

# Canada

## Enforcement of intellectual property

### Types of IP protection available

Canada has complementary (but generally mutually exclusive) systems of protection for creative subject matter (copyright), inventions (patents), ornamental designs (industrial designs), marks and guises to distinguish wares and services (trademarks), integrated circuit designs/topographies and plant breeds. Broadcasting, telecommunications and other regulatory regimes may also offer peripheral protection. Protection of unregistered IP rights is available through copyright and trademarks, and in respect of the disclosure of trade secrets. Canada's registration systems are generally 'first-to-file' systems, meaning that it is usually the first registrant that gains protection.

Terms of protection vary considerably between the regimes as follows:

- patents – 20 years from filing (non-extendible);
- copyright – 50 years (plus the life of the author for 'works');
- trademarks – three years (renewable);
- industrial designs – 10 years from registration;
- integrated circuits – 10 years; and
- plant breeds – 18 years.

Generally, IP rights are treated like other property rights and are thus transferable and enforceable by assignees and licensees.

### Remedies available to rights owners

The remedies which may be available to IP holders for infringement of their rights include:

- temporary and permanent injunctions to prevent further infringement, destruction of evidence or liquidation of the means of satisfying judgment;
- seizure and destruction of any infringing articles in the defendant's possession;
- damages for losses suffered by the rights holder including, in the case of copyright, statutory damages;

- as an alternative to compensatory damages, an account of the defendant's profits earned by the infringement;
- punitive and exemplary damages;
- criminal penalties for knowing and commercial breach of copyright, false demarcation of patent rights and unauthorised interception and retransmission of radio and satellite signals; and
- recovery of legal and expert expenses.

### Availability of damages and account of profits

An award of damages to a successful plaintiff in an IP action is intended to place the plaintiff in the same position that it would have been in had the infringement not occurred. Accordingly, a rights holder can recover profits that it can prove it has lost to infringement and damages based on a calculation of a reasonable royalty. Statutory damages can be awarded in copyright.

Egregious conduct is punished more often by full indemnity legal costs awards than by punitive damages.

In Canada, unlike some other jurisdictions, the IP rights holder may elect to claim the profits of an infringer as an alternative to damages. Only the profits that are causally attributable to the infringement are recoverable.

### Availability of interlocutory relief

The most common form of interlocutory relief is an injunction to prevent infringement until trial.

One form of *de facto* injunction is available by virtue of a federal regulatory regime that ties generic drug approval to the address of related patent concerns. Under these regulations patentees can obtain a two-year interlocutory injunction against particular generic competition.

Outside the context of the aforementioned regulatory regime, obtaining injunctive relief can be difficult. An applicant must demonstrate:

- a non-frivolous case;
- 'irreparable harm' that is not quantifiable or compensable in damages (eg, business collapse,

- ejection from the market); and
- a balance of convenience favouring the injunction.

Establishing irreparable harm is often a challenge in IP cases.

Interlocutory relief may also be available in the form of a civil search warrant where preservation of evidence is an issue (an Anton Piller order) or to ensure assets remain available to satisfy the judgment (a Mareva injunction).

#### Are the courts specialised for IP matters?

IP actions in Canada may be commenced in either the provincial courts or the Federal Court. In most instances, the Federal Court is preferred because of the national effect of its orders (favouring a plaintiff) and its ability to expunge registrations for copyrights, trademarks, patents, industrial designs and other IP rights (favouring a defendant). As IP actions form a significant part of the caseload of the Federal Court, many Federal Court judges have expertise in the area. Federal Court decisions may be appealed to the Federal Court of Appeal and the Supreme Court of Canada.

The provincial courts are less favoured for IP litigation, but must be used for trade secret and breach of contract cases. The experience of provincial court judges with IP cases is more varied. Provincial decisions may be appealed to the province's court of appeal and then to the Supreme Court of Canada.

#### Pro or anti IP owners?

Canada has ratified major IP treaties in the fields of patents and copyright, providing some degree of uniformity in basic IP rights with other nations.

