

Canada

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OVERVIEW OF MAIN IPRS

1. Please give a brief overview of the main IPRs in your jurisdiction, including how they are protected (whether through registration or otherwise). Consider:

- Patents.
 - Trade marks.
 - Copyright.
 - Design rights.
 - Confidential information.
 - Any other main IPRs that apply in your jurisdiction.
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Patents

A patent for an invention can be obtained by filing an application with the Canadian Intellectual Property Office (CIPO). The application must fully describe the invention and include one or more claims defining the exclusive property sought to be protected.

The claimed invention must be:

- New.
- Useful.
- Non-obvious.
- Related to patentable subject matter.

Patentable subject matter in Canada includes any new and useful art, process, machine, manufacture or composition of matter, or any improvement in these.

An issued patent expires 20 years after the filing date of the application.

Trade marks

Trade mark rights are acquired at common law through adoption and use, and under the Trade marks Act, through registration and use (use can be in Canada or abroad, depending on the filing basis).

A trade mark can be:

- A word or design mark.
- A certification mark (used to distinguish goods or services of a defined standard).

- A distinguishing guise (a shaping of wares or their containers, or a mode of wrapping or packaging wares).

Registration is not necessary but is strongly recommended. Registration grants the owner of the mark the exclusive right to use the mark throughout Canada in association with the goods and services specified in the registration. There are a number of other distinct advantages to registration, particularly concerning enforcement. Registration can also deter others from filing for or adopting a confusingly similar mark in association with similar goods or services or even block subsequently filed applications without any need for involvement of the trade mark owner.

Copyright

Copyright protects original expression. The Copyright Act provides four categories of works namely literary, dramatic, musical and artistic. To be protected, the work must be original in that the author has exercised some effort, skill and judgement in its creation. Copyright subsists in the work on its creation, and registration is not a requirement to obtain protection. The copyright owner has the exclusive right to produce or reproduce, perform in public and publish the work or any substantial part of it in any material form. The term of protection generally extends from the life of the author and 50 years after that.

Design

The Industrial Design Act allows for the registration of features of shape, configuration, pattern or ornament applied to a finished article. The elements of the design must appeal to and be judged solely by the eye. No protection is afforded to solely functional features. The term of protection of an industrial design begins on registration of the design and extends for ten years. During that period, the registrant has the exclusive right to make, sell, rent, import for the purpose of trade or business, any article in relation to which the design is registered.

Confidential information

There is no statutory definition of confidential information. Confidential information is generally any information that is used in a business, that is:

- Not generally known in that trade.
- Has economic value.
- Kept secret by the owner.

Confidential information includes, but is not limited to, a formula, pattern, device or compilation of information.



There is no registration system for confidential information. Protection is perpetual, provided the information remains secret.

Other main IPRs

For further information about the main IPRs, see *Main IPRs: Canada*.

MAINTAINING IPRs

2. What facilities are available to conduct IP searches and obtain IP information on registered IP rights, for example to search:

- Before an application to register an IPR.
- After registration to maintain IPRs and monitor possible infringement?

Patents

The website of the Canadian Intellectual Property Office (www.cipo.gc.ca) allows access to a database of all published Canadian patents and applications. The database is free to search at any time, and numerous parameters can be used for locating relevant documents. Searches can be performed before a patent application is filed to verify patentability, as well as after patent issuance for monitoring possible infringement.

Copyright

CIPO provides online access to the Canadian Copyright Register. The registration of copyright is not a requirement for copyright protection but failing to register an assignment or a grant of interest can result in that assignment or grant being invalid as against a subsequent Copyright Register. CIPO's Canadian copyright database allows a user to search the Copyright Register by title, author name, assignor/assignee name, country of publication, category of work, and owner as well as by registration number and year of publication. The Copyright Register does not allow for the deposit of a copy of the protected work.

Trade marks

CIPO maintains a publicly available online database of all trade mark applications and registrations, as well as marks falling in the "prohibited marks" category under the Trade marks Act. Searches can be conducted using any of several methods, including by trade mark type or status. Trade mark practitioners can also be retained to conduct a more comprehensive search of the Trade marks Register as well as various common law sources to help identify potential obstacles to the registration and/or use of a proposed mark. Regular review of the CIPO database and the *Trade marks Journal* is also helpful to monitor for possible infringement.

Design

CIPO maintains a publically available online industrial design database. The database may be searched using several methods including classification codes, owner, description, interested parties, and title. Online searches allow viewing of drawings and the description of the industrial design.

3. What steps must a business take to maintain the registration and status of its main IPRs (for example, registration renewal, using an IPR in a certain time period, and avoiding misuse of the IPR)?

Patents

Annual maintenance fees must be paid to maintain a patent (or patent application) in good standing. There is no requirement that a patentee uses the technology described in its patent or application. However, there are statutory requirements imposed on patentees that require them not to abuse their patent rights.

Copyright

Copyright protection arises on creation of the work and there is no requirement that it be registered. No further steps need to be taken to maintain protection for the duration of the term. Where the copyright is registered, a Certificate of Registration of Copyright is evidence that copyright subsists and that the person registered is the owner. No steps need to be taken to maintain the registration once the application process is completed.

Trade marks

A registration is valid for 15 years and may be renewed for additional 15-year periods on payment of a renewal fee before the end of the term (subject to an automatic grace period of six months). Beginning three years after registration, uninterrupted non-use of the trade mark in Canada for three consecutive years leaves the mark vulnerable to cancellation. A trade mark can also be challenged if the mark has lost its distinctiveness or has been abandoned.

Trade mark marking is not mandatory in Canada, however, it does serve to alert other parties that the trade mark rights are claimed. The symbols TM (trade mark) and MC (*marque de commerce*) may be used regardless of whether the trade mark is registered. The ® (registered trade mark) or MD (*marque déposée*), on the other hand, should be used only if the mark is registered.

Design

The term of protection of an industrial design begins on registration of the design and extends for ten years. Before the expiry of five years and six months from the expiry of the term, a maintenance fee must be paid or protection will end.

Confidential Information

There is no registration system for confidential information. Protection is under common law and only remains provided the information remains secret. Accordingly, a business must take steps to ensure that its confidential information remains confidential. This can include:

- Limiting access.
- Physical safeguards.
- Marking documents as confidential.
- Confidentiality agreements and/or other contractual provisions.



