



Intellectual Property

Doing Business in Canada



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Overview. International business interests recognize their increasingly valuable “intellectual property” to be an amalgam of:

- human capital (the experience, know-how, skills and creativity of their employees);
- intellectual assets (inventions, methods, processes, documents, designs and databases that are codified); and
- intellectual property rights (those intellectual assets for which legal protection is sought, acquired, maintained and enforced).

Companies seeking to successfully carry on business in Canada must develop familiarity with the Canadian intellectual property regime which comprises four primary federal statutes: the *Patent Act*, *Copyright Act*, *Trade-marks Act* and *Industrial Design Act*. Industry Canada, through its agency, the Canadian Intellectual Property Office (“**CIP**O”), maintains a database of registered patents, copyrights, trademarks and industrial designs and administers the four primary federal statutes. Other forms of intellectual property, notably trade secrets/confidential information, are governed by provincial common law and, in the province of Quebec, by the Civil Code.

Patents

Overview. Canadian patents protect function and are statutory monopoly rights granted for specific inventions involving a product, machine, process or composition of matter, including new and useful improvements of existing inventions.

Patent monopoly rights are only available in Canada through registration. As in most countries, to obtain a valid Canadian patent, three conditions must be demonstrated in connection with the invention: *novelty* (not previously disclosed to the public), *utility* (functional and operative) and *non-obviousness* (not obvious to a person of ordinary skill in the relevant art).

Securing Patent Protection. Canadian patents are granted to inventors who are first to file a patent application as opposed to first to invent. To assist inventors to secure needed benefits from disclosure, such as financing of further research and development, Canada provides a one year “grace period” which allows inventors and their assignees to disclose inventions before filing a patent application, without running afoul of novelty or obviousness requirements.

Canada is a signatory to the *Patent Cooperation Treaty* (“**PCT**”), as well as other multilateral treaties that seek to generally harmonize patent protection

globally. The PCT procedure provides for filing a standardized international application, although that application may be ultimately granted or rejected in each designated state, according to its local law.

A set of initiatives known as the Patent Prosecution Highway (“**PPH**”) provides for accelerated patent prosecution procedures. It permits national Patent Offices to expedite the prosecution of patent applications for the same invention which are filed in multiple jurisdictions, and prevent avoidably inconsistent results. Presently, Canada has PPH agreements in place with various national Patent Offices, including in the United States, Japan, Germany and Korea.

Pending Canadian patent applications are laid open to public inspection 18 months after the earlier of the actual Canadian filing date or the date on which it was first filed elsewhere, also known as “the priority date.”

CIP O charges maintenance fees, payable annually from the second anniversary of the filing date, during prosecution of the patent application and after issuance, in amounts that increase over the patent term.

Canada’s *Patent Act* provides for formal opposition proceedings, before a patent is issued, based on prior publications, published patent applications and prior issued patents. It also provides a procedure for re-examination of an issued patent.

Ownership, Exploitation and Transfer of Patent Rights. An inventor – a person who conceives the invention and reduces it to a definite and practical form – is considered the owner of an invention unless it is assigned to others. In determining whether an employee or his/her employer owns an invention invented by the employee, Canadian courts will consider a number of factors, including whether the employee was hired for the specific purpose of inventing, whether the employee was privy to confidential information of the employer used in connection with the invention, and whether the problem solved by the invention was the problem which the employer directed the employee to solve. As a result, it is prudent to address issues of intellectual property ownership and related rights by way of agreement.

An owner of a Canadian patent or patent application may sell or assign that property and the rights relating to it, and Canadian patents and applications are commonly licensed in and out.

Infringement and Enforcement of Patents. An issued Canadian patent provides the owner with rights to exclude others from commercially exploiting (manufacturing, using, selling and inducing others to do so) the invention which is disclosed and claimed in the patent, generally for a non-renewable period of 20 years following the date of filing the patent application. As a result of the Comprehensive Economic and Trade Agreement, patent term extensions of up to two years are available in Canada for approved drugs under a Supplementary Protection Certificate regime. Further, as a result of the Canada-United States-Mexico Agreement, starting no later than January 1, 2025, time will be added to the patent term for any Canadian patent issuing on an application filed on or after December 1, 2020, if the Canadian patent office causes delays in the process of granting the patent under the proposed legislation.

