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# INTELLECTUAL PROPERTY AND TECHNOLOGY MATTERS

JANUARY 2006

## What's in Your Schedule?

### PERSONAL INFORMATION IN BUSINESS TRANSACTIONS

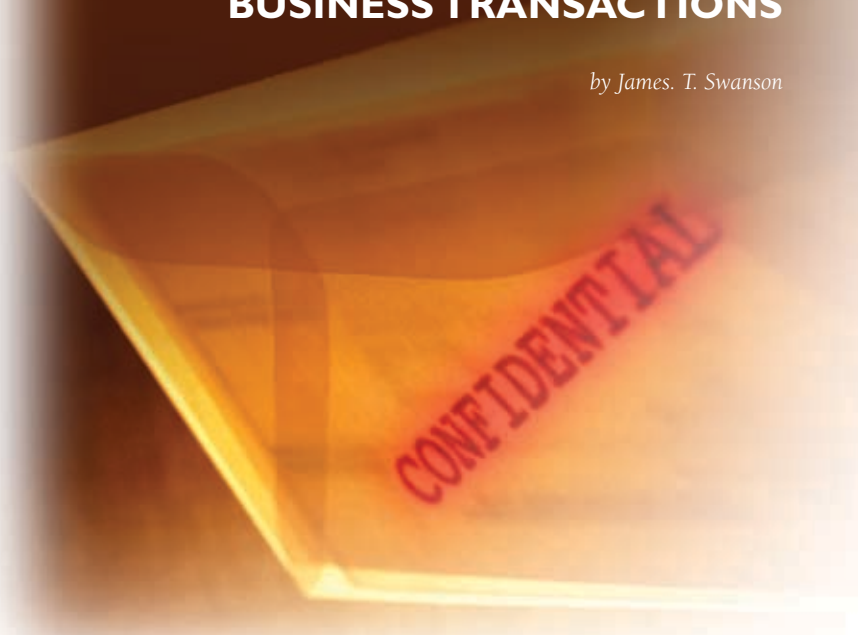
*by James. T. Swanson*

#### INTRODUCTION

Personal information is often exchanged during the course of evaluating a possible business transaction and, if the transaction proceeds, is also exchanged in the process of closing the transaction. The acquiring party will usually want to learn as much as possible about management, employees and other individuals important to the operations of the target business. This article will highlight some of the privacy issues parties need to be aware of and will provide guidance on how best to handle a business transaction from the point of view of compliance with privacy laws.

#### SCHEDULE WITH CARE

In the context of business transactions, typical agreements obligate one party to provide such information to another party in a schedule to the agreement. The contents of such schedules have historically been treated rather casually.



in this issue:

Trademark Infringement in Domain Names .....	4
E-Contracting and the Law .....	6
"I Accept" And Other Magic Words And Phrases For Electronic Contracts .....	8
Mega Bloks and Lego in the Playrooms of the Nation .....	10
Meet Our Intellectual Property & Technology Team .....	11
BD&P's Intellectual Property & Technology Team.....	12



With the implementation of privacy laws during the past few years, however, the rules of the game have changed and the consequences of not complying with new requirements can be significant. A recent case involving two law firms in Alberta illustrates what can occur where personal information about employees ends up publicly available.

The facts are fairly straightforward. A purchaser, a client of law firm X, was acquiring securities of a number of companies, including securities in the vendor. Law firm Y represented the vendor. Part of the contractual documentation entered into by the parties required disclosure of certain information of employees of the vendor.

The vendor provided a list of employees with related personal information to its counsel who forwarded that information to law firm X, apparently including names, SIN numbers

and home addresses of employees. One could speculate that it was simply the result of printing off personnel records in whole or in part.

As a material contract, the agreement with the vendor, including the employee information schedule, was posted on the SEDAR website and therefore became publicly available to anyone on the Web who could then view, copy, save or distribute it. This remained the case until the Alberta Securities Commission removed the schedule from SEDAR. The lawyers involved could not remove the information once it was posted. Alberta's Information and Privacy Commissioner found that some of the sensitive personal information in the published schedule was not reasonably necessary to the transaction and also had been wrongfully disclosed.

The Commissioner in fact held that there were two wrongful disclosures. The first one was by Y to X. The second one was by X to the SEDAR system. The information disclosed did not fit within the exemptions in Alberta's *Personal Information Protection Act*. ("PIPA") dealing with business transactions so there were contraventions by the law firms (and their clients) of PIPA.

### WHAT IS PERSONAL INFORMATION?

Essentially, personal information means information about an identifiable individual (not a corporation or other legal entity) but typically excludes business contact information<sup>1</sup>. Aggregate or anonymous information is not personal, nor is information about a corporation (although it may be confidential or proprietary).

**...the employee information schedule, was posted on the SEDAR website and therefore became publicly available to anyone on the Web who could then view, copy, save or distribute it.**



## WHAT LEGISLATION APPLIES?

Privacy laws are a bit of a patchwork across Canada. In any business transaction, the first thing is to determine which legislation applies. Depending on the circumstances, a proposed transaction in Alberta could be subject to Alberta's PIPA, or to Canada's federal *Personal Information Protection and Electronic Documents Act*, ("PIPEDA"), or perhaps even both. The laws of other provinces may also apply and almost certainly will in any cross-border transaction.

## PIPEDA

British Columbia, Alberta and Quebec have enacted their own legislation, which is substantially similar to PIPEDA and therefore benefit from an exemption from the federal legislation. The result is that PIPEDA is not normally applicable to activities of provincially regulated organizations occurring within these three provinces.

In the other provinces and territories, PIPEDA is in effect and governs all commercial activity within those provinces and territories.

