

# The Art of Selling Chocolate:

## Remarks on Copyright's Domain

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### A. INTRODUCTION

On 27 July 2007, the Supreme Court of Canada released a significant decision dealing with copyright and parallel imports, *Euro-Excellence Inc. v. Kraft Canada Inc.*<sup>1</sup> The decision is truly extraordinary. It offers an opportunity to study systematically the interaction of several copyright issues: including the rights (or lack thereof) of exclusive licensees as plaintiffs in

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1 2007 SCC 37, <http://csc.lexum.umontreal.ca/en/2007/2007scc37/2007scc37.html> [*Euro-Excellence*].

parallel import situations, the distinction between exclusive licensees and assignees, the nature of works of authorship, the characteristics of copyright infringement, the status of copyrightable works when used as trademarked logos, the limits (if any) of concurrent copyright and trademark protection, and even the distinction between trademark, copyright, and patent as autonomous yet related legal regimes.

If that were not enough, the decision has yet another attraction. It regales us not with one or two, but with nothing less than four different judgments. In addition to the reasons for judgment by Justice Rothstein (writing for himself, Binnie and Deschamps JJ), we have a dissent by Justice Abella (writing for herself and McLachlin CJC), a set of concurring reasons by Justice Fish, and yet another set of reasons by Justice Bastarache (writing for himself, LeBel and Charron JJ), concurring in result, but developing a markedly distinct aspect of the case, and in fact dissenting from the reasons offered by Justice Rothstein to reach the very same result. The effect of these overlapping yet distinct and concurring judgments, which both partially agree and partially disagree with each other in multiple respects, is that, aside from the relatively easy statement that the defendant parallel importer won the case, it is difficult to identify with clarity or conviction what the law of parallel imports of copyrighted works is in Canada. One would be forgiven for jesting that *Euro-Excellence* is a law professor's dream.

I suspect that one would also be forgiven for failing to engage directly in the immediate controversies that the case dramatizes through its judgments, and for choosing instead to emphasize certain aspects of the case with a view to plumbing its contribution to an ongoing juridical conversation in Canada about the nature and scope of copyright protection—that is, a conversation about how to define and how to limit copyright. This conversation is certainly worthy of our attention, all the more so when the recurrent agitations of copyright reform threaten both to distract us from, and to compel us toward, the exigencies and serenities of clear thinking.

The most salient recent moments in that conversation are the well-known Supreme Court of Canada decisions in *Théberge v. Galerie d'Art du Petit Champlain inc.*<sup>2</sup> and *CCH Canadian Ltd. v. Law Society of Upper Canada*.<sup>3</sup> I want in what follows to frame *Euro-Excellence* as another iteration

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2 *Théberge v. Galerie d'Art du Petit Champlain inc.*, 2002 SCC 34, <http://csc.lexum.umontreal.ca/en/2002/2002scc34/2002scc34.html> [*Théberge*].

3 *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, <http://csc.lexum.umontreal.ca/en/2004/2004scc13/2004scc13.html>, [2004] 1 S.C.R. 339 [*CCH*].

of issues treated in those landmark decisions. More specifically, I want to frame *Euro-Excellence* in light of (a) the evolving roles in Supreme Court of Canada copyright jurisprudence of the concepts of “balance,” “reproduction,” and “user rights” in the copyright system, and (b) the distinctions between copyright, patent and trade-mark as legal regimes.

It will become clear in the course of my discussion that, of the four *Euro-Excellence* judgments, Justice Bastarache’s is by far the best suited to that purpose. I will first review very briefly the facts and procedural history of the case, as well as the basic contours of each of the judgments in *Euro-Excellence*. On that basis, I will move on to an analysis of Justice Bastarache’s judgment. My aim is less to offer a detailed exegesis of the judgment than to tease out the ways in which the concept of copyright’s own specific domain interacts with that of copyright’s purpose, and to speculate about the implications that this interaction holds for our understanding of copyright subject-matter and copyright infringement.

