

**INTELLECTUAL PROPERTY:**

**THE BASICS**

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## INTELLECTUAL PROPERTY: THE BASICS

### I. INTRODUCTION

The term “intellectual property” refers to a legal property interest in “creations of the mind”: such things as ideas, music, words, inventions, discoveries, artistic works, scientific innovations, phrases, symbols, and designs. It differs from “real property”, which is the term used to describe a property interest in land, and “personal property”, which refers to physical property other than land.

We often think of local governments as concerned primarily with the “bricks and mortar” of civic life: paving roads, collecting sewage and garbage, and providing and maintaining public spaces such as parks and community centres. Yet any organization with a significant reputation in the community, or one which deals routinely in the creation and exchange of information, should have at least a basic understanding of intellectual property. Indeed, in the information age, it is safe to say that local governments deal with intellectual property daily. A failure to understand and appreciate intellectual property issues can create significant financial or logistical problems for local governments.

This paper seeks to give readers a general overview of intellectual property, as well as some practical examples of when local governments may encounter intellectual property issues (in particular with respect to copyright and marks) and how to deal with them. Our hope is that, after reading this paper, readers will be able to distinguish between copyright and trademarks, have a sense of who may own the copyright or trademark, and be able to turn their minds toward protecting local government interests in the copyright or mark.

In Canada, intellectual property is protected under a legislative framework that includes the *Copyright Act*, the *Patent Act*, the *Trade-marks Act*, and the *Industrial Design Act*.

The World Intellectual Property Organization (“WIPO”) states that

Countries have laws to protect intellectual property for two main reasons. One is to give statutory expression to the moral and economic rights of creators in their creations and the rights of the public in access to those creations. The second is to promote, as a deliberate act of Government policy, creativity and the dissemination and application of its results and to encourage fair trading which would contribute to economic and social development.<sup>1</sup>

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<sup>1</sup> WIPO Intellectual Property Handbook: Policy, Law and Use, at p. 3.

The rationale usually given for the protection of intellectual property rights is to promote progress and innovation. Legislators generally believe that when the concept or creation behind an invention is protected as the exclusive property of the inventor, there is greater incentive for inventors to create and share their work, because they have the opportunity to fully benefit from their creations. Thus, intellectual property law usually grants time-limited rights to control the use of one's productions. These rights only relate to the intangible interest, not the physical object in which the creation exists (such as a painting or a document).

Creators also have a "moral" interest in their creations. This interest is distinct from any economic rights flowing from the creation. Rather, it refers to the right of having the work attributed to the creator, the right to have the work published anonymously or pseudonymously, and the right to the integrity of the work – to protect the work from alteration or distortion. Moral rights treat the work as an extension of the artist's personality, possessing a dignity that merits protection. Unlike economic rights, moral rights cannot be assigned to another party. However, the creator can choose to waive moral rights in the creation.

For a local government, intellectual property law can also ensure that members of the public do not make unauthorized use of the local government's name, or purport to be endorsed by or representative of the local government.

Intellectual property rights differ according to the nature of the creation being protected, and the legal framework of the jurisdiction in which the property right exists. Types of intellectual property rights include, among others:

- Copyright, being the right to reproduce or publish an original expressive work;
- Trademarks and Official Marks, being words, phrases or images used for the purpose of distinguishing one's product or service from others';
- Patents, being grants by a government upon an inventor, conferring the exclusive right to make, use, and sell their invention for a set period of time;
- Industrial Design Rights, being the exclusive right to use the aesthetic design, configuration, or composition of an object; and
- Trade Secrets, being formulas, practice, processes or information that are not commonly known or ascertainable, by which a business can obtain an economic advantage over competitors.

