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Chocolate, Copyright, Confusion: Intellectual Property and the Supreme Court of Canada

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LECTURE

CHOCOLATE, COPYRIGHT, CONFUSION: INTELLECTUAL PROPERTY
AND THE SUPREME COURT OF CANADA

David Vaver*

This lecture scans how the Supreme Court has been interpreting Canada's intellectual property laws and how its decisions may affect legislative policy. The Court has become more interested and competent in this field than was the case even a couple of decades ago. The approach in two decisions of the Court, Compo Co. Ltd v. Blue Crest Music Inc. (1979) and Euro-Excellence Inc. v. Kraft Canada Inc. (2007) is particularly compared. Compo contains propositions which unintendedly cast a baneful influence over later law, while Kraft sees the Court split four ways in a case where copyright law was used unsuccessfully to attempt to block parallel imports of chocolate bars into Canada. The lecture concludes that such decisions, among others, expose how inadequately successive governments have monitored intellectual property law developments. It calls for an independent commission to develop a more coherent intellectual property code that will advance Canadian economic interests and be readily understood by its users.

* Professor Emeritus of Intellectual Property and Information Technology Law, University of Oxford. This paper is a revised version of the James L. Lewtas Lecture delivered at Osgoode Hall Law School on October 24, 2007. A webcast is archived at <mms://media.osgoode.yorku.ca/events/LewtasLecture-Oct242007.wmv>. A version in French is in progress for publication.

The brief for this lecture was “to stimulate fresh thinking in Osgoode Hall Law School and the University, legal and general communities about legal and public policy related to business and economic activity.” In the intellectual property field, there is so much thinking now around that one hesitates to warrant that what one proffers is “fresh”. Ecclesiastes (1:9) is no help in laying down that “What has been will be again; what has been done will be done again; there is nothing new under the sun.”

Fortunately, intellectual property lawyers treat that verse, despite its high authority, as *obiter dicta*. Copyright law calls anything “fresh” that is not copied and that involves a bit of skill or judgment. What’s more, it protects that compositional speck from being copied pretty well worldwide for the lifetime of the author and another fifty (and in some places—Europe, the United States, Australia—even seventy) years. The level of freshness required is indicated by the Supreme Court’s decision three years ago that headnotes and catchlines to law reports are original.¹ My talk is longer than a catchline, perhaps even longer than some Supreme Court headnotes. I have a few old ideas to recycle but I promise to give them new clothes so they look fresh. Copyright law is, after all, about looks, not substance. In any event, construing my brief purposively—as is the current interpretative fashion—I believe I need only stimulate *you* to think freshly.

Nobody will dispute that intellectual property law is, in terms of the brief, “related to business and economic activity”; indeed, it is central to much of it.² True, there are people who tinker in the basement, and even in universities, just for the fun of it. Many do so without knowing or caring about intellectual property law. They mess about just because they are innately curious about their world, how it works, and how it might be made to work better. Even that

¹ *CCH Canadian Ltd v. Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 S.C.R. 339, 236 D.L.R. (4th) 395 [CCH].

² A recent statistical study on the Supreme Court lumps “intellectual property” and “patents” (an interesting subcategorization in itself) in with banking, competition law, and insurance under the heading of “Corporate” cases: A. Green & B. Alarie, “Policy Preference Change and Appointments to the Supreme Court of Canada” (Paper presented at the 2nd Annual Conference on Empirical Legal Studies, New York University School of Law 9 November 2007) at 13, online: Social Science Research Network <<http://ssrn.com/abstract=1013560>>.

probably constitutes economic activity, liberally construed. Tinkering involves opportunity costs, but also creates welfare by keeping tinkerers from otherwise roaming streets with intent.

There is a minority school of romantic thought which idolizes authors, artists and the copyright law that protects them as being outside and beyond commerce. But that view has attracted little interest among North American materialists; nor would it be recognized by those whose daily job is to help authors, composers and artists make a decent living from their endeavours. What governments think of intellectual property is conclusively established by the appearance of whole chapters devoted to intellectual property in free trade agreements such as *NAFTA* (1992) and the *World Trade Organization Agreement* (1994). Such treaties emphasize that intellectual property is not just business and economics: it is big business and global economics.

I

How is the Supreme Court of Canada dealing with intellectual property cases and what are the implications of its decisions for Canada's intellectual property system? Is there some shortfall and, if so, what can be done about it? These are large questions, and I can only sketch a response in a lecture such as this. I shall take mainly two decisions as examples – one from nearly thirty years ago, the other from mid-2007.

By way of preface, I should note that there is actually no such single legal entity as Intellectual Property. The phrase is just convenient shorthand for a whole raft of different rights: some statutory, some judge-made. Their common thread is that they protect some products of the human mind, for varying periods of time, against use by others of those products in various ways.³

There is continuing philosophical debate about why society grants these rights at all: the shades of Locke, Kant, Adam Smith, Bentham, Hegel and Marx wander the terrain, together with their intellectual successors. None provides a single sufficient explanation. For our purposes, intellectual property rights, as currently configured,

³ Intellectual property boosters may prefer a more ornate description of the field, but I leave fairy stories for nurseries.

are best justified as encouraging those who may wish to create, finance or exploit products of the mind to translate intent into act, particularly where they might otherwise not act at all, or act less often or less well, without the carrot of protection.

The most familiar rights are patents, copyrights, and trade-marks, but lots more have been added or developed over time: industrial design rights, semiconductor topography and plant breeder rights, common law and delictual rights over trade secrets and confidential information, and other rights that prevent or redress various acts of unfair competition (such as passing-off). Patent law protects new and non-obvious inventions; copyright protects creative work from being copied; trade-mark law protects trade-marks from confusion and other objectionable practices. The rights are largely territorial but are fairly standardized worldwide as a result of intellectual property treaties and free trade agreements.

Twenty, even ten, years ago, a topic on the Supreme Court and intellectual property would have produced a pretty thin lecture. Till then in the post-World War II period, the Supreme Court of Canada continued doing mostly other things than intellectual property. It regarded intellectual property as arcana best left to the experts. The cases that came to it involved mainly pharmaceutical patents, the now defunct compulsory patent licensing scheme, copyright in music, records or broadcasting, the odd case on industrial design, trade-mark passing-off or procedure, or even on constitutional law (e.g., Could the Parliament create a tort of unfair competition? Answer: no; unfair competition might be trade and commerce, but just enacting a tort was not “regulation” of it).⁴ The Court seemed most comfortable when handling the common law cases. It generalized and discussed policy according to the fashion of the time and the judges’ individual inclinations, much as it did in other cases of tort. As soon as the Court ventured into the statutory intellectual property rights, one immediately sensed its awkwardness, its wish to stay close to the statutory language, find a handy precedent from England or an earlier Canadian case, and, after reciting the facts and the lower courts’ disposition of the case, say just the bare minimum

⁴ *MacDonald v. Vapour Canada Ltd*, [1977] 2 S.C.R. 134, 66 D.L.R. (3d) 1, Laskin C.J.C for the majority, concurring judgment by de Grandpré J [*MacDonald*].

necessary to get by.⁵ What sparks there were came from the federal and provincial trial courts and courts of appeal.⁶

There were of course exceptions. Pigeon J. seemed actually to enjoy his forays into patent law,⁷ although his pronouncements on trade-marks and copyright could be somewhat delphic.⁸ Judson J. wrote some workmanlike opinions across the board,⁹ as did Martland

⁵ See e.g., *Cuisenaire v. South West Imports Ltd*, [1969] S.C.R. 208, 2 D.L.R. (3d) 430, Ritchie J. for the Court (no copyright in mathematics teaching rods); *Webb & Knapp (Can.) Ltd, v. Edmonton (City)*, [1970] S.C.R. 588, 11 D.L.R. (3d) 544, Hall J. for majority, Abbott J. for the dissenters [*Webb & Knapp*] (awarding damages for copyright infringement of architectural plans).

⁶ See e.g., *Hay v. Sloan* (1957), 12 D.L.R.(2d) 397 (Ont. H.C.), where a refreshing opinion by Stewart J, ranging from Vitruvius and Palladio through to Mondrian and Gertrude Stein, determined that a simple house qualified for copyright as an original “architectural work of art”. The following sample typifies the whole:

“Suppose a man were to build himself a pig-pen garnished with fretted gingerbread and with four lovely turrets, yet firm and commodious. Let it stand in its multicoloured horror a mid-Victorian blot upon the landscape. Let us assume that no contemporary could accept this edifice as anything but an architectural excrescence of the most loathsome kind, yet to its creator it could well be a thing of beauty and to its inhabitants a porcine paradise. An attempt has been made to produce *venustas* and some originality displayed. This, in my view, is sufficient to render such building the subject-matter of copyright.”

