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ORDER

E-Commerce and Online Contracts: **Is Any Notice Sufficient Notice?**

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INTRODUCTION

Two recent court decisions, one Canadian and one American, have revealed that despite the growing complexity of e-commerce, the longstanding principles of contract law continue to govern and regulate emerging areas, such as online contracts. In decisions dealing with different fact scenarios, both courts discussed what might constitute sufficient notice, and impressed upon businesses the need to ensure that customers are made aware of terms and conditions of contracts through sufficient notice.

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THE AMERICAN DECISION

i) Facts

In July 2007, the Ninth Circuit Federal Appeals Court handed down a decision in *Joe Douglas v. Talk America Inc. et al*¹, holding that posting changes to a contract online does not amount to sufficient notice of those changes to the customer.

Joe Douglas (“Douglas”) had entered a contract for long distance service with America Online Inc. (“AOL”). AOL’s business was then acquired by Talk America, who assumed AOL’s customers. After the merger, Talk America attempted to change the terms of the contract between it and former AOL customers. Talk America posted these changes online, but did not otherwise advise former AOL and current Talk America customers of the changes, which included an increase in rates, an arbitration clause and a class-action suit waiver. Douglas remained unaware of the new terms for four years and continued to use the Talk America service.

When he became aware of the new terms, Douglas attempted to file a class-action suit in district Court, alleging violations of the Federal Communications Act, breach of contract and several violations of California consumer protection legislation. At Talk America’s behest, the district Court ruled that Douglas was required to enter arbitration, meaning he was barred from pursuing a class-action suit. Douglas appealed this decision to the Federal Appeals Court, which ruled that it is not sufficient notice to simply post changes to contractual terms online.

ii) Discussion and Findings of the American Court

The Court affirmed a fundamental principle of contract law, which remains important in this new era of e-commerce, that a party to a contract cannot unilaterally change the terms of a contract without the other party’s consent.

Talk America assumed that Douglas paid his bills online and since the changes were posted online, this should have been sufficient notice to Douglas. Douglas, however, did not pay his bills online; he had them automatically withdrawn from his credit card, leaving him unaware of any contractual changes. The Court determined that not only those like Douglas who did not pay online, but even those who did pay online, required better notice, stating at p.4 as follows:

Even if Douglas had visited the website, he would have had no reason to look at the contract posted there. Parties to a contract have no obligation to check the terms on a periodic basis to learn whether they have been changed by the other side... nor would a party know when to check the website for possible changes to the contract terms without being notified that the contract had been changed and how. Douglas would have had to check the contract every day for possible changes. Without notice, an examination would be fairly cumbersome, as Douglas would have had to compare every word of the posted contract with his existing contract in order to detect whether it had changed.

The Court affirmed a fundamental principle of contract law... that a party to a contract cannot unilaterally change the terms of a contract without the other party’s consent.

To allow otherwise would introduce too much uncertainty into e-commerce and, as a result, would stifle transactions in an area where they are supposed to be more efficient.

THE CANADIAN DECISION

i) Facts

Almost simultaneously, the Supreme Court of Canada (the “SCC”) handed down a decision in *Dell Computer Corp. v. Union des Consommateurs Inc et al*². On a Friday in April

2003, Dell Computer Corp (“Dell”) listed on its Canadian website an incorrect price for the Axim, a handheld computer. Two models of the computer normally priced at \$379 and \$549 appeared on the website for \$89 and \$118. The next day Dell attempted to block access to the site but was unsuccessful. The ordering webpage remained accessible for the rest of the weekend, and the computers could still be purchased at the mistaken prices. A total of 509 computers were sold on the weekend in question at the erroneous price.

When Dell refused to honour the contracts entered into at the mistaken price, Olivier Dumoulin (“Dumoulin”), a customer who took advantage of Dell’s mistake, joined with *Union des Consommateurs*, a Quebec-based consumer group, to launch a class-action suit against the company. In response, Dell argued that the consumer contract, hyperlinked from the ordering webpage, contained a clause providing that all disputes be resolved by arbitration, essentially barring class-action suits.


The SCC dealt with two issues in this decision: first, whether a contractual clause forcing arbitration is enforceable; and second, whether a hyperlink to terms and conditions is sufficient notice or whether the same information must be included directly on the ordering webpage.

ii) Discussion and Findings of the Canadian Court

The Trial and Appeal Courts decided in favour of Dumoulin, holding that the arbitration clause was not enforceable, and a hyperlink to the information did not provide sufficient notice. However, the SCC overturned the decisions of the lower Courts and found that the arbitration clause was enforceable and access to the terms and conditions through the hyperlink was sufficient notice of the provisions.

The apparent blow dealt to consumers and consumer protection watchdogs by the SCC decision in *Dell* lacks the practical impact that one might initially expect. In reality, arbitration clauses have been completely removed from the Canadian e-commerce landscape by provincial statutes in Ontario, British Columbia and Quebec. This means that companies operating in any of these provinces cannot use arbitration clauses to block the use of class-action suits in any event, whether or not the contract between the parties enforces an arbitration clause. So what is the impact of this SCC ruling on Canadian e-commerce?

Consumer protection groups suggest that the impact is negative for customers who shop online because companies will now be able to sneak unfavourable terms into an online contract. Drawing such a conclusion, however, is unfounded for at least two reasons.