4. What steps can a business take to avoid committing an infringement of a main IPR and to monitor whether a competitor is infringing its IPRs?

Patents

If a person wishes to avoid infringing another person's patent, it is his responsibility to search CIPO's database for any patents of concern and to take any further steps (such as designing around or locating invalidating prior art) that may be necessary to avoid liability for patent infringement.

Similarly, it is the responsibility of a patentee to monitor the products and/or services of competitors for the purpose of identifying instances of patent infringement. Neither CIPO, nor any other government organisation, performs any monitoring of instances of patent infringement.

Copyright

The business can limit its exposure to copyright infringement by adopting and implementing a comprehensive copyright policy for clearing copyright in all works used by the business in its products, services and internal operations. It is the responsibility of the copyright owner to monitor the marketplace for competitors infringing its copyright.

Trade marks

It is the responsibility of a trade mark owner to avoid and monitor for infringement. Review of the *Trade marks Journal* as well as a periodic review of the Trade marks Register and the internet on a periodic basis are recommended. Trade mark practitioners can also assist with clearance of new marks before use. It is also helpful to provide employees and other relevant parties with guidelines for proper trade mark usage and encourage the reporting of possible infringing use.

Confidential information

A business can avoid the misuse of confidential information by ensuring that employees sign and comply with appropriate non-competition and/or confidentiality agreements. A business can also put in place and comply with confidentiality agreements in situations where it is likely to receive confidential information.

Design

It is the responsibility of the business to search the Canadian database to ensure that the ornamental features of an article do not infringe an existing industrial design. Likewise, it is the responsibility of the industrial design owner to monitor the products of its competitors to identify any instances of infringement.

EXPLOITING IPRS

5. What are the main steps in an IP audit in your jurisdiction to determine the content of an IP portfolio?

While most companies maintain a list of owned intellectual property, this list may not be complete or up to date. A list of registered rights owned by a company can be generated by searching relevant records at Intellectual Property Offices (including CIPO).

Online IPO databases can be used to verify the existence, ownership and status of registered rights (including confirming the payment of maintenance and renewal fees). Key unregistered rights (including key copyright protected documents and software, unregistered trade marks and domains) should also be identified and listed.

Information concerning these rights can often be found by reviewing the company's website and printed materials. Discussion with relevant company officials including counsel, and technology and product managers can also be helpful in identifying unpatented inventions and key unregistered rights. The ownership of intellectual property should be carefully clarified where affiliates or subsidiaries of the company use the company's intellectual property.

Searches of CIPO and relevant provincial personal property security registers can be conducted to identify liens, security interests or other encumbrances against the company's intellectual property.

Agreements that grant or restrict the use or other exploitation of intellectual property should be reviewed to identify relevant obligations and restrictions (if any) concerning the property. Employment agreements and contractor agreements should also be reviewed to ensure that appropriate intellectual property ownership and confidentiality provisions are in place.

Searches of relevant court and IPO records can be conducted to verify that there are no other pending claims or proceedings. Information concerning past proceedings and information concerning threatened or anticipated proceedings can also be reviewed. Information concerning infringement, misappropriation, or violation of the company's intellectual property should also be considered.

An audit may consider the scope, coverage, and enforceability of a company's intellectual property.

ASSIGNMENT

6. How can main IPRs be assigned (for example, in whole or part, with or without goodwill (in the case of trade marks), in relation to future rights, and with jurisdictional restrictions)?

Patents

The owner of a patent can assign a patent (or patent application), in whole or in part by way of written instrument. Patent assignments must be in writing and should be recorded in CIPO. A recorded assignment has priority over a prior unrecorded assignment (provided the subsequent assignee does not have knowledge of the prior assignment).

Along with the patent and its invention(s), the owner of a patent can assign the right to file for additional patents and the right to file divisionals (including, divisional applications, substitute applications, and continuation applications), along with his rights in reissues, extensions, and the right to bring proceedings to recover damages for infringement. (As rights of action in tort may not be assigned, an assignment of the right to claim damages for past infringement may not be effective except in Québec province). A co-owner of a patent can assign his entire ownership interest in the patent without the consent of the other co-owner(s).

To be registrable, patent assignments must include an affidavit of execution or other proof establishing that the document has been duly executed by the owner. (An affidavit of execution signed by a witness is or signature of a witness on the assignment is generally acceptable).

Trade marks

Registered and unregistered trade marks are assignable by way of written instrument or otherwise. Rights in a trade mark can be assigned in whole or in part (including for use in association with some or all of the goods and services in association with which the owner has used the mark) and with or without the goodwill associated with the mark. As a trade mark can be held to be non-distinctive if rights to use the same mark are exercised by two or more persons, assignments in part should not impair the distinctiveness of the mark. While there is no requirement to do so recordation of assignments is recommended. Assignments can be recorded in CIPO by submission of assignment documentation and payment of the applicable fees.

Assignments of associated marks (marks owned by a single owner that are deemed by CIPO to be confusingly similar to each other) are only recorded by CIPO if all associated marks are also assigned.

Copyright

Canada is a signatory to the Berne Convention for the protection of literary and artistic works and the Rome Convention for the protection of performers, producers of phonographs and broadcasting organisations. Under these treaties, Canada grants national treatment to works published in other signatory countries or authored by citizens, subjects or residents of other signatory countries. The scope of copyright protection is determined by Canadian law and can vary from that of other jurisdictions.

Design

The Canadian courts do not enforce foreign industrial design rights in Canada.

7. What formalities are required to assign each of the main IPRs (for example, in writing, signed by both parties and registration)?

There are few formalities required for the assignment of IPRs. There are no prescribed forms of assignment. Assignment documents should be dated and executed by the assignor. (There is no requirement that the assignee execute the assignment.) Patent assignments must be accompanied by an affidavit of execution or signed by a witness (*see Question 6, Patents*).

CIPO accepts copies of executed assignment documents for filing. No notarisation or legalisation is required. (It is recommended, however, that certified translations of assignment documents are notarised). No power of attorney documentation is required. CIPO will not record an assignment if the party identified as the assignor is not the party identified as the owner of the property in CIPO records.

Not all such terms need to be included in assignment documentation filed in CIPO. CIPO accepts short form confirmatory documentation

for recordation of registered rights (and applications) provided that all required information to record the assignment is provided.

See also *Question 6*.