⁷ See e.g., *Tennessee Eastman Co. v. Canada (Commissioner of Patents)*, [1974] S.C.R. 111, 8 C.P.R. (2d) 202 (medical invention); *Burton Parsons Chemicals Inc. v. Hewlett-Packard (Can.) Ltd* (1974), 17 C.P.R.(2d) 97 (reissue and claim construction); *Monsanto Co. v. Commissioner of Patents* [1979] 2 S.C.R. 1108, 100 D.L.R. (3d) 385, Pigeon J. for majority (allowable extent of claim and Commissioner’s duties); *Farbwerke Hoechst AG v. Halocarbon (Ont.) Ltd* [1979] 2 S.C.R. 929, 104 D.L.R.(3d) 51, Pigeon J. for majority (novelty and non-obviousness).

⁸ *CAPAC v. CTV Television Network Ltd*, [1968] S.C.R. 676, 68 D.L.R. (2d) 98 (transmitting music over network was communicating not the “work” but merely a “performance” of it); *Home Juice Co. v. Orange Maison Ltée*, [1970] S.C.R. 942, 16 D.L.R. (3d) 740 (restricting, without statutory authority, trade-mark registration to single province); *S.C. Johnson & Son Ltd. v. Marketing International Ltd.*, [1980] 1 S.C.R. 99, 105 D.L.R. (3d) 423 (“Off!” trade-mark for insect repellent unregistrable as clearly descriptive because elliptical).

⁹ *Circle Film Enterprises Inc. v. Canadian Broadcasting Corp.*, [1959] S.C.R. 602, 20 D.L.R. (2d) 211 (effect of copyright registration) [*Circle Film*]; *Commissioner of Patents v. Farbwerke Hoechst AG* [1964] S.C.R. 49, 41 C.P.R. 9 (double patenting); *Cheerio Toys & Games Ltd v. Dubiner*, [1966] S.C.R. 206, 55 D.L.R. (2d) 313 (dissenting from Hall J.’s majority view that assignors cannot challenge an assigned trade-mark’s validity); *Netupsky v. Dominion Bridge Co. Ltd*, [1972] S.C.R. 368, 24 D.L.R. (3d) 484 (engineer’s control over building alterations).

J. on patents¹⁰ and Laskin C.J.C. on trade marks and names,¹¹ and other judges produced the thoughtful occasional contribution. Thus, Dickson J., although on unfamiliar territory, seemed to relish the intellectual challenge of getting to grips with the esoteric question of how comprehensible a patent specification had to be to pass muster as valid (less comprehensible to lay folk than the lower court had claimed, he finally decided for the Court).¹² And the present Chief Justice, foreshadowing her *tour de force* for the Court in *CCH*¹³ a decade later, ventured forth extrajudicially on the general need for a balanced approach to intellectual property issues.¹⁴

But the rest of the Court's intellectual property jurisprudence before the early 1990s made mostly for pretty grim reading. Even

¹⁰ *Farbwerke Hoechst AG v. Commissioner of Patents* (1966), 33 Fox P.C. 99, 50 C.P.R. 220 (reissue); *S. & S. Industries Inc. v. Rowell*, [1966] S.C.R. 419, 56 D.L.R. (2d) 501 (patent threats; Spence J. concurring); *Formea Chemicals Ltd v. Polymer Corp. Ltd*, [1968] S.C.R. 754, 69 D.L.R. (2d) 114 (Crown use); *Armstrong Cork Canada v. Domco Industries Ltd*, [1982] 1 S.C.R. 907, 156 D.L.R. (3d) 595 (non-exclusive patent licensee may claim infringement damages).

¹¹ *La Maur Inc. v. Prodon Industries Ltd* [1971] S.C.R. 973, 20 D.L.R.(3d) 10 (confusion); *Canadian Motorways Ltd v. Laidlaw Motorways Ltd* [1974] S.C.R. 675, 40 D.L.R.(3d) 52 (Laskin J. for majority (Pigeon J. concurring, Judson and Ritchie JJ. dissenting), upholding administrative decision requiring change of confusing corporate name); *Chateau-Gai Wines Ltd v. Institut National des Appellations d'Origine des Vins et Eaux-de-Vie*, [1974] 1 S.C.R. 190, 51 D.L.R. (3d) 120 (Laskin J. for 4:5 minority, arguing against protection of "champagne" under Canada- France trade treaty); *MacDonald, supra* note 4 (constitutionality of provisions in *Trade-mark Act*); *Breck's Sporting Goods Co. Ltd v. Magder*, [1975] 1 S.C.R. 527, 63 D.L.R.(3d) 645 [*Breck's*] (assignment of manufacturer's mark to exclusive distributor invalidated registration; parallel imports allowed).

¹² *Consolboard Inc. v. MacMillan Bloedel (Sask.) Ltd.*, [1981] 1 S.C.R. 504, 122 D.L.R. (3d) 203 [*Consolboard*]. See also: *General Motors Corp. v. Bellows*, [1949] S.C.R. 678, 10 C.P.R. 101, Rand J. (on trade-mark validity and infringement); *Pioneer Hi-Bred Ltd v Commissioner of Patents*, [1989] 1 S.C.R. 1623, 60 D.L.R. (4th) 223, Lamer J. (disclosure requirement for genetically modified plant not fulfilled); *R. v. Stewart*, [1988] 1 S.C.R. 963, 50 D.L.R. (4th) 1, Lamer J. (copyright and confidential information not property under Criminal Code) [*Stewart*]; *Shell Oil Co. v. Commissioner of Patents*, [1982] 2 S.C.R. 536, 67 C.P.R. (2d) 1, Wilson J. (new use for old compound patentable).

¹³ *CCH, supra* note 1.

¹⁴ B. McLachlin, "Intellectual Property – What's it all About?", in G. Henderson ed., *Trade Marks Law of Canada* (Carswell, 1993); cf. *Bishop v. Stevens*, [1990] 2 S.C.R. 467, 72 D.L.R. (4th) 97, McLachlin J. (affirming synchronization right in copyright and rejecting implied ephemeral recording exception for broadcasters).

Emmett Hall's passion for health care seemed to desert him when he wrote for the Court on intellectual property cases involving medicines. Hall J. clearly realized the stakes when pharmaceutical companies tried to stop generic drug makers from replicating the shape and colour of pills that came off patent, or from formulating samples before applying for a licence or marketing authority prior to selling pills in quantity, or from enforcing overbroad claims on medicinal compounds. Hall J. found, fairly enough, against the intellectual property holder and for the generic company in such cases. Yet his opinions were stilted and dry, little beyond an *ex cathedra* application of a prior English or Canadian precedent supporting his view, and the case then disposed of in a paragraph or two. There was little, if any, reference to the case's social or economic implications, or even to the competing arguments or case law.¹⁵

These comments on the style of the Court's intellectual property opinions may typify much of the Court's writing generally in pre-*Bill of Rights* and pre-*Charter* days. Nevertheless, a clear additional reason for the judges' reticence is evident: their relative unfamiliarity with intellectual property law, which they readily admitted to, if asked. Few seemed interested in making the effort required to familiarize themselves more. When they did dip their toe, one felt they really should have gone for full immersion. Even the great could bellyflop when they stepped off well beaten paths of precedent into the slurry of intellectual property theory and minutiae.

Take *Compo Co. Ltd. v. Blue Crest Music Inc.* decided in 1979.¹⁶ Estey J. wrote for a unanimous Court on the question of

¹⁵ *Parke, Davis & Co. v. Empire Laboratories Ltd*, [1964] S.C.R. 351, 45 D.L.R. (2d) 97 (trade-marks for pills); *Hoechst Pharmaceuticals of Canada Ltd v. Gilbert & Co.*, [1966] S.C.R. 189, 32 Fox P.C. 56; and *Société des usines chimiques Rhone-Poulenc v. Jules R. Gilbert Ltd* (1968), 69 D.L.R.(3d) 353, 12 O.R. (2nd) 465 (overclaiming); *Micro Chemicals Ltd v. Smith Kline & French Inter-American Corp.*, [1972] S.C.R. 506, 25 D.L.R. (3d) 99 (research exemption for patents). Similarly in non-medical cases: see Hall J's opinions in *Rodi & Wieneberger AG v. Metalliflex Ltd*, [1966] S.C.R. 593, 33 Fox P.C. 87 (compulsory licensing); *General Tire & Rubber Co. v. Phillips Petroleum Co.*, [1967] S.C.R. 664, 36 Fox P.C. 166 (obviousness); *Libbey-Owens-Ford Glass Co. v. Ford Motor Co.*, [1970] S.C.R. 833, 14 D.L.R. (4th) 210 (pre-existing use defence to patent infringement claim). For a terse opinion for the Court in a passing-off case, see *Tartan Breweries Ltd v. Carling Breweries (B.C.) Ltd* (1969), 15 D.L.R. (3d) 773, 44 Fox P.C. 6.