## II. COPYRIGHT

Copyright is the exclusive right to reproduce, perform, or republish a work, and to authorize others to do so. It applies to every original literary, musical, dramatic, artistic or scientific creation, provided that it is the product of the author's labour. It is not necessary that the work pass any test of imaginativeness or inventiveness. Copyright covers almost every "work" imaginable, including software, brochures, web content, drawings, maps, charts and buildings. Works are the expression of ideas – the ideas themselves cannot be copyrighted.<sup>2</sup>

The *Copyright Act*, R.S.C. 1985, c. C-42, governs copyright in Canada. It provides at Section 6 that the term for which copyright subsists is, except as otherwise expressly provided by the *Act*, the lifetime of the author, the remainder of the calendar year in which the author dies, and a period of fifty years following the end of that calendar year. A time limit of this kind is a standard feature of copyright in most jurisdictions.

### A. Ownership and Assignment of Copyright

Section 13 of the *Copyright Act* provides that, subject to the *Act*, the author of a work shall be the first owner of the copyright therein. Under Section 13(3) of the *Act*, where the author of a work was employed by some other person under a contract of service or apprenticeship, and the work was made in the course of that employment, the employer is the first owner of the copyright. The author's copyright interest can be protected by an agreement between the parties indicating that the employer will not be the first owner of the copyright.

It is thus generally the case that the employer will own the copyright to works produced by an employee in the course of employment. This does not, however, apply if the creator of the work is an independent contractor. The independent contractor retains ownership of the copyright of the work. It is not always easy to determine whether the creator is an employee or an independent contractor – and it can be similarly difficult to determine who is intended to be the copyright owner.

For example, a freelance author may retain copyright in articles purchased by and published in a newspaper, if the agreement is silent with regard to copyright ownership. In *Robertson v. Thomson Corp.*, 2006 SCC 43, Robertson wrote two freelance articles that were published in the *Globe and Mail*. Subsequent to that publication, the articles were reproduced in online databases and on a CD-ROM. Robertson brought a class action for copyright infringement not only of her own work, but on behalf of employees of the *Globe and Mail*. The Supreme Court of

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<sup>2</sup> *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13 at para. 8.

Canada held that in the case of the employees, the newspaper owned the copyright.<sup>3</sup> In the case of Ms. Robertson herself, the majority held that newspaper publishers cannot reproduce freelance articles in online databases and CD-ROMs without the consent of the authors – the authors remain the copyright owners.

In some parts of the world, copyright in “work made for hire” may automatically be owned by the hiring party. However, Canada’s *Copyright Act* does not contain a “work made for hire” provision. The copyright in work done for hire in the USA, for example, may be owned by the hiring party, but the same is not true here. In determining ownership of copyright under Section 13(3), the phrase “under a contract of service” is also important. In the English case of *Stevenson Jordan and Harrison, Ltd. v. Macdonald*, [1952] 1 The Times L.R. 101 (C.A.), the court indicated that a “contract of service” denotes an employer-employee relationship, while a “contract for services” indicates an independent contractor relationship. This principle was cited in *671122 Ontario Ltd. v. Sagaz Industries Canada Inc.*, 2001 SCC 59, at paras. 41 – 42. The Supreme Court of Canada said in *Sagaz* that the central question in determining whether someone is an employee is “whether the person who has been engaged to perform the services is performing them as a person in business on his own account”: at para. 47.

The question of ownership is further complicated by the fact that the owner of copyright may assign the right, either wholly or partially to the exclusion of all others, including the creator or first owner, or may grant a licence in respect of the copyright, i.e., a non-exclusive right to reproduce the work for a specific purpose. For an assignment to be valid, it must be made in writing by the owner or the owner’s agent. However, in *Robertson* the court held that this writing requirement is only necessary in the case of an exclusive licence or assignment. A non-exclusive licence granting the right to republish an article in a database does not need to be in writing. However, we highly recommend that all licences be set out in writing for purposes of certainty. Local governments should consider whether they want the copyright assigned to them exclusively, or whether the creation of a non-exclusive licence for use is sufficient.

