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Business Methods Pass the Test: Declared “Not Unpatentable” in USA and Canada

by Heather Mueller, Patent Agent and Ashley Weldon, Student-at-Law¹

Introduction

The US Supreme Court and Canadian Federal Court have both recently affirmed that business methods should not be excluded from the definition of patent-eligible subject matter. This news may have great impact in many fields of technology, including e-commerce, insurance, banking, tax compliance, medical diagnostics, data processing and marketing.

U.S. Decision

On June 28, 2010, after an unprecedented delay (nearly eight months between oral arguments and decision), the US Supreme Court released its decision in *Bilski v. Kappos*². The 1997 patent application related to a method and formula for use in hedging risk in commodities trading. A commodity provider would purchase a commodity at a fixed price, and sell to consumers at a different fixed price to moderate the price risk based on variability in demand for the commodity. The US Patent Office, followed by the Board of Patent Appeals, the US Court of Appeal for the Federal Circuit, and ultimately the Supreme Court of the United States of America, all rejected Bilski's claimed method as an abstract idea, and therefore not patentable. Notably, however, the Supreme Court rejected the notion that business methods *per se* are unpatentable. Unfortunately, the Supreme Court provided only minimal guidance to Applicants and Patent Examiners regarding how to determine the patent eligibility of business methods going forward.

Canadian Decision

More recently, and here in Canada, on October 14, 2010, the Federal Court of Canada published its decision in *Amazon.com, Inc. v. Commissioner of Patents*³ (the “Federal Court Decision”). Amazon's 1998 patent application, directed to its “one-click” online ordering method, involved storing a customer identifier on the customer's computer (a “cookie”). The identifier was also associated with specific customer information stored on the vendor's servers. Consequently, on subsequent visits to the vendor's website, a single click by the customer would result in recognition of the identifier and retrieval of the customer information. This would enable the customer to complete such subsequent orders with a single click of the mouse. The Amazon patent application was initially rejected by the Canadian Examiner as obvious, and as being directed to non-patentable subject matter.

Upon appeal from the Canadian Examiner's decision by Amazon, the Patent Appeal Board agreed with Amazon that the claims of the application should not have been rejected by the Examiner as obvious. However, the Patent Appeal Board also maintained that the invention was not directed to patentable subject matter on the basis that the Amazon method is not performed on a physical object producing a change in either character or condition. Further, the Patent Appeal Board held that the claims defined a business method, which is non-statutory subject matter for patentability. The Patent Appeal Board also ruled that the

invention claimed was “not technological”. Amazon appealed the decision of the Patent Appeal Board to the Federal Court of Canada.

In the Federal Court Decision, the Amazon method was found to be patent eligible. Moreover, the Federal Court specifically confirmed that there is an “absolute lack of authority in Canada for a “business method exclusion” from patentability and that there is no “technological” requirement for patentability. The Federal Court has directed that the case be sent back to the Canadian Patent Office for re-examination with the direction that the claims do constitute patentable subject matter.

Concluding Comments

Notably, corresponding Amazon patents have already been granted in both the United States and Europe.

Thus, it seems that business methods have been granted new life in the Patent Offices of Canada and the United States. Specifically, methods underlying software and e-commerce processes have now been confirmed as patent-eligible subject matter, at least when implemented in a practical application with a commercially relevant result.

Footnotes

¹ with thanks to Kristen Dick, formerly of BD&P

² 130 S. Ct. 3218 (2010)

³ [2010] FC 1011

Privacy Concerns And Facebook

by Jessie Bachinsky

Introduction

The social phenomenon that is Facebook was launched in February of 2004. In very general terms, Facebook is a social networking site that allows users to share information and communicate with each other. Membership was initially restricted to Harvard students, but soon expanded to any students attending a recognized university, and in 2006 eventually expanded to anyone with a valid email address. Facebook currently reports to have over 500 million users worldwide.