The right of the patent owner to exclude others from such activities is enforceable in court proceedings and, in the same proceeding, the court often will deal with challenges to the validity of the patent as defendants routinely assert invalidity of some or all patent claims by way of counterclaim in order to avoid judgment. Most patent actions are commenced in the Federal Court as it has exclusive jurisdiction over patent invalidity claims. Federal Court actions are heard by judge alone – no right to jury trials is provided in the *Federal Court Act* – and, unlike Provincial Superior Court decisions, any order or judgment is enforceable across Canada without further formalities.

An array of civil remedies is available for infringement of Canadian patent rights. These include:

- *Interlocutory or permanent injunctions.* Injunctions require the defendant to cease activities which infringe the patent rights during the time the case is pending (interlocutory) or following judgment, during the balance of the patent term. Interlocutory injunctions in Canadian patent cases are exceptionally rare.
- *Damages.* These are monetary compensation for the patent owner's losses as a result of the defendant's infringement. Punitive damages for wilful infringement and other egregious conduct are available, but rarely awarded.
- *Accounting of Profits.* This is an alternative to the damages remedy which allows the patent owner to receive the profit which the defendant made from the infringement and is of particular use in cases where the patent owner would have been, for any number of reasons, unable to make the sales made by the infringer.
- *Seizure or destruction* of the infringing products or the tools used to make them.

Damages (described in the *Patent Act* as “reasonable compensation” and usually taking the form of a reasonable royalty) are also available to the patent owner in most countries as compensation for infringement that occurs before the patent is issued, beginning from the date the patent application is laid open to the public.

Trademarks

Overview. Trademarks protect elements used to distinguish the products and services of one person or corporation in the marketplace from another. Examples of cognizable elements which may be eligible for Canadian trademark protection include:

- Words (names and slogans and including combinations of one or more letters and numerals);
- Symbols (labels, designs or devices);
- Three Dimensional Shapes (the shape of products or their packaging); and
- Colours (coloured words and symbols and coloured products).

Canada also permits certification marks (marks which identify goods and services of a particular quality, standard or origin), official marks (prohibited trademarks of Canadian governmental authorities) and geographical indication protection through certification marks.

So, unlike other forms of intellectual property where rights arise from creation, Canadian trademark rights arise only from use of a trademark in the course of trade. The requirement of use also operates to limit trademark rights in another fundamental way. Absent a determination that the trademark has acquired additional meaning to consumers, the right to its exclusive use is enforceable only with respect to the specific product or services in relation to which the trademark is registered.

Securing Trademark Protection. The person who first uses the trademark in association with the products or services has priority, and the entitlement to adopt and register it. In Canada however, trademark rights exist in unregistered trademarks and such rights arise from distinctiveness and use, whether or not they meet other requirements of registration.

CIPO maintains a registry of trademarks and provides the opportunity to register and renew, examine, search and oppose a trademark application. Registration is generally dependent on the trademark meeting two criteria:

- it is distinctive (that is, it functions to distinguish the products and services of the trademark owner from those of others); and
- it is not clearly descriptive or deceptively misdescriptive.

Failure to file a Canadian trademark application within a specified time does not, as in the patent regime, result in an irrevocable waiver of right to protection in Canada. Trademark applications can be filed at any time, but priority rights in a Canadian trademark based on the early filing of trademark applications elsewhere are available, and it is usually prudent to file applications before the use or adoption of the trademark becomes publicly known.

Canadian trademark applications can be filed at CIPO based on use, proposed use or on a prior application for registration of the mark in a foreign country that is a signatory to the Paris Convention for the Protection of Industrial Property (the “**Paris Convention**”). Canada has signed the *Madrid Protocol* (allowing for a single international trademark application, filed in the trademark office in the home country in a single language, to obtain registrations in multiple countries). It is no longer necessary to apply for a trademark based on use or proposed use.