In e-commerce, notice is as necessary and important as it was in the traditional contractual relationship.

First, the terms and conditions must be accessible. As stated in Dell, “[a]ccess to the clause in electronic format should be no more difficult than access to its equivalent on paper”. In analysing the access to the terms and conditions online, the SCC found as follows:

The evidence in the record shows that the consumer could access the page of Dell’s Web site containing the arbitration clause directly by clicking on the highlighted hyperlink entitled “Terms and Conditions of Sale”. This link reappeared on every page the consumer accessed. When the consumer clicked on the link, a page containing the terms and conditions of sale, including the arbitration clause, appeared on the screen. From this point of view, the clause was no more difficult for the consumer to access than would have been the case had he or she been given a paper copy of the entire contract on which the terms and conditions of sale appeared on the back of the first page.

Second, if a hyperlink contains unfavourable terms, the content may still be struck down on the basis that it is one-sided. As with paper contracts, a court will not uphold terms and conditions of online contracts if they are manifestly unjust.

CONCLUSION

The significance of these decisions lies in the reiteration of the idea that despite the emergence of e-commerce, businesses must still ensure that they are conducting their affairs in a manner that conforms to existing principles of contract law, specifically providing customers with sufficient notice of terms and conditions of a contract.

In e-commerce, notice is as necessary and important as it was in the traditional contractual relationship. Although the rulings appear to diverge in their effect on consumers, both the American and Canadian decisions impress upon companies engaging in e-commerce, the traditional need for sufficient notice. The manner in which notice can be properly given to customers who shop online may be open to interpretation as new modes of e-commerce emerge. However, the principled requirement of sufficient notice remains important whether in the United States or Canada.

In Canada, the standard is that notice of initial terms must be reasonably accessible to a customer shopping online. A hyperlink from the ordering webpage to the terms and conditions meets this standard. In the United States, the standard is not met when changes are made to contractual terms and posted online where a customer may or may not see them. The customer must specifically be informed of or given sufficient notice of the changes. In the context of e-commerce, both decisions serve as a reminder to companies entering contracts with customers on the Internet: give proper notice to customers of the terms and conditions of the contract to ensure that the contract is valid and enforceable in a court of law.

Footnotes

¹ D.C. No. CV-06-0389-GAF

² 2007 SCC 34



How Private is Your Personal Health Information?

by Catherine B. Reyes

INTRODUCTION

How would you react if you saw your medical records blowing around the streets downtown? What if you found out that your estranged spouse's lover who works at a hospital accessed your medical file for reasons unrelated to providing you with care? How would you feel if you found out that your personal health information had been stored on a laptop by a researcher and the laptop had then been stolen?

We may think that when we entrust doctors, nurses or others in the health care field with the most private and intimate details about ourselves, this information is protected to prevent such breaches of privacy from

occurring. However, the scenarios described above are not fictional. They are actual cases that have come before the Information and Privacy Commissioner ("IPC") in Ontario.

LEGISLATION TO PROTECT THE SECURITY OF HEALTH INFORMATION

Across Canada, the Federal Government, and several provincial governments have recognized the need to regulate the way that personal health information is protected. Here in Alberta, the *Health Information Act* (the "HI Act") was proclaimed on April 25, 2001. Among other things, the HI Act provides rules for custodians and their affiliates as to the protection of health information collected on patients. Custodians

include (a) the Minister and Department of Alberta Health and Wellness; (b) any health service provider paid by the Alberta Health Care Insurance Plan; (c) pharmacies and pharmacists; (d) Regional Health Authorities and provincial health boards; and (e) nursing home operators.

The *HI Act* stipulates in s.60 that:

a custodian must take reasonable steps in accordance with the regulations to maintain administrative, technical and physical safeguards that will

(a) protect the confidentiality of health information that is in its custody or under its control and the privacy of the individuals who are the subjects of that information;

(b) protect the confidentiality of health information that is to be stored or used in a jurisdiction outside Alberta or that is to be disclosed by the custodian to a person in a jurisdiction outside Alberta and the privacy of the individuals who are the subjects of that information,

(c) protect against any reasonably anticipated

(i) threat or hazard to the security or integrity of the health information or of loss of the health information, or

(ii) unauthorized use, disclosure or modification of the health information or unauthorized access to the health information, and

(d) otherwise ensure compliance with this Act by the custodian and its affiliates.

Further, the *HI Act* provides that these safeguards must include appropriate measures to protect the security of electronic records and for the proper disposal of records.

So there is legislation in place. The question is, does this legislation have any teeth? Under the *HI Act*, the Alberta IPC has the power to conduct an inquiry if a dispute under the legislation cannot be resolved through mediation or investigation. There have been no IPC inquiries involving protection of health information leading to Orders under the *HI Act*. However, the Orders issued by the Ontario IPC in the above-mentioned cases may provide some idea as to how Alberta's IPC may react to inadequate protection of health information. Although the Ontario legislation is not identical to Alberta's, it provides for similar protection. The Ontario *Personal Health Information Act* ("*PHI Act*") states in s. 12 that "a health information custodian shall take steps that are reasonable in the circumstances to ensure that personal health information in the custodian's custody or control is protected against theft, loss and unauthorized use or disclosure and to ensure that the records containing the information are protected against unauthorized copying, modification or disposal." Further, s. 13 provides that "a health information custodian shall ensure that the records of personal health information that it has in its custody or under its control are retained, transferred and disposed of in a secure manner and in accordance with the prescribed requirements, if any."