CIPPIC Complaint

On May 30th, 2008, the Canadian Internet Policy and Public Interest Clinic (CIPPIC) filed a complaint with the Office of the Privacy Commissioner of Canada (“OPC”), which dealt with Facebook’s alleged violation of Part 1, s. 11 of the *Personal Information Protection and Electronic Documents Act* (“PIPEDA”). The complaint was primarily based on Facebook’s unnecessary and non-consensual collection and use of personal information from its users. CIPPIC’s complaint spanned over 100 pages, detailing 15 sections of PIPEDA that Facebook was alleged to have violated.

The OPC investigated the various complaints, and on March 27th, 2009 issued a preliminary report of its findings. The preliminary report dealt with 12 violations of PIPEDA, four of which Facebook agreed to address prior to the release of the final report and 4 of which were determined to have no foundation.

Final Report

The OPC released its final report (“the Report”) on July 16th, 2009. The Report highlighted the four violations of PIPEDA, where Facebook had declined to make any changes.

- Facebook’s first violation involved third-party applications. When users added an application to their Facebook account, they were required to consent to third-party developers accessing their personal information. Also, when friends of users added an application, the developer could access both users’ personal information. The OPC held that Facebook was not obtaining meaningful consent for this information to be shared, and that they lacked control over how a developer subsequently used this information.
- Facebook’s second violation involved account deactivation and deletion. The OPC found that after users deleted their accounts, Facebook retained their information indefinitely. The Report also found that when users deactivated their accounts, Facebook retained their information until a deletion or reactivation request. In addition, Facebook refused to put the option to delete or deactivate on the same page.
- Facebook’s third violation involved the accounts of deceased users. When users passed away, Facebook kept their profiles active, unless the families requested they be taken down. The OPC held that retaining data to memorialize users’ accounts constituted a “different use” that users did not agree to when they originally signed up. The Report also stated that Facebook did not provide a sufficient description of memorializing in their terms of use, nor did they include a description in their privacy policy.
- Facebook’s last violation involved the use of personal information of non-users. The Report stated that Facebook’s statement of rights did not address obtaining consent before uploading the personal information of non-users. Rather, the responsibility to obtain that consent was given to the person uploading the information. The OPC held that Facebook was not being diligent enough to ensure that users obtained consent. In addition, Facebook indefinitely retained the email addresses of people who were invited to join the site, unless there was a removal request.



The OPC will almost certainly continue to monitor Facebook's policies and controls, and a new investigation does appear to be a real possibility.

regarding implementation of the agreed upon changes. This included a review of Facebook's new privacy tools, and their permissions model to limit developer's access to personal information. However, on January 27, 2010 the OPC announced a new investigation into Facebook's privacy practices. The complaint alleged that Facebook's new tool, which required users to review their privacy settings, had default settings that actually made personal information more readily available than before the changes were made. In addition, Facebook's alterations to their privacy options resulted in confusion as users had to decide on their settings by selecting from among 50 different buttons and 170 choices.

Over the following four months, Facebook was under a great deal of pressure from users and government regulators to address these new privacy concerns. In April, 2010 Facebook encountered further criticism with Mark Zuckerberg's announcement of plans for a new technology that would connect Facebook user accounts to third-party websites such as Yelp and Pandora.

On May 26, 2010, as a result of the mounting pressure, Facebook introduced changes to allow users to better understand and to have better control over the sharing of their personal information. As a result, Facebook users had access to a single page where they could control whether their information was seen by their friends, friends of their friends, or by everyone on the Web. The settings were applied to everything that a user had posted to Facebook in the past, and applied to any new Facebook services in the future. Further, Facebook allowed users to prevent their information from being shared with third-party software developers who built games and quiz applications that are featured on Facebook.

On September 22, 2010 the OPC announced that Facebook had made enough changes over the past year to bring them in accordance with Canadian privacy law. These changes included limiting the sharing of personal information with third party developers and providing clear information regarding Facebook's privacy practices. However, the OPC stated that their work with Facebook was not over, as there was still room for improvement. These words of the OPC foreshadowed the Wall Street Journal reporting on October 18, 2010 that dozens of Facebook applications, including ten of the most popular applications, had been secretly transmitting the personal information of Facebook users to advertising and internet tracking companies. As a result of this new development, the OPC is considering opening a new investigation, although Facebook has said that they plan to introduce new technologies to address these issues.