A Canadian trademark application requires a list of products and/or services which the registration seeks to cover. The *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks*, establishing an international classification of products and services, has been signed and new applications are required to use Nice classifications. A revised fee schedule has been implemented and it is now more expensive to file a trademark in Canada for multi-class trademark applications.

If and when the CIPO examiner finds the trademark to be registrable, those who believe a registration for the Canadian trademark should not be granted have the opportunity to initiate opposition proceedings, triggered by official publication of the trademark application in the Canadian *Trade-marks Journal*. The deadline for commencement of an opposition proceeding is two months from advertisement.

A Canadian registration is in force for 10 years, subject to indefinite renewal. Renewal fees are currently required every 10 years. There is no requirement in Canada that an owner proves it is still using a trademark in order to maintain or renew a trademark registration. It is only if challenged that a trademark registration may be cancelled if the owner cannot demonstrate that the trademark is

still in use. A Canadian trademark registration may be cancelled for non-use at any time following three years after the registration date, if the owner has not used the trademark within the previous three years.

Because trademark rights are dependent on use, they are not static and distinctiveness can be acquired, increased or lost. A term that is descriptive of products or services can acquire distinctiveness with use over time, if Canadian consumers come to recognize it as an indicator of a particular source. A term which is distinctive can acquire additional distinctiveness, which may be used to support its registration for a broader range of products and services. Conversely, a term that is distinctive can, with misuse over time, become descriptive or generic. Loss of trademark distinctiveness may vary from country to country, as in the case of ASPIRIN: now a generic term in the United States, but still protectable as a trademark in Canada.

Ownership, Exploitation and Transfer of Trademark Rights.

The owner of a Canadian trademark has the exclusive right to its use, meaning the right to use the trademark and the right to exclude others from using it. Registered trademarks provide the owner with an exclusive national right to use the trademark in association with the products or services for which the mark was registered. In Canada, that includes the right to be free of use of: a) a confusingly similar trademark by another and b) use of the registered trademark by another in a manner which may depreciate its goodwill.

In relation to products, “use” in Canada generally means the placement of the trademark on the product or on the packaging for the product at the point of sale or when possession is passed to the purchaser of the product. In relation to services, “use” generally means use of the trademark incidental to the provision of the services or use in advertising of the services.

Registration provides the owner with significant procedural and substantive advantages. These include the right to register the trademark in other member states of the Paris Convention and a presumption of validity and ownership of the trademark. In addition, registration of a trademark acts as an absolute defence to claims for damages or profits during the period of registration if the trademark is later found to infringe another trademark.

An owner of a Canadian trademark or pending trademark application may sell or assign that property and the rights relating to it. Licensing

is the primary means by which foreign company trademarks are used by Canadian domestic businesses. Trademark licences may be secured on a variety of terms, including territory, exclusivity/non-exclusivity, use and compensation. The use of the trademarks by licensees will support distinctiveness and enure to the benefit of the licensor owner. However, in exchange for that benefit, Canada requires a trademark owner to include in any licence the right and obligation of the owner to control the nature and quality of the trademarked products or services of the licensee.

Infringement and Enforcement of Trademark Rights. “Infringement,” in the Canadian trademark sense, is the use of a mark which is so similar, in relation to the same or related products or services, that confusion or deception is likely to occur. Policing and enforcing Canadian trademark rights, however, includes not only ensuring that third parties do not infringe by misuse of the trademark commercially, but also preventing use of the trademark as (or instead of) the product description in publications, as such activities can result in loss of distinctiveness and therefore loss of trademark rights.

The range of available civil remedies for Canadian trademark infringement includes interlocutory and permanent injunctions, compensatory damages (resulting from the infringement, including lost sales and depreciation of goodwill in the trademark) or an accounting of profits, and delivery up or disposal of all products bearing the trademark.

Criminal prosecution and penalties may also result from trademark infringement, particularly in the case of counterfeit products.

Well-known or “famous” trademarks may be given protection in Canada beyond the scope of similarity of the products or services for which they are registered, where an infringing mark is used in a manner clearly prejudicial to the distinctiveness of the famous mark. Fame is not, however, a trump card in Canadian enforcement proceedings, covering all possible products or services. Canadian judicial anxiety to avoid conferring overly-broad protection often results in limitation of rights.