8. What main terms should be included in an assignment of IPRs?

Assignment documents should identify the property and rights being assigned in sufficient detail. Assignment documents must also clearly identify the current owner of the property, and the assignee. Where registered rights are being assigned, the assignment document should reference the registration or serial numbers of the assigned rights. Assignment documents should also identify the consideration paid for the assignment (or the fact that consideration has been given). If the effective date of the assignment is different from the date of execution, the document should indicate the effective date. (Confirmatory assignments are acceptable provided they are a confirmatory assignment that has taken place in the past.)

If rights and interests related to the assigned property are being transferred (including, for example, goodwill or the right to sue for past infringement) these rights should also be included in the assignment. Other rights and obligations of the parties relating to the assigned property can also be included, including representations and warranties, indemnification and limitations of liability (if any), and obligations to provide assistance in relation to further prosecution or litigation. Obligations to provide technical assistance and know-how may also be included (if applicable).

LICENSING

9. How can each of the main IPRs be licensed (for example, in whole or part, with or without goodwill (in the case of trade marks), and with jurisdictional restrictions)?

Patents

The owner of a patent can license others under his rights in the patent in whole or in part. Patent licences can be exclusive, sole or non-exclusive. A licensor can limit the licence granted in a variety of manners, including, without limitation, by limiting the scope of rights and the specific rights granted, imposing the field(s) of use restrictions, and limiting the licence by time and territory. The Patent Act requires that any grant of an exclusive right (which includes an exclusive licence) be registered in CIPO. (Non-exclusive licences do not need to be registered). Recordation can be effected by filing the agreement (or a confirmatory short-form version of this) along with payment of the required fee.

A co-owner of a patent cannot license a third party under his rights without the consent of the other co-owner(s). A licensee cannot dispute the validity of the patent under which he is licensed (unless sued for infringement under the patent or where the licensee is acting outside of the licence). It is important to note that contractual obligations under a patent licence agreement are independent of the term and validity of the licensed right and may continue even if the licensed patent expires or is found to be invalid.



Trade marks

Registered and unregistered trade marks can be licensed in whole or in part. Trade mark licences may be exclusive, sole, or non-exclusive. While there is no requirement that a trade mark licence is in writing it is strongly recommended that all agreements licensing trade marks (including intracorporate agreements) are in writing. Recordation of trade mark licences in CIPO is possible (but not required). Use of a trade mark by a licensee is considered to be use of that mark by the owner provided the owner exercises control over the character and quality of the goods or services offered by the licensee under the licensed mark. Failure to exercise such control can lead to finding the mark is not distinctive or enforceable. The control requirement is actual control over the licensed goods and services, not simply control over the manner of the licensee's use of the mark.

Copyright

The owner of copyright in a work (whether registered or unregistered) may licence others to use or otherwise exploit his copyright in whole or in part. Copyright licences can be exclusive, sole, or non-exclusive. The grant of an "interest" in copyright (which includes an exclusive licence) must be in writing signed by the copyright owner (or his agent). (Non-exclusive licences do not need to be in writing.) Exclusive licences should be registered in the CIPO. A registered licence has priority over a prior unregistered licence (provided the subsequent licensee did not have notice of the prior licence).

Design

The owner of an industrial design can license others to make, use and sell the design on an exclusive, sole or non-exclusive basis. Exclusive design licences must be registered. A licence can be recorded by filing a copy with the CIPO and paying the prescribed fee.

10. What are the formalities to license each of the main IPRs (for example, is registration required)?

There are no prescribed forms for licensing. Exclusive patent licences must be registered in CIPO. Exclusive copyright licences should be registered to ensure the priority of the licence. While there is no requirement to record other licences, CIPO accepts most other licences for filing.

11. What main terms should be included in an IP licence?

It is recommended that an intellectual property licence should contain the following terms as a minimum:

- **Grant of licence.** The grant of a licence should identify the licensed property and the rights granted in relation to the licensed property. The grant should also identify who is entitled to exercise the rights granted and the territory in which such rights can be exercised. The licence grant should also indicate the exclusivity (if any) afforded to the licensee, and can indicate whether the licence is royalty-bearing or royalty-free.
- **Reservations and restrictions.** The licence agreement should identify all restrictions on use or other exploitation of the

licensed property agreed between the parties including, without limitation, field of use restrictions, and restrictions on channels of trade and distribution. The licence should also clearly set out whether the licensee can sub-licence or assign the rights granted in the agreement (and, if so, any applicable restrictions).

- **Term and termination.** The agreement should specify the term of the licence, the grounds on which the licence can be terminated, and the rights and obligations of the parties on expiry or termination of the agreement.
- **Proprietary rights.** The licensee should acknowledge the licensor's ownership of the licensed property and provide that the licensee will not challenge the ownership or validity of the licensed rights. The agreement may also identify who is responsible to maintain and enforce the licensed property and can address the use and ownership of improvements.
- **Payment terms.** Royalty-bearing licences should include reporting provisions (if applicable) and clear terms for the calculation and payment of royalties, and the responsibility for payment of taxes and audit provisions.
- **Specific obligations.** Specific obligations of the parties such as minimum sales obligations, provision of technical assistance and joint marketing efforts, may also be included.
- **Quality control provisions.** Trade mark licence agreements should include provisions requiring the licensee to comply with the quality control standards set by the licensor and provisions provide the licensor the right to review and inspect the goods and services of the licensee offered in association with the licensed mark.
- **Confidentiality.** Obligations requiring the licensee to maintain the confidentiality of confidential information are important whether or not the licensed property includes confidential information.
- **Representations and warranties.** Representations and warranties (including representations and warranties concerning infringement and validity) should be included. The agreement can also set out the responsibility of each party to indemnify the other and set out the limitations of liability agreed between the parties (if any).
- **General provisions.** Standard contractual terms including choice of law, notice of severability and assignment should also be included.

TAKING SECURITY

12. Is security commonly taken over IPRs? If yes, which types of IPRs are commonly secured? What problem areas commonly arise (for example, problems valuing the secured IPR assets, or when enforcing the security)?

It is common for lenders to take security over patents, trade marks and copyright, as well as other types of intellectual property.

The taking of security over IPRs is regulated by provincial law. Accordingly, parties taking security over IPRs must ensure they comply with applicable provincial legislation to create valid and enforceable security interests.



