury on the intricacies of liability in copyright law and the apportionment of damages if liability were found. It also was not satisfied that a jury, once instructed, would be able to retain and apply the instructions adequately or give the issues sufficient and reasoned consideration. Consequently, the court concluded that the issues raised in the case were of sufficient complexity that they could not conveniently be determined by a jury. It struck the jury notice on that basis as well.

vii. Territoriality of Copyright Law: *Fox Restaurant Concepts, LLC v. 43 North Restaurant Group Inc.*, 2022 FC 1149

Overview: In this decision, the Federal Court considered an argument by a U.S.-based plaintiff that its proof of copyright ownership in accordance with U.S. law was sufficient to establish its copyright ownership in Canada. The court concluded that the fact that a work is a “work made for hire” under U.S. copyright law is immaterial when determining whether copyright ownership can be established under the Canadian *Copyright Act*. It thus provides a useful reminder about the territorial nature of copyright law: the fact that a party owns copyright under the laws of its home jurisdiction will not necessarily mean that it also owns copyright in Canada.

Background: Fox Restaurant, an operator of restaurants in the U.S. called Culinary Dropout and Doughbird, brought an action in Canada against 43 North Restaurant Group, asserting various intellectual property-related claims including copyright infringement. Fox Restaurant alleged that 43 North operated “copycat restaurants” in Ontario—specifically, a Culinary Dropout in Fonthill and a Dough Box in Hamilton—that used Fox Restaurant’s logos, images, and website excerpts. 43 North brought a motion to strike the claim, arguing among other things that Fox Restaurant had not provided enough material facts to establish it owned the copyright in the works it alleged were infringed.

Decision The Federal Court granted 43 North’s motion to strike in relation to the copyright infringement claims, concluding that Fox Restaurant’s statement of claim did not establish that it owned copyright in the relevant works in accordance with the requirements of the *Copyright Act*.

The court rejected Fox Restaurant’s argument that its copyright ownership was established by the fact that the works in question were “works made for hire” under U.S. copyright law. The court emphasized that copyright law is territorial, so whether the works in question were “works for hire” under U.S. law was irrelevant when determining whether Fox Restaurant could establish copyright ownership in Canada. The material determination in a Canadian copyright infringement claim is whether a plaintiff can demonstrate ownership in accordance with the requirements of the Canadian *Copyright Act*, not the laws of another jurisdiction.

The statement of claim also stated that the works had been created by the founder and/or employees of Fox Restaurant and that each of the employees had signed “an agreement confirming that all rights in such works, including all copyright, belong to Fox.” However, that was not sufficient to establish that the works were works made in the course of employment; the claim did not state that the founder was an employee of Fox Restaurant, did not refer to a contract of service, and did not name the authors of each of the works.

As a result, the court concluded that the pleading was deficient and struck the copyright claims with leave to amend. It ordered as well that any amended pleading must specify, among other things, the authors of each work at issue and whether the plaintiff’s claimed ownership of copyright arises by operation of law, assignment, or both.

d. Round-Up of Additional Copyright Decisions

The following table provides a brief overview of other trial level decisions issued in 2022 that considered copyright law issues. The decisions are organized in chronological order by date of issue and are provided for reference purposes.

Citation & Key Topics	Overview
Sony Music Entertainment Canada Inc. v. SUVA Beauty Inc. et. al., T-1256-21 (January 31, 2021) Key Topics: • Motion to strike • Standing • Particulars	The plaintiff, Sony Music Entertainment Canada, brought a copyright infringement claim against SUVA Beauty, a cosmetics and beauty company, alleging that SUVA had posted marketing videos on its social media pages that used Sony sound recordings without permission. In response to a demand for particulars, Sony identified the copyright owner of each recording it alleged had been infringed. However, it did not identify the makers of the recordings or performers other than the featured artists. SUVA brought a motion to strike the plaintiff's statement of claim in its entirety. The Federal Court granted the motion to strike, with leave to amend, on the basis that the plaintiff did not have standing to bring its claim. Sony did not own the copyright in any of the recordings it alleged had been infringed; rather, it was their exclusive licensee in Canada. Section 41.23 of the *Copyright Act* allows a licensee to commence an infringement proceeding only if the licence in question is in writing. The fact that a licence is in writing cannot be presumed, so the plaintiff's failure to expressly assert that its licence was in writing in its pleadings meant that it did not have standing under section 41.23. However, the court acknowledged that the defect could be cured by adding two words—"in writing''—to the statement of claim. Had the court not granted the motion based on the standing issue, it would have ordered Sony to provide further particulars identifying the maker of each recording. However, it would not have ordered Sony to provide the location of each maker's headquarters, full chain of title information for each recording, or particulars about the performers whose performances made up the recordings, as SUVA demanded. Especially given the large number of recordings at issue in this case, the court would have held that it was unreasonable to require the plaintiff to provide these "granular" particulars for every recording and that this information was not necessary for the defendant to prepare an informed defence.

Citation & Key Topics	**Overview**
Vidéotron Ltée v. Technologies Konek inc., 2022 FC 256 Key Topics: • Retransmission exception	The plaintiffs, who operate the TVA and TVA Sports television stations, brought a copyright infringement claim against the defendants for allegedly retransmitting the television stations over a private network without the plaintiffs' permission. The defendants, Konek Technologies Inc. and Coopérative de câblodistribution Hill Valley, argued that this retransmission was exempt from infringement under section 31 of the *Copyright Act*, which provides that it is not an infringement of copyright for a "retransmitter" to communicate a work to the public so long as the communication is a retransmission of a local or distant signal, the signal is transmitted simultaneously and without alteration (other than as permitted by law), and certain other conditions are met. The parties agreed to resolve the issues related to the application of section 31 in a summary trial. They agreed that the defendants met the definition of "retransmitter" in section 31, but they disagreed about the period of time over which the defendants could invoke the exception and whether Hill Valley was merely a sham that could not avail itself of section 31. The Federal Court held that section 31 could not apply during the period when Konek was directly conducting the retransmission: Konek never held a CRTC licence and its transmissions therefore were not lawful under the *Broadcasting Act*, as required by section 31. However, the retransmission that was conducted by Hill Valley did fall within section 31. Unlike Konek, Hill Valley was registered with the CRTC and, despite relying on the Internet for its transmissions, used various technological measures to make its network private and sufficiently separate from the public Internet. As a result, it was not a "new media retransmitter" that could not claim the benefit of the exception. The court also rejected the plaintiffs' argument that Hill Valley was a sham for Konek's benefit. The plaintiffs did not establish that Hill Valley was created for the purpose of fraud or abuse of right. The mere fact that Hill Valley could rely on section 31 while Konek could not was insufficient to constitute fraud or abuse of right by Konek. Further, the court rejected the plaintiffs' argument that Hill Valley could only rely on section 31 beginning in summer 2021, which the plaintiffs alleged was when Hill Valley made significant changes to its infrastructure. On the

Citation & Key Topics	Overview
	evidence, the court concluded that Hill Valley's retransmissions were being effected over a private connection before that time and that the changes made in summer 2021 did not have a significant impact on how the feeds were transmitted. For the period in which the defendants' retransmissions were not exempt under section 31, the Court held that Konek and Hill Valley were jointly and severally liable for copyright infringement. However, the company that had provided decoders to Konek and Hill Valley to facilitate the retransmissions was not liable, since there was no basis for it to presume that Konek's or Hill Valley's transmissions would be done in violation of the *Copyright Act*.
Horizon Comics Productions Inc. c. Marvel Entertainment, 2022 QCCS 966 (leave to appeal denied in 2022 QCCA 1083). Key Topics: • Motion to dismiss • Jurisdiction • *Res judicata* • Abuse of process	Horizon Comics Production a comic book production company, sued Marvel Entertainment, an American entertainment company, alleging that Marvel infringed copyright in Horizon's *Radix* comic book series in various Marvel films. Marvel brought a motion to dismiss based on various grounds, including jurisdiction, *res judicata*, and abuse of process. Among other arguments, Marvel argued that Horizon had already brought an unsuccessful copyright infringement action in New York with respect to the same *Radix* comics. The Quebec Superior Court dismissed Marvel's motion on all three grounds and allowed Horizon's action to proceed. First, the court found that it had jurisdiction over actions involving Marvel, as the minimal requirements of article 3148(3) of the *Civil Code of Québec* were met, namely that an alleged injurious act occurred in Québec. Since the Marvel films alleged to have infringed Horizon's copyright were presented in cinemas in Québec and across Canada, and were also made available in Québec via Internet streaming platforms, there was a *prime facie* case that the alleged infringement may have occurred in Québec. Second, the court found that Horizon's action was not barred by *res judicata*. The court analyzed the identity of parties, identity of cause, and identity of object, and concluded that new facts led to distinctions between the New York action and the present Québec action. Third, given its holding that Horizon may have raised new facts sufficient to support a new claim distinct from its New

Citation & Key Topics	Overview
	York action, the court also found that Horizon had raised serious questions to be tried. Thus, the Québec action was not an abuse of process.
Dish Network LLC et. al. v. Butt et. al., 2022 ONSC 1710 Key Topics: • Contempt of court • Sentencing	In a 2021 decision,[47] a judge of the Ontario Superior Court found the defendants, a television streaming provider, in contempt of court for failing to abide by an order prohibiting them from infringing further on various copyrights and trademarks that belonged to the plaintiffs, who owned the copyright in various television and movie content. In this 2022 decision, the court had to determine the appropriate sentence for this contempt. The court found that the defendants had substantially ceased engaging in the offending conduct. While the defendants had failed to comply perfectly with the plaintiffs' demands, the court held that those demands went beyond the court's order and that the defendants' actions evidenced a serious effort to comply. Given the substantial compliance, the Court held that the appropriate sentence was a conditional discharge subject to probation of two years less a day, with the condition being that the defendants abide by the court's order during the probation period. If the defendants complied, they would emerge from probation without any criminal record; if they failed to do so, they would be subject to imprisonment of up to four years and a criminal record, in addition to other penalties for contempt. The court also granted costs to the plaintiffs on a substantial indemnity basis.
General Entertainment and Music Inc. v. Gold Line Telemanagement Inc., 2022 FC 418 Key Topics: • Jurisdiction • Arbitration clauses	The plaintiff, a television broadcaster, brought an action against the defendant, a technology product company, for copyright infringement, trademark infringement and pirating of television signals contrary to the *Radiocommunication Act*. The defendant commenced arbitration in Bermuda and brought a motion to stay the Canadian proceedings on the basis that the plaintiff had entered into a contract with a co-defendant in the action that included a governing law clause specifying that disputes under the agreement were to be resolved by arbitration in Bermuda. A case management judge dismissed the motion. The Federal Court allowed the defendant's appeal and stayed the Canadian proceedings in favour of arbitration in Bermuda. The court emphasized the high threshold

[47] 2021 ONSC 1582.

Citation & Key Topics	Overview
	that must be met when a party seeks to escape an arbitration clause and that arbitration is not excluded merely because a party seeks statutory damages under the *Copyright Act*. The court also noted that, when a party seeks to avoid an arbitration clause by challenging the validity of the agreement in which it appears, courts should generally refer those questions to arbitration unless answering them would only require a superficial review of the evidence in the record. In this case, there were unresolved questions about the relationships between the parties to the action and the connection between the plaintiff's claims and the contract, so the court held that these questions should be resolved in the Bermuda arbitration.
Society of Composers, Authors and Music Publishers of Canada v. 1730395 Alberta Ltd. (Silver Point Pub & Eatery), 2022 FC 435 Key Topics: • Copyright Board tariffs • Damages for infringement	SOCAN, a copyright collective, brought an action for copyright infringement against the defendants, who carry on business as a restaurant, for infringing copyright in musical works in the SOCAN repertoire. SOCAN obtained default judgment in 2019 and the Federal Court ordered a reference to determine the damages owed. The court first confirmed that, although the referee designation order only explicitly mentioned "damages", it was appropriate to infer that a calculation of profits was also intended to be included in the reference, as the judgment in which the reference was ordered specifically ordered the defendants to pay SOCAN's damages and profits. Section 35(1) of the *Copyright Act* also indicates that profits can be considered when calculating damages. The court concluded that the judgment entitled SOCAN to collect damages and profits from the defendants for all unpaid royalty or licence fees owed to it under Tariffs 3A (live music) and 20 (karaoke), which were previously approved by the Copyright Board. Since the defendants did not participate in the proceeding, the court relied primarily on SOCAN's field representatives to determine the exact amount of damages and profits owed. Based on that evidence, the court held that SOCAN was owed $65,582.40 under Tariff 3A: $3,931.20 in damages and $61,651.20 in profits. Damages were based on the amount of the licence fees owed under the tariff, which were calculated based on a percentage of the total annual compensation paid to performers. Net profits were based on an estimate of the

Citation & Key Topics	Overview
	expenditures per hour made by customers at the defendants' establishment when live music was being performed, multiplied by the estimated number of hours per year that live music performance took place, less operating and entertainment costs (87% of gross revenue) and a further 5% reduction to accurately reflect profit that was related to the performance of live music. The court further held that SOCAN was owed $74,777.58 under Tariff 20: $646.38 in damages and $74,131.20 in profits. Damages were based on the amount of the licence fees owed under the tariff, which were calculated based on the number of days per week when music was performed by way of karaoke. Net profits were based on an estimate of the expenditures per hour made by customers at the defendants' establishment when karaoke was being performed, multiplied by the estimated number of hours per year that karaoke took place, less operating expenses (67%) and a further 40% reduction to accurately reflect profit related to the performance of music via karaoke. In total, the Court ordered the defendants to pay $147,182.97 to the plaintiff, including pre-judgment interest, costs, disbursements, and previous awards ordered in earlier stages of the proceedings.
August Image LLC v. AirG Inc., 2022 FC 470 Key Topics: • Authorship • Originality • Sufficient connection requirement	The plaintiff, a photographic syndication agency that claimed to hold the exclusive licensing rights to six photographs of the singer Jennifer Lopez, brought an action for copyright infringement against the defendant, a celebrity news website that was alleged to have posted the photographs on its website without the plaintiff's permission. The defendant disputed the admissibility of the images depicting the photographs that the plaintiff submitted as evidence, arguing that originals of the photographs should have been submitted instead of copies. The Federal Court rejected that argument on the basis that, since the photographs were taken digitally, the copies in evidence may be the best evidence available. The defendant chose not to cross-examine the witness who deposed that the copies in evidence were the photographs, so the defendant's argument amounted to pure speculation. The court also reaffirmed principles regarding how to identify the author of a photograph. Specifically, it

Citation & Key Topics	**Overview**
	accepted that the photographer who the plaintiff alleged was the author of the photographs in question was in fact the author, as he had described specific elements of the photoshoot that required decisions and judgment prior to the shoot itself. The court was thus satisfied that the photographer had expended considerable intellectual effort in applying his own skill and judgment to create the photographs. However, the court went on to conclude that the plaintiff was unable to prove that copyright subsisted in the photographs in Canada: it had not established that the author of the photographs was a resident of the United States and therefore entitled to copyright protection under the *Copyright Act*. The court held that the author's copyright registration certificates, which identified him as a U.S. citizen, could not be admitted into evidence for the purpose of establishing his residence in the U.S. at the time the photographs were created, as this amounted to hearsay. Other evidence the plaintiff presented showed that the author was a resident of Los Angeles at some point, but this evidence was insufficient to prove that he was a U.S. resident at the time he took the photos. Since the plaintiff could not prove that copyright subsisted in the photographs at issue, the court dismissed the claim.
Planit Software Ltd. v. Mr. Beaver Inc., 2022 FC 585 Key Topics: • Standing • Jurisdiction	The owner of copyright in various software brought an action for copyright infringement against Mr. Beaver Inc., a designer and manufacturer of cabinets, for allegedly using unauthorized copies of the software. Mr. Beaver then brought a third-party claim against Morana Group Ltd., the company that had sold it computer systems containing the plaintiff's software, alleging that Morana had misrepresented that the copies of the software on the computer systems were genuine. Morana brought a motion to strike the third-party claim on the basis that Mr. Beaver did not have standing to sue Morana for copyright infringement and that the Federal Court did not have jurisdiction to adjudicate claims based on misrepresentation. The Federal Court explained that two classes of persons can sue for copyright infringement: copyright owners and people who derive an interest from the copyright through a grant in writing from the owner. Since Mr. Beaver did not fall within either of these categories, the court struck

Citation & Key Topics	Overview
	out the portion of the third-party claim relating to copyright infringement. The court held further that it did not have jurisdiction to adjudicate the misrepresentation portion of the third-party claim. It rejected Mr. Beaver's argument that its claim for misrepresentation was so closely tied to issues under the *Copyright Act* as to fall within the purview of the Federal Court. Instead, the court concluded that copyright issues would be incidental to the misrepresentation claim, not the other way around, and that the pith and substance of the misrepresentation claim would be a common law cause of action related to the asset purchase agreement between the parties.
Voltage Holdings, LLC v. Doe #1, 2022 FC 827 KEY TOPICS: • Default judgment • Infringement	The plaintiff, a movie production company, sued a group of Internet subscribers for online copyright infringement, alleging that they had used or authorized the use of a peer-to-peer network to unlawfully make one of the plaintiff's films available for distribution. The plaintiff then moved for default judgment against 30 of these subscribers, who the plaintiff alleged had offered the film online for the longest time and for the largest number of people. The Federal Court held that there was insufficient evidence to grant default judgment. While satisfied that the defendants in question were in default by failing to file a statement of defence, the plaintiff's evidence on its own was insufficient to establish that the defendants had infringed the plaintiff's copyright. Specifically, the plaintiff's evidence did not establish direct infringement; it only identified the IP addresses that were responsible for the infringement and the Internet subscribers associated with those IP addresses. The evidence did not prove that the defendants in default were the *users* of those IP addresses at the time of infringement. The court held that at least some attempt must be made to determine the user responsible for the infringement before it can be presumed that the subscriber and the user are the same person. For similar reasons, the plaintiff's evidence did not establish infringement by authorization. While the court was satisfied that the defendants in default had knowledge of the allegedly infringing activity because of the notices sent by the plaintiff to the defendants' ISPs, the plaintiff did not present evidence of the nature of the relationship between the Internet subscribers associated

Citation & Key Topics	Overview
	with the infringing IP addresses and the individuals who actually uploaded the unauthorized content. There was also no evidence of what steps, if any, the subscribers had since taken to prevent further infringement. The court denied default judgment and ordered that the action proceed to trial pursuant to Rule 210(4)(c) of the *Federal Courts Rules*.
Tremblay v. Beaupré, 2022 NSSC 219 Key Topics: • Summary judgment • Infringement	The plaintiff, an aspiring writer, brought a copyright infringement action against the defendant, an Indigenous psychic medium, regarding a book published by the defendant about the defendant's life story. The plaintiff alleged that she was a co-author of the book because she had discussed the structure and content of the book at length with the defendant and had sent him chapters that she had written for his review. The defendant argued that he had informed the plaintiff that he was abandoning the concept of the book that they had come up with together and that the version of the book that was published was rewritten from scratch in collaboration with a different writer, without using any of the material that the plaintiff had provided. The defendant moved for summary judgment. The Supreme Court of Nova Scotia granted the motion, finding that the plaintiff's claim did not have a reasonable chance of success. The court emphasized that an essential element of a copyright infringement claim is the production, reproduction, publication, or performance of all or a substantial part of the plaintiff's work in violation of section 3(1) of the *Copyright Act*. In this case, none of the evidence presented by the plaintiff indicated that her manuscript, or a substantial part of it, had been reproduced in the published version of the defendant's book. The evidence consistently demonstrated that, although the parties had a prior working relationship in which they had discussed writing and publishing a book about the defendant's life, the final book was written solely through a collaboration between the defendant and a different writer.

TAB 3

27th Intellectual Property Law: The Year in Review

Trademarks Update

Trademarks Update (PowerPoint)

Natalie Rizkalla-Kamel
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January 18, 2023

TRADEMARKS UPDATE

LAW SOCIETY OF ONTARIO IP YEAR IN REVIEW, JANUARY 18, 2023

NATALIE RIZKALLA-KAMEL, GOWLING WLG (CANADA) LLP, TORONTO, ON

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1. INTRODUCTION

2022 saw a number of noteworthy developments in Canadian trademark law.

This paper highlights the significant developments and decisions from 2022 affecting a number of areas of trademark law.

2. LEGISLATION AND CIPO UPDATES

A. Bill 96, *An Act respecting French, the official and common language of Québec*

On June 1, 2022, Bill 96, *An Act respecting French, the official and common language of Québec*, came into force in the Province of Québec. The Bill significantly amends Québec's *Charter of the French Language* (the "Charter") by significantly restricting the use of English and imposing burdensome obligations regarding the use of French in numerous activity sectors.

Currently, "recognized trademarks", which reference has been interpreted by the courts to include registered as well as distinctive common law trademarks, are allowed to be used on labelling as well as public signage and advertising in a language other than French as long as a French version of the trademark is not registered in Canada. This is an exception to the general rule in section 51 of the Charter which requires that "every inscription on a product, on its container or on its wrapping, or on a document, or object supplied with it, including the directions for use and the warranty certificates, must be drafted in French."

Bill 96 restricts the application of the "recognized trademarks" exemption. As of June 1, 2025, English (or other non-French) trademarks that are not registered will need to be translated to French on product packaging and labelling, as well as on public signage, posters and commercial advertising.

Bill 96 also adds further obligations:

- Product packaging and labelling: if an English-only registered trademark includes an English "generic term or a description of the product," this generic term or description will have to appear in French on the product.
- Public signs and posters visible from outside premises: an English only registered trademark must be accompanied by French that is "markedly predominant".

Beyond a "registered trademark", other words or phrases may not require translation, including:

- A coined word for which there is no translation;
- Appellations of origin;
- The name of an exotic product or foreign specialty which there is no equivalent product in Canada;
- The name of a personality or character;
- A surname or a given name (even when a French translation exists);

- A geographic place outside of the Province of Québec or any place name that appears in the official register maintained by the "Commission de Toponymie du Québec" (however, all other Québec place names that do not appear in this registry require translation); and

- Heraldic mottos or any other non-commercial slogans.

At this time, failure to comply will Bill 96 will result in fines. These fines, for “legal persons” will range from $3,000 to $30,000 for a first time offense, $6,000 to $60,000 for a second time offense, and $9,000 to $90,000 for each subsequent offence.

Directors could also be found personally liable with fines ranging from $1,400 to $14,000 for a first time offense, $2,800 to $28,000 for a second time offense, and $4,200 to $42,000 for each subsequent offence.

If an “offense” continues for more than one day, each day will constitute a separate offense. Repeated offenses may also result in the revocation of a permit or authorization issued by the Government of Québec.

The Government of Québec is set to release draft regulations for consultation in early 2023 that will affect how the legislation is to be interpreted and applied.

B. AI Technology to Assist with Examination Backlog

On April 1, 2022, CIPO began issuing AI generated letters to inform trademark applicants of deficiencies in goods and services statements in pending Canadian trademark applications to allow for voluntary amendment to pre-approved terms in order to shorten the timeline to examination. Identified issues include the following:

- Whether the application has an acceptable goods and services description;

- Whether the application includes goods and services that have not been classified or have been improperly classified; or

- Whether the application includes goods and services that do not appear in the CIPO Goods and Services Manual or that are not acceptable for lacking sufficient specificity.

The AI technology does not specify the problematic goods or services, but only which category of deficiency is detected by the scan, to provide applicants with an opportunity to amend.

Applications amended to include pre-approved terms from CIPO’s Goods and Services Manual are examined more quickly and increase the potential to receive an approval notice rather than an office action by 70%.

There is no requirement or deadline to respond to these AI-generated letters.

Upgrades to this AI project will roll out in March 2023. These new letters are intended to identify either the specific problem in the goods/services or the portion of the goods/services which are acceptable.

C. Proposed Amendments to *Trademarks Regulations* to Increase Fees

On December 31, 2022, the Government of Canada gave notice of the Governor in Council's proposal to amend the *Trademarks Regulations*, including to increase government fees. A 30-day consultation period expires on January 30, 2023.

The proposal is a 24% fee increase across the board to be effective January 1, 2024, which include the following:

Description	Current Fee ($)	Proposed Fee ($)
Extension of time under Section 47	125.00	150.00
Request to give public notice under Paragraph 9(1)(n) or (n.1)	500.00	694.00
Request for recording transfer of trademark application under subsection 48(3)	100.00	125.00
Request for registering transfer of registered trademark under subsection 48(4)	100.00	125.00
Statement of opposition under subsection 38(1)	750.00	1,040.00
Request for giving notice under subsection 44(1)	400.00	555.00
Request for giving notice under subsection 45(1)	400.00	555.00
Statement of objection under subsection 11.13(1)	1,000.00	1,387.00
Trademark Application (Submitted Online)		
First class	330.00	458.00
Each additional class	100.00	139.00
Trademark Application (Not Submitted Online)		
First class	430.00	597.00
Each additional class	100.00	139.00
Application under Subsection 41(1) to Extend Goods/Services of Registered Trademark		
First Class	430.00	597.00

Description	Current Fee ($)	Proposed Fee ($)
Each additional class	100.00	139.00
Renewal of Trademark Registration (Submitted Online)		
First class	400.00	555.00
Each additional class	125.00	173.00
Renewal of Trademark Registration (Not Submitted Online)		
First class	500.00	694.00
Each additional class	125.00	173.00
Certified Copies		
Paper, per certification	35.00	44.00
Electronic, per certification	35.00	44.00
Electronic, per trademark	10.00	13.00
Non-Certified Copies		
Paper, per page, if requesting party makes copy using Office equipment	0.50	1.00
Electronic, per request	10.00	13.00
Electronic, per trademark	10.00	13.00
Electronic, if copy requested on physical medium, for each physical medium provided other than the first	10.00	13.00

D. CIPO Practice Notices

(i) Office Practice When Registrar Unable to Certify Application for International Registration

In December 2022, CIPO released a Practice Notice including a non-exhaustive list of examples where, without satisfactory amendment of the application for international registration ("AIR"), the Registrar of Trademarks ("Registrar") will be unable to certify an AIR.