Boldly put, my purpose is to thread through a copyright sensibility that conceives of the domain of copyright as a domain of authorship, and of authorship as an act of communication. This is a sensibility far more sympathetic to education, parody and satire than to efforts to lock up digitally the contributions of authorship — a sensibility that, by its very nature, refuses to impart juridical reality to the persistent metaphor that works of authorship are but intangible chattels, presumptively subject to unencumbered ownership.<sup>4</sup>

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4 For the proposed widening of fair dealing in Canada so as to include education, parody and satire, see Bill C-32, *An Act to amend the Copyright Act*, 3d Sess., 40th Parl., 2010, cls. 21–22 (first reading 2 June 2010), [www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=4580265&file=4](http://www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=4580265&file=4). For proposed provisions prohibiting circumvention of technological protection measures (“digital locks”) in Canada, see Bill C-32, cl. 47. For once proposed anti-circumvention provisions, including provisions for allowable circumvention for non-infringing purposes, see Bill C-60, *An Act to amend the Copyright Act*, 1st Sess., 38th Parl., 2004–2005, cl. 27 (first reading 20 June 2005), [www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=2334015&file=4](http://www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=2334015&file=4) (e.g., the owner of copyright in a work is entitled to remedies against a person who “for the purpose of an act that is an infringement of the copyright” in the work circumvents without the consent of the copyright owner a technological protection measure protecting the work). On the historical construction of authors as owners in copyright law, see Mark Rose, *Authors and Owners: The Invention of Copyright* (Cambridge, MA: Harvard University Press, 1993). On works of authorship as communicative acts, see Immanuel Kant, “On the Wrongfulness of Unauthorized Publication of Books,” in Mary J. Gregor trans. & ed., *Practical Philosophy* (Cambridge: Cambridge University Press, 1996) at 23.

In the context of copyright reform, this sensibility conflicts with anti-circumvention regimes, particularly when proposed, as in Bill C-32, in the absence of provisions for allowable circumvention for non-infringing purposes. In my view, digital locks manifest an aspiration to enable copyright holders to exclude others from any and all uses of locked up content. From this perspective, anti-circumvention regimes implement the proposition that copyright holders are, or should be, entitled to exclude others from any and all uses of locked up content. Where (a) digital locks grant a copyright holder unencumbered control, and (b) circumventing digital locks is unlawful, then (c) lawful copying can take place only at the copyright holder's pleasure.<sup>5</sup> This is radically at odds with the fundamentals of copyright. Copyright law is not a prohibition on copying but, on the contrary, a highly elaborate juridical effort to distinguish between permissible and impermissible copying. The idea/expression dichotomy, for example, is but an assertion that, as a copyright law matter, ideas, even if original, are free as the air to common use. Similarly, fair dealing is but an affirmation of the category of permissible use as constitutive of copyright law. While there can be no doubt that copyright is a prohibition on certain kinds of copying, nor can there be any doubt that the proposition that all copying gives rise to liability is incompatible with copyright law. A copyright holder's unencumbered control of any and all uses of a work is foreign to copyright. To the extent that anti-circumvention regimes grant or seek to grant copyright holders such control, they are at odds with the very logic that structures copyright law as an institutionalized distinction between permissible and impermissible use. In denying the field of permissible use, anti-circumvention denies copyright itself.

To be sure, a world in which permissible use flourishes untrammelled to the point of denying the field of impermissible use is also — and per-

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5 Of course, no digital lock is perfect. For example, it is hard to imagine how a digital lock could prevent someone from memorizing and then transcribing for purposes of criticism and review a poem to which he or she has had access. My point, however, is not that digital locks are perfect. My point is that certain unauthorized uses of copyrighted works are best regarded, not as the outcome of imperfections in the technology of digital locks, but rather as "user rights" integral to copyright law. The fact that digital locks are imperfect is not an argument to tolerate them. There is after all no reason to assume that the uses that current technologies cannot prevent coincide with those that copyright law puts beyond the reach of the copyright holder's control. "User rights" are not some kind of collateral benefit flowing from imperfections in the technology of control. Rather, they are best grasped as juridical limits that the law of copyright would impose on technological protection measures. In short, the aspiration to control any and all uses of locked-up content is inconsistent with copyright law.