Given the recent date of this new information, it is difficult to speculate as to what the outcome will be. The OPC will almost certainly continue to monitor Facebook's policies and controls, and a new investigation does appear to be a real possibility.

Violations Addressed by Facebook

The OPC provided Facebook 30 days to reconsider their position on the four violations, after which time necessary decisions regarding further action would be made. Approximately six weeks later, the OPC released a news report stating that Facebook had proposed actions to deal with the four violations, and that these actions would bring them into compliance with *PIPEDA*.

- To deal with third-party developers, Facebook agreed to change their application platform to prevent developers accessing users' personal information until they obtained express consent. Further, friends of users could prevent their information from being given to developers, and users had to be informed of how the developer planned to use their information.
- To deal with the account deactivation/deletion violation, Facebook agreed to explain the distinction between the two terms in their privacy policy, and provide a notice about the option to delete during the deactivation process.
- To deal with the issue of memorializing users' accounts, Facebook agreed to change their privacy policy to explain what happened in the event of users' deaths.
- Finally, Facebook agreed to include more information regarding the need for non-users consent, and would inform users of their obligation to obtain non-users consent before uploading their personal information.

Going Forward

In October, 2009 the OPC stated that Facebook was on the right track in addressing privacy gaps on their site. As part of their compliance oversight, the OPC required Facebook to report at regular intervals



\$290 million US Infringement Award for i4i – Strategic Success or Near Miss?

by Heather Mueller, Patent Agent

Background

The Canadian-made David and Goliath story of a small Canadian company successfully suing Microsoft for patent infringement in the US made headlines across North America last year. However, Microsoft is apparently unwilling to accept defeat. Meanwhile, i4i appears to have missed their opportunity to test a corresponding case in Canada.

By way of background, Infrastructures for Information Inc. (“i4i”) was issued US Patent 5,787,449 (“the US patent”) on July 28, 1998. The patent is directed to a computer system for manipulating the architecture and content of documents by mapping and storing document metacodes separately from document content. The structure and content of the document may therefore be independently edited and saved, under separate security if desired. i4i developed several software products, including one product capable of expanding Microsoft Word’s capacity to work with documents containing custom Extensible Markup Language (XML), a document markup language that allows users to create and define their own document structure tags/metacodes.

Microsoft Corporation (“Microsoft”) approached i4i as a potential partner in 2001, to assist in the development of software for the US government. Through these discussions Microsoft apparently learned of i4i’s technology, then ended all contact with i4i and sought to make i4i’s software obsolete.

As of 2003, new versions of Microsoft Word incorporated XML editing capability.

Nature of the Court Action

In 2007, i4i Limited Partnership brought suit against Microsoft, alleging that certain versions of Microsoft Word contained an XML editor that infringed i4i’s US patent. i4i further claimed Microsoft’s infringement was wilful. Microsoft advanced a position of non-infringement and counterclaimed that i4i’s US patent was invalid.

Court Decisions

A jury found that Microsoft had wilfully infringed all asserted claims of i4i’s patent. i4i was awarded \$200 million in damages, \$40 million in enhanced damages, plus pre- and post-judgement interest. A permanent injunction was granted against future sales, offers for sale, import, and use of Word, including prohibition against instructing or assisting new customers in using the custom XML editor. The injunction was stayed pending the outcome of appeal.

In 2007, i4i Limited Partnership brought suit against Microsoft, alleging that certain versions of Microsoft Word contained an XML editor that infringed i4i’s US patent. i4i further claimed Microsoft’s infringement was wilful. Microsoft advanced a position of non-infringement and counterclaimed that i4i’s US patent was invalid.