In Canada, unregistered trademarks may be protected in their geographic area of use by an action of passing-off or unfair competition (to prevent another trader from misrepresenting its goods and services as those of the trademark owner). Such actions can be brought at common law or under section 7 of the *Trade-marks Act*. There are four required elements for a plaintiff to prove:

- a reputation in the marketplace;

- misrepresentation by the defendant to a prospective or actual customer of goods or services supplied by the plaintiff;
- actual public confusion or a likelihood of confusion; and
- damages resulting from the confusion.

Significant defences and limits exist on the enforceability of unregistered trademarks. For example, unregistered trademarks cannot establish a claim of passing off against lawful use of a registered trademark.

“Black market” (or “counterfeit” product manufactured, packaged and/or labeled by persons other than the trademark owner to appear like the authentic product) and “grey market” goods (genuine trademarked products that are authorized for distribution in a specific region, but are diverted for sale into a different one) deserve special mention in connection with trademark enforcement. Counterfeiters are subject to infringement actions in the case of registered trademark rights and passing off actions in the case of unregistered rights. Grey marketers cases involve different consideration because they are genuine and the trademark was applied by the owner (or an authorized representative of the owner). There can be no valid assertion of a passing off claim or public confusion to support a claim of trademark infringement. Canada subscribes to the so-called principle of trademark “exhaustion” (when the trademark owner has put the product into the stream of commerce under the trademark, it cannot object to further sales of the same product in the course of trade). In Canada, it is only in circumstances where the grey market products are not put into the stream of commerce by a domestic entity which owns the trademark, or the grey market products vary from genuine goods, such as where the packaging is not compliant with local law, or copyright can be asserted in packaging elements, that there is a likelihood that the importation and sale of grey market products can be inhibited.

Copyright

Overview. Copyright recognizes the rights of creators in original literary, dramatic, musical and artistic creativity, which usually involves mass communications, through virtually any medium from printed publications, films, television and sound recordings, public performances and communications signals to computer systems for information storage and retrieval. Canada is a signatory to the Berne Convention and other multilateral treaties which generally harmonize copyright protection, globally. In Canada, as

elsewhere, copyright law recognizes the sole right to produce or reproduce a work or a substantial part of it, in any form. It protects only the creator's original form of expression of ideas, for example, the arrangement of words in a novel or the sequence of musical notes in a score, not the ideas themselves. The protection afforded by Canadian copyright law centres on the act of reproduction, which is the legal basis for most exploitation of literary, artistic, musical and dramatic works. As a result, copying or other reproduction of a work, in whole or substantial part, requires the authorization of the rights holder. However, more broad protection of copyright is enshrined in the *Copyright Act* so that the rights holder's authorization is also required to:

- produce or publish a work in any material form;
- perform the work in public (e.g., public readings, dramatic or musical performances);
- make an audio, visual or audio-visual recording of the work;
- communicate the work to the public by telecommunication; and
- translate, adapt or otherwise modify the work.

The protection of copyright in Canada is also extended to "neighbouring rights." These rights afford protection to those who assist in the dissemination or communication of the creator's works to the public, specifically:

- rights of performing artists in their performances of the works;
- rights of producers of phonograms which include the works; and
- rights of broadcasting organizations in radio and television programs which include the works.

Neighbouring rights are an area of increasing complexity in Canadian copyright law as a result of advances in transmission technologies (e.g., cable, satellite and internet) and in the means of fixation of works (e.g., digital media).

Computer programs are protectable under Canada's *Copyright Act* as literary works. The fact that a computer program is created using well-known programming techniques or contains unoriginal elements is not a bar to copyright protection if the program as a whole is original. Some databases that contain original content may be given protection as "compilations" under the *Copyright Act*, although there is no specific database protection, and most databases likely would not be covered by copyright. A web page's look, layout and appearance can be protected by Canadian copyright as original literary and artistic works and/or compilations.

Underlying mathematical calculations, algorithms, formulae, ideas, processes or methods contained in information technology are not protected by Canadian copyright laws, although they may be protected in some cases under patent law.