¹⁶ [1980] 1 S.C.R. 357, 105 D.L.R. (3d) 249 [*Campo*].

whether or not a company that pressed sound recordings needed copyright clearance from the copyright owner of the music, in addition to any clearance the record company that commissioned the presser may have needed. Estey J. examined the *Copyright Act*, found no relevant Canadian or British authorities on point, analyzed some comparable US authorities, and came to the plausible conclusion that the presser did indeed need clearance or it would be liable for infringement. In the course of a lengthy judgment, Estey J. said, sensibly:

“Courts in this technical field of copyright have found it prudent to make their judicial answers congruent with the legal issues raised in the proceeding at hand leaving, so far as possible, analogies, examples and hypothetical questions to another day.”¹⁷

Unfortunately, he then proceeded to ignore his own advice, with repercussions for theoreticians and practitioners alike. Take two issues that have proved troublesome since: one narrow, the other broader.

First, having correctly said that the record presser got no copyright in a record simply by pressing it, Estey J. then went on:

“The fact that [the presser] did not and could not obtain copyright in the record is in no way determinative of the question, ‘Has [the presser] infringed the rights of the [copyright owner]?’ No unauthorized exercise of the owner’s mechanical rights in a work can produce in the wrongdoer a copyright in the resultant record.”¹⁸

Now this last sentence is *obiter* because Estey J. had accepted that copyright in the record was owned by the record company. The presser was just doing the donkey work the company had commissioned it to do, stamping out discs from the master recording. Yet the Estey dictum is sometimes taken in Canada as good law for the proposition that a work that infringes another’s copyright cannot

¹⁷ *Ibid.* at 372.

¹⁸ *Ibid.* at 374-75.

itself get copyright. That may be US law because of a unique provision in the US *Copyright Act* that gives the copyright owner rights over derivative works such as records of copyright music, whether made with his consent or not.¹⁹ But it is not good law anywhere else in the Commonwealth outside Canada; nor should it be in Canada.²⁰

A moment's thought demonstrates why. Suppose a translator spends months or years translating something in the reasonable belief that she has the copyright owner's authority to do so. She turns out to be wrong—a surprisingly easy thing to do for either a professional or an amateur.²¹ *Prima facie*, the *Copyright Act* provides that she is, as author, the copyright owner of an original work. The *Act* also makes her an infringer of copyright in the source work, since the right to translate is part of copyright and honest intent does not excuse infringement. There is no contradiction between being an author and infringing another's rights. The source owner can stop the translator from exploiting her translation. The translator can stop everyone, including the source owner, from copying her work. They can negotiate a deal if the source owner does want to stop her. If he does not so want, why should third parties be able to copy her work for nothing? All those propositions fit with the language and purpose of the Canadian *Copyright Act*,²² the treaties it implements, general principles of ownership, and our intuitive feelings of right, wrong, and proportion. They certainly work better than a result that would,

¹⁹ 17 U.S.C. s. 101; *Dam Things from Denmark v. Russ Berrie & Co. Inc.*, 290 F. 3d 548 (3d Cir. 2002).

²⁰ See e.g. *Ludlow Music Inc. v. Williams*, [2002] F.S.R. 868 at 885-86 (Ch.); *A-One Accessory Imports Pty Ltd v. Off Road Imports Pty Ltd* (1996), 34 I.P.R. 306 (Aust. Fed. Ct.). See also D. Vaver, "Translation and Copyright: A Canadian Focus" (1994) 16 E.I.P.R. 159; D. Vaver, "Abridgments and Abstracts: Copyright Implications" (1995) 17 E.I.P.R. 225.

²¹ Although there is a copyright registry in Canada, registration is optional and few titles are registered; anyway, they are only presumptively, not conclusively, right. Finding title may require examining a long chain of documents, some in foreign languages, without knowing if there is a document missing. Professionals such as CBC lawyers can get it wrong (*Circle Films*, *supra* note 9), so what hope is there for amateurs?

²² *Copyright Act*, R.S.C. 1985, c. C-42, s. 2 [*Copyright Act*] ("every original literary, dramatic, musical and artistic work" includes "translations"), s. 13(1) (author is owner), s. 27(1) (infringement) & s. 34(1) (remedies), and s. 3(1)(a) (right to translate).

on Estey J.'s dictum, punitively deprive the translator of all benefit from her work.

The second broader point Estey J. made causes even more difficulty. It involves how intellectual property law relates to the general law. Accepting an argument put by counsel, Estey J. said that:

...[C]opyright law is neither tort law nor property law in classification, but is statutory law. It neither cuts across existing rights in property or conduct nor falls between rights and obligations heretofore existing in the common law. Copyright legislation simply creates rights and obligations upon the terms and in the circumstances set out in the statute. ... The legislation speaks for itself and the actions of the appellant must be measured according to the terms of the statute.²³

That statement is fine as far as it goes: owners and users should not have powers beyond what Parliament has conferred. But what if the legislation does not “speak for itself”, as it often does not? Intellectual property laws are not passed in a vacuum. They are only partial codes set against the backdrop of the general law. To suggest the solution to every intellectual property problem can be found within the four corners of the statute, without recourse to the baggage of general law the drafters expected readers would bring with them when looking at the statutes, is disingenuous.

Take, for example, the proposition that copyright law is not “property law in classification”. This may be a useful reminder not to apply the rules dealing with tangible property such as cars or chocolate bars mechanically to copyright or other intellectual property. But suppose the question is whether a contract, will, or statute that refers to “property” includes a copyright. Can one just say “No, it does not, because copyright is not ‘property law in classification, but is statutory law’”? I think not. The way the *Copyright Act* contours the right gives it many of the characteristics of what we think of as property: rights to exclude third parties, the power to transfer and license, property-like remedies for

²³ *Compo, supra* note 16, 372-73.

infringement.²⁴ So copyright or other intellectual property rights are capable of being characterized as property under a contract, will or statute.²⁵

The second question is more crucial: is this form of property meant to be caught by the language of this particular contract, will, or statute? The first question – is it capable of being so caught? – involves construing the intellectual property statute. The second – is it in fact so caught? – involves construing the particular contract, will, or statute that refers to property. It is perfectly possible to conclude that intellectual property is property within the meaning of one document, but not property within the meaning of another. It might not be property that is capable of being stolen under the Criminal Code, as the Court convincingly demonstrated in 1988.²⁶ It might very well be property under a will, where the testator disposes of his land to one set of beneficiaries and his personal property to another.²⁷ It may or may not be property under a provincial statute that lets sheriffs seize personal property for non-payment of a judgment debt; provincial courts have reached different results in interpreting their execution statutes, depending on a close reading of the history and purpose of those Acts.²⁸

So perhaps before the 1990s the judges were wise to stick closely to what they had to decide and not venture into larger questions. For when they did, they created problems for both

²⁴ Other states make the point explicitly: e.g., in the U.K., subs. 1(1) of the *Copyright, Designs and Patents Act* 1988 provides: “Copyright is a property right...”. So do other UK intellectual property statutes: e.g., s. 30(1) of the *Patents Act* 1977: “Any patent or application for patent is personal property (without being a thing in action)...”

The phrase in parentheses – “without being a thing in action” – is somewhat mystical: is there a *tertium quid* between a chose in possession and a chose in action? The idea is presumably to oust the operation of the usual provisions on assigning things in action in s. 136 of the *Law of Property Act* 1925 (U.K.) – mirroring provincial provisions such as s. 36 of the *Law and Equity Act*, R.S.B.C. 1996, c. 253– in favour of the special assignment provisions of the *Patents Act* R.S.C. 1985, c. P-4.

²⁵ See e.g., *Planet Earth Productions Inc. v. Rowlands* (1990), 69 D.L.R. (4th) 715, 73 O.R. (2d) 505 (H.C.J.) [*Planet Earth*].

²⁶ *Stewart*, *supra* note 12.

²⁷ *Re Dickens*, [1935] Ch. 267 (C.A.).

²⁸ *Planet Earth*, *supra* note 25, holding copyright to be personal property under Ontario’s *Execution Act*; criticized in Vaver, “Can Intellectual Property be Taken to Satisfy a Judgment Debt?” (1991), 6 *Banking & Finance L.Rev.* 255.

themselves and lower courts. The Estey dictum keeps cropping up in various guises in later Court decisions: for example, in such statements as that “the rights and remedies provided by the *Copyright Act* are exhaustive”.²⁹ Such statements are potentially mischievous.

