

SIGNIFICANT DEVELOPMENTS IN 2010



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Patents: Statutory subject matter

Several notable patent decisions were released in 2010 addressing the definition of statutory subject matter. Most significantly, in an appeal from a decision of the Commissioner of Patents, the court in *Amazon.com Inc. v Canada* decided that there is no basis in Canadian law for the *per se* exclusion of business methods from patentability. Amazon claimed a '1-Click' method and system enabling Internet shopping, whereby a customer's payment information is stored in a cookie and the customer is thereafter able to make online purchases with a single mouse click. The commissioner rejected the claims on the basis that they were non-patentable subject matter in that they were, "in substance", methods of doing business; that the subject matter did not meet the test for patentable art; that business methods are not patentable *per se*; and that the claims were "non-technological" in nature.

In response to the commissioner's finding that the claims were, "in substance", methods of doing business, the court stated that the form and substance approach to determining the nature of the invention has been rejected by the Supreme Court in favour of a purposive claim construction. Taken as a whole, the system claims were determined to be patentable as machine claims. The test for a patentable art adopted by the court was that the art must: not be a disembodied idea but have a method of practical application; be a new and inventive method of applying skill and knowledge; and have a commercially useful result. As a result, the method claims were found to meet the test for a patentable art when assessed as part of the invention as a whole. The court also found no basis in Canadian law for the *per se* exclusion of business methods, and no requirement that claims be technological in nature. The commissioner's decision was quashed, and the matter was sent back for re-examination. The commissioner has since appealed against the decision.

Federal Court Practice: introduction of summary trial procedure

In December 2009, new provisions for summary determination of an action by way of summary trial were incorporated into the rules of procedure for Canada's Federal Court. Prior to these amendments, if a court decided on a motion for summary judgment that there was a genuine issue with respect to a claim or defence, it was nevertheless empowered to grant summary judgment if it was able to decide the questions of fact and law on the basis of the evidence before it. However, where there was conflicting evidence or the credibility of witnesses was likely to be at issue, summary judgment was unlikely. The amended rules remove the ability of the court to grant summary judgment where a genuine issue exists, and instead provide that the issue may be decided by way of summary trial where it would assist in the efficient resolution of the action. The court is given the benefit of additional evidence such as affidavits, admissions and expert statements, and may make any order required for the conduct of the summary trial, including ordering cross-examinations. The broad discretion given to the court is a clear attempt to avoid the time and expense associated with full-length trials, regardless of whether evidential issues exist.

Copyright: Internet service provider liability

The liability of Internet service providers (ISPs) for copyright infringement was addressed in 2010 in jurisprudence and in proposed amendments to the Copyright Act under Bill C-32. Under Canada's current Copyright Act, persons who merely provide the means necessary for others to communicate information are not responsible for the content and are thus not liable for copyright infringement. Exemption from liability does not however extend to situations where a person authorises the communication of a work to the public. If Bill C-32 is enacted, it will amend the Copyright Act to clarify that the enabling of online copyright infringement is itself an infringement. Furthermore, the bill introduces secondary liability for ISPs that know or ought to know that their services are designed primarily to enable



copyright infringement. In making such a determination, the court would be instructed to take into account, among other things, whether the service was marketed as one that could be used to enable copyright infringement and whether there was knowledge that the service was used for that purpose. However, explicit immunity provisions will also be included for situations where ISPs are acting strictly as intermediaries in communication, caching and hosting activities. In an attempt to further clarify ISP liability, Bill C-32 also adopts a “notice-and-notice” provision, which would require an ISP to forward a notice of alleged infringement to its customer from a copyright owner, or risk being held liable for damages.

In *Reference re Broadcasting Act*, the Federal Court of Appeal faced the question of whether ISPs carry on “broadcasting undertakings” subject to the Broadcasting Act when they provide access to “broadcasting” through the Internet requested by end-users. The court found that ISPs do not broadcast when they merely provide the infrastructure to allow the transmission of programming. ISPs do not generally select or originate programming and do not package or aggregate programming services, although they may be liable for infringing activities in this regard if they operate their own websites. This manner of attributing liability is consistent with other Canadian copyright decisions that distinguish between the entities responsible for the content transmitted and those that provide the infrastructure to allow such transmission. However, with involvement that extends beyond the technological means for transmission, the risk of the ISP being held liable for such actions increases.

Trademarks: Keyword advertising

Keyword advertising refers to the practice of allowing advertisers to bid on words, and a search engine then displaying an advertisement corresponding to the highest bid as a sponsored link when a user enters that keyword. In the legal context, there are concerns over the propriety of keyword advertising where a business bids on the trade names and trademarks of its competitors. Prior to two lower court cases that were released in 2010, there

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CANADA

“ THE PRACTICE OF USING A COMPETITOR’S NAME OR TRADEMARK IN KEYWORD ADVERTISING DOES NOT CONSTITUTE FALSE, DECEPTIVE OR MISLEADING ADVERTISING, AS LONG AS THERE IS NO MISREPRESENTATION IN THE USE OF THE NAME OR MARK. ”

was a distinct lack of Canadian jurisprudence that dealt with the issue. In both cases, the courts found that the practice of using a competitor’s name or trademark in keyword advertising does not constitute false, deceptive or misleading advertising, as long as there is no misrepresentation in the use of the name or mark. Instead, the courts likened the practice to the generally accepted marketing technique whereby a company places its print ads close to a competitor’s.

In *Private Career Training Institutions Agency v Vancouver Career College (Burnaby) Inc*, the defendant purchased keywords corresponding to the business names of the members of the Vancouver Career College, such that their advertisement appeared at the top of the search results for those keywords. Although the decision was made within an administrative framework, and was not premised in the Canadian Trademarks Act, the court had resort to established trademark law in determining the meaning of ‘confusing’ and ‘misleading’ advertising. Regarding the possibility of confusion between the searched term and the results that appeared, the court noted that a degree of care is required on the part of consumers, and attributed to them a certain amount of intelligence. It was also noted that the advertisers did not hold themselves out as anyone but themselves, and did not use the business names of their competitors to misidentify themselves. The court further highlighted that a sponsored link does not replace or displace the organic search results that appear free of charge. A user who looks at a sponsored link should be able to click the ‘back’ button to return to the search results where the rightful owner’s name will appear.

In *Chocolat Lamontagne Inc v Humeur Groupe-conseil Inc*, the court held that an advertiser’s conduct in buying keywords consisting of its competitors’ trademarks did not constitute passing off and unfair competition under the Trademarks Act. Although the defendant had generated sales stemming directly from the keyword advertising, the court found that there was no confusion or likelihood of confusion, given that the sponsored advertisement was identified as an ‘alternative’ to the plaintiff’s business.

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