The term of copyright in Canada, as in the majority of Berne Convention countries, is generally the life of the author and 70 years after their death. In cases of joint creators, the term of protection for copyright usually extends from the death of the last author to die.

In Canada, the term of copyright for anonymous or pseudonymous works and sound recordings is the lesser of 75 years after the work is first published and 100 years after the work is made.

Recognition is given to a division of rights within copyright – between "economic rights" and "moral rights." Economic, or exploitation, rights are emphasized and relate to the copyright holder's exclusive right to use, authorize or prohibit use of a work and include the rights of:

- reproduction (copying by either analogue or digital means);
- communication to the public by telecommunication (public performance, public display and transmission over the internet or other digital networks);
- distribution (selling, lending or renting of tangible copies); and
- modification (translation or adaptation of works).

Moral rights, also provided in the *Copyright Act*, are non-economic and recognize the creator's parental and dignitary rights to control their identification with the work and how it is treated by others. These rights are:

- the "paternity" right (the right to be identified as the creator of the work or to remain anonymous); and
- the "integrity" right (the right to prohibit alteration, mutilation or other modification of the work and its use in association with a product, service, cause or institution if such use would result in prejudice to the honour or reputation of the author).

Securing Copyright. The primary requirement for Canadian copyright is that the work must be an "original" creation. The ideas in the work need not be new, inventive or even of a particular quality, but the form (whether literary, artistic, musical or dramatic) in which ideas are expressed must be an original

creation of the creator, not copied from another work, and involve an exercise of non-mechanical skill and judgment. Canada also requires the work to be fixed in some tangible form and for the creator to be a citizen or resident of a Berne Convention or WTO member state. If these conditions are satisfied, a creator's copyright arises automatically on creation of a work and, unlike other types of intellectual property, there is no formal requirement for Canadian registration or notification in order for copyright to subsist in a work. Registration is however, significant in the enforcement of copyright as it constitutes deemed notice to infringers in Canada and gives rise to rebuttable presumptions that the work is validly protected by copyright and that the owner named in the registration is the true owner.

Ownership, Exploitation and Transfer of Copyright.

In Canada, as in most other Berne Convention and WTO member states, the creator (or author) is generally the first owner of the copyright in a work. Where the creator is an employee who creates a work within the scope of his or her employment, while he or she remains the author of the work, the employer will generally be entitled to copyright ownership. If the creator is an independent contractor, he or she is the first owner of copyright unless there was an agreement to the contrary.

Generally, copyright (except for moral rights) may be assigned (geographically, by subject matter and otherwise) or licensed by the owner. However, in Canada, assignments are invalid unless in writing and, if the creator is the first owner of copyright, it cannot be assigned for a term beyond 25 years after the death of the creator. Beyond that time, the rights revert to the estate of the creator. In the case of moral rights, while those rights may not be assigned, their waiver is permitted in Canada.

Unique to the field of copyright commercialization is the use of copyright collective and reproduction rights. Organizations which license the use of works on behalf of large numbers of creators and other rights holders in their large portfolios collect licence royalties for that use, and distribute the royalties back to rights holders. The statutory regime governing Canadian copyright collectives is contained in the *Copyright Act*. Copyright collectives often specialize in licensing of different categories of works (e.g., text/image-based works or musical works) and representation of different rights holders (e.g., creators or neighbouring rights holders).

Infringement and Enforcement of Copyright.

Copyright in Canada is infringed by and enforceable against a person who, without the rights holder's

consent, does any act that only the rights holder can do under the *Copyright Act*. Activities constituting infringement in Canada include the act of providing an internet-based service (or other digital network service) primarily for the purpose of enabling acts of copyright infringement if an actual infringement of copyright occurs by that same means as a result of the use of that service.