For example, some intellectual property statutes—e.g., the *Copyright Act*—require assignments of the right to be in writing; otherwise they say the transaction is of no effect. Some lower courts, relying on the Estey dictum, take those provisions quite literally. No effect means no effect; an oral assignee or exclusive licensee is a legal non-entity: he gets no right at all.³⁰ But suppose I pay \$1m on a handshake for a copyright and spend another \$1m developing and marketing it. Is it really possible that the seller can pocket the \$1m and say I have nothing at all—except a right to a refund, and maybe not even that—simply because we only shook hands and didn’t think to have the seller scribble down and sign the magic words: “I hereby assign you all my copyright in X”? Have we not progressed beyond the “primitive stage of formalism when the precise word was the sovereign, and every slip was fatal”?³¹ Commonwealth courts, including civilian jurisdictions such as Scotland, have long said that the intellectual property statutes deal only with legal rights and remedies; equity steps in where legal rules fail to go.³² An oral assignment for value does create rights: the assignee can go to court to get his title formalized by asking for an order compelling the seller to

²⁹ See e.g., *Canadian Assn of Internet Providers v. SOCAN*, 2004 SCC 45, [2004] 2 S.C.R. 427 at para. 85, 240 D.L.R. (4th) 193 [*Internet Providers*].

³⁰ *Jeffrey Rogers Knitwear Productions Ltd v. R.D. International Style Collections Ltd* (1986), 19 C.P.R. (3d) 217 (Fed. T.D.) [*Jeffrey Rogers*]; *Masterfile Corp. v. World Internett Corp.* (2001), 16 C.P.R. (4th) 139 (Fed. T.D.) [*Masterfile*].

³¹ *Wood v. Duff-Gordon*, 222 N.Y. 88 at 91 (C.A. 1917), Cardozo C.J., (on implying terms in contracts).

³² *Performing Right Society Ltd v. London Theatre of Varieties Ltd*, [1924] A.C. 1 (H.L.), the principle of which has been often applied in the Commonwealth outside Canada: see, e.g., *Lakeview Computers plc v. Steadman*, 1999 WL 1048310 (C.A.); *Griggs Group Ltd v. Evans*, [2004] F.S.R. 673 (Ch.), aff’d [2005] EWCA 11 [*Griggs*]; *Comprop Ltd v. Moran*, [2002] Jersey L.R. 222 at paras. 31-33 & 38 (Royal Ct.); *Sheldon v. Metrokane*, [2004] FCA 19 at paras. 47 & 55 (Aust. Fed. Ct.); *Tayplan Ltd v. D & A Contracts*, [2005] ScotCS CSOH 17, para. 7 (“If I assign a thing which is not mine, I assign all the rights I have to make it mine. ... The law implies that a cedent confers on his assignee everything which is necessary to make the assignation effectual”); cf. the inconclusive discussion in *Downing v. General Synod of the Church of England in Canada*, [1943] 3 D.L.R. 553, O.R. 652 (C.A.).

sign a transfer; in default, a court official can sign in the seller's place.³³ Even before then, oral assignees have got interlocutory injunctions against infringers, but no final injunction without first getting a signed assignment or joining the assignor. Despite some favourable dicta in the Supreme Court,³⁴ I do not know that any lower federal court has clearly recognized such equitable rights in an intellectual property case, and a number of decisions oppose the idea.³⁵ I do not know if the argument for such rights was plainly put to the court. What is clear is that Supreme Court statements to the effect that the language of the intellectual property statute is the beginning and end of rights and obligations under it wrongly dissuade counsel from making such arguments, and lower courts from accepting them.

II

How do the decisions before the 1990s compare with those of the last decade or so? In this last period, the Supreme Court has made its mark on intellectual property law probably more firmly and extensively than in any other comparable period in its history. The Court is plainly convinced of intellectual property's importance to the economy. It has demonstrated its willingness to discuss the policy behind the intellectual property regimes and to reach decisions which further that policy as it sees it. Few will complain of the brevity of the judgments. Bottom-liners who cheered the judgments of the early 1990s, which disposed of a case in three sentences (Iacobucci J. for the

³³ *Seanix Technology Inc. v. Ircha* (1998), 78 C.P.R. (3d) 443 (B.C.S.C.); *Csak v. Aumon* (1990), 69 D.L.R. (4th) 567 at 570 (Ont. H.C.J.); *Peck v. Powell*, [1885] 11 S.C.R. 494.

³⁴ In *Webb & Knapp*, *supra* note 5, Abbott J. in his dissent (Ritchie J. concurring) recognized that an unwritten intention to transfer copyright constituted an equitable assignment; the majority (by Hall J.) did not disapprove, holding only that the parties lacked this intention. The Supreme Court has elsewhere accepted that the beneficial owner of a right is its owner "in reality" even though, until a writing is signed, the right is formally held in the assignor's name: *Pecore v. Pecore*, 2007 SCC 17, [2007] 1 S.C.R. 795 at para. 4. See also *Bau- und Forschungsgesellschaft Thermoform AG v. Chang* (1991), 60 B.C.L.R. (2d) 90, 37 C.P.R. (3d) 349 (C.A.), enforcing equitable interest in patent; *Teledyne Industries Inc. v. Lido Industrial Products Ltd* (1982), 68 C.P.R. (2d) 204, 227 (Fed. T.D.), holding that the federal court may exercise all the powers of a court of equity.

³⁵ *Jeffrey Rogers*, *supra* note 30; *Masterfile*, *supra* note 30.

Court) or three pages (Cory J. for the Court),³⁶ have nothing to cheer about in the lengthy prose that typifies the Court's current forays into intellectual property.

What questions has the Court considered? There are of course issues that recur in one guise or another ever since intellectual property laws started being written centuries ago. There are boundary disputes between rights: for example, can the same feature attract more than one intellectual property right—say a patent and a trade-mark—so that if one right expires or falls short, another can take its place?³⁷ Pharmaceutical companies keep their never-ending war going with generic companies over their attempts to market arguably off-patent drugs.³⁸ Collecting societies for music publishers and composers keep probing for new sources of revenue (now the internet) and have tried to enlist the Supreme Court's help.³⁹

But new vistas have opened up. The Court has faced important threshold questions: Can new genetic technologies be patented as inventions? (Yes, if you're patenting just the new gene; no, if you're patenting the plant or animal containing the modified gene. Unsurprisingly, both decisions were hotly disputed, with different narrow majorities swinging the case.⁴⁰) Who is an inventor and how much need he know when claiming more widely than his actual experiments? (Answer: whoever thought up the inventive idea,

³⁶ *Boutin v. Distributions C.L.B. Inc.*, [1994] 2 S.C.R. 7 (Iacobucci J.); *Apple Computer Inc. v. Mackintosh Computers Ltd.*, [1990] 2 S.C.R. 209, 71 D.L.R. (4th) 95 (Cory J.). See also *Kyriacopoulos v. Bouchet* (1966), 33 Fox Pat. C. 119 (S.C.C.).

³⁷ *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, [2005] 3 S.C.R. 302, 259 D.L.R. (4th) 577 [*Kirkbi*].

³⁸ *Eli Lilly & Co. v. Novopharm Ltd.*, [1998] 2 S.C.R. 129, 161 D.L.R. (4th) 1; *Merck Frost Canada Inc. v. Canada (Minister of National Health and Welfare)*, [1998] 2 S.C.R. 193, 161 D.L.R. (4th) 47; *Bristol -Myers Squibb Co. v. Canada (Attorney General)*, 2005 SCC 26, [2005] 1 S.C.R. 533, 253 D.L.R. (4th) 1; *AstraZeneca Canada Inc. v. Canada (Minister of Health)*, 2006 SCC 49, [2006] 2 S.C.R. 560, 272 D.L.R. (4th) 577.

³⁹ *Internet Providers*, *supra* note 29.

⁴⁰ *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76, [2002] 4 S.C.R. 45, 219 D.L.R. (4th) 577 [*Harvard*] (mouse unpatentable); *Monsanto Inc. v. Schmeiser*, 2004 SCC 34, [2004] 1 S.C.R. 902, 239 D.L.R. (4th) 271 [*Monsanto*] (plant gene patentable).

and she can then claim as far as sound prediction takes her.⁴¹) How elaborate need a work be to qualify for copyright as original? (Not very. How about a catchline?⁴²) Can an article, say a Lego block, be protected as a trade-mark once its patent and design rights have expired? (No, once you've eaten your kilo of cake, it's gone for ever.⁴³)

The Court has dealt with issues of responsibility for copyright infringements,⁴⁴ and pre- and post-trial remedies for infringement generally and for the unauthorized taking and using of confidential information.⁴⁵ It has taken up ownership issues: can arbitrators decide intellectual property ownership questions. (Yes, why not?⁴⁶) Do freelance journalists retain copyright over their work when their newspaper digitizes it? (Yes, for on-line transfer and archives; no, where the work is put on CD-ROM.⁴⁷)

The Court has decided equally important questions of scope: how widely could a patent be read to catch technology that didn't quite correspond 1:1 with the words of the claims? (Answer: not too widely.⁴⁸) How far could trade-marks reach beyond the products on which they were actually used? (Answer: Not as far as trade-mark owners would have liked. *Veuve Clicquot* could not stop a women's clothing store in Montreal calling itself *Clicquot*. However bubbly the sales assistants, neither they, their products nor their store could be

⁴¹ *Apotex Inc. v. Wellcome Foundation Ltd.*, 2002 SCC 77, [2002] 4 S.C.R. 153, 219 D.L.R. (4th) 660.