OLD HEALTH RECORDS SOLD TO A FILM COMPANY

In Order HO-001, issued October 2005, the Ontario IPC was called upon to determine whether a Toronto X-Ray and Ultrasound Clinic had violated the *PHI Act* by handing boxes of patient files to a paper shredding/recycling company for disposal. Due to a miscommunication between staff at the clinic and the paper disposal company, instead of shredding confidential patient records, the latter sold the records to a film crew who were shooting a movie about September 11, 2001. The film crew required authentic looking documents to recreate the tons of paper that was strewn on the street that day. The IPC also considered whether the paper disposal company's actions were in breach of the *PHI Act*.

...recycling is not an acceptable option for disposal of personal health information.

The IPC found that the Clinic, as well as the paper disposal company as agent of the Clinic, were in violation of the law. She held that recycling is not an acceptable option for disposal of personal health information. Rather, such records must be "physically destroyed in an irreversible manner". Further, she determined that written contractual agreements must be in place between the clinic and paper disposal agents and between the paper disposal agents and any agents of theirs.

The IPC ordered that the Clinic review its information practices to ensure that personal health records are securely stored and that written contractual agreements are in place with any agents it retains to dispose of personal health information, which agreements must include an obligation for the disposal company to shred securely and irreversibly. The disposal company was also ordered to ensure that written agreements are in place with health service providers as well as third parties with which it may contract; the agreements to include an obligation for the shredder to provide an attestation confirming destruction, providing the time, date and location of the destruction, as well

as the name and signature of the operator who performed the shredding. Finally, the IPC ordered that the paper disposal company put in place procedures that prevent personal health records designated for shredding from being mixed with records that are being disposed of through the recycling process.

SNEAKING A PEEK AT A MEDICAL FILE

The second questionable situation involving the security of personal health information implicated a nurse who was the girlfriend of a hospital patient's estranged husband. The nurse was not involved in the care of the patient and the patient had specifically asked that extra measures be taken to protect her privacy because she was in the midst of divorce proceedings and a custody battle with her estranged husband. Notwithstanding her efforts, the nurse accessed the patient's electronic medical file on several occasions.

In Order HO-002, dated July 2006, the IPC found that the hospital had violated the *PHI Act* by failing to take reasonable steps to ensure that the personal health information in its custody and control was protected against unauthorized use or disclosure. The hospital had failed to follow its internal policies relating to protection of patient privacy and failed to take immediate action once notified by the patient of a possible breach of her privacy.

The IPC ordered that the hospital review its practices, procedures and protocols relating to patient health information and privacy and those relating to human resources to ensure that they comply with the requirements of the *PHI Act*. The hospital was also ordered to implement a protocol to ensure that no further unauthorized use is made of a patient's records once they are made aware of an actual or potential breach. The hospital was also ordered to provide staff training and was "strongly encouraged" to issue a formal apology to the patient.

THEFT OF LAPTOP CONTAINING PERSONAL HEALTH INFORMATION

The third situation involved a clinician/researcher at a hospital in Toronto who took his laptop computer home to analyse research data stored on it. His car was

broken into and the laptop was stolen. The laptop contained personal health information of approximately 2,900 current and former patients of the hospital, including their hospital numbers, their medical conditions and, in some cases, very sensitive information such as their drug therapy and their HIV status. The only security on the laptop was an eight-character alpha numeric login password. The data was not encrypted at the file or the disk level.

The IPC again found that the hospital had failed to comply with the *HIP Act* by failing to take steps to ensure that personal health information in its custody was protected against theft, loss and unauthorized use. In addition, the hospital breached the *HIP Act* by failing to ensure that medical records were retained, transferred and disposed of in a secure manner.

The hospital was ordered, in Order HO-004, March 2007, to implement a policy preventing the removal of identifiable personal health information from hospital premises. If such information must be removed, encryption is required. In addition, the hospital was ordered to ensure that any personal health information not stored on secure servers must be de-identified or encrypted. Further, a corporate policy must be in place relating the use of secure remote access and/or Virtual Private Networks. Finally, the hospital was ordered to put in place a privacy breach protocol and to educate and train all staff members, researchers and clinicians on the risks of using laptops.

CONCLUSION

It does provide some comfort to know that there are laws and regulations in place to address the problem of keeping private health information out of the hands of the wrong people. From a review of some cases that have appeared in front of the Ontario IPC, it appears that the privacy of personal health information is being taken seriously. Several questions remain, however. Will there be adequate monitoring to ensure that IPC sanctions are adhered to? Also, will current laws will be sufficient to protect the growing amount of health information being stored electronically, that is easy to access and not so easy to destroy?

...the hospital had failed to comply with the HIP Act by failing to take steps to ensure the personal health information in its custody was protected against theft, loss and unauthorised use.

An Introduction To Trademarks

by George A. Wowk

INTRODUCTION

A trademark is some form of mark (such as a word, phrase or design), which is used by an organization to distinguish its goods and services from those of others in the marketplace.

Trademarks can become valuable assets for an organization. As an example, in 2006 Interbrand Corporation valued the Coca-Cola trademark at US\$67 billion. Protecting a trademark through registration and other means helps to create and preserve a trademark's value.