haps more obviously—incompatible with the structure of copyright law. This is indeed the dystopian vision that copyright holders fear, and it is indeed the vision that catalyzes digital locks and anti-circumvention regimes. Whether anti-circumvention regimes, even those that include provisions for allowable circumvention for non-infringing purposes, can be rendered compatible with the fundamentals of copyright is thus an unavoidable and difficult question. What seems more than clear, however, is that an anti-circumvention regime devoid of such provisions is intolerable. By eliminating, or seeking to eliminate, the category of unauthorized yet permissible use from the copyright landscape, it would operate like an encysted foreign body undermining copyright law from the inside out.

In *CCH*, the Supreme Court of Canada famously held that so-called copyright “exceptions” are rather “user rights” as constitutive of copyright law as “author rights.” The decision corroborates what the fundamentals of copyright have taught all along. Copyright deprived of legitimate unauthorized use is, literally, use-less copyright. The reflection that follows seeks to render certain aspects of *Euro Excellence*, the most recent of the Supreme Court of Canada’s copyright decisions as a deepening and continuation of the copyright sensibility animating *CCH*.

## **B. EURO-EXCELLENCE INC. v. KRAFT CANADA INC.**

Plaintiff Kraft Canada Inc. is the exclusive Canadian distributor of Côte d’Or and Toblerone chocolate bars. Kraft Canada Inc. sued defendant Euro-Excellence Inc. for copyright infringement arising from unauthorized importation for purposes of sale and distribution of copyrighted works (i.e., the Côte d’Or and Toblerone logos) appearing on the wrappers in which the chocolate bars were sold and distributed by Euro-Excellence Inc. in Canada. Basically, the fact giving rise to the action is that Euro-Excellence Inc. imported into Canada for purposes of sale chocolate bars legally acquired elsewhere. The issue is whether that importation—more specifically, the importation of the copyrighted logos on the chocolate wrappers—is wrongful pursuant to Section 27(2)(e) of the *Copyright Act*.<sup>6</sup>

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6 *Copyright Act*, R.S.C. 1985, c. C-42, <http://laws.justice.gc.ca/en/C-42/39253.html> [*Copyright Act*]. Section 27(2) provides that:

- It is an infringement of copyright for any person to
- (a) sell or rent out,
  - (b) distribute to such an extent as to affect prejudicially the owner of the copyright,
  - (c) by way of trade distribute, expose or offer for sale or rental, or exhibit in public,
  - (d) possess for the purpose of doing anything referred to in paragraphs (a) to (c), or

The trial judge and the Federal Court of Appeal both held in the plaintiff's favour.<sup>7</sup> The Supreme Court of Canada reversed that finding in a 7:2 decision. The decision, as noted above, is composed of four distinct judgments.

The judgments are organized around two basic issues:

- 1) whether an exclusive licensee can succeed in an action against a parallel importer. That is, does the *Copyright Act* extend protection to exclusive licensees against parallel importation? This is the exclusive licence issue.
- 2) whether the sale or distribution of consumer goods to which copyrighted works are affixed as trade-marked logos is an infringing sale or distribution of the copyrighted works themselves within the meaning of the parallel import provisions of the *Copyright Act*. That is, is the copyrighted work being "sold" or "distributed" when it is printed on the wrapper of a consumer product? This is the sale issue.

Justice Rothstein focuses on the exclusive licence issue. He finds that "The Canadian *Copyright Act* does not extend protection against parallel importation to exclusive licensees."<sup>8</sup> Thus, plaintiff Kraft Canada Inc. cannot win the case because it is a mere licensee—albeit an exclusive licensee—and not an assignee. As to the sale issue, Justice Rothstein finds that there is nothing in

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(e) *import into Canada for the purpose of doing anything referred to in paragraphs (a) to (c), a copy of a work, sound recording or fixation of a performer's performance or of a communication signal that the person knows or should have known infringes copyright or would infringe copyright if it had been made in Canada by the person who made it [emphasis added].*

