2021

Technology/E-Commerce

AIRD BERLIS

Doing Business in Canada

airdberlis.com

Canada has a thriving technology sector that supports key economic drivers such as e-commerce over the internet. The legal framework governing the technology sector is shared by the federal and provincial governments. E-commerce activity implicates several legal regimes, including intellectual property law as it relates to the internet (copyright and trademarks), broadcasting and telecommunications law, privacy, consumer protection (for example, the oversight over deceptive marketing practices under the *Competition Act*), anti-spam (CASL), and personal data security.

The scope of legislative and judicial jurisdiction over the internet is in flux. In recent judicial decisions, the Canadian courts have shown a willingness to assume jurisdiction over non-Canadian businesses even if they have no physical presence in Canada. Even these “virtual businesses” may be found to be “carrying on business” in Canada.

TECHNOLOGY

Import/Export Controls

Importing certain technologies into Canada may obligate importers to comply with requirements under the *Defense Production Act* and *Controlled Goods Regulations*. The Controlled Goods Directorate, which is governed by the *Controlled Goods Regulations*, is mandated to protect goods and/or controlled technologies within Canada and to prohibit controlled goods and/or controlled technology from being accessed by unauthorized persons.

Canada’s export control regime is regulated by multiple domestic laws, international agreements and diplomatic obligations. Export permits may be required to not only ship goods outside of Canada, but to provide services associated with designated technologies, discuss designated technologies with certain employees, participate in phone or video conversations about designated technologies, correspond by email, fax or otherwise through cyberspace about designated technologies, and even before leaving Canada’s borders on business trips. Factors such as the nature, characteristics, origin of componentry, uses to be made of the technology, destination and end users of the technology are all relevant to whether an export permit is required.

U.S. companies working with businesses in Canada should be mindful of areas of conflict between Canada’s export control laws and U.S. export control laws. For example, Canadian companies may be subject to fines and other penalties should they agree to be bound by U.S. export control laws. In addition, directors and officers may face penalties under Canadian law for complying with any instruction by, or policy of, a U.S. entity, contrary to Canada’s policies relating to the trading between Canada and Cuba.

E-commerce Statutes

Canada’s federal government and the Canadian provinces have adopted electronic commerce statutes that deal with issues arising from conducting business electronically. Ontario legislates e-commerce under the *Electronic Commerce Act*, while this area is also subject to the federal *Personal Information Protection and Electronic Documents Act*. Canada’s e-commerce statutes typically set out standards to be met in order to use an enforceable electronic signature and requirements to be met in order for a document, that would otherwise have to be in writing, be satisfied by communicating such document electronically. These e-commerce statutes also set forth how and when an offer and acceptance of a contract distributed electronically may be made.

Insolvency

Canadian bankruptcy and insolvency laws underwent revisions in 2009 to afford greater protection to licensees of technology. One of the key terms set forth in Canadian bankruptcy and insolvency legislation is that such legislation permits insolvent parties to “disclaim” (terminate) a licence agreement; provided, however, a licensee’s right to use the intellectual property cannot be disclaimed.

It is unclear which intellectual property rights enjoyed by licensees are protected from being disclaimed. While one may assume all statutory intellectual property rights would be protected, Canada also enjoys common law intellectual property rights for trademarks and trade secrets. The legislation provides no guidance as to what the “right to use” (which is afforded protection) means. The legislation does not obligate the licensor to continue to provide maintenance or support should the licensor become insolvent. From a licensor’s perspective, there is little, if any, protection should the licensee become insolvent. There can be serious consequences for the licensor arising from the Canadian courts’ broad right to assign licence agreements to third parties in the event of an insolvency.

.ca Domain Names

Internet domain names are verbal representations of a numerical address used to identify and locate websites on the internet. Each internationally recognized country is entitled to one top level domain ("**TLD**"), referred to as a country code top level domain, or ccTLD. Canada's ccTLD is the .ca domain. The .ca domain is currently administered by the Canadian Internet Registration Authority.

Registration in the .ca domain is available only to applicants who can demonstrate Canadian presence requirements, namely Canadian citizens, permanent residents or their legal representatives, corporations incorporated under the laws of Canada or any province or territory of Canada, trusts, partnerships, associations and other individuals and entities that meet certain requirements. Generally, the registration and transfer processes for .ca domain names are not particularly sophisticated or complicated. Dispute resolution processes in the .ca domain were established in 2001.

Applicability of Sale of Goods Legislation

In Canada, certain rights and obligations will follow the acquisition or sale of technology that falls within the scope of provincial sale of goods legislation. Canadian courts tend to treat computer system acquisitions as sales of goods while transactions involving pure service, maintenance, training or programming are typically viewed as incidental to the sale of goods and therefore not subject to sale of goods legislation. Software supplied solely pursuant to a licence agreement is typically not subject to sale of goods legislation unless some sort of property is transferred to the licensee. If software is provided together with hardware or other goods, the software may be subject to sale of goods legislation.

Libel Action over the Internet

Cyber-libel is a statement or image that has been published on the internet which tends to lower the reputation of a person in the community. It is still unclear in Canadian jurisdictions as to whether email, blogs and the content of websites constitute a broadcast for the purposes of defamation law. If they do, short limitation periods may apply. As information on the internet is widely disseminated in a short period of time, there is a high probability of significant damages resulting from a cyber-libel.

An issue that has arisen in the context of cyber-libel is the posting of defamatory statements or images to the internet anonymously. Although it is possible to obtain early mandatory orders or discovery from third parties that allow one to obtain information that may lead to the identity of the cyber-libeller, it is often an expensive exercise. In addition, this information may not prove to be useful since the publisher may have posted the defamatory statement or image from an internet café or other public resource, which often does not keep records of its users. While the law in jurisdictions within North America vary by province or state, as a result of a recent Supreme Court of Canada decision, the law in Canada is now closer to that generally applicable in the United States. In Canada, those who post statements and images which are false and defamatory may escape liability if they can demonstrate that the material was published responsibly.

In the United States, internet service providers ("**ISPs**") are generally protected from liability in respect to the content of others. In Canada such immunity is less clear.

Assigning and Sublicensing Technology Licences

For a software licence to be assignable, the Canadian courts look to whether or not the licence is "personal" to the parties. If the courts determine that a licence is personal, the licence may not be assignable or capable of being sublicensed to third parties, barring any language in the licence to the contrary.

Enforceability of Shrink-wrap, Click-wrap and Browse-wrap Licences in Canada

The key for enforceability of the shrink-wrap, click-wrap and browse-wrap agreements is whether or not it can be established that both parties to the contract were aware of the terms of the agreement and agreed to them. Canadian courts have tended to favour the forms of agreements where the terms of such agreement are brought to the attention of the person, with the person having to click "I Accept" prior to being bound to such terms, over those forms of agreement where the person is bound by the terms as a result of simply landing on a website.

Use of Non-Canadian Form Agreements in Canada

Foreign technology companies that wish to use their standard commercial precedents to carry on business in Canada should ensure that certain "Canadian-specific" legal issues have been addressed in the form of agreement which is to be used. Some of these issues include the following:

Sale of Goods Act Conditions: Canadian practice relating to technology agreements is to ensure that any disclaimer of implied warranties contained in a technology agreement also disclaims the implied conditions imposed by sale of goods legislation.