TYPES OF TRADEMARKS

A trademark can be used for specific goods and services or as a "house brand" for all of the goods and services of an organization. An example of the former is BIG MAC and an example of the latter is the MCDONALD'S trademark.

(a) Word Marks

A word mark is a trademark consisting of letters, numbers and/or punctuation marks. The trademark, when read, may or may not have any meaning.

(b) Design Marks

A design mark is a trademark that incorporates design or artistic elements. A design mark may also include letters, numbers and punctuation marks. Examples of design marks include Apple Computer's apple logo, McDonald's golden arches and 'Coca-Cola' in its stylized script.

(c) Certification Marks

A certification mark identifies goods or services that comply with a certain standard. A certification mark is owned by one organization that licenses it to others if its goods or services meet the standard. An example of a certification mark is the pure wool Woolmark design. In this example, being one hundred percent pure virgin wool is the standard.

(d) Distinguishing Guise

A distinguishing guise refers to the unique shape of a product or its packaging. For example, the hourglass-shaped Coke bottle is a distinguishing guise and its shape is protectable as a trademark.

(e) Official Marks

Official marks are special trademarks used by public authorities, such as governments and universities. The Olympic logo consisting of the five rings is an example of an official mark.

SELECTING A TRADEMARK

Trademarks have various degrees of inherent distinctiveness. The trademarks that are most inherently distinctive are given the broadest protection.

(a) Generic Trademarks

A generic trademark is a trademark that is also the name of the particular product or service. An example is the trademark WINE for wine. These types of trademarks have the least inherent distinctiveness and are not protectable as trademarks.

(b) Descriptive Trademarks

There is often an inclination to adopt a trademark that is descriptive. For example, HOT for chilli sauce or QUICK for courier services. The nice thing about these trademarks is that they also communicate information as they describe the organisation's goods and services. However, these types of trademarks are generally not given any protection.

In addition, any trademark that is misdescriptive of the goods or services may not be protectable. For example, the trademark WOOL-LITE for clothing which are made of polyester would be misdescriptive.

(c) Suggestive Trademarks

A suggestive trademark is one that is indirectly descriptive of the goods or services. An example is DOWNY for fabric softener. In this example the word DOWNY is related to the word DOWN which brings to mind softness. This type of trademark is generally given some protection.

(d) Arbitrary Trademarks

An arbitrary trademark is a trademark that is an actual word or phrase but the word or phrase has no connection to the product or service. These types of trademarks are given fairly broad protection. Examples of these trademarks include APPLE for computers and MUSTANG for cars.

(e) Fanciful Trademarks

A fanciful trademark is the most inherently distinctive and is given the broadest protection. These are trademarks that had no meaning at the time they were adopted, as they are made-up words. Examples include KODAK, XEROX and EXXON.

WHY REGISTER A TRADEMARK?

Registering a trademark helps to protect the trademark and therefore its value.

(a) Unregistered Trademarks

Trademarks that are not registered are generally not given very broad protection. For example, if a trademark is unregistered, the

owner of the trademark will not likely be able to prevent someone else from adopting and using the same trademark in another part of the country.

(b) Registered Trademarks

In contrast, a registered trademark gives the owner the exclusive right across Canada to use the trademark in association with the goods and services for which the trademark has been registered. As well, a registered trademark can be used to prevent someone else from using a similar trademark in the marketplace when that use causes confusion with consumers.

THE REGISTRATION PROCESS

(a) The Application

The first step in the application process is to file a trademark application. The required information includes who is going to own the trademark and the goods and services for which the trademark is going to be registered.

(b) Examination

After the trademark application has been filed, an Examiner at the Trade-Marks Office will review the application. The Examiner may request that the description of goods and services be changed or the Examiner may find a third party trademark,

which it believes conflicts with the trademark which is the subject of the application. The applicant is entitled to prepare and submit a response.

(c) Advertisement

Once the Examiner is satisfied with the trademark application, the Trade-marks Office publishes the trademark in the Trade-marks Journal. During the two-month period following publication, any third party has the right to oppose the trademark application. If the trademark application is opposed, the application process is suspended until the opposition proceedings are resolved.

(d) Opposition

In an opposition, the third party sets out its claims as to why the trademark should not be registered. The applicant is entitled to respond to those claims. Oppositions are fairly rare.