It is also prudent (and highly recommended) to provide public notice of this security interest by recording the security interest against the IPRs in CIPO. Due diligence investigations frequently arise in a number of different contexts involving IPRs where searches at CIPO are conducted to help verify ownership and status of the rights. There may be a backlog of several months before filed documents affecting title appear on the Register. Further, there is no mechanism to record security interests against certain types of IPRs such as unregistered common law trade marks, trade names and domain names.

Care should also be taken by secured parties where the debtor assigns trade marks to be held in trust. If the owner of the mark does not control its use, the distinctiveness of the mark may be adversely affected.

As with other commercial documents, it is important for the secured party and the debtor to list or otherwise identify in sufficient detail (including reference to registration numbers and serial numbers where applicable) the intellectual property to which is being granted security.

13. What are the main security interests taken over IPRs? How are they created (for example, in writing) and how are they perfected (that is, made enforceable against third parties, for example by registration)? Consider:

- Patents.
- Trade marks.
- Copyright.
- Design rights.

In all common law provinces, a security interest is created through a security agreement. Security interests are perfected by the registration of a financing statement in the province in which the debtor is located at the time the security interest attaches. If the debtor resides outside Canada, perfection of the security interest is regulated by the foreign jurisdiction where the debtor resides. In Québec, security is provided by way of a *hypothec* registered in the register of personal and movable rights.

The recording of a security interest in CIPO against patent, copyright or trade mark applications or registrations can be effected by filing a copy of the security agreement which clearly identifies the property against which the security is granted and payment of the prescribed fee.

M&A

14. What IP-related due diligence is commonly carried out in:

- A share sale?
- An asset sale?

IP-related due diligence carried out in an asset sale transaction and a share sale transaction are largely similar.

While most companies maintain a list of owned intellectual property, this list may not be complete or up to date. A list of registered rights owned by a company can be generated by searching the relevant records at Intellectual Property Offices (including CIPO). Online IPO databases can be used to verify the existence, ownership, and status of registered rights (including confirming the payment of maintenance and renewal fees). Key unregistered rights (including copyright protected documents and software, unregistered trade marks and domain names) should also be identified and listed.

The ownership of intellectual property should be carefully clarified where affiliates or subsidiaries of the company use the company's intellectual property. Where not all the company's intellectual property assets are being purchased, the rights of the property that will not be assigned should be carefully identified. Consideration should also be given to whether licences will be required in relation to any non-assigned property. Any property which is jointly owned should also be identified.

It is also important to identify any liens, security interests or other encumbrances against the company's intellectual property. As there is no requirement to file security interests covering intellectual property in CIPO, searches of the relevant provincial personal property security registers should be conducted to identify perfected security interests.

Agreements that grant or restrict the use or other exploitation of intellectual property should be reviewed to identify relevant and material obligations and restrictions (if any) concerning this property. Employment agreements and agreements with contractors should also be reviewed to ensure that appropriate intellectual property ownership and confidentiality provisions are in place. It should be carefully ensured that material agreements are transferable. Any restrictions on transfer or intellectual property arising in non-IP other agreements should be carefully identified.

Most companies will be in a position to provide a list of existing or pending litigation or other proceedings. Searches of relevant court and IPO records can also be conducted to verify that there are no other pending claims or proceedings. Information concerning past proceedings and documents relating to the disposition of such proceedings (if any) as well as information concerning threatened or anticipated proceedings can also be reviewed. Information concerning infringement, misappropriation or violation of the company's intellectual property should also be considered.

Diligence may also be conducted to consider the scope, coverage and enforceability of a company's intellectual property. Searches of relevant registries and online searches can help identify relevant rights owned by third parties that may be bars or obstacles to the company's current and future use of its intellectual property. A review of a company's current products, services and materials can be useful to determine whether the company has taken steps to protect the intellectual property it currently uses in its business.

When IPRs are transferred as part of a share sale, the buyer may also wish to pay particular attention to change of control provisions in material agreements to ensure that these agreements are transferable in the event of a change of control. Consideration should also be given to ensure the acquired rights are all rights required to continue the acquired business.



15. What IP-related warranties and/or indemnities are commonly given by the seller to the buyer in:

- A share sale?
 - An asset sale?
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Asset sales

In asset purchase transactions, intellectual property is often identified as a separate category of purchased assets. Registered intellectual property rights are typically listed in a schedule to the asset purchase agreement. Unregistered rights are often identified indirectly (either by reference to other purchased assets or by inclusion in a definition of intellectual property as a class of purchased assets). Schedules to the purchase agreement listing intellectual property should be complete and correct and properly reflect additions, deletions and corrections made as a result of due diligence (if any). Definitions of “purchased assets” and “intellectual property” should be appropriate and complete and the agreement should clearly identify the property being purchased. Short-form confirmatory documentation suitable for filing in CIPO or other IPOs can be included as a schedule to the main agreement.

See also *Question 6*.

Share sales

A separate schedule of intellectual property can be included in a share purchase transaction (as specific intellectual property assets are not being transferred). Share purchase transactions should ensure that any consents required in the event of a change of control are obtained. In the event of a merger (or if the name of the company is changed after closing) it is advisable to file changes of name against registered rights in CIPO. Changes of name can be filed in CIPO by submitting required documentation establishing the change of name and payment of the prescribed fee. As recording assignments and changes of name can be expensive, the parties should be sure to address responsibility for recordation of such documentation (and associated fees).

16. How are the main IPRs transferred in:

- A share sale?
 - An asset sale?
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Asset sales

In asset purchase transactions involving intellectual property rights are typically defined and identified as a category of “purchased assets”. Registered intellectual property rights are typically identified and listed in a schedule to the asset purchase agreement. Unregistered rights are often identified indirectly (either by reference to other purchased assets or by inclusion in a definition of intellectual property as a class of purchased assets). Schedules to the purchase agreement listing intellectual property should be complete and correct and properly reflect additions, deletions, and corrections made as a result of due diligence (if any). Definitions of “purchased assets” and “intellectual property” should be appropriate, complete and function so that the agreement clearly identifies the property being purchased. Short-

form confirmatory documentation suitable for filing in the CIPO or other IPOs can be included as a schedule to the main agreement.

See also *Question 6*.

Share sales

A schedule of intellectual property may or may not be included in a share purchase transaction (as specific intellectual property assets are not being transferred). Share purchase transactions should ensure that any consents required in the event of a change of control are obtained. In the event of a merger (or if the name of the company is changed after closing) it is advisable to file changes of name against registered rights in the CIPO. Changes of name can be filed in the CIPO by submitting required documentation establishing the change of name and payment of the prescribed fee. As recording assignments and changes of name can be expensive, the parties should be sure to address responsibility for recordation of such documentation (and associated fees).