On appeal, Microsoft renewed its previous arguments that the i4i patent claims should be narrowly interpreted, assertable only against the storage of document content and a document metacode map in separate files, and that the content and metacode map must be editable independently and without access to the other in order to find infringement. Both of these arguments were rejected by the Court of Appeal.

Further, Microsoft reasserted allegations that the i4i patent is invalid in view of prior art and prior sale to one of i4i’s customers. These allegations were again unsuccessful, as were Microsoft’s objections to the calculation of damages.

On August 27, 2010, with no further appeal available, Microsoft filed a petition for a writ of certiorari with the US Supreme Court, in a final attempt to fight the i4i judgement by alleging that the legal standard for invalidating patents is too high. While the US Supreme Court typically denies the majority of such petitions, several third parties have filed papers in support of Microsoft’s petition, including unlikely allies Apple and Google. In response, i4i’s Chairman has stated “We continue to be confident that i4i will prevail”.

The Canadian Patent

Notably, i4i’s corresponding Canadian patent 2,150,765 (“Canadian patent”), which issued on July 25, 2000, has lapsed and is now unenforceable due to failure to pay the 2003 maintenance fee. This means a corresponding Canadian award against Microsoft is not a possibility for i4i.

However, the timeline of the lapse in i4i’s Canadian patent is of particular interest, as only one year earlier, maintenance fees were paid in respect of both the Canadian and US patent. While modest maintenance fees are due annually in respect of Canadian patents, hefty maintenance fee payments in the US are due only at four-year intervals (3.5, 7.5, and 11.5 years from issuance).

Sometime between June 2002 and June 2003, i4i apparently decided to allow their Canadian patent to lapse, and did not pay the 2003 maintenance fee. As a result, i4i’s Canadian patent protection officially lapsed in June of 2004. This was apparently around the same time that Microsoft began incorporating the infringing custom XML editing capability into versions of Microsoft Word.

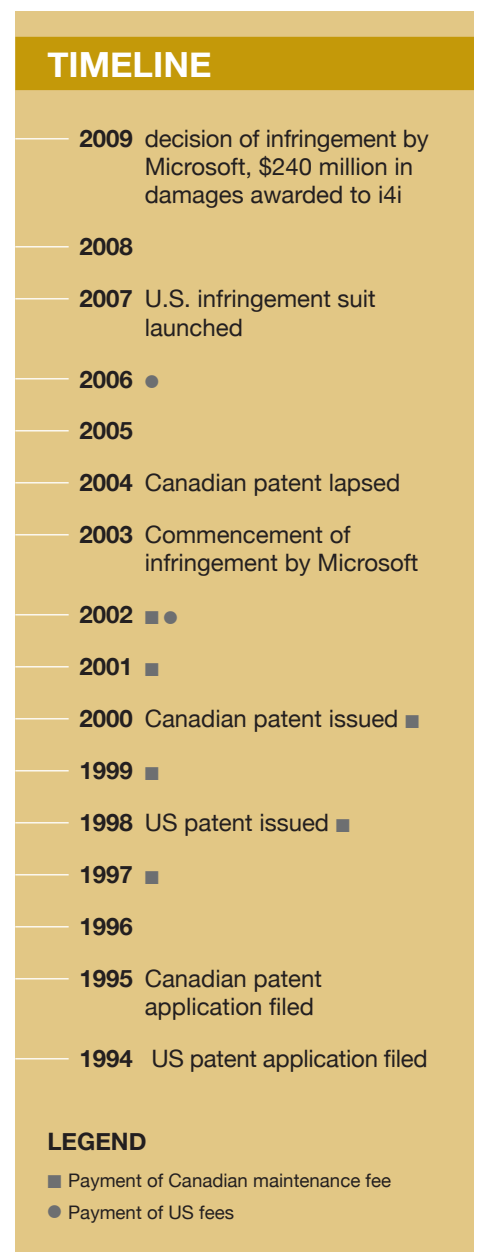
It is not clear when i4i became aware of the infringement by Microsoft, however as of June 2004 the Canadian patent was unenforceable, but the US patent was still in good standing, with the next US maintenance fee not due until 2006. The 4-year maintenance fee payment schedule in the US therefore proved fortuitous for i4i, as their US protection remained intact despite the loss of (or decision to abandon) their Canadian patent protection.