7 For discussion of *Euro-Excellence* published prior to the Supreme Court of Canada decision, see Teresa Scassa, "Using Copyright Law to Prevent Parallel Importation: A Comment on *Kraft Canada Inc. v. Euro-Excellence Inc.*," (2006) 85 Can. Bar. Rev. 409–28 ([www.commonlaw.uottawa.ca/index.php?option=com\\_docman&task=doc\\_download&gid=934](http://www.commonlaw.uottawa.ca/index.php?option=com_docman&task=doc_download&gid=934)); Robert J. Tomkowicz, "Copyrighting Chocolate: *Kraft Canada Inc. v. Euro-Excellence*," (2007) 20:3 Intellectual Property Journal 399–426 [Tomkowicz, "Copyrighting Chocolate"]. For commentary on the Supreme Court of Canada decision, see Leah M. Howie, "Using Copyright Law to Stop Grey-Marketed Candy" (2008) 21 Intellectual Property Journal 245; Pierre-Emmanuel Moysé, "*Kraft Canada c. Euro-Excellence: l'insoutenable légèreté du droit*" (2008) 53 McGill L.J. 741 (<http://lawjournal.mcgill.ca/documents/Moyse.pdf>); David Nimmer, "Copyright Law and the Restoration of Beauty" (2009) 47 Osgoode Hall L.J. 553 ([http://ohlj.ca/english/documents/4-47\\_3\\_Nimmer\\_FINAL.pdf](http://ohlj.ca/english/documents/4-47_3_Nimmer_FINAL.pdf)); Arthur Renaud, "The Elephant Parades the Circus Ring: Grey Goods versus Copyright—No Clear Winner . . . Yet" (2007–2008) 39 Ottawa L. Rev. 281; David Vaver, "Chocolate, Copyright, Confusion: Intellectual Property and the Supreme Court of Canada" (2008) 1 Osgoode Hall Rev. L. Pol'y. 5 (<http://ohrlp.ca/images/articles/Volume1/d%20vaver%202008%201%20ohrlp%205.pdf>).

8 *Euro-Excellence*, above note 1 at para. 50.

the *Copyright Act* to negate the proposition that a copyrighted work is being sold when it is printed on the wrapper of a consumer product.<sup>9</sup>

Justice Fish concurs with Justice Rothstein in regard to the exclusive licence issue. He indicates, however, that it is not clear that plaintiff Kraft Canada Inc. would have won had it been an assignee. On the contrary, he expresses “grave doubt whether the law governing the protection of intellectual property rights in Canada can be transformed in this way into an instrument of trade control not contemplated by the *Copyright Act*.”<sup>10</sup>

In her dissent, Justice Abella finds that the *Copyright Act* does extend protection against parallel importation to exclusive licensees. She also finds, moreover, that the *Copyright Act* provides no basis for a restrictive definition of “sale.” “When a product is sold,” she writes, “title to its wrapper is also transferred to the purchaser.”<sup>11</sup> Thus, there is no basis to exclude the sale of copyrighted works printed on wrappers from the legitimate domain of copyright law.

Justice Bastarache’s judgment focuses not on the exclusive licence issue but on the sale issue. His question is whether the works were sold or distributed within the meaning of Section 27(2)(e) of the Act. Justice Bastarache’s answer is a resounding “No.” He held that, irrespective of the distinction between an exclusive licence and an assignment, Euro-Excellence Inc. imports did not fall within the scope of the provision. In Justice Bastarache’s view, the provision governs the parallel importation of copyrighted works *as such*, not as merely ancillary or incidental attachments to the distribution and sale of other consumer goods. In short, Justice Bastarache found that Euro-Excellence Inc. imported and sold *chocolate bars* but not *copyrighted works* in Canada.

