

Intellectual Property Law and Work*

LEARNING OBJECTIVES

After reading this chapter, students will be able to:

- Distinguish between the different types of intellectual property.
- Determine when ownership of intellectual property rests with the employee or the employer.
- Explain how employment contracts can affect a worker's intellectual property ownership rights.
- Understand the role of the common law in protecting an employer's confidential trade secrets.

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I. Introduction

Intellectual property law governs who owns the physical output of the labour process as well as ideas developed at the workplace. This area of law is an important part of our story of law's intersection with work. Consider, for example, the fantastic facts in the high-profile American case recounted in Box 32.1, which is about the multi-million dollar battle between the owners of Barbie dolls and Bratz dolls. An employee of Mattel, the company that owns Barbie, thought up the Bratz doll concept while still employed by Mattel, even using spare Barbie and G.I. Joe parts to develop a Bratz prototype in the Frankenstein tradition. He sold the Bratz design to a competing company and Bratz entered the market as a competitor to Barbie. Who owns the rights to Bratz dolls, the employee or Mattel? That case applied intellectual property laws (copyright and trademark laws, to be precise) to a battle over who owned the Bratz brand, but at its core, it was a case about the interpretation of an employment contract. In this chapter, we explore the various branches of intellectual property law through the lens of the law of work. The chapter considers patents, copyright, industrial designs, trademarks, and trade secrets, emphasizing how statutory and common law principles assign ownership of work.

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BOX 32.1 » TALKING WORK LAW**“Barbie v. Bratz”: The High-Stakes Battle over Ownership of an Employee’s Work Under American Law**

Bryant worked in the “Barbie Collectibles” department at toy maker Mattel, Inc., where he designed fashion and hairstyles for high-end Barbie dolls. Bryant’s employment contract stated that he gave all rights by assignment to Mattel for his inventions created “at any time during [his] employment by [Mattel].” Using the same know-how and creativity that he used at his job, he developed sketches for a new doll, which would later become known as Bratz. While still employed by Mattel, Bryant pitched the Bratz doll to MGA Entertainment, one of Mattel’s competitors. Bryant signed a consulting agreement with MGA, then gave Mattel two weeks’ notice of his departure. During this period, Bryant was already working with MGA to develop Bratz dolls, even creating a Bratz doll prototype out of Barbie and G.I. Joe parts. MGA kept Bryant’s involvement with the Bratz project secret, but Mattel eventually found out. The result was a flurry of lawsuits.

Mattel claimed that it was the rightful owner of Bryant’s preliminary sketches and the prototype created on the job, which it argued MGA’s subsequent Bratz dolls copied. Mattel also claimed that MGA wrongfully obtained the name *Bratz*, which was conceived by Bryant and registered as a trademark, and therefore the trademark should be transferred to Mattel. A US jury found that Bryant granted an assignment of all his creations in his employment agreement to his employer, Mattel, and that the Bratz dolls, prototype, and sketches violated the copyright in the Barbie doll. The jury found for Mattel on every point and ordered the entire Bratz trademark portfolio transferred to Mattel. Also, the court issued an **interlocutory injunction** preventing MGA from manufacturing Bratz dolls in future.

On appeal, the Court of Appeals overturned the decision and sent the case back for a new trial. The Court of Appeals found the following:

1. the jury was wrong to have concluded that Bryant’s employment agreement assigned the rights in the original dolls he created outside the scope of his employment with Mattel; and

2. the Bratz doll did not infringe the copyright in the Barbie doll, as “Mattel can’t claim a monopoly over fashion dolls with a bratty look or attitude, or dolls sporting trendy clothes.”*

The issue of whether Mattel as the employer or Bryant as the employee owned the intellectual property rights to the Bratz dolls was ultimately determined by reference to Bryant’s employment contract through the lens of intellectual property concepts. Millions of dollars were at stake. This case turned on whether the employment agreement gave the employer all of the rights to any original creations by an employee during work hours. It illustrates that the question of ownership of intellectual property can be complicated in employment situations.



A Bratz and a Barbie doll.
Photograph
by May Cheng.

* *Mattel, Inc. v. MGA Entertainment, Inc.*, 616 F.3d 904 (9th Cir. 2010).

II. Mapping the Various Branches of Intellectual Property Law

A fundamental principle of **intellectual property (IP) law** is that no property exists in an idea. Instead, intellectual property law protects the *original expression* of an idea in *any material form*. It covers a variety of content, including an idea expressed in writing or an original creation set

interlocutory injunction: A temporary court order prohibiting conduct that is potentially unlawful until a decision is released by the court on whether the conduct is unlawful. In this case, the activity is the manufacturing of the product in dispute.

intellectual property (IP) law: The area of law that governs the ownership of intangible assets such as original expressions of novel ideas or creations and includes patents, copyright, industrial designs, and trademarks. Unlike tangible “real property” business assets (land, buildings, computers, etc.), intellectual property assets are intangible but often more valuable than real property.

out in an invention, literary or artistic work, ornamental design, or confidential method or process (referred to as a *trade secret*). Intellectual property is generally understood to include **patents, trademarks, industrial designs, and copyright**. To these core intellectual property areas we can add the common law rules that regulate the use of an employer's **trade secrets** and confidential business information. These are typically business assets other than “real property,” such as physical assets like land, buildings, computers, desks, equipment, and supplies. Intellectual property represents the intangible assets that are increasingly valuable to a business, often even more valuable than the real property.

Distinguishing between the different forms of intellectual property can be difficult initially. This chapter provides a detailed overview of the key types of intellectual property, which are defined in Box 32.2.

BOX 32.2 » TALKING WORK LAW

Types of Intellectual Property

- A *patent* is a government-issued monopoly right to make, sell, or use a novel, innovative, and useful invention. For example, Apple owns many patents for the unique functionality and interface of its iPhone.
- A *trademark* is a unique identifier or brand used to distinguish one company's products or services from those of another company. For example, *Nike* and *Starbucks* are trademarks.
- *Copyright* in an original work grants the owner an exclusive right to use, reproduce, sell, or perform the original artistic, literary, musical, photographic, or other work. For example, a musician owns the copyright in her original sound recording, and an author owns the copyright in his written work.
- An *industrial design* is a government-granted exclusive right to make, sell, and use an ornamental feature, shape, or configuration of a useful article. For example, the distinctive design of a fancy pair of eyeglasses or jewellery can be registered as an industrial design.
- A *trade secret* is a recipe, method, process, or know-how of a business that is confidential and not publicly known. For example, KFC's secret mix of herbs and spices for fried chicken and a company's confidential list of customers or clients are considered trade secrets.