Ownership Rights: Canadian copyright law does not recognize the concept of a "work made for hire," which is often contained in U.S.-based agreements. In a software scenario, typically, the author of the computer program is the first owner of copyright in the program. If the author is employed for the purpose of creating software, then the employer will generally be the first owner of copyright in the software. The law is similar for inventions and trade secrets. In a situation in which a copyrighted work is being created for a customer by a contractor, the contractor, as author, will be the owner of the work unless the contractor has entered into a written assignment of such copyright in favour of the customer. It is also standard practice in Canada to have such a written assignment accompanied by an express waiver of moral rights in the work.

Import/Export Law Controls: Canada has its own export control legislation which must be considered when determining export restrictions which must be adhered to by a Canada-based customer.

INTELLECTUAL PROPERTY

Overview. International business interests recognize their increasingly valuable "intellectual property" to be an amalgam of:

- human capital (the experience, know-how, skills and creativity of their employees);
- intellectual assets (inventions, methods, processes, documents, designs and databases that are codified); and
- intellectual property rights (those intellectual assets for which legal protection is sought, acquired, maintained and enforced).

Companies seeking to successfully carry on business in Canada must develop familiarity with the Canadian intellectual property regime which comprises four primary federal statues: the *Patent Act, Copyright Act, Trade-marks Act* and *Industrial Design Act*. Industry Canada, through its agency, the Canadian Intellectual Property Office ("**CIPO**"), maintains a database of registered patents, copyrights, trademarks and industrial designs and administers the four primary federal statutes. Other forms of intellectual property, notably trade secrets/ confidential information, are governed by provincial common law and, in the province of Quebec, by the Civil Code.

Patents

Overview. Canadian patents protect function and are statutory monopoly rights granted for specific inventions involving a product, machine, process or composition of matter, including new and useful improvements of existing inventions.

Patent monopoly rights are only available in Canada through registration. As in most countries, to obtain a valid Canadian patent, three conditions must be demonstrated in connection with the invention: *novelty* (not previously disclosed to the public), *utility* (functional and operative) and *non-obviousness* (not obvious to a person of ordinary skill in the relevant art).

Securing Patent Protection. Canadian patents are granted to inventors who are first to file a patent application as opposed to first to invent. To assist inventors to secure needed benefits from disclosure, such as financing of further research and development, Canada provides a one year "grace period" which allows inventors and their assignees to disclose inventions before filing a patent application, without running afoul of novelty or obviousness requirements.

Canada is a signatory to the *Patent Cooperation Treaty* ("**PCT**"), as well as other multilateral treaties that seek to generally harmonize patent protection globally. The PCT procedure provides for filing a standardized international application, although that application may be ultimately granted or rejected in each designated state, according to its local law.

A set of initiatives known as the Patent Prosecution Highway ("**PPH**)" provides for accelerated patent prosecution procedures. It permits national Patent Offices to expedite the prosecution of patent applications for the same invention which are filed in multiple jurisdictions, and prevent avoidably inconsistent results. Presently, Canada has PPH agreements in place with various national Patent Offices, including in the United States, Japan, Germany and Korea.

Pending Canadian patent applications are laid open to public inspection 18 months after the earlier of the actual Canadian filing date or the date on which it was first filed elsewhere, also known as "the priority date."

CIPO charges maintenance fees, payable annually from the second anniversary of the filing date, during prosecution of the patent application and after issuance, in amounts that increase over the patent term.

Canada's *Patent Act* provides for formal opposition proceedings, before a patent is issued, based on prior publications, published patent applications and prior issued patents. It also provides a procedure for re-examination of an issued patent.

Ownership, Exploitation and Transfer of Patent Rights. An inventor – a person who conceives the invention and reduces it to a definite and practical form – is considered the owner of an invention unless it is assigned to others. In determining whether an employee or his/her employer owns an invention invented by the employee, Canadian courts will consider a number of factors, including whether the employee was hired for the specific purpose of inventing, whether the employee was privy to confidential information of the employer used in connection with the invention, and whether the problem solved by the invention was the problem which the employer directed the employee to solve. As a result, it is prudent to address issues of intellectual property ownership and related rights by way of agreement.

An owner of a Canadian patent or patent application may sell or assign that property and the rights relating to it, and Canadian patents and applications are commonly licensed in and out.

Infringement and Enforcement of Patents. An issued Canadian patent provides the owner with rights to exclude others from commercially exploiting (manufacturing, using, selling and inducing others to do so) the invention which is disclosed and claimed in the patent, generally for a non-renewable period of 20 years following the date of filing the patent application. As a result of the Comprehensive Economic and Trade Agreement, patent term extensions of up to two years are available in Canada for approved drugs under a Supplementary Protection Certificate regime.

The right of the patent owner to exclude others from such activities is enforceable in court proceedings and, in the same proceeding, the court often will deal with challenges to the validity of the patent as defendants routinely assert invalidity of some or all patent claims by way of counterclaim in order to avoid judgment. Most patent actions are commenced in the Federal Court as it has exclusive jurisdiction over patent invalidity claims. Federal Court actions are heard by judge alone – no right to jury trials is provided in the *Federal Court Act* – and, unlike Provincial Superior Court decisions, any order or judgment is enforceable across Canada without further formalities.

An array of civil remedies is available for infringement of Canadian patent rights. These include:

- *Interlocutory or permanent injunctions*. Injunctions require the defendant to cease activities which infringe the patent rights during the time the case is pending (interlocutory) or following judgment, during the balance of the patent term. Interlocutory injunctions in Canadian patent cases are exceptionally rare.
- *Damages*. These are monetary compensation for the patent owner's losses as a result of the defendant's infringement. Punitive damages for wilful infringement and other egregious conduct are available, but rarely awarded.
- *Accounting of Profits*. This is an alternative to the damages remedy which allows the patent owner to receive the profit which the defendant made from the infringement and is of particular use in cases where the patent owner would have been, for any number of reasons, unable to make the sales made by the infringer.
- *Seizure or destruction* of the infringing products or the tools used to make them.

Damages (described in the *Patent Act* as "reasonable compensation" and usually taking the form of a reasonable royalty) are also available to the patent owner in most countries as compensation for infringement that occurs before the patent is issued, beginning from the date the patent application is laid opened to the public.

Trademarks

Overview. Trademarks protect elements used to distinguish the products and services of one person or corporation in the marketplace from another. Examples of cognizable elements which may be eligible for Canadian trademark protection include:

- Words (names and slogans and including combinations of one or more letters and numerals);
- Symbols (labels, designs or devices);
- Three Dimensional Shapes (the shape of products or their packaging); and
- Colours (coloured words and symbols and coloured products).

Canada also permits certification marks (marks which identify goods and services of a particular quality, standard or origin), official marks (prohibited trademarks of Canadian governmental authorities) and geographical indication protection through certification marks.

So, unlike other forms of intellectual property where rights arise from creation, Canadian trademark rights arise only from use of a trademark in the course of trade. The requirement of use also operates to limit trademark rights in another fundamental way. Absent a determination that the trademark has acquired additional meaning to consumers, the right to its exclusive use is enforceable only with respect to the specific product or services in relation to which the trademark is registered.