(ii) Exclusionary wording in statements of goods or services

In December 2022, CIPO amended its Practice Notice on exclusionary wording to clarify the practice of CIPO, which is to allow broader exclusionary wording in statements of goods and services contained in trademark applications, as long as such statements are not contrary to the *Trademarks Act* or *Trademarks Regulations*.

(iii) Appeals of the Registrar's Decisions: Service and Filing of Court Documents, Stays and Judgments

In December 2022, CIPO amended its Practice Notice on how to serve and file court documents on and with the Registrar with respect to various proceedings in the Federal Court and Federal Court of Appeal.

3. CASE LAW

A. Infringement, Passing-Off and Depreciation of Goodwill

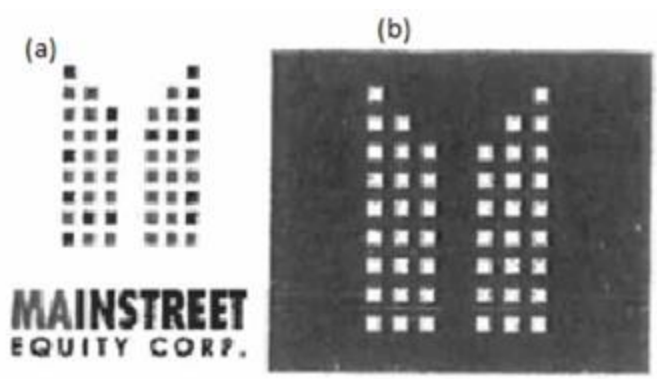
(i) *Mainstreet Equity Corp. v Canadian Mortgage Capital Corporation, 2022 FC 20*

The Federal Court dismissed an action by Mainstreet Equity Corporation ("Mainstreet" or the "Plaintiff") for passing off and expungement of the Defendants' registered marks, including: "ATRIUM & Design" (TMA 949,353), registered in association with "mortgage investment services" and the "provision of mortgage loans" (the "Atrium Mark"), as well as "ATRIUM" (TMA949,354) and "ATRIUM MORTGAGE INVESTMENT CORPORATION" (TMA864,981), both registered in association with mortgage investment services. .

The Court was not persuaded there was a likelihood of confusion between the marks, dismissing the claim of passing off, and found that the Defendants had the right to use the trademark when it was registered and was distinctive at the time the action was commenced.

<u>Background</u>

The Plaintiff is a publicly traded residential real estate corporation established in 1997. It claimed that the Defendants were violating its rights to the exclusive use of its registered and unregistered trademarks and unregistered logo, as shown below (the "Mainstream Marks").



[Description of mark: Image (a) on the left features grouping of small square and/or rectangular shapes resembling a skyscraper featuring two towers, resembling the letter "M", on top of the words "MAINSTREET EQUITY CORP." Image (b) on the right features grouping of small square and/or rectangular shapes resembling a skyscraper featuring two towers, resembling the letter "M" within a grey square . Image (a) is considered the Mainstreet Composite Mark, and Image (b) is considered the Mainstreet Design Mark.]

Previously, the TMOB had refused the application by one of the Defendants, Canadian Mortgage Capital Corporation ("CMCC"), to register a mark which is identical to the Atrium Mark, on the basis of Mainstreet's objection that the two designs were confusing. Despite this, prior to the TMOB's decision denying CMCC's registration, another of the Defendants had applied to register the Atrium Mark, and was granted registration. Mainstreet did not file an opposition to this registration.

<u>Decision</u>

The Court addressed the following issues: (1) Is the case suitable for summary trial; (2) Does Mainstreet have an enforceable trademark? (3) Has Mainstreet established that the Defendants have engaged in passing off, contrary to paragraph 7(b) of the *Trademarks Act*? (4) Is Atrium's registration invalid, under section 18 of the *Trademarks Act*, and is its use properly licensed under section 50 of the *Trademarks Act*? (5) Is Mainstreet entitled to the remedies it seeks?

Is the Case suitable for Summary Trial?

The Court first determined that there was sufficient evidence for adjudication on the issues on summary trial.

Does Mainstream have an Enforceable Mark?

Mainstreet sought to enforce its rights in respect of its unregistered trademarks and logo, as depicted above, claiming that the Defendants were engaging in passing off, contrary to subsection 7(b) of the *Trademarks Act.* To do so successfully, Mainstreet had the onus of first establishing that it had a valid and enforceable trademark at the time the Defendants first began directing public attention to their own goods and services. Although Mainstreet's use of the Mainstreet Design Mark was limited to a handful of Annual Reports and displays signs, the Court found that use was established.

Have the Defendants engaged in Passing-Off?

In terms of passing off, the Court looked at whether Mainstreet had established: (1) goodwill or reputation in its marks, (2) confusion with the Defendants' mark, and (3) that damages had ensued.

The Court was satisfied that Mainstreet established goodwill with both Mainstream Marks, due to the growth of the business, the nature, reach and scope of its advertising, and the consistent use of the Mainstreet Composite Mark on signage of buildings and printed materials it distributes.

Using the factors from subsection 6(5) of the *Trademarks Act*, the Court found that Mainstreet did not establish a likelihood of confusion between the marks. The Court found there was a lack of close resemblance between the marks, because there is nothing particularly unique or striking about either of the trademarks in issue. Specifically on the Composite Mark, there is no connection or resemblance between the Mainstreet name and any of the various corporate names used by the Defendants. The Court found that neither of the parties' marks were inherently distinctive and this factor did not favour either party. The length of use of the marks favoured Mainstreet because its mark was already established by the time the Defendant entered the marketplace. With respect to the nature of services and the nature of the trade, the Court found that while the nature of the services are similar because both companies are in the real estate business, the nature of the trade can be distinguished by the significant differences between seeking affordable and comfortable rental accommodation, and wealthy people looking to invest large sums of money into the mortgage market. In summary, the Court found there was no likelihood of confusion based on the lack of close resemblance between the respective marks, the fact that they operate through somewhat different channels of trade and that their potential customers will spend some time before making the decision to rent or invest, as well as the lack of evidence of confusion despite a lengthy period of co-existence in the marketplace in several major Canadian cities.

Is Atrium's Mark invalid?

Mainstreet also argued that the registration of the Atrium Mark is void and should be struck under paragraphs 18(1)(a), (b) and (d) of the *Trademarks Act.* Based on its findings on likelihood of confusion, the Court did not discuss the claims under 18(1)(d). Mainstreet's claims under paragraphs 18(1)(a) and (b) of the *Trademarks Act* arose, in part, from evidence about the Defendant's application for its mark and the failure to control its licensed use. The Court said that while the history of the Mark, including Mainstreet's successful opposition to the CMCC, may cause grievance about the registration of the Atrium Mark, there was no explanation as to why Mainstreet did not file an opposition when Atrium applied to register its Mark. The Court found that the Defendants' use of the Atrium Mark was consistent with, and subject to the terms of, a back-dated licensing agreement, which gave Atrium significant control over use of the Mark. There was no basis to expunge the Atrium Mark.

(ii) 1196278 Ontario Inc (Sassafraz) v. 815470 Ontario Ltd (Sassafras Coastal Kitchen & Bar), 2022 FC 116

The Federal Court granted a trademark infringement and depreciation of goodwill claim against the operator of a "Sassafras" restaurant offering American southern-style cuisine in the Niagara region of Ontario.

This case highlighted and re-established that a physical, geographic separation of the use of otherwise confusingly similar trade names and trademarks is not a relevant consideration in a confusion analysis. It also reinforced the importance of comparing the phonetic similarities between marks in a confusion analysis.

On the issue of depreciation of goodwill, the Court confirmed that using a highly similar mark to another's can erode the other party's ability to control the manner in which its marks are used and is a form of free-riding on the reputation of the other party.

<u>Background</u>

The Applicant is a well-known restaurant, Sassafraz, located in the Yorkville district of Toronto, Ontario that focusses on "contemporary French-inspired Canadian cuisine" and a superior "fine dining" experience. Since its opening, the Applicant operated its restaurant in association with a family of registered and unregistered trademarks consisting of or comprising SASSAFRAZ as well as the trade name, Sassafraz.

The Respondent began to operate its "Sassafras" restaurant in 2020, offering American southern-style cuisine at a somewhat lower price/quality than Sassafraz. Shortly after opening, the Respondent was notified by the Applicant of the Applicant's rights.

As a result of the COVID-19 pandemic, both Sassafra<u>z</u> and Sassafra<u>s</u> had to develop innovative offerings. Sassafraz began offering delivery/takeout programs that provided both regular prepared meals and "meal kits" to consumers. Sassafras placed heavy reliance on its web presence and delivery services, through services such as Skip the Dishes, as well as operating a service called the "Beamsville Market by Sassafras", in which it sold various prepared food items, pre-packaged food products, wine, and beer.

The Court determined that the Respondent's activities both infringed the Applicant's trademark rights pursuant to section 20 and depreciated the goodwill of the SASSAFRAZ trademark pursuant to section 22 of the *Trademarks Act*.

<u>Decision</u>

Trademark Infringement

To establish trademark infringement in contravention of paragraph 20(1)(a) of the *Trademarks Act,* the Applicant had to establish that the Respondent's operation of its restaurant under one or more of its SASSAFRAS marks was likely to give rise to confusion with the Applicant's registered SASSAFRAZ trademarks.

The Court concluded that each of the factors enumerated in subsection 6(5) of the *Trademarks Act* favoured the Applicant. In particular:

a) the SASSAFRAZ trademark is inherently distinctive and widely known while there was no evidence the Respondent's SASSAFRAS mark had any descriptive or suggestive meanings in association with catering services, restaurant or bar services or hosted private events in Canada;

b) the SASSAFRAZ trademark has been in use for almost 25 years, while the Respondent's SASSAFRAS mark had only been used for two years, with the Respondent being notified of the Applicant's rights early on in that period;

c) the nature of the parties' goods, services and business is substantially the same and although the parties currently specialize in different types of cuisine, they compete in the same market for prepared meals sold in or by restaurants. The Court also noted that there is a significant overlap in the types of dishes they offer;

d) the nature of the parties' trade overlap to a material degree. The Court noted that the parties both compete in the same trade channels – the traditional restaurant and takeout retail channels – and that the arguments made focussing on the two different classes of customers along the price/quality spectrum are not as significant as noted; and

e) there was a high degree of phonetic resemblance between the SASSAFRAS marks and the SASSAFRAZ trademark and the ideas evoked by the terms are similar.

The other surrounding circumstances identified by the Respondent were found to be of little to no assistance to the confusion analysis. Particularly, the geographic separation of the two restaurants was confirmed to not play a role in the confusion analysis. The Court also found that it was not appropriate to draw an adverse inference from the absence of evidence of actual market confusion given that the COVID-19 pandemic existed for the entire period of the concurrent use of the parties' marks.

The Court concluded the section 20 analysis with a reminder on the proper focus of a confusion analysis:

> The exclusive rights that were granted to the Applicant in connection with its registered SASSAFRAZ trademark are in relation to catering services, restaurant and bar services, and the hosting of private receptions. Those are rights are not confined to any particular type of cuisine, to fine dining, or to the higher end of the price-spectrum. The Applicant has every right to expand into the sale of American southern-style cuisine, and to use the SASSAFRAZ mark in association with that activity. Consequently, it also as the right to prevent others from using confusingly similar marks in respect of that activity.

Depreciation of Goodwill

In order to establish depreciation of goodwill in contravention of section 22 of the *Trademarks Act*, the Applicant had to establish four elements: (1) use of the Applicant's Registered Mark (1) the existence of goodwill; (2) a likelihood of an effect on the Applicant's goodwill; and, (3) a likelihood of depreciation of the Applicant's goodwill.

The first element was met on the reasons discussed under section 20.

On the second element, the Court looked to evidence of the Applicant's reputation and "positive association that attracts customers towards its owner's ware or services rather than those of its competitors." The Court concluded that the Applicant had established a high degree of acquired distinctiveness and a geographic extent of awareness and recognition associated with the Applicant's SASSAFRAZ marks.

In examining the third element, the Court concluded, using many of the same factors as was considered in its section 20 confusion analysis, that the Respondent's use of the SASSAFRAS marks was likely to evoke a mental association (or linkage) between its marks and the Applicant's SASSAFRAZ marks. This association was in turn likely to have an effect on the Applicant's goodwill.

In deciding that the Respondent's activities were likely to depreciate the Applicant's goodwill, the Court noted that:

> In addition to likely weakening the upscale, fine-dining reputation of that mark, this difference in focus and branding likely has the effect of blurring the image of the mark. It also has the likely effect of "whittling away" the mark's power to distinguish the Applicant's products… Moreover, the Respondent's ongoing use of the highly similar SASSAFRAS Marks necessarily results in eroding the Applicant's ability to

control the manner in which its SASSAFRAZ mark is used. That ongoing use of such a highly similar mark is also a form of free-riding on the reputation of the SASSAFRAZ mark, which was built up over almost a quarter century of significant effort on the part of the Applicant.

Damages

The Applicant was granted the following relief:

- A declaration the Respondent had infringed the Applicant's rights to its registered trademark, SASSAFRAZ, pursuant to section 20 of the *Trademarks Act*;
- A declaration the Respondent had used the Applicant's registered SASSAFRAZ mark in a way likely to depreciate the goodwill attached to it, contrary to section 22 of the *Trademarks Act*;
- A permanent injunction prohibiting the Respondent from using any mark confusingly similar to the Applicant's registered SASSAFRAZ trademarks;
- A permanent injunction prohibiting the Respondent from using its SASSAFRAS marks in any way that would be likely to depreciate the goodwill of the Applicant's registered SASSAFRAZ trademark;
- An order that the Respondent was to destroy all goods, packaging, labels, advertising, and promotional materials that bear one or more of the SASSAFRAS marks;
- An order to take all steps necessary to irrevocably withdraw, abandon, or amend its business name registration for "SASSAFRAS COASTAL KITCHEN AND BAR";
- An order to cease using the domain name <www.sassafrasbeamsville.com>, as well as any other domain name or social media account name that is confusing with the Applicant's registered SASSAFRAZ trademark;
- A nominal damages award of $15,000, together with a post-judgment interest rate of 2.0% per year; this quantum was awarded after consideration of non-Anton Pillar jurisprudence, which awarded nominal damages ranging from $10,000 to $25,000; and

Submissions on legal costs were ordered to be delivered to the Court within 5 days.

(iii) *UBS Group AG v. Yones*, 2022 FC 132

The Federal Court granted a default judgment in a trademark infringement matter against the operator of Unified Business Solutions Group Inc, who began to abbreviate their name to UBS Group/UBS Group Inc in association with their business.

This case is noteworthy in that it discussed how simply refusing to reply to a Statement of Claim is insufficient to ground an award for punitive damages in a default judgment motion.

Background

The Plaintiff, UBS Group AG, is the owner of trademark registrations for UBS, UBS & Design, and other UBS-formative marks. Each mark is registered in association with a large number of goods and/or services, associated broadly with financial, banking, investment, and insurance related businesses. The four primary registrations asserted by UBS Group AG consisted of two word mark registrations and two registrations for the same design mark (the "Registered UBS Word Marks" and the "Registered UBS Design Marks"), one of the design marks shown below.

TMA633,065

[Description of mark: Three old-style keys intersect in a design to the left of the capital letters UBS. The keys each have a round bow, a narrow stem, and a bit with multiple wards. The keys cross at a common point in the middle, with the three bows at the bottom and the three bits at the top, forming a six-pointed design.]

The goods and services offered by the Defendants in association with the names “UBS Group” and “UBS Group Inc” (the “Unified UBS Word Marks”) as well as the design shown below (Unified UBS Design Mark”) substantially overlapped with the Plaintiff’s goods and services.

[Description of picture: A hexagonal woven knot motif appears to the left of the capital letters UBS. Underneath the whole in smaller capital letters are the words Unified Business Solutions Group Inc.]

<u>Decision</u>

Default Judgment

To be awarded default judgment, the Plaintiff had to establish that the Defendants were in default and that they were liable for the causes of action in the claim. Based on the evidence gathered, the Plaintiff was deemed to have established its claim under section 20, but not section 19 of the *Trademarks Act*. The claim under section 19 failed, as the Defendants did not use identical marks to the registered marks of the Plaintiff. There was no evidence showing that the Defendants used the trademark UBS by itself and the Court stated that reference to “UBS” in a conversation during a phone call does not amount to trademark use under section 2 of the *Trademarks Act*.

The claim of confusion under section 20 succeeded as the Court, after considering the factors under section 6 of the *Trademarks Act*, concluded that the Unified UBS Word Marks and the Unified UBS Design Mark each infringe the Registered UBS Word Marks and the Registered UBS Design Marks.

Of particular concern to the Court in assessing confusion was the high degree of resemblance between the Plaintiff’s marks and the Defendants’ marks, the length of use of the Plaintiff’s registered trademarks (which had been used since 1997), and the overlap in the services offered.

Although the Court found that the Plaintiff's marks had a low degree of inherent distinctiveness, being predominantly or entirely composed of a three letter acronym, the Plaintiff's affidavit evidence established a fair degree of acquired distinctiveness. The evidence submitted in this regard included testimony on the Plaintiff's four physical locations in Canada, the use on the Plaintiff's Canadian website, and media recognition, despite the media recognition being largely not Canadian. The affidavit did not, however, include evidence of revenues, advertising expenditures, or advertising samples. Despite the finding of a fair degree of acquired distinctiveness, the Court noted that this lack of evidence on the basis of an "understandable commercial decision" leaves the Court considerably less able to assess the degree to which Canadian exposure to the trademarks may have resulted in them acquiring distinctiveness or becoming known.

In terms of the nature of the trade, although the Court identified that the Defendants do not offer services though a bricks and mortar retail location like the Plaintiff does, both appear to offer services through electronic communications. The Court also clarified that while financial services is an area where customers might be expected to consider their service provider with somewhat greater care, overall, the factors for the nature of trade favour a finding of confusion.

The Plaintiff was awarded declaratory and injunctive relief as well as damages in the amount of $12,000. The Defendants were required to transfer ownership of the <ubsgroup.ca> domain name on the basis that the Defendants' website was the primary means by which the infringing services were being promoted and the fact that the domain name consists of the infringing trademark and trade name.

The Plaintiff's request for punitive damages was denied on the basis that the Defendants' decision to not respond to the Plaintiff's Statement of Claim, while not commendable, did not amount to "marked departure from ordinary standards of decent behaviour." The Court stated:

> In my view, engaging in infringement and failing to respond to demands to stop infringing, even when backed by litigation, does not justify in itself a finding of punitive damages. Were it otherwise, punitive damages might become the norm on default judgment in infringement cases, which would be contrary to the principle that they are "very much the exception rather than the rule": *Whiten* at para 94.

The Court also refused to find the individual Defendants personally liable, as there was insufficient evidence to conclude that the purpose of the individual Defendants was not the direction of the company in the ordinary course of their relationship to it or, conversely, that they acted so as to make the infringement their own rather than that of the company.

In *UBS Group AG v Yones, 2022 FC 487*, the Federal Court dismissed the Defendants' motion to set aside the Court's decision in ***UBS Group AG v Yones,*** 2022 FC 132, to permit the personal defendants to represent the corporate defendant. The Court refused.

(iv) *Lululemon Athletica Canada Inc v. Campbell*, 2022 FC 194

The Federal Court granted a trademark infringement action on a summary trial motion. One of the Defendants, Ms. Campbell, was selling counterfeit goods bearing the Plaintiff's trademarks. Despite being sent cease and desist letters, Ms. Campbell opened new Facebook pages to continue the sale of goods.

This case is a useful precedent for those trying to address online counterfeiters.

Background

Lululemon Athletica Canada Inc ("Lululemon"), is the well-known manufacturer and distributor of athletic and yoga wear. Their marks include the word marks "lululemon" and "lululemon athletica" as well as the "wave" design mark. The Defendant, Ms. Campbell, operated Facebook pages through which she sold counterfeit lululemon merchandise through "group orders".

Decision

Summary Trial

Although the Defendants did not oppose the motion for summary trial, the Court nevertheless considered whether it was appropriate, in the circumstances, to grant the Plaintiff's motion. The Court concluded that a summary trial was appropriate as it could not see what would be gained from a full trial - the issues were not overly complex and the Plaintiff had led sufficient evidence, none of which turned on an issue of credibility.

Indeed, the Court reaffirmed that cases like the present one, which deal with the sale of counterfeit goods, are particularly well-suited to resolution by way of summary trial.

Sections 19 and 20 of the Trademarks Act

The Court determined that Ms. Campbell's sale of counterfeit goods violated both sections 19 and 20 of the *Trademarks Act*. In doing so, the Court summarily dismissed Ms. Campbell's two arguments: (1) that there was no infringement because the goods were labelled as "high quality replicas"; and (2) that Ms. Campbell did not actually sell or import the goods but simply facilitated a "group purchase".

In dismissing Ms. Campbell's first argument, the Court noted that to prove trademark infringement, it is sufficient to prove that the Defendant used the Plaintiff's trademark. A Defendant cannot assert, in defence, that they added information intended to warn the consumer that the goods were not those of the Plaintiff. Similarly, it is no defence to add distinguishing features or designs if the Defendant uses the exact trademark or a confusing one.

In dismissing Ms. Campbell's second argument, the Court found that Ms. Campbell offered the goods for sale and received payment for them, noting that (i) Ms. Campbell included a mark-up over the price she paid her supplier in China; and (ii) end purchasers were not aware of the identity of the supplier. The Court also stated that even if it were to accept Ms. Campbell's assertions that she did not sell or import the goods, she nevertheless advertised the goods for sale contrary to paragraph 20(1)(a) of the *Trademarks Act*.

Remedies

The Court awarded Lululemon compensatory damages in the amount of $8,000, punitive damages of $30,000, interest, and costs according to tariff amounts.

The Court clarified that it has always been clear that damages awards in counterfeit goods cases seek to compensate depreciation of goodwill rather than lost sales. However, it did note that the jurisprudence provides few benchmarks to help understand how depreciation of goodwill is measured. In this case, the basic approach adopted was to multiply a lump sum by a number of instances of infringement.

With respect to punitive damages, the Court concluded that an award of punitive damages was appropriate in the circumstances as the knowing importation and selling of counterfeit goods is a serious disregard of the basic rule of Canada's market economy and cannot be tolerated as it appropriates someone else's goodwill. Punitive damages, which are intended to ensure deterrence, are therefore appropriate, particularly as (1) the compensatory damages awarded to the Plaintiff were insufficient to deter either Ms. Campbell or others and (2) not all instances of counterfeit goods were detected. An award of punitive damages to those that are caught may therefore assist in deterring others who may be tempted to engage in the behaviour due to the knowledge that they will not only be deprived of their profits but will also incur significant penalties.

It was the Court's view, however, that declaratory relief affirming Lululemon's ownership of and validity in their trademarks was unnecessary and would serve no practical benefit as Ms. Campbell had not challenged either.

The Court found it was appropriate in the circumstances to award the equitable remedy of an injunction enjoining the Defendant from persisting in the conduct that the Court found breached the Plaintiff's rights. Despite the Court finding that Ms. Campbell had not appeared to continue with her activities, it nevertheless noted Ms. Campbell's history of both (1) continuing to sell counterfeit goods after assuring the Plaintiff she would stop and (2) taking down and setting up new Facebook pages when she received a cease and desist letter.

(v) ***Milano Pizza Ltd v 6034799 Canada Inc*, 2022 FC 425**

The Federal Court dismissed the Plaintiff's claim for trademark infringement, passing off and depreciation of goodwill and granted the Defendant's counterclaim for the expungement of a registered trademark by reason of the mark's lack of distinctiveness. The Defendant's counterclaim for alleged false and misleading statements and passing off were dismissed.

In particular, the Plaintiff's marks, MILANO PIZZERIA & Design (the "Milano Design Mark") was found to be non-distinctive as the Plaintiff had failed to demonstrate sufficient controlled licensing of their trademark under subsection 50(1) of the *Trademarks Act*. The Court further found that the co-existence of PIZZERIA MILANO in a nearby location in Québec undermined any acquired distinctiveness that the Plaintiff may have enjoyed in the Milano Design Mark or any of its claimed word marks.

This case serves to highlight how important it is (1) when crafting or allowing others to operate under a licensing agreement, to ensure that the licensing agreement (whether written or otherwise) demonstrates the trademark owner's control over the character or quality of the registered goods or services, as well as (2) the need for trademark owners to actually maintain control over their licensees.

<u>Background</u>

The heart of this matter ultimately turned on a licencing agreement for the use of the names and marks for "Milano Pizza" or "Milano Pizzeria". Only one of the more recent agreements referred to use of the Milano Design Mark. The Plaintiff had agreed to license its marks, not always in writing, to various other parties. The crux of the licensing agreement was that each licensed party would have a certain "territory" and would purchase its ingredients from a certain provider, in exchange for the ability to use the names and marks. The evidence before the Court showed that beyond that, the various licensed parties had full control over the operations of their individual restaurants, including décor, the actual contents of the menu to a large degree (outside of one instance), how the food is prepared, and the timing of food preparation. There was also evidence of another pre-existing PIZZERIA MILANO in a nearby location in Québec.

Decision

Invalidity Due to Lack of Distinctiveness

The Court found that, on the balance of probabilities, the Plaintiff's trademark was not distinctive of the Plaintiff at the time the counterclaim was filed, claiming the Milano Design Mark was invalid. This was largely due to the proliferation and co-existence of all of the "licensees", as well as the existence of the third party pizzeria in Québec. The Plaintiff could therefore not rely on the saving provision of subsection 50(2) of the *Trademarks Act*, as they failed to establish control over the character or quality of the registered services for "takeout restaurant services, with delivery". In particular, the Plaintiff did not exhibit any control over the finished products or the speed with which or how food orders were filled.

The Court also found that the co-existence of PIZZERIA MILANO in Mason, Québec undermined any claim to acquired distinctiveness that the Plaintiff may have had in the Milano Design Mark or any of its claimed word marks.