JOINT VENTURES

17. Is it common for companies to set up joint ventures in your jurisdiction to develop projects that heavily involve IPRs? If yes, please briefly outline the main IP-related provisions that should be included in the joint venture agreement.

Joint ventures are often used by companies who wish to conduct joint research or development. Joint ventures can take any form including:

- “Partnering” and collaboration agreements.
- Contractual joint ventures.
- The creation of joint venture partnerships or corporations.

It is important to distinguish between forms of organisation that are separate legal entities capable of owning property in their own names and those that cannot.

A joint venture agreement should clearly identify the intellectual property contributed to the venture by each party and address the ownership of the property. Licences or cross licences should be put in place to allow the parties (and the joint venture entity) to use the contributed property. The agreement should also address the ownership of intellectual property created during the joint venture including improvements to intellectual property of the venture parties and newly developed intellectual property.

The agreement should include terms concerning the ownership, use, licensing and disposition of intellectual property by the venture and the venture parties. The agreement should also include specific language concerning the rights and the obligations of the parties in relation to the ownership, use, licensing and disposition of any intellectual property which the parties decide will be jointly owned. (This is particularly important as the rights of joint owners vary from jurisdiction to jurisdiction and as between different forms of intellectual property.) The agreement should also set out the rights and the obligations of the parties in relation

to use or other exploitation of any intellectual property used or owned by the joint following expiry or termination of the venture.

Joint venture agreements can also address the following IP issues:

- Continuing obligations to contribute property (if any).
- Obligations to report the development of new IP.
- Responsibility to secure, maintain, and enforce rights.
- Obligations of each party to indemnify and defend the co-ventures.

COMPETITION LAW

18. Please briefly outline the main provisions of your national competition law that can affect the exploitation of the main IPRs.

The Competition Act (CA) recognises that the mere exercise of IPRs is generally not anti-competitive. The CA does, however, prohibit unduly anti-competitive exploitation of IPRs. The CA provides the Federal Court with broad remedial powers, including:

- Voiding agreements or licences.
- Revoking a patent or expunging a registration of a trade mark.
- Imposing compulsory licences when rights owners exploit their IPRs to unduly restrain trade.

The CA also prohibits resale price maintenance where that practice does or is likely to substantially lessen competition. The Competition Tribunal can issue orders prohibiting anti-competitive price maintenance and compel a supplier to accept another person as a customer.

The CA contains criminal and civil sections to deal with competitor collaborations. Naked cartel activity aimed at fixing prices, allocating markets or limiting supply or production is subject to a per se criminal prohibition. Cartel activity can be punished by significant fines and terms of imprisonment. Other types of competitor collaboration which are not subject to an outright prohibition are presumptively legal but can be subject to civil review if they are likely to prevent or lessen competition substantially in a market.

The CA also included provisions on refusal to deal, exclusive dealings, tied selling, market restrictions, abuse of dominance, as well as guidelines on mergers.

19. Please give brief practical examples of national competition law issues that can arise in the exploitation of the main IPRs (such as problematic licence terms) and briefly outline any possible solutions to manage them.

The following are examples of competition law issues that can arise in the exploitation of IPRs:

- **Acquisitions of IPRs.** The merger provisions of the CA define a “merger” broadly to include the direct or indirect acquisi-

tion or establishment of control over, or significant interest in, the business of another person. A merger that is likely to prevent or substantially lessen competition may be prohibited or dissolved, or allowed to proceed only under certain conditions.

- **Tying arrangements.** While tying agreements are presumptively legal, the Commissioner may seek an order prohibiting the practice if he believes a tying agreement could lead to the creation, enhancement or maintenance of market power so as to substantially lessen or prevent competition.
- **Exclusive contracts.** Contracts for the sale of a patented product containing exclusive supply rights that, for example, prohibit the intermingling of the patented product with a substitute may be challenged as exclusive dealing and abuse of dominance. Even if these contracts have the effect of substantially lessening competition, a strong efficiency rationale or business justification for the contracts that could not be achieved without them being exclusive could shelter these contracts. A unilateral refusal to license will rarely violate the CA, since the right to exclude others is inherent to IPRs.

20. What exclusions or exemptions are available for national competition law issues involving the exploitation of the main IPRs (for example, are parallel exemptions available)?

The CA provides that the prohibition against the abuse of IPRs in furtherance of various restraints on trade does not apply if its application contravenes any treaty or convention concerning IPRs to which Canada is a party.

In addition, while the Competition Tribunal may prohibit any person with a position of dominance in a given market from engaging in practices that prevent or lessen competition substantially in the market, an act pursuant to a valid exercise of an IPR does not constitute an anti-competitive practice.

ADVERTISING

21. Please briefly outline the extent to which advertising laws impact on the use of third party trade marks.

Canada does not have a general “fair-use” exemption in its trade mark or copyright legislation which allows competitors to use third-party trade marks for logos or the purposes of comparative advertising. Instead, the general prohibitions against trade mark infringement apply, and case law in Canada generally prohibits use of a competitor’s mark in advertising where that trade mark is registered for services. A competitor’s trade mark should never be used at point of sale, regardless of whether it is registered for wares or services.

The Trade marks Act prohibits the use of a third-party trade mark in a manner that is likely to depreciate the goodwill which gives that trade mark value, and also expressly prohibits unfair competition, including activities such as passing off.

Reproduction of a third-party’s logo without consent can also constitute infringement of copyright.



Advertisers should not generally make disparaging use of a third-party's trade mark that affects the brand's reputation or that directs persuasion and enticement of competitor's customers. A third-party's logo or packaging should also not be used without consent even if it does not violate, infringe or misappropriate any trade mark or copyright, to avoid creating any passing off or "implied endorsement" issues.

Domestic legislation and self-regulatory codes protect against false and misleading comparative advertising. Complainants who find their intellectual property rights being infringed or unfair claims are being made can seek remedy through the courts, relying on the Trade marks Act, the Copyright Act or the CA (which prohibits false and misleading advertising and requires adequate and proper testing to substantiate claims), or through self-regulatory processes, such as an Advertising Standards Canada (ASC) trade dispute for violation of the Canadian Code of Advertising Standards which provide that comparative advertisements must not either:

- Unfairly, discredit, disparage or attack other products, services, advertisements or companies.
- Exaggerate the nature or importance of competitive differences.