Securing Trademark Protection. The person who first uses the trademark in association with the products or services has priority, and the entitlement to adopt and register it. In Canada however, trademark rights exist in unregistered trademarks and such rights arise from distinctiveness and use, whether or not they meet other requirements of registration.

CIPO maintains a registry of trademarks and provides the opportunity to register and renew, examine, search and oppose a trademark application. Registration is generally dependent on the trademark meeting two criteria:

- it is distinctive (that is, it functions to distinguish the products and services of the trademark owner from those of others); and
- it is not clearly descriptive or deceptively misdescriptive.

Failure to file a Canadian trademark application within a specified time does not, as in the patent regime, result in an irrevocable waiver of right to protection in Canada. Trademark applications can be filed at any time, but priority rights in a Canadian trademark based on the early filing of trademark applications elsewhere are available, and it is usually prudent to file applications before the use or adoption of the trademark becomes publicly known.

Canadian trademark applications can be filed in CIPO based on use, proposed use or on a prior application for registration of the mark in a foreign country that is a signatory to the Paris Convention for the Protection of Industrial Property (the "**Paris Convention**"). Canada has signed the *Madrid Protocol* (allowing for a single international trademark application, filed in the trademark office in the home country in a single language, to obtain registrations in multiple countries). On June 17, 2019, the *Madrid Protocol* was implemented. It is no longer necessary to apply for a trademark based on use or proposed use.

A Canadian trademark application requires a list of products and/or services which the registration seeks to cover. The *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks*, establishing an international classification of products and services, has been signed and new applications are required to use Nice classifications. A revised fee schedule has been implemented and it is now more expensive to file a trademark in Canada for multi-class trademark applications.

If and when the CIPO examiner finds the trademark to be registrable, those who believe a registration for the Canadian trademark should not be granted have the opportunity to initiate opposition proceedings, triggered by official publication of the trademark application in the Canadian *Trade-marks Journal*. The deadline for commencement of an opposition proceeding is two months from advertisement.

A Canadian registration is in force for 10 years, subject to indefinite renewal. Renewal fees are currently required every 10 years. There is no requirement in Canada that an owner proves it is still using a trademark in order to maintain or renew a trademark registration. It is only if challenged that a trademark registration may be cancelled if the owner cannot demonstrate that the trademark is still in use. A Canadian trademark registration may be cancelled for non-use at any time following three years after the registration date, if the owner has not used the trademark within the previous three years.

Because trademark rights are dependent on use, they are not static and distinctiveness can be acquired, increased or lost. A term that is descriptive of products or services can acquire distinctiveness with use over time, if Canadian consumers come to recognize it as an indicator of a particular source. A term which is distinctive can acquire additional distinctiveness, which may be used to support its registration for a broader range of products and services. Conversely, a term that is distinctive can, with misuse over time, become descriptive or generic. Loss of trademark distinctiveness may vary from country to country, as in the case of ASPIRIN: now a generic term in the United States, but still protectable as a trademark in Canada.

Ownership, Exploitation and Transfer of Trademark Rights. The owner of a Canadian trademark has the exclusive right to its use, meaning the right to use the trademark and the right to exclude others from using it. Registered trademarks provide the owner with an exclusive national right to use the trademark in association with the products or services for which the mark was registered. In Canada, that includes the right to be free of use of: a) a confusingly similar trademark by another and b) use of the registered trademark by another in a manner which may depreciate its goodwill.

In relation to products, "use" in Canada generally means the placement of the trademark on the product or on the packaging for the product at the point of sale or when possession is passed to the purchaser of the product. In relation to services, "use" generally means use of the trademark incidental to the provision of the services or use in advertising of the services.

Registration provides the owner with significant procedural and substantive advantages. These include the right to register the trademark in other member states of the Paris Convention and a presumption of validity and ownership of the trademark. In addition, registration of a trademark acts as an absolute defence to claims for damages or profits during the period of registration if the trademark is later found to infringe another trademark.

An owner of a Canadian trademark or pending trademark application may sell or assign that property and the rights relating to it. Licensing is the primary means by which foreign company trademarks are used by Canadian domestic businesses. Trademark licences may be secured on a variety of terms, including territory, exclusivity/non-exclusivity, use and compensation. The use of the trademarks by licensees will support distinctiveness and enure to the benefit of the licensor owner. However, in exchange for that benefit, Canada requires a trademark owner to include in any licence the right and obligation of the owner to control the nature and quality of the trademarked products or services of the licensee.

Infringement and Enforcement of Trademark Rights. "Infringement," in the Canadian trademark sense, is the use of a mark which is so similar, in relation to the same or related products or services, that confusion or deception is likely to occur. Policing and enforcing Canadian trademark rights, however, includes not only ensuring that third parties do not infringe by misuse of the trademark commercially, but also preventing use of the trademark as (or instead of) the product description in publications, as such activities can result in loss of distinctiveness and therefore loss of trademark rights.

The range of available civil remedies for Canadian trademark infringement includes interlocutory and permanent injunctions, compensatory damages (resulting from the infringement, including lost sales and depreciation of goodwill in the trademark) or an accounting of profits, and delivery up or disposal of all products bearing the trademark.

Criminal prosecution and penalties may also result from trademark infringement, particularly in the case of counterfeit products.

Well-known or "famous" trademarks may be given protection in Canada beyond the scope of similarity of the products or services for which they are registered, where an infringing mark is used in a manner clearly prejudicial to the distinctiveness of the famous mark. Fame is not, however, a trump card in Canadian enforcement proceedings, covering all possible products or services. Canadian judicial anxiety to avoid conferring overly-broad protection often results in limitation of rights.

In Canada, unregistered trademarks may be protected in their geographic area of use by an action of passing-off or unfair competition (to prevent another trader from misrepresenting its goods and services as those of the trademark owner). Such actions can be brought at common law or under section 7 of the *Trade-marks Act*. There are four required elements for a plaintiff to prove:

- a reputation in the marketplace;
- misrepresentation by the defendant to a prospective or actual customer of goods or services supplied by the plaintiff;
- actual public confusion or a likelihood of confusion; and
- damages resulting from the confusion.

Significant defences and limits exist on the enforceability of unregistered trademarks. For example, unregistered trademarks cannot establish a claim of passing off against lawful use of a registered trademark.

"Black market" (or "counterfeit" product manufactured, packaged and/or labeled by persons other than the trademark owner to appear like the authentic product) and "grey market" goods (genuine trademarked products that are authorized for distribution in a specific region, but are diverted for sale into a different one) deserve special mention in connection with trademark enforcement. Counterfeiters are subject to infringement actions in the case of registered trademark rights and passing off actions in the case of unregistered rights. Grey marketers cases involve different consideration because they are genuine and the trademark was applied by the owner (or an authorized representative of the owner). There can be no valid assertion of a passing off claim or public confusion to support a claim of trademark infringement. Canada subscribes to the so-called principle of trademark "exhaustion" (when the trademark owner has put the product into the stream of commerce under the trademark, it cannot object to further sales of the same product in the course of trade). In Canada, it is only in circumstances where the grey market products are not put into the stream of commerce by a domestic entity which owns the trademark, or the grey market products vary from genuine goods, such as where the packaging is not compliant with local law, or copyright can be asserted in packaging elements, that there is a likelihood that the importation and sale of grey market products can be inhibited.

