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November 22, 2018

Via email: doug.black@sen.parl.gc.ca

The Honourable Douglas Black, Q.C.
Chair, Standing Senate Committee on Banking, Trade and Commerce
The Senate of Canada
Ottawa, ON K1A 0A4

Dear Senator Black:

Re: Bill C-86, Budget Implementation Act, 2018, No. 2, Part 4, Division 7

I am writing on behalf of the CBA Intellectual Property Law Section (the CBA Section) with input on the amendments to the *Copyright Act* and *Trade-marks Act* and the statutory framework for a College of Patent and Trademark Agents proposed in Bill C-86, *Budget Implementation Act, 2018, No. 2*.¹ I regret that Parliament's speedy review of this important bill proscribes our appearing in person at the hearings.

The CBA is a national association of 36,000 lawyers, Québec notaries, law teachers and students, with a mandate to promote improvements in the law and the administration of justice. The CBA Section deals with law and practice relating to all forms of ownership, licensing, transfer and protection of intellectual property and related property rights, including patents, trademarks and copyright.

AMENDMENTS TO COPYRIGHT ACT

The CBA Section supports many of the proposed amendments to the *Copyright Act*², particularly changes to Copyright Board procedures (Part 4, Division 7, Subdivision H) which will lead to a more efficient process. The ability to set longer tariffs and imposition of timelines on Board procedures is also a welcome change.

We offer the following comments on other proposed amendments.

Unintended Consequence with respect to Sound Recordings

Section 38.1(4) of the *Copyright Act* allows election of statutory damages for unpaid royalties by collective societies referred to in section 67, i.e. those that grant licenses or collect royalties for the

¹ [Bill C-86](#), *Budget Implementation Act, 2018, No. 2, Part 4, Division 7*, Amendments to *Trade-marks Act* (Subdivision B), Amendments to *Copyright Act* (Subdivisions C and H), and College of Patent and Trademark Agents (Subdivision D)

² [Copyright Act](#), RSC 1985, c. C-42

performance in public or telecommunication to the public of “musical works, dramatico-musical works, performer’s performances of such works, or sound recordings embodying such works.”

The proposed amendments to harmonize and streamline tariff proceedings before the Copyright Board (proposed under section 280 of Bill C-86) include an amendment to section 67 to apply to all collectives, as that term is defined in section 2 of the *Copyright Act*. This requires a consequential amendment to section 38.1(4) so that its application is not extended to all collectives. However, the wording of the proposed amendment to section 38.1(4) and the new subsection 38.1(4.1) (introduced under section 287 of Bill C-86) will have the effect of section 38.1(4) no longer applying to sound recordings. We believe the government’s intent is to maintain the status quo for the election of statutory damages, and that this is a drafting error and an unintended consequence.

We recommend that the wording of subsection 38.1 (4.1) be amended to use language from the current section 67:

(4.1) Subsection (4) applies with respect to the following acts:

(a) the performance in public of musical works or dramatico-musical works, ~~or of~~ performer’s performances of such works, **or sound recordings embodying such works**; and

(b) the communication to the public by telecommunication of musical works or dramatico-musical works, other than as described in subsection 31(2), ~~or of~~ performer’s performances of such works, **or sound recordings embodying such works**.

Prohibition on Enforcement

Proposed subsection 73.3(c) to the *Copyright Act* (in section 296 of Bill C-86) prohibits enforcement against anyone who has paid or offered to pay the royalties that are included in a proposed tariff, even where no tariff has been approved with respect to that act. This is a departure from the status quo, where the prohibition applies only where there is an approved tariff. In particular, section 70.17 of the *Copyright Act* currently says: “[s]ubject to section 70.19, no proceedings may be brought for the infringement of a right referred to in section 3, 15, 18 or 21 against a person who has paid or offered to pay the royalties specified in an approved tariff.”

The consequences of this change could be immense. For example, it is not clear when the offer (and payment) under the proposed tariff must be made to protect the person from infringement proceedings. If a user could just offer to pay the royalties once the tariff is approved at some unknown future point, and thus begin to use the collective’s repertoire without paying for it pending approval of the tariff (and possibly pending all subsequent judicial reviews), it could leave the collective or rights-holders without recourse.

