

BUSINESS METHOD PATENTABILITY

The highly publicized patent application for Amazon.com's "one-click" online order process had been pending since 1998 as a result of the Canadian Intellectual Property Office (CIPO) finding that it claimed a business method and was therefore not patentable.

In 2011, the Federal Court of Appeal (the FCA) had before it the "one-click" patent application and held that business method patents are not precluded from patentability. Rather than seeking leave to appeal to the Supreme Court of Canada (SCC), CIPO issued a patent to Amazon.com.

Looking ahead, we understand that in 2012 CIPO will initiate a revision to their examination guidelines to bring them into conformity with the FCA's decision. Owners of patent applications directed towards computer-implemented inventions and business methods may wish to request examination of such applications upon release of the new guidelines or, where their applications are already under examination, keep them alive until release of the revised guidelines.

AMERICA INVENTS ACT

Canadian applicants who file for patents in the United States will be affected by the *America Invents Act* (the AIA), which was enacted on September 16, 2011. The AIA has brought numerous changes to the U.S. patent system. The following have already come into effect: almost all U.S. Patent and Trademark Office (USPTO) fees were increased by 15 per cent; a micro-entity status was introduced which provides a 75 per cent reduction in certain USPTO fees; and a prioritized examination route was introduced, which allows an application to be examined out of turn for a fee. New provisions applying to false-marking lawsuits are also in effect, as are virtual-marking provisions, which allow patentees to mark patented products with "patent" or "pat." followed by a free-to-access web address.

Other changes introduced by the AIA will come into effect later. Most significantly, the first-to-invent system moves to a first-to-file system effective March 17, 2013, which brings the American system in line with most other countries including Canada. Effective September 16, 2012, petitions for post-grant reviews may be filed by a party who wishes to challenge the validity of a patent, and third parties may submit prior art publications to challenge a patent or patent application.

PATENT PROSECUTION HIGHWAY

The Patent Prosecution Highway (PPH) enables an applicant of a patent application allowed in the country of first filing to request accelerated examination of a corresponding application in certain other countries. The PPH program was introduced in Canada in 2008 and expanded in 2011. Canada extended its PPH partnerships with Denmark, Japan and Korea for two additional years from their original termination dates, while its partnership with the U.S. has been extended indefinitely. An applicant can also now leverage favourable examination of a PCT patent application by CIPO for a corresponding Canadian national application. The PPH program between Canada and the U.S., Japan, Spain and Finland was expanded by allowing an applicant to

request the PPH where the allowed claims are from an earlier patent application rather than only the first-filed application.

Applicants now have more PPH options than ever before at their disposal, and it is likely that usage of the PPH will correspondingly increase.

SCC TO DECIDE WHETHER PREVIEWS OF MUSICAL WORKS ARE "FAIR DEALING"

Some commercial Internet sites that sell downloads of musical works allow users to preview an excerpt (usually 30 seconds or less) of a work prior to purchasing. The Copyright Board of Canada (the Board) released a decision in 2007 stating that these musical previews fall within the "fair dealing" exception to copyright infringement. The Board held that the previews are fair dealing for the purpose of research, noting that the previews help customers decide whether to purchase a download.

On judicial review of the Board's decision, the FCA upheld the Board's interpretation of the word "research": *SOCAN v. Bell Canada*. The SCC heard an appeal of this case in December 2011 and reserved judgment. This decision could notably expand the scope of fair dealing for the purpose of research in the Internet environment.

SCC TO DECIDE WHETHER TRANSMISSION OF A SINGLE DOWNLOAD TO AN INDIVIDUAL IS A "COMMUNICATION TO THE PUBLIC"

Two recent cases have considered whether the transmission of a single download to an individual is a "communication" of that work "to the public by telecommunication," within the meaning of paragraph 3(1)(f) of the *Copyright Act*.

One case dealt with Internet service providers that enable customers to download or stream musical works from the Internet. The Board found that the transmission of a musical work to an individual by an online music service was a communication of the work to the public. The other case dealt with publishers of entertainment software that enable customers to download games (which include copyrighted music) from the Internet. The Board found that the download of a video game that includes music is a communication of that music to the public.

Both cases were judicially reviewed by the FCA, which dismissed the applications: *Shaw Cablesystems, GP v. SOCAN* and *Entertainment Software Association v. SOCAN*. The SCC heard appeals of both decisions in December 2011 and reserved judgment. These decisions hold significant implications for the tariffs applicable to online transactions involving downloads of musical works.

CANADIAN COPYRIGHT ACT LIKELY TO BE MODERNIZED

The *Copyright Modernization Act* (the CMA), introduced in 2011, would align Canadian law with Canada's international treaty commitments, particularly those in the digital environment.