Concluding Thoughts

The year 2011 will likely bring a conclusion to this battle over the custom XML editor, at least in the US market.

Regarding Canadian rights, one is left to wonder whether the lapse of i4i’s Canadian patent resulted from a decision to abandon patent protection in Canada only, or from a decision to abandon patent protection for this technology entirely. If the latter, i4i may also have intended to allow their US patent to lapse. Had a US maintenance fee been due at an earlier date, i4i’s may also have abandoned their US patent rights, foregoing their opportunity to collect on a \$240 million judgement against Microsoft.

One might further wonder about the outcome of a corresponding Canadian infringement suit against Microsoft, had i4i continued to pay the \$100 annual fee to maintain their patent rights in Canada.



Copyright Reform Update



by Kevin Tuohy

Introduction

BD&P's April 2009 Intellectual Property & Technology Newsletter provided a summary of pending Canadian copyright reform and promised a follow-up in a future edition. Although there is no new legislation in force, there is some news to report.

After two previous copyright reform bills died on the table (in 2005 and 2008 respectively), the first reading of Bill C-32, *An Act to Amend the Copyright Act* (the "Bill") took place on June 2, 2010. The second reading of Bill C-32 commenced on November 2, 2010 and it is expected that the Bill will go to parliamentary committee shortly thereafter.

Branded as "balanced copyright", Bill C-32 is the Government of Canada's effort to "introduce legislation that will modernize Canadian copyright law for the digital age while protecting and creating jobs, promoting innovation and attracting new investment to Canada", to "ensure that Canada's copyright laws are forward-looking and responsive in a fast-paced digital world", and to offer "a common-sense balance between the interests of consumers and the rights of the creative community".¹

Rhetoric aside, Bill C-32 is another attempt to bring Canada's copyright rules more in line with the realities of digital content, and with Canada's obligations under the World Intellectual Property Organization (the "WIPO"), and specifically under the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (commonly referred to collectively as the WIPO Internet Treaties).

Highlights

Some of the highlights of the proposed legislation are as follows:

Technological Protection Measures (TPMs) and Anti-Circumvention Provisions. There are numerous exceptions under the Bill for making copies and there is an expansion of rights for private, non-commercial purposes, as noted below; however, it will remain an infringement if copies of works are obtained by the circumvention of TPMs. In other words, picking of digital locks will not be permitted.

Education. The Bill provides breadth to the fair dealing exception in the categories of research and private study. Specifically, education, parody and satire will be included as exceptions to infringing use, which will, among other things, allow for greater leeway for the use of technology in classrooms and other educational settings.

Performers. The Bill provides broader exceptions for performers, expanding on rights of reproduction, distribution of digital content and moral rights in the context of performances and sound recordings.

Photographers. The Bill seeks to bring ownership of photographic works more in line with ownership for other types of works. For example, the Bill seeks to address the current situation whereby a commissioner of a photograph, as opposed to the author/photographer, owns the copyright in the photograph.

Temporary Copies. The Bill provides exceptions for temporary copies for technological processes and purposes, and for the purposes of broadcasting.

Time Shifting. The Bill seeks to legalize the recording of a work for time shifting purposes (viewing or listening at a later time), provided the recording is only retained for a reasonable period of time.

Format Shifting. The Bill also seeks to allow the copying of a legally acquired work for the personal purposes of shifting to another medium (for example, copying from CDs to iPods).

Backup Copies. The Bill allows for backup copying under certain circumstances where the original work is lawfully acquired and no TPMs are circumvented.

Disability Exception. The Bill provides an exemption for the copying of work for people with print and visual disabilities.

User-generated Content and the Social Networking Exception. The Bill seeks to allow the non-commercial use of legitimately acquired copyrighted works in user-generated content, provided the source of the original work is identified, and provided the user-generated work does not have an adverse effect on exploitation of the original work.