The first sentence of his judgment, formulated as a rhetorical question, tells the whole story: “Can a chocolate bar be copyrighted because of protected works appearing on its wrapper?” Since it is uncontroversial that there neither is nor can be copyright protection for chocolate bars, it is trivially true that there can be no copyright liability for the parallel importation of chocolate bars. Of course, no one had argued that the chocolate bars were as such subject to copyright protection. But Justice Bastarache’s point is that

if a work of skill and judgment (such as a logo) is attached to some other consumer good (such as a chocolate bar), the economic gains associated with the sale of the consumer good must not be mistakenly

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9 *Ibid.* at paras. 4, 5 and 8.

10 *Ibid.* above note 1 at para. 56.

11 *Ibid.* at para. 110.

viewed as the legitimate economic interests of the copyright holder of the logo that are protected by the law of copyright.<sup>12</sup>

The incidental attachment of the logos to the chocolate bars does not magically transform the plaintiff's commercial interests in chocolate sales into interests actionable as a matter of copyright law. The point is not that Kraft Canada Inc. was a mere exclusive licensee. Rather, the point is that Euro-Excellence Inc. was not selling copyrighted works. Euro-Excellence Inc. would not have been liable for copyright infringement even if the parent companies had assigned the relevant copyrights to Kraft Canada Inc.<sup>13</sup>

### C. JUSTICE BASTARACHE'S JUDGMENT

Justice Bastarache's reasons for finding that no sale of copyrighted works had taken place are complex but may be summarized for discussion purposes into two basic moments or stages. The first deals with the purpose of the *Copyright Act*. The second provides—in light of that purpose—an interpretation of section 27(2)(e) of the *Act* that excludes merely incidental uses of copyrighted works from the web of liability for parallel importation of copyrighted works. The result is that, as we just noted, no liability for parallel importation arises on the facts of the case.

The first stage in Justice Bastarache's judgment—the stage dealing with the purpose of the *Act*—can be further divided into four sub-stages. I will call these stages the *Théberge* step, the *CCH* step, the *SOCAN* step,<sup>14</sup>

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12 *Ibid.* at para. 85.

13 This is why Bastarache J stated that he need not deal with the licensing issue. Nonetheless, he did add that he agreed with Abella J that the *Copyright Act* extends protection against parallel imports to exclusive licensees. See *Euro-Excellence*, above note 1 at para. 75. As an aside, it is apt to point out here that, in spite of the fragmentation of the Court in *Euro-Excellence*, it seems likely that the Court would find unanimously that section 27(2)(e) provides protection against parallel imports where the plaintiff is an assignee of the copyright and the defendant imports, not copies of works attached incidentally to some consumer good, but rather copies of works themselves (e.g., copies of films). For remarks suggesting a different interpretation of section 27(2)(e), see Ariel Katz, "Euro Excellence v. Kraft," University of Toronto Faculty of Law Blog, 2 August 2007, at [http://utorontolaw.typepad.com/faculty\\_blog/2007/08/euro-excellence.html](http://utorontolaw.typepad.com/faculty_blog/2007/08/euro-excellence.html).

14 *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, 2004 SCC 45, <http://csc.lexum.umontreal.ca/en/2004/2004scc45/2004scc45.html>, [2004] 2 S.C.R. 427 [SOCAN].

and the *Kirkbi* step,<sup>15</sup> referring in that way to each of the recent Supreme Court of Canada cases on which Justice Bastarache relies.

### 1) *Théberge*

Justice Bastarache extracts three related concepts from *Théberge*: (a) the concept of “balance,” and with it the concepts of (b) the “limited nature” of the creator’s rights, and thus of (c) the “legitimate interests” of the copyright holder. The basic point is that because the *Copyright Act* is a “balance” between authors and users, creators and public, we must understand the rights of authors as “limited.” To put it otherwise, the rights of authors must be understood in relation to other rights and/or interests that are equally constitutive of the copyright system. The “limited nature” of the rights of authors is thus a corollary of the proposition that copyright is not only about authors; it is also about users. By the same token, the fact that the rights of authors are “limited” entails that the *Copyright Act* protects not all or any interests of authors but only their “legitimate economic interests” — that is, only those economic interests that are consistent with the “balance” at the heart of copyright.<sup>16</sup>

The well-known passage from *Théberge* on which Justice Bastarache relies reads as follows:

The *Copyright Act* is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator . . . . The proper balance among these and other public policy objectives lies not only in recognizing the creator’s rights but in giving due weight to their limited nature.<sup>17</sup>

15 *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, <http://csc.lexum.umontreal.ca/en/2005/2005scc65/2005scc65.html> [*Kirkbi*].