The Court also stated that the Milano Design Mark is an inherently weak mark and that any distinctiveness that would have resided in it is extinguished by this co-existence and prior use of the third-party mark for about 40 years.

The Plaintiff's trademark registration was therefore held to be invalid and expunged pursuant to paragraph 18(1)(c) of the *Trademarks Act*.

No Finding of Invalidity due to Abandonment

The Defendants also claimed that the Milano Design Mark was invalid on the basis of abandonment. This argument was dismissed by the Court. Although it was true that the Plaintiff had not actually operated "takeout restaurant services, with delivery" for a number of years, the Plaintiff's licensing program, "imperfect as it is", did not support an intention to abandon, a necessary requirement to show abandonment.

No Passing Off

The Court found that the Defendants' claims for passing off under subsections 7(b) and 7(c) were inconsistent with their position that the Milano Design Mark's Registration is invalid for non-distinctiveness. It also stated that until the Milano Design Registration was invalidated by this Court, use of it was an absolute defence to an action for passing off.

The Court explained its reasoning for its position as follows:

> The logical consequence of a lack of controlled licensing for so many years is that the names Milano Pizzeria, Milano Pizza and the Milano Design Mark are not distinctive of anyone, at least in association with "take out restaurant services, with delivery."

Remedies

While the Defendants succeeded in their counterclaim challenging the validity of the Milano Design Registration for non-distinctiveness, their counterclaim was otherwise dismissed. Thus, the issue of damages was moot.

The Court awarded the Defendants $104,848.10 in lump sum costs, which approximated about 30% of the total reasonable fees, plus HST and 100% of reasonable disbursements.

An appeal is currently pending (A-93-22).

(vi) *Bean Box, Inc v Roasted Bean Box, Inc*, 2022 FC 499

The Federal Court granted an application for trademark infringement, passing off and depreciation of goodwill against the operator of a coffee-bean delivery service which utilized marks that were confusingly similar to those of the Applicant.

This case adds to the repertoire of section 22 depreciation of goodwill jurisprudence.

Background

The Applicant, Bean Box, Inc., operates an online platform selling coffee, coffee beans, and coffee-related gifts and accessories using its registered word and design marks for BEAN BOX. The Respondent, Roasted Bean Box, Inc., began to operate a similar business using design marks for ROASTED BEAN BOX.

By way of application, Bean Box alleged that Roasted Bean Box had:

- Infringed its registered BEAN BOX trademark contrary to section 19 of the *Trademarks Act*

- Infringed its registered BEAN BOX trademark contrary to section 20 of the *Trademarks Act*

- Directed public attention to its goods, services, or business in such a way as to cause or be likely to cause confusion between its goods, services, or business and the goods, services, or business of Bean Box, contrary to subsection 7(b) of the *Trademarks Act*

- Used the BEAN BOX trademark in a manner that is likely to have the effect of depreciating the goodwill attached to it, contrary to subsection 22(1) of the *Trademarks Act*

In its written arguments, Roasted Bean Box in turn alleged that the BEAN BOX registered trademarks were invalid and not registerable at the date of registration contrary to paragraphs 12(1)(b) and (c) of the *Trademarks Act*, and because it was not distinctive pursuant to paragraphs 18(1)(a) and (b) of the *Trademarks Act*.

Decision

The Court rejected Bean Box's section 19 claim, noting that while similar, ROASTED BEAN BOX was not identical to BEAN BOX.

On the issue of confusion pursuant to section 20, the Court found in Bean Box's favour. The Court noted that there is a high degree of resemblance between the marks in issue since the only addition to the Respondent's mark was the descriptive and non-distinctive element, "ROASTED". Further, the Court noted that while the Applicant's BEAN BOX mark is at worst merely suggestive or descriptive of some of the goods, it had nevertheless acquired distinctiveness in Canada as shown through both its extensive sales of its goods and services and extensive expenditures on advertising and promotion in every province and territory in Canada. The Court gave little weight to the Respondent's state of the register and marketplace evidence given that there was no evidence actually demonstrating the use of "BEAN BOX" as marketed and used by the Applicant and therefore did not limit the scope of protection afforded to the mark when compared to the Respondent's use of the ROASTED BEAN BOX mark.

The Court also found in Bean Box's favour on the issue of passing-off pursuant to subsection 7(b). First, the Court noted that Bean Box had demonstrated its goodwill and reputation in and to the BEAN BOX trademarks. Second, the Court concluded its finding that use of the ROASTED BEAN BOX mark gives rise to a likelihood of confusion with the mark BEAN BOX constituting a misrepresentation. Third, the Court accepted the Applicant's evidence that those looking for a coffee subscription with the term "bean box" in Montreal would be directed or misdirected to the Roasted Bean Box website and business, thus leading to a loss of Bean Box's control over the use and commercial impact of its marks.

The Applicant was also successful in its section 22 depreciation of goodwill claim. In particular, the Court noted that ROASTED BEAN BOX was sufficiently similar to BEAN BOX to constitute use of BEAN BOX in a subsection 22(1) analysis. In finding in favour of Bean Box on the remaining elements of a depreciation of goodwill test, the Court noted that: Bean Box had established the existence of goodwill in its mark, the similarity between the marks and the evidence of use, sales and advertising were enough to meet the requirement for linkage, and the reduction of the distinctiveness in the BEAN BOX mark constituted depreciation.

Before rejecting the Respondent's allegations that the BEAN BOX mark was not registerable, the Court first considered the Applicant's argument that this issue was not properly before the Court as it was not in the Notice of Application, as required under section 301 of the *Federal Courts Rules*. The Court rejected this submission, instead stating that a respondent is allowed to present any legitimate defence it wishes in their submissions.

In turning to the substance of Roasted Bean Box's submissions, the Court noted that BEAN BOX, though suggestive, is distinctive and that the evidence of sales in Canada showed that the mark also had acquired distinctiveness.

The Court awarded the Applicant a permanent injunction, $15,000 in damages, $10,000 in costs an order for delivery up or proof by way of affidavit of the destruction of goods, packaging, labels, and advertising material bearing any of the ROASTED BEAN BOX marks or names, and an order to transfer the domain name <www.roastedbeanbox.com> and any other domain name or social media name owned and/or controlled by the Respondent, be it directly or indirectly, that contains, is comprised of, or is confusing with the Applicant's BEAN BOX marks.

(vii) *Dragona Carpet Supplies Mississauga Inc v Dragona Carpet Supplies Ltd*, 2022 FC 1042

The Federal Court allowed the Defendants' motion for summary trial to expunge three registered trademarks based on prior use. It also dismissed the Plaintiff's motion for summary trial with respect to passing off under subsection 7(b).

This case highlights that parties should not shy away from summary trials even in the face of conflicting evidence. The case also serves as a cautionary tale showing the importance of clear licensing agreements for separate legal entities using the same trademarks, identifying ownership of the trademarks and requirements for subsection 50(1) control.

Background

The parties were two businesses run by separate branches of an extended family that both used marks and trade names incorporating the word DRAGONA. Both parties sell various flooring and flooring-related products primarily targeted to contractors, though products were also sold to retailers for resale directly to the public.

The complicated family chronology starts with one business established by one brother selling flooring under the DRAGONA trademark name and trade name in Scarborough. The business then grew and the next location in Mississauga was co-owned by the first brother (that owned Scarborough) and his brother-in-law. This second business is the Plaintiff in this action.

According to the Plaintiff in the action, the first brother was a silent partner in the Mississauga location. The Plaintiff also argued that there were verbal agreements between the two brothers that divided the territory in which they could operate to be either side of Yonge Street in the Greater Toronto Area. The Defendants denied the existence of this territory agreement.

The Defendants asserted that the Plaintiff was a licensee of the DRAGONA trademark, which remained fully owned by one of the Defendants. According to the Defendants, the Plaintiff was only allowed to use DRAGONA at its one physical location in Mississauga.

The two businesses in Mississauga and Scarborough operated together in some ways – for instance, both businesses carried the same products from the same suppliers and the suppliers allowed the companies to use joint sales volumes when calculating volume-based rebates.

The two brothers that founded the Plaintiff company also incorporated another separate company called Surfaces. The Defendants claimed that it was decided amongst the brothers that the Plaintiff would move away from the DRAGONA mark and towards the SURFACES brand.

After a falling out between the brothers, the Plaintiff's company is now solely owned by one individual. The Defendants alleged that as part of the share purchase, the sole owner agreed to move away from its use of the DRAGONA trademarks.

Instead of moving away from the use of the DRAGONA trademarks, the now sole owner of the Plaintiff company registered its DRAGONA word and design marks.

Various marks for the SURFACES brand were also registered and assigned to the Plaintiff. The Plaintiff used the SURFACES brand in its store alongside the DRAGONA trademark and opened more stores and showrooms.

The Defendants argued this use of both marks demonstrated that the Plaintiff intended to phase out the DRAGONA mark and that these actions constituted a breach of the licence agreement that they granted to the Plaintiff and it was therefore terminated. Accordingly, the Defendants argued that they were entitled to use the DRAGONA trademark in Mississauga.

The second Defendant, FlooReno, erected a "Dragona Flooring" sign at its storefront in Mississauga.

The Plaintiff sent a demand letter to the Defendants demanding the sign be removed. The Defendants did not comply and continued erecting signs at its stores, including in North York.

<u>Decision</u>

Defendants' Motion for Summary Trial – Expungement

As the Defendants' motion for a summary trial was not contested, the Court found that proceeding by way of summary trial would be appropriate. Even if the motion was contested, the Court found that since standalone expungement proceedings were generally heard summarily, an expungement claim as part of a larger action would generally also be appropriate, absent some prejudice.

The Court found that the Plaintiff was not entitled to register its trademarks because, when they were obtained, the DRAGONA marks had previously been used by the Defendants with the same goods and services. Thus, the Court ordered that the registrations be expunged.

Plaintiff's Motion for Summary Trial – Passing Off

The Court also found the passing off aspect of the Plaintiff's claim to be suitable for a summary trial. If the Plaintiff's goodwill were to be proven, it would be important for prompt steps be taken to minimize its depreciation. Further, the injunctive relief sought and amounts involved did not justify the additional expense of a conventional trial. Thus, proceeding by way of summary trial would secure the most just, expeditious, and least expensive determination of the proceeding on its merits.

Passing Off

The Court found that as it is a statutory court, it could not entertain a claim for passing off in common law, given that it is not grounded in the *Trademarks Act*. The Court found that subsection 7(b) of the *Trademarks Act*, though largely equivalent to the common law tort of passing off, was not fully equivalent as there is an additional threshold requirement to meet under the provision (possession of a valid and enforceable trademark that was in use when the Defendant first began directing public attention to its own goods and services). The Plaintiff's claim under the common law tort was therefore without jurisdiction and was dismissed.

Before beginning its analysis of the subsection 7(b) passing off claim, the Court clarified that the relevant time is when the *allegedly* confusing directing of attention first began. This was contrary to the Defendants' position, which was that the Plaintiff must prove that it had a "valid and enforceable trademark at the time the Defendants *first began* directing public attention to its services."

In assessing the Plaintiff's remaining passing off claim resting on subsection 7(b), the Court found that during the relevant time the Plaintiff had been making use of the DRAGONA mark. It was thus in possession of a valid and enforceable trademark either in its own right or under license.

With respect to the first element of the passing off test, the Court discussed that when assessing goodwill, one ought not to unduly restrict the customers to one group – such as the parties' contractors, retailors, and the public – it is incumbent to determine whether the goodwill is among all the customers or just a subset and where geographically the business has goodwill.

The Court found that the Plaintiff had goodwill in the DRAGONA mark in Mississauga. In coming to this conclusion, the Court noted that the mere fact that the parties divided the territory, which was in dispute, would not affect where they actually had goodwill. Further, the Court stated that to the extent there is overlap in goodwill in this case, it was beyond question that each has significant goodwill in the area closest to its physical location.

Having found that the Plaintiff had goodwill, it then had to address whether it was goodwill belonging to the Plaintiff pursuant to subsection 50(1) of the *Trademarks Act* or alternatively, whether it belonged to the Defendants.

As there was no written licensing agreement, largely based on evidence that the companies had significant dealings with one another, the Court inferred that there was an oral licence agreement between the parties. Specifically, the Court found that the Defendants indirectly controlled the use of the DRAGONA mark. In addition to the "main methods" of demonstrating requisite control under subsection 50(1), the Court took into account other methods that make this case unique in finding that the subsection 50(1) license continued even after the first brother sold his shares to the Plaintiff.

The Court thus found that the Plaintiff's use of the DRAGONA mark had at all times been under license and thus accrued to the benefit of the Defendants.

As the Plaintiff had no goodwill, it could not establish its passing off action.

The Court made a determination that in any event, there was no misrepresentation because the Defendants did not operate in the area the Plaintiff had goodwill (if it had any), clarifying that a trademark may be concurrently used by two separate businesses even within the same geographic area. The Court discussed that if a mark was used concurrently by two separate businesses that jointly benefited from such use, neither could exclude the other from using it in association with their respective businesses. As the Defendants' business had goodwill, it was entitled to use the DRAGONA mark throughout the GTA, even if some confusion was created.

The Defendants' motion for summary trial was granted and the Defendants' counterclaim was allowed. The Plaintiff's motion for summary trial was granted but its claim was dismissed. The Defendants were entitled to their costs on the claim and counterclaim.

An appeal is currently pending (A-202-22).

(viii) *Mondo Foods Co Ltd v TorreMondo Industries Inc*, 2022 FC 926

The Federal Court allowed an unopposed application for trademark infringement and passing off.

This case is noteworthy for its finding of confusion between the registered marks and the impugned marks where there was only a moderate degree of similarity between the individual marks at issue. The Court accepted the Applicant's evidence of its use of a family of MONDO-formative marks and broadened the scope of protection given to the MONDO element in the marks.

<u>Background</u>

The Applicant is a Winnipeg-based importer and distributor of food and beverage products and has been in business since 1975. It owns eight Canadian trademark registrations containing the word "MONDO" for use in association with various food products, including brewed coffee (the "Family of MONDO-Formative Marks").

The Applicant objected to the Respondent's use of TORREMONDO and TORREMONDO & Design ("Impugned Marks"), the latter of which the Respondent had applied-for was formalized but not yet examined. The Respondent offers the home delivery of roasted coffee beans and a beer product brewed with coffee in association with the Impugned Marks. TORREMONDO & Design was also stated to be used in association with coffee shops, through there was a lack of direct evidence on this.

Description of image: A rectangle surrounds the word TORRE appearing above the word MONDO. The second O in the word MONDO is represented by a coffee bean motif. A coffee bean motif also appears twice on the top border of the rectangle and once on the bottom border. The bottom border of the rectangle has a gap and a short green line appears below the gap.

The Respondent did not respond to the Application.

<u>Decision</u>

Trademark Infringement

In assessing the likelihood of confusion, the Court only compared two out of the Applicant's eight registrations to the Respondent's Impugned Marks (the "Mondo Marks"). The first of the Applicant's marks for MONDO was registered for use in association with "brewed coffee", to which it claimed use since at least June 2011. The second mark for MONDO was registered for use in association with less similar food goods, though the Court noted that it had been registered for longer, since 1986.

The Court concluded that the Respondent's use of the Impugned Marks in association with the sale of coffee and related products would be likely to cause confusion with the Mondo Marks.

In particular, the Court found that there was a moderate degree of similarity between each of the Impugned Marks and the Mondo Marks. The Impugned Marks incorporated the whole of the word MONDO that was encompassed by the Mondo Marks, though the Impugned Marks also included the additional "TORRE" element. Despite this, the Court did not agree with the Applicant that the "MONDO" element was the most striking element of the Impugned Marks. Instead, it found that the elements appeared roughly equally striking and that the "TORRE" element served as a point of distinction, reducing the degree of resemblance between the Impugned Marks and the Mondo Marks. Further, the Court found that the graphic elements of TORREMONDO & Design reduced the degree of resemblance to the Mondo Marks. However, the Court agreed with the Applicant that the physical separation between the two elements accentuated the “MONDO” element.

The Court concluded that neither the Mondo Marks nor the Impugned Marks had a high degree of inherent distinctiveness. The Court concluded that the average Canadian consumer would draw a connotation of the word “world” from the MONDO element in the Mondo marks, taking into account the commonality of the word MONDO meaning “world”, the prevalence of Italian as part of the Canadian linguistic landscape, and its similarly to the French word “*monde*”. It was thus found to be suggestive of foods that are characteristic of, or have been imported from, other places in the world. The Court also found that while TORREMONDO appears to be a coined word, the elements are suggestive of the products offered since the TORRE element invokes a connotation of *torréfaction*, or roasting, and thus, TORREMONDO suggested “coffee beans from around the world”. The Court noted that TORREMONDO & Design had a slightly higher degree of inherent distinctiveness than the MONDO Marks due to its additional distinctive design elements, though the word elements remained the most striking components.

The Court was satisfied that the Mondo Marks had, above their inherent distinctiveness, acquired distinctiveness affording it additional protection. This was true even though the use of the marks in association with brewed coffee was less extensive. As the Mondo Marks had been in use for over a decade, the Court found that the broader reputation afforded to them would increase their distinctiveness when used in association with brewed coffee. Evidence presented by the Applicant in support of its position on this issue included proof of annual sales and growth of its branded goods and importation and distribution services, as well as evidence of the Applicant’s advertising and promotional efforts.

In finding that there were both differences and overlap in the nature of trade between the parties, the Court cautioned against finding an over-inclusive general class of all foods, as this could result in a finding of confusion where there is no reasonable likelihood of such in the minds of consumers.

While there was no evidence to establish the date of first use for the Impugned Marks, there was ample evidence for the lengthy use of the Applicant’s marks in association with food products and brewed coffee that predated the Respondent’s alleged use of the Impugned Marks.

In terms of other surrounding circumstances, the Applicant provided sufficient evidence of its use of the Family of MONDO-Formative Marks, broadening the degree of the scope of protection given to the “MONDO” element in their marks. However, the Court did not accept the Applicant’s efforts in enforcing its Family of MONDO-Formative Marks as a relevant surrounding circumstance supporting a narrower scope of protection as the Applicant did not present evidence showing the current or resulting state of the marketplace or register as it relates to the use of the word “MONDO” in association with food or beverage products.

Passing Off and Depreciation of Goodwill

Based on the aforementioned evidence, the Court was satisfied that the Respondent’s use of the Impugned Marks constituted passing off. Specifically, the Court was satisfied that the Applicant had valid and enforceable trademark rights in its Mondo Marks. Further, the factors of inherent and acquired distinctiveness, length of use, sales volumes, and advertising were relevant to a finding that the Applicant had developed goodwill in the Mondo Marks. Largely based on the confusion analysis (above), the Court was satisfied that the Applicant had established there had been a misrepresentation through the Respondent's use of a confusing trademark.

Although the Applicant did not allege any specific lost sales or profits and did not present specific evidence regarding the loss of control over its reputation or goodwill, due to the Respondent's offering of coffee and coffee-related products in association with a confusing trademark, the Court was satisfied that the third passing off requirement was met as there would be an adverse impact on the Applicant's goodwill.

The Court did not conduct a specific analysis as to whether there was a depreciation of goodwill in the Applicant's MONDO Marks under section 22.

Remedies

The Applicant was entitled to declaratory relief, a permanent injunction, and an order requiring delivery up or destruction of the infringing goods, packaging, labels, and advertising material. The Court also awarded general damages based on a "reasonable" estimate of $13,000 for the Applicant's proved damages, along with simple interest.

The Applicant was awarded its full costs in the amount requested in the proceeding as the Respondent refused to comply with the Applicant's written demands, did not respond to the Application, and did not cease use of the Impugned Marks.

(ix) *Mars Canada Inc v John Doe*, 2022 FC 1193

The Federal Court granted the Plaintiff's motion in writing for default judgment against all but one Defendant for trademark infringement, passing off, and depreciation of goodwill.

This case highlights where unlawful conduct can warrant an award of punitive damages.

Background

The Plaintiff, Mars Canada Inc., brought an action against numerous Defendants alleging they had marketed and sold, in Canada, THC-infused confectionary in association with the Plaintiff's registered trademark SKITTLES in lookalike SKITTLES packaging (the "Impugned Goods").

The Plaintiff had sought declarations that the Defendants had infringed their registered trademarks, used the trademarks in a manner likely to depreciate goodwill, caused confusion, and passed off their goods as the Plaintiff's, contrary to sections 19, 20, and 22 and subsections 7(b) and 7(c) of the *Trademarks Act*.

The Plaintiff also sought damages for the infringing activities, punitive and exemplary damages for the Defendants' actions, a permanent injunction against the Defendants, and an order requiring the Defendants to deliver up and destroy all infringing products and packaging.

The Defendants had not replied to the Statement of Claim, so the Plaintiff brought a motion for default judgment in writing.

Decision

The Plaintiff put forward evidence showing its trademark and packaging, its advertising and promotional activities, and the value of its SKITTLES brand. It explained how it became aware of stores and online companies in Canada that had begun selling the Impugned Goods and the manner in which it tried to identify the parties involved.

Because the Defendants had organised their online activities in a manner protecting their anonymity, the Plaintiff previously had to obtain order(s) for substituted service and email the Defendants. The Court accepted that some of the Defendants were in default following that substituted service, but not all. In particular, because some of the Defendants had been otherwise responsive at the email address, service had been effected. In contrast, for the Defendants with non-responsive email addresses, the Court could not conclude that service had been effected.

For those Defendants in default, the Court concluded that the evidence brought by the Plaintiff proved the Defendants had infringed the Plaintiff's registered trademarks and passed-off their goods as the Plaintiff's. Further, by selling the Impugned Goods, the Defendants had depreciated the goodwill of the Plaintiff's trademarks as the unlawful nature of the Impugned Goods and the adverse publicity it attracted has likely had a negative effect on the goodwill, depreciating its value.

Remedies

The Court concluded that the Plaintiff was entitled to the declaratory and injunctive relief it requested, in addition to the requested order for delivery up and destruction of the Impugned Goods.

On the issue of damages, the Court estimated that $15,000 per Defendant was reasonable, in addition to $30,000 per defendant in punitive damages. The Court concluded punitive damages in that amount was warranted in light of the harm that might arise from a member of the public accidentally eating one of the Defendants' THC-infused candies thinking they were the Plaintiff's. This factor was aggravated by the fact that the Plaintiff's candies are marketed and sold to children. The Court's summary of its reasoning as to why punitive damages was warranted in this case was as follows:

> I have placed significant weight on the issue of harm not only to the Plaintiff but also to members of the public who might accidentally consume the Defendants' Infringing Product believing it to be a genuine SKITTLES product. The fact that SKITTLES are a confectionary product that are attractive to children reinforces the need to denounce the Defendants' conduct. I have also considered the Defendants' failure to respond to the Statement of Claim and appear in these proceeding and have concluded the Defendants' conduct was known to be infringing. I also note that the Defendants West Coast Supply, Shrooms Online and Flash Buds each appear to have ceased to market and offer the Infringing Product for sale, which is a mitigating factor but one that also reinforces the value of a punitive award as a means of deterring future unlawful conduct.

Finally, the Court awarded the Plaintiff $3,200 in costs per Defendant it was successful against based on the tariff as no bill of costs was provided.

(x) *Sani Bleu Inc c 9269-6806 Québec Inc*, 2022 CF 1711

The Federal Court granted the Plaintiff's default judgment motion in part.

This case serves as a reminder that failing to respond to a party's multiple trademark enforcement attempts can have negative consequences on subsequent awards of damages and costs.

Background

The Plaintiff, Sani Bleu, brought a passing off action against the Defendant, seeking a declaratory judgment to enjoin the Defendant from using names and trademarks confusingly similar to SANI BLEU, under which Sani Bleu had been operating its business since 1998. Sani Bleu's trademark is not registered.

Sani Bleu sells and rents out portable and mobile toilets while the Defendant operates in the disinfectant and sanitary product industry using the names "SaniBleu" and "SaniBlue".

Sani Bleu filed an appeal with the Registraire des Entreprises of the Government of Québec to prevent "SaniBleu" and "SaniBlue" from being used by the Defendant on the grounds of confusion with the Plaintiff's business name. This request was granted, though the Defendant did not comply. Sani Bleu also opposed the Defendant's application to register the trademark "SaniBlue & Design" (the "SaniBleu Mark").

The Defendant did not respond to the Statement of Claim, so the Plaintiff brought a motion for default judgment.

Decision

Sani Bleu demonstrated that the Statement of Claim was served on the Defendant, who did not file a defence within the prescribed time limit, meeting the first part of the test for properly bringing a motion for default judgment. Thus, the main issue was whether Sani Bleu could demonstrate, on a balance of probabilities, that the Defendant's actions constituted passing off.

Sani Bleu was able to prove all the elements of passing off. Specifically, Sani Bleu proved it possessed a valid and enforceable common law trademark that was known to the public as being associated with the quality of Sani Bleu's goods and services. This use of the brand for nearly 25 years enabled the Plaintiff to create a high reputation in the sanitary and hygienic industry in Québec and was thus able to establish its goodwill.

As the SaniBleu Mark was used by the Defendant consisting of a name identical to that used by the Plaintiff, and because "SaniBlue" is merely the simple English translation of SaniBleu, there was a very high degree of resemblance between the parties' marks. The Court found that although the parties' logos are distinct; the similarity between the names, the fact that the companies both operated in the sanitary and hygienic products and services sector in Québec, and the fact that the Plaintiff had been operating since 1998 while the Defendant only started marketing its products under the "SaniBleu" and "SaniBlue" marks since 2020, led to confusion for an ordinary consumer. Thus, the Court found that on a balance of probabilities the Defendant's use of "SaniBleu" and "SaniBlue" caused confused to the public with regard to the Plaintiff's brand.

The Court also found that since the Plaintiff had no control over the quality of the products sold by the Defendant, this was sufficient to demonstrate possible harm and a risk of damage resulting from a loss of control over the reputation or goodwill of the Sani Bleu brand.