Some activities which would normally be restricted by copyright are, in Canada, exempted from action for infringement. The most important of these activities are collectively described as "fair dealing" (similar to "fair use" under U.S. copyright law) and include copying for the purpose of research or private study, copying for the purpose of parody, satire, criticism, review or news reporting (usually provided the name of the author, performer or maker or broadcaster is given in the source), educational use exemption and exemptions for libraries, museums and archives. Exemptions are also provided through the doctrine of "exhaustion of rights," applicable in many countries. The doctrine provides that, after the copyright owner has sold or otherwise transferred ownership of a copy of a work, the owner of that copy may generally dispose of it without further authorization of the rights holder, for example, by giving it away or even by resale. It is also not an infringement of Canadian copyright for an individual to transfer legally-obtained works from one format to another for personal use.

The range of remedies provided for copyright infringement in Canada includes injunctive relief, damages, accounting of profits and delivery up of infringing works and the means to produce them. Unlike patent and trademark law, where the remedies of damages and accounting of profits are alternative remedies, a person who infringes copyright in a work in Canada is liable in a civil action to pay damages and also to account for the profits resulting from the infringement. As well, statutory damages are available which fix a range for damage and allow Canadian rights holders to obtain monetary judgments without the requirement to prove specific loss. A Canadian copyright owner may elect, before final judgment in an infringement proceeding, to recover statutory damages for an amount between C\$500 and C\$20,000 to each infringed work infringed for commercial purposes, and between C\$100 and C\$5,000 for all works in the event of copyright infringements for non-commercial purposes, as determined by the court. In special circumstances, the courts have granted "site-blocking orders" against third-party ISPs to block Canadian internet subscribers from accessing sites hosting infringing copyrighted material.

Certain acts of copyright infringement in Canada expose infringers to criminal penalties, including fine and imprisonment. For example, where a work is controlled by a technological protection measure, which is circumvented knowingly and for commercial purposes, the person responsible may be liable on conviction on indictment, to a fine not exceeding C\$1 million or to imprisonment for a term not exceeding five years or to both; or, on summary conviction, to a fine not exceeding C\$25,000 or to imprisonment for a term not exceeding six months or to both.

Federal Court of Appeal Approves Site-Blocking Order. A site-blocking order requires Canada's internet service providers (ISPs) to block their subscribers from accessing certain websites hosting unlawful content. Federal Court of Appeal set a precedent for what might become the single most effective tool for taking down harmful content from the internet (leave application to the Supreme Court dismissed). As of 2024, real-time dynamic site blocking has been approved by the Federal Court.

Industrial Designs

Overview. A Canadian industrial design, known in the United States as a "design patent," relates to the visual features of shape, configuration, pattern or ornament, or any combination of these features, applied to a finished article made by an industrial process. "Shape" and "configuration" cover three-dimensional designs while "pattern" and "ornament" cover two-dimensional designs (such as engraving and embossing). Canadian industrial designs protect a wide range of designs applied to mass-produced finished manufactured products, for example, wallpaper, textile patterns, ornamentation on cutlery, the user interface graphics for mobile phones, and the visual features of a running shoe. Because industrial designs are directed to aesthetic features that appeal to the eye, features that are entirely functional cannot be the subject of industrial design protection.

In 2018, Canada acceded to the *Hague Agreement Concerning the International Registration of Industrial Designs* (the Hague System) and introduced a number of modernizations measures to its industrial design regime.

Securing Industrial Design Protection. The *Industrial Design Act* provides a system for the registration of designs and grants to a successful applicant the exclusive right to prevent others from making, importing for trade or business, renting, selling or offering for sale or rent any article in respect of which the design is registered (or a design not

differing substantially therefrom) in Canada for ten years from the date of registration, subject to the payment of maintenance fees at the fifth year. The term of protection is now the later of ten years after the date of registration of the design and 15 years following the filing date of the application. A claim of ownership of a design may only be made if there is a registration of that design under the *Industrial Design Act*. No claims of ownership may be made without registration.

For a design to be registrable, it must be original (although the standard will change to a novelty standard once the amendments are brought into force). Only the owner of a design may apply for and obtain an industrial design registration. If the design was created by an employee of a company, then the employer is considered to be the owner of an industrial design, barring an agreement to the contrary. As a practical matter, the degree of originality required for Canadian industrial designs is greater than that required for copyright, but less than the novelty requirement of patents.

Ownership, Exploitation and Transfer of Industrial Design Rights. The ownership and right to protection of an industrial design presumptively belongs to the creator of the design.

