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## Consent or No Consent: The Burden of Proof in Intellectual Property Infringement Suits

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## Consent or No Consent: The Burden of Proof in Intellectual Property Infringement Suits

The first reported Canadian copyright case of 2011, *Aga Khan v. Tajdin*,<sup>1</sup> is a mixed bag. While the result may have been right, the court made some comments on the burden of proof of consent in infringement proceedings that may cause mischief in both copyright and other intellectual property infringement suits. Hence this Note.

The defendants had published a book and audio clips containing some of the Aga Khan's speeches to his followers. No one doubted the Aga Khan's ownership of copyright and the issue was, simply, had he consented to the publication? The defendants said he had, either expressly or impliedly. Express consent looked unlikely: the Aga Khan had sent the defendants letters denying consent and telling them to stop, and had later formally affirmed the letters were his. The defendants nevertheless persisted in saying the letters were hearsay or forgeries, and they really had the Aga Khan's consent all along. This part of the case collapsed once the Aga Khan turned up in person in Toronto to state on discovery that the earlier letters were indeed genuine and that he meant what he said.

The Federal Court granted summary judgment for the plaintiff and issued the usual orders for infringement of copyright. The defendants had argued that "proof of copyright infringement requires proof of lack of consent," citing the Federal Court of Appeal,<sup>2</sup> and said the Aga Khan had to prove he had neither expressly nor impliedly consented. But Harrington J. said their reliance was "very much mistaken:"

It is not up to the author to prove a negative, i.e. that he did not give consent. Consent is a matter of defence and so the burden must lie upon the defendants.<sup>3</sup>

This cannot be right. A plaintiff who wants to show infringement of an intellectual property right has to say that (1) you, the defendant, are doing something only I am entitled to do, and (2) I have not given you any consent to do that. He cannot just say (1) you, the defendant, are doing something only I am entitled to do, but (2) I am not telling you whether I gave you consent or not: you have to tell me whether I did. That is neither sense, nor is it the law: a defence becomes relevant only once liability has been *prima facie* established. Copying is wrong only if it occurs without the copyright owner's consent, and so proof of lack of consent is an essential ingredient of infringement. A defendant who wishes to say that his publication of another's work is justified in the public interest, or that he dealt fairly with it for research or review, is raising a defence or user right that he must plead

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<sup>1</sup> 2011 FC 14.

<sup>2</sup> *Albian Sands Energy Inc. v. Positive Attitude Safety System Inc.*, 2005 FCA 332 at [39].

<sup>3</sup> *Supra* n. 1 at [30].

and prove this to trump the plaintiff.<sup>4</sup> But without proof of an infringement, the defendant needs no defence.

Burden of proof rules allocate the costs and risks of gathering and presenting evidence, and help filter good cases from the bad. They should not be “impractical and unduly burdensome” on plaintiffs,<sup>5</sup> and should advance the purposes of the law involved. The *Copyright Act* has special burden of proof rules that give a plaintiff the benefit of presumptions on authorship, copyright and title if the defendant contests them, and presumptions of copyright subsistence and ownership where the right is registered.<sup>6</sup> The latter presumptions satisfy the plaintiff’s initial burden to produce some evidence on the issue; they do not shift his legal burden of proof.<sup>7</sup> There is no presumption about consent and no reason to imply one, let alone a more draconian reversal of the legal onus of proof.<sup>8</sup> It is rarely a chore for a plaintiff to prove he gave no express consent: he knows best whether he did or not. And even if it is a chore, that is a small price to pay for a right that stops people for sometimes over a century from doing what they would otherwise be free to do.

A defendant who says he has the plaintiff’s *implied* consent equally puts this point in issue, but then it seems reasonable for the defendant to plead and prove the facts on which he relies, and the inferences to be drawn from them.<sup>9</sup> The plaintiff can then produce whatever tends to rebut this case. That does not change the ultimate legal burden of proof, which remains on the plaintiff throughout.<sup>10</sup> Only the evidentiary burden shifts to the defendant: he needs to produce some evidence of consent or the plaintiff’s *prima facie* case succeeds.<sup>11</sup> If, on weighing the evidence, the court is satisfied the plaintiff gave no implied consent, he wins. If the defendant does show implied consent, the plaintiff fails to discharge his onus and loses. In theory, if the evidence is left in a state where the court is unsatisfied that the plaintiff did *not* grant implied consent, the plaintiff also loses. Few cases ever stand on

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<sup>4</sup> *CCH Canadian Ltd. v. Law Society of Upper Canada*, [2004] 1 S.C.R. 339 at [48].