The general rule under PIPEDA is to the effect that **before** collecting, using or disclosing personal information, the purposes for doing so must be identified and must be reasonable. In addition, the person whom the information is about must be notified of the collection, use or disclosure; must be advised of the purposes of the usage; and must give consent to such usage. There are many exceptions to this rule, such as where collection, use or disclosure is required by law or is pursuant to an investigation or legal proceeding.

Practically speaking, PIPEDA may be applicable to an organization not otherwise subject to it in the context of a business transaction involving another organization that is covered by PIPEDA, such as federally regulated organizations including banks, airlines, shipping and telecommunications companies.

## PIPA

Both Alberta and B.C. have enacted legislation with the same title, the *Personal Information Protection Act* or PIPA<sup>2</sup>, with fairly similar content. The comments in this paper are restricted to Alberta's legislation.

The general rule under PIPA is essentially the same as under PIPEDA with respect

to notification to the person about whom the information is being collected, used or disclosed.

## BUSINESS TRANSACTIONS

PIPA sets out specific rules regarding the collection, use and disclosure of personal information in the circumstances of a business transaction.

"Business transaction" is very broadly defined as "a transaction consisting of the purchase, sale, lease, merger or amalgamation or any other type of acquisition or disposal of, or the taking of a security interest in respect of, an organization or a portion of an organization or any business or activity or business asset of an organization and includes a prospective transaction of such a nature." The result is that almost any transaction is covered.

### **The general rule under PIPEDA is to the effect that before collecting, using or disclosing personal information, the purposes for doing so must be identified and must be reasonable.**

Business transactions are essentially covered in two phases:

- ▶ what might be called the *evaluation phase* where the parties are collecting, using or disclosing personal information to decide whether or not to proceed, and
- ▶ what might be called the *closing phase*, where the parties have decided to proceed and are closing or completing the transaction.

PIPA permits parties (including prospective parties) to a business transaction to collect, use and disclose personal information without the consent or knowledge of the individuals in question in those two phases, which can be summarized as follows:

#### **i) Evaluation Phase**

In this phase, the parties may be proceeding in secrecy, not wanting to make public any interest in the possible transaction. PIPA requires that the parties observe the following:

- ▶ the parties must have entered into an agreement under which the collection, use and disclosure of the information is

restricted to those purposes that relate to the business transaction.

- ▶ the agreement must be an appropriate written agreement that deals with the specific issues of personal information and privacy. The typical Non Disclosure Agreement, which is intended to deal with other types of confidential or proprietary information may be woefully inadequate.
- ▶ the parties must observe the *limitation principle* in privacy law – collection, use and disclosure must be limited to what is reasonably required for reasonable purposes and nothing further. Some typical examples of limitations include the following:
  - employee information should be provided only in an anonymous or aggregate form without actual names unless further disclosure can be justified as reasonable in the circumstances;
  - compensation may be disclosed with respect to a position or class of employees, not specific individuals, unless there is a good reason for further disclosure;
  - need to know access should generally be a requirement in access to information, data rooms, etc.;
  - SIN numbers should never be disclosed. Home addresses, medical conditions and other sensitive information would be disclosed only in rare circumstances where such disclosure can be justified; and
  - the specific circumstances of the case should always be kept in mind – if the information is not reasonably required to evaluate the transaction, then it should not be disclosed.
- ▶ the agreement must provide that if the business transaction does not proceed or is not completed, the party to whom the personal information was disclosed must, if the information is still in the custody of or under the control of that party, either destroy the information or turn it over to the party that disclosed the information.

- the information must be necessary for **both** (a) determining whether or not to proceed with the transaction and (b) if the go-ahead decision is made, to proceed with the transaction. This does not necessarily mean that the same information would be required to make the decision to proceed as would be required to hire specific individuals if the parties do proceed with the transaction.
- the disclosing party should disclose only that information that is reasonable for evaluation purposes and the receiving party should respect those restrictions. There may therefore be an element of negotiation in balancing privacy rights and the requirements of business. Deciding what information is reasonable and what is not can be a difficult exercise.
- consent of the individuals in question can always be sought to deal with specific requirements where disclosure cannot otherwise be justified. In addition, there will be situations where collection, use or disclosure is permitted or even mandatory under the exemptions in PIPA or under other legislation such as securities laws.

#### ii) Closing Phase

Where the parties have evaluated the opportunity that the transaction presents and decided to proceed with the transaction, PIPA has specific provisions that permit the parties to collect, use and disclose personal information without consent in the closing phase on the following basis:

- the parties must have entered into an agreement under which the parties undertake and agree to use and disclose the information only for those purposes for which the information was initially collected from or in respect of the individuals in question; **and**
- the information in question must relate **solely** to the carrying on of the business or activity or the carrying out of the objects for which the business transaction took place.

If the information does not fit within both of the above paragraphs, then either consent will be required or the situation must fit within

one of the other exemptions under PIPA. These other exemptions are not likely to be applicable in a typical business transaction.

#### iii) Exception - Sales of Mailing Lists

These provisions do not apply to a business transaction where the primary purpose, objective or result of the transaction is the purchase, sale, lease, transfer, disposal or disclosure of personal information. A sale of mailing or customer lists will therefore still require the consent of the individual customers in most cases. PIPA does have provisions for opt-out consent, which can sometimes be properly applied in the sale of a business where the transaction is primarily a customer list or an inventory of customer contracts. Basically, customers can be given the opportunity to exclude themselves from the transaction.

#### CONCLUSION

This area of the law is quite complex and evolving rapidly. Parties evaluating or proceeding with business transactions should exercise appropriate care and caution. The case involving the law firms discussed at the beginning of this article illustrates how easy it is to contravene the privacy laws. Not only do the parties suffer public humiliation, there are other possible consequences as PIPA gives a right of civil action to parties adversely affected. In addition, although this was not such a case, PIPA permits prosecution and allows for penalties for wilfully disregarding the provisions of the legislation.