Where the design is created by an employee or by an independent contractor, Canadian law provides that the employer or the person who commissioned the design has entitlement to it where the creation or production of the design falls within the scope of employment duties for which the employee or contractor is paid.

The owner of an industrial design, whether registered or unregistered, may assign rights to the design, but the assignment must be in writing and recorded in the office of the relevant governmental authority, which in Canada is the Commissioner of Patents. An owner of an industrial design may also license rights in the design but, as is the case of an assignment, the licence must be recorded.

Infringement and Enforcement of Industrial Design Rights. A registered Canadian industrial design confers on the owner an exclusive right to make, sell, rent or import for the purpose of trade any article in respect of which the design or a design not substantially different has been applied. The registration prevents others from exploiting an industrial design by giving the owner the exclusive right to do any of the following for industrial or commercial purposes:

- make articles in which the design is embodied or to which the design is applied;

- import such articles; and
- sell, offer for sale or rent such articles.

The rights are limited, however, so that:

- protection extends only to the design or a substantially similar design (meaning one which differs only in immaterial respects) applied to an article;
- features embodied to a useful article that are dictated solely by a utilitarian function of the article are not protected; and
- any method or principle of manufacture or construction is not subject to protection.

An action for design infringement can be brought by the owner of the design or by an exclusive licensee, and a full range of remedies is available to enforce the right, as is generally the case in enforcement of other intellectual property rights. These include injunctive relief, recovery of damages or profits, punitive damages and the disposal of any infringing article. If a defendant establishes it was not aware and had no reasonable grounds to suspect that a design was registered, the *Industrial Design Act* precludes a court from awarding any remedy (in particular, damages) other than an injunction. This provision does not apply, however, if all or substantially all products to which the registration pertain, or the labelling or packaging of such products that were distributed in Canada were marked with “D” in a circle and the name or usual abbreviation of the name of the proprietor.

Trade Secret/Confidential Information

Overview. The most common form of intellectual property protection used by Canadian business is the maintenance of information as a “trade secret” or, as the concept is more broadly known, “confidential information.” Scientific, technical, financial and marketing information all come within the scope of confidential information in Canada and encompass such diverse material as formulae, processes, computer programs and code, layouts, interfaces, databases, product concepts and designs, operations manuals, research data and documents, supplier, distributor and customer lists and information about customers and their needs and preferences. If the information is:

- of a commercial nature;
- used in business to provide a competitive advantage; and
- kept in confidence,

it qualifies for legal protection in Canada as confidential information.

Securing Confidential Information Protection.

Unlike the other forms of Canadian intellectual property, confidential information does not engage a government-operated registration process. Rather, protection is implemented by individual businesses under a wide variety of practical regimes. Establishment of rights requires only that the “owner” take steps to ensure confidential information does not become generally known. In the normal course, employing security measures at the facilities and on the electronic systems where the information is stored, and securing confidentiality agreements from employees, contractors, suppliers, licensees and others who may have required access to the information, is sufficient to give rise to the obligations of confidence and trust.

The simplicity of the legal concept of confidential information is in contrast to the increasing practical problems of maintaining information as confidential. The:

- increasing volume of data which is susceptible to designation as confidential information;
- proliferation of innovation and, in particular, the use of computer systems for information storage and transfer which has led to cyber espionage and theft of confidential information on an unprecedented scale;
- increasing mobility of workforces in the global market and the increasing complexity of distribution and supply chains; and
- proliferation of outsourcing, together with digital communication

have all conspired to make it increasingly difficult to control access and use of confidential information. For many businesses, the issue is not restricted to protecting their own information. It includes avoiding unwanted exposure to confidential information of third parties, such as former employers or newly-hired employees.

Ownership, Exploitation and Transfer of Rights.

The concept of “ownership” is problematic in the case of confidential information. Canadian law does not prohibit either independent development of the same information or its acquisition by any proper means (for example, after the restrictive terms of an employment contract or licence expire). As a result, an “owner” of confidential information has no monopoly right in the information, but rather only an enforceable remedy for breach of an express or implied contract or, in the absence of either, for breach of relationships of confidence or trust. Canadian courts have cast doubt on whether confidential information can be considered as purely “property.”