EMPLOYEES AND CONSULTANTS

22. Who owns each of the main IPRs created by an employee in the course of his employment? Is compensation payable in relation to employee IPRs? What main steps can an employer take to ensure it owns each of the main IPRs (for example, by including an assignment of IPRs clause in the employment contract)?

The Copyright Act provides that an employer is deemed to be the first owner of copyright in works authored or created by its employees during the course of their employment, unless an agreement has been made otherwise. Employees and contractors should be carefully distinguished as the deemed ownership provisions of the Copyright Act apply to employees only.

Similarly, an industrial design created during the course of employment by an employee is also legally deemed to belong to the employer.

The Patent Act does not address the issue of employee-inventors. Without an express contract however, the mere existence of an employment relationship does not necessarily disqualify an employee from owning his own patent for an invention made during the course of employment, unless the employee was employed for the express purpose of inventing or innovating. Canadian courts consider various factors indicating the nature and context of the employment relationship to determine who owns an employee's inventions.

It is strongly recommended to enter into a written employment agreement with employees at the outset of the employment relationship, which provides that ownership of works developed or created during the employee's tenure belong to the employer. The agreement should also address confidentiality and non-competition issues.

23. Who owns each of the main IPRs created by an external consultant? What main steps can a business take to ensure it owns each of the main IPRs (for example, by negotiating an assignment of IPRs)?

Without an express or implied agreement to the contrary, an external consultant or contractor is the first owner of the IPRs he creates.

Companies should execute express agreements with all consultants dealing with issues of ownership and assignment of IPRs and should also address confidentiality and non-competition issues. To be enforceable, non-competition clauses must be reasonable in the scope of activities restrained, geographical area and duration.

Companies should also carefully consider the ownership of "foreground" and "background" property in services agreements.

TAX

24. What are the main taxes payable by a licensor on the licensing of the main IPRs (for example, withholding tax on royalty payments)?

Royalties or other amounts received by a licensor for the use of IPRs are taxable as income and subject to income tax at the applicable rates. If the royalties or other amounts for the use of IPRs are paid by a non-resident licensee to a Canadian licensor, they may be subject to non-resident withholding tax, the rate of which varies from country to country and may be subject to the provisions of a tax treaty.

25. What are the main taxes payable by a seller on the disposal of the main IPRs?

A seller disposing of IPRs is either considered to have:

- Disposed of a depreciable property giving rise to recapture of depreciation or a terminal loss, and potentially also to a capital gain.
- Disposed of an eligible capital property, giving rise to the receipt of an eligible capital amount.

The following are taxable as income and subject to income tax at the applicable rates:

- Recapture of depreciation.
- Receipt of eligible capital amounts.
- Capital gains.

A terminal loss may be deducted in the calculation of income for income tax purposes.

The seller may have to charge and collect from the buyer the goods and services (GST) tax at 5% or the harmonised sales tax (HST) (which varies from 12% to 15%, according to the applicable province) in relation to the sale of the IPRs. However, where

the seller disposes of the IPRs to a non-resident buyer that is not registered with the Canada Revenue Agency for GST/HST purposes, the seller is not required to charge and collect the sales tax, since the supply of the IPRs are zero-rated. That means that the rate of GST/HST that applies to the sale is 0%.

CROSS-BORDER ISSUES

26. What international IP treaties is your jurisdiction party to?

The major IP treaties to which Canada is a party are the:

- Berne Convention for the Protection of Literary and Artistic Works 1971.
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure 1977.
- Convention establishing the World Intellectual Property Organisation 1967 (WIPO Convention).
- International Union for the Protection of New Varieties of Plants 1991 (UPOV).
- North American Free Trade Agreement 1994 (NAFTA).
- Paris Convention for the Protection of Industrial Property 1883 (Paris Convention).
- Patent Cooperation Treaty 1970 (PCT).
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations 1961 (Rome Convention).
- Strasbourg Agreement Concerning the International Patent Classification 1971.
- United Nations Convention on Biological Diversity 1992.
- Universal Copyright Convention 1952.
- World Trade Organisation's Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 (TRIPS).

Canada is also signatory to:

- Patent Law Treaty 2000.
- Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of Their Phonograms 1971.
- WIPO Copyright Treaty 1996 (WCT).
- WIPO Performances and Phonograms Treaty 1996 (WPPT).

27. Are foreign IPRs recognised in your jurisdiction? Please briefly outline any relevant recognition or registration procedure for each of the main IPRs.

Patents

As a party to the Paris Convention, Canada recognises the filing of patent applications in qualified foreign patent offices up to 12 months before the Canadian filing date for the purpose of accord- ing priority rights. Canada also recognises applications filed un-

der the Patent Cooperation Treaty (PCT) where Canada has been specifically designated in the PCT application.

Canadian courts do not enforce foreign patent rights in Canada. Only patents granted by CIPO may be asserted in Canadian courts.

Trade marks

A foreign applicant may obtain a Canadian registration based on a home registration alone without use in Canada provided the mark is in use in some country of the world at the time of filing. A certified copy of the foreign registration must be provided to the CIPO.

For an applicant to make a claim of priority based on an earlier filed application, a declaration setting out the date and country of filing of the earlier application must be filed with the Trade marks Office within six months after the date on which the earliest application was filed. A certified copy of the priority application is not normally required unless the Registrar asks for it.

REFORM

28. Please briefly summarise any proposals for reform and state if they are likely to come into force and, if so, when.

CIPO has recently concluded a consultation process on proposals to modernise the Trade marks Act by possible accession to the Madrid Protocol and the Singapore Treaty. When or if these proposals will be implemented in Canada remains to be seen, however, many Canadian practitioners believe the prospect for change is much greater than it was five years ago.

For information on reform, see www.cipo.gc.ca.



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PATENTS

1. What are the legal requirements to obtain a patent?

To be patentable, a patent application must fully disclose and claim an invention that is:

- New.
- Useful.
- Non-obvious.
- Patentable subject matter (that is, an art, process, machine, manufacture or composition of matter).

2. What categories are excluded from patent protection?

The following categories are excluded from patent protection:

- Higher life forms.
- Methods of medical treatment.
- Abstract ideas and theorems.
- Methods involving professional skill.