Canadian courts, particularly the Federal Court, are regarded as favouring rights holders. IP rights are given a broad and liberal interpretation to support their validity and to make findings of infringement.

In addition, as there is no doctrine of file wrapper estoppel in Canada, statements made by an applicant for an IP instrument may not be used to interpret (ie, limit) the scope of the applicant's rights once the instrument is issued. Further, the documentary disclosure requirements, which are lower than those in other jurisdictions, yield more favourable results for rights holders, particularly on issues of validity.

#### Time taken to move a case through the courts

In Canada, the time required for an IP case to reach final determination (including the exhaustion of all appeals) varies widely from as little as two to as many as 19 years, with an IP infringement action taking an average of three to five years to reach trial. The appeal of the trial result

may require at least one more year to be determined.

The principal factors that determine the length of a dispute are:

- the nature and complexity of the dispute;
- the specific procedures invoked;
- the intensity with which the plaintiff prosecutes the matter;
- the frequency with which interim decisions are appealed;
- the degree of cooperation shown by the parties and their counsel (particularly with regard to scheduling); and
- possible delay, of up to two years, in securing a trial date.

However, most Canadian courts have adopted measures to help bring cases to trial more quickly.

Most IP enforcement cases proceed as actions. These proceedings involve:

- an initial exchange of pleadings;
- extensive documentary and oral discovery;
- the exchange of expert reports; and
- a trial where witnesses give their evidence before a judge (and on rare occasions, a jury).

The discovery process is very time consuming, particularly when a party exercises its right to withhold information on the grounds that it is perceived to be irrelevant. Plaintiffs can often accelerate the prosecution of the proceeding through expensive, but efficient, motions. Bifurcation of all aspects of the liability and remedy phase of a proceeding may also expedite resolution of the issues.

Some IP cases proceed as more expeditious applications, which are available when few facts are in dispute. A special federal regulatory regime also provides for applications that involve ensuring that pharmaceutical patents are summarily addressed before a generic drug's marketing approval is received – this regime is designed to resolve such disputes in less than two years. Applications are determined on the basis of affidavit evidence and out-of-court cross-examinations upon the affidavit evidence, without complete pre-trial oral and documentary discovery.

#### Cost of taking an action through the courts

The costs of an IP case include the filing fees that must accompany certain court documents, the costs of transcripts, photocopying, binding, travel, expert and witness fees and, most significantly, the legal fees.

In Canada, legal fees are typically calculated on a per-hour basis. Depending on experience, expertise and location, lawyers' billing rates can range from C\$500 to C\$750 per hour for senior counsel and C\$180 to C\$400 per hour for junior counsel.

In addition, the losing party in a case must expect to pay at least a portion of the winning party's reasonable legal costs. Ordinarily, the losing party will be required to pay between 25 per cent and 40 per cent of the opposing party's actual costs. In rare cases where the court finds a punitive costs award is appropriate, the award can approach full indemnity for costs.

Most IP cases tried in Canada involve the use of expert evidence. As with lawyers, the cost of experts may be considerable and varies from case to case and expert to expert.

As the costs of IP enforcement actions can vary widely, it is best to contact counsel for an estimate at the outset of the proceeding.

#### Alternatives to litigation

As IP litigation is time intensive and draining on the parties' resources and finances, parties may wish to consider using alternative dispute resolution techniques to resolve IP disputes.

Mediation and arbitration involve participation by a neutral third party (often a retired judge) chosen by the parties to reach a resolution outside the court system. Mediation involves the third party acting as a facilitator of consensual discussions and negotiations, whereas an arbitrator can ultimately impose a binding resolution upon the parties (with or without appeal rights). Some Canadian courts require parties to attempt mediation before proceeding to trial.