Parties to a business transaction should therefore exercise caution in what they agree to disclose. It is possible to easily paint oneself into a corner in an acquisition or purchase and sale agreement, only to find that compliance with the agreement may put one in breach of legal obligations under privacy legislation. In addition, the legislation does not act in a vacuum and other remedies such as a possible suit for the tort of invasion of privacy should be kept in mind.<sup>3</sup>

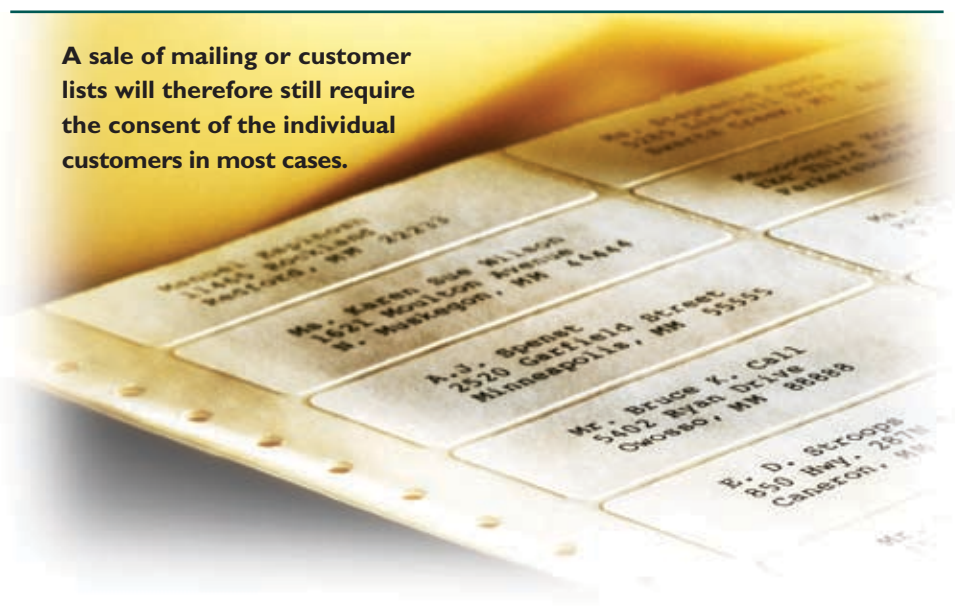
#### Footnotes

<sup>1</sup> Business contact information includes such things as business address, business telephone and fax numbers, position in the organization or company, and business email, although Alberta's *Personal Information Protection Act* excludes business contact information only if it is used for the purposes of contacting an individual in their capacity as an employee or official of an organization and for no other purpose.

<sup>2</sup> There is also legislation in Alberta governing public bodies and the government, the *Freedom of Information and Protection of Privacy Act* ("FOIPP") and governing health care providers under Alberta Health Care, the *Health Information Act* ("HIA"). Those statutes may be applicable to personal information in business transactions in certain circumstances, such as a transaction involving a public body or where there is available health information about employees.

<sup>3</sup> Some provinces, not Alberta, have statutes setting up a right of action for invasion of privacy. The common law tort has also been evolving over the past few years and appears to be available, perhaps even in Alberta, in appropriate circumstances.

**A sale of mailing or customer lists will therefore still require the consent of the individual customers in most cases.**



# Trademark Infringement in Domain Names

by Lisa M. Monteith, Student-at-Law

A trademark owner may be faced with a dilemma when another party registers a domain name similar to that trademark. In such a situation, the trademark owner can seek a remedy through the courts or through the domain name dispute resolution policy of the applicable domain name registrar. In Canada, the registrar for the <.ca> domain is the Canadian Internet Registration Authority (“CIRA”). The CIRA has a dispute resolution policy (the “Policy”) targeted towards cases where domain names have been registered in bad faith under the <.ca> name registry. The purpose of the Policy is to provide a forum for conflicts to be dealt with relatively inexpensively and expeditiously. However, the Policy may not be an appropriate course of action for anything less than a clear case of bad faith registration of a domain name.

A recent decision by the CIRA, *Microsoft Corp. v. Microscience Corp.* (P.E.I.), 2005 CarswellNat 2158 (“*Microsoft*”), provides an example of the inadequacy of the Policy in situations that are not clearly in bad faith. Microsoft filed a complaint under the Policy because Microscience registered the domain name <msnsearch.ca>. Microsoft owns a number of trademarks containing the letters “msn” including the domain name <msn.ca>. The CIRA found the domain name <msnsearch.ca> confusingly similar with the trademarks of Microsoft. However, the registration of the domain name did not meet the additional test for bad faith as set out in the Policy. As a result, Microsoft’s complaint failed.

The Policy sets out a very restrictive requirement for “bad faith” and indicates it will be found, if and only if, one or more of the following three circumstances are proven:

- the domain name was registered or acquired primarily for the purpose of selling, renting, licensing or otherwise transferring the domain name to the complainant or to a competitor of the complainant for valuable consideration in excess of the actual cost of registering or acquiring the domain name;



- ▶ the domain name was registered or acquired in order to prevent the claimant from registering it as a domain name, provided that the registrant has engaged in a pattern of registering domain names in order to prevent parties who have rights in trademarks from registering them as domain names; or
- ▶ the domain name was registered or acquired primarily for the purpose of disrupting the business of the complainant and the registrant is a competitor of the complainant.