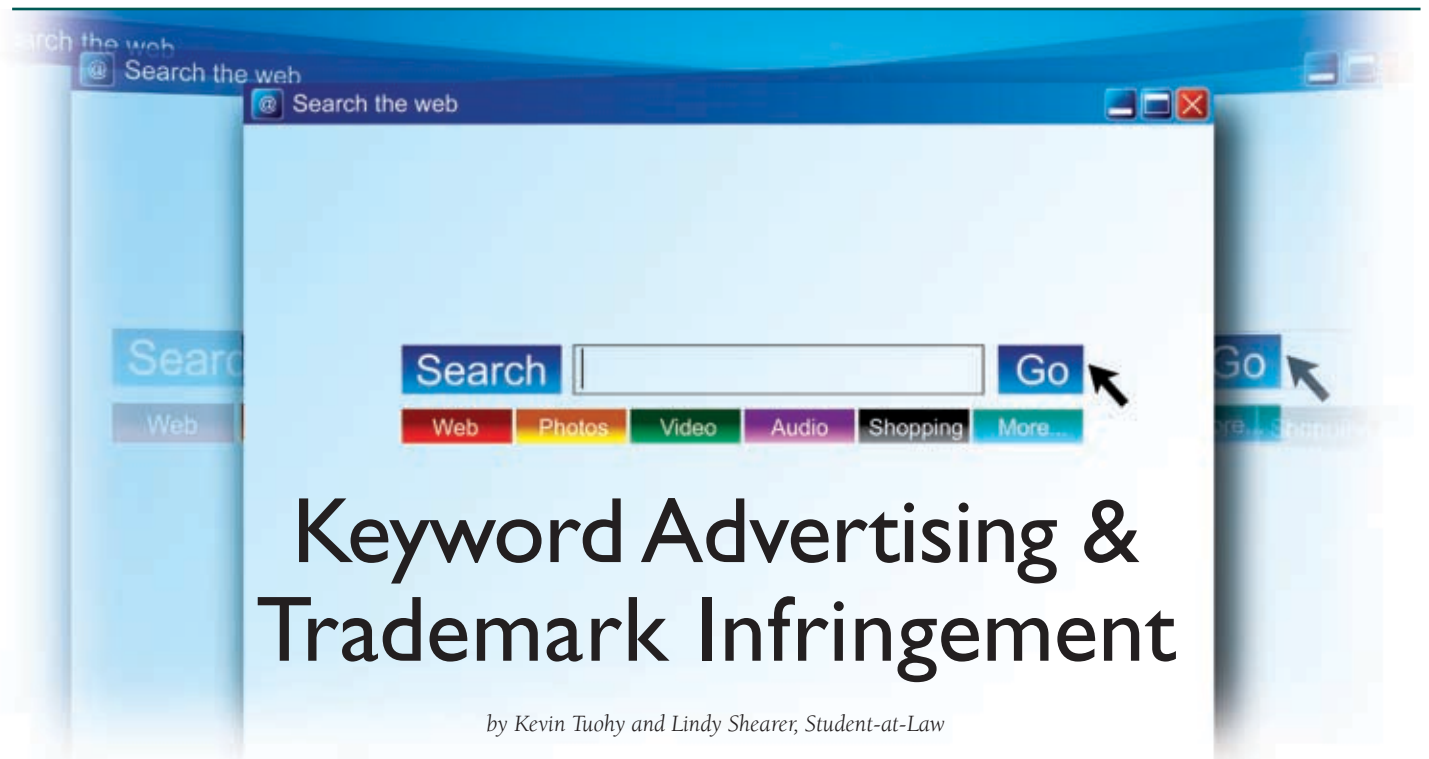
(e) Allowance

If no opposition is filed or if the applicant is successful in responding to the opposition, the application will then be allowed by the Trade-marks Office. The trademark will stay in this state until the government registration fee of \$200.00 is paid. As well, a Declaration of Use may need to be filed, which is a declaration by the applicant that it is currently using the trademark in the marketplace.

(f) Registration

Once the registration fee and the Declaration of Use (if required) have been filed then the trademark will be registered.





Keyword Advertising & Trademark Infringement

by Kevin Tuohy and Lindy Shearer, Student-at-Law

HOW IS KEYWORD ADVERTISING A TRADEMARK ISSUE?

The purpose of a trademark is to identify the source of goods and services to potential customers and to distinguish a particular trader's goods and services from those of other traders. Along with the Internet has arrived a raft of new considerations for trademark law, with one of the most significant recent developments being the use of keyword advertising by Internet search engines.

Keyword advertising refers to any advertising that is linked to specific words and phrases. Most commonly, keyword advertising refers to the payment by advertisers for the placement of web site links and click-throughs on results lists generated by an Internet search engine based on the specific words and phrases searched by Internet users. Common forms of keyword advertising are known by other terms such as "pay per click" and "cost per action". These keyword-targeted advertisements can also appear on content sites based on the search engine's interpretation of the subject matter which results from a scanning of that particular website for text and keywords. As an example, a manufacturer of shoes in Canada

might purchase the keywords "Canadian" and "shoes" from the search engine, and if an Internet user searches those words, the search engine would display alongside the search results a link or perhaps a brief summary of the manufacturer's products (along with other links whose keywords were triggered by the search). Keyword advertising is a major source of revenue for search engines, particularly as the process often involves advertisers bidding to have links to their websites placed at the beginning of results lists.

Google Inc. ("Google"), the world's largest search engine, employed a strategy prior to 2004 whereby it screened for trademarks when advertisers selected and purchased keywords for their advertisements. This policy prevented marketers from using other companies' trademarks as keywords if the trademark owner complained. However, in April 2004, Google changed this policy and said it would no longer pre-screen or remove keywords that were connected with trademarks. Google would, from then on, only act if a trademarked term was actually used in the text of an advertisement. The issue becomes a trademark issue when

Internet users are directly or indirectly seeking information about the products or services of a particular trademark owner, and a competitor's advertisement is generated in the search results. The issue has played out in the jurisprudence, particularly in the United States, in the context of disputes over whether search engines such as Google are responsible for screening advertisers' choices of keywords for trademark infringement, or whether advertisers are strictly responsible for their choice of keywords.

WHAT HAVE THE COURTS FOUND?