Most intellectual property law is statutory and falls under federal jurisdiction by virtue of section 91 of the *Constitution Act, 1867*, which assigns to the federal government authority over “Patents of Invention and Discovery” and “Copyrights.”¹ The key federal statutes in intellectual property law are (1) the *Patent Act*,² (2) the *Industrial Design Act*,³ (3) the *Trademarks Act*,⁴ and (4) the *Copyright Act*.⁵ As we will see, trademarks have common law and statutory protection through the common law tort of “passing off.” As you might expect, the involvement of various statutory and common law rules makes intellectual property law rather complex. Our focus will be limited to those areas of intellectual property law that directly affect the law of work.

Intellectual property laws are designed to provide exclusive rights and legal protection to the owners of innovative, creative, and original works and inventions in exchange for disclosing and sharing these works and inventions with the world. The government grants the owner of the

patent: A government-issued monopoly right to make, use, and sell the invention for a limited period of time (in Canada, for 20 years). To be eligible for a patent, an invention must be novel, innovative, and useful.

trademark: A distinctive sign, which can include a name, logo, colour, sound and scent, used to identify the services or goods of a business or person from those of others, commonly referred to as a *brand name*.

industrial design: A distinctive and new shape, configuration, pattern, or feature applied to a useful article that is ornamental and not functional.

copyright: A government-recognized right that confers on the owner or author of an original written, artistic, musical, photographic, or other work an exclusive right to use, reproduce, sell, or perform the work for an extended period of time (in Canada, for the life of the author plus 50 years).

trade secret: A secret process, technique, or method that provides a competitive advantage.

intellectual property a monopoly—or exclusive licence—to commercialize the work or invention for a specific period of time. This period of monopoly is intended to allow the inventor or creator the opportunity to recover research and development costs or to otherwise compensate the creator for sharing the work or invention with the world. The theory behind the monopoly on commercialization is that it promotes innovation and creates an incentive to share technological and medical advances for the benefit of all in the long run. Without a monopoly grant for a patent, for instance, it is argued by many that inventors and businesses would not invest in making some important innovations or would keep their research secret rather than share it with the world.

Whether the law should grant monopoly protections has long been a matter of intense debate. The most obvious example of the potential social harm that can come from granting monopoly rights is the case of patented medications. For example, in recent years, the ethics and morality of granting pharmaceutical companies a legal monopoly over HIV drugs was hotly debated. The pharmaceutical companies invested millions of dollars in research and development to produce drugs to fight HIV and obtained patents for their drugs. These patents prohibited competing pharmaceutical companies from copying the HIV drugs. They also allowed the pharmaceutical companies with the patented HIV drugs to price these medications at a level that was prohibitive for most populations of developing countries where the HIV epidemic is greatest.⁶

Should the law recognize a monopoly right that prohibits other pharmaceutical companies from producing HIV drugs if those medications could save lives? Clearly, HIV patients and their families and communities would be better off if they had quick and affordable access to HIV drugs. But proponents of intellectual property law argue that without intellectual property protections, a pharmaceutical company would not invest large amounts of money to pay the scientists and many other costs necessary for medical research and development without a legal assurance that it would be able to recoup its costs and earn a profit if and when a valuable drug is invented.

In the employment context, the most common issue of concern is who owns the product of an employee's labour. How the law answers this question provides us with insight into the legal nature of the labour relationship. Should a worker own the product of his imagination, ingenuity, and labour, or does the buyer of labour purchase this by virtue of the hiring contract? Sometimes the answer is relatively straightforward. If the employment contract expressly defines who owns the output (such as an invention or a design), then the answer would be clear. For example, an employment contract might include the following standard clause:

The employee hereby assigns to the employer any and all right, title, and interest that he or she may have in any patent, copyright, industrial design, trademark, invention, and any other similar right pertaining to intellectual property that he or she may have created, made, conceived, or contributed to.

That clause clearly assigns ownership over intellectual property created by the employee to the employer. In many situations though, the contract is silent on the issue of intellectual property ownership rights. In addition, different rules of intellectual property ownership apply when the worker is an “independent contractor” rather than an “employee” (see Chapter 2 for a discussion of that distinction). Statutory and common law rules guide how tribunals and courts decide intellectual property ownership issues, as well as various other intellectual property rules, including the duration of monopoly rights.

In the case of trademark rights, the monopoly granted is intended to act as a form of consumer protection. The government allows a manufacturer or service provider to monopolize the use of a name or logo for its products and services so that consumers can come to associate the name or logo with the products and services as coming from one single source, which then develops goodwill and reputation in a specific product or service based on quality control. If more than one manufacturer or service provider were allowed to use the same name or logo for the same products and services, consumers would not be able to rely on the name or logo as an identifier of the quality they have come to expect from a particular source.

III. Types of Intellectual Property and the Employment Context

In this section, we will explain the various types of intellectual property and their application to the employment setting, while noting any special rules relating to the work of independent contractors (as opposed to employees). We will learn that some types of intellectual property (patents, industrial designs, and trademarks) require the owner to “register” an invention or original creation with a federal government office to activate the statutory legal protections, while copyright is automatically afforded upon a work’s creation. While most of the legal rules we will consider are statutory, the common law still plays a role in the regulation of trademarks and trade secrets.