The decision in *Microsoft*, and other similar decisions of the CIRA, indicate that a domain name that is confusingly similar to a trademark is not sufficient for a successful application under the CIRA's dispute resolution policy. A party faced with the use of its trademark in a domain name registered by another party should consider filing a complaint under the Policy if there is clear evidence of one of the three situations giving rise to bad faith. If there is no evidence of bad faith as defined under the Policy, then a trademark owner may have more success seeking a remedy through the courts under the *Trademark Act* or making a claim for damages under the tort of passing-off.

Section 6 of the *Trademark Act* sets out the statutory provisions with respect to confusion in trademarks. This section sets out a number of situations and factors that will be considered when determining if the use of a trademark gives rise to confusion with another trademark. Some examples are the inherent distinctiveness of the trademark, the length of time the trademark has been in use, the nature of the wares, services or business, the nature of the trade and the degree of resemblance between the trademarks. In the case of *Miss Universe Inc. v. Bohna* (1994), 58 C.P.R. (3d) 381 (F.C.A.), ("*Miss Universe*") the Federal Court of Appeal, in determining whether the proposed trademark of MISS NUDE UNIVERSE gave rise to confusion with the established trademark of MISS UNIVERSE, summarized the test for confusion at page 6 as follows:

To decide whether the use of a trademark or of a trade name causes confusion with another trademark or trade name, the court must ask itself whether, as a matter of first impression on the minds of an ordinary person having a vague recollection of that other mark or name, the use of both marks or names in the same area in the same manner is likely to lead to the inference that the services associated with those marks or names are performed by the same person, whether or not the services are of the same general class.

In *Miss Universe*, the Court held there was no serious likelihood of confusion as between the two trademarks in association with the services to be provided by the two parties. The services to be provided by MISS NUDE UNIVERSE were pageants by professional nude dancers in various drinking establishments in Canada patronized by those devoted to "adult entertainment". MISS UNIVERSE, on the other hand, was a U.S. based enterprise which offered an annual pageant held in various locations around the world, watched by some 600 million television viewers.

In the words of Mr. Justice Decary, writing for the court at page 5,

...while the two trade marks have two words in common, my first impression when looking at the two is that the word "nude" in the middle of the applicant's trade mark is of an arresting significance which would convey to all but the most indifferent reader a profound difference between the two contests. Therefore the applicant's trade mark is distinctive.

The courts have much more flexibility when making an assessment under the *Trademark Act* and decisions are not restricted to a limited number of factors. In terms of a claim of passing-off, the requirements to prove the action are set out in a case on pharmaceuticals, *Ciba-Geigy Canada Ltd. v. Apotex Inc.* (1992), 44 C.P.R. (3d) 289 (S.C.C.), as follows:

1. the existence of reputation or goodwill at the relevant time;
2. a misrepresentation leading the relevant public to believe there is a business association or connection between the parties; and
3. damage or potential damage flowing to the plaintiff as a result of any misrepresentation due to loss of control over its reputation is presumed.


This tripartite classification was reaffirmed in the recent Supreme Court of Canada decision of *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] S.C.J. No. 66, an action between toy manufacturers of lego and megablocks discussed elsewhere in this Newsletter.

**In Miss Universe, the Court held there was no serious likelihood of confusion between the two trademarks in association with the services to be provided by the two parties.**

The use of the CIRA's dispute resolution policy allows for less discretion than the courts have under the *Trademark Act* or in an action for passing-off. In addition, the CIRA requires there to be evidence of bad faith relating to the registration of the domain name while the courts would consider any bad faith as one of many factors in the overall circumstances surrounding the situation.

It is important to note that the dispute resolution policies of other domain name registrars differ from that of the CIRA and the requirements for a successful complaint will vary depending on the domain in question. For example, the Uniform Domain Name Dispute Resolution Policy in the United States includes as an indicator of bad faith, any knowledge of the registrant that the domain name is likely to cause confusion with a trademark. If Microsoft had been able to make a complaint under this American Policy, it would have had a greater chance of success.

The CIRA's dispute resolution mechanism can resolve disputes relating to domain names quickly and inexpensively; however, the process may not be appropriate in all circumstances. A situation should be reviewed carefully to ensure it meets the strict requirements of the Policy and in particular to ensure there is sufficient evidence to satisfy a finding of bad faith as defined by the Policy. A complaint can still proceed to the courts if unsuccessful, but if there is significant doubt as to the likelihood of success under the Policy, an application can be made directly to the courts.



BUY NOW

# E-Contracting and the Law

## INTRODUCTION

In today's world, high-speed electronic connections are changing the face of business, and Alberta, like other jurisdictions, has had to make changes in its laws to keep current with the reality of electronic business transactions.

## INTERNATIONAL STANDARD

In 1996, the United Nations Commission on International Trade Law (UNCITRAL) developed the Model Law on Electronic Commerce and recommended it for adoption in all member nations. It is now regarded as the international standard for electronic commerce<sup>1</sup>. Canada then approved the *Uniform Electronic Commerce Act* (UECA) in 1999 in order to implement the principles of the Model Law in Canada.

## ALBERTA LEGISLATION

Most provinces followed suit and passed provincial e-commerce legislation similar to the UECA. In 2001, the government of Alberta passed the *Electronic Transactions Act* ("the Act"), which came into force on April 1, 2003. The intent of the legislation is to give electronic communications the same legal status as paper documents, provided that both parties give consent to handling their business transactions electronically. A few of the sections of the Act are discussed below.

## APPLICATION AND EXCEPTIONS

The Act does not override other laws that prohibit the use of electronic records or that require the display or delivery of information or records in a specified manner or by a

specified method. For example, the Act will not allow electronic delivery as a substitute for an actual document if a law specifically requires delivery of a record by registered mail.