Continued on reverse

For rights holders, the CMA:

- Confirms that copyright holders have exclusive rights to control the availability of their works on the Internet
- Protects technological protection measures (TPMs or “digital locks”) by treating instances of TPM circumvention as instances of copyright infringement
- Grants performers the right to protect the integrity of their recorded works and to have them attributed (or not attributed) to them as they choose
- Provides that photographers own copyright in their commissioned works

The CMA also limits rights. It confirms that Internet service providers (ISPs) do not infringe copyright when they act strictly as communications intermediaries for infringing customers. The CMA implements a “notice and notice” regime of contact among copyright holders, ISPs and their customers. However, the CMA does not consider it an infringement to provide digital memory used to store an infringing copy, e.g., user-generated content on a website or the cloud. Search engines are allowed to make copies required for their technical operation.

For rights users, the CMA allows non-commercial remixes (“mash-ups”) of copyrighted content, provided that the new work has no substantial adverse impact on the original work. The CMA permits the copying of software for back-up, security and encryption research, as well as interoperability purposes, and allows the making of copies of protected works temporarily as an essential part of a technological process. The CMA expands “fair dealing” to include education, parody and satire and allows format shifting and time shifting of works by users under certain circumstances.

EXPERT EVIDENCE IN TRADE-MARK CASES

Canadian trade-mark practitioners are waiting to see how courts in this country treat expert evidence in trade-mark cases in light of the SCC’s recent decision in *Masterpiece Inc. v. Alavida Lifestyles Inc.* The court was critical of the testimony before it from linguistic and survey experts and refused to admit the expert evidence, but went further, noting that judges should always be careful to question the necessity and relevance of expert evidence. Such evidence should not be admitted where it is unnecessary or will distract from the issues to be decided. The court even commented that it would be preferable to have a case management judge assess the admissibility and usefulness of proposed expert and survey evidence at an early stage. Given these strong comments from our highest court, we are certain to see litigants seeking to strike survey and other expert evidence in trade-mark cases, both prior to and at trial.

CONFLICTS BETWEEN FOREIGN AND CANADIAN TRADE-MARK OWNERS

The strong performance of the Canadian economy relative to most foreign markets in recent years has led to an increasing number of foreign retailers seeking to set up shop in Canada. Not unexpectedly, many of these retailers have discovered that other entities have already been using and/or have registered the same or a similar trade-mark in this country. Canada has a flexible system for registering trade-marks that allows foreigners to register their marks in Canada even where the marks have not been used in this country. For example, a foreigner can

rely upon use and registration in his or her country of origin of a mark in order to register the same mark in Canada. A foreigner can also rely upon the making known of his or her mark in Canada through such means as the use of the mark in another jurisdiction combined with advertising that spills over into Canada, thus giving the mark notoriety in this country. Given the importance of Canada as a consumer market, we are certain to see an increasing amount of litigation arising from foreign retailers expanding to this country.

CHANGES TO THE CANADIAN INTERNET REGISTRATION AUTHORITY (CIRA) DOMAIN NAME DISPUTE RESOLUTION POLICY

Various changes to the CIRA domain name dispute resolution policy (CDRP) came into effect in 2011. One significant change to the CDRP clarifies that the “resemblance” test is to be uniformly applied to determine whether a domain name is confusingly similar to a mark. Previously, both the narrow “resemblance” test and the broader “confusion” test under Canadian trade-mark law were applied.

Additionally, under the old CDRP, a complainant was required to show “use” of an unregistered trade-mark in Canada prior to the date of the registration of the domain name. A complainant may now establish rights in an unregistered trade-mark merely by making it known in Canada.

A further significant change is to expand the definitions of “bad faith” and “legitimate interest” by making them non-exhaustive, whereas they were previously defined by reference to an exhaustive list of factors. Notably, “commercial gain” has been added to the list of bad faith factors, which will be advantageous for complainants who may argue that a domain name was registered by a registrant seeking to benefit from confusion with the complainant’s mark.

These changes make the CDRP more complainant-friendly. This will likely lead to an increase in the number of complaints commenced under the CDRP.

COMPETITION BUREAU PURSUING MISLEADING ADVERTISING

2011 saw a C\$10-million administrative monetary penalty (AMP), the largest ever in a misleading advertising case, issued pursuant to a consent agreement. Another recent consent agreement in a misleading advertising case resulted in an AMP of C\$300,000. The Competition Bureau also continues to pursue AMPs for misleading advertising in court proceedings under its civil review powers. In 2011, the Competition Bureau also publicized jail terms imposed against several individuals for deceptive telemarketing.

These developments illustrate the Competition Bureau’s willingness to actively enforce the civil and criminal provisions against misleading advertising in the *Competition Act*.

Advertisers should expect that, going forward, they will face scrutiny of advertising claims and their supporting evidence.

CANADA’S NEW ANTI-SPAM LEGISLATION

Canada’s anti-spam legislation, which imposes significant restrictions on the sending of electronic messages for commercial purposes, will have a significant impact on the electronic communication practices of companies operating in the Canadian marketplace once in force. Please see the Blakes Anti-Spam microsite at <http://www.blakes.com/english/antispam.asp> for further information about this new legislation.