One example of the complicated nature of ownership and licensing is the case of *Ritchie v. Sawmill Creek Golf & Country Club* (2004), 189 O.A.C. 282, (OSCJ). This case may be of use to local governments when entering into agreements regarding web site design and content ownership. In this case, Mr. Ritchie was a self-employed entrepreneur. He had taken a series of photographs at Sawmill Creek and provided them to the owners in an album, as part of an effort to secure a contract with Sawmill Creek to overhaul the club’s publicity materials and website. Sawmill Creek partly rejected the proposal, but did hire Mr. Ritchie to photograph a wedding at the club and to upgrade the club’s website. At a meeting to discuss the website, the

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<sup>3</sup> It was also determined that, although journalists have a right to restrict the republication of their works outside of a newspaper, journal, or other periodical, the databases and CD-ROM constituted part of the newspaper and so there was no right of restriction.

CEO of Sawmill Creek made a note on one of Mr. Ritchie's letters of proposal indicating that "we own copyright" in all materials on the website. Sawmill Creek went on to use some of the photographs that had been in the album in its own promotional materials.

The court found that by giving the album to the club and telling them to "do with them as you wish", Mr. Ritchie created a grant of interest or a non-exclusive licence to use the photographs. Such licence, as was determined in *Robertson*, did not have to be in writing and constituted a defence to the infringement action. However, the Court of Appeal also held that the act of writing "we own copyright" on a document was insufficient to establish an exclusive right for Sawmill Creek.

The misunderstanding and protracted dispute in *Ritchie* underscore the need for parties to be clear at the outset with respect to who owns copyright in the work when a person is hired to perform promotional work or website design and maintenance.

## **B. Waiver of Moral Rights**

To further complicate matters, moral rights are generally included in the term "copyright", but they cannot be assigned. The act of assigning copyright through an agreement also does not automatically mean that moral rights are waived. If a designer creates a brochure or a website for a local government, for example, the local government might not be able to edit that work if the moral rights remain with the creator. It is thus advisable, in cases when a client has obtained work from a creator, to ask the creator to waive its moral rights in the work. If this is not done, it may be difficult for the client to make necessary alterations to the work later on.

## **III. TRADEMARKS AND OFFICIAL MARKS**

Trademarks and Official Marks are similar in that both may be distinguishing words, symbols, slogans or logos. However, the two differ in important ways. Trademarks may be registered or used by anyone. Official Marks are those slogans, words, symbols or logos used by public authorities. This section sets out the characteristics of each, and discusses when a local government should consider registering a trademark as well as an Official Mark.

### **A. Trademarks**

The *Trade-marks Act*, R.S.C., 1985, c. T-13, governs trademarks in Canada. A trademark is a phrase, image, logo or word used by a person for the purpose of distinguishing that person's product or service from others'. Trademarks are considered something of an anomaly in intellectual property law, in that – unlike in the case of copyright or patents – there is no requirement that the product or service being trademarked be novel. However, the trademark itself should be as distinctive as possible, to avoid confusion and increase the success with which the trademark holder may protect against infringement. Trademarks can be registered in Canada, and this registration may bolster a claim of trademark infringement.

One of the primary distinctions between trademarks and copyright is that a trademark does not expire in the way that copyright does. Trademark registration is valid for 15 years, and can be renewed for subsequent 15-year periods. Even unregistered marks enjoy a certain degree of protection under the common law tort of passing off. Passing off is intended to protect the community from unfair competition or trading: *Seiko Time Canada Ltd. v. Consumers Distributing Co., Ltd* (1984), 1 C.P.R. (3d) 1 at 13 (SCC). The law prohibits misrepresentation that suggests that one's services or goods are in fact someone else's, or are sponsored by or associated with that other person. The tort of passing off is also codified in the *Trade-marks Act*, at Section 7(b).

The tort of passing off goes beyond trademarks, however, and extends to nearly any misrepresentation with respect to the provision of goods and services that suggests a connection to the party claiming the tort. For example, a restaurant that copies the look and feel of another restaurant might be found guilty of passing off. In the context of local governments, any unauthorized suggestion that the local government has authorized, endorsed, sponsored, or been connected to a business, service or product could be found to be passing off.