Copyright

Overview. Copyright recognizes the rights of creators in original literary, dramatic, musical and artistic creativity, which usually involves mass communications, through virtually any medium from printed publications, films, television and sound recordings, public performances and communications signals to computer systems for information storage and retrieval. Canada is a signatory to the Berne Convention and other multilateral treaties which generally harmonize copyright protection, globally. In Canada, as elsewhere, copyright law recognizes the sole right to produce or reproduce a work or a substantial part of it, in any form. It protects only the creator's original form of expression of ideas, for example, the arrangement of words in a novel or the sequence of musical notes in a score, not the ideas themselves. The protection afforded by Canadian copyright law centres on the act of reproduction, which is the legal basis for most exploitation of literary, artistic, musical and dramatic works. As a result, copying or other reproduction of a work, in whole or substantial part, requires the authorization of the rights holder. However, more broad protection of copyright is enshrined in the *Copyright Act* so that the rights holder's authorization is also required to:

- produce or publish a work in any material form;
- perform the work in public (e.g., public readings, dramatic or musical performances);
- make an audio, visual or audio-visual recording of the work;
- communicate the work to the public by telecommunication; and
- translate, adapt or otherwise modify the work.

The protection of copyright in Canada is also extended to "neighbouring rights." These rights afford protection to those who assist in the dissemination or communication of the creator's works to the public, specifically:

- rights of performing artists in their performances of the works;
- rights of producers of phonograms which include the works; and
- rights of broadcasting organizations in radio and television programs which include the works.

Neighbouring rights are an area of increasing complexity in Canadian copyright law as a result of advances in transmission technologies (e.g., cable, satellite and internet) and in the means of fixation of works (e.g., digital media).

Computer programs are protectable under Canada's *Copyright Act* as literary works. The fact that a computer program is created using well-known programming techniques or contains unoriginal elements is not a bar to copyright protection if the program as a whole is original. Some databases that contain original content may be given protection as "compilations" under the *Copyright Act*, although there is no specific database protection, and most databases likely would not be covered by copyright. A web page's look, layout and appearance can be protected by Canadian copyright as original literary and artistic works and/or compilations. Underlying mathematical calculations, algorithms, formulae, ideas, processes or methods contained in information technology are not protected by Canadian copyright laws, although they may be protected in some cases under patent law.

The term of copyright in Canada, as in the majority of Berne Convention countries, is generally the life of the author and 50 years after his or her death. In cases of joint creators, the term of protection for copyright usually extends from the death of the last author to die. Canada has legislation pending that would increase the term of copyright.

Canada recently passed legislation that extends the term of copyright for anonymous or pseudonymous works and sound recordings to the lesser of 75 years after the work is first published and 100 years after the work is made (an increase from the lesser of 50 years after the work is first published and 75 years after the work is made). However, these amendments are not yet in force. Canada is expected to pass further legislation extending the term of copyright for all other works.

In Canada, recognition is given to a division of rights within copyright – between "economic rights" and "moral rights." Economic, or exploitation, rights are emphasized and relate to the copyright holder's exclusive right to use, authorize or prohibit use of a work and include the rights of:

- reproduction (copying by either analogue or digital means);
- communication to the public by telecommunication (public performance, public display and transmission over the internet or other digital networks);
- distribution (selling, lending or renting of tangible copies); and
- modification (translation or adaptation of works).

Moral rights, also provided in the *Copyright Act*, are non-economic and recognize the creator's parental and dignitary rights to control their identification with the work and how it is treated by others. These rights are:

- the "paternity" right (the right to be identified as the creator of the work or to remain anonymous); and
- the "integrity" right (the right to prohibit alteration, mutilation or other modification of the work and its use in association with a product, service, cause or institution if such use would result in prejudice to the honour or reputation of the author).

Securing Copyright. The primary requirement for Canadian copyright is that the work must be an "original" creation. The ideas in the work need not be new, inventive or even of a particular quality, but the form (whether literary, artistic, musical or dramatic) in which ideas are expressed must be an original creation of the creator, not copied from another work, and involve an exercise of non-mechanical skill and judgment. Canada also requires the work to be fixed in some tangible form and for the creator to be a citizen or resident of a Berne Convention or WTO member state. If these conditions are satisfied, a creator's copyright arises automatically on creation of a work and, unlike other types of intellectual property, there is no formal requirement for Canadian registration or notification in order for copyright to subsist in a work. Registration is however, significant in the enforcement of copyright as it constitutes deemed notice to infringers in Canada and gives rise to rebuttable presumptions that the work is validly protected by copyright and that the owner named in the registration is the true owner.

Ownership, Exploitation and Transfer of Copyright. In Canada, as in most other Berne Convention and WTO member states, the creator (or author) is generally the first owner of the copyright in a work. Where the creator is an employee who creates a work within the scope of his or her employment, while he or she remains the author of the work, the employer will generally be entitled to copyright ownership. If the creator is an independent contractor, he or she is the first owner of copyright unless there was an agreement to the contrary.

Generally, copyright (except for moral rights) may be assigned (geographically, by subject matter and otherwise) or licensed by the owner. However, in Canada, assignments are invalid unless in writing and, if the creator is the first owner of copyright, it cannot be assigned for a term beyond 25 years after the death of the creator. Beyond that time, the rights revert to the estate of the creator. In the case of moral rights, while those rights may not be assigned, their waiver is permitted in Canada.

Unique to the field of copyright commercialization is the use of copyright collective and reproduction rights. Organizations which license the use of works on behalf of large numbers of creators and other rights holders in their large portfolios collect licence royalties for that use, and distribute the royalties back to rights holders. The statutory regime governing Canadian copyright collectives is contained in the *Copyright Act*. Copyright collectives often specialize in licensing of different categories of works (e.g., text/image-based works or musical works) and representation of different rights holders (e.g., creators or neighbouring rights holders).

Infringement and Enforcement of Copyright. Copyright in Canada is infringed by and enforceable against a person who, without the rights holder's consent, does any act that only the rights holder can do under the *Copyright Act*. The 2012 amendments to the *Copyright Act* have included in activities constituting infringement in Canada the act of providing an internet-based service (or other digital network service) primarily for the purpose of enabling acts of copyright infringement if an actual infringement of copyright occurs by that same means as a result of the use of that service.

Some activities which would normally be restricted by copyright are, in Canada, exempted from action for infringement. The most important of these activities are collectively described as "fair dealing" (similar to "fair use" under U.S. copyright law) and include copying for the purpose of research or private study, copying for the purpose of parody, satire, criticism, review or news reporting (usually provided the name of the author, performer or maker or broadcaster is given in the source), educational use exemption and exemptions for libraries, museums and archives. Exemptions are also provided through the doctrine of "exhaustion of rights," applicable in many countries. The doctrine provides that, after the copyright owner has sold or otherwise transferred ownership of a copy of a work, the owner of that copy may generally dispose of it without further authorization of the rights holder, for example, by giving it away or even by resale. It is also not an infringement of Canadian copyright for an individual to transfer legally-obtained works from one format to another for personal use.