TABLE 32.1 Summary of Canada’s Intellectual Property Regime

Type of IP	Basis of Protection	Registration Required?	Length of Protection	Geographical Limitations	Legal Presumption of Ownership
Patents	<i>Patent Act</i>	Yes	20 years	National	The employee would own a patent he or she registers unless (1) the employment contract expressly assigns ownership to the employer or (2) the employee was hired specifically to invent.
Copyright	<i>Copyright Act</i>	No	Life of author + 50 years	National, international*	Legislation presumes that an employer owns copyright in work produced by an employee in the course of employment.
Moral rights	<i>Copyright Act</i>	No	Life of author + 50 years	National, international*	The author has ownership. The employee would retain moral rights in work, even if the employer owns the copyright, unless the employee waived moral rights by contract.
Industrial designs	<i>Industrial Design Act</i>	Yes	10 years	National	The employer could claim ownership of an employee’s industrial design if the employee was hired to create designs.
Trademarks	<i>Trade-marks Act</i>	Yes	15 years, renewable	National	The registered owner of the trademark owns it. If the employee was hired to create a logo, the employer would claim ownership of the trademark.
	Common law (tort)	No	As long as trademark is in use to the exclusion of others	Geographical area where goodwill and reputation extends	The first party to use the trademark is the presumed owner.
Trade secrets, confidential information	Common law (contract, tort)	No	Indefinite	N/A	The employer is the presumed owner of its trade secrets and confidential information.

* In countries that have ratified the Berne Convention (discussed below).

A. Patents

A patent is a creation of statute. The first federal *Patent Act* was enacted in 1869. In order for the *Patent Act* to protect an invention, the invention must be “registered” or issued under the legislation. That requires the inventor, or a legal agent of the inventor, to submit a patent application to an office of the federal Commissioner of Patents. The government agency then decides whether the patent satisfies the various conditions in the legislation. If issued, the patent grants the owner a monopoly on the right to commercialize the invention for a term of *20 years from*

the date of filing, after which time it becomes part of the public domain and anyone can exercise the invention.⁷ A patent confers a negative right: the time-limited monopoly prevents others from making, using, selling, or offering for sale the inventive product or device during the term of the patent.⁸

Patents can protect devices, methods, processes, chemical compounds, and improvements to existing inventions.⁹ In order for the subject matter to be patentable, it must be novel, innovative, and useful. For an invention to be novel, it must not have been previously disclosed to the public.¹⁰ In order for it to be innovative, the invention must not be obvious to a “person skilled in the art or science”¹¹ to which the invention pertains.¹² To be considered useful, the invention must do something and perform what the claims of the patent’s specification describe.¹³ The invention may not be speculative, and the claims described in the patent application must enable “a person skilled in the art” to produce the invention.¹⁴

The *Patent Act* does not specify whether an employee, employer, or independent contractor should be treated as the owner of an invention created during the period in which the contract for service or contract of service was being performed, and therefore the courts have had to develop common law rules to deal with this issue. The rule that emerged is that employees are presumed to own their inventions, as explained by an Ontario court in the case of *Techform Products Ltd. v. Wolda*:

The common law rule in Canada is that the mere existence of an employment relationship does not disqualify employees from patenting inventions made during the course of their employment. This rule holds true even where the invention relates to an aspect of the employer’s business, the employee used the employer’s time and materials to bring his or her invention to completion, and the employee has allowed the employer to use the invention while he or she was employed.¹⁵

However, as explained in the *Comstock* decision summarized in Box 32.3, there are two key exceptions to the common law presumption that an employee owns his or her invention: (1) a contract includes an expressed agreement that the employer owns any inventions, or (2) the employee was hired for the purpose of inventing or innovating.¹⁶

BOX 32.3 » CASE LAW HIGHLIGHT

Who Owns an Invention Created in the Workplace: The Employee or the Employer?

Comstock Canada v. Electec Ltd.

(1991), 38 CPR (3d) 29, 45 FTR 241

Key Facts: Hyde was hired by Comstock Canada in 1981 as a manager of its electrical department. During his employment, Hyde was also a director of Electec Limited, a company that he incorporated in 1978. While working on a project for Comstock in 1984, Hyde identified the need for a wiring system of interconnecting light fixtures that would enable the light fixtures to be electrically chained together simply by plugging in connectors from one fixture to the next. Hyde, his superior Dods, and two other Comstock employees researched materials to make this invention. Hyde proceeded to manufacture the invention through his company, Electec. The new invention was used by Comstock, but had the Electec name engraved on the product. Comstock dismissed Hyde in 1985.

Comstock filed a patent application for this invention and was granted a Canadian patent in March 1987, with Dods

listed as the inventor. Hyde, on behalf of Electec, filed a patent application in May 1987. Hyde’s patent application was refused because Comstock’s application for the same invention had already been filed.

Issue: Was Comstock the owner of the patent and Dods the inventor? Or was Electec the owner and Hyde the inventor?

Decision: No to the first question, and yes to the second. While an employee of Comstock, Hyde worked on the invention on behalf of his own company, Electec, but on Comstock’s premises. Hyde was not hired to invent, and his invention was not part of the scope of his employment or part of his day-to-day duties. The court found that even though Hyde may have used his employer’s resources (including work time, employees, and materials) to bring his invention to completion and allowed his employer to use the invention while in its employment, Hyde was not disqualified from obtaining a patent for his own benefit. The *Patent Act* favours the inventive employee in the

absence of a contract granting rights to the employer or proof that Hyde was employed for the express purpose of inventing or innovating.

Further, although Hyde was a manager in a senior role and may have had a duty of good faith toward his employer, the court found that Hyde was still entitled to claim the invention as his own. The court created the following list of considerations when determining ownership of a patent as between an employer and employee:

- (a) Whether the employee was hired for the express purpose of inventing;
- (b) Whether the employee at the time of hiring had previously made inventions;
- (c) Whether the employer had incentive plans encouraging product development;
- (d) Whether the conduct of the employee once the invention was created suggested ownership was held by the employer;

(e) Whether the invention was the product of the problem the employee was instructed to solve [i.e., whether there was a duty to invent];

(f) Whether the employee's invention arose following his or her consultation through normal company channels (i.e., was help sought?);

(g) Whether the employee was dealing with highly confidential information or confidential work; and

(h) Whether it was a term of the employee's employment that he or she could not use the ideas that he or she developed to his or her own advantage.

The court ultimately concluded that Hyde was the sole inventor, as Dods did not contribute to the invention, and changed the named inventor of the Comstock patent to Hyde, as well as changing the owner of the Comstock patent to Electec.