<sup>5</sup> *Monsanto Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at [53].

<sup>6</sup> *Copyright Act*, R.S.C. 1985, c. C-30, ss. 35 & 53.

<sup>7</sup> *Circle Film Enterprises Inc. v. Canadian Broadcasting Corp.*, [1959] S.C.R. 602, 606-7, distinguishing between a plaintiff’s primary burden of proof — “that which rests upon a plaintiff as a matter of substantive law and is sometimes referred to as the risk of non-persuasion” — and the secondary burden of proof, “that of adducing evidence.”

<sup>8</sup> When U.K. law gave design owners the right to sue anyone applying a protected design to goods for sale, “such person knowing that the proprietor had not given his consent to such application,” that element was a “requisite to give a right of action” that the plaintiff had to plead and prove: *Woolley v. Broad*, [1892] 1 Q.B. 806, 812 (D.C.).

<sup>9</sup> *Neudorf v. Netzwerk Productions Ltd.* (1999), 3 C.P.R. (4th) 129 (B.C.S.C.).

<sup>10</sup> Some U.S. case law requires a copyright defendant to prove the existence of a licence as an affirmative defence: e.g., *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 775 (7th Cir.1996). If this correctly states U.S. law (*sed quaere*), it underscores the truth of Estey J.’s *dictum* in *Compo Co. Ltd. v. Blue Crest Music Inc.*, [1980] 1 S.C.R. 357, 367, that “United States court decisions . . . must be scrutinized very carefully because of some fundamental differences in copyright concepts which have been adopted in the legislation of that country.”

<sup>11</sup> See *Geffen v. Goodman Estate*, [1991] 2 S.C.R. 353, 81 D.L.R. (4th) 211, 243, by Sopinka J.; *Circle Film*, *supra* n. 7.

that knife-edge but some can, as this Note later shows.

So what drove Harrington J. to say what he did? Perhaps he was diverted by how the defendants also said, alternatively, that the plaintiff had acquiesced in their conduct; for acquiescence is certainly an equitable defence that a defendant must plead and prove, and it is easy to elide it with implied consent because the evidence for both often overlaps.<sup>12</sup> But the real culprit was a passage from the second edition of Harold Fox's textbook on copyright, which reads:

In order to constitute an infringement the acts complained of must be done "without the consent of the owner of the copyright". Such a consent may be presumed from the circumstances. The inference of consent must be clear before it will operate as a defence and must come from the person holding the particular right alleged to be infringed.<sup>13</sup>

The Supreme Court of Canada cited that passage in 1990,<sup>14</sup> as Harrington J. pointed out, but the defendant there had accepted the evidentiary burden of proving implied consent. The question of who bore the legal onus was never in issue. Such *obiter* comments are not binding<sup>15</sup> and, fittingly, Harrington J.'s views too are *obiter*. He found as a fact that the plaintiff had given neither express nor implied consent, so the question of who bore the burden of proof was irrelevant.

Yet emphatically expressed *dicta*, supported by a semblance of authority, can quickly become conventional wisdom, and Harrington J.'s *dicta* should not. The defendants in the *Aga Khan* case and the Federal Court of Appeal were right: the plaintiff does have to prove every element of copyright infringement, including that he had not consented to the defendants' acts. Fox himself says as much when he later discusses what must go in a statement of claim:

The plaintiff should . . . plead that the alleged acts of infringement were committed without his consent, for it is only in the absence of consent of the copyright owner that reproduction of the work constitutes infringement.<sup>16</sup>

Of course, a plaintiff does not plead what he need not prove, so Fox is clearly saying the plaintiff carries the burden of proof of lack of consent. Fox's footnote refers to the predecessor of current subsection 27(1) of the *Copyright Act*, which has stayed much the same since 1924 and is much like provisions in other Commonwealth states that base their copyright law on some version of U.K. law since 1911. Subsection 27(1) states:

It is an infringement of copyright for any person to do, without the consent

<sup>12</sup> *Supra* n. 1 at [57]; *Whitehead & Poole Ltd. v. Sir James Farmer & Sons Ltd.* (1918), 35 R.P.C. 241, 247 (Ch.), wrongly eliding separate pleas of consent and acquiescence in a patent case. Under old copyright laws that required licences to be written, it is also understandable that pleas of oral consent were treated as equitable defences: see E.S. Drone, *A Treatise on the Law of Property in Intellectual Productions in Great Britain and the United States* (Boston: Little, Brown, 1879), 499ff.; *Allen v. Lyon* (1883), 2 Comm. L.R. 289 (Ont. H.C.J.), equating oral consent with acquiescence.

<sup>13</sup> H.G. Fox, *The Canadian Law of Copyright and Industrial Designs*, 2nd ed. (Toronto: Carswell, 1967), 339 (see also 1st ed. (1944), 340).

<sup>14</sup> *Bishop v. Stevens*, [1990] 2 S.C.R. 467 at [35].

<sup>15</sup> *Griffin v. Toronto Ry.*, 33 S.C.R. 39, 1902 CarswellNat 35 at [6].

<sup>16</sup> Fox, *supra* note 13 (1st ed.), 455.

of the owner of the copyright, anything that by this Act only the owner of the copyright has the right to do.

Some laws say “licence” instead of “consent” but the two words here mean the same.<sup>17</sup> Read literally and straightforwardly, subsection 27(1) clearly requires the copyright owner to prove that (1) the defendant did something the owner alone had the right to do, and (2) the defendant did it without the copyright owner’s consent.

Fox may be guilty of inconsistency in the two passages quoted above but, more likely, the extract the Supreme Court and Harrington J. relied on does not quite mean what it says. The word “defence” is often loosely used to refer to situations where, to avoid losing, a defendant has to produce evidence to dispel the *prima facie* weight of a plaintiff’s case, here, the plausible denial of consent. That usage does not imply that the formal burden of raising and proving an essential element of a wrong has somehow been reversed. This looseness of usage is common.<sup>18</sup> Thus, Prosser’s standard work on torts includes consent in a chapter called “Defenses” but Prosser immediately recognizes and corrects the ambiguity by saying that consent “is not, strictly speaking, a privilege, or even a defence, but goes to negative the existence of any tort in the first place.”<sup>19</sup>

Definitional or policy reasons sometimes shift the legal onus of proving consent to a defendant, as sometimes happens with the tort of battery in Canadian law.<sup>20</sup> Otherwise, Prosser’s statement is true of most intellectual property infringements, despite the varying ways the laws are drafted. Cases on patents, copyrights (both criminal and civil), and trade-marks support this view.

## PATENTS

Like a copyright, a patent bars everyone from doing, without the patent holder’s consent, any act exclusively reserved to the patentee. British patentees who have alleged infringement have long borne the onus of proving the acts occurred without their consent. In *Betts v. Willmot* in 1871,<sup>21</sup> Betts moved to stop a retailer from selling bottled products sealed with Betts’s patented capsules. The

<sup>17</sup> *Acohs Pty Ltd. v. R.A. Bashford Consulting Pty Ltd.*, [1997] FCA 352 (Aust. Fed. Ct.).

<sup>18</sup> It continues in the current corresponding passages in Fox, which sees nothing wrong in putting the burden of proving no consent on the plaintiff, and still referring to consent as a “defence,” thus: “In order to show infringement *the plaintiff must provide proof of lack of consent*. The consent may be express or implied or by way of license. Consent may be presumed from the circumstances, but the inference of consent must be clear *before it will operate as a defence* and must come from the person holding the particular right alleged to be infringed”: K. Gill & S. Jolliffe, *Fox on Canadian Law of Copyright and Industrial Design*, 4<sup>th</sup> ed. (Scarborough, Ont: Thomson/Carswell, 2003), 21–7, §21:1(e) (emphasis added; paragraph break omitted).

The text later sets out the elements a plaintiff must include in the statement of claim, item #4 being “that the alleged acts of infringement were done without the plaintiff’s consent” (*ibid.*, 24–24, §24:6(b)).