Service Providers. The Bill deals with the liability of service providers, such as BitTorrent and other peer-to-peer service providers, and includes provisions that make it an infringement to provide services that are designed primarily to allow for acts of copyright infringement. Liability is limited for ISPs, network service providers and search engines for the infringements of their subscribers and users.

Reduced Statutory Damages for Non-Commercial Infringement. The Bill proposes a reduction of maximum fines for personal use infringement, ranging from \$100 to \$5,000 per infringer and covering all past infringement (as opposed to previous maximums of \$20,000 per infringement, whether commercial or non-commercial). Further, a court will be permitted to consider actual hardship in determining the amount of damages.

Summary

Although Bill C-32 seeks to minimize liability for personal use and limit the relief available against non-commercial infringement, the Bill is still widely criticized by consumers and consumer rights advocates, largely for its anti-circumvention provisions which would allow for digital locks on content. The protection afforded TPMs is so strong that it virtually trumps all other rights, and it is this imbalance that is causing the most resistance to the proposed legislation.

At the time of print, the opposition parties had made it clear in the course of second reading debate that they required changes before they would support the Bill. Although compromise is certainly possible, there is a concern that the absence of a flexible fair dealing provision (as opposed to the current proposal which includes numerous but narrow exceptions), and the priority given to digital locks, will result in a Bill that may not reach a third reading—particularly before an election is called.

We will continue to monitor the progress of Bill C-32 in future IP Newsletters.

Footnotes

¹ <http://www.ic.gc.ca/eic/site/ic1.nsf/eng/05605.html>

Introduction

For the first time since 2006, the Supreme Court of Canada (“the Supreme Court”) will be weighing in on issues of trademark law. Specifically, the Supreme Court will address whether there can be a likelihood of confusion between two trademarks if the marks are not in competition in the same geographic area, and whether reputation in the relevant geographic area is required to enforce unregistered trademark rights in order to have a registered trademark expunged.

Facts

On December 8, 2010, the Supreme Court will hear an appeal of the decision of the *Federal Court of Appeal in Masterpiece Inc. v. Alavida Lifestyles Inc.*¹. Both Masterpiece Inc. (“Masterpiece”) and Alavida Lifestyles Inc. (“Alavida”) operate in the retirement residence industry. Masterpiece claimed to have been using its series of unregistered trademarks since 2001, all of which used the word “masterpiece” and some of which also used the word “living”. Masterpiece started using the trademark MASTERPIECE LIVING in late 2005 or early 2006. Alavida applied to register the trademark MASTERPIECE LIVING on December 1, 2005 and began using the mark in January 2006. Alavida’s application was registered on March 23, 2007.

Masterpiece applied to register the trademarks MASTERPIECE on January 23, 2006, and MASTERPIECE LIVING on June 29, 2006. The applications were denied by the Canadian Intellectual Property Office because Alavida had already applied for MASTERPIECE LIVING.

Masterpiece filed an application with the Federal Court seeking the expungement of Alavida’s MASTERPIECE LIVING registration on the basis that Masterpiece had prior use of confusingly similar trademarks in Canada.

Federal Court Decisions

The Federal Court, Trial Division, dismissed the application, finding no likelihood of confusion.

The Federal Court of Appeal upheld that decision, suggesting that because Masterpiece and Alavida were operating in two different geographic regions at the time Alavida filed its application, there was no likelihood of confusion to prevent registration of Alavida’s trademark. The Federal Court of Appeal also held that the test for confusion has been defined in the present tense, and that in order for the prior use of Masterpiece to prevent Alavida’s application, there must be

a present likelihood of confusion on the date of Alavida’s application. The test for confusion was held to not be a forward-thinking test, and future plans for geographic expansion and the potential for confusion in the future were irrelevant.