16 *Euro-Excellence*, above note 1 at para. 76. In *Théberge* (above note 2), the plaintiff complained that a process used by the defendant to lift the ink that was used in printing a paper poster and transferring it onto a canvas infringed his copyright. The phrase “legitimate economic interest” appears at para. 38:

My colleague, Gonthier J, takes the position that if the image were transferred from one piece of paper to a different piece of paper with no other “change”, there is a new “fixation” and that would be “reproduction.” But in what way has the *legitimate economic interest* of the copyright holder been infringed? The process began with a single poster and ended with a single poster. The image “fixed” in ink is the subject-matter of the *intellectual* property and it was not reproduced. It was transferred from one display to another [emphasis added].

17 *Théberge*, above note 2 at paras. 30–31.

The imperative to give “due *weight* to their [i.e., the creator’s rights] limited nature” (emphasis added) captures the immanent connection between the concepts of “balance” and “limited nature” that is now part and parcel of Canadian copyright law. The rights of authors are limited because, in accordance with the balanced nature of copyright protection, they must share the copyright stage with the rights of users.

## 2) CCH

Justice Bastarache presents *CCH* as an elaboration of the concept of the “limited nature” of the rights of the copyright holder. He tells us that *CCH* recognized and elaborated on this “limited nature” in two ways: (a) in its definition of originality, and (b) in its treatment of fair dealing.<sup>18</sup>

### a) Originality

*CCH* accomplished a transition from the sweat of the brow to the skill and judgment standard of originality.<sup>19</sup> The proposition that skill and judgment, and not sweat of the brow, is the originality standard implies two important observations underlined in Justice Bastarache’s judgment.

The first is that originality is not about “*all* types of labour.”<sup>20</sup> It is only about labour involving skill and judgment. More precisely, it is only about labour involving a *specific* type of skill and judgment. Not any and all types of skill and judgment will do.

To appreciate the nature of the shift, consider, for example, the classic sweat of the brow authority, *Walter v. Lane*.<sup>21</sup> In *Walter*, the House of Lords

18 *Euro-Excellence*, above note 1 at para. 77.

19 To speak of a transition is to imply that, prior to *CCH*, the originality standard was unambiguously a sweat of the brow standard. But that is not necessarily accurate. It suffices for present purposes to note, however, that *CCH* certainly resolved any extant ambiguities against the sweat of the brow standard, and in favour of the skill and judgment standard. On the struggle between originality standards, see Abraham Drassinower, “Sweat of the Brow, Creativity and Authorship: On Originality in Canadian Copyright Law,” (2003–2004) 1:1–2 *University of Ottawa Law and Technology Journal* 105–123, <http://www.uoltjca/articles/vol1.1-2/2003-2004.1.1-2.uoltj.Drassinower.105-123.pdf> [Drassinower, “On Originality”].

20 *Euro-Excellence*, above note 1 at para. 78.

21 *Walter v. Lane*, [1900] A.C. 539 (H.L.) [*Walter*]. Strictly speaking, of course, use of the phrase “sweat of the brow” to refer to *Walter* is anachronistic. The phrase describes a school of thought with respect to the originality requirement, but the word “original” did not find its way into the English *Copyright Act* until 1911, eleven years after *Walter*. Still, in the pre-1911 jurisprudence, including *Walter*, the debate about copyrightability took place through inquiry into the meaning of the word “author.”

held that the labour invested in the purely mechanical verbatim transcription of a public speech gave rise to copyright protection. Therefore, the unauthorized reproduction of the verbatim report by the defendant gave rise to copyright liability. The reproduction in fact amounted to an unauthorized transfer of value from plaintiff to defendant. Lord Halsbury held that to prevent the “grievous injustice” involved in such misappropriation of another’s effort is in fact the purpose of the *Copyright Act*.<sup>22</sup>