The range of remedies provided for copyright infringement in Canada includes injunctive relief, damages, accounting of profits and delivery up of infringing works and the means to produce them. Unlike patent and trademark law, where the remedies of damages and accounting of profits are alternative remedies, a person who infringes copyright in a work in Canada is liable in a civil action to pay damages and also to account for the profits resulting from the infringement. As well, statutory damages are available which fix a range for damage and allow Canadian rights holders to obtain monetary judgments without the requirement to prove specific loss. A Canadian copyright owner may elect, before final judgment in an infringement proceeding, to recover statutory damages for an amount between C$500 and C$20,000 to each infringed work infringed for commercial purposes, and between C$100 and C$5,000 for all works in the event of copyright infringements for non-commercial purposes, as determined by the court.

Certain acts of copyright infringement in Canada expose infringers to criminal penalties, including fine and imprisonment. For example, where a work is controlled by a technological protection measure, which is circumvented knowingly and for commercial purposes, the person responsible may be liable on conviction on indictment, to a fine not exceeding C$1 million or to imprisonment for a term not exceeding five years or to both; or, on summary conviction, to a fine not exceeding C$25,000 or to imprisonment for a term not exceeding six months or to both.

Industrial Designs

Overview. A Canadian industrial design, known in the United States as a "design patent," relates to the visual features of shape, configuration, pattern or ornament, or any combination of these features, applied to a finished article made by an industrial process. "Shape" and "configuration" cover three-dimensional designs while "pattern" and "ornament" cover two-dimensional designs (such as engraving and embossing). Canadian industrial designs protect a wide range of designs applied to mass-produced finished manufactured products, for example, wallpaper, textile patterns, ornamentation on cutlery, the user interface graphics for mobile phones, and the visual features of a running shoe. Because industrial designs are directed to aesthetic features that appeal to the eye, features that are entirely functional cannot be the subject of industrial design protection.

Securing Industrial Design Protection. The *Industrial Design Act* provides a system for the registration of designs and grants to a successful applicant the exclusive right to prevent others from making, importing for trade or business, renting, selling or offering for sale or rent any article in respect of which the design is registered (or a design not differing substantially therefrom) in Canada for ten years from the date of registration, subject to the payment of maintenance fees at the fifth year. The term of protection is now the later of ten years after the date of registration of the design and 15 years following the filing date of the application. A claim of ownership of a design may only be made if there is a registration of that design under the *Industrial Design Act*. No claims of ownership may be made without registration.

For a design to be registrable, it must be original (although the standard will change to a novelty standard once the amendments are brought into force). Only the owner of a design may apply for and obtain an industrial design registration. If the design was created by an employee of a company, then the employer is considered to be the owner of an industrial design, barring an agreement to the contrary. As a practical matter, the degree of originality required for Canadian industrial designs is greater than that required for copyright, but less than the novelty requirement of patents.

Ownership, Exploitation and Transfer of Industrial Design Rights. The ownership and right to protection of an industrial design presumptively belongs to the creator of the design.

Where the design is created by an employee or by an independent contractor, Canadian law provides that the employer or the person who commissioned the design has entitlement to it where the creation or production of the design falls within the scope of employment duties for which the employee or contractor is paid.

The owner of an industrial design, whether registered or unregistered, may assign rights to the design, but the assignment must be in writing and recorded in the office of the relevant governmental authority, which in Canada is the Commissioner of Patents. An owner of an industrial design may also license rights in the design but, as is the case of an assignment, the licence must be recorded.

Infringement and Enforcement of Industrial Design Rights. A registered Canadian industrial design confers on the owner an exclusive right to make, sell, rent or import for the purpose of trade any article in respect of which the design or a design not substantially different has been applied. The registration prevents others from exploiting an industrial design by giving the owner the exclusive right to do any of the following for industrial or commercial purposes:

- make articles in which the design is embodied or to which the design is applied;
- import such articles; and
- sell, offer for sale or rent such articles.

The rights are limited, however, so that:

- protection extends only to the design or a substantially similar design (meaning one which differs only in immaterial respects) applied to an article;
- features embodied to a useful article that are dictated solely by a utilitarian function of the article are not protected; and
- any method or principle of manufacture or construction is not subject to protection.

An action for design infringement can be brought by the owner of the design or by an exclusive licensee, and a full range of remedies is available to enforce the right, as is generally the case in enforcement of other intellectual property rights. These include injunctive relief, recovery of damages or profits, punitive damages and the disposal of any infringing article. If a defendant establishes it was not aware and had no reasonable grounds to suspect that a design was registered, the *Industrial Design Act* precludes a court from awarding any remedy (in particular, damages) other than an injunction. This provision does not apply, however, if all or substantially all products to which the registration pertain, or the labelling or packaging of such products that were distributed in Canada were marked with "D" in a circle and the name or usual abbreviation of the name of the proprietor.

Trade Secret/Confidential Information

Overview. The most common form of intellectual property protection used by Canadian business is the maintenance of information as a "trade secret" or, as the concept is more broadly known, "confidential information." Scientific, technical, financial and marketing information all come within the scope of confidential information in Canada and encompass such diverse material as formulae, processes, computer programs and code, layouts, interfaces, databases, product concepts and designs, operations manuals, research data and documents, supplier, distributor and customer lists and information about customers and their needs and preferences. If the information is:

- of a commercial nature;
- used in business to provide a competitive advantage; and
- kept in confidence,

it qualifies for legal protection in Canada as confidential information.

Securing Confidential Information Protection. Unlike the other forms of Canadian intellectual property, confidential information does not engage a government-operated registration process. Rather, protection is implemented by individual businesses under a wide variety of practical regimes. Establishment of rights requires only that the "owner" take steps to ensure confidential information does not become generally known. In the normal course, employing security measures at the facilities and on the electronic systems where the information is stored, and securing confidentiality agreements from employees, contractors, suppliers, licensees and others who may have required access to the information, is sufficient to give rise to the obligations of confidence and trust.

The simplicity of the legal concept of confidential information is in contrast to the increasing practical problems of maintaining information as confidential. The:

- increasing volume of data which is susceptible to designation as confidential information;
- proliferation of innovation and, in particular, the use of computer systems for information storage and transfer which has led to cyber espionage and theft of confidential information on an unprecedented scale;
- increasing mobility of workforces in the global market and the increasing complexity of distribution and supply chains; and
- proliferation of outsourcing, together with digital communication

have all conspired to make it increasingly difficult to control access and use of confidential information. For many businesses, the issue is not restricted to protecting their own information. It includes avoiding unwanted exposure to confidential information of third parties, such as former employers or newly-hired employees.

Ownership, Exploitation and Transfer of Rights. The concept of "ownership" is problematic in the case of confidential information. Canadian law does not prohibit either independent development of the same information or its acquisition by any proper means (for example, after the restrictive terms of an employment contract or licence expire). As a result, an "owner" of confidential information has no monopoly right in the information, but rather only an enforceable remedy for breach of an express or implied contract or, in the absence of either, for breach of relationships of confidence or trust. Canadian courts have cast doubt on whether confidential information can be considered as purely "property."

In considering the issue of "ownership" of confidential information as between the employer and the employee or contractor who developed them, Canadian courts have had recourse to the same principles which apply to the ownership of inventions – the nature of the employment or contracting relationship and the specific issue of whether the development was within the scope of the employee's or contractor's duties. Even in the absence of an employment agreement setting out obligations of confidence, employees are under a clear common law duty not to disclose confidential information, in particular trade secrets of present or former employers, whether created by the employee or others. This duty is more onerous where the employee has a senior position with the company and, as a result, is impressed with fiduciary duties.