Thanks to Nathan Fan for researching this point.

<sup>19</sup> *Prosser & Keeton on the Law of Torts*, 5th ed. (St. Paul, MN: West, 1984), 112.

<sup>20</sup> *Non-Marine Underwriters, Lloyd’s of London v. Scalera*, [2000] 1 S.C.R. 551 at [6].

<sup>21</sup> (1871), 6 Ch. App. 239 (L.C.).

retailer said the capsules could have come — note, not *did* come — from one of Betts’s factories in England or France. The initial buyer and everyone down the line would then have the patentee’s implied consent to use and sell the capsules and any products sealed with them. Betts initially swore the capsules were not his but later admitted they could have come from one of his two French factories, even though he had told his French manager not to export them.

The Vice-Chancellor dismissed the case, and so did the Lord Chancellor on appeal. Betts’s counsel opened the appeal by arguing that Betts was entitled to win unless the defendant could show that “the sale was authorized by the Plaintiff, and the onus is on the Defendant to prove this.”<sup>22</sup> Without calling on the defendant to reply, Hatherley L.C. said:

The onus is thrown on Mr. Betts of proving two things. One of them, . . . he has proved, namely, that there has been a use of his invention. But there is another question, namely, whether it has been an unauthorized use. It appears to me that, the onus being thrown on Mr. Betts to prove that, he has not discharged himself of it. He has to shew that this thing which the Defendant is using is not manufactured by him.<sup>23</sup>

Had the defendants not shaken Betts’s initial denial, the action would have succeeded. But Betts’ failure to “swear distinctly that [the infringing article] is not manufactured by him or his agent”<sup>24</sup> was fatal.

Similarly, in 1967 a drug company asked for an interlocutory injunction to stop sales of its patented medicine. At a time when a *prima facie* case was needed for the issue of an such an order, the respondent took the preliminary point, citing *Betts v. Willmott*, that the applicant had provided no affidavit to say that neither it nor its licensees had made the challenged goods. Lloyd-Jacob J. dismissed the application. Addressing the applicant, he said:

[W]hat I have to consider is whether you have sufficiently discharged the burden resting on you in the evidence in which you have failed to indicate that the material did not come from a source which is a licensed one. That is the point. It is not a burden on the other side. . . . The act of infringement you purport to identify is the sale of the compound. That is not enough unless you show that there were sales of unauthorised compounds.<sup>25</sup>

So a plaintiff loses if he does not plead and prove that the defendant lacked consent to what was done. The defendant need say nothing on the point.<sup>26</sup>

Despite differences between British and Canadian patents and patent legislation, Canadian courts treat British case law as persuasive on such issues.<sup>27</sup> Like

<sup>22</sup> *Ibid.*, 241-42.

<sup>23</sup> *Ibid.*, 242-43.

<sup>24</sup> *Ibid.*, 243.

<sup>25</sup> *Pfizer Corp. v. Bristol Pharmaceutical Co. Ltd.*, [1967] R.P.C. 346, 347 (Ch.).

<sup>26</sup> A defendant who pleads a compulsory licence is not raising any issue of consent. The compulsory licence justifies infringement, and so he must plead and prove it: *Micro Chemicals Ltd. v. Rhone-Poulenc, S.A.*, [1965] S.C.R. 284, 289; *Allen & Hanburys, Ltd. v. Torpharm Inc.* (1997), 75 C.P.R. (3d) 417 (Ont. S.C.).

<sup>27</sup> W. Hayhurst, *Case Comment*, [2005] E.I.P.R. N.83, 84, and see the Supreme Court of Canada’s reliance on another case involving Betts’s patent in helping its decision on

Britain, Canada too examines patents for validity before grant, and so the *Patent Act* has a presumption of validity that puts the legal burden of proving a invalidity on challengers.<sup>28</sup> But nothing is said about consent and nothing should be implied.