⁴² *CCH*, *supra* note 1.

⁴³ *Kirkbi*, *supra* note 37.

⁴⁴ *CCH*, *supra* note 1; *Internet Providers*, *supra* note 29.

⁴⁵ *Cadbury Schweppes Inc. v. FBI Foods Ltd.*, [1999] 1 S.C.R. 142, 167 D.L.R. (4th) 577 (compensation); *Celanese Canada Inc. v. Murray Demolition Corp.*, 2006 SCC 36, [2006] 2 S.C.R. 189, 269 D.L.R. (4th) 193 (requirements for *Anton Piller* orders); *Monsanto*, *supra* note 40 (account).

⁴⁶ *Desputeaux v. Éditions Chouette (1987) Inc.*, 2003 SCC 17, [2003] 1 S.C.R. 178, 223 D.L.R. (4th) 407.

⁴⁷ *Robertson v. Thompson Corp.*, 2006 SCC 43, [2006] 2 S.C.R. 363, 274 D.L.R. (4th) 138, a 4:5 dissent that would have let the newspapers have rights over all digitized content.

⁴⁸ *Free World Trust v. Électro Santé Inc.*, 2000 SCC 66, [2000] 2 S.C.R. 1024, 194 D.L.R. (4th) 232; *Whirlpool Corp. v. Camco Inc.*, 2000 SCC 67, [2000] 2 S.C.R. 1067, 194 D.L.R. (4th) 193.

confused with the products or business of the French champagne house, nor could they affect its image.⁴⁹ Mattel also couldn't force a bar-and-grill chain to stop calling itself "Barbie's"; Barbie dolls' fame didn't quite reach as far as barbecue pits.⁵⁰)

Perhaps most interestingly, the Court emphatically rejected the idea long peddled by intellectual property holders worldwide that their rights should be construed expansively, while users are left with nothing but a prayer and a few grudging statutory exceptions. In a copyright case involving photocopy access to the resources of the Law Society of Upper Canada's Great Library, the Court made it clear that users had rights too, rights that should get the same sort of benevolent interpretation as was extended to the rights granted to right holders.⁵¹ What the Court said was true for copyright must be equally true for other intellectual property rights.⁵²

Binnie J. has led the Court in many of the decisions, but other judges have also taken star turns or cameo roles. Intellectual property cases are no longer the hot potato that is passed round and round until it is finally picked up by some reluctant player to whom the Chief Justice has helpfully supplied heat-resistant mitts.

III

The Supreme Court's most recent foray into intellectual property has been its decision on July 26, 2007 in *Euro-Excellence Inc. v. Kraft Canada Inc.*⁵³ The scenario was this: a manufacturer wants to distribute its products worldwide only through distributors

⁴⁹ *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824, 270 D.L.R. (4th) 1.

⁵⁰ *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 S.C.R. 772, 268 D.L.R. (4th) 424. Perhaps, in hindsight, Barbie's image might have been better protected if more money had been spent on ensuring that she wasn't actually hazardous to the health of her loyal following, rather than on Mattel's worrying about fancied hazards to her image from non-competing eateries.

⁵¹ *CCH*, *supra* note 1.

⁵² So argued for patents in D. Vaver & S. Basheer, "Popping Patented Pills: Europe and a Decade's Dose of TRIPs" [2006] 28 E.I.P.R. 282.

⁵³ 2007 SCC 37, [2007] 282 D.L.R. (4th) 353 [*Kraft*]. Coincidentally, the case had particular contemporary interest at the time this lecture was given, in the light of the excitement around the strong Canadian dollar and the varied effect it was then having on availability and prices relative to the United States.

he authorizes. Unauthorized distributors are to be excluded. The problem is that the product is a perfectly ordinary consumable: here, branded chocolate. The manufacturer, actually two European affiliates of the giant US food producer Kraft Foods Inc., wanted to stop parallel imports of Toblerone and another brand of chocolate from Europe into Canada. The imports were genuine and carried their original packaging and trade-marks, so trade-mark or passing-off law could not prop up Kraft's scheme: no consumer was fooled into buying something different from what he expected.⁵⁴ The Canadian importer was committing no tort or breach of contract. The chocolates were unpatented. So Kraft turned to copyright.

It did not claim, as it might successfully have done in Canada in the early 1980s, that the chocolates themselves were protected by copyright.⁵⁵ Instead, Kraft Europe claimed copyright in the logos – the trade-marks with their design features – that appeared on the chocolate wrappers. It gave its Canadian counterpart, Kraft Canada, an exclusive licence in the copyright in Canada for a nominal annual sum, and then joined in the copyright infringement suit that its subsidiary brought against the importer.

This was no original scheme. Pigeon J. had flagged a similar possibility in 1974.⁵⁶ A decade later, the makers of Bailey's Irish

⁵⁴ *Smith & Nephew Inc. v. Glen Oak Inc.* (1996), 68 C.P.R. (3d) 153 (Fed. C.A.) (no trade-mark infringement); *Consumer's Distributing Co. v. Seiko Time Canada Ltd*, [1984] 1 S.C.R. 583, 10 D.L.R. (4th) 161 (no passing-off). Assigning or licensing the Canadian trade-mark rights risked invalidating the marks as non-distinctive because consumers might not know whether the Europeans or the Canadians stood behind the product: *Breck's*, *supra* note 11.

⁵⁵ In those heady days, ordinary products were sometimes protected by saying that copying them was a breach of artistic copyright and to copy the product was indirectly to copy the artistic manufacturing drawings that revealed the product shape, whether or not the second comer had ever seen the drawings. See *Spiro-Flex Industries Ltd v. Progressive Sealing Inc.* (1986), 7 B.C.L.R. (2d) 189, 32 D.L.R. (4th) 201 (S.C.) (copyright in drawings for pump prevented others from copying the pump). Parliament closed off this strategy by an amendment (now s. 64) to the *Copyright Act* in 1988: see D. Vaver, "The Canadian Copyright Amendments of 1988" (1988) 4 I.P.J. 121.

⁵⁶ *Trudel v. Clairol Inc. of Canada* [1975] 2 S.C.R. 236, 54 D.L.R. (3d) 399 [Trudel]. "Can a manufacturer make use of copyright on the directions for use of his product so as to subject its sale to all the rights provided in the *Copyright Act*...?" Answer in Australia, pre-1998: yes (*Pioneer Electronics Australia Pty Ltd v. Lee*, [2000] FCA 1926 (Aust. Fed. Ct.) (DVD players).

Cream used copyright in labels to stop parallel imports into Australia, and TDK then successfully tried the same ploy in South Africa with parallel imports of its audio tapes.⁵⁷ The scheme did not always work. It failed in the European Union, where Dior relied on both trade-mark law and copyright in its logo to try to prevent a discount drug store from advertising and selling Dior products. The European Court of Justice said trade-mark law could not stop somebody from honestly advertising genuine goods; and copyright law should not go where trade-mark law feared to tread.⁵⁸ The Australians changed their statute in 1998 to stop what they saw as an abuse of copyright law.⁵⁹ Canadian policy makers have thus long been aware of the problem, but have chosen to neglect it.

An ingenuous observer might of course ask two pertinent questions of the Canadian case. First, had not Kraft already profited from its sale to the European source from which the Canadian importer had bought? What business had it then in impairing a resale? Some states recognize that logic by saying a first sale exhausts whatever copyrights a work had till then. The intellectual property owner loses all downstream control over resales. As we shall see, Canada recognizes that rule only weakly: just where the copyright owner is identical in both the exporting and importing country.

The ingenuous observer might then ask her second question: was not the Kraft group really behind the whole case? Why should we pretend that the puppetry between the Kraft subsidiaries with the licence agreement made any difference? The short answer is: where would corporate law or corporate lawyers be if paper arrangements among parents and subsidiaries were not given legal effect? We have long become enured to Holmes J.'s *bon mot* that "The life of the law has not been logic: it has been experience." He might have said with

⁵⁷ *R. & A. Bailey Co. v. Boccaccio Pty Ltd* (1986), 84 F.L.R. 232 (Aust. Fed. Ct.); *Frank & Hirsch (Pty) Ltd v. A. Roopanand Brothers (Pty) Ltd* (1993), 29 I.P.R. 465 (App. Div. S.A.).