In *Techform Products Ltd. v. Wolda*, the Ontario Court of Appeal granted ownership of an employee's invention to the employer where the employment contract required the employee to "assign" to the employer "my entire right title and interest" in any inventions and all patent applications filed and patents granted, "which I conceive or make (whether alone or with others) while employed by the Company or within one year of the end of my employment (if conceived as a result of my employment)."¹⁷

B. Copyright

Copyright is also a creation of statute, but it subsists with or without registration with the federal government's Canadian Intellectual Property Office. The first federal *Copyright Act* in Canada was enacted in 1924. Subject to some exceptions,¹⁸ the *Copyright Act* grants protection for the "original expression" of literary, dramatic, musical, and artistic works, including photographs, computer programs, and software.¹⁹ Copyright grants the owner of an original work the exclusive right to sell, copy, reproduce, perform in public, and publish the work in any form.²⁰ In Canada, generally the duration of copyright protection is for the life of the author plus 50 years.²¹ For a work to be "original," (1) it must be more than a mere copy of another work, and (2) it need not be creative, in the sense of being novel or unique, but must be an exercise of skill and judgment.²²

Unlike with patents and industrial designs, registration is not a requirement in order to obtain copyright. Upon the creation of an original work, copyright protection extends automatically in Canada and internationally in all countries that have ratified the **Berne Convention**.²³ The term or duration of copyright protection may, however, differ from one country to another. It is still possible to register copyright in an original work under the *Copyright Act*, and doing so has some benefits. For example, registration creates a presumption that (1) copyright in the work is valid and subsisting, and (2) the owner of the registration is in fact the owner of the copyright in the work.²⁴

Berne Convention: An international convention, adopted in 1886, that requires signatory countries (one of which is Canada) to respect copyright in works held by citizens of all other signatory countries.

The *Copyright Act* includes an express provision dealing with ownership in the context of employment. Section 13(3) reads as follows:

Where the *author of a work was in the employment of some other person under a contract of service or apprenticeship* and the work was *made in the course of his employment* by that person, *the person by whom the author was employed shall, in the absence of any agreement to the contrary, be the first owner* of the copyright, but where the work is an article or other contribution to a newspaper, magazine or similar periodical, there shall, in the absence of any agreement to the contrary, be deemed to be reserved to the author a right to restrain the publication of the work, otherwise than as part of a newspaper, magazine or similar periodical. [emphasis added]

That section creates a presumption that the employer owns the copyright when an employee authors original work in the course of employment.²⁵ This presumption, however, does not apply to independent contractors or freelancers; and these types of workers will retain copyright in their original work product, absent an agreement to the contrary. Any assignment of copyright must be in writing in order to be valid;²⁶ however, an agreement stipulating that the employer is the first owner of copyright does not need to be in writing.²⁷

In addition to copyright, an author or a performer enjoys separate but related rights called “moral rights” in an original work. **Moral rights** entitle the artist or author to (1) the integrity of the work, (2) the right of attribution or right to remain anonymous, and (3) the right to not have the work associated with a commercial or political cause without consent.²⁸ Moral rights subsist for the same term as the copyright in the work.²⁹ They can be waived by the author but not transferred to another party.³⁰ This means that an employer can never receive the moral rights in an employee’s work but may ask an employee to waive his or her moral rights in favour of the employer by contract. Moral rights are retained by the author even if the copyright in a work is assigned to another party.³¹ In *Dolmage v. Erskine*, the University of Western Ontario (and others) were found to have violated the moral rights of a worker (the court ruled that it did not matter whether the worker was an employee of the university or an independent contractor) who had written a case study. The worker had assigned ownership of the copyright in the case study to the university, but the university later reduced his credit on the case study from “authored by” to “prepared by.”³² Dolmage was awarded \$3,000 for violation of his moral rights.

C. Industrial Designs

As with patents, industrial design protection (under the federal *Industrial Design Act*³³) is available only once a design has been granted a registration by the Canadian Intellectual Property Office.³⁴ Industrial designs are defined in the *Industrial Design Act* as novel designs with “features of shape, configuration, pattern or ornament and any combination of those features that, in a finished article, appeal to and are judged solely by the eye.”³⁵ Industrial designs are the ornamental, aesthetic, and non-functional features of useful articles. For example, a sleek new lawn chair can be protected by obtaining an industrial design registration that covers the aesthetic design elements and not the functional aspect of the chair. Industrial design protection provides a monopoly over the creation, importation, and sale of a design article. A design feature must be novel to qualify for industrial design protection.³⁶ The design must also not be contrary to public morality, must not have been disclosed more than a year before the priority date of application, and must not consist of solely utilitarian features.³⁷ The term for industrial

moral rights: The retained rights of an author or creator of an original work in which copyright subsists to protect the integrity of the work from being distorted; protect the right of attribution for the work (including the right to remain anonymous); and not have the work associated with a commercial or political cause.

design protection is the later of ten years from the date of registration and fifteen years after the filing date of the application.³⁸

Ownership resides with the author of the design unless the design was created for a third party in exchange for a fee or on commission.³⁹ Therefore, in an employment context, if an employee has received a fee or a commission from the employer for the creation of the article registered as an industrial design, the employer is the owner of the industrial design.⁴⁰ For example, an optical company that retains an employee or independent contractor to design funky eyeglasses would own the industrial design for the eyeglasses designed by that worker.

D. Trademarks

A trademark can be any symbol or mark used to distinguish the goods and services of a particular company from those of others. It can be a word, letters, logo, design, slogan, or even a sound, scent, texture, or colour applied to a three-dimensional shape.⁴¹ Trademarks are experienced by consumers as brands, and they act as unique identifiers for businesses and their products or services. Typically, consumers see over 200 trademarks a day, since they appear on every label and product in the average household. Trademark protection can also extend to the look and feel of a product or business premises offering a service. For example, the Coca-Cola bottle shape and the Volkswagen beetle shape are registered trademarks. The Intel processor sound bite and the MGM lion roar are also registered trademarks in Canada and elsewhere.