Trademarks may lose their defensibility if they are so commonly used, and used without clear communication that they are trademarked, that they lose their distinctiveness. Clear examples of this are such household words as "linoleum" or "nylon", both of which were once trademarks and are now generic terms. The key to preserving a trademark, and thus being able to defend it against infringement, is both to register it and to use it with a "™" (in the case of unregistered trademarks) or "®" (in the case of registered trademarks). Consistent use and education of employees and staff with respect to use can assist in ensuring that the public is aware of the proprietary interest the trademark holder has in its trademarked logo, phrase, or image.

To register a trademark, the registering party must file a Trade-mark Application with the Office of the Registrar of Trade-marks. The Office will examine the application and advertise in the Canadian TM Journal. At this point, opposition to the registration of the trademark may be filed by third parties. Provided opposition is not made out, the Office then registers the trademark.

## **B. Official Marks**

The *Trade-marks Act* also governs with respect to Official Marks. Section 9(1)(n)(iii) provides that no person shall adopt in connection with a business, as a trademark or otherwise, any mark consisting of or so nearly resembling as to be likely to be mistaken for, any badge, crest, emblem or mark adopted and used by any public authority in Canada as an official mark for wares or services in respect of which the Registrar has, at the request of the public authority, given public notice of its adoption and use.

In other words, a public authority must file an Official Mark notice with the Registrar of Trade-marks in order for its mark to be protected from use by others. An Official Mark is not

registered or owned in the same way that a trademark is. Rather, filing an Official Mark serves as notice that the mark exists and cannot be used by members of the public. The Registrar will perform a two-part test to determine whether a body is a public authority for the purpose of the *Trade-marks Act*:

1. A significant degree of control must be exercised by the appropriate government over the activities of the body; and
2. The activities of the body must benefit the public.<sup>4</sup>

Local governments meet this test, but where the local government creates a public authority (for example, a seniors' society), the local government should consider whether the public authority created satisfies these requirements. If not, it is worth exploring whether the local government can register the mark and then licence the mark to the public authority.

Official Marks provide public authorities with strong protection, across Canada, of their marks. However, while an Official Mark can be enforced by court order to stop others from using it, or from making very similar marks and using them, a registered trademark owner has broader remedies available. Where a trademark has been registered, the owner may not only stop other parties from using the mark or a confusingly similar one, but could also sue for damages for trademark infringement, and require the recovery and destruction of the infringing goods.

The process for public notice of an Official Mark is simpler than trademark registration. Official Notice must be filed with the Office of the Registrar of Trade-marks, following which it will be advertised.

For a local government, it is advisable to file a notice of Official Mark with respect to any logo, word, slogan or symbol used to represent the local government. However, for increased protection and greater options should the mark be used without authorization, the local government should consider trademark registration.

#### **IV. PATENTS**

Local governments are less likely to confront patent issues than copyright or mark issues, but it is useful to discuss patents briefly, if only to contrast them with copyright and trademarks.

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<sup>4</sup> Canadian Intellectual Property Office Practice Notice: Official Marks pursuant to Sub-paragraph 9(1)(n)(iii) online at <http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr00279.html>



Patents apply to inventions, but not just any inventions. In order to be patentable, an invention must be new, useful and not obvious. If this test is passed, then under the *Patent Act*, the patent holder may obtain a twenty year monopoly over the invention in Canada.

What is meant by new, useful and not obvious? New means it must be absolutely novel; no one else has come up with the invention before. Useful means that a person can do something or make something with the invention. Not obvious means there must be some element of ingenuity behind the invention that would not have been obvious to the average worker in the relevant field.

While local governments are not typically in the business of inventing new gadgets, it may be of interest to local governments that processes are patentable, for example, the process of making a product. It may be possible that a local government has invented a new process (say, for example, in relation to waste management) that has commercial potential. If you wish to investigate the patentability of an invention or process, you should seek assistance from a patent agent.