This is not what the prohibition of enforcement provision was originally intended to achieve. Section 70.17 was intended to level the playing field by guaranteeing all users access to the same rates (on the same terms and conditions) when an approved tariff is in place. It was not intended to allow use of a collective’s repertoire without payment, even while a proposed tariff is pending. The proposed change is inconsistent with the policy underlying the existing provision.

We recommend that the extension of prohibition on enforcement be struck from the legislation, or amended to make clear that the user must actually pay the proposed rates.

AMENDMENTS TO *TRADE-MARKS ACT*

Prohibited Marks

The proposed amendments to section 9 of the *Trade-marks Act*³ (under sections 215-216 of Bill C-86) are a step in the right direction in order to limit the impact of prohibited marks by public authorities, but they do not go far enough. The Act should also address public authorities that do not continue to use a mark in issue. Otherwise these marks will continue to clutter the register. More study is needed to find the right balance between the rights of trademark owners and the prohibitions under section 9.

Bad Faith as a Ground of Invalidity and Opposition

Sections 218-220 of Bill C-86 add “bad faith” to section 18(1) of the *Trade-marks Act* as a ground for invalidity and opposition without providing any guidance as to what constitutes “bad faith”. We recommend that a definition of “bad faith” be added to the legislation.

Awarding Costs in Oppositions

The amendment in section 221 of Bill C-86 provides for costs to the opposition under section 38 of the *Trade-marks Act*. This change will add to the cost of oppositions at a time when a substantial increase in oppositions is expected. With this amendment, it will become increasingly expensive for brand owners to protect their rights under the *Trade-marks Act*. More detail in the legislation is needed on the circumstances in which costs will be awarded, to avoid a chilling effect which will disproportionately impact smaller players and embolden aggressive parties with large budgets.

Awarding Costs in Section 45 Proceedings

Section 222 of Bill C-86 amends section 45 of the *Trade-marks Act* to allow for an award of costs in the procedure for requesting evidence of use. This change constrains the purpose of section 45 proceedings – to remove “deadwood” from the register. The burden of advancing this objective is already on registrants or other interested parties. It is unfair to add the burden of exposure to costs. Also, since there is no cross-examination in section 45 proceedings, it can be difficult to determine whether the system has been abused. Further clarity is needed in the legislation about the application of this provision.

Limiting Powers of Court to Grant Relief during the Initial Three-Year Period from Registration

Section 225 of Bill C-86 amends section 53.2 to the *Trade-marks Act* regarding the power of the court to grant relief, and requires clarification. As drafted, there can be no reliance on the remedies at section 53.2 without proof of use of the registered trademark in Canada (or exceptional reasons to explain non-use) in the initial three-year period from registration. However, the proposed amendment does not indicate the extent of the proof of use that must be established. For example, it does not indicate if it applies where use extends to some but not to all of the registered goods and services, ie. partial use. The provision also refers only to applications, not actions, which might be an unintentional error. This section requires more study and meaningful consultation with stakeholders before it is introduced in legislation.

Requiring Leave to File Additional Evidence

The right to file additional evidence on appeal under the current regime served the purpose of ensuring that proceedings before the Trade-marks Opposition Board, particularly in oppositions, could be of a quasi-summary nature. The proposed amendment to section 56 (5) of the *Trade-*

³ [Trade-marks Act](#), RSC 1986, c. T-13

marks Act (in section 226 of Bill C-86) qualifying that right will make oppositions more expensive for all parties, again at a time when a substantial increase in oppositions is anticipated. We recommend this amendment be struck from the legislation.

Statement of Use

The proposed amendments to the *Trade-marks Act* in Bill C-86 attempt to respond to some of the problems caused by removing the requirement to assert use in a trade-mark application. The CBA Section is concerned that they do not go far enough in responding to the cluttering problem. We recommend adding a requirement that a statement of use be filed every five years after registration, failing which the registration would be expunged. This approach is a feature of trade-mark legislation in the U.S., Mexico and Argentina.