### CRIMINAL INFRINGEMENT

Those who deal with infringing copies sometimes themselves infringe copyright, and these “secondary infringements,” if done knowingly, can also be criminal. An infringing copy includes anything that infringes under subsection 27(1).<sup>29</sup> In Canada and elsewhere, a prosecutor must prove the infringing copy was made without the copyright owner’s consent. Everything must be proved beyond a reasonable doubt, but otherwise the civil and criminal provisions on consent are the same.<sup>30</sup>

The significance of the incidence of the burden of proof emerges clearly from the prosecution of an Ottawa copy shop for printing student course books that included copyright material. In deciding whether the books were “infringing” or not, Ratushny J. said that “the component parts of this essential element,” included a requirement that the prosecution prove that “the copy was made without the copyright owner’s consent (s. 27(1)), so both ownership and no consent have to be proved.”<sup>31</sup> The manager of a reprographic collecting society testified that the society had not licensed anyone, and professors testified for the Crown that they had no express licence to copy. The defendant called no evidence but the charge was dismissed anyway. The judge said the prosecution had not shown what right the collecting society had to consent for the copyright owners, and so no proof existed that “the defendant did not have the consent of the copyright owners.”<sup>32</sup> On appeal, Chilcott J. agreed, adding that the Crown “must always negate consent when it is or may be an issue.”<sup>33</sup>

Hong Kong’s highest court has reached the same conclusion. A defendant was convicted of copying music CDs and possessing copying equipment. Paragraphs 118(1)(a) and (4)(d) of Hong Kong’s *Copyright Ordinance*, corresponding to subsections 42(1) and (2) of the Canadian *Act*, made it an offence for anyone “without the licence of the copyright owner” to make an infringing copy for sale or hire, or to have equipment “used or intended to be used to make infringing copies.” The

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what infringes a Canadian patent: *Schmeiser, supra* n.5 at [45]-[46], applying *Betts v. Neilson* (1871), L.R. 5 H.L. 1.

<sup>28</sup> *Patent Act*, R.S.C. 1985, c. P-4, subs. 43(2); *Tye-Sil Corp. Ltd. v. Diversified Products Corp.* (1991), 35 C.P.R.(3d) 350, 359 (Fed. C.A.); *Apotex Inc. v. Wellcome Foundation Ltd.*, [2002] 4 S.C.R. 153 at [43].

<sup>29</sup> *Copyright Act*, subss. 42(1) (criminal offence) & 27(2) (secondary infringement); see also s. 2 (definition of “infringing copy”).

<sup>30</sup> This point distinguishes cases where defendants prosecuted for operating without a licence have long had to prove they had the requisite licence: e.g., *R. v. Lee’s Poultry Ltd.* (1985), 7 O.A.C. 100 (unlicensed slaughterhouse). No comparable history exists in either civil or criminal IP law.

<sup>31</sup> *R. v. Laurier Office Mart Inc.* (1994), 58 C.P.R. (3d) 403, 414 (Ont. Prov. Div.).

<sup>32</sup> *Ibid.*, 414.

<sup>33</sup> *R. v. Laurier Office Mart Inc.* (1995), 63 C.P.R. (3d) 229, 232 (Ont. G.D.).

Hong Kong Court of Final Appeals quashed the convictions because no sufficient evidence of copyright ownership of the CDs had been produced. In their joint judgment for the Court, Bokhary P. and Lord Scott said:

In the present case the prosecution took it upon itself to prove that the copyright owners of the works in question had not consented to the appellant making copies of the works, i.e., she had not been granted a licence. The Court of Appeal . . . expressly left open the question whether the burden was on the prosecution to prove the absence of a licence when prosecuting charges under s. 118. We have no doubt that the prosecution was correct in shouldering that burden. The absence of a licence by the copyright owner is an express, and therefore essential, ingredient in a s. 118(1) offence. The making of “infringing copies” is an express and essential ingredient in both s. 118(1) and s. 118(4) offences. An “infringing” copy is a copy made without the consent of the copyright owner. The absence of the requisite consent is not an “exception or exemption from or qualification to the operation of the law creating the offence” (see s. 94A(1) of the *Criminal Procedure Ordinance*). It is an ingredient of the offence itself. It must therefore be established by the prosecution.<sup>34</sup>

In Canada too, “the absence of [consent] by the copyright owner is an express, and therefore essential, ingredient” of primary and secondary infringement under subsections 27(1) and 27(2), and criminal infringement under subsection 42(1) of the *Copyright Act*. Its absence “must therefore be established by the prosecution” in a criminal proceeding and the plaintiff in a civil proceeding.