In considering the issue of “ownership” of confidential information as between the employer and the employee or contractor who developed them, Canadian courts have had recourse to the same principles which apply to the ownership of inventions – the nature of the employment or contracting relationship and the specific issue of whether the development was within the scope of the employee’s or contractor’s duties. Even in the absence of an employment agreement setting out obligations of confidence, employees are under a clear common law duty not to disclose confidential information, in particular trade secrets of present or former employers, whether created by the employee or others. This duty is more onerous where the employee has a senior position with the company and, as a result, is impressed with fiduciary duties.

Confidential information is assignable and licensable as with most other forms of intellectual property in Canada, and non-disclosure agreements relating to confidential information are a frequent component of joint venture arrangements and various forms of business collaboration.

Infringement and Enforcement of Rights.

The enforcement of confidential information rights, whether based on legal notions of property, contract or fiduciary obligation, arises from evidence that the information is:

- confidential;
- communicated by the holder to the recipient in circumstances of confidence; and
- misused by the recipient to secure a commercial advantage over others without access to the information.

The enforcement of confidential information rights, unlike other forms of intellectual property, is governed by Canadian provincial law. Since employees, consultants, independent contractors and joint venturers are most often privy to such information, provincial contract law and employment law relating to employee contracts is most frequently engaged in the protection of confidential information.

Canadian courts accept that employees have a right to exploit the knowledge, skills and experience acquired in the course of employment. However, there is an enforceable, concurrent obligation imposed on employees to act in good faith towards the employer with respect to the use and disclosure of confidential information and, even after the employment ends, not to use or disclose, in particular, trade secret information. Employers often seek to

enshrine and enlarge the obligation in employment contracts, prohibiting the post-employment use and disclosure of general confidential information. Such restrictive covenants, like agreements not to compete, are critically reviewed by Canadian courts to ensure they do not constitute an undue restraint of trade. The distinction between the former employee’s rights and obligations regarding confidential information is not always easy to draw.

International Conventions and Treaties

Canada is a signatory to the Canada-United States-Mexico Agreement and is a member of the International Convention for the Protection of Industrial Property which affects patents, trademarks and industrial designs. Canada is a signatory to the Patent Cooperation Treaty, which provides a common system for the filing of a patent application in signatory countries, and is a part of the Global Patent Prosecution Highway pilot program, which allows fast track prosecution of a patent that has been examined by the patent office of any participating country. Canada is also a member of the Berne Convention, the Universal Copyright Convention and the World Trade Organization, each of which bear on protection for copyright owners who are citizens of convention countries.

The *Combating Counterfeit Products Act* provides Canadian Border Services Agencies additional tools for combatting the import and export of counterfeit goods. Civil and criminal remedies deal with possession and dealing of counterfeit goods.

The Trans-Pacific Partnership Agreement (“**TPP**”) was originally concluded on October 5, 2015, by 12 countries and was signed on February 4, 2016. On January 30, 2017, the United States notified TPP signatories of its intention to not ratify the TPP, effectively withdrawing from the TPP. As a result, the TPP could not be entered into force.

On November 10, 2017, the 11 remaining members of the TPP (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam) agreed on the core elements of a new agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“**CPTPP**”). The 11 countries form a trading bloc representing 495 million consumers and 13.5% of global GDP, providing Canada with preferential access to key markets in Asia and Latin America.

The CPTPP came into force on December 30, 2018. It is noteworthy that with the CPTPP, Canada is the only G7 nation with free trade agreements with

all other G7 members, and with free trade access across the Americas, Europe and the Asia-Pacific region.

The first six CPTPP parties made their first tariff cut on December 30, 2018, eliminating duties on 89% of tariff lines between them, followed by a second tariff cut on January 1, 2019 (except for Japan, which made its second tariff cut on April 1, 2019). On July 16, 2023, the CPTPP Parties signed an Accession Protocol with the United Kingdom. The CPTPP will enter into force for the U.K. once all CPTPP members and the U.K. complete their respective ratification processes.

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