Canadian courts have not dealt with the issue of whether keyword advertising infringes trademark law. The Courts in the United States have had an opportunity to address the issue on a number of occasions, although the state of the law remains uncertain.

*GEICO v. Google*¹, Inc. was the first case to tackle the issue in a substantial way, with the U.S. District Court for the Eastern District of Virginia concluding that there was trademark infringement, but only when GEICO's trademarks were used within the

advertisements displayed on the results lists. Although infringement was found to be possible in this context, the issue of liability as between Google and the advertisers was never decided upon, as the parties settled out of court.

Google has had a series of disputes with American Blind and Wallpaper Factory Inc. (“American Blind”) relating to Google’s keyword advertising program. For instance, in 2003, Google filed an action for declaratory relief seeking a judicial determination that its keyword advertising program and policy did not infringe the trademarks of American Blind. American Blind responded with a counterclaim alleging trademark infringement and dilution, alleging among other things that Google had sold keywords comprised of American Blind’s trademarks to American Blind’s competitors. The First District Court found that there was adequate evidence of initial interest confusion and allowed the action to proceed. In April 2007, it was established in a pre-trial ruling that certain trademarks of American Blind, specifically “American Blind” and “American Blinds” were descriptive terms and therefore the trademarks were unenforceable. The significance of this finding is that it suggests that descriptive terms, in addition to being granted limited rights to protection under trademark law in general, are also not likely strong candidates for arguments of infringement and dilution in the keyword advertising context. What can be gleaned from this particular decision is that in situations where an Internet user is using terms that obviously reflect an effort to seek out a particular source, a trademark infringement claim is more likely to succeed. When Internet users are searching more common or descriptive words, which happen to be trademarks, such as “American” and “Blind”, there is little chance of success in an infringement action, and indeed trademark law arguably does not serve to prevent the use of such words in this context. While Google and American Blind recently decided to settle their issues out of court, it is clear that there is significant public interest in determining whether Google’s keyword advertising program violates trademark law.

In a similar scenario, American Airlines filed a suit in August, 2007 against Google³, protesting that Google allowed American Airlines’ rivals to pay to have links to their sites appear when a user searched for American Airlines trademarked terms. This will be an interesting case to watch, particularly with respect to

whether “American Airlines” is deemed to be a descriptive term or whether that trademark will clear the descriptiveness hurdle so that the substantive issues of keyword advertising can be decided upon by the Court.

Another important case to watch is *Rescuecom Corp. v. Google, Inc.* (“*Rescuecom*”)⁴, as it is the first keyword advertising case being reviewed by the U.S. Court of Appeals for the Second Circuit. This case will be the first case to go to the appeals court to decide directly whether a search engine’s sale of advertisements that are keyed to trademarks of other parties constitutes trademark infringement. At the district court level, it was found that selling the term “rescuecom” as a keyword trigger for advertisements does not constitute trademark use and that without trademark use, there can be no trademark infringement. The decision of the Second Circuit should prove to be a significant step forward for understanding the interplay between keyword advertising and trademark law, particularly in the United States.

Despite the soaring importance of Internet advertising in modern commerce, the state of the law is still uncertain.

The European situation has been somewhat different, with significant decisions being found both in favour of and against search engine companies. In Germany, for example, Google has been more successful in defending trademark infringement actions for keyword advertising. However, the French Courts have on numerous occasions found that Google’s keyword advertising program constitutes trademark infringement. Google has been unsuccessful in defending claims against companies such as Louis Vuitton and Le Meridien Hotels, and has recently lost a decision involving the famous trademark, “Belle Litterie”.

THE FUTURE AND IMPACT OF KEYWORD ADVERTISING

Canadian courts have not yet dealt with the keyword advertising issue, and the courts in the United States and Europe have been inconsistent in their findings to date. Despite

the soaring importance of Internet advertising in modern commerce, the state of the law is still uncertain. It will be most interesting to see how the appeal level courts deal with the issue, in cases such as *Rescuecom*, as the Canadian courts may end up taking a lead from such decisions.

Trademark owners, search engines and advertisers should monitor closely the cases dealing with trademark infringement of keyword advertising programs, given the implications that imminent decisions will have on a multi-billion dollar industry. Trademark owners would be wise to purchase or bid on their own trademarks, or variations thereof, from various search engines, while advertisers and search engines should be cautious in selecting or allowing trademarked words and phrases to be used for their keyword advertising endeavours. It is also important from the perspective of the trademark owner or potential new trademark owner that descriptive trademarks, even if they are successfully registered, do not confer significant rights, and that this will likely become even more clear in the context of keyword advertising. Descriptive or otherwise common words used as trademarks will likely be difficult to enforce, particularly with the rapidly expanding role of search terms in Internet commerce.

An underlying element of consideration for all parties involved in the keyword advertising market is the idea that the Internet is blurring the traditionally territorial lines of trademark law. Concurrent uses of the same or similar trademarks by different users in different jurisdictions have traditionally been possible, yet the inherently multi-jurisdictional nature of the Internet is magnifying the risk of trademark infringement for trademark owners, advertisers and search engines alike.