## COPYRIGHT INFRINGEMENT IN AUSTRALIA

In the 1990 decision of the High Court in *Avel Pty Ltd. v. Multicoin Amusements Pty Ltd.*,<sup>35</sup> the exclusive Australian distributor of American pinball machines threatened a proposed importer of used machines with copyright infringement, and was in return sued by the importer for making unjustified threats. To avoid liability, the distributor had to show that the American maker (the copyright owner) could successfully sue the importer for importing or selling the machines “without the licence of the owner of the copyright,” contrary to section 37 or 38 of the Australian *Copyright Act of 1968*. Neither importer nor maker gave evidence about consent, so the distributor argued the importer had not shown it had the owner’s consent to importation. The High Court disagreed, saying the plaintiff bore the onus of proving the defendant had no licence from the copyright owner. The judges disagreed only on whether or not the distributor had discharged this onus. McHugh J., dissenting, said the American owner’s failure to object, despite pressure from the distributor, was not consent,<sup>36</sup> but the other four judges said the failure meant the distributor had not shown the owner would *not* have consented; so

<sup>34</sup> *Tse Mui Chun v. Hong Kong Special Administrative Region*, [2003] HKCFA 45 at [13]. Canada has a provision like Hong Kong’s that makes the accused prove an “exception, exemption, proviso, excuse or qualification prescribed by law” that benefits him: *Criminal Code*, R.S.C. 1985, c. C-46, s. 794(2). The principle is also seen in civil cases, as the next section notes.

<sup>35</sup> (1990), 171 C.L.R. 88, 18 I.P.R. 443.

<sup>36</sup> 18 I.P.R. at 468.

importation would not be without his licence. Mason C.J., Deane and Gaudron JJ. summed up this barrage of negatives thus:

[I]t seems to us that the distributor failed to discharge the onus of proving that, in the hypothetical event that the proposed import and resale of the used machines had gone ahead, it would have been without the licence of [the American owner]. The most that can be said is that, at best from the distributor's point of view, it is a matter of speculation whether any such licence would have been obtained.<sup>37</sup>

Dawson J. said much the same.<sup>38</sup> Everyone otherwise agreed with how McHugh J. put the legal onus on the distributor to establish that importation would be without the copyright owner's consent. McHugh J. said:

When a statute imposes an obligation which is the subject of a qualification, exception or proviso, the burden of proof concerning that qualification, exception or proviso depends on whether it is part of the total statement of the obligation. If it is, the onus rests on the party alleging a breach of the obligation. If, however, the qualification, exception or proviso provides an excuse or justification for not complying with the obligation, the onus of proof lies on the party alleging that he falls within the qualification, excuse or proviso [citing authority]. Whatever form the statute takes, the question has to be determined as one of substance [citing authority].

The words "without the licence of the owner of the copyright" are an integral part of the content of the obligation imposed by s. 37. I do not think that s. 37 imposes a general obligation on persons subject to the excuse or justification that an importer has the owner's licence. The obligation to comply with the section is imposed only on a person who does not have the licence of the owner of the copyright to import the article in question.<sup>39</sup>

This principle clearly applies where the copyright owner itself is the plaintiff, and Australian courts have also used it in primary copyright infringement cases under the Australian equivalent of Canadian subsection 27(1) where an express or implied licence was alleged.<sup>40</sup>

The same reasoning applies in Canada. Consent is no justification or excuse for, or exception from, infringement. Consent may be sometimes inferred but its lack is part of the definition of infringement itself that, like all other parts, the plaintiff ultimately must prove.

## TRADE-MARKS

Trade-mark cases fall into the same pattern, although direct case-law is lacking. By subsection 20(1) of the *Trade-marks Act*, a trade-mark is "deemed to be infringed by a person who is not entitled to its use" in marketing goods or services

<sup>37</sup> *Ibid.*, 448.

<sup>38</sup> *Ibid.*, 456.

<sup>39</sup> *Ibid.*, 465; similarly, *ibid.*, 446 (joint reasons) & 454-55 (Dawson J.).