Confidential information is assignable and licensable as with most other forms of intellectual property in Canada, and non-disclosure agreements relating to confidential information are a frequent component of joint venture arrangements and various forms of business collaboration.

Infringement and Enforcement of Rights.

The enforcement of confidential information rights, whether based on legal notions of property, contract or fiduciary obligation, arises from evidence that the information is:

- confidential;
- communicated by the holder to the recipient in circumstances of confidence; and
- misused by the recipient to secure a commercial advantage over others without access to the information.

The enforcement of confidential information rights, unlike other forms of intellectual property, is governed by Canadian provincial law. Since employees, consultants, independent contractors and joint venturers are most often privy to such information, provincial contract law and employment law relating to employee contracts is most frequently engaged in the protection of confidential information.

Canadian courts accept that employees have a right to exploit the knowledge, skills and experience acquired in the course of employment. However, there is an enforceable, concurrent obligation imposed on employees to act in good faith towards the employer with respect to the use and disclosure of confidential information and, even after the employment ends, not to use or disclose, in particular, trade secret information. Employers often seek to enshrine and enlarge the obligation in employment contracts, prohibiting the post-employment use and disclosure of general confidential information. Such restrictive covenants, like agreements not to compete, are critically reviewed by Canadian courts to ensure they do not constitute an undue restraint of trade. The distinction between the former employee's rights and obligations regarding confidential information is not always easy to draw.

International Conventions and Treaties

Canada is a signatory to the North American Free Trade Agreement and is a member of the International Convention for the Protection of Industrial Property which affects patents, trademarks and industrial designs. Canada is a signatory to the Patent Cooperation Treaty, which provides a common system for the filing of a patent application in signatory countries, and is a part of the Global Patent Prosecution Highway pilot program, which allows fast track prosecution of a patent that has been examined by the patent office of any participating country. Canada is also a member of the Berne Convention, the Universal Copyright Convention and the World Trade Organization, each of which bear on protection for copyright owners who are citizens of convention countries.

The *Combating Counterfeit Products Act* came into force in 2015 (with concurrent amendments to the *Copyright Act*, the *Trade-marks Act* and the *Customs Act*). The amendments provide the Canadian Border Services Agencies additional tools for combatting the import and export of counterfeit goods. New civil and criminal remedies were created to deal with possession and dealing of counterfeit goods. These changes were implemented to comply with Canada's international obligations under the Madrid Protocol, the Nice Agreement and the Singapore Treaty.

The Trans-Pacific Partnership Agreement ("**TPP**") was originally concluded on October 5, 2015, by 12 countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam). It was signed on February 4, 2016, by all 12 parties. On January 30, 2017, the United States notified TPP signatories of its intention to not ratify the TPP, effectively withdrawing from the TPP. As a result, the TPP could not be entered into force due to its requirements of ratification by at least six states having an aggregate GDP of more than 85% of the GDP of all signatories.

On November 10, 2017, the 11 remaining members of the TPP agreed on the core elements of a new agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("**CPTPP**"). Once fully implemented, the 11 countries will form a trading bloc representing 495 million consumers and 13.5% of global GDP, providing Canada with preferential access to key markets in Asia and Latin America.

On October 29, 2018, Canada became the fifth country to ratify the CPTPP. However, the CPTPP did not come into force until December 30, 2018, 60 days after its ratification by Australia, which was the sixth country to ratify the CPTPP in accordance with the specified threshold for the agreement to come into force. It is noteworthy that with the CPTPP, Canada is the only G7 nation with free trade agreements with all other G7 members, and with free trade access across the Americas, Europe and the Asia-Pacific region.

The first six CPTPP parties made their first tariff cut on December 30, 2018, eliminating duties on 89% of tariff lines between them, followed by a second tariff cut on January 1, 2019 (except for Japan, which made its second tariff cut on April 1, 2019).

In contrast to the now defunct TPP, Canada will not be required to implement CPTPP obligations for patent term adjustment and copyright term protection, allowing Canada to maintain its existing regime. This means that Canada will not have to change its laws to enable patent owners, in some circumstances, to apply for an extension of the term of a patent following unreasonable delays in the processing of patent applications. As well, Canada can continue to provide a copyright term of "life of the author plus 50 years" consistent with multilateral standards, and Canada's longstanding policy. According to the Canadian government, other suspensions on IP secured by Canada "will protect future Canadian policy flexibility."

COMMUNICATIONS LAW AND DIGITAL MEDIA

Companies operating in the communications industry in Canada (comprising telecommunications carriers and service providers as well as broadcasting/media organizations) fall under the legislative authority of the federal government as inter-provincial undertakings. These entities are subject to the regulatory and policy frameworks established under the *Telecommunications Act* and the *Radiocommunication Act* (telecommunications) and under the *Broadcasting Act* (broadcasters and media content providers).

Regulation of the telecommunications sector is overseen by the Canadian Radio-television and Telecommunications Commission ("**CRTC**") under the policy framework of the Minister of Innovation, Science and Economic Development ("**ISED**"). ISED is also responsible for the allocation and use of wireless spectrum in Canada pursuant to spectrum licences and radio authorizations issued under the *Radiocommunication Act*. Regulation of the broadcasting sector is overseen by the CRTC under the policy framework of the Minister of Canadian Heritage, who is responsible for cultural matters, including Canadian broadcasting policy.

Telecommunications

Under the *Telecommunications Act*, the CRTC has jurisdiction over all telecommunications service providers, in particular telecommunications common carriers such as wireline telephone companies, wireless carriers[1] and ISPs. Among the *Telecommunications Act*'s stated objectives is to ensure that Canadians in all regions of Canada have access to reliable, affordable and high-quality telecommunication services.

Among the key areas of oversight by the CRTC is the area of unsolicited telecommunications. Pursuant to its express statutory authority under section 41 of the *Telecommunications Act*, the CRTC may order, prohibit or regulate the use by any person of the telecommunications facilities of a telecommunications service provider for the provision of unsolicited telecommunications to the extent that the CRTC considers it necessary to prevent undue inconvenience or nuisance (giving due regard to freedom of expression). The CRTC has been relatively proactive in the area of unsolicited telecommunications, including issuing

1 However, unlike the Federal Communications Commission in the United States, the CRTC does not award spectrum licences to wireless telecommunications carriers; that function is exercised by the Minister of Innovation, Science and Economic Development under the *Radiocommunication Act*.

detailed Unsolicited Telecommunications Rules and overseeing a rigorous "Do Not Call List" regime that governs unsolicited telecommunications.

The CRTC has the power to impose monetary penalties on individuals and corporations that contravene the unsolicited telecommunications rules, with the power to levy fines of up to C$50,000 and C$15 million, respectively, for violations of the rules.

With respect to its regulatory supervision of the competitive landscape in which telecommunications carriers and other telecommunications service providers operate, the CRTC has the authority to forbear from regulating one or more services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for those services to protect the interests of users. Notwithstanding this forbearance power, the CRTC has determined that large telecommunications carriers should continue to be subject to tariff filing requirements and other ongoing regulatory obligations in specific areas. In particular, all entities acting as telecommunications common carriers, including telcos and cable carriers, are required by the CRTC to provide wholesale services at regulated rates that allow independent ISPs to provide internet services at the premises served by the carrier's wireline network.