Footnotes

¹ *Government Employees Insurance Company v. Google, Inc.* 330 F.Supp. 2d 700 (E.D. Va. 2004)

² *Google Inc. v. American Blind and Wallpaper Factory Inc.*, Civil Case No.5:03-05340 (N.D. Cal 2003); 2005 WL 832398 (N.D. Cal. March 30, 2005)

³ *American Airlines v. Google, Inc.* 4:07-cv-00487 (note: case has not yet been decided)

⁵ *Rescuecom Corp. v. Google, Inc.* 456 F. Sup. 2d 393 (NDNY 2006)



Canadian Copyright Reform on the Horizon

by Kevin Tuohy

BACKGROUND

At the time of print, it is widely expected that the tabling of new copyright legislation in the House of Commons is imminent. The Conservative government's "An Act to amend the Copyright Act" (the "New Legislation") will likely re-surface in the midst of a significant and growing outcry with respect to its implications for the Canadian copyright landscape.

The 1997 amendments to the Copyright Act (the "Act"), called for a comprehensive review of the Act within five years. Accordingly, in October 2002, a report entitled "Supporting Culture and Innovation: Report on the Provisions and Operation of the Copyright Act" was tabled in Parliament. After extensive public consultation, in May 2004, the Standing Committee on Canadian Heritage issued its Interim Report on Copyright Reform and re-adopted it in November 2004. In March 2005, the Ministers of Industry and Canadian Heritage tabled the Government's response to the Standing Committee on Canadian Heritage, including the Government Statement on Proposals for Copyright Reform. The result was Bill C-60, an Act to amend the Copyright Act, which received first reading in the House of Commons in June 2005. However, in November 2005, Bill C-60 died on the table alongside mounting opposition, and as a result of the dissolution of Parliament through the passing of a non-confidence motion. The New Legislation is the Conservative government's effort to table a similar bill. It had intended to table the bill in December 2007; however, the matter was held over, likely as a result of the unexpected groundswell of opposition to its contents.

CONCERNS

The New Legislation purports to bring Canada up to date with the 1996 World Intellectual Property Organization Copyright Treaty (which Canada has signed but not yet ratified), to address short-term copyright reform issues and to update the Copyright Act to meet the challenges and opportunities of the Internet. However, the New Legislation has triggered harsh criticism from numerous sources on numerous bases.

The New Legislation is viewed as the Canadian equivalent to the U.S. Digital Millennium Copyright Act ("DMCA") of 1998, which has run into significant criticism in the decade since its enactment. Essentially, the criticisms stem from perceived weaknesses of the DMCA in addressing and protecting consumer rights. Michael Geist, a University of Ottawa law professor who is leading the charge on opposition to the proposed New Legislation, warns of the negative effect the DMCA has had on innovation, privacy, education and research in the United States. It is feared that the new Canadian legislation is likely to suffer from similar weaknesses.

The New Legislation seems to shift the balance of copyright interests away from consumers and users and toward copyright holders. Both users and holders alike should monitor closely the progress of the New Legislation. It will be interesting to see if the Conservative government will address the growing concerns by making substantive changes or whether it will simply attempt to convince the public of the merits of the New Legislation in its current form. Either way, the enactment of at least some version of the New Legislation is inevitable, and its impact on the copyright realm in Canada will be significant.

N.B. Stay tuned for an update and more extensive review of the concerns regarding the New Legislation in our next Intellectual Property & Technology Newsletter.

“.ASIA”

The Newest Generic Top-Level Domain

by Kevin Tuohy



WHAT IS .ASIA?

In October 2006, the .ASIA generic top-level domain (“.ASIA”) was approved by the Internet Corporation for Assigned Names and Numbers, which is an organization that oversees numerous aspects of the Internet, including domains. Generic top-level domains (“gTLD”), those of “.com”, “.net” and “.org” for example, have traditionally been focused in the United States and Europe. Now entities in the Asia-Pacific region have the option of registering a .ASIA domain name either instead of, or more likely as a supplement to, individual country domains such as “.jp”, “.cn” or “.au”. This would allow the entity to reach a much broader community with a single domain name. For the purposes of .ASIA, the Asia-Pacific region is comprised of 73 countries, including Australia and New Zealand (the “DotAsia Community”).

The new gTLD will be controlled and overseen by the DotAsia Organization, which is made up of members of organizations operating individual country code domains, as well as members of various other organizations in the Asia-Pacific community. This is a significant development for many entities in the DotAsia Community who have previously been limited to operating under a gTLD comprised largely of entities from the United States and Europe.

WHO CAN REGISTER FOR A .ASIA DOMAIN NAME?

By meeting basic presence requirements in any of the DotAsia Community countries, applicants are entitled to register a domain name under this newest gTLD. In order to be eligible for registration of a .ASIA domain name, the domain registration application must include at least one Domain Contact (defined as the registration,

administrative, technical or billing contact) that is a legal entity in the DotAsia Community. It is important to note that the definition of “legal entity” in the DotAsia Community is quite broad, and includes corporations, cooperatives, partnerships, governments, political parties, trusts, institutions, individuals and other entities. The wide scope of eligibility is further reflected by the seemingly loose requirement that the legal entity need only be either located or domiciled in the DotAsia Community.