Trademark protection provides a monopoly right to the use of a trademark as a form of consumer protection. The trademark identifies the source of a product or service that develops a reputation for quality and consistency. The purpose of trademark law is to enable the public to identify the source of wares and services. When a trademark becomes widely recognized, it commands broader protection. Stronger trademarks include fanciful and coined words that are made up and have no common or dictionary meaning (Xerox, Exxon) or arbitrary marks that have no connection or are not descriptive of the goods or services (Minute Maid for orange juice or Dove for soap).

The federal *Trademarks Act* grants a 10-year monopoly to registered trademarks, renewable indefinitely for 10 years at a time.⁴² A trademark must be consistently used to maintain registered rights or risk “expungement” (cancellation of a trademark) for non-use through cancellation proceedings after three years of non-use.⁴³ Trademarks that are not registered are protected indirectly through the common law tort known as **passing off** (a discussion of torts appears in Chapter 18). That tort was first recognized in 1842, when an English court ruled that “a man is not to sell his own goods under the pretence that they are the goods of another.”⁴⁴ The elements of the tort of passing off are as follows: (1) the plaintiff’s goods or services enjoy a valuable reputation with the consumer through association with an identifying “get-up,” or identifying feature; (2) the defendant misrepresented (intentionally or not), in a way that would confuse the consumer, that the goods or services the defendant offers are those of the plaintiff; and (3) the plaintiff suffers harm as a result of the misrepresentation.⁴⁵ The use of an identical or confusingly similar trademark by a competitor is actionable for a registered mark as trademark infringement and for an unregistered mark by way of a claim alleging passing off.⁴⁶

Trademark disputes rarely arise in the employment context. Since an implied term in most employment contracts prohibits the employee from engaging in direct competition with the employer, we would not expect to find too many situations in which an employee claims trademark protection for goods or services that overlap with the employer’s business activities (a discussion of the implied obligation to not compete appears in Chapter 9). If an employee is tasked with the

passing off: A tort that involves deceiving consumers into believing that the good, service, or business of one company or person is really that of another, thereby misrepresenting the source.

creation of a logo for use by the employer, the employer may obtain a trademark registration for the logo, but could only obtain a copyright registration if the logo was created by an employee in the course of his or her employment. If both employer and employee claimed ownership of a registered trademark, the courts would apply rules from the *Trademarks Act* that determine priority of claims.⁴⁷ The employer is more likely to be recognized as the owner, unless the employee already has a product on the market.

The rules of the *Trademarks Act* also apply when workers and unions use the employer's trademark in campaigns to pressure employers to improve working conditions or recognize unions as employee representatives. Section 22 of the Act prohibits any person from "using" a registered trademark in a manner that is likely to depreciate the value of the mark or the goodwill attached to it. On occasion, unions have used employer trademarks in their literature and campaigns, for example, by altering a trademark to make a point about the employer's alleged conduct.⁴⁸ An example is provided in the case described in Box 32.4.

BOX 32.4 » CASE LAW HIGHLIGHT

Alleged Misuse of an Employer's Trademark or Copyrighted Artistic Work by a Union in an Organizing Campaign

Michelin v. CAW

[1997] 2 FC 306 (TD)

Key Facts: Michelin Canada sued the Canadian Auto Workers union (CAW) for misuse of the Michelin Tire Man (or "Bibendum") design, which consists of a drawing of a beaming marshmallow-like rotund figure composed of tires. Michelin asserted both trademark and copyright infringement against the CAW for failing to seek a licence or permission to use the Michelin Man, which was registered in a variety of iterations as both a trademark and for copyright in the design. The CAW used a couple of designs in its organizing leaflets, including one in which the Michelin Man was depicted, with a broad smile, its arms crossed and foot raised, ready to crush underfoot an unsuspecting Michelin worker. The leaflet also appeared as a poster in the CAW's office window.

Issues: Did the CAW "use" the Michelin Man trademark in a manner that depreciated the value or goodwill associated with it, contrary to section 22 of the *Trademarks Act*? Did the CAW violate the *Copyright Act* by misappropriating the Michelin Man image without lawful excuse?

Decision: No and yes. The court ruled in the CAW's favour on the *Trademarks Act* argument and found that the union had not "used" the Michelin Man logo in connection with trade or commerce, but as part of a union organizing campaign. "Use" has a specific meaning under the Act related to protecting businesses from unfair competition. The CAW was not competing in trade with Michelin, and no one would be confused upon seeing the flyers that they were produced by Michelin or think that the CAW was attempting to steal Michelin customers.

With respect to copyright infringement, the CAW was not as lucky. The *Copyright Act* grants the owner of the copyright in the work, in this case the illustration of the Michelin Man, the exclusive right to reproduce the image, unless one of the exceptions in the Act applies. The CAW argued that copying the Michelin Man for the purposes of its organizing campaigns should fall within the exception (in section 27(2) of the Act; now s. 29, 29.1) for "fair dealing" and "criticism," as a form of parody. The court rejected this argument, noting that *criticism* and *parody* are not the same thing. The court found that the CAW infringed the copyright in the Michelin Man and ordered that it deliver up all infringing copies of the leaflets and be restrained from distributing any further leaflets depicting the Michelin Man.

The *Michelin* case demonstrates the interplay between trademark and copyright law, and how these rights can be asserted against any third party seeking to misuse the intellectual property rights of a company. We explore the many rules that govern union and employer behaviour during organizing campaigns in Part IV, "The Collective Bargaining Regime."

E. Trade Secrets and Confidential Information

Trade secrets and confidential information protect the proprietary information of a business. Exactly what information is considered confidential differs, depending on the situation. An employer's competitive business information, which has been consistently maintained as confidential by the

employer, may include customer or client lists, pricing information, trade secrets, business methods, processes, and business plans. This information can be extremely valuable to a business. Think about the secret formula for Coca-Cola or the extensive customer list of an insurance or investment advice company. If employees could just take this information and sell it to a competitor or use it to set up a new business to compete with the employer, huge economic damage to the employer could result.