Issues for the Supreme Court of Canada

The key issues for the Supreme Court will include the following:

- (i) whether the Court of Appeal erred in holding that likelihood of confusion between two trademarks cannot exist unless the marks are already in competition in the same geographic area;
- (ii) whether the Court of Appeal elevated the test for expungement to that of common law passing-off action, requiring reputation in a specific geographic area of use; and

- (iii) whether the Court of Appeal erred in holding that likelihood of confusion apparent on consideration of two trademarks can be overcome by aspects of “get-up” surrounding use of one of them.

Concluding Thoughts

It has been generally accepted that prior use of a trademark in Canada can serve as the basis for expungement of a confusingly similar trademark no matter where such prior use occurs in Canada. It will be of particular interest to see if the Supreme Court upholds the Federal Court of Appeal’s decision that specific geographic areas of use are now essential to the confusion analysis. This decision will have significant impact on the scope of protection afforded to unregistered trademarks.

Footnotes

¹ 2009 FCA 290

Supreme Court to Address Trademark Confusion Analysis

by Kevin Tuohy



IP Licensee Protection Improved... a Bit

by Scott Tallman

Background

If one has, or is considering, licensing intellectual property from a third party, one needs to be aware that licensees of intellectual property run a serious risk if the licensor becomes insolvent. A company in a typical bankruptcy or receivership proceeding may have all its assets, including its intellectual property, sold to pay off creditors. This effectively eliminates the licensee's access to the intellectual property.

Even under a less stringent *Companies' Creditors Arrangement Act*¹ ("CCAA") restructuring or *Bankruptcy and Insolvency Act*² ("BIA") proposal, where a company's assets don't vest in a trustee or receiver, a company could disclaim what are known as *executory* contracts, or contracts with ongoing obligations on both sides. An intellectual property license agreement is an example of an executory contract.

The ability to disclaim these contracts allows an insolvent licensor to reorganize to best meet the needs of creditors and continue operating. However, until recent legislative changes, this meant licensees relying on the underlying intellectual property could suddenly lose access to the IP, severely affecting the licensee's business.

The overall issue is illustrated in the case of *Royal Bank v. Body Blue Inc*³ ("Body Blue") wherein Body Blue Inc. ("Body Blue") granted a licence to exclusively manufacture and sell "PG Free" technology to Herbal Care. Body Blue later went into receivership. In receivership proceedings, Body Blue sold all of its assets to "Body Blue 2006". The Court granted an order that approved the sale, and the approximately \$7 million from the sale went to the Receiver to pay the creditors of Body Blue. The order stated that all claims in the assets, including any claims in PG Free, ended at the completion of the transaction.

On a challenge to the order by Herbal Care, the Court found that through its exclusive licence Herbal Care had only a *contractual* right and not a *proprietary* one. Without a proprietary right, i.e. no ownership interest, Herbal Care no longer had any right to the technology. Herbal Care lost access to PG Free, even though it had an exclusive licence and had not breached its contract.

Therefore, while Herbal Care had a claim for breach of contract under the licence agreement, it was against the "old" Body Blue, not the new. Suing the old Body Blue was not practical when the Court has already approved a transfer of all of its assets to a third party.

Legislative Reform

In 2005, the federal government introduced provisions to both the CCAA and the BIA to help minimize this risk for licensees. These amendments were proclaimed in force on September 18, 2009.

Introduction

The Government of Alberta recently proclaimed into law a number of amendments (“the Amendments”) to the Personal Information Protection Act (“PIPA”). PIPA sets out various obligations regarding an organization’s handling of personal information. Several of the key amendments are highlighted below.

Creating Written Policies

Organisations are required to develop policies that enable the organization to meet its obligations under PIPA and organizations must make those policies available to individuals on request. With the Amendments, information about an organization’s policies is now required to be provided in writing.

Definition of Employee

The Amendments include changes to the privacy protection provisions relating to employees. For example, the definition of employee has now been broadened to include a partner, director and officer of an organization. Therefore, individuals in these roles will fall under the personal employee information provisions of PIPA.

Reference Information

The Amendments include specific provisions dealing with the personal information of employees after they leave their employment. For example, an organization will be entitled to give reference information about a former employee to a potential employer of that former employee without first obtaining the consent of the former employee.