There are several exceptions to the creation of legal status of electronic documents. Section 7 of the Act states that the Act does not apply to wills and codicils, enduring powers of attorney, trusts, personal directives, negotiable instruments and guarantees under the *Guarantees Acknowledgement Act*. In addition, records that create or transfer interests in land are exempt from the Act if the transaction requires registration to be effective against third parties. If such records do not require registration, then the transaction may be completed in electronic form as provided in the Act as long as the parties agree<sup>2</sup>.

The General Regulation to the *Act* outlines additional records to which the *Act* does not apply including certain sections of the *Alberta Alcohol and Drug Abuse Act*, the *Mental Health Act*, the *Public Health Act*, the *Residential Tenancies Act*, and the *Mobile Home Sites Tenancies Act*. Employer-employee activities and relationships, the activities of the courts and judges and information related to court proceedings are also exempted from the *Act*<sup>3</sup>. The exceptions arise from the fact that some records and transactions require more detailed rules or specific safeguards than the *Act* provides<sup>4</sup>.

### ISSUE OF CONSENT

Section 8 provides that the *Act* does not require a person to provide or accept information in electronic form without the person's consent. In relation to persons other than public bodies, consent need not be express as Section 8(2) provides that consent "may be inferred from a person's conduct if there are reasonable grounds to believe that the consent is genuine and relevant to the information or record." This provision is found in all legislation dealing with electronic transactions in Canada.

Implicit consent is obtained when a person or organization presents some form of information or exhibits conduct that indicates consent to an electronic transaction. For example, implied consent is likely given when a business card with an email address is provided by an individual to a place of business or when an order is placed on a company's website. Until the law in this area is more developed, the issue of whether or not consent was given will no doubt be determined on the merits of each case.

### ISSUE OF MATERIAL ERRORS

Section 29(a) recognizes that errors are easily made in the course of electronic communications. This provision seeks to protect individuals who make mistakes in entering into electronic contracts as well as businesses that offer products or services online by providing increased security against people who claim that a mistake was made and that they did not intend to enter into a legal contract<sup>5</sup>.

The section provides that an electronic transaction has no legal effect in certain circumstances such as those where a person

makes a material error in the electronic information (imagine hitting the wrong key in placing an order on a website) and the electronic agent does not give the person an opportunity to prevent or correct the error on becoming aware of the error, or upon being notified of the error. The *Act* does not change the general law of contracts but as mistakes are fairly easy to make in electronic transactions this section addresses the issue of mistakes being made.

### PRIVACY AND CONFIDENTIALITY

The *Act* makes it clear that nothing in the *Act* is intended to affect the protection of confidentiality of information nor the protection of the privacy of individuals as is set out in the *Freedom of Information and Protection of Privacy Act* or other legislation. Nor does the *Act* authorize anyone to destroy a record whose retention is required by another law.

**Implicit consent is obtained when a person or organization presents some form of information or exhibits conduct that indicates consent to an electronic transaction.**

### TIMING OF SENDING ELECTRONIC RECORDS

Unless the parties sending and receiving the electronic record otherwise agree, the information is sent when it enters an information system outside the sender's control, or if the parties are on the same information system, when the information becomes capable of being retrieved and processed by the addressee. Information is presumed to be received by the addressee (if the addressee has designated an information system) when the information becomes capable of being retrieved and processed by the addressee or (if the addressee does not have a designated information system for receiving messages of the type sent) when the addressee becomes aware of the information in the addressee's information system and it becomes capable of being

retrieved and processed. The use of the words "capable of retrieving" are used to prevent people from claiming they didn't receive a message when they have simply refused to open it<sup>6</sup>.

### RECENT CASELAW

The *Act* has not been considered by any cases in Alberta to date. However, the Ontario Superior Court of Justice considered amendments to electronic contracts in *Kanitz et al. v. Rogers Cable Inc.*<sup>7</sup>. The court examined a provision in a user agreement that was signed in writing by the users which allowed Rogers to amend the user agreement by posting notices on the Rogers' website, or sending notice over email or postal mail. Rogers' deemed the continued use of the service after the notice of change as acceptance of the amendment. The court held that posting a revised user agreement on the website, as well as indicating on the main page of Rogers' Customer Support Site in the News and Highlights section that the agreement had been amended, constituted reasonable notice under the user agreement. The terms of the user agreement placed an obligation on the user to check the Rogers' website to verify if any amendments have been made. Further, the court noted that people who wish to benefit from the electronic environment should have the legal attributes of their relationship with the electronic access provider defined in relation to that environment.

### CONCLUSION

The law on e-contracting is still relatively new and will be subject to growth and change with the continued development of e-business and as the *Act* is considered and applied.

### Footnotes

<sup>1</sup> Barry Sookman, "Legal Framework for E-Commerce Transactions" (Conference October 31 – November 1, 2000).

<sup>2</sup> Alberta, News Release, "Electronic Records Take on New Legal Status" (12 March 2003)

<sup>3</sup> *Ibid*

<sup>4</sup> *Ibid*

<sup>5</sup> Alberta, "A Guide to Alberta's Electronic Transactions" (March 2003)

<sup>6</sup> *Ibid*

<sup>7</sup> [2002] O.J.665 (Sup. Ct.)

# “I Accept” And Other MAGIC Words And Phrases For Electronic Contracts

By Robert B. Low

Today, as noted in the preceding article, many courts generally accept that an electronic contract can be a valid and binding contract between parties. Canada has enacted legislation that effectively confirms the legality and enforceability of online contracts such as the *Electronic Commerce Act* (Ontario), and the *Electronic Transactions Act* (Alberta).

However, a court will not uphold all electronic contracts. Recent case law has indicated that unless internet-based businesses include specific terms and mechanisms of acceptance in their online contracts, such agreement may not be enforceable.