## **V. PRACTICAL APPLICATION**

We will now discuss a few (somewhat) typical situations in which local governments may encounter intellectual property issues.

### **A. Example 1**

A local government hires a company to develop marketing material for its new tourism campaign. The company drafts a brochure extolling the virtues of the dynamic local business community and famous statue in the town square dedicated to the great Canadian golfer, Sukh Manhas. The company is paid for its work and 10,000 brochures are printed. The brochures prove to be extremely popular and run out within a year. The local government wants to add a few pictures to the brochure and publish a second run, but the marketing company argues it should be paid more if a second run of brochures is going to be printed.

#### **1. What kind of intellectual property applies?**

Copyright, because the brochure design is a particular expression of an idea, namely, that the town is a great place to visit. Note the distinction between the idea and its expression. No one can claim ownership over the idea that the town is a great place to visit. Indeed, the same idea can be expressed in many different ways, and each expression may be the subject of a distinct copyright claim. For example, three graphic designers could be hired to produce posters for the town's tourism campaign. Each poster may be completely unique from the others, and the graphic designers may assert a copyright interest in the unique posters he or she created.

## 2. Who owns the work?

In addition to drawing a distinction between an idea and its expression, it is worthwhile to note the distinction between the expression of an idea, and the physical object created. In this case, the physical objects created were brochures. Provided the local government has paid the design company and the printer for their services, the local government would ordinarily be considered the owner of the physical brochures created and, barring any unusual arrangements, is free to distribute them--or not distribute them--at its discretion.

Hence, if the design company alleged copyright infringement, they would not be asserting ownership over the physical brochures created per se (although as a remedy a court may find it appropriate to make an order in respect of possession of the brochures). Instead, what would be at issue is control over the designer's expressive work, which in turn will have implications for the physical reproduction of the designer's idea. Therefore, absent an agreement giving the local government the right to reproduce the brochures, the design company may have a valid action in copyright infringement in the event mutually acceptable royalties cannot be negotiated for a second run of brochures.

In order to take this position, the design company would have to prove it owns the copyright in the work. As discussed earlier, the general rule is that the creator of a work owns the copyright. However, there is a notable exception where employees are concerned. Where an employee designs a work, the employer is deemed to own the copyright.

Thus, it must be determined whether the company was an employee of the local government or independent contractor. In undertaking this analysis, courts will examine a number of factors in the relationship between the local government and the contractor. Generally, the more control the local government exercises over the designer, the more likely the designer will be construed to be an employee. Conversely, the more freedom and independence exhibited by the designer, the more likely the designer will be determined to be an independent contractor.

In this case, we will assume that there is no question the design company is an independent contractor. As a result, the company owns the copyright in the work. Therefore, the company would have a strong argument in copyright infringement if the local government made a substantial copy (i.e. printed a second run) of the brochures.

Moreover, as owner of the copyright, the company has moral rights in the work. Therefore, the company has the right to stop others from modifying their brochure design or use the design in a manner that would prejudice the company's reputation. As a result, the company may be able to prevent the local government from modifying the design of the brochure by adding pictures (note, this would be highly fact specific).

In the event the second run of brochures is printed and the company is able to make a successful claim in copyright infringement, possible remedies the company may be able to

obtain are damages, an injunction, an order for accounting of profits (i.e. a payment by the local government in the amount of profits earned arising from the copyright infringement; in this case, it is unlikely there would many or any profits earned by the local government in connection with the brochures), or an order requiring delivery of the infringing material to the company.

3. How can the local government protect itself?

At the time of hiring the company, the local government should obtain an assignment from the company of the copyright in the brochure design. The assignment could be perpetual (i.e. last indefinitely) or renewable (for example, on a yearly basis, in return for annual royalties). If the local government intends on printing several runs of brochures, an assignment in perpetuity may be appropriate. One would expect the company to ask for an extra payment over and above its design fee in return for the copyright assignment; however, this may be negotiable. In the assignment agreement, the local government should also insist that the company waive its moral rights in the work. Finally, the assignment may be exclusive (giving the local government sole rights in the design) or non-exclusive, in which case the local government may have a non-exclusive license to use the work.