Remedies

As the Plaintiff did not own a registered trademark, the Court was not convinced it could provide a declaration that it had the exclusive right to use the SANI BLEU mark in association with its goods and services. However, the Court did find that the Defendant's actions constituted passing off contrary to the *Trademarks Act*. Further, the Court issued a permanent injunction against the Defendant, prohibiting it from using the impugned marks and ordering the return of the products, packaging, labels, or advertising material bearing "SaniBleu" and "SaniBlue" to be destroyed.

With respect to damages, the Court acknowledged that as the Defendant did not participate in the proceedings, the Plaintiff could not adequately measure the extent of its actual damages. Instead, the Court awarded nominal damages for the loss of goodwill. Although the Defendant offered products distinct from the main products and services of the Plaintiff and the price associated with the Defendant's products was modest, the Court acknowledged that the impugned marks were applied to most, if not all, of the Defendant's products. Further, in light of the Defendant's actions and failure to respond to the Plaintiff's multiple proceedings and because the Defendant continued to use the impugned marks, the Court awarded $15,000 in damages. The Plaintiff was also awarded pre- and post-judgment interest at the legal rate of 5% per year and $7,000 in costs.

(xi) *Techno-Pieux Inc v Techno Piles Inc*, 2022 FC 721

The Federal Court dismissed both parties' motions for summary judgment.

This decision re-enforced the principle that determining whether there is no genuine issue for trial is a fact-specific exercise; issues requiring further evidence to come to a decision should be afforded consideration by the trier of fact at a future trial.

Background

The Plaintiff, Techno-Pieux, is a Québec-based supplier of helical piles and associated materials and machinery for residential and industrial applications. It owns four Canadian registrations for its business. Through licensees and distributors, Techno-Pieux has offered its goods and services in association with the trade names "Techno Pieux" and "Techno Metal Post" and the registered marks since at least 2002.

Two of the Defendants, Techno Metal Post Medicine Hat Inc. ("TMP Medicine Hat") and Techno Metal Post Fort McMurray Inc. ("TMP Fort McMurray"), are Alberta-based companies distributing Techno-Pieux's goods and services, owned and operated by the Defendants Mathieu Bergevin and Ronda Bertram. The last Defendant, Techno Piles Inc., is an Alberta-based entity that had not yet operated but was used to register a domain name linked to email accounts and a website used by some or all of the Defendants.

The Plaintiff informed Mr. Bergevin that its distribution agreements with TMP Medicine Hat and TMP Fort McMurray would be terminated. Subsequently, TMP Medicine Hat and TMP Fort McMurray announced a rebranding under Techno Piles Inc.

The Plaintiff sought extensive declaratory, injunctive, and other relief against the Defendants, including a declaration that the Defendants had infringed its four trademarks, depreciated the value of goodwill attached to the marks, passed off its goods, services, and business as those of the Plaintiff, used a description misleading the public regarding the character or quality of its goods and services, and infringed the Plaintiff's copyright (the copyright analysis is not discussed in this summary).

The Defendants sought a declaration that the Plaintiff's asserted marks were invalid. The Defendants also sought an order dismissing the Plaintiff's underlying action. In the alternative, they sought an order dismissing the action against the Defendants Techno Piles Inc., Ronda Bertram, and Methieu Bergevin.

<u>Decision</u>

The Court concluded that both parties failed to demonstrate that there was no genuine issue for trial for the relief sought in their respective motions. The issues were ordered to be determined by way of summary trial.

Trademark Infringement

The Court analyzed each factor in subsection 6(5) of the *Trademarks Act* to determine whether there was a genuine issue for trial in respect of the Plaintiff's trademark infringement claim. It was found that four of the five factors weighed in favour of the Plaintiff and the Defendants did not demonstrate a genuine issue for trial for these four factors. However, the Defendants met the low bar for demonstrating a genuine issue for trial for the nature of trade factor, which had the potential to have an important impact on the Court's overall confusion analysis. Thus, the Plaintiff's motion for summary judgment in respect of its allegations of trademark infringement was dismissed.

The Plaintiff argued that TECHNO PILES, as used by the Defendants, was strikingly similar to its registered marks TECHNO PIEUX and TECHNO METAL POST. The Court found that the shared element TECHNO was distinctive and was a factor weighing in favour of finding a likelihood of confusion, though the differences in appearance and sound between the terms "Pieux" and "Metal Post", and on the other hand "Pile", weighed in favour of the Defendants. However, it was further found that as the TECHNO element was particularly striking, being the first word in the parties' marks, and because the ideas suggested by the remaining words were also identical (all referring to the French term "Pieux"), consumers would be confused. This finding weighed in favour of the Plaintiff. Despite this conflict, there was no genuine issue for trial in respect of the "degree of resemblance" factor.

The Court found that TECHNO had a sufficiently high degree of distinctiveness in connection with the goods and services for which the Plaintiff's registered marks were registered, and there was no evidence that anyone other than the Plaintiff used TECHNO in combination with "METAL POST" or "PIEUX" in association with the registered marks' respective goods and services, even though these secondary elements were somewhat descriptive. Further, the evidence of the Plaintiff's substantial sales, combined with its extensive advertising activities, supported a finding of acquired distinctiveness. The same was not true of the Defendants' TECHNO PILES marks. This finding weighed in favour of the Plaintiff. Therefore, there was no genuine issue for trial in respect of the "inherent/acquired distinctiveness" factor.

The Plaintiff's four registered marks were used significantly longer than the Defendants' TECHNO PILES marks. Thus, this factor favoured the Plaintiff and there was no serious issue to be tried in connection with this factor.

There was a direct overlap among the parties of a broad range of goods and services in association with which the Plaintiff's four registered marks were registered. This factor also favoured the Plaintiff and there was no serious issue to be tired in connection with this factor.

However, with respect to the "nature of trade" factor, the Court found that the Defendants' evidence raised a genuine issue for trial. Specifically, the Defendants argued that as the Plaintiff sold its products primarily to dealers arising from personal connections, such customers are unlikely to ever be confused about the source of the parties' products. The Defendants further emphasized that it sold its own products directly to its customers (builders and contractors) in much the same way. The Court accepted the Plaintiff's general position that the Defendants can be found to have infringed the Plaintiff's registered marks, even if the Plaintiff does not currently sell directly to builders and contractors that the Defendants directly sell to. This is because the Court's ultimate focus must be on the entire scope of exclusive rights that were granted to the Plaintiff in connection with its registered trademarks rather than the Plaintiff's actual use of that trademark (*Masterpiece*, paras. 53-59). However, the Court stated that in assessing the likelihood of actual confusion, actual use is not irrelevant (*Masterpiece*, para. 59).

Depreciation of Goodwill

The Plaintiff failed to demonstrate that there was no genuine issue for trial.

The Court was satisfied that there was no genuine issue for trial with regard to the first two elements. Specifically, it was satisfied that the Defendants made use of marks and names that were sufficiently similar to the Plaintiff's registered marks, and which were associated with significant goodwill.

However, the evidence was not sufficient to demonstrate that the TECHNO PILES marks and names had been used in a manner likely to have an effect on the Plaintiff's goodwill or that the likely effect of such use would be to depreciate the value of the Plaintiff's goodwill. As additional evidence would be required to analyze these latter two elements, the Plaintiff's motion for summary judgment in respect of its allegation of a depreciation of goodwill was dismissed.

Passing Off

The Plaintiff proved it possessed valid and enforceable trademarks at the relevant time, with the requisite goodwill. However, the Plaintiff did not demonstrate that there was no genuine issue for trial for the "deception" and "actual damages" elements to establishing a passing off claim. As discussed in its confusion analysis, there was a genuine issue for trial respecting whether purchasers within the relevant universe of buyers were likely to be confused by the Defendants' use of the TECHNO PILES marks and consequently, whether the Plaintiff would suffer damages.

False Representations

The Plaintiff's submissions consisted of a cursory, bare assertions. While the conduct included statements and posting of other material that were false in a material respct, the issue of whether the public is or was likely to be mislead as a consequence is a genuine issue for trial.

Trademark Invalidity

As the Defendants' allegation that the Plaintiff's registered marks were clearly descriptive contrary to paragraph 12(1)(b) was not mentioned in the Defendants' Notice of Motion, Statement of Defence, or Counterclaim, the Court dismissed this particular claim without further consideration.

Personal Liability of Defendants

The Court found there is a genuine issue for trial with respect to the purpose underlying the corporate Defendants' impugned actions and whether it amounted to a deliberate, wilful, and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifferent to the risk of it.

Techno Piles Inc.

The Defendants submitted that there is no genuine issue for trial with respect to Techno Piles Inc.'s involvement in the action on the basis that they never engaged in any operations or used any trademarks in association with any goods or services. The Court, however, agreed with the Plaintiff that because Techno Piles, Inc. is the owner of the <technopiles.com> domain name registration and is thus presumptively responsible for the content posted to the website, it is a proper Defendant to ensure that the relief described can be obtained by the Plaintiff, if such relief is ultimately granted.

B. Trademarks Opposition Board Decisions and Appeals

(i) *Fruit of the Loom, Inc v LRC Products Limited*, 2022 FC 217, rev'g 2021 TMOB 39

The Federal Court overturned the TMOB's decision finding no confusion between an application for FUNDAWEAR and a registered trademark for UNDERWEAR THAT'S FUN TO WEAR.

The Applicant submitted new evidence that cleared up the "evidentiary gaps". The new evidence was sufficient for the Court to overturn the TMOB's decision and direct the Registrar to refuse the Respondent's trademark application for FUNDAWEAR.

This case provides a good review of the threshold required for "substantial and significant" new evidence for the Court to trigger a *de novo* review.

<u>Background</u>

The Applicant, Fruit of the Loom, Inc., has been using its UNDERWEAR THAT'S FUN TO WEAR trademark in the marketing and sale of its UNDEROOS® line of children's underwear since the 1980's. The Respondent applied to register the trademark FUNDAWEAR in relation to more sexually explicit goods. The Applicant filed an opposition to the Respondent's application on the basis of registrability, entitlement, and distinctiveness, with the matter ultimately turning on a confusion analysis.

The TMOB found that the Respondent's trademark was not confusingly similar to the Applicant's trademark mainly due to the difference between the marks in appearance and sound, the limited inherent distinctiveness of the Applicant's trademark, and the limited evidence of acquired distinctiveness put before the TMOB.

On appeal, the Applicant submitted a supplementary affidavit to fill the evidentiary gaps, including evidence of sales of the UNDERWEAR THAT'S FUN TO WEAR trademark and evidence of promotion and advertising expenses from 1980 to present. Its new affidavit evidence also dealt with history, reputation, distinctiveness, use and the nature of goods and trade and their overlap.

Decision

The Court considered the new evidence to be material, as it cured the defects in the Applicant's original material. It clarified that the Court must assess the nature, significance, probative value and reliability of the new evidence in the context of the record. It also stated that "the new evidence does not necessarily have to show that the Registrar's decision would have been different if the Registrar had the new evidence, it need only be such that it would have or shall have had an effect on the Registrar's decision."

When judging on a *de novo* basis, the Court held that the new evidence shows that the Applicant had acquired distinctiveness in its trademark, the channels of trade overlap and that the degree of resemblance between the two trademarks is higher than recognized by the TMOB, stating that the resemblance "is particularly striking when one looks at and pronounces quickly 'Fun to Wear' and 'Fundawear'."

The Court allowed the appeal and ordered the Registrar to refuse the Respondent's trademark application.

(ii) *Nia Wine Group Co, Ltd v North 42 Degrees Estate Winery Inc*, 2022 FC 241

The Federal Court allowed an appeal from a TMOB decision that refused an opposition to the registration of NORTH 42 DEGREES. The TMOB decision was set aside and the trademark application for NORTH 42 DEGREES was refused in its entirety.

This case is noteworthy as it expanded the scope of what constitutes a geographic name or place of origin pursuant to paragraph 12(1)(b) of the *Trademarks Act* to include any geographical designation including specific references to a place on the Earth's surface as well as general and abstract references to places on the Earth's surface. Lines of latitude and longitude are distinctive designations that are included. This case also serves as a cautionary tale for the requirements for expert evidence.

Background

The Trademark Applicant, North 42 Degrees Estate Winery Inc., sells wine produced from their farm and operates a winery, both located along the 42nd parallel or North 42 degrees latitude. The Opponent operates a winery in the Niagara region of Ontario and sells wine in Canada under various brand names, including NORTH 43 °.

The Trademark Applicant filed a trademark application for NORTH 42 DEGREES in association with the goods "wine" and the services "operation of a winery" and "operation of a vineyard". An opposition was brought based on grounds under paragraphs 30(2)(b), 12(1)(b) and subsection

12(2) of the *Trademarks Act*. In particular, the Opponent claimed that the trademark was clearly descriptive of the place of origin of the goods and services in that the Trademark Applicant's winery is located on or near the 42nd line of constant latitude in the northern hemisphere. The Opponent also alleged the mark was not distinctive as it was incapable of distinguishing its goods and services from those of other also originating along that geographic latitude.

The TMOB rejected the opposition, noting that the applied-for mark would be seen by the average consumer, as a matter of immediate impression, as a geographical reference which alludes to a coordinate for a place of locality, but does not clearly describe a pale or "geographic region" in a way that is "easy to understand, self-evident, or plain."

<u>Decision</u>

Admissibility of Expert Evidence

The Opponent filed the affidavit of a professor and Program Coordinator for Culinary Innovation and Food Science at Niagara College Canada and was put forward as an expert in manufacturing, production, and marketing of food and wine in Canada.

Although no Form 52.2 certificate accompanied the professor's affidavit, the Court found that the absence of it is not in and of itself fatal to the Court's consideration of the evidence and that lack of compliance with the requirement to include a certificate must not be conflated with a failure to comply with the Code of Conduct itself, which is the general objective of Rule 52.2(2).

The Court found that the expert evidence was inadmissible because the expert was not properly qualified and no effort was made to demonstrate the asserted expertise:

> There is no specific reference to any projects or activities related to wine or the wine industry and more specifically to the production, marketing and branding of wine, nor does her curriculum vitae describe any research, publications, speaking engagements, professional or volunteer activities, employment or consulting related to the wine industry in Canada or abroad, as a whole, or more specifically as it relates to the growing of grapes and the branding and marketing of wines. In the circumstances, I find that Ms. Proulx has not been shown to have acquired special or peculiar knowledge through study or experience in respect of the manufacturing, production, branding or marketing of wine in Canada. Accordingly, her affidavit does not meet the threshold for admissibility.

Standard of Review

Having found that the parties' new evidence on appeal was either immaterial or inadmissible, the applicable standard of review was palpable or overriding error with one exception: the question of the proper interpretation of "place of origin" under paragraph 12(1)(b) of the *Trademarks Act* is an extricable question of law reviewable on the standard of correctness.

Paragraph 12(1)(b) Analysis

The Court began by examining the elements required to be proven under the leading test for paragraph 12(1)(b) pursuant to *MC Imports*: (i) whether the trademark is a geographic name; (ii) determining the place of origin; and (iii) assessing the trademark owner's assertion of prior use under subsection 12(2), if any. In this instance, the mark was based on proposed use, eliminating the need to consider the third factor.

In relation to the first factor, the Court preferred a broader interpretation of paragraph 12(1)(b)'s use of "place of origin" that would encompass any geographic designation and "include specific references to places on the earth's surface, both general and abstract". This would include parallels of latitude and meridians of longitude, as they are geographic designations.

In light of this finding, the Court found that the TMOB made an error of law in its restrictive interpretation. It also stated that the question of whether a place of origin includes a designated line of latitude is not an evidentiary question and the onus did not lie on the Opponent to convince the TMOB as to the proper interpretation of paragraph 12(1)(b).

Since the TMOB erred, the Court turned to the second element of the test under paragraph 12(1)(b) as to whether the goods and services in question originate from that place of origin. Since the goods did originate from the 42^{nd} north parallel, the Court concluded that the mark NORTH 42 DEGREES contravenes paragraph 12(1)(b) of the *Trademarks Act* and clearly describes the place of origin of the Trademark Applicant's goods and services.

Distinctiveness

In light of the Court's findings on paragraph 12(1)(b), it declined to consider the ground of appeal related to distinctiveness.

(iii) ***Hain Pure Protein Corp v Vitala Foods Inc*, 2022 TMOB 112**

The TMOB refused to register an application for FREE BIRD in association with eggs.

In this decision, the TMOB provides comments relevant to an opposition to the application of a word mark and the scope of rights conferred if granted.

<u>Background</u>

The Opponent opposed the Applicant's registration for the trademark FREE BIRD ("the Mark") used in association with "eggs".

The Opponent argued that the Mark was confusing with its own trademarks FREEBIRD and FREEBIRD & Design (below) (collectively, the "Freebird Trademarks") that the Applicant claimed to have used and made known in association with poultry and processed poultry.

Description of mark: The word FreeBird, presented in stylized, curved letters. There is one upside down triangle above the letter "r" in the word, "Bird". The letter "d" in the word "Bird" curves upward in an oval shape towards the letter "B".

The TMOB refused the application.

Decision

The Opponent claimed the Applicant is not the person entitled to the registration of the Mark because, at the filing date of the application, the Mark was confusing with the Opponent's FREEBIRD Trademarks, which have been previously used and made known in Canada by the Opponent in association with poultry and processed poultry pursuant to paragraph 16(3)(a) of the *Trademarks Act*.

After a review of the evidence submitted by the Opponent, the TMOB found that the Opponent had met its initial evidentiary burden only with respect to showing use of the FREEBIRD & Design mark in Canada as of the date of filing of the application.

The Applicant's representations on the issue of confusion included submissions relating to the Applicant's actual packaging and promotional materials featuring an additional "mascot" design element presented as a personified chicken having a unique personality and traits, which would have the effect of dissuading consumers from eating chicken meat.

Without commenting on the merit of this argument, the TMOB made the following statement with respect to the scope of rights conferred by a word mark:

> …one must not lose sight of the full scope of the rights conferred by the trademark registration sought by the Applicant. Indeed, in accordance with the principle set out in paragraph 55 of the *Masterpiece* case, *supra*, the registration of the Applicant's FREE BIRD word mark would allow the Applicant to use it "in any size and with any style of lettering, color or design," it being understood, however, that "one should be careful not to give the principle set out at paragraph 55 of *Masterpiece* too great a scope for there would no longer be any need to register a design mark when one has a word mark. […]. When comparing the marks, one is always limited to a 'use that is within the scope of a registration' (*Masterpiece*, at para 59)" [*Pizzaiolo Restaurants inc v Les Restaurants La Pizzaiolle inc*, 2016 FCA 265 (CanLII), para 33]. Accordingly, I will not discuss any further the parties' submissions related to the Freeda mascot.

The decision turned on the nature of the goods and the nature of the trade. With respect to the nature of the goods, the TMOB noted that the goods are not as remote to one another as the Applicant contends: both are non-processed food products, a source of dietary protein, and sourced from the other. Further, the TMOB stated that the parties' goods are free-range chickens and free-range eggs and thus eggs are "a logical extension of goods for a chicken producer, or vice-versa".

With respect to the channels of trade, the TMOB found that the potential overlap resides in the fact that both parties are marketing "free-range" products and could target distributors who source ethically-produced and free-range egg and/or meat/poultry products.

The TMOB ultimately concluded that the Applicant failed to meet its legal burden to show there was no reasonable likelihood of confusion between the Mark and the FREEBIRD Trademarks, largely due to the similarity of the marks and the relationship between the goods and overlapping channels of trade.

(iv) *BrewDog PLC v PDM Parthian Distributer & Marketing Adviser GMbH*, 2022 TMOB 113

The TMOB refused to register an application for BLACK PUNK in association with non-alcoholic beverages, namely non-alcoholic energy drinks.

This decision highlights the importance of furnishing evidence on the grounds of opposition.

<u>Background</u>

The Opponent is a British corporation which brewed India pale ale under the PUNK brand in association with beer and lager, asserting its use in Canada since 2010. The Applicant applied for BLACK PUNK in association with non-alcoholic energy drinks ("the Mark") on the basis of proposed use.

The main issue on the opposition is confusion under subsection 16(3) of the *Trademarks Act*.

The Applicant elected not to file evidence. Only the Opponent filed evidence and submitted written representations. Only the Applicant was represented at the oral hearing.

<u>Decision</u>

In assessing the likelihood of confusion, the factors all favoured the Opponent. With respect to the nature of the goods and channels of trade, the TMOB found that because the Opponent's goods are alcoholic and the Applicant's applied-for-goods are non-alcoholic, on a basic level they are both in the nature of beverages. The TMOB went on to state that to the extent the channels of trade differ and/or would have differed as of the material date, "it was incumbent on the Applicant to furnish evidence of such." As such, the TMOB concluded that the Applicant's mark was confusing with the Opponent's mark.

With respect to the section 2 ground of non-distinctiveness, the TMOB noted that the Opponent did not meet its initial evidentiary burden.

An appeal to the Federal Court is currently pending (T-1625-22).

(v) *DMC SRL v Ermenegildo Giusti,* 2022 TMOB 193

In this decision, an opposition against the registration of GIUSTI PROSECCO was rejected on all grounds. The TMOB assessed whether GIUSTI PROSECCO was distinctive of the Applicant's wine products, whether the mark was used since the claimed date of first use, whether the mark was not registrable for consisting primarily merely of a surname, and whether the Applicant was not the person entitled to register the mark on the basis of the Opponent's paragraph 16(1)(a) ground of opposition that the Mark was confusing with the Opponent's DE GIUSTI trademarks used and made known in Canada in association with, *inter alia*, wines, as of the filing date of the application for the Mark. The underlying opposition was rejected on all grounds.

This case re-enforced the principles that:

- combining a surname with a descriptive term is not contrary to paragraph 12(1)(a) of the *Trademarks Act*;

- simply asserting that a foreign trademark is known in Canada, without evidence substantiating the claim, is insufficient for the purpose of attacking the distinctiveness of another mark;

- online use/advertising of a mark cannot satisfy the section 4 requirements with respect to making a mark sufficiently known in Canada; and

- the TMOB may draw adverse inferences from a representative's refusal to answer proper questions during cross-examination.

Decision

Surname Ground of Opposition

As the mark consisted of the Applicant's surname and the word PROSECCO, a type of wine, the TMOB agreed with the Applicant that the trademark, as a whole, was not contrary to paragraph 12(1)(a) because, in its entirety, the mark was not primarily merely a name or surname. The TMOB stated:

> The fact that the word PROSECCO is descriptive does not render the Mark unregistrable pursuant to section 12(1)(a) of the Act. A trademark which is the combination of a surname and descriptive term is registrable.

Distinctiveness Ground of Opposition

The Opponent, which operates a chain of well-known cafes in Italy, used the trademark DE GIUSTI and stylized versions of this trademark in Europe and the US. However, the Opponent failed to meet its evidential burden to establish that any of its marks had sufficient reputation amongst Canadians to negate the distinctiveness of GIUSTI PROSECCO. There was no evidence establishing that the Opponent's products bearing "DE GIUSTI" were sold in Canada or that Canadians were familiar with the Opponent's foreign use of its marks. The TMOB discussed how foreign trademark owners should present clear evidence to this effect.

Paragraph 16(1)(a) Entitlement Ground of Opposition

As the Opponent did not provide any evidence of sales to Canadians, it failed to provide sufficient facts for the TMOB to conclude that there had been prior use of DE GIUSTI that was confusing with the Applicant's mark.

The Opponent also failed to meet its evidential burden with respect to making the mark known in Canada. The TMOB stated that "online use cannot satisfy the requirements of making known" and opined that even if the TMOB accepted it as evidence, there was no evidence that the Opponent's marks were well known in Canada as a result of this advertising.

Subsection 30(b) Ground of Opposition

The TMOB found that the adverse inferences drawn during the cross-examination of the Applicant's representative were sufficient to meet the Opponent's initial evidential burden. Specifically, the representative's refusal to answer proper questions regarding the date of and scope of use of the Applicant's mark, along with contrary reports that the use of the mark had not commenced before the claimed date of first use, were sufficient to meet the Opponent's evidential burden.

However, the Applicant's evidence was sufficient to meet its legal onus on a balance of probabilities that there was continuous use of the mark, despite its refusal to answer proper questions on cross-examination.

An appeal to the Federal Court is currently pending (T-2485-22).

(vi) *Blyth Cowbells Brewing Inc v Bellwoods Brewery Inc*, 2022 FC 248, aff'g 2021 TMOB 31

The Federal Court dismissed an appeal of the TMOB's decision to reject the Applicant's trademark application for its cowbell design mark.

<u>Background</u>

The Applicant, a craft brewer in Ontario, filed an application to register the "Cowbell Mark" (below) in association with various services associated with the making, selling, and advertising of beer and a brewery.

[Description of mark: Cowbell with pinecone-shaped clapper.]

The Respondents, another craft brewer in Ontario, already had registrations for the following marks in association with substantially the same goods and services:

[Description of mark: Bell with words "BELLWOODS BREWERY" underneath. The word "BELLWOODS" appears larger than the word "BREWERY"]

[Description of mark: Bell with circular clapper.]

The TMOB found that there was an approximately equal probability between a finding of confusion and a finding of a lack of confusion in light of conflicting factors. While there was a fair degree of resemblance between the marks and an overlap in the goods/services and in the channels of trade, both parties' marks are inherently distinctive and the Respondent's mark has become known to a slightly greater extent than the Cowbell Mark. Further, the TMOB found that the Applicant's state of the register evidence was not sufficient to conclude that a bell design is widely used in the alcoholic beverages and restaurant industry, such that the average Canadian consumer is accustomed to distinguishing these marks. Given the onus was on the Applicant to establish that its Cowbell Mark was not confusing with the Respondent's marks, the TMOB allowed the ground of opposition based on paragraph 12(1)(d) of the *Trademarks Act*.

Decision

Even after accepting the new evidence submitted on the appeal, the Court ultimately reached the same conclusion as the TMOB, noting:

- There is a fair degree of resemblance between the marks at issue;
- The Respondents has been using their mark for a greater length of time;
- There is an overlap in the nature, goods, services, and trade favouring the Respondents;
- While both marks are distinctive, the Respondents' marks are known to a greater extent;
- The state of the register and marketplace evidence put forward on appeal does not assist the Applicant; and
- The evidence of actual confusion was of no consequence and given little of no weight.