One problem that arises in an online contract is the absence of “offer” and “acceptance” in the classical sense that occurs during negotiations between two parties in person. Thus, courts have endorsed certain words, phrases and mechanisms of offer and acceptance built into the electronic contract that, if clearly set out, can bind the customer to the contract.

Today, many businesses offer services accessible by customers over the internet through the business’s website (i.e., application service provider arrangements) and attempt to bind customers to the service contracts



through the use of online “click-wrap” or “web-wrap” agreements. Such online licenses and agreements ask the potential customer to review various contract terms and then accept them before completing a transaction or accessing services. Such electronic contracts should contain certain elements in order to increase the chance that a court will uphold the contract as valid and binding.

Some important terms and mechanics that should be considered for inclusion in an electronic contract are as follows.

- ▶ A customer should not be able to access or pay for online services or products until he or she has seen the online contract, has had a chance to read all of it, and accepts the terms and conditions with a positive action. In this way, the customer cannot argue later that it did not see all of the terms and conditions before the purchase was completed and therefore is not bound by such terms.
- ▶ A customer must be able to scroll through the entire contract. Courts have likened the scrolling through of contracts to the turning of pages on an actual document. As long as a customer has an ability to view the entire contract, it is binding whether or not the customer actually reads the contents.
- ▶ A contract must be even-handed and not unreasonable. If there are too many onerous terms or the contract is too one-sided in favour of the vendor, a court could strike down the contract as being unconscionable.
- ▶ Any onerous or potentially contentious terms within the contract such as limitations of liability, disclaimers or warranties should be highly conspicuous (i.e. in bold and in caps) so that the customer is fully alerted to these terms.
- ▶ The terms of the contract itself must be clear, unambiguous and easy to read.
- ▶ When the customer scrolls down to the end of the contract, the customer should be forced to actively indicate acceptance or rejection of the terms and conditions. Courts have confirmed that to have a customer click or type “I Accept” or “I do not Accept” after scrolling through



**The customer should have a choice to decline acceptance of the terms and conditions.**

the entire agreement is adequate to show acceptance of the contract by the customer. To be sure, the customer should also have a chance to confirm his or her decision and a clause should state thereafter that by clicking “I accept” the customer agrees to all of the terms and conditions of the agreement. It is unwise for a vendor to use vague acceptance terms like “Okay”, “Enter”, “Continue”, etc. By confirming his or her choice of acceptance or rejection of the contract, the customer will have difficulty in arguing accidental acceptance, and provides further evidence of the customer’s agreement to the terms and conditions of the contract.

- ▶ The customer should have a choice to decline acceptance of the terms and conditions. If the customer declines, then he or she must not be able to access, use or pay for the products or services.
- ▶ If possible, or if a significant transaction will occur online, the vendor should log the time and date of acceptance by the customer of the terms and conditions of the electronic contract.
- ▶ The contract should also suggest that the customer print off a copy of the contract for his or her records.
- ▶ Forum selection in an online contract must be conspicuous (i.e. in bold and in caps) and should be exclusive so that no doubt arises as to which jurisdiction the parties are choosing to resolve issues under the agreement.

Incorporating these elements within an electronic contract will increase the chance that your online contract will bind the customer to its terms.

# Mega Bloks and Lego in the Playrooms of the Nation

**R**itvik Holdings Inc. was the victor in a recent trade-mark action heard by the Supreme Court of Canada, *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] S.C.J. No. 66, a case involving a dispute between the manufacturers of toy building blocks. In the words of Mr. Justice LeBel at page 21 of the decision,

...the monopoly on the bricks is over, and MEGA BLOKS and LEGO bricks may be interchangeable in the bins of the playrooms of the nation – dragons, castles and knights may be designed with them, without any distinction.

*Kirkbi AG* (“*Lego*”) was founded in 1932 and has been a well-known and very successful manufacturer of toy building blocks for children, the blocks consisting of small plastic bricks held together with interlocking tubes and studs. Patent protection of the locking system expired in Canada in 1988.

Ritvik Holdings Inc. (“*Mega Bloks*”) began manufacturing large-size toy blocks in the 1960’s, but after the expiry of the *Lego* patent, began using *Lego* technology and created a line of small building blocks, the same size as *Lego* blocks, calling them “MICRO MEGA BLOKS”. *Mega Bloks* eventually became a serious global competitor to *Lego*.

*Lego*, in its legal action against *Mega Bloks*, claimed the “lego indicia”, the upper surface of the blocks with eight studs distributed in a regular geometric fashion, was an unregistered trade-mark. It sought a declaration that it had been infringed under s.7 (b) of the *Trade-marks Act* (“the *Act*”) and requested a permanent injunction to prevent *Mega Bloks* from marketing its similar product. *Mega Bloks* argued that the

doctrine of functionality defeated *Lego*’s claim and also challenged the constitutionality of s.7 (b), arguing it was outside the legislative competence of Parliament.

In terms of the constitutional argument, the Supreme Court of Canada upheld the constitutionality of s. 7(b) of the *Act*, a section that essentially creates a civil cause of action for the common law tort of passing off. While property or civil rights are generally a matter of provincial jurisdiction, the Court found the intrusion of s.7 (b) is minimal, remedial and limited in its application by the provisions of the *Act*. The section does not expand the federal jurisdiction, rather fills in a gap in the legislative protection of trade-marks. Hence, *Lego* was entitled to bring its action.

However, in applying the doctrine of functionality, the Court barred *Lego*’s passing-off claim. It held that a mark, such as the lego indicia of *Lego*, which goes beyond distinguishing the product of its owner to the functional structure of the product itself, is a transgression of the legitimate bounds of a trade-mark. It is a well-settled part of the law of trade-marks that a purely functional use or characteristic cannot be the basis of a trade-mark. In the words of Mr. Justice LeBel at page 17,

...it (the doctrine of functionality) prevents abuses of monopoly positions in respect of products and processes. Once, for example, patents have expired, it discourages attempts to bring them back in another guise.