<sup>40</sup> *Devefi Pty Ltd. v. Mateffy Perl Nagy Pty Ltd.*, [1993] FCA 152 at [3] (Aust. Full Fed. Ct.); *Acohs*, *supra* note 17; *TS & B Retail Systems Pty Ltd. v. 3Fold Resources Pty Ltd.* (No. 3), [2007] FCA 151 at [125] (Aust. Fed. Ct.).

under the mark in specified ways.<sup>41</sup> The Act does not say in words that resellers of trade-marked goods put into commerce by the mark owner are entitled to sell under the mark, but they of course are, because a trade-mark's job is to tell the public of the trade source of the goods, and the reseller is doing just that.<sup>42</sup> Nor does the Act say that anyone is entitled to use the mark the mark owner's express or implied consent; but then neither does the *Patent Act*, and yet it has been construed that way. So a trade-mark that its owner uses in Canada and abroad on the same goods continues correctly to denote the goods' source if they are imported into Canada. If *Betts v. Willmott*<sup>43</sup> applies, that use occurs with the mark owner's implied consent, at least where the reseller lacked notice of any export restrictions at the time he bought abroad. A mark owner claiming infringement then needs to prove his lack of consent to imports if a defendant asserted an entitlement to use the mark. The owner's burden would lighten if the mark was owned abroad by a different unrelated entity.

On this view, the defendant's non-entitlement to use, which includes not having the plaintiff's consent, is part of the definition of infringement. When subsection 20(1) goes on to provide that "no registration prevents" anyone from *bona fide* using his personal name or descriptions and geographical names,<sup>44</sup> it is creating excuses and justifications for infringement — defences and exceptions on which the defendant bears the onus of proof.

Comparing the U.K. trade-mark law is less useful here. Under section 4 of the old *Trade Marks Act 1938* (U.K.), subsection 4(1) said what "shall be deemed to be" infringement, while subsection 4(3) said what "shall not be deemed to be infringed." One instance in subsection 4(3) was where the trade-mark owner "has at any time expressly or impliedly consented to the use" of the mark.<sup>45</sup> The opacity of these provisions naturally caused confusion. Thus, in one case the position suggested in the previous paragraph was followed, where a trade-mark owner moved to stop British imports of motor oil made in Canada under licence from the owner's subsidiary. The plaintiff pleaded its lack of consent to the imports and the judge — interestingly enough, counsel who had lost in the *Pfizer* case<sup>46</sup> — followed the *Betts v. Willmott* line in requiring the plaintiff to prove that element before granting judgment in default against the importer.<sup>47</sup> By contrast, later cases spoke, with little discussion, of consent under subsection 4(3) as an exception and defence to infringement.<sup>48</sup>

When Canada borrowed elements from the 1938 Act for its 1953 Act, unsur-

<sup>41</sup> *Trade-marks Act*, R.S.C. 1985, c. T-10.

<sup>42</sup> *Wilkinson Sword (Can.) Ltd. v. Juda*, [1968] 2 Ex. C.R. 137, 1966 CarswellNat 51 at [63].

<sup>43</sup> *Supra* n. 20.

<sup>44</sup> *Trade-marks Act*, paras. 20(1)(a) & (b).

<sup>45</sup> *Trade Marks Act, 1938* (U.K.), s. 4(3)(a).

<sup>46</sup> *Supra* n. 25.

<sup>47</sup> *Castrol Ltd. v. Automotive Oil Supplies Ltd.*, [1983] R.P.C. 315 (Ch.).

<sup>48</sup> *Colgate Palmolive Ltd. v. Markwell Finance Ltd.*, [1989] R.P.C. 497, 534 (C.A.); *Northern & Shell Plc v. Condé Nast & National Magazines Distributors Ltd.*, [1995] R.P.C. 117 (Ch.).

prisingly it avoided modelling its provisions on section 4 of the 1938, presumably to avoid such disputation. Under the current *Trade Marks Act 1994* (U.K.), passed to implement a European trade-mark directive, the European Court of Justice has decided that consent is an exception and defence, and has imposed on defendants the legal burden of proving the trade-mark owner's consent to imports.<sup>49</sup> Canadian and European views on parallel imports, however, differ so widely that such precedents, based on vary different legislation, cannot safely be applied in Canada.<sup>50</sup>