As such, the Applicant was not entitled to register its Cowbell Mark pursuant to paragraph 12(1)(d) of the *Trademarks Act* and the appeal was dismissed with costs awarded to the Respondents.

(vii) *Rick Spagnuolo and Joseph Syposz v Re/Max Hallmark Realty Ltd*., 2022 FC 416, aff'g 2021 TMOB 149

The Federal Court dismissed an appeal of the TMOB's decision to reject an opposition to the registration of HALLMARK for real estate services (among other services).

This case is noteworthy in describing that paragraph 12(1)(b) of the *Trademarks Act* does not capture all words with laudatory connotations.

Background

At the TMOB level, the Opponents' arguments centered around the laudatory meaning of the word "hallmark." They stated that the TMOB erred in fact and in law when it failed to recognize that HALLMARK is not registerable because (i) it is clearly descriptive as a laudatory term contrary to s.12(1)(b); (ii) it lacks distinctiveness as required pursuant to section 2; and (iii)it has become recognized by ordinary commercial usage as denoting quality of services and is therefore a mark prohibited by section10 and not registrable according to paragraph12(1)(e).

Alternatively, the Opponents argued that if trademark rights do in fact subsist in HALLMARK, the Applicant cannot make a claim relying on it as it was licensed for use by a licensee pursuant to a 2011 franchise agreement. On this basis, the Opponents state that any use of HALLMARK by the Applicant enured to the franchisor's benefit under section 50 of the *Trademarks Act* and could not comply with paragraphs 30(b) and 30(i).

<u>Decision</u>

The Court held that the TMOB committed no errors of law or mixed fact and law. The TMOB stated and applied the correct paragraph 12(1)(b) test and did not require proof that HALLMARK specifically describes the Applicant's services beyond the general meaning. Further, the Court found that the TMOB's comments that HALLMARK has a "laudatory connotation" and that it is a "noun that refers to a distinctive feature, mark or sign indicating quality or excellence" are not inconsistent with its legal conclusion.

The Court made the following statement about the registrability of laudatory words:

> Laudatory words are not a special category of automatically-excluded trademarks under the TMA. To be unregistrable for being clearly descriptive of quality, the word must be assessed according to the paragraph 12(1)(b) test. That test is not simply whether a word has a laudatory connotation—it must be "clearly" descriptive, and it must be clearly descriptive not of quality in an abstract sense, but of the quality of the goods or services in association with which it is used or proposed to be used. Courts have consistently recognized that a trademark is registrable even though it is suggestive or even descriptive…

With respect to distinctiveness, the Court held that the TMOB made no palpable and overriding error in rejecting the section 2 ground of opposition. The TMOB had held that the Opponents did not meet their initial burden. Given the Opponents were relying on the same evidence and arguments on appeal, the Court reaches the same conclusion as the TMOB.

The Court further went on to find that the TMOB made no reviewable error as, again, the Opponents did not meet their initial burden to show that HALLMARK had been recognized in Canada through ordinary and bona fide commercial usage as designating real estate services as excellent.

Finally, the Court upheld the TMOB's finding that the franchise agreement pertained to the use and ownership of RE/MAX rather than HALLMARK and thus the TMOB made no reviewable error in rejecting the paragraphs 30(b) and 30(i) opposition grounds.

(viii) *Align Technology, Inc v Osstemimplant Co, Ltd*, 2022 FC 720, aff'g 2019 TMOB 101

The Federal Court dismissed an appeal of the TMOB's decision to reject an opposition to the registration of MAGICALIGN for orthodontic goods.

<u>Background</u>

The Applicant asserts that the applied-for mark MAGICALIGN is confusingly similar with the Applicant's family of ALIGN marks, arguing under paragraphs 12(1)(d), 16(3)(a), 16(3)(c), and section 2. The TMOB rejected the opposition on all grounds, concluding that MAGICALIGN was not confusing with INVISALIGN or ALIGN primarily on the basis of the overall differences between the parties' marks.

The Applicant submitted several new affidavits on appeal, arguing that the TMOB fixated on the notion that "ALIGN" was descriptive of the Applicant's goods and services and only had a low degree of inherent distinctiveness and erred by finding that the ALIGN trademark had not acquired distinctiveness and had been used to a lesser extent and less prominently in packaging and advertising.

<u>Decision</u>

After assessing the new evidence, the Court decided that the state of the register evidence submitted in numerous of the Applicant's affidavits was relevant and material as well as evidence from dentists and orthodontists as to whether the ALIGN mark is as prevalent as INVISALIGN in product and marketing materials, thus warranting a consideration of paragraph 6(5)(a) on a *de novo* basis along with the weighing of the subsection 6(5) factors. The remaining subsection 6(5) factors, however, were to be reviewed for palpable and overriding errors.

The Court viewed the evidence supporting a finding that there is significant acquired distinctiveness in the INVISALIGN mark and to a lesser extent the ALIGN mark, as it had been used less prominently in promotional, product and marketing materials and also because "align" is used in "verb" form in other third party marks. The Court held that the strength of the INVISALIGN mark, which possesses both inherent and acquired distinctiveness, would exceed that of MAGICALIGN, which although inherently distinctive, has no marketplace use. It further held that the ALIGN mark would have a slight advantage to the MAGICALIGN mark in view of having some acquired distinctiveness; however, its inherent distinctiveness would be less as it is more descriptive of the function of its goods and services.

The Court found that considering the new state of register evidence as another surrounding circumstance, it agrees with the Respondent's position that the concept of alignment and re-aligning and the term "aligner" are not exclusively associated with the Applicant's products.

Even after the new finding pursuant to paragraph 6(5)(a) and the new weighing of factors, the Court came to the same conclusion as the TMOB:

> Despite the significant acquired distinctiveness of INVISALIGN and to a lesser extent ALIGN, the increased ambit of protection afforded to the marks because of their extent of use, the identical nature of the goods and trade and the small family of ALIGN marks owned by the Applicant, the overall differences in the appearance, sound and idea of the marks dominate and would not lead to a likelihood of confusion in the marketplace. The ordinary consumer, which in this case would be a consumer that would take more care as the products in question are higher priced products … would not, as a matter of first impression, be likely to think that the goods associated with MAGICALIGN would emanate from the same source as those associated with INVISALIGN and ALIGN. The appearance, sound and idea conveyed by the marks are just too dissimilar.

(ix) *Anheuser Busch, LLC v HOW Medical Solutions Ltd*, 2022 FC 842

The Federal Court allowed an appeal of the TMOB's refusal to allow Anheuser Busch (Applicant) to amend their Statement of Opposition to include references to trademark registrations that were granted after filing the Statement of Opposition.

Background

H.O.W. Medical Solutions (Respondent) applied to register "HELPING PEOPLE FEEL BETTER ONE BUD AT A TIME" for use in association with a variety of cannabis products. Before the trademark was registered, the Applicant applied to register BUDWEISER, BUD LIGHT and BUDWEISER & DESIGN for use in association with cannabis products and services (the "Budweiser Marks").

The Applicant filed a Statement of Opposition raising a number of grounds including paragraph12(1)(d) confusion with one or more of its 80 trademark registrations.

Once the Budweiser Marks were registered, the Applicant requested for the TMOB to amend their Statement of Opposition to include references to the registered Budweiser Marks. The request was denied.

Decision

The main issues on appeal were (i) Did the TMOB commit an error of law in refusing the request for leave to amend; and (ii) Did the TMOB err in its application of the criteria governing a request to amend a statement of opposition pursuant to section 48 of the *Regulations*?

The Applicant submitted that the TMOB committed a pure error of law because refusing its request for leave to amend would require the TMOB to determine the opposition on a stale-dated Register. According to the Applicant, this would change the material date for the confusion analysis from the date of the opposition decision to the date of the Respondent's trademark application, resulting in an incorrect application of paragraph 12(1)(d) of the *Trademarks Act*.

The Court found that although the date of the opposition decision was the material date, the TMOB was not constrained to accept the Applicant's request solely because it would otherwise make its decision on opposition without consideration of all relevant registered trademarks on date of decision. Thus, there was no pure or extricable error of law in the TMOB's decision.

TMOB Erred in Application of Criteria Governing Request to Amend Statement of Opposition

With respect to the Applicant's submission that the TMOB erred in its application of criteria governing a request to amend, the Court found that the TMOB failed to consider the importance of the Budweiser Marks to the opposition and that the absence of any such analysis was likely to impact the outcome of the opposition. Thus, the Court concluded that it was a palpable and overriding error for the TMOB, through its application of section 48 of the *Regulations*, to find that it was not in the interests of justice to allow the requested amendment to the Statement of Opposition.

The Court stated that while the TMOB briefly addressed the relevant criteria in its analysis, it did not engage with the important elements of evidence or the submissions before the TMOB. Specifically, the TMOB ignored the fact that the Budweiser Marks were intended for use in association with cannabis products, a core component of the goods and services covered by the Respondent's application. It further held that this error was compounded by the TMOB's one-sided assessment of prejudice alleged by the Applicant, even though prejudice was a factor fundamental to the interests of justice. The Court found that the TMOB limited its analysis of prejudice to what the Respondent might suffer if the amendment to the Statement of Opposition was allowed and ignored the prejudice that the Applicant would suffer if the TMOB refused the amendment. Lastly, the Court held that the TMOB failed to recognize the early stage of the opposition proceedings and the ability to ensure the Respondent had sufficient time in which to formulate a reply to any amendments to the Statement of Opposition.

<u>Relief</u>

The Applicant's request to amend the Statement of Opposition was returned to the TMOB for a second and independent assessment that considers all the relevant criteria and prejudice alleged by the parties.

No costs were awarded as the Applicant made no request for such.

(x) *Bunzl IP Holdings, LLC v Winnipeg Pants & Sportswear Mfg. Ltd*, 2022 FC 813, rev'g in part 2021 TMOB 80

The Federal Court allowed an appeal in part of the TMOB's decision to refuse an application to register WORKHORSE (the "Mark") for "clothing" and "clothing-related" goods including fire-retardant coveralls, aprons, socks and work gloves.

The Registrar was directed to allow the Applicant's application as it relates to *work glove* goods and *socks* and dismissed the appeal as it relates to the other goods at issue.

<u>Background</u>

The Applicant applied to register the trademark WORKHORSE in association with a variety of work and safety-related goods. Winnipeg Pants & Sportswear Mfg Ltd. (Opponent) opposed the Applicant's application to register WORKHORSE on the basis of its own WORKHORSE trademark used and registered in association with "men's and boys' clothing, namely parkas, jackets."

The TMOB's finding of confusion was based on the fact that the trademarks are identical, that there was a lack of evidence submitted by the Applicant in assessing the extent to which the mark has been known in Canada, the length of time the Mark has been in use in Canada, the nature of each of the applied-for goods, and the extent to which the Applicant's other WORKHORSE registered design marks have been used or made known in Canada.

<u>Decision</u>

The Applicant's new evidence included the corporate history of the Applicant, its use of the Mark in association with work gloves starting in 1979, its later use of the Mark in association with socks, rainwear, and other safety products, the use of WORKHORSE-formative marks, its marketing and labelling materials, and information about the Applicant's customers, channels of trade, sales of its goods, and its trademark applications and registrations.

The Court found that the Applicant's new evidence was material as to some of the Registrar's conclusions, i.e. use of the Mark in association with work gloves and socks, and thus the correctness standard should be applied to those issues, with the remaining issues unaffected by the new evidence and thus reviewed on a palpable and overriding error standard.

In light of the new evidence, the Court allowed the trademark application for WORKHORSE as it related to work gloves and socks. In its decision, the Court took into account that the WORKHORSE mark is suggestive and should therefore be given a narrower scope of protection. Because of this narrow scope of protection, the Court found that use of the Mark in association with work gloves and socks, which do not overlap with the Opponent's registration for parkas or jackets, would not result in any confusion. This was particularly the case as the new evidence established that the Applicant's goods had been in use longer than the Opponent's mark and there was a lengthy period of co-existence without confusion.

The Court reiterated that the confusion analysis does not depend on whether goods are "of the same general class or appear in the same class of Nice classification", recognizing that in this case, both parties had each acquired some distinctiveness in connection with a suggestive mark in relation to goods that fall within a broad general category of clothing.

The Court found that the evidence submitted in relation to other goods, including rainwear, was limited in that the use commenced later, the extent of use was not established, and the goods were more similar to parkas and jackets. The Court thus rejected the appeal with this respect to the opposition ground for these goods.

In light of the mixed success, the Court made no order as to costs.

(xi) ***Vivo Mobile Communication Co, Ltd v Garmin Switzerland GmbH,* 2022 FC 1410, aff'g 2021 TMOB 34**

The Federal Court dismissed an appeal of the TMOB's decision to refuse an application to register the VIVO stylized mark (the "Mark").

This case is noteworthy in the Court's comments on what is required to differentiate channels of trade of goods/services by way of the application's specification or through evidence filed. The Court clarified that without a restriction in the statement of goods as to the associated channels of trade, or absent a long historical pattern of sales through particular channels of trade, it is difficult to infer from a party's stated intention that sales through the same or overlapping channels of trade will not occur.

<u>Background</u>

Vivo Mobile Communication Co, Ltd (Applicant) became the assignee of the Mark filed based on proposed use in association with "telephone apparatus, specifically telephones, portable telephones, mobile telephones, cellular telephones, and smartphones".

Garmin Switzerland GmBH (Respondent) opposed the registration of the Mark on the grounds that the trademark application did not conform to section 30 requirements, that the Mark was confusing with the Respondent's VIVOFIT and VIVOSMART trademarks, registered in association with: "monitoring devices for medical and non-medical purposes, namely, electronic monitor that monitors, records and displays physical activity levels, physical inactivity periods, steps walked or ran, distances covered in exercise, exercise levels achieved compared with exercise levels goals, calories burned, exercise goal levels based on past exercise, quality of rest and sleep patterns" (the "Respondent Marks"), that the Applicant was not entitled to registration of the Mark under section 16, and the Mark was not distinctive. The TMOB only addressed the paragraph 12(1)(d) ground of opposition.

The Respondent filed two affidavits including evidence of use of the Respondent Marks and other marks owned by the Respondent (collectively, the "Respondent Family Marks"). The Applicant did not file any evidence. The trademark application was refused by the TMOB. The TMOB found that the Mark was not registrable because the Applicant failed to establish, on a balance of probabilities, that there was no reasonable likelihood of confusion between the Mark and the Respondent Marks.

Both parties' marks possessed a high degree of inherent distinctiveness, though the Respondent Marks had somewhat diminished inherent distinctiveness because of the suffix components FIT and SMART. The remaining confusion factors favoured the Respondent as the Respondent Marks were better known, had been used longer than the Mark, there was a strong connection between the parties' goods and a potential for overlap between the channels of trade, there was a high degree of resemblance between the parties' marks in appearance and sound unaffected by the suffix components of the Respondent Marks or stylization of the Mark, and the Respondent Family Marks slightly increased the likelihood of confusion.

On appeal, the Applicant filed a certified copy of the application, the prosecution file history, and two affidavits. The affiants were not cross-examined on their affidavits.

<u>Decision</u>

The Court was not persuaded that the newly submitted evidence was material and probative to mandate reconsideration of any issues on a *de novo* basis. The Applicant did not demonstrate any palpable and overriding errors with the TMOB's confusion analysis.

Much of the decision focussed on the nature of the goods and the channels of trade.

Referring to the newly filed affidavit evidence by the Applicant, the Court found that a stated intention as to how the goods will be sold is insufficient to restrict the channels of trade. The evidence, which only proved evidence of use from outside of Canada, would not have materially affected the TMOB's finding that there is potential for the channels of trade to overlap.

The Court clarified that when considering the nature of the goods and the channels of the trade, it is the statement of the goods in the proposed application and in the registration relied upon by an opponent that must be assessed, having regard to the channels of trade that would normally be associated with such goods. It then went on to state that without a restriction in the statement of goods as to the associated channels of trade, or absent a long historical pattern of sales through particular channels of trade, it is difficult to infer from a party's stated intention that sales through the same or overlapping channels of trade will not occur.

The Court found that in this case, there are no restrictions to the channels of trade arising from the application and no evidence of an existing pattern of sales in Canada as there was no use in Canada of the Mark or any related mark of the Applicant.

The Court also found that the Applicant's asserted descriptions in its newly filed affidavit evidence of consumer behaviour relating to the products at issue had no factual foundation. Evidence of coexistence on foreign trademark registers was also not relevant, mainly because it was not based on Canadian standards or the Canadian market.

The Applicant's state of the Canadian register evidence, which included three third party VIVO marks, was also found not to be relevant as there was no evidence of use of these marks in Canada and there was not a large enough number of relevant registrations to draw an inference that the element was common in the marketplace. These third party marks had been amended to remove certain goods and services relevant to the Respondent Goods, but the remaining goods did not include personal electronic devices and would not take away from a finding that the Respondent has a small family of marks in that area.

Considering all of the surrounding circumstances, such as those discussed above and the fact that the Respondent Marks had acquired distinctiveness through use, the Court found that the TMOB did not make a palpable and overriding error in not placing more emphasis on the higher degree of inherent distinctiveness of the Mark and in finding that there was a connection between the Respondent's goods and the Applicant's goods (they were designed to be paired together), an overlap with the channels of trade, a high degree of resemblance between the parties' marks (with VIVO as the dominant, most striking and unique element), and that the Respondent Family Marks increased the likelihood of confusion.

(xii) ***101217990 Saskatchewan Ltd DBA District Brewing Company v Lost Craft Inc*, 2022 FC 1254, aff'g 2021 TMOB 151**

The Federal Court dismissed an appeal of a TMOB decision wherein an application for the trademark FIND YOUR CRAFT in association with beer was refused in part. In particular, the Court concluded that the TMOB had not impermissibly assessed the use of the Respondent's FIND YOUR CRAFT mark in relation to "brewery services", even though the notice of opposition only referred to "beer". The Court also held that the TMOB made no palpable and overriding error in concluding that the Respondent used the LOST CRAFT trademark on its delivery van before the date of the Applicant's application.

<u>Background</u>

The Applicant, District Brewing, is a Saskatchewan based beer manufacturer. It had filed an application for the trademark FIND YOUR CRAFT in association with beer.

The Respondent, Lost Craft, is a brewery in Toronto. It filed an opposition based on its use of the trademark "Find Your Craft" before the date of filing. It argued that the Applicant was not the entity entitled to registration because its proposed trademark was confusing with a trademark previously used by the Respondent "in association with beer" pursuant to paragraph 16(3)(a) of the *Trademarks Act*.

The TMOB had allowed the opposition. While it remarked that the Respondent had not offered any use of the trademark "Find Your Craft" in association with beer before the date of filing, it had used the trademark in association with "brewery services" as the mark was featured on its delivery van.

The TMOB found that while the Notice of Opposition only referred to "beer" and not "brewery services", the TMOB noticed that the Respondent's evidence and submissions referred to both and that the Applicant understood the case it had to meet.

Proceeding with the confusion analysis, the TMOB concluded there was a reasonable likelihood of confusion as the marks were identical and there was clear overlap between the Applicant's "Beer" and the Respondent's "Brewery Service" services.

Decision

On appeal, the Applicant argued that the TMOB erred in considering a ground of opposition that was not pled in the Notice of Opposition and that it also erred in finding the Respondent had used the trademark "Find Your Craft" in relation to either beer or brewery services prior to the filing date.

The Court dismissed the first ground of opposition on the basis that the TMOB's consideration of the trademark in association with brewery services did not amount to a new ground of opposition. While "brewery services" are outside the literal reading of the word "beer" seen in the Notice of Opposition, a decision-maker can read pleadings more flexibly than that.

The Court found that the Respondent's Notice of Opposition was properly pled as being based on paragraph 16(3)(a) of the *Trademarks Act*. It was based on a likelihood of confusion between the Applicant's and the Respondent's "Find Your Craft" trademarks. These two essential parameters do not change when the Respondent argued their mark was used in association with "brewery services" in addition to "beer". The Court stated that the fact that the Notice of Opposition included further details that the mark was used in association with does not mean enlarging the scope of the alleged use constitutes a new ground of opposition. Based on this finding, the Court found that the TMOB did not err in law by basing its decision on a ground not pleaded.

The Court also found that the TMOB did not err in finding that the Applicant was aware of the case to meet, which was a question of mixed fact and law reviewed on a palpable and overriding error standard. The Court noted that the Applicant's written submissions to the TMOB made it clear that it was aware that the Respondent was relying on the use of its trademark in association with brewery services.

The Court also dismissed the second ground of appeal, finding that the TMOB did not commit a reviewable error in concluding that the Respondent had used the mark prior to the filing date in relation to "brewery services". The mark was applied to the delivery van, thus advertising the brewery services. A lack of evidence on where the van went or was used does not detract from this finding.

(xiii) ***Divert, Inc v Resource Recovery Fund Board Inc*, 2022 FC 1650, aff'g 2021 TMOB 209**

The Federal Court dismissed an appeal of the TMOB's decision to refuse an opposition to the registration of DIVERT NS pursuant to subsection 30(b) of the *Trademarks Act*.

This case highlights the principle that where the palpable and overriding error standard applies, it is not for the Court to draw its own conclusions or substitute its own assessment of the evidence for that of the TMOB.

Background

Resource Recovery Fund Board Inc (Respondent) applied to register DIVERT NS for use in association with a variety of services related to waste diversion. Divert (Applicant) opposed the

Respondent's application, stating that the Respondent's application did not conform to the requirements of old subsection 30(b) of the *Trademarks Act*.

The Respondent filed an affidavit from its CEO, speaking to the development of the DIVERT NS trade name and trademark and the company's rebranding efforts using the mark.

The Applicant argued that the evidence demonstrated use of the mark no earlier than the day following the claimed date of first use.

The TMOB concluded that the Applicant had not met its evidential burden to establish that the Respondent had not used the DIVERT NS trademark as of the claimed date of first use. The evidence relied on by the Applicant in its arguments did not put the claimed first date of use in issue.

<u>Decision</u>

As the TMOB's conclusions were based on the particular evidence before it, rather than a misstatement of the applicable law or any extricable legal error, the palpable and overriding error standard applied. The Court found that the Applicant did not identify an error of law or show that the TMOB made a palpable and overriding error in its findings of fact or mixed fact and law.

The Respondent presented evidence about the company's website launch of the new rebranded trademark, which was dated to the day following the claimed first date of use. The Applicant asked the Court to infer from the Respondent's evidence and the "bald nature" of the Respondent's affiant's assertions regarding the date of first use that there was a "clear inconsistency" between the evidence and claimed date of first use. However, the Court found that the TMOB's conclusion was open to them on the evidence. Specifically, the TMOB did not commit a palpable and overriding error in reaching the conclusion that the Respondent was not obliged to submit any evidence to substantiate its claimed date of use, the affiant's statements about use, the nature of the services listed in the trademark application, or the other evidence leading up to the claimed date.

The Court stated that the TMOB referred to the totality of the evidence before it, including evidence of the internal development of the mark dating to the claimed first date of use, to correctly assess that there had been use of DIVERT NS at the relevant time.

The Respondent sought costs in the amount of $15,000, but was awarded $7,500, inclusive of disbursements and taxes.

C. Section 45 Decisions/Appeals

(i) *Fasken Martineau Dumolin LLP v Gentec*, 2022 FC 327, aff'g 2021 TMOB 56

The Federal Court dismissed an appeal made by Fasken Martineau Dumolin LLP (Applicant) of the TMOB's decision to maintain Gentec's (Respondent) registration of the word mark "IQ" ("the Mark") in association with the goods "headphones".

This decision is a reminder that errors in law do not include a misinterpretation of jurisprudence applied to the facts to warrant a correctness standard.

Background

In the underlying section 45 proceeding, the TMOB accepted the Respondent's evidence of use of the mark in association with headphones, despite the fact that the evidence of use did not show that these headphones had a band or other means of joining over the head. Looking to what the shared understanding of the trademark owner and the consumer would be, pursuant to *Hilton Worldwide Holding LLP v Miller Thomson*, 2018 FC 895, the TMOB concluded that it was no stretch to conclude that the goods in question were headphones.

The remainder of the Applicant's arguments, concerning instances where the mark was used as part of a composite mark, were deemed moot by the TMOB, as the packaging also depicts the storage case for the headphones, where the Mark was engraved without any additional wording. The TMOB found that in any event, the composite marks constituted use *per se* as the Mark stands out from the other composite elements.

Issues

The Applicant suggests that the TMOB erred:

a) in interpreting the decision of the Federal Court of Appeal *Hilton FCA* on the interpretation of product descriptions over time;

b) by ignoring the legal principle that any ambiguity must be interpreted against the person who produces the evidence, i.e., the trademark owner in these proceedings pursuant to section 45;

c) by ignoring the legal principles stated by the Federal Court of Appeal in *Clorox*, by not requiring that the Mark be represented in such a way as to give notice of connection to consumers; and

d) in deviating from the average consumer's first impression test in evaluating the mark "iQ Podz". Alternatively, whether the TMOB committed a palpable and overriding error when applying the test in regard to the facts in front of it and the submitted jurisprudence.

Decision

The Court found that the palpable and overriding error standard was applicable, as there was no new evidence on appeal and there were no extricable questions of law that would warrant the application of the correctness standard. With respect to the Applicant's challenges to the TMOB's application of the law to the facts, the Court stated that the legal and factual issues are intertwined and cannot be easily separated.

The Court dismissed all four of the Applicant's arguments. In particular, the Court noted that the TMOB's decision did not turn on any particular definition of "headphones", but rather on the fact that the descriptive word "headphones" was actually used on the "iQ Podz True Wireless Headphones" packaging. Therefore, there was no misinterpretation of the *Hilton FCA* decision, in which it is said that the TMOB should not consider a definition for a good that post-dates the relevant period. The Court found that in fact, there was no clear indication that the TMOB interpreted or relied on the *Hilton FCA* decision in order to reach his conclusion.

Similarly, the Court found that the TMOB did not misconstrue the legal principle that ambiguity should be resolved against the trademark owner in a section 45 proceeding. Based on the evidence, the TMOB found no ambiguity as there was no inconsistency or ambiguity *in the evidence*.