Accordingly, *Lego* has no entitlement for trademark protection against competition in relation to the design of its toy blocks.



## Meet Our Intellectual Property & Technology Team



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# BD&P's Intellectual Property & Technology Team

**B**D&P's Intellectual Property & Technology Team is experienced and knowledgeable in all areas of E-Business and the Internet, Intellectual Property, Privacy & Data Collection and Technology Transfer & Licensing.

Practitioners on this Team are active members in the Canadian Information Technology Law Association, the Canadian Information Processing Society, and the Calgary Council for Advanced Technology. They are frequent lecturers and are widely published in their field.

This Team works closely with other lawyers in the firm as part of a cross disciplinary team, drawing on skill and knowledge in the areas of energy, tax, commercial transactions, securities, litigation and other areas that arise in the intellectual property and technology context.

Our clients benefit from the specialized educational background of the team's members, which includes degrees in engineering and e-commerce.



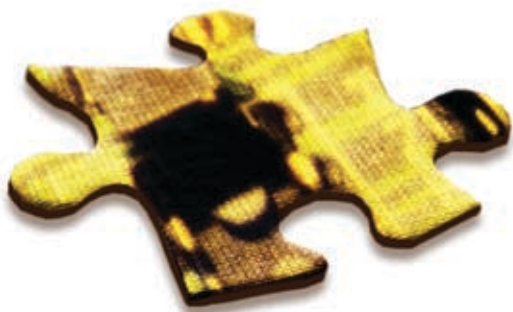
# E-Business and the Internet

BD&P's Intellectual Property & Technology Team counsels clients on a host of issues concerning the development and implementation of on-line business, the protection of intellectual property over the Internet and the inherent risks of privacy and security.

This Team has substantial experience and knowledge in Internet related matters, whether local, national or cross-border, and counsels several industry leading companies that conduct their business on-line.

## SIGNIFICANT AREAS OF SERVICE:

- ◆ Advice on all areas of online business and e-commerce, including:
  - Agreements with respect to website and software development, linking and collaborative relationships, ISP, hosting, cohosting, co-location, subscriber and members, and distribution arrangements
  - Online contracting and sales, publication and distribution of content, privacy, legal risk management, and copyright issues
  - Advice with respect to legislation such as the Electronic Transactions Act (Alberta)
  - Domain name and trade-mark protection and infringement
  - Licensing of software and digital content
  - Advice on online contests and promotions
  - Website terms of use and acceptable use policies
  - Tax issues with regard to online business
  - Website and e-commerce security legal issues
- ◆ Advice on all aspects of software development and licensing
- ◆ IT outsourcing
- ◆ Advice on legal issues arising out of the virtualization of business processes
- ◆ Advice with respect to document and record retention policies and regulatory compliance regarding electronic records
- ◆ Advice with respect to electronic records in litigation and e-discovery
- ◆ Litigation related to online and e-business matters and online intellectual property issues



# Intellectual Property

BD&P's Intellectual Property & Technology Team has a wealth of knowledge and extensive experience in advising clients on trade-mark, copyright, patent, industrial design and trade secrets law. Our clients range from individuals to large multi-national corporations and emerging technology companies.

Whether it is the re-branding of a key product, the licensing of critical intellectual property overseas, or the commercialization of cutting edge new technology, this Team will ensure that the intellectual property issues arising from such endeavours are identified and solved expertly and efficiently.

## SIGNIFICANT AREAS OF SERVICE:

- ◆ Registrability and availability of trade-mark searches for Canada and abroad
- ◆ Preparation, filing and prosecution of trade-mark applications for Canada and abroad
- ◆ Trade-mark registration, opposition, and expungement proceedings including proceedings before the Trade-marks Opposition Board
- ◆ Trade-mark litigation, including infringement, passing-off, cyber-squatting
- ◆ Branding and brand management
- ◆ Franchise agreements, disclosure documents and advising on franchise legislation compliance
- ◆ Copyright infringement proceedings
- ◆ Advising on, and drafting of trade-mark, copyright and patent licenses
- ◆ Preparation, filing and prosecution of copyright application
- ◆ Domain name registrations and disputes
- ◆ Advising on general patent matters
- ◆ Patent and trade-mark litigation, including infringement and passing-off actions
- ◆ Confidentiality and non-disclosure agreements
- ◆ Advising on employee and contractor intellectual property issues and assignments
- ◆ Publishing, licensing, and distribution contracts with respect to book and other publications, music, television and cinema
- ◆ Patent licensing and transfers
- ◆ Trade secret protection and licensing
- ◆ Technology transfer agreements
- ◆ Employment agreements for software developers, content developers and scientists

# Privacy & Data Collection

BD&P's Intellectual Property & Technology Team has experience in all matters related to privacy and data collection and the collection, use and disclosure of personal information.

The practitioners on this Team work regularly with other lawyers at BD&P with respect to privacy issues that arise in employment and commercial relationships, e-commerce, mergers and acquisitions, litigation and other situations involving the collection, use and disclosure of personal information. We also provide advice related to access to information, complaints from individuals, investigations by regulatory authorities and in litigious situations.