In 2019, the ISED Minister issued a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives to Promote Competition, Affordability, Consumer Interests and Innovation (the "Policy Direction"). The Policy Direction was issued pursuant to section 8 of the *Telecommunications Act*, which permits the government to issue directions to the CRTC "of general application on broad policy matters" with respect to the statutory policy objectives relating to Canadian telecommunications that are set out in the Act. The Policy Direction mandates the CRTC to engage in regulatory measures that will "promote competition, affordability, consumer interests and innovation" and to "encourage all forms of competition" and to "reduce barriers to entry and barriers to competition for new and smaller telecommunications service providers."

The Policy Direction departs from what was a relatively "light regulation" approach under a previous policy direction issued under the *Telecommunications Act* during the government of Prime Minister Stephen Harper in 2006. The 2006 policy direction focused primarily on minimal regulatory intervention by the CRTC, instructing the CRTC "to rely on market forces to the maximum extent feasible as the means of achieving the telecommunications policy objectives." Even if the CRTC decided that regulatory intervention was warranted, the 2006 policy direction required the CRTC to "use measures that are efficient and proportionate to their purpose and that interfere with the operation of competitive market forces to the minimum extent necessary to meet the policy objectives."

While the 2006 policy direction continues in force, it must now be reconciled by the CRTC with the newly-enacted Policy Direction, which focuses on the existence of "market power" and the need for the CRTC to adopt measures that foster affordability and lower prices, while ensuring outcomes such as access to high-quality telecommunications services in areas underserved by competition. Objectives which were formerly given significant prominence such as market forces, and the investment in and ownership of competing telecommunications network facilities as a means of creating more competition among service providers and hence more consumer choice (known as "facilities-based competition"), have given way to directing the CRTC to "encourage all forms of competition" and to "reduce barriers to entry and barriers to competition for new and smaller telecommunications service providers."

On its face, the Policy Direction appears to give resale and service-based competition models equal prominence to that of facilities-based competition. In fact, shortly after the issuance of the new Policy Direction, the CRTC issued an overarching ruling retroactively decreasing the wholesale high-speed access service rates paid to the telco/cable carriers by independent ISPs. The CRTC determined that these final rates "will facilitate greater competition and promote innovative broadband services and more affordable prices for consumers." The incumbent telco/cable carriers appealed the CRTC's ruling, which is currently before the Federal Court of Appeal.

The Policy Direction has also had an impact on the regulatory framework in the wireless sector. While the CRTC elected to forbear from regulatory oversight wireless pricing at the retail level over two decades ago, it commenced a proceeding in 2019 to consider the issue of mandated wholesale access to the facilities of the national wireless providers (Bell Mobility, Rogers and Telus). The CRTC indicated its "preliminary view" that "mobile virtual network operators" ("MVNO") should have mandated access to wireless carrier networks "until they are able to establish themselves in the market." This is a departure from previous CRTC rulings in which the CRTC declined to mandate wholesale MVNO access due to concerns for undermining incentives for investment by facilities-based carriers. The Policy Direction clearly provides the CRTC with legislative/policy support to implement its "preliminary view" with respect to MVNO access.

Broadcasting

The CRTC supervises and regulates all aspects of the broadcasting system pursuant to the *Broadcasting Act* through its licensing and exemption power. The CRTC also exercises statutory oversight with respect to Canadian ownership and control of broadcasters (see below). Pursuant to regulations made under the *Broadcasting Act*, the CRTC has set out Canadian content requirements for all broadcasters (including free-to-air and discretionary television programming services, AM and FM terrestrial radio stations and satellite radio services). These requirements also compel broadcasting distribution undertakings to give priority to the carriage of Canadian services to contribute a certain percentage of revenue to the production of Canadian programming and to provide efficient delivery of programming services.

The communications regulatory and policy environment has had to adapt over the last decade in the face of challenges posed by new technologies and service offerings. In recognition of the impact of the increasing availability of foreign "over-the-top" ("**OTT**") online video services in Canada, the CRTC has exempted all internet-based and mobile point-to-point broadcasting services from CRTC regulation, provided such services adhere to the terms and conditions of its digital media exemption order.[2] Pursuant to its exemption order, the CRTC does not impose any requirements for exempt digital media undertakings to support Canadian content, including new media content.

However, there has been increasing pressure from various industry stakeholders to require all OTT providers (including Netflix) that engage in "broadcasting" activities in Canada to make financial contributions toward Canadian content. Proposals have also been put forward which would require ISPs to devote a percentage of their revenues toward Canadian content in view of the increased prominence of broadcasting content on internet services that are accessed via ISP facilities.

2 The CRTC has exempted from regulation the provision of broadcasting services that are delivered and accessed over the internet or delivered using point-to-point technology and received by way of mobile devices. These services are governed under the CRTC's exemption order for digital media broadcasting undertakings (Broadcasting Order CRTC 2012-409).

Canada's international trade obligations are relevant to (and, in some cases, potentially conflict with) Canadian domestic policies and rules relating to the protection and enhancement of Canadian culture, including in the broadcasting sector. When the United States removed itself from the Trans-Pacific Partnership trade agreement process, the refashioned 2018 agreement among remaining signatories, known as the Comprehensive and Progressive Trans-Pacific Partnership (discussed above see: "Intellectual Property - International Conventions and Treaties"), included mechanisms enabling Canada to reserve the right to adopt or maintain a measure that affects cultural industries and that has the objective of supporting, directly or indirectly, the creation, development or accessibility of Canadian artistic expression or content. Moreover, pursuant to side letters entered into between the Government of Canada and each of the CPTPP signatories, Canada may adopt or maintain discriminatory requirements on service suppliers or investors "to make financial contributions for Canadian content development." The Canadian government noted that these side letters will "ensure Canada's ability to adopt programs and policies that support its cultural sector, including in the digital environment."

More recently, in the renegotiated NAFTA, now known as the United States-Mexico-Canada Agreement ("**USMCA**"), Canada has preserved its cultural industry exemption (although additional provisions on dispute settlement and retaliation have been added). As part of the negotiation process, the American side had demanded that digital content not be subject to the cultural exemption. However, the Canadian government subsequently confirmed that the USMCA cultural exemption allows for Canadian content rules in the digital sphere.

Ownership and Control of Telecommunications Carriers and Broadcasters

The legal requirements relating to Canadian ownership and control of broadcasting undertakings are set out in the Direction from the Governor in Council (i.e. the Canadian federal government Cabinet) to the CRTC made under the *Broadcasting Act*. Under the Direction, non-Canadians are permitted to own and control, directly or indirectly, up to 33 1/3% of the voting shares and 33 1/3% of the votes of a holding company which has a wholly-owned subsidiary operating company licensed under the *Broadcasting Act*. The Direction also provides that the Chief Executive Officer and 80% of the members of the board of directors of a licensee that is a corporation must be resident Canadian citizens. There are no explicit restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. However, the Direction prohibits a broadcasting licensee from being controlled by non-Canadians as a question of fact. Factors such as the level of ownership of equity through non-voting shares and of total equity are relevant to the analysis of control in fact.