Service Providers

Under the Amendments, if an organization uses a service provider that is located outside Canada, the organization must set out the countries where personal information may be collected, used, disclosed or stored and the reason the service provider is handling the personal information. The organisation must also provide information about the organization’s practices concerning service providers located outside Canada and the privacy practices of the service providers.

New sections 32 of the *CCAA* and 65.11 of the *BIA* deal generally with the disclaiming of agreements when restructuring under each Act. Importantly for licensees of intellectual property, sections 32(6) of the *CCAA* and 65.11(7) of the *BIA* both state that the disclaiming does not affect the right to use the licensed intellectual property.

This provides some further protection for licensees, especially for licences for exclusive use. Companies who are undergoing a restructuring can no longer simply disclaim contracts for its intellectual property, and must allow the licensee to continue to use the intellectual property.

While the amendments to the relevant legislation represent an improvement for licensees, the extent of the protection is unknown. The wording of the sections is very general and the Canadian courts have not yet considered these sections. The sections rely heavily on the word “use”, and how

a court will delineate the scope of “use” in any specific situation is hard to predict. For example, does “use” include a right to support? What about future upgrades if the licence is in relation to software? If a licensee pays for upgrades under a separate fee, or those payments considered obligations in relation to use, or can the licensor disclaim that portion of the licence agreement?

Again, the sections do not apply in cases of bankruptcy or receivership, only restructuring, so the amendments would likely not have helped *Herbal Care in Body Blue*.

Protecting Licensees

While there has been some increase in the protection of licensees of intellectual property through recent legislative amendments, there are still legal concerns with the solvency of a licensor with any intellectual property licensing arrangement.

Changes to Privacy Law

by George Wovk

Audits

The Amendments now specifically permit that audits, such as a financial audit, can be conducted on an organization without requiring the consent of individuals even if the auditor is likely to run across personal information.

Fraud

There are specific provisions that permit the disclosure of personal information without the consent of an individual if the disclosure relates to the protection, prevention, detection or suppression of fraud.

Loss of Information

The Amendments introduced a new provision that requires an organization to notify the Privacy Commissioner of Alberta in the event there has been a loss of or unauthorized access to personal information where there is a risk of significant harm to the individual. The Privacy Commissioner may then require the organization notify individuals of the loss and take steps to mitigate against the risk of harm.

Concluding Thoughts

Privacy legislation is affecting organizations in an increasingly pervasive manner. Good privacy practises and well thought-out privacy policies will serve an organization well in meeting its privacy obligations. In fact, we are finding that poorly considered privacy policies are a detriment to organizations.

Previous methods for protecting users of intellectual property, such as negotiating an assignment or partial assignment to create a proprietary right as opposed to a license, or by taking security in the intellectual property, continue to exist. Of course, acquiring those protections may be impractical or very costly in a negotiation. With the changes to the *CCAA* and the *BIA*, another, albeit limited, level of protection is now available. Careful drafting of a licence agreement, with a clear delineation of what parties include in the use of the licensed property, as well as clearly defined obligations relating to use, may help licensees minimize the ramifications of the licensor of critical intellectual property becoming insolvent.

Footnotes

¹ R.S.C. 1985, c. C-36

² R.S.C. 1985, c. B-3

³ (2008) 42 C.B.R. (5th) 125 (Ont. S.C.J. [Commercial List])

BD&P and Habitat for Humanity

Habitat for Humanity Calgary works in partnership with low-income families and the community to build hope through the construction of simple affordable homes for Calgary's families in need. BD&P has partnered with Habitat for Humanity Calgary since 2002 to help address the crisis in affordable housing in our city. Together, we have built a relationship of which we are immensely proud.

The lawyers at BD&P are very excited to commence BD&P's 2010 build — its 8th build with Habitat for Humanity Calgary, and the first All Women Build in the Calgary area since 2002. BD&P will fund the building costs and provide significant female volunteer labour and other resources for a house that will become a home to a Calgary area couple and their two young children.

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