## SIGNIFICANT AREAS OF SERVICE:

- Advice on all aspects of privacy and personal information, applicable legislation and compliance with such legislation
- Advice on privacy impact assessments and privacy audits
- Preparation of privacy policies and related documentation
- Advice with respect to appointment of officers with privacy responsibilities
- Advice with respect to requests for access to information, compliance challenges and related inquiries
- Advice with respect to legal issues arising out of the design and use of computer systems and networks, including security and data flows
- Advice with respect to data flows across provincial and international borders and with respect to the World Wide Web and Internet-specific issues regarding privacy
- Advice on matters arising out of the *Personal Information Protection and Electronic Documents Act* (Canada, "PIPEDA"), the *Personal Information Protection Act* (Alberta, "PIPA"), the *Freedom of Information and Protection of Privacy Act* (Alberta, "FOIP"), the *Health Information Act* (Alberta), and related matters
- Advice on records and document retention and destruction policies, including advice on policies related to personal information
- Advice with respect to complaints from individual data donors
- Advice with respect to the transfer or sale of personal information (e.g. customer lists, mailing lists, donor lists)
- Advice with respect to matters before the Information and Privacy Commission of Alberta and the Privacy Commissioner of Canada
- Advice with respect to privacy issues arising in administrative proceedings and litigation

# Technology Transfer & Licensing

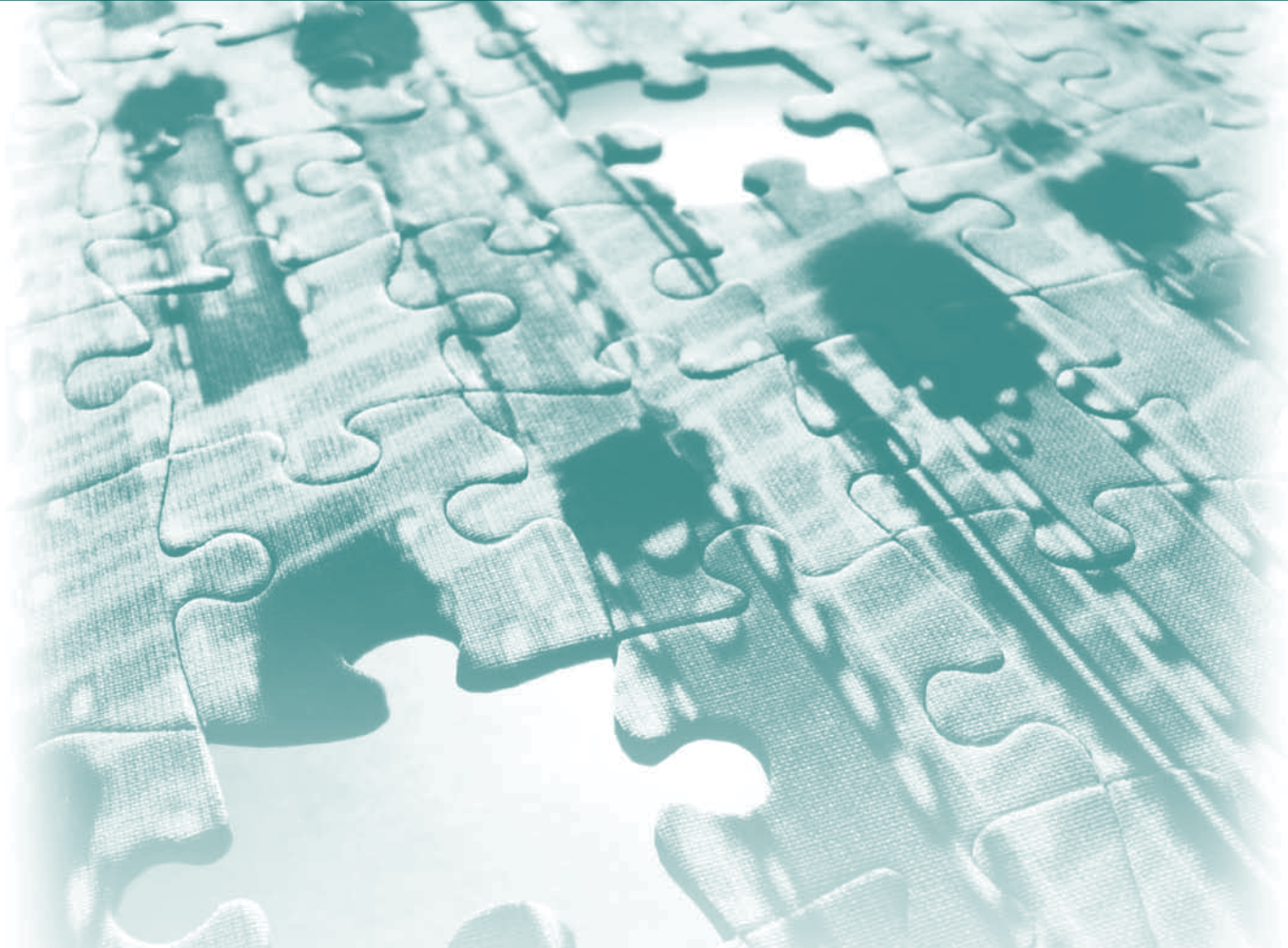
BD&P's Intellectual Property & Technology team has extensive experience in all commercial aspects of technology development, protection, marketing and transfer. Our Team is knowledgeable in both the legal and technical aspects of technology transfer and licensing and has the skills to handle wide-ranging transactions.

Our practitioners represent large and small corporate developers, acquirors and end users of technology in a wide variety of industries including the oil & gas and service sector, oil sands, wireless, GPS, biotechnology, financial institutions and software.

## SIGNIFICANT AREAS OF SERVICE:

- Mergers and acquisitions of technology companies
- Acquisition of intellectual property and technology company assets
- Sales, marketing, re-seller and sales agency arrangements
- Software, copyright, trade-mark, patent and other intellectual property licensing
- Internet based licensing and product distribution
- Application service provider, hosting and other software and service delivery structures
- Co-development and joint development agreements
- Confidentiality, non-disclosure and technology ownership and assignment agreements





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