Mediation and arbitration offer procedural flexibility and reduced costs, permitting the parties to choose their mediator or arbitrator, set the evidentiary rules and schedule the steps in the proceeding. Mediation and arbitration often make it easier for the parties to preserve a business relationship. However, as IP disputes often involve claims of market exclusivity, compromise is often impossible and binding judicial determinations may be preferred to alternative dispute resolution techniques.

Another means of reducing litigation costs is by reducing the scope of the issues to be litigated. The Federal Court can conduct a mini-trial of the case, or a portion of the case, and render a non-binding opinion as to the probable outcome of the proceeding. In addition, the court has the power to sever issues and try them separately.

Administrative bodies exist to deal with some IP disputes, but typically operate only at the stage of registering the IP right.

#### Key points to be aware of when enforcing IP rights

When planning to litigate IP rights in Canada, potential plaintiffs should keep in mind the following:

- Different IP cases are subject to different limitation periods, which should be discussed with counsel before proceeding.
- Canadian courts consider decisions of foreign courts involving IP rights, but do not simply adopt them.
- Experimental and other non-commercial work with a patented article and repair of the article may not constitute infringement.
- Canadian patent law provides certain exemptions from infringement for products acquired prior to the issuance of a patent; counsel should be sought to determine whether a given activity comes within this exemption.
- Mechanisms exist to bring actions against John Doe or Jane Doe defendants; upon the commencement of such a proceeding, third parties can be compelled to disclose information about their identities in order to prosecute the proceeding.
- Foreign plaintiffs and those seeking to impeach a patent must, if requested, post security for the defendant's costs as a condition of proceeding in Canada – the amount of security depends on the costs expected to be incurred by the defendant and may often be increased in stages as the action progresses.
- Oral and written information obtained at discovery may not be used for the proceeding without leave of the court – the improper use of such information may constitute contempt of court.
- Sealing (protective) orders of the court seeking to preserve confidential information of the parties are often available.
- There is a specialised IP Bar – although general practitioners may work on patent, copyright and trademark matters, particularly in the provincial courts, specialised counsel should be considered for all IP litigation.

#### Recent developments in IP litigation

In the legislative sphere, Parliament has passed a bill amending the Patent Act to prevent temporarily the invalidation of patents on the grounds of improper payment of patent fees. New drug patent-related regulations have been proposed that will restrict a generic drug manufacturer's ability to rely on health and safety data associated with a brand-name product for eight years, and curtail the ability of brand-name drug manufacturers to enjoin competition further.

The Canada chapter of *IP Value 2006* reported that

major amendments to the Copyright Act had been proposed to ratify the World Intellectual Property Organisation treaties and introduce digital rights management and internet service provider notice/takedown provisions. Although this bill died on the order table following a change of federal government in early 2006, new legislation is being developed.

In the field of trademarks, the Supreme Court has handed down three landmark decisions in the context of three famous brands – Lego, Barbie and Veuve Clicquot. In the *Lego Case* the court held that ‘functional’ guises (ie, product shapes or packaging), whether registered or unregistered, cannot give rise to exclusive rights after the expiry of a related patent. In the *Barbie Case* the court observed that Canada’s trademark regime was premised upon preventing consumer confusion. Fame of a brand alone does not give rise to the necessary conclusion that the public would think all products bearing the brand came from the same famous

source (thus giving rise to trademark infringement). Similarly, in the *Veuve-Clicquot Case* the court held that fame of a high-end brand alone does not lead to a presumption that a non-confusing use of the brand diminishes the plaintiff’s goodwill, resulting in recoverable damages.

In a recent copyright case a provincial appellate court held that form-based payroll books, whose arrangement was driven by compliance with statute, could not give rise to copyright, unlike payroll statements, whose creation required skill. The Supreme Court also declined to hear an appeal from a judgment striking down an iPod levy that was being levied by a copyright collective society on the sale of MP3 players.

In addition, the Federal Court of Appeal has recently rendered a decision confirming that activities in respect of the transmission of IP rights are not necessarily immune from scrutiny for compliance with Canada’s competition law.

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