We learned in Chapters 8 and 9 that employment contracts often include express or implied terms that restrict an employee's right to misappropriate confidential employer information. For example, **restrictive covenant** clauses can regulate an employee's right to disclose confidential information (a non-disclosure clause) or use it to compete with the employer (a non-competition clause) after the contract ends. An employee that misappropriated secret employer information while still employed would be in violation of express or implied contract terms. However, absent a valid restrictive covenant clause, former employees are generally entitled to compete against their former employers, including by contacting clients of their former employer or by starting a business that provides almost identical products or services. The principal exception to this general rule relates to directors and senior management employees who have a **fiduciary duty** to protect the employer's interests that extends beyond the termination of the contract to prevent the fiduciary from competing against the former employer.⁴⁹

However, the right to compete against one's former employer does not extend so far as to permit the employee to use confidential business information or trade secrets taken without permission in a competing business. Even absent a contractual prohibition on the use of confidential information, the common law has developed causes of action that protect employers from misuse of their confidential information and trade secrets by employees, former employees, independent contractors, or others who are given access in confidence to secret information. These common law causes of action take various names, including **breach of confidence** or the duty of good faith.⁵⁰ The case described in Box 32.5 provides an example.

In the *Corona* case, the former employee made unauthorized copies of the employer's confidential information. Employees are generally free to use what they have learned (e.g., what is in their heads), potentially even if doing so results in rebuilding a client list from memory. In *Barton Insurance Brokers Ltd. v. Irwin et al.*, an employee did not commit a breach of confidence or breach a duty of good faith when she rebuilt her former employer's customer list from her memory after she moved to a competing business, though courts have more recently applied a more stringent standard finding that former employees committed a breach of confidence after memorizing the names of clients, their contact information and rates, which when exploited would be tantamount to the physical taking of a client list.⁵¹ It is clearly not permissible for an employee to take an employer's staff, physical files, and confidential customer information for the purpose of quickly stripping that employer of its portfolio of customers and its revenue stream.⁵² Where the confidential information is of a general nature or is not truly confidential, the same liability may not apply.⁵³ For example, information that is generally known in an industry or field will not be considered confidential.⁵⁴ Furthermore, in order to maintain confidentiality to claim trade secret protection, a business must take steps to guard against disclosure of trade secrets. For instance, if the customer list can be obtained from the employer's website, it cannot be asserted to be confidential information.

If an employee (or an independent contractor) improperly uses confidential information obtained from the employer to establish or aid a competing business, a court can order an injunction (see Box 32.5) and damages. Those damages are usually assessed based on a calculation of the

restrictive covenant: A contract term that restricts the right of a former employee to engage in certain competitive practices against his or her former employer.

fiduciary duty: An elevated duty of care and loyalty imposed under the common law on directors and senior management employees to protect the employer's interests, including refraining from competition against the employer after the employment relationship ends.

breach of confidence: A common law tort that involves the misappropriation of an employer's confidential information by an employee or former employee to harm the employer's economic interests.

benefit the competitor received as a result of obtaining possession of the confidential information. The courts will assess how much time it would have taken to build the business without the benefit of the stolen information. The rationale for awarding only a time-limited period of damages is based on a “springboard” effect, which is intended not to prevent fair competition but to prevent unfair competition that arises when one party takes advantage of the confidential information of another to gain faster entry into the market.⁵⁵

BOX 32.5 » CASE LAW HIGHLIGHT

Common Law Action for “Breach of Confidence” Based on Unauthorized Use of Confidential Information and Trade Secrets

Corona Packaging Inc. v. Singh

2012 ONSC 2746

Key Facts: Singh and Cascioli worked as employees of Corona Packaging, a plastic bottle manufacturer, from 2006 until they quit in 2011 and 2012, respectively. Both had employment contracts that included non-disclosure and non-compete clauses restricting competition against the employer for three years after the end of the contract. On the day before he left Corona, Singh secretly downloaded 8,465 files from Corona’s computers containing confidential business information, such as blueprints for bottles, price lists, and confidential customer information, such as specifications for specialized bottles. In 2012, Corona learned that Singh and Cascioli were principals in a new business that directly competed with Corona and that this business was already servicing customers of Corona. Corona brought a lawsuit alleging “breach of confidence” and breach of the non-competition clauses of the employment contracts of Singh and Cascioli, and sought an interlocutory injunction to stop the new business from doing business with Corona’s clients.

Issue: Did Corona satisfy the test for an interlocutory injunction based on its action for breach of confidence and breach of the employment contract?

Decision: Yes. The evidence strongly supported the conclusion that Singh breached the confidence of Corona by secretly copying confidential files and using the information obtained to develop production techniques and business contacts that would enable the new business to take Corona’s clients. It also appeared that the non-competition clauses in the employment contracts of Singh and Cascioli had been violated. Applying the test for granting an interlocutory injunction, the court found that (1) there was a serious legal issue to be tried; (2) Corona would suffer irreparable harm if the new business were permitted to continue to produce bottles until the case was tried, because it could lose market share; and (3) the balance of convenience favoured Corona, since it appeared that the new business could not have obtained Corona’s customers without the use of Corona’s confidential information.

An injunction was ordered, allowing Corona representatives to search the new business for evidence of misappropriated confidential information and prohibiting Singh, Cascioli, or anyone else in the new business from soliciting work, clients, or employees of Corona.

IV. Chapter Summary

This chapter introduced the different types of intellectual property that can arise in an employment context: patents, industrial designs, trademarks, copyright, and trade secrets and confidential information. It also discussed intellectual property ownership statutes and how employment contracts can override those laws. Finally, this chapter offered some insights into the prevalence of misuse of confidential information in the workplace.

QUESTIONS AND ISSUES FOR DISCUSSION

1. What is intellectual property?
2. Identify and briefly describe five types of intellectual property recognized in Canadian law.
3. Write a contract clause that would guarantee that the employer owns whatever intellectual property an employee may create in the course of his or her employment.