One qualification needs mention. "Distinctiveness is the very essence of a trade-mark," said the Privy Council just over a hundred years ago,<sup>51</sup> and one way a trade-mark can lose distinctiveness is if the owner consents to its use without policing how the licensee uses it. The public would wrongly then believe the product's source was the owner, not the user, and the mark would collapse as a trade-mark because it no longer distinguished the owner's products from others'. This strict source theory of trade-marks weakened over the course of the twentieth century as courts and legislatures accommodated the rise of the multinational corporation with its global brands and interlinking companies which all felt entitled to use one another's trade-marks. The theory retains its grip in the rule that lets mark owners license their trade-marks, but only if they maintain direct or indirect quality control over how the mark is used.<sup>52</sup> Uncontrolled licensing can still make a mark undistinctive and stop or invalidate its registration.<sup>53</sup>

Like patents, trade-marks are examined before registration. The presumption of validity that covers them similarly places the legal burden of proof of invalidity on challengers.<sup>54</sup> So while the mark owner claiming infringement has the burden of proving he did not consent to the defendant's acts, a defendant claiming invalidity has the burden of proving that the consent lacked conditions of quality control over how the mark was applied.

## CONCLUSION

The burden of proof imposed on the defendants in the *Aga Khan* case was wrong in law. The error probably did not matter there since the court found no

<sup>49</sup> *Zino-Davidoff SA v. A & G Imports Ltd.*, [2002] Ch. 109, [2001] EUECJ C-414/99 at [40] & [54] (E.C.J.) on consent under art. 7(1) of *First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks*; also *Northern & Shell*, *ibid.*, on the 1994 Act.

<sup>50</sup> *Smith & Nephew Inc. v. Glen Oak Inc.* (1996), 68 C.P.R. (3d) 153 (Fed. C.A.), allowing parallel imports over local exclusive licensee's objections; see W. Hayhurst, *Case Comment*, [1996] E.I.P.R. D286-287.

<sup>51</sup> *Standard Ideal Co. v. Standard Sanitary Mfg. Co.*, [1911] A.C. 78, 84 (P.C.), foll'd in *General Motors Corp. v. Bellows*, [1949] S.C.R. 678, 680-81; similarly, *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] 1 S.C.R. 772 at [75].

<sup>52</sup> *Trade-marks Act*, subss. 50(1) & (2); *Eli Lilly & Co. v. Novopharm Ltd.*, [2001] 2 F.C. 502 at [76] ff. (C.A.).

<sup>53</sup> *Trade-marks Act*, paras. 18(1)(a) & (b); cf. *Smith, Kline & French Canada Ltd. v. Registrar of Trade Marks (No. 1)*, [1987] 2 F.C. 628 (T.D.).

<sup>54</sup> *Trade-marks Act*, ss. 18, 19 & 54; *E-mail.ca Inc. v. Cheaptickets & Travel Inc.*, [2009] 2 F.C.R. 43 (C.A.)

consent anyway, and so did not need to decide the case on burden of proof. But the point may matter elsewhere, and the case should not be treated as authoritative on this point.

David Vaver

### POSTSCRIPT

After this Note went to press, the decision in the copyright infringement case of *Harmony Consulting Ltd. v. G.A. Foss Transport Ltd.*<sup>55</sup> was handed down. In it Henaghan J. in the Federal Court applied the conventional rule that a plaintiff must not only prove that the defendant infringed or authorized infringement but “must also prove lack of consent to do the act that is alleged to be copyright infringement.”<sup>56</sup> The judge dismissed the action because, among other things, she found the plaintiff had impliedly consented to whatever infringements had occurred. The judge did not refer to the *Aga Khan* case but her decision supports the argument made in this Note that *Aga Khan* is inconsistent with the principles of burden of proof that should apply to copyright and other IP infringement cases.

D.V.

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<sup>55</sup> 2011 FC 340.

<sup>56</sup> *Ibid.* at [257], citing in support at [258] the Federal Court of Appeal’s decision in *Albian Sands*, *supra* n. 2.