REGISTRATION PROCESS

The launching of .ASIA commenced in October 2007. The launch is scheduled in various phases in order to allow for existing trademark holders to maintain their rights and priorities to domain names comprising their trademarks, prior to the system becoming fully open to the public. The various phases of the launch can be briefly described as follows:

- **Pre-Sunrise Period:** Governments in the DotAsia Community are invited to submit a list of relevant reserved domain names.
- **Sunrise Period I:** Governments may register domain names from the reserved domain names list.
- **Sunrise Period II:** Holders of registered trademarks may apply for domain names corresponding to their registered trademarks.
- **Sunrise Period III:** Companies, organizations, societies and other organizations may apply for domain names that correspond with their names.
- **Landrush:** The general public (if meeting eligibility requirements) may apply for domain names.
- **Auction:** If there is more than one applicant competing for the same domain name, applicants will be invited to take part in an auction.
- **Go-Live:** First-come-first-served registrations commence.

The Sunrise periods ended on January 31, 2008, Landrush is currently scheduled for February 20, 2008, and the plan is for .ASIA to go live at some point in March 2008. If a domain name is applied for by more than one entity at any time before the end of the Landrush period, competing entities will be invited to bid for the domain name by auction. The .ASIA auction process is well underway, with hundreds of domain names having fetched bids of significant amounts, even before the start of the Landrush phase.

THE IMPORTANCE OF .ASIA

With the arrival of .ASIA at this stage in the development of Internet commerce, there is much more for companies, individuals and other entities to consider than the advantages of a single domain name for the entire DotAsia Community. Companies, individuals and other “legal entities” who can meet the eligibility requirements for .ASIA should consider registering a .ASIA domain not only for the purpose of using the domain, but for the purpose of protecting its name, its brand or its identity. There is every reason to believe that cybersquatters will actively pursue registrations on a broad scale in the .ASIA realm. Hence, any legal entity with interests to protect, regardless of the current extent of those interests in the Asia-Pacific region, would be wise to take such preventative steps if it is eligible, or can determine a way to become eligible.



What We've Been Up To

Jim Swanson participated in a panel discussion at Banff Venture Forum, in October 2007 in Banff on the *Protection of Intellectual Property* and introduced the keynote speaker.

Jim Swanson presented on privacy related issues at the Canadian Information Technology Law Association annual conference in Vancouver in October 2007.

George Wowk presented *Legal Considerations in Outsourcing* at a Canadian Institute Conference in October 2007.

Jim Swanson chaired and presented at a Lorman Education Services conference on *Electronic Records* held in Edmonton and Calgary in October 2007.

Jim Swanson presented on issues of licensing at the Canadian Institute Conference in October 2007.

George Wowk presented at a Lorman Education Services conference on *Privacy Legislation* held in Edmonton and Calgary in October 2007.

BD&P hosted a seminar in Nov. 2007 as a follow-up to the annual Banff Venture Forum held in Banff in October 2007 for emerging information technology and energy technology companies.

George Wowk presented at a Calgary Board of Education seminar on *Intellectual Property* in November 2007.

Jim Swanson presented Electronic Records and e-Discovery for the Enterprise Content Management Association national conference in Calgary in November 2007.

Jim Swanson chaired a panel discussion on *Wireless Technologies in the Energy Industries* and introduced the keynote speaker at the Microsoft Wireless 2007 Conference in Banff in November 2007.

Jim Swanson presented *Technology and e-Discovery Issues* at the Insight Information Conference in Calgary in November 2007.

Jim Swanson presented *Electronic Contracting* at the Canadian Institute Construction Superconference in Calgary in January 2008.

Jim Swanson presented *Management of Electronically Stored Information* to the CIO Roundtable, Calgary in January 2008.

Kevin Tuohy will be presenting at a Calgary Board of Education seminar on *Copyright, Patents & Trademarks* in February 2008.

INTELLECTUAL PROPERTY & TECHNOLOGY TEAM'S AREAS OF SERVICE

E-Business & 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, co-hosting, co-location, subscribers and members, and distribution arrangement
 - 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 purchases
 - 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 businesses
 - Website and e-commerce security legal issues
- ◆ Legal issues arising out of the virtualization of business processes
- ◆ Electronic records in litigation and e-discovery
- ◆ 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 opposition and expungement proceedings
- ◆ Trade-mark litigation, including infringement, passing-off and 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



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:

- All aspects of privacy and personal information and applicable legislation
- Privacy impact assessments and privacy audits
- Preparation of privacy policies and related documentation
- Appointment of officers with privacy responsibilities
- Requests for access to information and compliance challenges
- Legal issues arising out of the design and use of computer systems and networks, including security and data flows
- Data flows across provincial and international borders and with respect to the World Wide Web and Internet-specific issues regarding privacy
- Matters arising out of PIPEDA, PIPA and FOIP
- Records and document retention and destruction policies, including advice on policies related to and the transfer or sale of personal information
- Matters before the Information and Privacy Commission of Alberta and the Privacy Commissioner of Canada and 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.

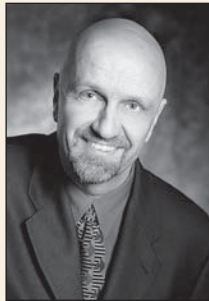
SIGNIFICANT AREAS OF SERVICE:

- Mergers and acquisitions of technology companies
- Acquisition of intellectual property and technology company assets
- Advising on employee and contractor intellectual property issues and assignments
- Technology distribution including sales, marketing, re-seller and sales agency arrangements
- Software, copyright, trade-mark, patent and other intellectual property licensing
- 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
- IT outsourcing
- Publishing contracts

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