3. Which authority registers patents? Does its website provide guidance on the application procedure? If not, please give brief details of this.

The Canadian Intellectual Property Office (CIPO) is responsible for the filing, examination and issuance of patents. See www.cipo.gc.ca for the application procedure.

4. On what grounds and when can third parties oppose a patent application?

A third party can oppose or protest a patent application by submitting prior art and/or arguments to CIPO, but does not have any right of reply.

5. When does patent protection start and how long does it last?

Patent protection starts when CIPO issues the patent. Provided annual maintenance fees are paid, the patent protection ends 20 years from the application filing date.

6. On what grounds can a patent infringement action be made?

The patentee has the exclusive right to make, construct, use and sell its claimed invention. Any person who, without the patentee's authorisation, performs any of those activities can be sued for patent infringement.

7. Which courts deal with patent infringement actions?

The Federal Court deals with patent infringement actions. In rare circumstances, a provincial court will hear a patent infringement action.

8. What are the defences to patent infringement actions?

The most common defences in a patent infringement action are non-infringement and invalidity. In relation to invalidity, grounds include:

- Lack of novelty (anticipation).
- Lack of inventive step (obviousness).
- Lack of utility (including lack of sound prediction).
- Insufficiency.
- Ambiguity.
- Claims broader than the invention made or disclosed.
- Non-patentable subject matter.
- Misrepresentation in the petition of the application.
- Double patenting.
- Failure to respond in good faith to a requisition of CIPO.

Other defences include:

- Accused infringer is licensed.



- Claimed subject matter was previously acquired.
- Estoppel and acquiescence.
- Making, using or selling for the purpose of regulatory submission or experimental use.
- Expiry of the six-year limitation period.

9. What are the remedies in patent infringement actions?

Remedies include:

- Permanent injunction.
- Damages or an accounting of profits, which the plaintiff may elect, in relation to post-issuance infringing activities.
- Reasonable compensation for infringing activities during the period of publication of the application.
- Delivery up and/or destruction of infringing articles.
- Legal costs.

TRADE MARKS

10. What are the legal requirements to obtain a trade mark?

In Canada, trade mark rights are acquired:

- At common law through adoption and use.
- Under the Canadian Trade-marks Act, through registration and use (either in Canada or abroad, depending on the filing basis).

11. Is it necessary or advisable to register trade marks? If yes, please state why. If not, please briefly outline the protection given and available for unregistered trade marks.

Registration is not necessary in Canada, but is strongly recommended. There are a number of advantages to registration including:

- Exclusive right to use the mark across Canada in association with the registered goods/services.
- Nationwide protection regardless of where the mark is actually used.
- Prima facie evidence of rights in the trade mark.
- The right to sue for depreciation of goodwill and the ability to seek a nationwide injunction from the Federal Court.

12. Which authority registers trade marks? Does its website provide guidance on the application procedure? If not, please give brief details of this.

Trade mark applications are filed with the Trade-marks Office, a part of CIPO. See www.cipo.gc.ca for the application procedure.

13. On what grounds can the regulatory authority refuse to register a trade mark?

Unregistrable trade marks include:

- Names and surnames.
- Clearly descriptive or deceptively misdescriptive in English or French of the character or quality of the applicant's wares or services, or their origin.
- The name of the applicant's goods or services in any language.
- Confusing with a registered mark.
- Prohibited (that is, marks associated with government organisations, the Red Cross, public authorities and universities, obscene, scandalous or immoral terms and so on).
- Plant variety denominations.
- Protected geographical indications for wines and spirits.

The Trade-marks Act also provides that a distinguishing guise is registrable only if, among other things, its exclusive use is not likely to unreasonably limit the development of any industry or art.

14. On what grounds and when can third parties oppose a trade mark application?

An opposition must be made within two months of the publication date by either filing a statement or requesting an extension of time to oppose. A mark can be opposed on the following grounds:

- The application does not conform to the technical filing requirements of section 30 of the Trade-marks Act.
- The mark is not registrable.
- The applicant is not the person entitled to registration.
- The mark is not distinctive.

15. When does trade mark protection start and how long does it last?

Unless an application for registration was pending before use, or a priority application is filed with priority pre-dating use, rights in a trade mark in Canada start from the date of first use of that mark in Canada. Rights to a trade mark last indefinitely provided the mark is not abandoned and continues to function as a trade mark.

Registration is valid for 15 years and can be renewed for further 15-year periods.

16. On what grounds can a trade mark infringement action be made?

Infringement actions can be brought where:

- A defendant is using a trade mark identical to the claimant's registered trade mark in association with identical wares or services.



- A defendant is using a trade mark or trade name confusingly similar to the trade mark registered by the claimant in association with wares or services (not limited to the wares or services of the claimant).

17. Which courts deal with trade mark infringement actions?

An infringement action can be commenced in the Federal Court or in a provincial superior court, but only the Federal Court can expunge a trade mark registration.

18. What are the defences to trade mark infringement actions?

Defences include:

- Invalidity of the registered mark relied on.
- Prior rights.
- No likelihood of confusion.

Defences of general application may also be available, such as statutory limitation of actions, delay, acquiescence and fraud. Further, if the use is not “use as a trade-mark” within the meaning of the Trade-marks Act, there may not be infringement.

19. What are the remedies in trade mark infringement actions?

The court can make any order that it considers appropriate in the circumstances, including:

- Damages or profits.
- Injunctions (interlocutory, interim, Anton Piller, Quia Timet or permanent).
- Destruction or delivery up of infringing goods.
- Prohibition of imports.
- Declaratory relief.
- Pre- and post-judgment interest and costs.

COPYRIGHT

20. What are the legal requirements to obtain copyright protection?

Copyright protection extends to the expression of the idea and not the idea itself. To be protected, the work must be original in that the author has exercised some effort, skill and judgement in its creation. The work must also be fixed in some material form. Further, one of the following two conditions must be met, namely:

- The author must have been a citizen subject or a person ordinarily a resident of a member country of the World Trade Organisation, Berne Convention, or Universal Copyright Convention.
- The work must be first published in one of those countries.

Registration is not a requirement to obtain copyright protection.

Canadian legislation also recognises a form of copyright protection for performances, sound recordings and broadcasts.

21. Can copyright be registered? If yes, please state which authority registers copyright and the advantages of registering it. Does its website provide guidance on the application procedure? If not, please give brief details of this.