⁵⁸ *Parfums Christian Dior SA v Evora BV*, [1997] E.C.R. I-6013 at para. 58: "the protection conferred by copyright as regards the reproduction of protected works in a reseller's advertising may not, in any event, be broader than that which is conferred on a trade mark owner in the same circumstances".

⁵⁹ *Copyright Act* 1968, s. 10(1), as am. 1998, c. C-42 referred to in *Kraft*, *supra* note 53 at para. 5, Rothstein J.

equal truth: “The life of the law has not been logic: it has been fiction.”

The lower courts followed this revised dictum to find that Kraft Canada, a different copyright holder from Kraft Europe, could enforce its right to stop parallel imports. The federal court of appeal affirmed a judgment awarding Kraft a large sum of damages and an injunction to have the importer blank out the trade-marks when selling chocolates.⁶⁰ By a 7-2 majority, the Supreme Court reversed this judgment – but what an odd majority, and what an odd reversal. Had the Court sat two years earlier with its then different composition of judges, or as a panel of five or seven, the result could easily have been different. Which recalls Milton’s lines from *Paradise Lost*:

“...Chaos Umpire sits,
And by decision more imbroiles the fray
By which he Reigns: next him high Arbiter
Chance governs all...”⁶¹

Or, less stirringly, Tom Brown’s satirical rhyme about Dean John Fell of Christ Church, Oxford, in the 17th century:

I do not love thee, Doctor Fell,
The reason why I cannot tell;
But this alone I know full well,
I do not love thee, Doctor Fell.

A clear majority of the Court seemed unhappy with the lower courts’ result, but could not agree on the source of their unhappiness. The only common point of agreement was that a parallel importer need not fear an infringement suit based on copyright in trade-marks or product packaging, where the entity which owns the copyright in both Canada and the country of export is the same. Beyond that, matters disintegrate.

⁶⁰ *Kraft Canada Inc. v. Euro-Excellence Inc.*, [2004] 4 F.C.R. 410, mod. & aff’d [2006] 3 F.C.R. 91 (C.A.).

⁶¹ Book 2, ll. 907-10.

The precise question before the court involved an oddly drafted provision on importing, subsection 27(2) of the *Copyright Act*, the antecedents of which can be traced back to the copyright laws of Victorian Britain. The subsection provides that importing for sale or distribution is infringement if the importer knew or should have known the work would infringe copyright “if it had been made in Canada by the person who made it”.⁶² Philosophers might well ask how one can have actual, let alone constructive knowledge, of a hypothetical set of facts. This point is rather serious since a form of subsection 27(2), omitting constructive knowledge, appears in the criminal enforcement provisions of the Act: deliberate parallel importing seems to be a crime as well as a civil wrong, and attracts on indictment a maximum million dollar fine and 5 years’ jail.⁶³

The question which divided the Supreme Court was this: could Kraft Canada (the licensee) hypothetically have sued Kraft Europe (the person who had the logo made) for infringement of the Canadian copyright? If so, the importer infringed Canadian copyright, because Kraft Europe hypothetically infringed.

If one sets aside whether or not this convoluted means of imposing civil liability is good policy, the issue is whether or not the statutory hypothesis can be made to work satisfactorily. It seems best geared to a case where the Canadian and foreign company are at arms’-length, so that the permissible partitioning of territory by copyright is the result of an arms’-length deal. The foreign company’s profits from its foreign copyrights would then be its alone; the profits the Canadian company makes or expects would also be its own and would come from exploiting the Canadian copyrights it bought.

But in *Kraft* the two companies were not at arms’-length. They were controlled by the parent, Kraft US. Must this fact be ignored? I suggest not. On the hypothesis the *Copyright Act* requires, Kraft Europe would never have infringed Kraft Canada’s copyright had Kraft Europe produced trade-marked chocolate wrappings in Canada, for this act would have been ultimately authorized by the companies’ US parent. Kraft US would never have allowed Kraft Canada to sue Kraft Europe to the group’s ultimate

⁶² Importing for private consumption is not caught; cross-border shoppers may shop with clear conscience.

⁶³ *Copyright Act*, s.42(1)(g), *supra* note 22.

detriment. If the theoretical distinction between the commission of a wrong and the decision whether or not to sue for it must be maintained, then one may say that Kraft Canada would inevitably have consented to Kraft Europe's activities. Consent precludes infringement; the claimant who does not plead and prove his lack of consent to the defendant's act omits an essential element of copyright infringement and should have his case dismissed.⁶⁴ Thus, no infringement of Kraft Canada's rights could have occurred, whether Kraft Canada was Kraft Europe's assignee or exclusive licensee.

This reasoning accepts the artificial reality of the two companies as separate entities, but realistically treats them as members of the same family who would never serve the Queen's writ upon the other. The argument does not require a fictitious intent to be implied; it infers an intent that must have existed in reality. For what is tortious between arms'-length corporations need not be so between affiliates. This reasoning also preserves the value of Canadian copyrights as assets that may be genuinely dealt with between arms'-length parties.⁶⁵

Had the Court adopted this line of reasoning, the Kraft plaintiffs would have lost their case on grounds that were both commercially satisfying and also juridically respectable. None of the nine judges, however, considered this argument. Perhaps the point was not made this way to them. Perhaps they may have wanted evidence of Kraft's corporate set-up, although judicial notice might easily have been taken of it. Instead, the Court divided into four blocs, with mixed concurrences and dissents:

1. In what are labelled the Court's "Reasons for Judgment", three judges led by Rothstein J. said that Kraft Canada could not sue Kraft Europe: an exclusive licensee can sue everyone for infringement, except the copyright owner. No owner can be sued for infringing his own copyright. Had Kraft Europe transferred copyright *ownership* to Kraft Canada, the importer would have lost.

2. Three judges led by Bastarache J. said Rothstein J. was wrong: the exclusive licensee had by statute an interest in copyright,

⁶⁴ *Avel Pty Ltd v. Multicoin Amusements Pty Ltd* (1990), 171 C.L.R. 88 (Aust. H.C.); *R. v. Laurier Office Mart Inc.* (1994), 58 C.P.R. (3d) 403 (Ont. Prov. Div.), *aff'd* (1995), 63 C.P.R. (3d) 229 (Ont. Gen. Div.).

⁶⁵ A concern of Rothstein J's in *Kraft*, *supra* note 53 at para. 21.

which meant he could sue the copyright owner. But, said Bastarache J., he could sue him only for importing to sell the *work*, not to sell something like a trade-mark or packaging that is just incidental to the work. To paraphrase: if you sell a cat, unless it's a Manx, the tail comes with it; you don't say you're selling a cat and a tail.

3. Two judges, Abella J. with McLachlin C.J.C. concurring, said Bastarache J. was right about the exclusive licence but wrong on his cat-and-tail argument. They agreed on this point with Rothstein J., who also rejected Bastarache J.'s tail-with-cat argument: when do you know a tail is incidental to the cat? Some cats might fall over without it, or would be laughed out of a cat show.

4. Just to thicken this bouillabaisse, Fish J. concurred in Rothstein J.'s reasons for judgment but added his "grave doubt whether the law governing the protecting of intellectual property rights in Canada can be transformed in this way into an instrument of trade control not contemplated by the *Copyright Act*."⁶⁶

So we find different majorities for and against different propositions. If we assume the importer has the requisite actual or constructive knowledge, parallel imports are allowed or not in the following cases:

(a) If there is copyright in the product (say a sound recording) and an assignment of the Canadian copyright, parallel import for resale or rental is not allowed. (The whole Court would agree with that, possibly even Fish J.)

(b) Importing is also not allowed if there is a grant of an exclusive Canadian licence in the copyright. (At least five of the nine judges would agree with this: the Bastarache and Abella blocs.)

(c) If the copyright is in the trade-mark or packaging and there is an assignment of Canadian copyright, then the product cannot be imported without prior deletion of the copyright material. (A majority of five would agree with this: the Rothstein and Abella blocs. Fish J. might not join them.)

(d) The product can be imported in that case if there is just a grant of a Canadian exclusive licence, but we do not know conclusively why. Four of the judges say: because the exclusive licence makes all the difference. Three say: because the trade-mark or

⁶⁶ *Ibid.* at para. 56.

packaging is just incidental. And each group vehemently dissents with the other's view.

IV

What does *Kraft* suggest about intellectual property today? And why should anyone other than intellectual property lawyers and policy-makers care?