4. Identify the branch of intellectual property law that applies to the following situations and indicate who would own the rights to the creation (assume that the employment contract is silent about intellectual property ownership):
 - a. An employee designs a new company logo while employed as a graphic designer for a marketing company.
 - b. A sales clerk at a shoe company's retail store designs a new leather shoe with a novel Velcro strap.
 - c. An employee hired by a shoe company as a shoe designer designs a new leather shoe with a novel Velcro strap.
 - d. An employee creates a jingle for a television commercial while employed by an advertising agency as a composer.
 - e. An employee creates a jingle for a television commercial while employed by an advertising agency as a camera operator.
5. With reference to case law, explain the legal test for determining whether the employer or the employee owns an invention created at the workplace by the employee.
6. How does the presumption of ownership of intellectual property differ in patent and copyright law in relation to intellectual property created by an employee?
7. What are "moral rights" and who owns them?
8. Jonas had no restrictive covenant clause in his employment contract with Royal Securities, a large investment advice firm. After he quit that firm, he used a list of Royal Securities customers that he had photocopied while at his former workplace to build up his own investment advice firm.
 - a. Does Royal Securities have a legal case against Jonas?
 - b. Would the legal outcome be different in your opinion if instead of photocopying the customer list Jonas had rebuilt the customer list from memory?

UPDATES

Go to www.emond.ca/lawofwork for links to news, author's blog posts, content updates, and other information related to the chapters in this text.

NOTES AND REFERENCES

1. *Constitution Act, 1867* (UK), 30 & 31 Vict., c. 3, s. 91.
2. *Patent Act*, RSC 1985, c. P-4.
3. *Industrial Design Act*, RSC 1985, c. I-9.
4. *Trademarks Act*, RSC 1985, c. T-13. Registered trademarks are regulated by the federal *Trademarks Act*, while unregistered trademarks have some protections under the common law.
5. *Copyright Act*, RSC 1985, c. C-42.
6. See the discussion in W. Flanagan and G. Whiteman, "AIDS Is Not a Business: A Case Study in Global Corporate Responsibility—Securing Access to Low-Cost HIV Medications" (2007) 73:1 *Journal of Business Ethics* 65.
7. *Patent Act*, supra note 2, s. 44.
8. *Ibid.*, s. 42. A patent cannot be asserted until it is granted by the government, but there can be a claim seeking damages from the time an application for the patent was filed once the patent is issued by the government (s. 55(2)).
9. *Ibid.*, s. 2, definition of "invention."
10. *Patent Act*, supra note 2, s. 28.2(1). Disclosure would include unveiling a prototype, publishing an article, or presenting the invention to prospective customers. The patent applicant can disclose his or her invention in the one year prior to the filing of the patent application.
11. A "person skilled in the art or science" is a hypothetical person who has reasonably developed skills and knowledge in the field of the invention.
12. *Patent Act*, supra note 2, s. 28.3. The courts have interpreted this idea as whether a technician skilled in the art (but having no scintilla of inventiveness or imagination and wholly devoid of intuition), and having regard to the

- state of the art and the common general knowledge as at the claimed date of invention, would have come directly and without difficulty to the solution taught by the patent. See *Apotex Inc. v. Sanofi-Synthelabo Canada Inc.*, 2008 SCC 61, [2008] 3 SCR 265, at para. 52, citing *Beloit Canada Ltée/Ltd. v. Valmet Oy* (1986), 8 CPR (3d) 289 (FCA), at para. 17.
13. *Patent Act*, supra note 2, s. 2, definition of “invention.” See also *Patent Act*, supra note 2, s. 27(3) regarding the specification of an invention.
 14. *X v. Canada (Patent Commissioner)* (1981), 12 ACWS (2d) 174, 46 NR 407 (FCA); the alleged invention was a “death ray”; the court rejected an appeal against a refusal of the appellant’s application finding that, although based on scientific principles, no proof existed that the patent would actually work.
 15. *Techform Products Ltd. v. Wolda* (2000), 1 CCEL (3d) 118 (Ont. Sup. Ct. J.), at para. 12; rev’d. on other grounds (2001), 12 CCEL (3d) 184 (Ont. CA).
 16. *Techform Products Ltd. v. Wolda* (2000), supra note 15; and *Comstock Canada v. Electec et al.* (1991), 38 CPR (3d) 29, 45 FTR 241, at paras. 77-79. See also *Brown v. Canada*, 2016 FCA 37 at paras. 34-37, where the court considered inventions created by government employees subject to the Public Servants Inventions Act, RSC 1985 c. P-32 (*PSIA*). Public servants subject to the *PSIA* are required to declare inventions and the rights to such inventions may vest in Her Majesty in right of Canada if linked to the public servant’s employment.
 17. *Techform Products Ltd. v. Wolda* (2001), supra note 15, at paras. 7, 41 and 50.
 18. For example, under the “fair dealing” exception, a user may copy, reproduce, or perform an original work without infringing copyright if the copying is done for the purposes of research, private study, education, parody, or satire: *Copyright Act*, supra note 5, s. 29. Without permission from the owner of copyright, a user may also reproduce or copy a work for the purposes of criticism, review, or news reporting if the source of the work is provided and the work is correctly attributed to the author, performer, maker, or broadcaster: see ss. 29.1 and 29.2.
 19. *Copyright Act*, supra note 5, s. 5(1).
 20. *Ibid.*, s. 3(1).
 21. *Ibid.*, s. 6; in the United States, the term of copyright is generally the life of the author plus 70 years; see 17 USC § 302. Section 23 of the *Copyright Act* was amended by Bill C-59, the *Economic Action Plan 2015 Act*, which received royal assent on June 23, 2015, to extend the term of copyright in sound recordings from 50 years to 70 years. This 20-year term extension was intended to approximate the term of protection afforded other copyright owners who benefit from copyright protection throughout their lives plus 50 years following death. Under the new 2018 United States-Mexico-Canada Agreement (“USMCA”), Canada is required to extend copyright protection from life of the author plus 70 years. However, it is unclear when this obligation will come into effect. As of December 2019, the USMCA has not been ratified by the United States or Canada. Bill C-100, to bring the USMCA into Canadian law, was introduced in 2019 and was referred to the Standing Committee on International Trade in June 2019 but does not include the general extension to copyright term. Canada has up to two-and-a-half years from when the USMCA comes into force to extend its statutory copyright term.
 22. *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 SCR 339, at para. 16.
 23. *Copyright Act*, supra note 5, s. 5(1)(a).
 24. *Ibid.*, s. 34.1.
 25. See, e.g., *Hanis v. Teevan* (1998), 162 DLR (4th) 414 (Ont. CA) (the employer owned software developed by an employee).
 26. *Copyright Act*, supra note 5, s. 13(4).
 27. *Canavest House Ltd. v. Lett* (1984), 2 CPR (3d) 386 (Ont. Sup. Ct. J.), at paras. 4, 19.
 28. *Copyright Act*, supra note 5, s. 14.1.
 29. *Ibid.*, s. 14.2(1).
 30. *Ibid.*, s. 14.1(2).
 31. *Ibid.*, s. 14.1(3).
 32. *Dolmage v. Erskine* (2003), 23 CPR (4th) 495 (Ont. Sm. Cl. Ct.).
 33. *Industrial Design Act*, supra note 3.
 34. *Ibid.*, s. 9.
 35. *Ibid.*, s. 2.
 36. *Ibid.*, ss. 7(b), 8.2(1).
 37. *Industrial Design Act*, supra note 3, s. 6.
 38. *Ibid.*, s. 10(1).
 39. *Ibid.*, s. 12(1).
 40. *Ibid.*
 41. Bill C-31, the *Economic Action Plan 2014 Act, No. 1*, SC 2014, c. 20 introduced amendments to the *Trademarks Act* that were aimed at aligning Canada’s trademark laws with the *Singapore Treaty*, *Madrid Protocol*, and *Nice Agreement*. On July 17, 2019 the 2014 amendments to the *Trademarks Act* came into force. The definition of “trademark” has now been expanded to include non-traditional marks such as a personal name, figurative element, three-dimensional shape, hologram, moving image, mode of packaging