On the third issue, the Court gave deference to the TMOB's weighing of the facts, and noted that the TMOB stated the Mark clearly stood out from the surrounding composite elements. Additionally, even if the Court were to overturn this aspect of the decision, that would merely "take one branch down, but it would leave the tree standing".

Lastly, on the fourth issue, the Court found that the TMOB should have not considered the questions of the consumer's first impression and the displayed mark on the packaging as moot and that examining how the Mark is displayed on the storage case is not sufficient. The Court did note, however, that the TMOB did not stop there and provided a clear reasoning in the event that the submissions by the Applicant were not moot. The Court found that the TMOB identified factual elements and coherently explained why they make the Mark stand out. It also clarified that not mentioning the "average consumer" cannot be fatal as the TMOB determined what would be the public perception.

The Court therefore dismissed the appeal and awarded costs to the Respondent.

(ii) Randy River Inc v Osler, Hoskin & Harcourt LLP, 2022 FC 1015

The Federal Court allowed an appeal of the TMOB's decision to expunge the trademark R2, pursuant to section 45 of the *Trademark Act*.

<u>Background</u>

The Applicant's mark was registered in March of 2003 for use in association with various clothing and accessory goods. The Applicant failed to file any evidence of use, as required by the TMOB's notice. In December 2021, the TMOB determined that the registration would be expunged.

<u>Decision</u>

Pursuant to subsection 56(5) of the *Trademarks Act*, the Court considered additional material evidence that was not adduced before the TMOB. The affidavit evidence confirmed that the Applicant's normal course of trade was to sell men's, women's and children's clothing and accessories displaying the mark to Canadian consumers through various Canadian retail-clothing stores. Exhibits to the affidavit included photographs of some shirts and shorts displaying the mark on the shirt labels and hang tags, and sales summary documents from the relevant time period providing exact volumes and dollar amounts. The sales summary documents were generated from Fairweather Ltd.'s merchandizing system. The Court was satisfied that Fairweather Ltd. was a licensee of the Applicant and that the Applicant had, under its licence, direct or indirect control of the character and quality of the goods within the meaning of subsection 50(1).

The TMOB's decision was set aside and the trademark was maintained on the register, but only in respect of use in association with shirts and shorts. As the Applicant's failure to respond to the initial section 45 notice lead to the appeal, costs were not awarded.

(iii) *William B Vass v Leef Inc*, 2022 FC 1192, aff'g 2021 TMOB 243

This is an appeal of the refusal of the TMOB to expunge the trademark LEEF & Design pursuant to section 45 of the Trademarks Act. The appeal was dismissed with costs.

Background

The Respondent, Leef Inc., is a Canadian corporation that has designed and manufactured furniture for residential and commercial settings since 2001. On August 12, 2008, the Applicant filed a trademark application for the trademark LEEF & Design on the basis of use in association with its goods and services in Canada since 2001.

In 2020, at the request of the Applicant, William V. Vass, the Registrar issued a notice under section 45 of the *Trademarks Act* requiring the Respondent to show the Mark had been used in Canada in association with each of the goods and services specified during the relevant time period.

The TMOB found that registration of the Mark should be maintained in part. The registration was amended to delete certain goods and services, while maintaining those in respect of which the Respondent had established use during the relevant time period.

Decision

New evidence was filed on appeal that was found to be "sufficiently substantial and significant" and of "probative value" and thus the issues that the evidence relates to were considered *de novo*.

The Applicant disputed that the Respondent had established use of the Mark in association with the goods and services on several separate grounds: (1) the Respondent had provided insufficient evidence of sales during the relevant period; (2) the few sales for which there was evidence did not pertain to the goods; (3) the Mark that appears on the Respondent's invoices was not the same as the registered Mark; and (4) there was no evidence of use in association with the services.

With respect to two invoices attached as exhibits to affidavits provided by Respondent, the Court was satisfied that the Respondent had provided sufficient evidence of sales in association with their Mark during the relevant period. Although the Applicant contended that the Respondent was required to provide particulars of how the invoices accompanying the goods provided a notice of association with the Mark at the time of transfer, the Court ruled that the Respondent's affidavits supported the reasonably probable and logical deduction that the goods were sold in association with the Mark. The Court was also satisfied that although the Mark that appeared on the Respondent's invoices was not exactly the same as their registered Mark, it contained all of the dominant features of the Registered mark and was therefore an acceptable deviation.

The Court was satisfied that the Respondent provided sufficient evidence demonstrating use of the Mark in association with the services approved by the Registrar.

(iv) Tim Hortons Canadian IP Holdings Corporation and In-N-Out Burgers, 2022 TMOB 211

The TMOB refused to cancel In-and-Out Burgers' registrations for DOUBLE-DOUBLE ("the Marks") based on the use threshold being met.

This decision clarifies what threshold of use is required so as to not be considered token use in the normal course of trade.

Background

The Owner, In-and-Out Burgers, registered three trademarks for DOUBLE-DOUBLE – all in relation to their burger/sandwich goods as well as "specially prepared sandwich as part of restaurant services."

The Requesting Party, Tim Hortons, requested the Registrar issue notices under section 45 of the *Trademarks Act*.

The Owner filed an extensive affidavit showing worldwide use of the Marks since 1963, with the cheeseburgers bearing the Marks ("Double Cheeseburgers") accounting for 30% of burger items sold company-wide. In addition to its restaurant locations in the U.S., the Owner also provides "cookout events" using "cookout trucks" which are self-contained mobile restaurants, each including a large trailer with kitchen faculties and an opening for taking customer orders and providing food products to customers. The Owner's affidavit evidence states that the cookout trucks allow the Owner to serve its customers in locations where it does not have a permanent restaurant.

The Owner presented evidence that it used its cookout trucks to sell food products in Canada for many years, essentially from 2008 to 2019 in BC, including for one-day events in each of the three years that fell within the relevant period for this section 45 proceeding.

Decision

The Requesting Party submitted the amount of use in Canada amounted to "token" use.

The TMOB rejected the Requesting Party's submission on the basis that: (i) the owner sold over 1390 Double Cheeseburgers to event attendees each year totaling over 4,000 Double Cheeseburgers sold during the relevant period in Canada, which shows sales in Canada each year during the relevant year; (ii) this activity is a continuation of similar annual sales in Canada dating back many years; and (iii) there was sufficient factual details regarding the cookout trucks generally and the Owner's activities in Canada specifically to support the assertion that this was in the normal course of trade.

With respect to the services, the TMOB also found use based on the provided examples of the display of the Mark in the advertising of its services during the Relevant Period. The TMOB found that the evidence demonstrated that the attendees at the cookouts benefitted from the Owner's provision of services in Canada during the relevant period, in that the attendees were provided with the food goods.

(v) Clark Wilson LLP v 7299362 Canada Inc, 2022 FC 1478, rev'g in part 2022 TMOB 17

The Federal Court allowed an appeal in part to the TMOB's decision to uphold a registration for ALEXA TRANSLATIONS. The services for "consulting services, namely in the [field] of…corporate finance" was struck from the register due to non-use.

This decision is noteworthy in that it found that the Board made a "palpable and overriding" error in broadly defining the services at issue.

<u>Decision</u>

In this decision, given that no new evidence was filed, the Court clarified that determinations of use that require the weighing of evidence and determining fact can be reviewed only under the highly deferential overriding and palpable standard.

The Court found that the TMOB erred when finding that the Respondent used the Mark in connection with "Corporate Finance Services" because it counselled "companies on cost-reducing solutions." The Court stated:

> [41] This error is "palpable" or obvious. While services in the section 45 context are to be construed broadly, the term "corporate finance" cannot be so broad as to encompass anything related to business and money. At some level, the provision of virtually any commercially viable service from one business to another would be expected to improve the recipient's bottom line in some way. The cost savings that would result from the Respondent's services are the consequence of the services and not the content. This kind of service cannot reasonably be considered consulting services in the field of corporate finance.
>
> [42] Additionally, the error is "overriding" because it was the sole reason the Board preserved the Mark's registration for the Corporate Finance Services.

(vi) Sherzady v Norton Rose Fullbright Canada LLP/sencrl, srl, 2022 FC 1712, rev'g 2021 TMOB 197

The Federal Court allowed an appeal of the TMOB's decision to expunge the trademark WATCHFINDER, pursuant to section 45 of the *Trademark Act*.

This decision re-iterated the principle that trademark owners having a sufficient degree of control over another entity's sale of its goods and services can benefit from that other entity's use of the registered mark. The Court also discussed that re-sellers of pre-owned goods bearing third-party trademarks may be able to form new connections (of the re-seller) in the minds of consumers upon the time of re-sale.

<u>Decision</u>

The Court found that the Applicant's new affidavit added evidence was of significance and was not merely repetitive of or supplementary to the evidence before the TMOB.

It was discussed that the test for materiality is whether the additional evidence would have had a material effect on the decision, not whether it would have changed the TMOB's mind. In applying this test, the Court found that newly submitted evidence would have materially affected the TMOB's decision to expunge the WATCHFINDER mark. Considering the nature, significance, probative value, and reliability of the new evidence, the Court found that it would have enhanced or clarified the record to the point of influencing the TMOB's findings of fact and exercise of discretion. Thus, the appeal was considered on a *de novo* basis.

The Court was satisfied that the use of the WATCHFINDER mark in association with watches sold by Watchfinder Cumberland Inc during the relevant period enured to the benefit of the Applicant as he exerted day-to-day control over the goods and services offered and sold by the Watchfinder business. Moreover, evidence of use of the mark on interior and exterior store signage, on invoices, and on advertising materials for the services was sufficient to maintain the registration in association with "watch repairs", "appraisal of jewellery, watches, precious metals, and gems", and "custom jewellery and watch design".

The newly submitted evidence did not establish use with "precious metals and gems", "jewellery", or with "buying precious metals and gems", and these goods and services were deleted from the registration.

The newly submitted affidavit clarified the nature of Watchfinder's normal course of trade. As the Watchfinder business is a pre-owned watch specialist, although the watches bore their original third-party trademarks, the business was able to create a new connection when the watches were re-sold by Watchfinder. Watchfinder sold the pre-owned watches during the relevant period in the normal course of trade, packaged at the time of sale in boxes and bags that prominently displayed the WATCHFINDER trademark. The evidence was sufficient to support a reasonable inference that the requisite notice of association between the watches and the trademark was provided to the purchaser at the time of sale. However, the Court noted that evidence of goods placed in packaging bearing a trademark at the time of sale, such as a shopping bag, will not necessarily constitute sufficient evidence of use of the mark, particularly in *inter partes* disputes. Rather, this is a fact-driven exercise that must be decided on a case-by-case basis. It held that in light of the purpose of section 45 proceedings, which are not meant to resolve contentious issues between competing commercial interests, the evidence was sufficient to support a logical inference of trademark use in association with watches.

The Court re-iterated that the evidentiary burden to establish use is not heavy, evidence must only supply facts from which a conclusion of use may flow as a logical inference, and an affidavit providing a factual description of use demonstrating that the requirements for use are met will suffice. However, the Court rejected the Applicant's argument that use is to be proven on merely a *prima facie* basis. Rather, a trademark owner must establish the facts from which a conclusion of use may be made, or at least reasonably inferred.

As the respondent did not participate in the appeal, the Applicant did not seek an award of costs.

D. Expungement under Subsection 57(1)

(i) ***Advanced Purification Engineering Corporation (Apec Water Systems) v iSpring Water Systems, LLC*, 2022 FC 388**

The Federal Court allowed an application to expunge iSpring Water Systems' trademark for APEC WATER from the register on the grounds of non-entitlement, non-distinctiveness at the time of registration, and abandonment. The Court also found that the application for the registration at issue contained a material misstatement, rendering the registration void.

Background

The Applicant, Apex Water Systems, is a California corporation engaged in the manufacture and sales of water treatment systems. It has sold reverse osmosis drinking water filtration systems under the business name “APEC Water Systems” for over 20 years. Canadians have been able to and have purchased APEC products online since 2005.

Although the Applicant owns trademark registrations in the US for “APEC Water” and its EPC logo, when it applied for the trademark APEC WATER in Canada, it discovered the mark had already been registered by the Respondent.

The Respondent, iSpring Water Systems, is a competitor of the Applicant. It is a Georgia-based corporation that also sells reverse osmosis water filtration systems and sells its products under the iSpring mark. After registering the APEC WATER mark in Canada, it assigned the mark to a third company based out of the Marshall Islands.

Decision

Affidavit evidence was presented by both parties. The Respondent presented evidence attaching copies of invoices of sales, a single image of packaging and a screenshot from a website. The Applicant submitted evidence of an investigator which contradicted much of the evidence from the Respondent, and an affidavit from the Applicant’s VP Business Development which provided evidence in the form of invoices showing sales of APEC WATER in Canada as early as 2005 and continuously thereafter.

The Court preferred the uncontested evidence of the Applicant over the Respondent’s evidence. The Court found that the Respondent’s evidence contained discrepancies and ambiguities and overall there were issues that lacked credibility, thus attributing low weight to the evidence.

Entitlement:paragraph 18(1)(d)

The Court considered that the Applicant met its onus under subsection17(1) of the *Trademarks Act*, proving they had not abandoned the trademark as of the advertisement of the Respondent’s trademark application.

A likelihood of confusion and thus non-entitlement was found on the basis that the Court accepted the evidence of the Applicant that it had been using its trademark for APEC WATER before the Respondent’s claimed first use date.

Distinctiveness at the time the proceedings commenced: paragraph18(1)(b)

The Court found that the Applicant’s trademark is identical to the Respondent’s mark and covers the same goods and services. It therefore found that the subject trademark is not distinctive.

Bad Faith: paragraph 18(1)(c)

The Court held that although the Respondent may have been "willfully blind", it was not satisfied that the Respondent was aware of the Applicant's use of the trademark in Canada or that the Respondent intended to harm the Applicant's business.

Material Misstatement

The Applicant argued that the Respondent's application had a material misstatement to the claimed date of first use. The Court found that there was no credible evidence that the Respondent had used the APEC WATER trademark in Canada and thus the claimed first use date was false and contained a material misstatement. The Court therefore held the registration to be invalid.

Remedies

The Court declined to award elevated costs to the Applicant on the basis that it did not make a finding of bad faith. Costs of $7000 were awarded to the Applicant.

(ii) *Beijing Judian Restaurant Co. Ltd. v Wei Meng*, 2022 FC 743

This is an application seeking a declaration of invalidity under subsection 57(1) of the *Trademarks Act* to strike from the Register a Canadian trademark registration for JU DIAN & Design ("the Mark") on the basis that it was obtained in bad faith contrary to paragraph18(1)(e) (and alternatively paragraph 18(1)(b) and/or paragraph 18(1)(d)). The Applicant also requests a declaration that the Respondent's actions constitute passing off pursuant to subsection 7(b) of the *Trademarks Act* at common law, seeking an injunction and damages, as well as seeking exemplary damages in association with its allegation of invalidity based on bad faith.

The Court found that the Mark is invalid and should be expunged on the basis that the Mark was registered without a legitimate purpose and thus constituted bad faith.

This is the first decision that expunged a trademark registration on the new basis of bad faith.

<u>Background</u>

The Applicant, Beijing Judian Restaurant Co. Ltd., sought a declaration of invalidity under subsection 57(1) against the trademark JU DIAN & Design registered for use in association with "restaurant services; take-out restaurant services" and "beer". The Applicant owns a number of well-known restaurants in China, as well as two in British Columbia in association with which the Applicant uses a JU DIAN & Design mark identical to that of the Respondent.

The Applicant asserts that the Respondent's mark is invalid as it was obtained in bad faith and that the Respondent's actions also constitute passing off.

The evidence indicates that since 2005, the Applicant has run a chain of close to 40 restaurants in China in association with JU DIAN-formative Trademarks. In 2018, the Applicant opened its first Canadian restaurant in British Columbia, with a second opening in 2019. The JU DIAN Trademarks are heavily used by the Applicant to promote Beijing Judian's restaurant services through various media. The Respondent filed an application for the Canadian JU DIAN Character Marks on November 24, 2017.

Unbeknownst to the Applicant, the Respondent filed an application to register the JU DIAN trademark on June 27, 2017, which was a direct reproduction of one of the Applicant's JU DIAN

Trademarks, based on proposed use, along with trademark applications for a number of other famous restaurant chains in China. Shortly after an initial approach to the Applicant by the Respondent claiming that the Respondent has the “paperwork” in Canada for the Mark, the Respondent filed its declaration of use for the Mark in Canada.

After negotiations between the Applicant and Respondent over claims of infringement and discussions of sale, the Respondent opposed the Applicant’s trademark application in 2020.

Decision

The Court agreed with the Applicant that it is implausible to think that the Respondent would have independently created a design mark identical to that used by the Applicant in China. It therefore stood to reason that the Respondent applied for and registered the Design knowing that it was in use by the Applicant in China.

However, the Court clarified that intentional filing of the Mark is not enough, in and of itself, to invalidate the Mark.

The Court went on to find that there was sufficient evidence from the Applicant’s own evidence and the Respondent’s own actions to establish that the Applicant had some reputation amongst at least the Canadian population in BC at the time of filing of the application of the Mark. There was also evidence showing that the Respondent had awareness of the reputation in the Applicant’s JU DIAN Trademarks through his text messages and to a proposed purchaser of the Mark. The Court found that all of this evidence together with the objective circumstances are telling of the Respondent’s intention to use the reputation in the JU DIAN Trademarks to his economic advantage.

The Court also found that the Respondent applied to register the Mark with the intention of extorting money from the Applicant, first approaching the Applicant to purchase the Mark for $1,500,000 and then later placing it in a public advertisement and corresponding with the potential would-be purchaser to franchise rights for $100,000 a year.

Lastly, there was no evidence from the Respondent to rebut the inference created by the circumstantial evidence or to indicate any intention to use the Mark as a trademark in association with its own restaurant services.

The Court thus found that the evidence demonstrates that the Respondent registered the Mark without a legitimate purpose and should be found invalid on the basis of the circumstances constituting bad faith.

The Applicant failed to establish its claim for passing off under subsection 7(b), namely because there could be no misrepresentation to the public as the Respondent admitted that there was no commercial use of the Mark.

Given that there was no passing off, the Court found no basis to award either an injunction or damages.

(iii) *Blossman Gas, Inc v Alliance Autopropane Inc*, 2022 FC 1794

The Federal Court allowed an application to expunge Alliance Autopropane’s ALLIANCE AUTOGAS and ALLIANCE AUTOPROPANE design trademarks from the register on the grounds of non-entitlement and non-distinctiveness at the time of registration. The Court also found Alliance Autopropane's activities constituted passing off, thus awarding damages and an injunction in favour of the Blossman Gas.

<u>Background</u>

The Applicant, Blossman Gas, Inc., is a company based in the United States which began promoting and selling propane as a vehicle fuel under the name Alliance AutoGas in 2009. In addition, the Applicant also began installing vehicle conversion systems that converted gasoline-powered vehicles into propane-powered vehicles around the same time. In 2012, the Applicant entered into a dealer agreement with an Ontario-based company called Caledon Propane Inc. The agreement granted Caledon Propane Inc. the exclusive right to use the Applicant's ALLIANCE AUTOGAS name and marks, including the ALLIANCE AUTOGAS design mark reproduced below, in the provinces of Ontario, Manitoba and Québec.

[Description of image: A largely horizontal mark is represented. To the left and occupying about one-fifth of the length of the mark is a design element consisting of a flame motif overlapping with a leaf motif. To the right and occupying the remaining four-fifths of the length of the mark, the words ALLIANCE AUTOGAS are written in block capitalized case letters above the words POWERED BY PROPANE in smaller block uppercase letters.]

In 2013, Caledon Propane assigned its exclusive right to use the ALLIANCE AUTOGAS name and design mark in Québec to the Respondent, Alliance Propane Inc. In 2014, the Respondent filed to register the Applicant's ALLIANCE AUTOGAS design mark in Canada, in addition to three ALLIANCE AUTOPROPANE design marks, which are reproduced below.

[Description of image: A design resembling a stylized quadrilateral arrowhead or a stylized letter A appears above the word ALLIANCE in block uppercase letters, which is in turn above the word AUTOPROPANE, with the AUTO portion in block uppercase letters and the PROPANE portion in block lower case letters.]

[Description of image: A largely horizontal mark is represented. To the left and occupying about one-fifth of the length of the mark is the same stylized A motif in the '456 Mark, appearing above the word

ALLIANCE in small block uppercase letters. To the right and occupying the remaining four-fifths of the length of the mark, the word AUTOPROPANE, with the AUTO portion in block uppercase letters and the PROPANE portion in block lowercase letters, appears in larger text above the words LE PLUS GRAND RÉSEAU D'AUTOPROPANIERS EN AMÉRIQUE in small block uppercase letters.]

[Description of image: The mark consists of an eight-pointed star-shaped design with an octagonal negative space in the centre. The star is made up of overlapping stylized triangular shapes of different shades of grey. The top point of the star design reproduces the stylized A motif appearing in the '456 Mark. At the top of the internal octagonal space, the word ALLIANCE in block uppercase letters appears above the word AUTOPROPANE, with the AUTO portion in block uppercase letters and the PROPANE portion in block lowercase letters.]

The Respondent's sublicensing agreement with Caledon Propane was terminated in 2016, after which the Applicant and their US counsel had written a letter to the Respondent. The Applicant wrote to the Respondent again, through their Canadian counsel in 2018. The letters from the Applicant did not expressly mention the ALLIANCE AUTOPLANE marks, but focussed instead on the ALLIANCE AUTOGAS design marks.

The Applicant filed to have the Respondent's marks expunged from the register in 2020.

<u>Decision</u>

Acquiescence

Before considering the issue of the Applicant's invalidity arguments, the Court addressed the Respondent's argument that the Applicant, through their conduct, had acquiesced to the Respondent's use and registration of the ALLIANCE AUTOPROPANE design marks.

After reviewing the facts, including the sublicensing agreement that terminated in 2016, the lack of an express demand with respect to ongoing use of the ALLIANCE AUTOPROPANE design marks, and the delay in initiating proceedings, the Court concluded that there was nothing in the record to show the Applicant had consented to or encouraged the Respondent's use of the marks. The Court held that as there was no consent or encouragement, there could be no finding of acquiescence.

Invalidity of Marks

The Applicant pled the Respondent's marks were invalid pursuant to paragraphs 18(1)(b), (d), and (e) of the *Act*.

To establish non-entitlement pursuant to paragraph 18(1)(d), the Applicant argued it had been using its marks, including ALLIANCE AUTOGAS, ALLIANCE AUTOGAS POWERED BY

PROPANE, and ALLIANCE AUTOGLASS Design in Canada since 2012 through its licensees. As the Respondent had not used the marks until, at the earliest, 2014, the Applicant argued the Respondent is not the party entitled to register the ALLIANCE AUTOPROPANE marks.

The Applicant provided the Court with affidavit evidence in support of these arguments, which detailed the use of the marks in Canada by two licensees: Caledon Propane Inc ("Caledon") and Canwest Propane ("Canwest"). It also provided a copy of its licensing agreement with Caledon that contained express control provisions. With respect to Canwest, the affidavit stated that Canwest used the marks under license from the Applicant, and that the Applicant controlled the character and quality of the services under this agreement.

On the issue of the Caledon agreement, the Respondent pointed to an email chain wherein the Applicant stated they had previously allowed Caledon to "rock [their] own" – arguing this indicated that the Applicant did not have control over the character and quality of the services offered by Caledon.

The Court was not satisfied that this evidence was sufficient to undermine the express control provisions in the licensing agreement, as a lack of day-to-day business operations is not fatal to the existence of a s. 50 license.

On the issue of Canwest, the Court held it is not necessary to produce a formal licensing agreement under subsection 50(1) and that an affiant's statements can be sufficient. On cross-examination, the affiant was not questioned on his statement that Canwest used the marks under license from the Applicant or that the Applicant controlled the character and quality of the services under the license agreement. The Court therefore found the evidence un-contradicted and sufficient, even if it could have been more robust.

The Court concluded that the Applicant's ALLIANCE AUTOGAS marks were used under valid licensing agreements pursuant to section 50, and thus the use of the Applicant's marks therefore inured to the Applicant.

The Court was satisfied that the Applicant had used its ALLIANCE AUTOGAS marks in Canada prior to the date of Respondent's first use and filing dates. Given the identical nature of the ALLIANCE AUTOGAS marks, sufficient similarity between the Applicant's ALLIANCE AUTOGAS marks and the Respondent's ALLIANCE AUTOPROPANE marks when assessed in whole, and the strong similarity between the services, business and trade of the parties, the Court found the Respondent's marks were sufficiently confusing with the Applicant's marks. Thus, the Applicant was deemed successful under paragraph 18(1)(d) and consequently under paragraph 18(1)(b), as well.

Pursuant to paragraph 18(1)(e), the Applicant submitted that at the time of the Respondent's filing for the ALLIANCE AUTOGAS design mark in 2014, the Respondent had actual knowledge of the Applicant's ALLIANCE AUTOGAS Design mark, knew Caledon was a licensee of the Applicant, and knew it was a sublicensee of the mark and not the owner of it. In such circumstances, the Court concluded that the Applicant could not have reasonably or in good faith applied to obtain for itself the exclusive right to use the trademarks at issue in Canada. As such, the Respondent's conduct constituted bad faith and the Applicant was successful under paragraph 18(1)(e).

Passing Off

The Applicant alleged the Respondent engaged in passing off by directing public attention to its services or business in such a way as to cause confusion in Canada between the Respondent's services or business and those of the Applicant. Before addressing the elements of the test for passing off, the Court acknowledged that findings of invalidity under paragraphs 18(1)(b) and (d) of the *Trademarks Act* do not render a trademark *void ab initio*, absent a finding of fraud, willful misrepresentation, or bad faith, and a registered trademark is a complete defence to an action in passing off, precluding the award of damages or lost profits for the period prior to the declaration of invalidity.