Similar foreign ownership restrictions apply under the *Telecommunications Act*, but only to the ownership and control of the large "incumbent" Canadian telecommunications carriers. There are no foreign-ownership restrictions governing small facilities-based common carriers following amendments made to the Act in 2012, which removed the ownership limitations for all telecommunications carriers that have annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues for the sector.

The Broadcasting and Telecommunications Legislative Review

Many of the above-noted issues governing the broadcasting and telecommunications sector were considered as part of the *Broadcasting and Telecommunications Legislative Review*, an initiative announced jointly by the Canadian Ministers of Innovation, Science and Economic Development and Canadian Heritage in 2018. The Ministers created the Broadcasting and Telecommunications Legislative Review ("**BTLR**") "Panel of Experts" to review the broadcasting and telecommunications suite of legislation (*Broadcasting Act*, *Telecommunications Act* and *Radiocommunication Act*) and the accompanying regulatory frameworks. The stated purpose of the review was to "examine the existing legislative framework and tools in the context of the digital age and what changes may be needed" to support both telecommunications objectives (promoting competition and affordability for internet and mobile wireless, and net neutrality) and media sector objectives (content creation in the digital environment, cultural diversity and strengthening Canadian media undertakings).

The BTLR panel conducted a year-long consultation process and issued an interim report on these deliberations in June 2019. On January 29, 2020, the BTLR panel submitted its final report to the government. The panel has put forward a broad, sweeping set of proposals to re-work the legislative "plumbing" in the communications sector with a view, as it describes, to "better prepare the country for an era of constant and rapid technological change." The panel made 85 recommendations spanning the telecommunications and media sectors, some of which are reproduced below:

<u>Telecommunications Recommendations</u>

- the policy objectives of the *Telecommunications Act* be amended to reflect that all Canadians, including those with disabilities, should have timely, affordable, barrier-free access to the advanced telecommunications necessary to fully participate in Canadian society and the global economy.
- all providers of electronic communications services should be required to contribute to funds to ensure access to advanced telecommunications.
- the Minister of Industry should submit an annual report to Parliament on the status of broadband deployment, including in rural and remote communities and with respect to Indigenous Peoples and communities.
- The CRTC should be required to monitor and assess the state of competition in key electronic communications markets — including the market shares of non-Canadian participants — to ensure that rates are just and reasonable.

In recognition of the fact that in a 5G wireless environment there are a broad range of locations at which facilities must be installed to pursue network deployment, the CRTC's authority should be expanded to include:

- authority over passive infrastructure and public property capable of supporting such facilities, such as street furniture;
- non-discriminatory access to the support structures of provincially-regulated utilities;
- access to inside and in-building wire, support structures, and rooftops within and on multi-dwelling unit buildings and be available to all providers of an electronic communications service; and
- operational oversight of the radiocommunication and broadcasting antenna siting process, including managing the interaction with municipalities and land-use authorities.

In respect of each of the above expanded powers, the CRTC would be required to consult with the relevant municipality or other public authority prior to exercising its discretion to grant permission to construct telecommunications facilities.

Finally, in what will likely intersect the CRTC's role with that of various government ministries overseeing national security under the *Investment Canada Act*, the BTLR also made the following recommendations:

- that the policy objectives of the *Telecommunications Act* be amended to include the promotion of the security and reliability of telecommunications networks and electronic communications services;
- the CRTC should initiate a proceeding to update the *Security Best Practices for Canadian Telecommunications Service Providers* issued by the Canadian Security Telecommunications Advisory Committee and to determine to which classes of service providers these practices should apply; and
- the federal government and its lead agencies on national security and public safety should consider whether additional powers may be required on a coordinated or sector-specific basis to ensure that relevant electronic communications services and facilities remain safe and secure.

Broadcasting/Media Recommendations

The BTLR report recommends that the *Broadcasting Act* should be amended to apply to an expanded group of "media content undertakings" involved in the creation and distribution of media content, online or through conventional means, foreign or domestic, and irrespective of whether they have a place of business in Canada. At the heart of the BTLR's recommendations is "a new model which recognizes the realities of a borderless, online world."

Among the key amendments to the *Broadcasting Act* recommended by the BTLR is that foreign internet streaming services that generate revenues in Canada should be subject to the regulatory ambit of the CRTC. The panel further recommends expanding the scope of the *Broadcasting Act* "to include alphanumeric news content distributed by means of telecommunications," which would extend the reach of the regulator to a broad range of activities including, for example, online versions of newspapers.

The panel envisages an expanded regulatory environment in which all "media content undertakings" would be obligated to support Canadian content, as measured by financial commitments and

Activity carried on by a Media Content Undertaking	**Financial obligations**	**"Discoverability" obligations**
Media Curation - provision of a service for dissemination of media content over which it has editorial control (includes "alphanumeric news services")	Spending requirements (or a levy where spending requirements are not appropriate) The CRTC would not have authority to impose spending obligations on service providers that disseminate online versions of newspapers Online versions of newspapers should be entitled to receive support through levies imposed on other media content undertakings	Yes The CRTC would not have authority to impose spending obligations on service providers that disseminate online versions of newspapers
Media Aggregation - provision of a service for aggregation and dissemination of media content from media curators (including cable/satellite "BDU"s)	Primary obligation: **Levy**	Yes (through requirements to provide links to websites of Canadian sources of accurate, trusted and reliable sources of news; and prominence rules to ensure visibility and access to such sources of news)
Media Sharing - provision of a service enabling users to share amateur or professional media content (e.g., YouTube, Facebook and other sharing platforms).	Primary obligation: **Levy**	Yes (through requirements to provide links to websites of Canadian sources of accurate, trusted and reliable sources of news; and prominence rules to ensure visibility and access to such sources of news)

steps to ensure the "discoverability" of Canadian content. CRTC (or the Canadian Communications Commission ("**CCC**")) licensing would continue to apply to "traditional" media content undertakings (i.e., "broadcasters"). Further, all "media content undertakings" would be subject to a new registration requirement (unless otherwise exempt).

The following modified version of a table included in the panel's report summarizes the panel's recommendations with respect to support for Canadian content:

The BTLR report recommends that any "electronic communications service provider" such as telecommunications carriers and ISPs should be exempt from the scope of the proposed new requirements to support Canadian content. The BTLR panel clearly demarcated the role of ISPs as that of performing a "telecom" function that does not contribute to the support of cultural policy objectives.

In order to mitigate the potential for "overreach" of its proposed new model for online media content undertakings, the BTLR panel recommends that the CRTC have the power to exempt any entity from both registration and regulation "where regulation is unnecessary or inappropriate to achieve cultural policy objectives." An undertaking that falls below a certain revenue threshold or has a specialized content or format (e.g., gaming services, self-publishing, blogs and podcasts) could be eligible for a blanket exemption from contribution and/or registration if the "CCC" deems it appropriate.

April 2021

AIRD BERLIS

We are committed to being the Canadian gateway for our clients.

Brookfield Place, 181 Bay Street, Suite 1800
Toronto, Canada M5J 2T9
T 1.416.863.1500 F 1.416.863.1515

Other articles and papers written by our professionals can be viewed at:

airdberlis.com

Doing Business in Canada offers general comments on legal developments of concern to businesses, organizations and individuals, and is not intended to provide legal opinions. Readers should seek professional legal advice on the particular issues that concern them.