First, whoever is interested in the Rule of Law should care: if the statutory provisions at issue in *Kraft* are typical – and I fear they are – then our intellectual property laws are not well drafted and need to be urgently improved. If our top judges cannot agree on them, what hope is there for legal advisers or ordinary users of the system?

Secondly, whoever is interested in competition and consumer law should care: for *Kraft* suggests that copyright protects too much too easily. The law can be easily manipulated to stifle competition. Copyright has moved away from its core function of protecting cultural products into the realm of ordinary industry and commerce. The logo might technically qualify as an original art, although bits were excluded as unoriginal by the trial judge following the Supreme Court's tightening up of originality criteria in the Osgoode Great Library case.⁶⁷ We might accept that copyright usefully protects the original artist's interest in initially being able to market her work, although in practice she usually loses all rights in it by contract to the firm that employed her as employee or consultant.⁶⁸ But once the logo is used as a trade-mark and the artist has no further legal interest in it, the laws relating to commerce (trade-mark law), not culture, should govern its protection, and copyright should drop out of the picture.

Thirdly, economists and international trade lawyers should care: for, as *Kraft* indicates, copyright law in fact is less about protecting culture than about protecting businesses from competition.

⁶⁷ *Kraft Canada Inc. v. Euro Excellence Inc.* 2004 FC 652, [2004] F.C.R. 410 at paras. 31-37 (Fed. Ct.), following *CCH*, *supra* note 1. The findings on originality were unchallenged on appeal.

⁶⁸ *Griggs*, *supra* note 32, where, even with no express term on copyright ownership, the company making "Doc Martens" shoes was held to be the equitable owner of copyright in the trade-mark design it had commissioned from an advertising agency, which in turn had used a freelance designer to author the work.

Most of intellectual property law is designed to achieve that end. The protection is to encourage invention and cultural production, but we never know how much protection is necessary or desirable. In principle, we should not protect more than is necessary to produce the conduct we want. Any more just imposes social costs and diverts resources away from other sectors of the economy.

In that light, the question of how far copyright should ban parallel importing should be revisited. We have free trade agreements galore; yet when intellectual property is involved, we suddenly find that copyright acts as a restriction on competition and goods cannot cross borders freely at all. What intellectual property laws cannot achieve is now often achieved technologically: so-called technological protection and digital management measures are used to impose restrictions on who can use what and where.⁶⁹ These points need revisiting not just for copyright-protected products, but for intellectual property products generally.

Movement might no doubt be restricted in particular sectors for good reason. Book distributors played the Canadian culture card to get protection in 1997 under the copyright law amendments for their local distribution systems. Hair dye makers defended, on safety grounds, a dual distribution system that allowed sales of unlabelled products only to professionals and of labelled products only to consumers.⁷⁰ But what may go for books or hazardous goods hardly goes for European chocolate bars or other ordinary consumer products. In the European Union and European Free Trade Area, the idea of a common market has meant that intellectual property laws cannot prevent goods from moving around freely within Europe, although imports from outside Europe can be stopped. As one text puts it:

...[P]arallel (or gray) importation, i.e., buying in a low-cost country and selling in a high-cost country, is likely to occur (and indeed in many ways is encouraged) and that practice may act, within the Community itself, as an adjustment mechanism driving towards price uniformity. The activities

⁶⁹ D. Vaver, "Copyright and the internet: from owner rights and user duties to user rights and owner duties?" (2007) 57:3 Case Western L.Rev. 000 (in press).

⁷⁰ *Trudel*, *supra* note 56, decided on Quebec civil law, expressly without reference to competition law principles.

of the parallel importer are thus of singular importance to achievement of the Single Market and have been supported, wherever possible, by Community institutions – not least by the Court of Justice.⁷¹

European negotiators use free entry into European markets as a bargaining chip when negotiating bilateral trade agreements. What has always been extraordinary about the *NAFTA* as a free trade agreement is its silence on the question of free movement of intellectual property-protected goods within the *NAFTA* area, or their entry from outside the area while their intellectual property is ultimately controlled by a *NAFTA*-based entity such as Kraft Foods Inc.

Fourthly, economists may also care about the question whether multiple intellectual property rights in any work are desirable or not. Intellectual property legislation sometimes deals with overlaps, but only erratically. In principle, multiple rights seem unnecessary. If intellectual property rights are a carrot to encourage conduct, when do we need to dangle two carrots to encourage a single activity? Would we have fewer or worse trade-marks if they lacked copyright protection? I doubt it. The need for effective marketing is spur enough to create effective trade-marks.

Of course, every producer or right holder would like double protection. Many pilots prefer twin-engine to single-engine craft, just as firms and their advisers like back-up just in case one form of protection fails. But that reasoning hardly applies here. Trade-marks retain common law protection even after they get registered under the *Trade-marks Act*; to confer copyright on them as well is to protect thrice over. Only legal neurotics or carrot gluttons need that.

Lastly, free speech lawyers should care: for although copyright is often touted as a means to protect and encourage free speech,⁷² it often works to restrict speech, and particularly so where copyright in trade-marks is recognized. Buying chocolate bars seems distant from

⁷¹ W. Cornish and D. Llewelyn, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 5th ed. (Sweet & Maxwell, 2003) at 737.

⁷² N. Netanel, "Copyright and a Democratic Civil Society" (1996) 106 Yale L.J. 283; Y. Benkler, "Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain" (1999) 74 N.Y.U. L. Rev. 354.

free speech issues, but consider this instance from a decade ago: the Michelin tyre company successfully sued a trade union that had used a caricature of its registered mark of a roly-poly cartoon figure in leaflets designed to persuade workers in Michelin's Nova Scotia plants to join the union. The case failed in passing-off and trade-mark infringement because the court decided that the union was not using the mark in trade on any goods or for any services. But the union was found liable for infringing copyright in the trade-mark. There was no defence under the *Copyright Act*—parody is not a specific head of fair dealing in Canada⁷³—nor did the *Charter* claim of freedom of expression succeed: in a struggle between that right and copyright as “property” (Estey J. notwithstanding⁷⁴), copyright triumphed.⁷⁵

I do not know if that first instance decision can stand in the light of later Supreme Court jurisprudence. In a comparable later case in South Africa, the Constitutional Court preferred free speech over trade-mark rights where a critic of a brewery company's hiring practices put the brewer's trade-mark on a T-shirt with some critical comment.⁷⁶ One hopes that current Canadian courts would be no less protective of free speech.⁷⁷ But so far lower courts continue to tread

⁷³ *Copyright Act* ss. 27(1)(a) & (a.1), *supra* note 22. The *Michelin* court (*Compagnie Générale des Établissements Michelin-Michelin & Cie v. National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada)*, [1997] 2 F.C. 306, 71 C.P.R. (3d) 348 (T.D.) [*Michelin*]) rejected the view that parody was impliedly “criticism”, a statutory head of fair dealing; *sed quaere*.

⁷⁴ See text above accompanying notes 23 ff.

⁷⁵ *Michelin*, *supra* note 73.

⁷⁶ *Laugh It Off Promotions CC v. South African Breweries International (Finance) BV*, 2006 (1) S.A. 144 (Sth Afr. Const. Ct.); see generally, J. Griffiths & U. Suthersanen, eds., *Copyright and Free Speech: Comparative and International Analyses* (Oxford University Press, 2005).

⁷⁷ See e.g., *R. v. Guignard*, 2002 SCC 14, [2002] 1 S.C.R. 472, where LeBel J. for the Court invalidated, on *Charter* free expression grounds, a municipal bylaw that outlawed the erection or display of signs which included any trade name, if the municipality had not first approved them. An aggrieved customer of an insurance company was thus free to maintain a sign on his property that “named and shamed” the company for allegedly delaying payment of a claim. LeBel J. said municipalities could not take away citizens' rights to air grievances cheaply and effectively, adding that “simple means of expression such as posting signs or distributing pamphlets or leaflets or, these days, posting messages on the Internet are the optimum means of communication for discontented consumers” (*ibid.*, para. 25). See also *Musical Fidelity Ltd v. Vickers*, [2003] F.S.R. 898, 907 (C.A.), where it was suggested that

the *Michelin* line. Around the same time as *Kraft* was being decided, a Quebec court banned, on copyright grounds, a trade union from reproducing on its placards the masthead of the newspaper against which the workers were striking. Again, the court swept aside the union's *Charter* arguments: strikers had no greater privilege than any other citizen to use others' "property."⁷⁸

V

What characterizes the Supreme Court's recent decisions as a whole?

First, the judges are more informed about and interested in intellectual property issues than ever before. They often resort to a metaphor of balance: weighing the need to give an intellectual property holder fair protection as an incentive to create or acquire the intellectual property in the first place, against the needs of competitors and the public to have fair access to ideas and products.