- goods, sound, scent, taste, texture, and the positioning of any of the above.
42. *Trademarks Act*, supra note 4, s. 46(1). It should be noted that Bill C-31, the *Economic Action Plan 2014 Act, No. 1*, introduced an amendment to the *Trade-marks Act* that reduced the term of protection from 15 to 10 years for trademarks, but owners are still able to renew indefinitely in successive 10-year terms. The amendments came into force on July 17, 2019.
 43. *Trademarks Act*, supra note 4, s. 45.
 44. From *Perry v. Truefitt* (1842), 49 ER 749, cited in the leading Canadian case on “passing off”: *Ciba-Geigy Canada Ltd. v. Apotex Inc.* (1992), 95 DLR (4th) 385, [1992] 3 SCR 120. See also *BCAA et al. v. Office and Professional Employees’ Int. Union et al.*, 2001 BCSC 156, [2001] 4 WWR 95 (a union website created as part of a campaign against an employer with whom it was engaged in a lawful strike was passed off as an employer website), and commentary on that decision: T. Scassa, “Intellectual Property on the Cyber-Picket Line: A Comment on British Columbia Automobile Assn. and Professional Employees’ International Union, Local 38” (2002) 3 *Alberta Law Review* 34. The recent case of *Corocord Raumnetz GmbH v. Dynamo Industries Inc.*, 2016 FC 1369 also briefly addresses differences between the common law tort of passing off and the version codified at s. 7(b) of the *Trademarks Act* [at paras. 49-50].
 45. *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, supra note 44.
 46. *Trademarks Act*, supra note 4. See for infringement, s. 20 and for passing off, ss. 7(b), (c), or assert the tort of passing off in a claim as per *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, supra note 44.
 47. *Trademarks Act*, supra note 4, s. 16. The courts look to the priority of the claims to establish the true owner of the trademark. They will look to the use or filing date to establish priority between the parties.
 48. *Michelin & Cie v. CAW - Canada*, [1997] 2 FCR 306 (TD); and *BCAA et al. v. Office and Professional Employees’ Int. Union et al.*, supra note 44.
 49. *Canadian Aero Service Ltd. v. O’Malley et al.* (1973), 40 DLR (3d) 371 (SCC), at 381 discusses the definition and the duty of fiduciary employees to not disadvantage the employer by using confidential information to compete. See also *Tree Savers International v. Savoy* (1992), 87 DLR (4th) 202 (Alta. CA), rev’g in part (1991) 37 CPR (3d) 455 (ABQB); and *Quantum Management Services Ltd. v. Hann (H.C.J.)* (1989), 69 OR (2d) 26 (Sup. Ct. J.).
 50. See the discussion in *Barton Insurance Brokers Ltd. v. Irwin et al.*, 1999 BCCA 73, 170 DLR (4th) 69, at para. 17.
 51. *Ibid.* This situation is different from that of fiduciary employees: see *Quantum Management Services Ltd. v. Hann (H.C.J.)*, supra note 49. However, recent case law has dealt with this situation more similarly to those cases involving fiduciaries, including: *2158124 Ontario Inc. v. Pitton*, 2017 ONSC 411 at paras. 25, 43-44, 64, where a specific contractual provision prevented the use of client addresses and names; and, *Shaver-Kudell Manufacturing Inc. v. Knight Manufacturing Inc.*, 2018 ONSC 5206 at paras. 96-101.
 52. *RBC Dominion Securities Inc. v. Merrill Lynch*, 2008 SCC 54, [2008] 3 SCR 79: the Supreme Court of Canada awarded damages equal to five years’ loss of future profits against the manager who breached his duty of good faith by organizing a mass departure, without notice, and successfully taking the investment advisory business to another firm.
 53. *Plaza Consulting Inc. v. Grieve et al.*, 2013 ONSC 5338: a motion for an interlocutory injunction was dismissed despite the defendant’s access to the employer’s business plan, patent applications for business methodologies, marketing strategies, recruitment methods, training materials, and pricing strategy. The court held that there was little in the way of proprietary or confidential business methodologies deserving of protection. At least four clients had defected to the defendant’s new business, and the plaintiff’s business was still doing well. There was no evidence of irreparable harm. See also *GasTOPS Ltd. v. Forsyth*, (2009) CanLII 66153 (Ont. SC), at para. 121 (trade secrets and confidential business methodology “must not be of a general nature but rather must be specific”); and, *Shaver-Kudell Manufacturing Inc. v. Knight Manufacturing Inc.*, 2018 ONSC 5206 at paras. 40-41.
 54. *Techform Products Ltd. v. Wolda* (2000), supra note 15, at para. 73.
 55. *Cadbury Schweppes Inc. v. FBI Foods Ltd.*, [1999] 1 SCR 142.