

# intelligence<sup>®</sup>

## Use 'em or lose 'em: Protect your trade-marks



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Most things wear out if you use them enough. Clothes, appliances, cars and knock-knock jokes are good examples. On the other hand, some things improve with use. Ice skates, baseball gloves and (of course) trade-marks are good examples.


You probably know that your trade-marks will get stronger the more you use and advertise them, but you might not know that your trade-marks could become unenforceable if you don't use them.

For example, in 1974, Andres Wines Ltd. registered the mark VERITAS in association with wines. The Canadian Intellectual Property Office (at the request of a third party) sent a notice to Andres asking for proof that Andres had used the mark in Canada within the three years before the date of the notice. Andres was unable to provide acceptable proof, so the Canadian Intellectual Property Office expunged (de-registered) the mark.

But it's not enough to simply use your trade-marks; you must use them properly. For starters, you must use them way they were registered. For example, CII Honeywell Bull lost its registration for the mark BULL because the company never used the mark alone; it always used the mark together with the words CII and HONEYWELL (i.e. "CII HONEYWELL BULL").

Here are a few other tips to help you protect the distinctiveness and value of your marks:

- Register all of your marks in Canada (including your logos, your slogans, and French versions of your marks). Registration will protect the marks all across Canada.
- Distinguish the marks from surrounding text and images. For example, always display your trade-mark in UPPER CAPS or *italics* in association with a "TM" symbol (for unregistered marks) or an ® symbol (for registered marks).
- Only use your marks as adjectives; not as nouns (e.g. "ROLLERBLADE in-line skates", not "ROLLERBLADES"; "ZAMBONI ice cleaners", not "ZAMBONIS", "COOPER-ALL hockey equipment", not "COOPER-ALLS").
- Save copies of advertisements, newspaper articles, web sites and product packaging showing when and how you've used your marks. This will be useful if your mark is ever challenged (or if you ever need to stop someone from using a similar mark).
- Ensure that everyone who uses your mark is properly licensed to do so (even if your marks are being used by related companies).

Davis & Company's intellectual property department can help you protect and enforce your trade-marks throughout the world. Please contact us for more information. 

## Is music swapping legal?



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On March 31, 2004 the Federal Court released a highly-publicized decision regarding on-line music trading and file sharing. The Court dismissed the Canadian Recording Industry Association's ("CRIA")

motion to compel Internet service providers to reveal the identities of customers who had traded files. In deciding that, CRIA had not presented a case of copyright infringement, and the Court stated:

- downloading a song for personal use is not copyright infringement; and
- placing personal copies of music files into shared directories that can be accessed by other computers does not constitute authorization of infringement (the Court drew an analogy to

photocopiers in libraries, as discussed in the Supreme Court's *CCH* decision), or distribution ("distribution" requires a positive act such as sending out the copies or advertising that they are available for copying).

In dismissing CRIA's motion, the Court also stated that CRIA had not established that the ISPs are the only practical source to find the identity of the file swappers, and had not established that the public interest for disclosure outweighed the relevant privacy concerns.

This decision has generated a great deal of interest and discussion both within Canada and abroad. While the motion did not require or involve an in-depth examination of whether file swapping is copyright infringement, the decision is the clearest judicial pronouncement in Canada to date on this issue. CRIA has since appealed, and everyone who is interested in these issues should stay tuned for further developments. 



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This article is based on a paper prepared by Davis & Company in the summer of 2003. The full version of the paper is available on the Davis & Company web site at [www.davis.ca](http://www.davis.ca). The paper was prepared by Alec Szibbo, with assistance from David Spratley, Warren Hoole, Ryan Garrett and Michelle Weiss. Part one appeared in the January 2004 issue of *intelligence*<sup>®</sup>.

### 6.0 E-COMMERCE

Alberta's *Electronic Transactions Act* and its General Regulation was proclaimed in force on April 1, 2003. Electronic records and signatures now have the same legal status as paper based and written records in Alberta.

*Loiselle v. College of Physicians and Surgeons of New Brunswick* involved a complaint that Dr. Loiselle had been prescribing drugs over the Internet. Although few if any of the impugned actions took place in New Brunswick, the College suspended Dr. Loiselle's licence to practice medicine. On judicial review, the New Brunswick Court of Queen's Bench held that the College had a sufficient connection

with the matter to engage its jurisdiction. The Court also concluded that Dr. Loiselle had been treated in a procedurally fair manner, despite the fact that he was not given an opportunity to be heard until after the suspension decision was made.