4. What are some other typical situations in which a local government may encounter copyright issues?

Website design and content creation, promotional material of any form (videos, photos, music, graphics, signs, etc.), internal documents and consultants' reports.

**B. Example 2**

A municipality hires a graphic designer to design a logo of a stylized sasquatch next to the town motto: "The Municipality of Schnerr: Not Bad at All." The municipality promptly publishes the new logo on its website, letterhead and business cards. Six months later a new restaurant opens up in town featuring, as its mascot, a stylized sasquatch that looks identical to the town's sasquatch. Council is nervous about the municipality potentially being associated with the restaurant, which is notorious for serving foods high in trans-fats, and which is counter to council's healthy living agenda.

1. What kind of intellectual property applies?

The law relating to marks, that is, the law relating to the use of words, phrases and logos to distinguish their wares or services. The concern here is the potential for confusion between the municipality and the company due to the similarity of their marks, namely, the sasquatch.

## 2. Who owns the work?

First, it would be prudent to pause here to highlight the distinction between the law pertaining to marks, and the law of copyright. The question of who owns the design of the stylized sasquatch, and as a result, has the right to control its reproduction, is a question of copyright. A copyright dispute concerning the sasquatch design would be a contest between the designer and the local government that hired the designer. The question of who is entitled to use the mark to market their wares or services is a question relating to the law of marks. In this case, it would be a contest between the local government and the restaurant.

Second, the local government should consider whether it has any rights under a tort action for passing off. A mark does not have to be registered as a trademark or an official mark in order to bring an action for passing off, and conversely an action in passing off may be brought even though a mark has been registered. The main questions to be asked here are: is the mark in dispute distinctive, and did the local government use the mark first in the region? If the answer is negative to either of these questions, then an action in passing off will not succeed.

In this case, the local government may have a good argument in an action for passing off, assuming the sasquatch logo is distinctive (and not, for instance, an image that is widely used throughout the region). The local government used the logo first. As a result, the local government has a good argument that the restaurant has misrepresented itself as associated with the town.

However, the local government would obtain much stronger protection by registering the sasquatch logo as an official mark. For example, registration would allow the local government to enforce its mark across the country, which may be useful if the restaurant belongs to a national chain. Also, in this case, the mark used by the restaurant is identical to the mark used by the local government, so there is a good chance an action for official mark infringement may succeed. However, if the marks merely caused confusion, but were not so alike as to cause persons to mistake one mark with another, the local government may not be able to enforce its official mark rights.

Potential remedies that may be sought in an action for passing off or mark infringement include injunctions (preventing the defendant from using a mark), damages, an accounting of profits, and an order for delivery of the infringing material and declaratory relief, i.e., a court declaration that one of the parties holds the rights to the mark.

## 3. How can the local government protect itself?

As discussed above, the best way for a local government to protect itself is to register its important marks as official marks. The sooner such registration takes place, the better. Note, not only are local government corporations entitled to register official marks, so are external entities over which the local government exercises a significant degree of control, such as a recreational society that may be controlled by the local government.

4. What are some typical situations in which a local government may encounter mark issues?

Any time logos or symbols are used in relation to municipal services, activities or promotional materials. Otherwise, where a party advertises their product or services in a way that may cause confusion or lead persons to believe they are affiliated with the local government when they are not.

## **VI. CONCLUSION**

We hope you have found this primer on intellectual property law to be useful and relevant. As with the majority of legal issues, most intellectual property disputes can be avoided by properly identifying the issues in advance and taking steps to deal with them upfront. In particular, we hope you now have the tools to distinguish between copyright and marks and a sense of the general legal issues associated with them.