In relation to the ALLIANCE AUTOGAS marks found invalid pursuant to paragraph 18(1)(e), the Court was satisfied that the Applicant had accrued sufficient goodwill through its use of its marks in the United States, as well as through its licensees in Canada, prior to the Respondent's first use of its ALLIANCE AUTOGAS mark in 2016. The two marks were previously deemed confusing due to their identical nature and the Court concluded the part of the Respondent's sales between 2016 and 2020 could be attributed to their use of the ALLIANCE AUTOGAS design mark. Thus, the Applicant was able to prove its passing off claim with respect to this mark and was deemed entitled to damages.

With regards to future use of the ALLIANCE AUTOPROPANE design marks by the Respondent, the Court found that ongoing use of these marks would cause confusion in Canada with the Applicant's ALLIANCE AUTOGAS marks and therefore would cause damage and thus the passing off claim is remediable as of the date of judgment invalidating the trademark registrations for the ALLIANCE AUTOPROPANE marks, including through a prospective permanent injunction.

Remedies

In addition to declaring the Applicant's registered trademarks invalid, damages were awarded for the Applicant's past damages in passing off arising from the Respondent's use of the ALLIANCE AUTOGAS design mark. Punitive damages were also awarded to the Applicant based on the conducting amounting to bad faith by the Respondent. A permanent injunction was also granted.

E. Cases from provincial jurisdictions

(i) ***2788610 Ontario Inc. v Bhagwani et al*, 2022 ONSC 905, rev'd 2022 ONSC 6098.**

In this case, the Ontario Superior Court granted an interlocutory injunction restraining the Defendants from using the term "Bombay Frankie" as the name of any restaurant or any franchising business it owns, operates, controls, may own, may operate, or may control. The Defendants were also ordered to cease using its "Bombay Frankie" website and social media accounts until the Application had either been heard on its merits or some other order of the Court had been made.

Background

The Plaintiff incorporated and applied to register the trademark BOMBAY FRANKIES on October 30, 2020. While it had not yet opened a restaurant under that name, it has invested time and money into its developing a franchise "brand" under that name.

The Defendants began using the name "Bombay Frankie" in February 2021 and incorporated one restaurant under that name in March 2021. That restaurant opened for business in July 2021, with a second restaurant opening in October 2021. The Defendants also applied to register the trademark BOMBAY FRANKIE in March 2021.

The interlocutory injunction was brought after the Plaintiff brought an action against the Defendants for trademark infringement and passing off under subsections 7(b) and 7(c), and sections 19 and 20 of the *Trademarks Act*.

Decision

Granting the Interlocutory Injunction

The Court began by repeating the elements to be proven prior to granting an interlocutory injunction pursuant to *RJR MacDonald*, (1) that there is a serious issue to be tried, (2) that the applicant will suffer irreparable harm if the injunction is not granted, and (3) that the balance of convenience favours the Applicant.

In relation to whether there is a serious issue to be tried, the Court agreed with the Plaintiff that this case raises the novel issue raised by the amendments to the *Trademarks Act*, namely: whether the claim crystallizes when the applicant gains a right to secure registration (the application date) or when registration is in fact secured (the registration date). The Plaintiff also submitted that there are arguable claims before the Court for trademark infringement and passing-off.

On the second issue, the Court accepted the Plaintiff's submissions that it will suffer irreparable harm if the injunction is not granted. In particular, the Court accepted the Plaintiff's argument that until the priority issues are finally determined, the Defendants would have a significant advantage in terms of name recognition, goodwill and first mover advantage were the two Bombay Frankie restaurants, both opened after the Plaintiff had applied for registration of the BOMBAY FRANKIES trademark, permitted to continue in business under the name Bombay Frankie.

The Court found that the Plaintiff would suffer undue advantage and will suffer irreparable harm not compensable monetarily based on a recognition that the Plaintiff had applied for registration and had put considerable work into planning and developing its concept for the launch of its franchise restaurants, including retaining lawyers for trademark, franchising, leasing and a firm for branding and marketing, as well as working with a chef on developing menus.

In relation to the balance of convenience analysis, the Court recognized the order for an interlocutory injunction would cause some inconvenience to the Defendants, however, it was of the view that until the trademarks issue is decided, neither party should be allowed to have an advantage over the other of developing a reputation and goodwill under the confusing trademark.

(ii) *2788610 Ontario Inc. v Bhagwani et al*, 2022 ONSC 6098, rev'sing 2022 ONSC 905.

In this case, the Ontario Superior Court reversed the motion judge's earlier decision in 2022 ONSC 905, vacating the interlocutory injunction order.

Decision

Serious Issue to be Tried

With respect to a serious issue to be tried, the Court found that the motions judge had to have found that the Respondent had a right to the BOMBAY FRANKIES trademark merely by virtue of its application or had to have presumed that the trademark would be registered, and either finding is an error in law.

In order to state a cause of action for trademark infringement under sections 19 or 20 of the *Trademarks Act*, the claimant must have a registered trademark that is alleged to have been infringement. The Respondent had a mere application that had not yet been examined. The Court thus clarified that "a mere application to register a trademark is insufficient to support a cause of action for trademark infringement under the *Act*."

Because the Respondent had no registered trademark, it has no claim for trademark infringement under the *Trademarks Act* and thus no right that could be vindicated at trial. Accordingly, its claim did not meet the low threshold of a serious issue to be tried.

The Court also found that the Respondent's claim for passing off fails to meet the threshold of a serious issue to be tried. Although the Court recognized that goodwill in the BOMBAY FRANKIES name could exist from the perspective of potential franchisees as opposed to customers of the restaurants or the general public, there was no evidence on the record from the perspective of potential franchisees that could support this finding with respect to developed goodwill in the BOMBAY FRANKIES name as a franchising business. Given the absence of goodwill, the Court found that a finding that the Respondent's passing-off claims raised a serious issue to be tried constitutes an error in principle.

Irreparable Harm

The Court found, in case it had erred with respect to its finding above, the Court also found that the motions judge made a palpable and overriding error in finding that the Respondent would suffer irreparable harm if an injunction was not granted. It stated that there was no evidence that of clear, non-speculative evidence of irreparable harm that cannot be compensated in money damages. Further, it concluded that in order to demonstrate irreparable harm, the Respondent had to show that it had goodwill in the BOMBAY FRANKIES name to lose, which it did not show. This is supported by the motions judge's reference to prospective goodwill rather than actual goodwill.

Balance of Convenience

The Court noted that it did not need to consider this as a result of the above determinations, however, it found that the balance of convenience may have weight in favour of the Appellants who, as a result of the relief claimed, were required to take down the signs bearing the Bombay Frankie's name as well as their website and social media accounts.

27th INTELLECTUAL PROPERTY LAW: THE YEAR IN REVIEW

TRADEMARKS UPDATE

Natalie Rizkalla-Kamel

AGENDA

Topic
1. Legislation Update
2. CIPO Updates
3. Notable Case Law

BILL 96 – *An Act Respecting French, the official and common language of Québec*

- **Amendments to Québec's *Charter of the French Language***
- **Came into force June 1, 2022**
- **As of June 1, 2025: brands and trademark owners subject to additional restrictions on use of English (and other non-French languages)**
- **Draft Regulations expected to be published soon with an opportunity submit comments**

BILL 96 (CONT'D)

- **Effect of Bill 96 implementation:**
  - As of June 1, 2025: Explicitly restricts application of "recognized" trademark exception to registered trademarks only
  - *English (or other non-French) trademarks that are not registered*: need to be translated to French on product packaging and labelling, as well as on public signage, posters and commercial advertising
  - *Product packaging and labelling*: if English-only registered trademark includes an English "generic term or a description of the product", the generic term will have to appear in French on the product
  - *Public signs and posters visible from outside premises*: English-only registered trademark must be accompanied by French text that is "markedly predominant" as compared to the mark

NOTABLE CIPO UPDATES

AI TECHNOLOGY TO ASSIST WITH EXAMINATION BACKLOG

- **AI-generated letters - AI review to inform of deficiencies in goods and services statements in pending Canadian trademark applications to allow for voluntary amendment to pre-approved terms.**
- **Applications amended to include pre-approved terms are examined more quickly and increased potential to receive an approval notice rather than an office action by 70%**
- **More detailed letters to be rolled out in March 2023:**
  - Identify either the specific problem in goods/services or the portion of goods/services which are acceptable

GOWLING WLG

CONSULTATION ON AMENDMENTS TO *TRADEMARK REGULATIONS* - NEW FEES EFFECTIVE JANUARY 1, 2024

- Government of Canada, Canada Gazette Part 1, December 31, 2022
- 30-day consultation expiring January 30, 2023
- Proposal to increase government fees across the board by 24%

NOTABLE CASE LAW

1196278 Ontario Inc (Sassafraz) v 815470 Ontario Ltd (Sassafras Coastal Kitchen & Bar), 2022 FC 116

- Trademark infringement (s. 20) and depreciation of goodwill (s. 22) claim granted
- **Sassafraz (Applicant) –** well-known Yorkville restaurant for contemporary French-inspired Canadian cuisine; family of registered and unregistered SASSAFRAZ trademarks
- **Sassafraz Coastal Kitchen & Bar (Respondent) –** operated lower-priced, American southern-style "Sassafras" restaurant since 2020
- **Takeaways:**
  - Physical, geographic separation of use of otherwise confusingly similar trade names/trademarks not relevant consideration in confusion analysis
  - Court recognized COVID-19 pandemic as reason not to draw adverse inference from absence of actual market confusion
  - Using mark highly similar to another's can erode their ability to control manner in which mark is used and is form of free-riding

MILANO PIZZA LTD. v 6034799 CANADA INC., 2022 FC 425 (APPEAL PENDING – A-93-22)

- Claims for trademark infringement, passing off, and depreciation of goodwill dismissed; counterclaim for expungement of registered trademark granted (for non-distinctiveness)
- **Milano Pizza Ltd. (Plaintiff)** – registration for MILANO PIZZERIA & Design and unregistered word marks MILANO PIZZERIA, MILANO PIZZA, MILANO'S PIZZA and MILANO'S
- Non-Distinctive:
  - Licensed parties had full control over operations of restaurants, including décor, menu contents, how food is prepared etc.
  - Co-existence of PIZZERIA MILANO in nearby location
- **Takeaways:** Licensing agreement (written or otherwise) must demonstrate trademark owner's control over character/quality of registered goods/services; trademark owners must actually maintain control over licensees

UBS Group AG v Yones, 2022 FC 132

- Default judgment for infringement granted
- Confusion found based on high degree of resemblance between marks, length of use of marks, acquired distinctiveness of Plaintiff's marks and overlap in services
- **Takeaway:** Refusing to reply to demand letters and Statement of Claim is insufficient to ground award for punitive damages in default judgment motion

TMA633,065
UBS

UBS
UNIFIED BUSINESS SOLUTIONS GROUP INC.

Mars Canada Inc v John Doe, 2022 FC 1193

- Default judgment for infringement, passing off, and depreciation of goodwill granted against all but one Defendant
- Defendants marketed/sold THC-infused confectionary under SKITTLES mark and in lookalike SKITTLES packaging
- Punitive damages awarded due to unlawful conduct: “The fact that the SKITTLES are a confectionary product that are attractive to children reinforces the need to denounce the Defendants’ conduct.”

Hain Pure Protein Corp v Vitala Foods Inc, 2022 TMOB 112

- FREE BIRD for “eggs” refused by TMOB
- Confusion found with Opponents’ FREEBIRD and FREEBIRD & Design used/made known with poultry due to high degree of resemblance, similarity in goods and channels of trade
- Guidance on scope of rights conferred to registered word mark relevant in an opposition

DMC SRL v Ermenegildo Giusti, 2022 TMOB 193 (APPEAL PENDING)

- Opposition to GIUSTI PROSECCO for wine rejected on all grounds
- Surname Ground of Opposition – Rejected: Combining surname with descriptive term not contrary to section 12(1)(a)
- Distinctiveness Ground of Opposition – Rejected: Insufficient to simply assert foreign trademark is known in Canada; more evidence required
- Entitlement Ground of Opposition – Rejected: No evidence of sales to Canadians
- Section 30(b) Ground of Opposition – Rejected: Applicant’s evidence sufficiently showed continuous use of mark despite adverse inferences being drawn due to not answering proper questions about date of/scope of first use during cross-examination

Nia Wine Group Co, Ltd v North 42 Degrees Estate Winery Inc, 2022 FC 241

- Appeal of unsuccessful opposition to NORTH 42 DEGREES allowed
- NORTH 42 DEGREES for wine and winery/vineyard refused
- **Takeaways**: Expanded scope of what constitutes geographic name or place of origin pursuant to section 12(1)(b) to include any geographical designation including specific references to a place on the Earth's surface as well as general and abstract references to places on the Earth's surface; parallels of latitude and meridians of longitude included
- Cautionary tale about expert evidence requirements

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Vivo Mobile Communication Co, Ltd v Garmin Switzerland GmbH, 2022 FC 1410

- Appeal of TMOB’s decision to refuse VIVO stylized mark for *telephones*, *portable telephones*, *mobile telephones*, *cellular telephones*, and *smartphone*s dismissed
- Confusion with VIVOFIT and VIVOSMART registrations for *monitoring devices for medical and non-medical purposes*
- Applicant’s newly submitted evidence not material or probative
  - Stated intention as to how goods will be sold insufficient to restrict channels of trade
  - Asserted descriptions of consumer behaviour relating to the products at issue had no factual foundation
  - Evidence of coexistence on foreign trademark registers not relevant
- **Takeaway:** Without a restriction to the statement of goods as to the associated channels of trade or absent a long historical pattern of sales through particular channels of trade, it is difficult to infer from a party’s stated intention the channels of trade

Tim Hortons Canadian IP Holdings Corporation v In-N-Out Burgers, 2022 TMOB 211

- TMOB refused to expunge In-N-Out Burgers' DOUBLE-DOUBLE marks based on use threshold being met
  - Evidence in Canada confined to cookout events using cookout trucks to sell food products for one day in each of the three years in relevant period
  - Evidence did not amount to "token" use
    - Over 4000 DOUBLE-DOUBLE cheeseburgers sold during relevant period
    - Activity representative of similar annual sales in Canada dating back many years
    - Sufficient factual details regarding the cookout trucks generally and the Owner's activities in Canada specifically to support the assertion that this was in the normal course of trade

Clark Wilson LLP v 7299362 Canada Inc, 2022 FC 1478, rev'g in part 2022 TMOB 17

- Appeal from TMOB decision to uphold registration for ALEXA TRANSACTIONS allowed in part.
- Services for "consulting services, namely in the [field] of…corporate finance" struck from the register due to non-use.
- Palpable error: "corporate finance" cannot be so broad as to encompass anything related to business and money.
- Overriding error: it was the sole reason the TMOB preserved the Mark's registration for the Corporate Finance Services.

Beijing Judian Restaurant Co. Ltd. v Wei Meng, 2022 FC 743

- Expungement of JU DIAN & Design registration based on bad faith filing; subject mark identical to well-known foreign design mark
- JU DIAN & Design registered without legitimate purpose and thus constituted bad faith
  - Was “implausible” to believe Respondent independently created design mark identical to that used by Applicant in China; however, intentional filing is not enough to invalidate a mark
  - Evidence that Applicant had reputation amongst Canadian population for its JU DIAN Trademarks
  - Evidence that Respondent was aware of Applicant’s JU DIAN Trademarks
  - Evidence that Respondent’s application to register was with intention of extorting money

2788610 Ontario Inc. v Bhagwani et al, 2022 ONSC 6098, rev'sing 2022 ONSC 905

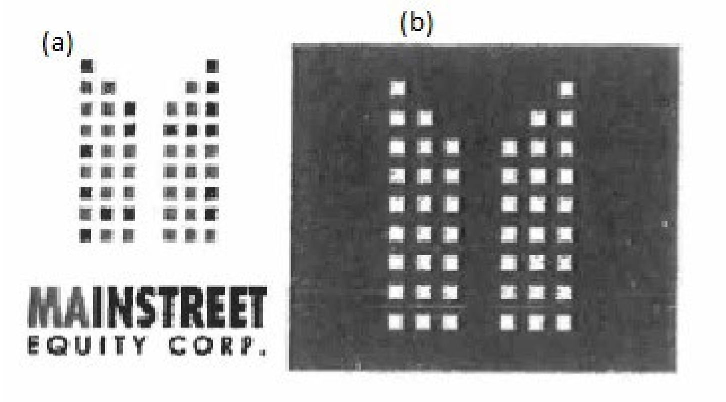
- Ontario Superior Court reversed motion judge's decision to grant interlocutory injunction restraining Defendants from using "Bombay Frankie"
- Serious issue to be tried not met for trademark infringement and passing off claims
  - Mere application to register trademark insufficient to support trademark infringement claim
  - Absence of evidence of goodwill = no serious issue to be tried in relation to passing-off claims
    - Court recognized that goodwill in the BOMBAY FRANKIES name *could* exist from the perspective of potential franchisees as opposed to customers of the restaurants or the general public but no evidence
- No evidence of clear, non-speculative evidence of irreparable harm that cannot be compensated in money damages

Techno-Pieux Inc. v Techno Piles Inc., 2022 FC 721

- Both parties' motions for summary judgment dismissed
- Genuine Issue for Trial:
  - Trademark Infringement: nature of trade
  - Depreciation of Goodwill: last two elements of test
  - Passing Off: "deception" and "actual damages" elements
  - False Representations: whether public is or was likely to be misled
  - Personal Liability of Defendants: purpose of impugned actions
- **Takeaway**: Determining whether there is no genuine issue for trial is fact-specific; issues requiring more evidence to come to decision should be afforded consideration at future trial

Mainstreet Equity Corp. v Canadian Mortgage Capital Corporation, 2022 FC 20

- Passing off and expungement claim dismissed on summary trial
- **Suitable for summary trial**: sufficient evidence for adjudication



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Lululemon Athletica Canada Inc v Campbell, 2022 FC 194

- Trademark infringement action granted on summary trial motion
- Defendant selling counterfeit goods bearing Lululemon's trademarks – violated Sections 19 and 20 of the Act
- Summarily dismissed Defendant's two arguments:
  - No infringement due to labelling of goods as "high quality replicas"
  - Defendant did not actually sell/import goods but facilitated a "group purchase"
- Remedies:
  - Damages awards in counterfeit goods cases seek to compensate depreciation of goodwill rather than lost sales
  - Punitive damages appropriate; known importation and selling of counterfeit goods is a serious disregard of basic rule of Canada's marketing economy and cannot be tolerated

Dragona Carpet Supplies Mississauga Inc v Dragona Carpet Supplies Ltd, 2022 FC 1042 (APPEAL PENDING – A-202-22)

- Defendant's motion for summary trial to expunge DRAGONA trademarks on basis of prior use allowed
- Plaintiff's motion for summary trial with respect to passing off under 7(b) dismissed: Plaintiff could not establish goodwill in trademark accruing to itself; accrued to benefit of Defendant
- **Takeaways:**
  - Importance of clear licencing agreements for separate legal entities using the same trademarks, identifying ownership of the trademarks and requirements for s.50 control
  - Parties should not shy away from summary trials even in the face of conflicting evidence

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QUESTIONS?

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Law Society of Ontario | Barreau de l'Ontario

TAB 4

27th Intellectual Property Law:
The Year in Review

An Introduction to the Unitary Patent System (PowerPoint)

Nick McDonald
Potter Clarkson LLP

January 18, 2023

Potter Clarkson

An Introduction to the Unitary Patent System

Nick McDonald
Partner

18 January 2023

Agenda

01 **Comparison of UP/UPC system vs. the current system**

- Prosecution/grant
- Post grant
- Litigation

02 **Timelines**

03 **Decisions to be made**

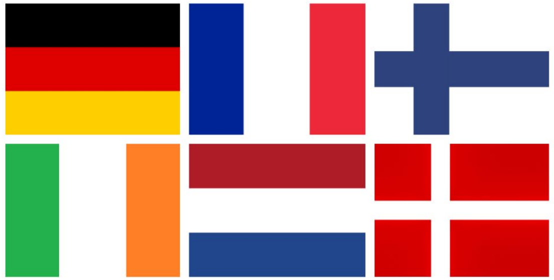
The UP and UPC

- A new system for obtaining and enforcing patent rights in Europe
- Unitary Patent (UP) – a new right providing patent protection in a range of European territories
- Unified Patent Court (UPC) – a new multi-national court for enforcing and challenging Unitary Patents
- Important decisions for all users of the European patent system

Unitary Patent

The new unitary Patent is a single object of property under single ownership. It will only be possible to assign a unitary patent in respect of all of the participating member states. It will, however, be possible for the patent owner to grant a third party a licence to use the patented invention in respect of only some of the participating member states, for example France and Germany). It has a single annual renewal fee, and is governed by a single court.

vs



UP covers 'EU 27' minus Spain, Poland and Croatia

24 separate national rights

CHANGE

- Single object of property
- Single ownership
- Single renewal fee
- Single court with jurisdiction
- Uniform protection
- Claim extends across multiple countries

The current European system: Prosecution

Current System

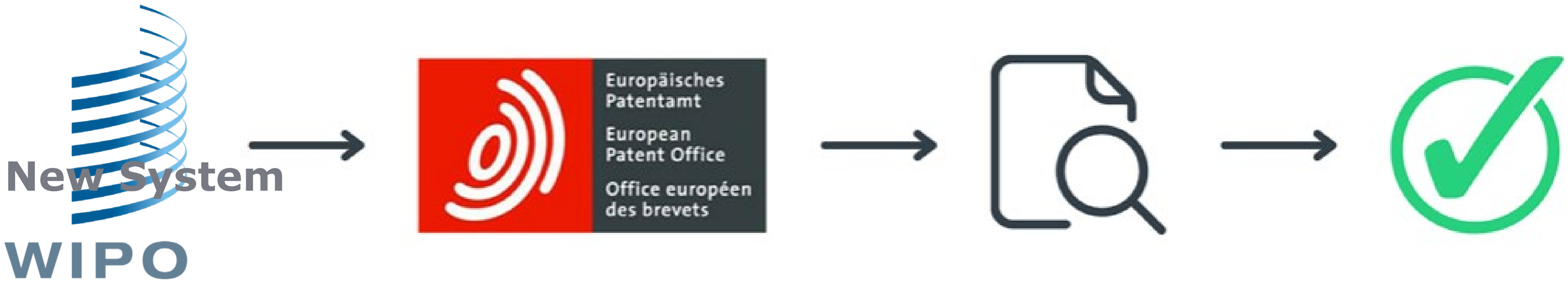
Prosecution up to grant is unchanged.

Applications will still be filed at the EPO – either via the PCT route or directly.

European patents can be filed in any language. However, if the application was not filed in English, German or French, a translation into one of the official languages of the EPO needs to be provided.

This language regime remains the same for the Unitary Patent.

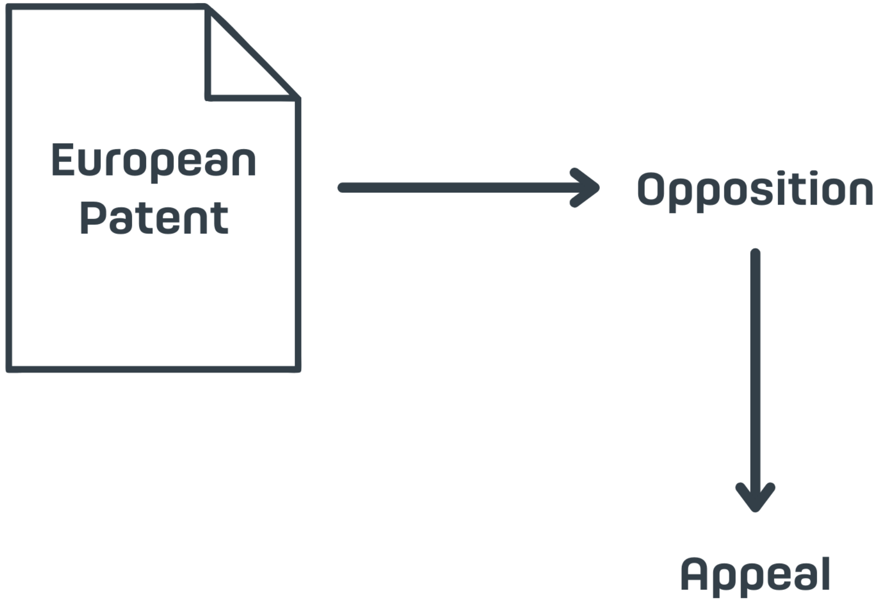
New System



NO CHANGE in proceedings up to allowance

The current European system: Post grant challenge

Current System



In terms of the current European system for post-grant challenge, there is no change.

Oppositions can still be filed within 9 months of grant.