In *Canadian Real Estate Assoc. c. Sutton (Québec) Real Estate Services Inc.*, CREA obtained an interlocutory injunction preventing Sutton from posting CREA's on-line real estate listings on its own web site. CREA argued that Sutton had impliedly agreed to abide by the terms and conditions set out on the CREA web site. This case is worth following at trial as it leaves open the possibility that implied consent may be found in web based contracts.

Part Three of *Technology, Internet and Intellectual Property Developments in Canada, 2003*, will be continued in the next edition of *intelligence*<sup>®</sup>.



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The Scientific Research and Experimental Development (“SR&ED”) Program is the largest single source of federal government support for industrial research and development. The purpose of the SR&ED program is to encourage Canadian businesses to conduct research and development in Canada.

### *Who can qualify?*

Through the SR&ED program, a claimant can apply for an investment tax credit (“ITC”) for expenditures incurred for the purpose of scientific research and experimental development. An ITC can be used to reduce a claimant’s tax liability. Furthermore, if a claimant’s ITC is greater than the amount of tax the claimant would otherwise be liable for (a common situation for many new businesses), the claimant may be eligible for a cash refund from the federal government.

To qualify for the SR&ED program the claimant must be carrying on business in Canada through a corporation, partnership, trust or sole proprietorship.

### *What expenditures qualify under the SR&ED program?*

To qualify for an ITC, an expenditure (which includes wages, materials, machinery and equipment) must meet specific criteria for what is considered research and development and must be related to one of the following types of work:

- experimental development;
- applied research;

- basic research; or
- support work for one or more of the above.

Expenditures that relate to any of the following activities will not be eligible for the SR&ED program:

- marketing;
- mineral, petroleum or natural gas production; or
- commercial production of a new or improved product.

In addition, the expenditures must, with limited exceptions, be incurred within Canada.

### *How is an ITC calculated?*

The calculation of an ITC depends on many factors. The two most important factors are the legal status of the claimant and the nature of the qualifying expenditure. With respect to legal status, a Canadian-controlled private corporation (a “CCPC”) can claim 35% of most qualifying expenditures as an ITC. In contrast, a corporation other than a CCPC can only claim 20% of such expenditures.

The amount of an ITC that can be refunded in cash will depend on the nature of the expenditure. Therefore, while only 40% of an ITC that arises from a capital expenditure (which includes the purchase of equipment and machinery) may be refunded in cash, 100% of an ITC that arises from current expenditures (such as wages) is eligible for a cash refund.

Davis & Company’s Tax Department can help you to determine your eligibility for SR&ED credits, and can help you prepare SR&ED credit applications. 📞

## Are Library Photocopy Services Legal?



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The Supreme Court of Canada released an important copyright decision on March 4, 2004. In *CCH Canadian Ltd. v. Law Society of Upper Canada*, the Supreme Court addressed three issues: (1) what it means for a work to be “original”; (2) the scope of the exception that allows copying for the purposes of research or private study; and (3) liability for authorizing copyright infringement.

**Originality:** Only “original” works are protected by copyright. The Supreme Court stated that an original work is one that originates from the author (in that it is not copied from another work) and that is the product of the author’s exercise of skill and judgment. This definition sets a “workable yet fair” standard between the two previous extremes of mere industriousness on one hand and creativity on the other.

**Research or Private Study:** The *Copyright Act* permits fair dealing in copyrighted works for research or private study. The Supreme Court used a large and liberal interpretation of “research and private study” to ensure that users’ rights were not unduly constrained, and clarified that “research” is not limited to non-commercial or private contexts. Whether a dealing is “fair” depends on the facts of each case, but courts should consider the

purpose, character and amount of the dealing, the nature of the work, available alternatives, and the effect of the dealing on the work.

**Authorizing Infringement:** The Supreme Court said that authorizing the use of equipment that could be used to infringe copyright is not authorizing copyright infringement. Courts should presume that a person only authorizes such activity so far as it is legal. However, this presumption may be rebutted if a certain relationship or degree of control exists between the authorizer and the infringers.

This issue arose from the use of photocopiers in the Law Society’s library. The Court ruled that making copiers available to the public was not authorizing infringement, as the Law Society was presumed to have authorized only non-infringing copying. Posting a notice that the Law Society was not responsible for infringing copies was not an express acknowledgement that the copiers would be used for illegal copying, but rather was a reminder that copyright law applies to making photocopies in a library.

This aspect of the decision is relevant to all technology that can be used to infringe copyright but also has non-infringing uses. In particular, it will be interesting to see how this decision affects disputes over file-sharing, DVD copying, digital recording and similar technology. 📌

[Note: this case has already been mentioned in the file sharing context – see “Is music swapping legal” on page 2 of this publication].

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