It is possible to register an interest in copyright with the Registrar of Copyright of CIPO. An application for the registration of a copyright can be made by the author, an owner, an assignee or a person holding an interest in the copyright by grant of a licence. A Certificate of Registration of Copyright is evidence that copyright subsists and that the person registered is the owner. The registration also provides constructive notice of copyright in certain circumstances. It is also possible to register copyright assignments or other grants of interest.

22. When does copyright protection start and how long does it last?

Copyright protection commences on the creation of the work. The term of protection generally extends for the life of the author and 50 years after that. There are a number of exceptions that can affect the length of the protection term.

23. On what grounds can a copyright infringement action be made?

The Copyright Act provides remedies for primary and secondary infringement.

Primary infringement can be commenced where the work, or any substantial part of it, has been reproduced, performed in public, or published without the owner's authorisation.

Secondary infringement may be commenced against any person who deals in infringing copies of a work with the knowledge that the copies are infringing. These dealings include the sale, renting out, distribution, offer for sale and importation of infringing copies of a work.

24. Which courts deal with copyright infringement actions?

An action for a trade mark infringement can be brought either in the Federal or Provincial Courts. However, only the Federal Court has exclusive jurisdiction to order any changes to the Register of Copyright.

25. What are the defences to copyright infringement actions?

The Copyright Act provides exceptions for a number of activities that do not constitute copyright infringement. For example, there are exceptions for educational institutions, libraries, archives and museums, as well as for persons with perceptual disabilities.



Other exceptions extend to certain uses of computer programs, incidental inclusion and ephemeral recordings. The Copyright Act also provides for fair dealing exceptions for the purpose of research or private study, criticism or review and news reporting.

26. What are the remedies in copyright infringement actions?

Damages, accounting of profits or both can be awarded. The claimant can also obtain interlocutory and permanent injunctive relief including the delivery up of the infringing copies.

REGISTERED DESIGNS

27. What are the legal conditions to obtain a registered design right?

The Industrial Design Act allows for the registration of features of shape, configuration, pattern or ornament in a finished article. To be protected, the elements of the design must appeal to and be judged solely by the eye. No protection is afforded to features dictated solely by the article's utilitarian function or by a method or principle of manufacture. The design is not registrable if it is identical with or closely resembles any other design already registered. Applications filed more than one year after the publication of the design are also refused.

28. Which authority registers designs? Does its website provide guidance on the application procedure? If not, please give brief details of this.

The Industrial Design division of CIPO is responsible for registering industrial designs in Canada. The CIPO website provides information and guidance on the application procedure.

29. On what grounds and when can third parties oppose a registered design application?

The Industrial Design Act does not provide for opposition proceedings. Any aggrieved person can apply to the Federal Court to seek a correction to the Register of Industrial Design.

30. When does registered design protection start and how long does it last?

A term of protection of an industrial design begins on registration of the design and extends for ten years.

31. On what grounds can a registered design infringement action be made?

An infringement action can be made on the grounds of making, selling, renting or importing for the purpose of trade or business,

or offering or exposing for sale or rent, any article to which the registered design (or a design not different substantially from it) has been applied.

32. Which courts deal with registered design infringement actions?

Both the Federal Court and provincial courts have jurisdiction in these matters.

33. What are the defences to registered design infringement actions?

The defendant who establishes that he was not aware, or had no reasonable grounds to suspect, that the design was registered at the time of the act may only be subject to injunctive relief. Use of the capital letter D in a circle used together with the name of the proprietor of the design constitutes constructive notice of the existence of the design registration.

34. What are the remedies in registered design infringement actions?

The remedies for the infringement of an industrial design are broad. The court can make such order as the circumstances require, including orders for relief by way of injunction and the recovery of damages or profits, as well as punitive damages.

UNREGISTERED DESIGNS

35. What are the legal conditions for unregistered design rights to arise?

Canadian law does not provide protection to unregistered designs beyond remedies that may be available under copyright law or trade mark law. Further, the Copyright Act expressly provides that the protection otherwise available under copyright is restricted in the case of a design applied to a useful article where the article is reproduced in the quantity of more than 50 units. There are exceptions to this rule in relation to certain categories of works, including graphic or photographic representations, trade marks and representations of real or fictitious beings.

36. When does unregistered design protection start and how long does it last?

Not applicable.

37. On what grounds can an unregistered design infringement action be made?

Not applicable.



38. What are the defences to unregistered design infringement actions?

Not applicable.

39. What are the remedies in unregistered design infringement actions?

Not applicable.

CONFIDENTIAL INFORMATION

40. What are the legal conditions for rights in confidential information to arise?

The information must be:

- Used in a business.
- Not generally known in that trade.
- Have economic value because it is not generally known.
- Kept secret by the owner.

The court considers whether the information is:

- Known or unknown to others.
- Known to others within the specific industry.
- Known to others within or connected to the business.
- Capable of acquisition by others outside the business.
- Subject to security measures.
- In a basic way unique, original or novel.

41. On what grounds can an action for unauthorised use of confidential information be made?

An action for unauthorised use of confidential information can be made on the following grounds:

- Breach of confidence.
- Breach of fiduciary duty.
- Breach of contract.
- Unlawful interference with contractual relations.
- Unjust enrichment.

42. Which courts deal with actions for unauthorised use of confidential information?

The provincial courts deal with these actions.

THE REGULATORY AUTHORITY
Canadian Intellectual Property Office (CIPO)

W www.cipo.ic.gc.ca

Main areas of responsibility. Patents, trade marks, copyrights, industrial designs and integrated circuit topographies.

Guidance on application procedure. Available on CIPO's website at www.cipo.ic.gc.ca.

43. What are the defences to actions for unauthorised use of confidential information?

The defences to actions for unauthorised use of confidential information are:

- Information is not confidential.
- No obligation of confidence.
- Information was not misappropriated.
- Use of the confidential information was the permitted use.

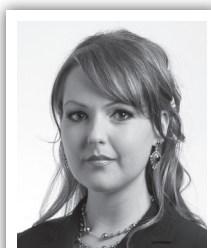
44. What are the remedies in actions for unauthorised use of confidential information?

The remedies in actions for unauthorised use of confidential information are:

- Damages.
- Accounting of profits.
- Injunctive relief.
- Delivery up and destruction.
- Declaration of constructive trust.



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