Secondly, prior to the 1990s, intellectual property decisions rarely created much dissent. The single concurred-in judgment was the norm.⁷⁹ Today, the Court seems more divided in intellectual property cases. Dissents and concurrences are quite common. Perhaps this is true of other cases too. In intellectual property law, the reason is sometimes the inherently controversial nature of the dispute, coupled with opaque law. For example, the patenting of higher life

freedom of expression under the European Convention on Human Rights 1950 (art.10) might allow the posting on a website of a copyright-protected letter to criticize its contents and sender.

⁷⁸ *Corporation Sun Media c. Syndicat canadien de la fonction publique*, 2007 QCCS 2943, para. 32: "Le tribunal ne peut se convaincre que le seul fait d'être en conflit de travail permet à un tiers d'utiliser la propriété d'un autre et ce n'est pas brimer la liberté d'expression, mais c'est une juste limite à cette liberté d'expression." ["The court is unconvinced that the mere fact of a labour conflict allows a third party to use another's property. This does not infringe freedom of expression, but is a just limit on such freedom." (My translation - DV)]

⁷⁹ There are of course exceptions: see e.g., the disagreement, giving rise to three opinions, about whether "Gold Band" and "Golden Circler" were confusing marks for tobacco products: *Benson & Hedges (Can.) Ltd v. St Regis Tobacco Corp.*, [1969] S.C.R. 192, 1 D.L.R. (3d) 462 (Ritchie J. for the majority affirming the reversal of the Trade Marks Office's view that they were not; Pigeon J. concurring; Cartwright C.J.C. dissenting).

forms is inherently controversial; add the need to interpret a provision defining an invention in language dating back to an early 19th century American law, and dissent is not unlikely.⁸⁰ Sometimes the common and civil lawyers on the court fall out over doctrinal differences.⁸¹ Sometimes the metaphor of balance produces different emphases and different conclusions: it is easy to calibrate weights and scales differently.

Thirdly, the court's methodology today has moved on from that of a couple of decades ago. The judges all clearly recognize the international nature of intellectual property and are receptive to comparative and policy arguments. They of course pay close attention to the language of the legislation, but are willing to interpret it in the light of experience abroad.

Yet sometimes, with the best will in the world, the interpretation problems are intractable. The legislation is just not clear enough. We saw it in the arguments in the *Harvard Mouse* case⁸² about whether or not a genetically modified animal is an invention. The *Kraft* case is the most recent striking example of the lack of clarity of legislation, the drafting of which traces back into the 19th century. Both Rothstein and Bastarache JJ. claimed to interpret the statute purposively but each saw different purposes in it and each claimed the other was reading in words that were not in the *Act*.

In one of his papers, Learned Hand offered some useful advice on statutory interpretation, advice partly born of his experience in writing many excellent intellectual property judgments over his life as a judge of the US district court and later the US court of appeals for the Second Circuit:

The judge must ... find out the will of the government from words which are chosen from common speech and which had better not attempt to provide for every possible contingency. How does he in fact proceed? Although at times he says and believes that he is not doing so, what he

⁸⁰ See *Harvard supra* note 40; *Monsanto, supra* note 40.

⁸¹ E.g., *Théberge v. Galerie d'Art du Petit Champlain Inc.*, 2002 SCC 34, [2002] 2 S.C.R. 336, where the court divided in interpreting the term "reproduction" in the *Copyright Act* largely on those grounds.

⁸² *Harvard, supra* note 40.

really does is to take the language before him ... and try to find out what the government ... would have done, if the case before him had been before them. He calls this finding the intent of the statute. ... This is often not really true. The men who used the language did not have any intent at all about the case that has come up; it had not occurred to their minds. Strictly speaking, it is impossible to know what they would have said about it, if it had. ...

The judge must always remember that he should go no further than he is sure the government would have gone, had it been faced with the case before him. If he is in doubt, he must stop, for he cannot tell that the conflicting interests in the society for which he speaks would have come to a just result, even though he is sure that he knows what the just result would be. He is not to substitute his juster will for theirs; otherwise it would not be the common will which prevails, and to that extent the people would not govern.⁸³

The problem with intellectual property laws, as *Kraft* recognizes, is that one cannot be sure from the language where the government is coming from, let alone where it is going. Judges grope for what signs they can find to discern on an undedicated path. This is no longer good enough, if it ever was. How many cases like *Kraft* have to occur for the government to recognize that it needs to modernize the whole intellectual property law and produce a system that actually makes things simpler for creators and innovators, and the firms that employ and bankroll them and distribute their products?

I have long argued that Canada needs to modernize its intellectual property laws.⁸⁴ The field is particularly untidy. The great codifications of the 19th century in the law of sale of goods, bills of exchange and crime were successful in systemizing and clarifying the law, as well as exposing shortfalls and setting the scene for periodic reform. Codification of all intellectual property rights into a

⁸³ “How Far is a Judge Free in Rendering a Decision?” in I. Dillard, ed., *The Spirit of Liberty: Papers and Addresses of Learned Hand* 3d ed. (New York: Alfred A. Knopf, 1974) at 106, 109.

⁸⁴ See e.g., D. Vaver, *Intellectual Property Law: Copyright, Patents, Trade-marks* (Concord, Ont.: Irwin Law, 1997) at ch. 6, *passim*; D. Vaver, “Recreating a Fair Intellectual Property System for the 21st Century” (2001) 15 I.P.J. 123.

single unified code would have the same effect. It would remove fragmentation, deal comprehensively with common issues, more precisely delineate boundaries between rights, minimize discrepancies and overlaps, and generally reduce transaction costs.

The provisions on transfer and licensing of intellectual property rights, as well as defences to and remedies for infringement, could be standardized. Now there are wide differences for no reason other than the provisions were drafted at different times by different hands. In *Kraft*, some of the judges seemed to think there is hardly any difference between an assignment and an exclusive licence. If that is true (and I am with Rothstein J. in thinking that it is not so in Canada),⁸⁵ then we should make that explicit.

We need a single national registry of intellectual property rights to be established, allowing electronic filing and cross-searching. This could serve as a model that would develop into a regional and worldwide network of registries and would facilitate transparent ownership and transfer.

There will, of course, be difficulties. Change in intellectual property law is always a fractious affair. In the early 1950s Canada reformed its trade-mark law by appointing a committee headed by Dr. Harold Fox Q.C. to draft a new law.⁸⁶ The committee did that; the law was quickly enacted; and most acknowledge that it has done serviceable duty for a half-century. Even so, that law needs updating given advances in technology and theoretical understanding since; but at least the statute is internally coherent, being based on a coherent vision. Is there not a good case for a committee like that to undertake reform and modernization of the whole intellectual property system today?

Not only do we need clearer and fairer laws; we need simpler laws that are easier to read and understand. Successive governments have not really been serious about keeping intellectual property law under continuing review in this or other respects. They have gone through the motions but the net result is that treaties are duly implemented and a Copyright Board has been established, but little

⁸⁵ E.g., D. Vaver, "The Exclusive Licence in Copyright" (1995), 9 I.P.J. 163, *passim*.

⁸⁶ *Report of the Trade Mark Law Revision Committee* (Ottawa: Queen's Printer, 1953).

else of substance has occurred. This failure of legislative policy and national vision costs the economy dearly.

Consider what Dickson J. said a quarter century ago about the provision in the *Patent Act* which requires the inventor properly to disclose his invention. This section (then s. 36), he said, was “at the heart of the patent system”. Here is how it looked to him on a legal cardiogram:

It cannot be said that s. 36 of the *Act* is happily phrased. It gives the impression of a *mélange* of ideas gathered at random rather than an attempt to enunciate, clearly and concisely, a governing principle or principles. This is perhaps understandable in that the section is the product of amendment over a period of many years. The language simply does not lend itself to a tight, literal interpretation. It is, and should be treated as, a parliamentary pronouncement, in general terms....⁸⁷

And he then proceeded to trace the history of the language that appeared in s. 36 from Canada’s 1869 patent law derived from an 1836 US statute. The US provision has since been changed, but the only reform the Canadian provision has undergone is that it has been renumbered.⁸⁸

Other criticisms of the drafting of the intellectual property statutes litter the books. Dickson C.J.C.’s remarks typify how much of Canada’s intellectual property law looks today. These laws were often badly written when they were first enacted; successive amendments have been better, but not much. The laws have never been drafted – as they should be – so as to be understood by the users of the system: authors, inventors, designers, entrepreneurs, and their backers. Like old cars, the statutes have had bits tacked on here and papered over there. But these are not vintage cars worth hanging on to. At some stage they need to be traded in or junked. I think that time is fast approaching, if it is not already here.

⁸⁷ *Consolboard*, *supra* note 12 at 23.

⁸⁸ *Patent Act*, R.S.C. 1985, c. P-4, ss. 27(3), (4).