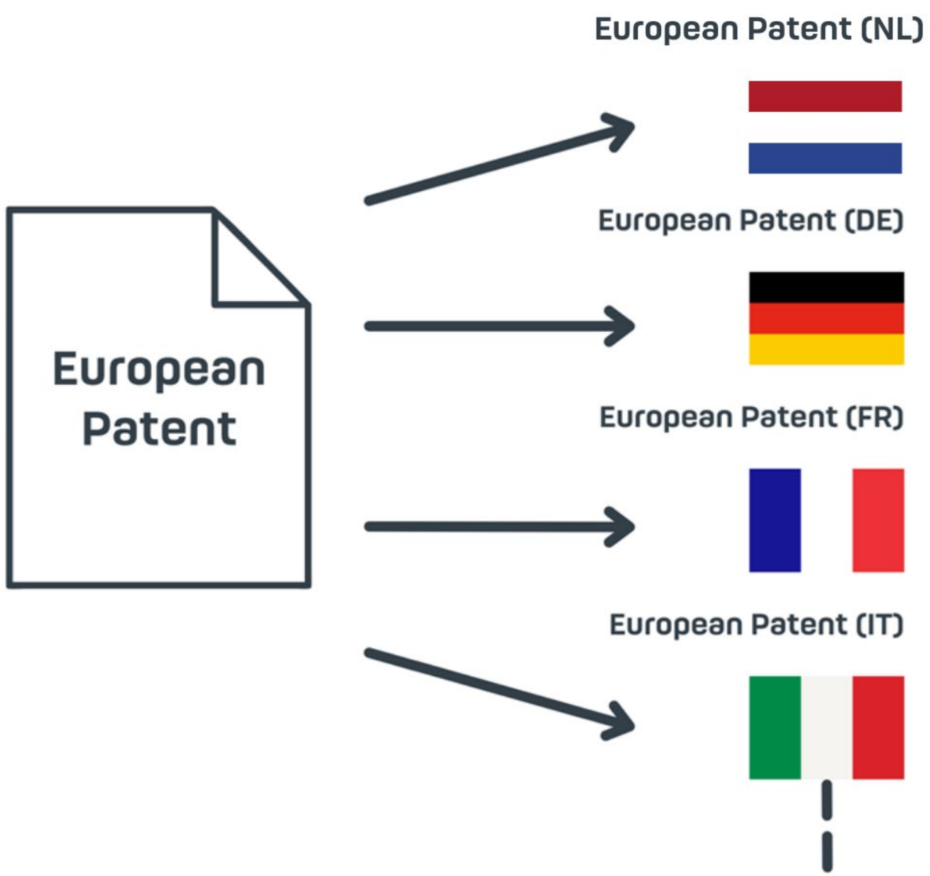
New System

NO CHANGE

- EPO Oppositions may still be filed and will remain a cost effective option
- May impact on UPC enforcement validity procedure

The current and new European system: Validation

Current System



New System

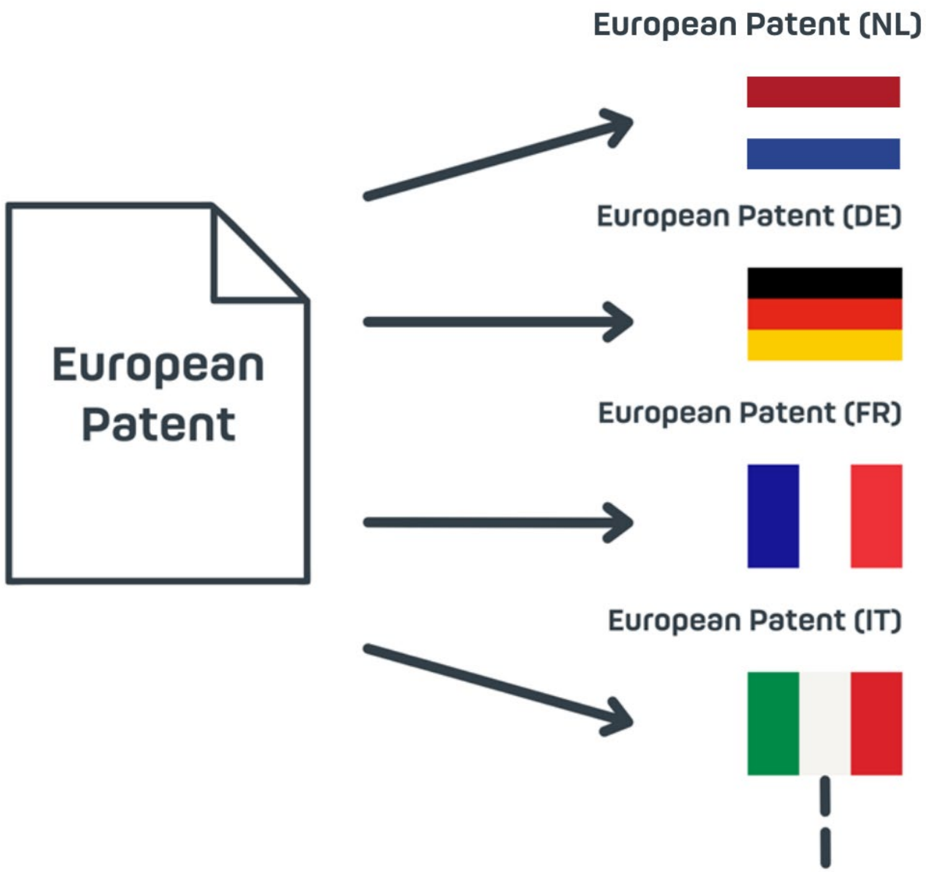
CHANGE

- Single patent right (Unitary Patent) covering all the EU Member States which took part
- Available as an alternative to validation in each of the participating EU Member States

It can be seen that the validation system will change. At present granted EP patent needs to be enforced in individual states within 3 months of grant. This usually involves filing of a translation and possibly payment of a fee. Validation of UP is different. No need to validate it in each country that is now requiring a separate validation step.

Costs of Validation and Renewals

Current System



New System

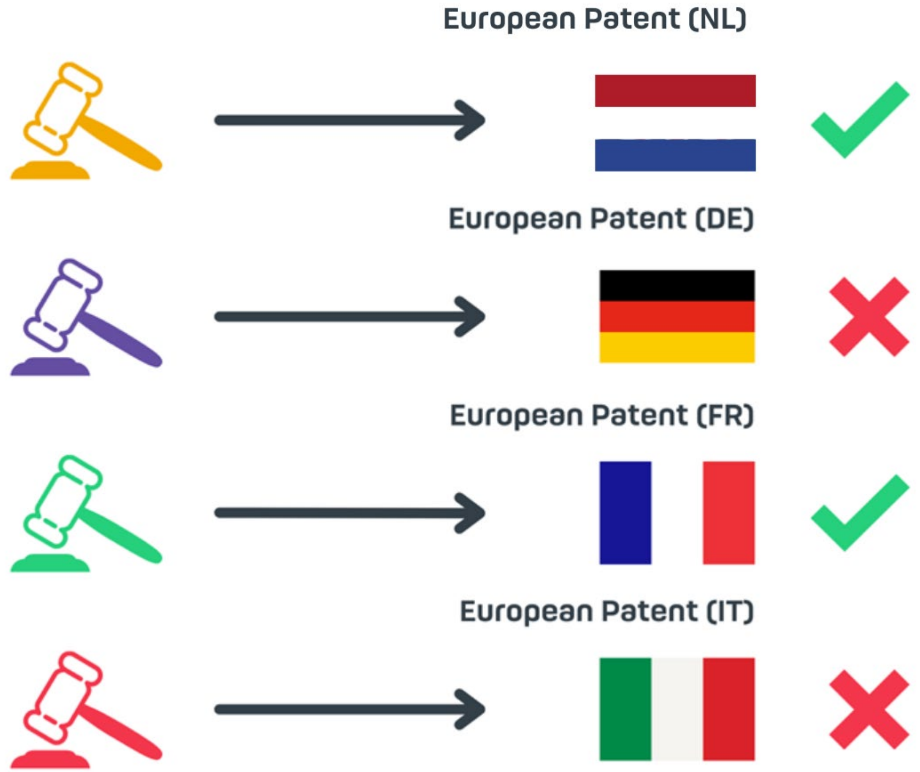
CHANGE

- Unitary Patent has no official fee to designate, but requires a translation during a transitional period
- Unitary Patent has a single renewal fee equivalent to about four national patents

There is no official fee, but validation of UP will require a translation for a transitional period into English for FR and DE patents, and into any other official language for EN texts. Translation has no legal effect, so machine translations may be usable.

National enforcement/invalidity

Current System



New System

CHANGE

- Single court – **Unified Patent Court (UPC)** - covering all EU Member States which took part
- Will bring harmonisation across the participating states
- Unitary Patent (UP) must be litigated at the UPC
- 'Old' European patents validated in participating states will come under UPC unless they opt-out

At present each individual states in which a granted EP patent is enforced can be enforced individually; the UPC will create a single court for enforcement of opted in patents and UPs.

Unified Patent Court

UPC is:-

- Single court for enforcing / challenging Unified Patents
- Also has jurisdiction over 'old' patents in participating states unless they opt-out
- Complicated structure of national / regional / central divisions

4-10

- There remains the potential for forum shopping

CHANGE

- Single court for enforcing / challenging Unitary Patents
- Also has jurisdiction over 'old' patents in participating states unless they opt-out
- Complicated structure of national / regional / central divisions
- Potential for forum shopping

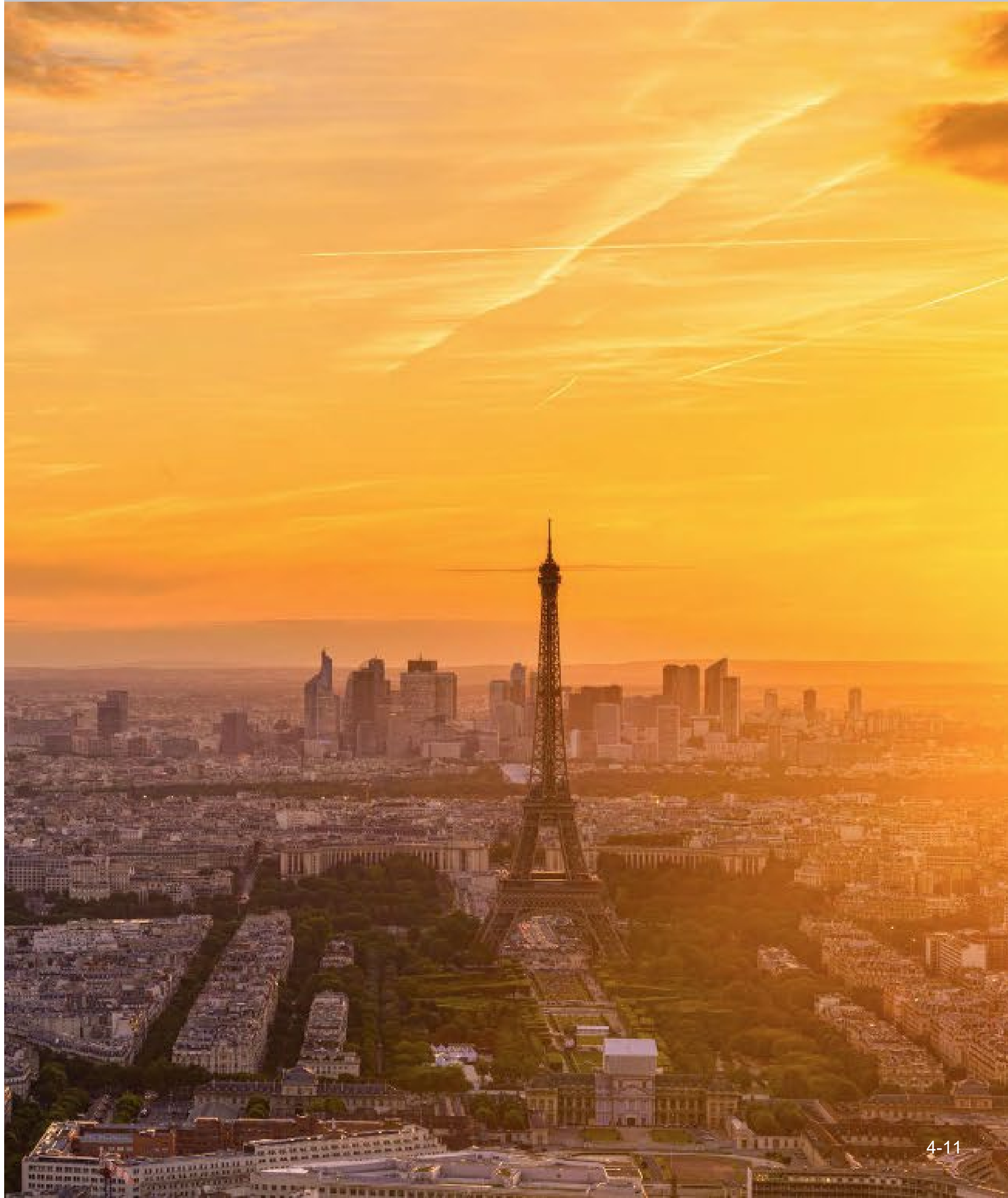
Jurisdiction

- UPC will from the outset have **exclusive jurisdiction for all Unitary Patents** granted under the new system

- Once a **transitional period** has expired (7-14 years), unless opted out, litigation of all disputes concerning national validations of European patents in unitary countries must be litigated in the UPC

- During the transitional period, a patentee will remain entitled to take infringement cases before any of the national courts that are presently available to them

- Patents outside of the UP / UPC territories will continue to be litigated in the national courts



Single court system: pros

- Should lead to more **uniform application of law** throughout the EU
- Can **litigate in just one court** to achieve EU wide result e.g. EU wide injunction and EU wide damages
- Uncertainty surrounding the new court *may* serve as an additional **deterrent** to competitors
- Current rules suggest a relatively **streamlined process**

Note: EU currently refers to EU member states apart from Spain, Poland and Croatia

Single court system: cons

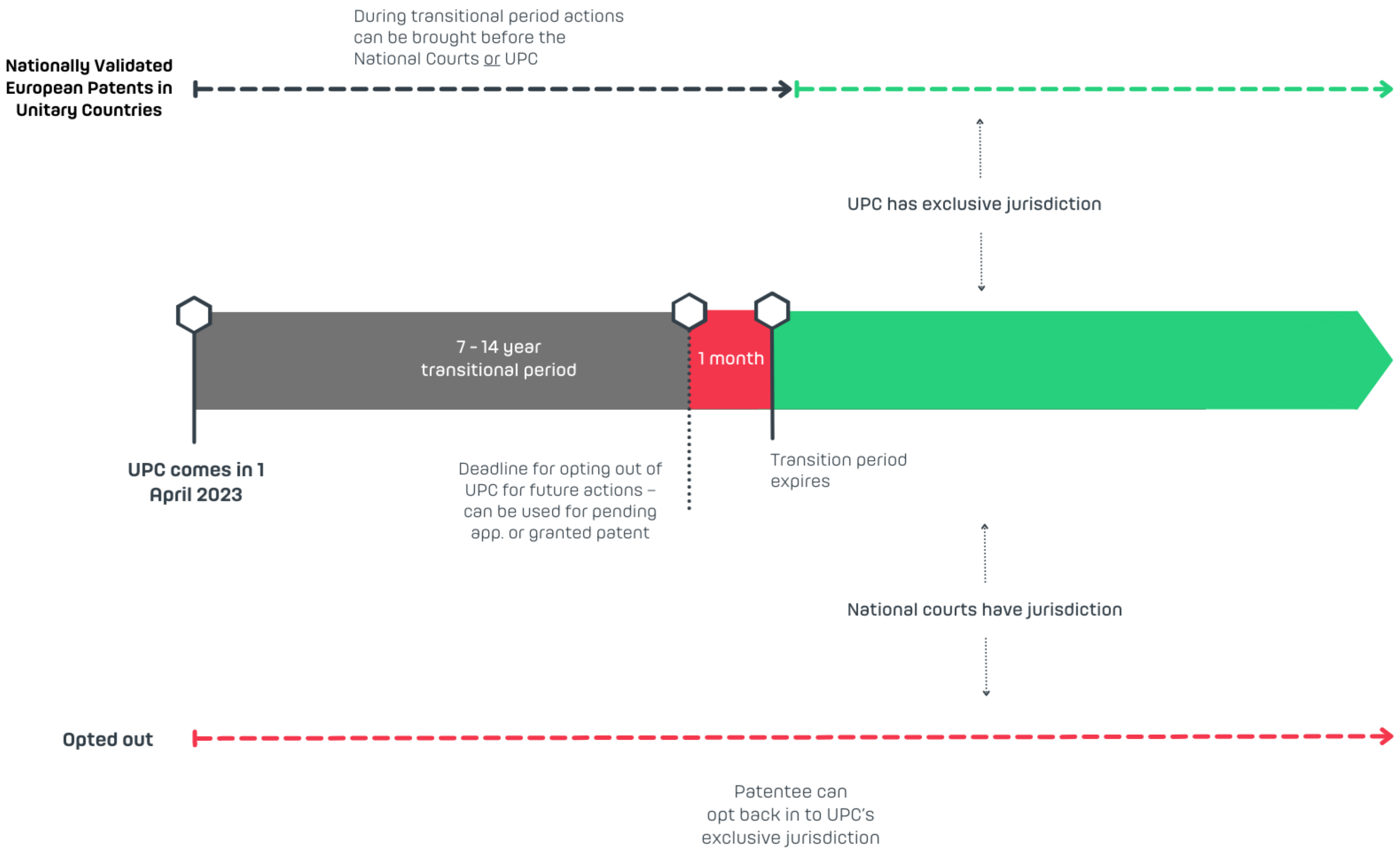
- The **risk of losing all EU protection** if one revocation action is successful
- The **costs may be higher** if only a few EU territories are of interest
- Uncertainty of using the new court - **it is completely untested**
- **Absence of predictability** from case law and legal precedent (although UPC may be guided by the case law and procedures of national courts and the EPO)
- **Rules may be less favourable** than those of national courts (e.g. restricted ability to rely on expert evidence)

UPC timeline

Top line illustrates that UPC actions may be instigated as soon as the UPC system has been activated (likely to be late 2022 / early 2023).

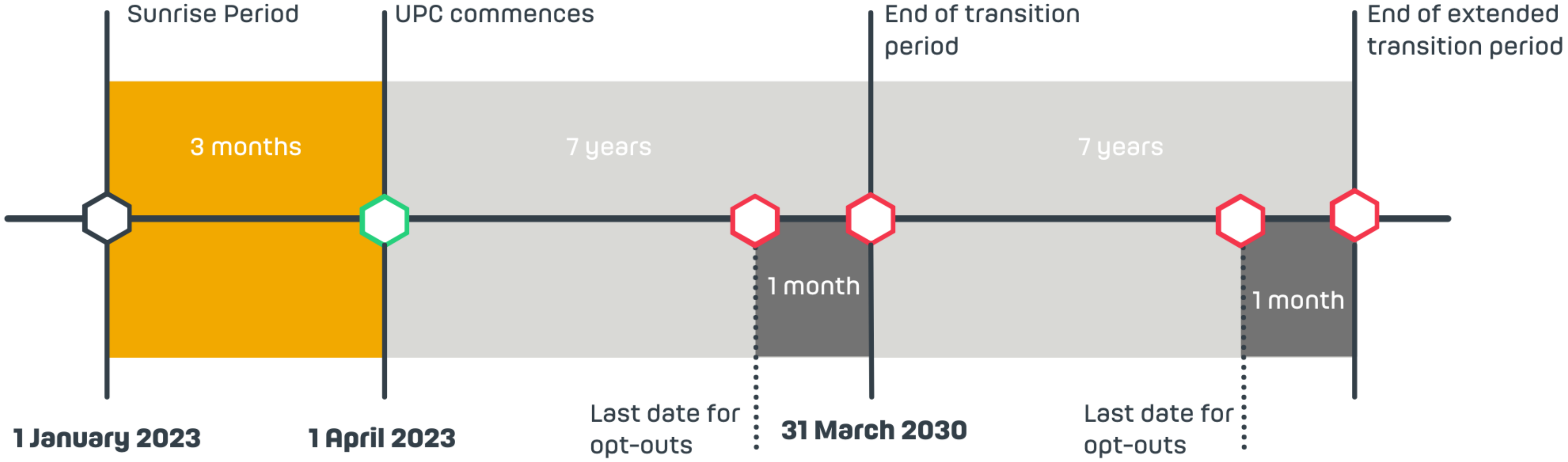
Middle *large* line is meant to show that opting out is still possible for what we think is the 7-14 years transitional period. After the transitional period has finished; if you have not opted out; then the UPC has jurisdiction.

Bottom line is meant to illustrate that national actions may still be brought for cases (*ad infinitum*) that have been opted out before the end of the transitional period



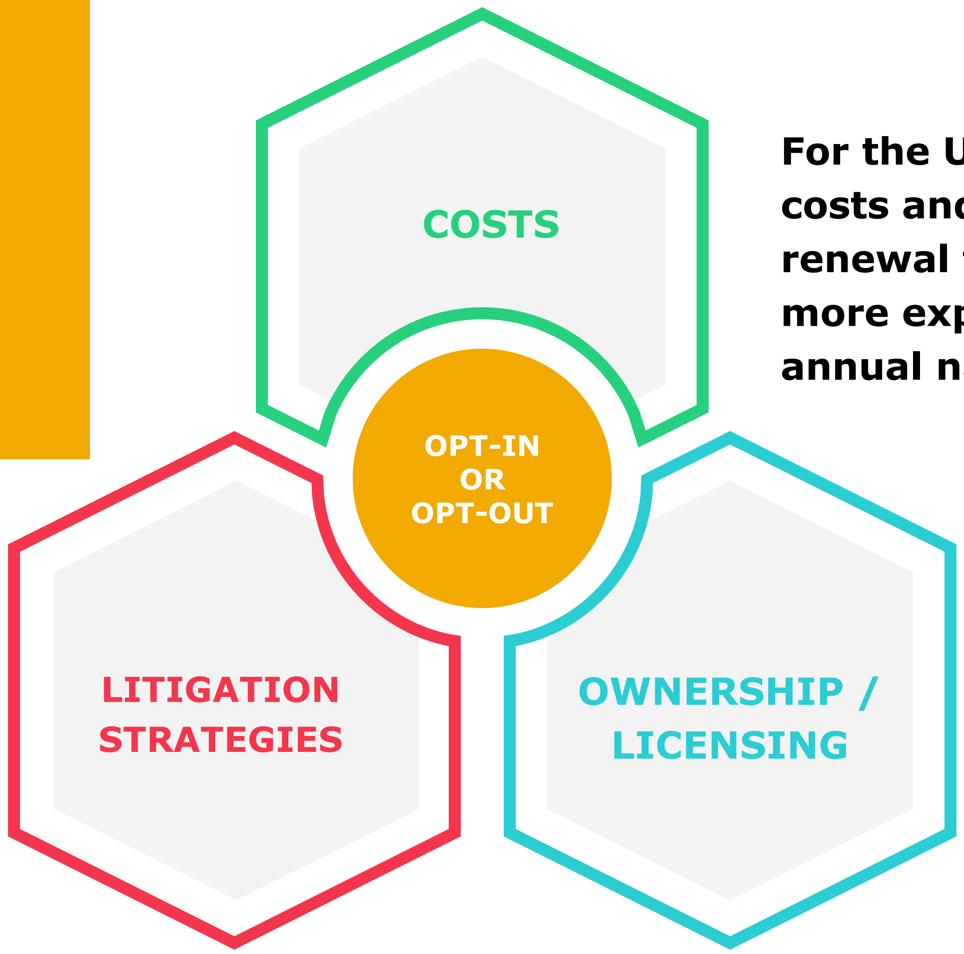
Sunrise period

- '**Sunrise Period**' will provide a **three-month window** before the UPC becomes fully operational.
- During this period, owners of existing EP patents granted by the EPO, which have been validated in one or more countries that are members of the UPC can file a free-of-charge request to **opt out** of the UPC.



Decisions: new vs. old system

- For new patents, there will be a choice between the 'old' system and the UP / UPC
- For existing patents, there is a choice of jurisdiction (opt out)



For the UP, lower validation costs and a single annual renewal fee versus possible more expensive individual annual national fees

Cost of national litigations, variance of results, differing judgements, multiple sets of costs, predictability of national courts

All owners will have to agree on opt out. Licensees will have no automatic right to be involved in the decision

4-16

Decisions to be made

For existing European patents, be prepared to opt-out of UP/UPC as soon as it comes into force

- to avoid central validity attack by competitor
- to preserve or guarantee the option of litigating in national courts
- before a third party has an opportunity to launch an action in the UPC

Make use of the EPO Opposition procedure

- rather than use an untested, new court, make use of the Opposition procedure to attack your competitor’s patents
- consider establishing a ‘watch’ on competitor patents so that an opposition may be filed within the required period

Our *UPC Ready* service can provide a detailed analysis of the risks and benefits, creating a comprehensive strategy to deal with these changes

Thank you...

Further information is provided in our UPC Hub

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Law Society of Ontario | Barreau de l'Ontario

TAB 5

27th Intellectual Property Law:

The Year in Review

Intellectual Property Ontario (IPON) (PowerPoint)

January 18, 2023

Intellectual Property Ontario

Launched October, 2022

Intellectual Property Ontario (IPON)

IPON provides businesses and researchers with access to expert IP education and micro-credentialing, financial support, and mentorship to help our clients better understand how to:

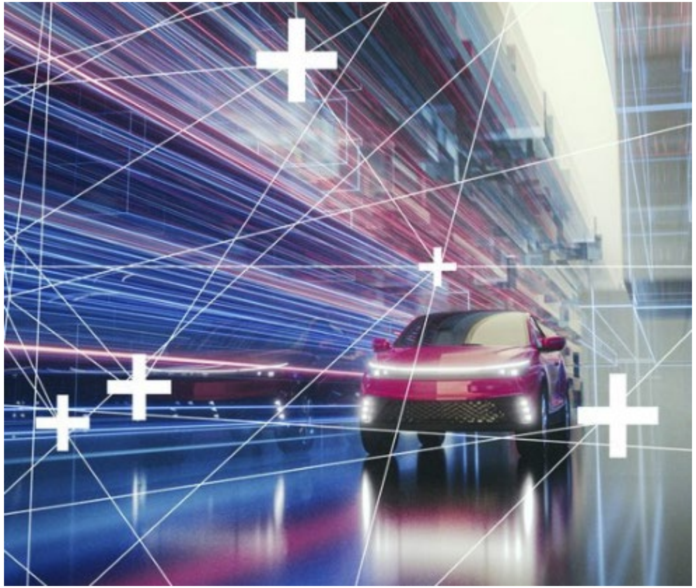
- maximize the value of IP
- strengthen their capacity to grow
- compete in the market
- enhance research and commercialization outcomes

Intellectual Property Ontario

IPON Services and Support

IPON is currently in a beta test phase, working with 50 clients from Ontario's:

- automotive;
- medical technology;
- artificial intelligence sectors; and
- Ontario Research funding recipients.



Intellectual Property Ontario

Call for IP Mentors

IPON is seeking IP experts who can provide direct one-on-one mentorship to support our clients with their IP needs and strategies, and potentially assist them with the management and commercialization of their IP in various ways.

If you are interested in becoming an IP mentor, contact legal@ip-ontario.ca

www.ip-ontario.ca