COLLEGE OF PATENT AND TRADEMARK AGENTS

Bill C-86 proposes legislation to create a College of Patent Agents and Trademark Agents.⁴ A federal regulatory body for patent and trademark agents (IP agents) has been the focus of policy discussions and consultations for some time, including a number of submissions from the CBA.⁵

The IP agent community in Canada is comprised of lawyer agents (those qualified to practice law and registered as patent or trade-mark agents) and non-lawyer agents (those registered as patent or trade-mark agents). Non-lawyer agents practice in law firms and on their own. All CBA Section members are lawyers, and many are also licensed patent or trade-mark agents (lawyer agents).

The IP agent community in Canada is a mature profession committed to the highest standards of practice. The CBA Section has supported the development of a self-regulation model for IP agents so long as it includes appropriate regulatory objectives and a governing body with appropriate accountability, and addresses potential conflicts between overlapping regulatory regimes for lawyer agents.

It is premature to assess whether the proposed College meets these criteria, as significant aspects of the regime remain to be developed through regulation and bylaws. We encourage robust public consultation as these evolve.

The CBA Section is encouraged by the clear statement in the proposed legislation confirming the primacy of the public interest in the objectives of the College. Previously, we stated that:

[E]ntities that regulate their members in the public interest should be distinguished from those that advocate for the interests of their members. In the legal community, this distinction characterizes the role of law societies and bar associations. The same distinction holds for medicine, architecture and many other regulated professions. The CBA Section believes that modernization of the IP agent profession should be guided by the same principles.⁶

The governance model for the College appears to be consistent with these principles. For example, the legislation aims to address a potential conflict of interest by prohibiting participation on the College Board of Directors or its Investigation or Discipline Committees by anyone who is a member of an association with the primary purpose of representing the interests of those providing

⁴ Bill C-86, Part 4, Division 7, Subdivision D

⁵ Including [Consultation on a Governance Framework for IP Agents – Governance Model, Discipline Process and Conflicts](#) (August 2016) and [Consultation on a Governance Framework for IP Agents – Code of Conduct](#) (June 2016)

⁶ CBA submission August 2016, at page 3 (supra FN 5)

advice on patents or trade-marks, or who has recently been involved in the governing body or committees of such an association.

The proposed legislation provides for a transitional appointed Board of Directors and subsequently a hybrid appointed/elected Board of Directors. It is important to ensure that transitional and subsequent Boards are equipped to fully appreciate the unique composition of the Canadian IP agent community, including the potential for lawyer IP agents to be exposed to overlapping regulatory authority.

The *Patent Act* and *Trade-marks Act* provide that communication between a registered IP agent and a client is privileged in the same way as a communication that is subject to solicitor-client privilege or, in civil law, to professional secrecy of advocates and notaries.

“Privileged” information is defined in the proposed legislation as:

...protected by litigation privilege, by solicitor-client privilege, by the professional secrecy of advocates and notaries or by the privilege set out in section 16.1 of the Patent Act or section 51.13 of the Trademarks Act.⁷

Yet, solicitor-client privilege is a distinct legal concept which the Supreme Court of Canada has determined is “a necessary and essential condition of the effective administration of justice.”⁸ The proposed legislation requires judicial authorization to search and seize information in the possession of lawyers and law firms that is protected by solicitor-client privilege, and for it to be sealed subject to judicial direction. Further details remain to be developed by regulation.

Solicitor-client privilege belongs to the client. Clients must be given notice and afforded an opportunity to independently safeguard their right to solicitor-client privilege before the information is disclosed. Full and meaningful consultation on the related regulations, to ensure that all of the necessary protections are in place, is of critical importance.

We trust our input is helpful. We would be pleased to answer any questions and to discuss our recommendations with you further.

(original letter signed by Sarah MacKenzie for James Kosa)

James Kosa
Chair, CBA Intellectual Property Law Section

⁷ Proposed section 2, in Definitions

⁸ [Blank v. Canada](#) (Minister of Justice), [2006] 2 S.C.R. 319, 2006 SCC 39, at para 26