On the basis of the skill and judgment standard, however, unauthorized transfers of value, even if resulting from a deliberate act of the defendant’s, do not *as such* sound in copyright. Not any or all value will do. Thus, for example, the labour invested in the production of garden variety, alphabetically arranged phone directories is not subject to copyright protection.<sup>23</sup> Only the products of authorship—defined as skill and judgment—will do. In other words, once the sweat of the brow standard is discarded, the sense of grievous injustice associated with unauthorized transfers of value by way of reproduction is no longer the central organizing principle of copyright law.<sup>24</sup> Copyright law is not an unfair competition

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See Robert Howell and Ysolde Gendreau, “Qualitative Standards for Protection of Literary and Artistic Property,” in Canadian Comparative Law Association, *Contemporary Law 1994* (Cowansville, QC: Les Éditions Yvon Blais, 1994) 518 at 521–22 and 542–45.

22 See *Walter*, above note 21 at 545:

I should very much regret it if I were compelled to come to the conclusion that the state of the law permitted one man to make profit and to appropriate to himself the labour, skill, and capital of another. And it is not denied that in this case the defendant seeks to appropriate to himself what has been produced through the skill, labour, and capital of others. In the view I take of this case I think the law is strong enough to restrain what to my mind would be a grievous injustice. The law which I think restrains it is to be found in the *Copyright Act*, and the Act confers what it calls copyright—which means the right to multiply copies—which it confers on the author of books first published in this country.

23 See, e.g., *Feist Publications v. Rural Telephone*, 499 U.S. 340 (1991), <http://supreme.justia.com/us/499/340/case.html> [Feist]; *Tele-Direct (Publications) Inc. v. American Business Information Inc.*, [1998] 2 F.C. 22 (C.A.), <http://reports.fja.gc.ca/eng/1997/1998fc21425.html/1998fc21425.html.html>; *CCH*, above note 3.

24 See for example, *Feist*, above note 23 at para. 9:

It may seem unfair that much of the fruit of the compiler’s labor may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not “some unforeseen byproduct of a statutory scheme.” . . . [I]t is, rather, the “essence of copyright,” . . . and a constitutional requirement. The primary objective of copyright is not to reward the labor of authors, but “[t]o promote the Progress of Science and useful Arts.” . . . To this end, copyright assures authors the right to their original expression, but encourages others to build

regime. The mischief that the *Copyright Act* targets is not the misappropriation of another's *labour*, but the misappropriation of another's *authorship*. Copyright is less about the protection of value than about the protection of a specific value—the value of authorship.<sup>25</sup>

The second observation contained in the affirmation of skill and judgment as the originality standard can be formulated as follows. In *CCH*, the Court affirmed the skill and judgment standard as a fair yet workable standard, occupying a space between the British “sweat of the brow” standard, on the one hand, and the American creativity standard, on the other.<sup>26</sup> The Court articulated its own skill and judgment standard in terms of the copyright balance between authors and users, creators and public. In the Court's eyes, whereas the sweat of the brow standard is too authored-centered, the creativity standard is too public-centered.

In this vein, the Court rejected the American creativity standard on the grounds that it amounts to a novelty requirement, more suitable for patent law than for copyright law, requiring too much from authors in exchange for copyright protection.<sup>27</sup> While it is at least doubtful that the Court's construal of the American creativity standard is correct,<sup>28</sup> what matters about the Court's discussion is that it demonstrates that the Court's deployment of the idea of “balance” permeates not only the scope of copyright protection but also its subject matter. While the creativity

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freely upon the ideas and information conveyed by a work . . . . This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship. As applied to a factual compilation, assuming the absence of original written expression, only the compiler's selection and arrangement may be protected; the raw facts may be copied at will. The result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science and art.

- 25 This was, in fact, the position adopted by Lord Robertson in his dissent in *Walter*. Though by no means unaware of the skills of the stenographer, Lord Robertson says of the verbatim reports in issue in the case that it is hard to see “how, in the widest sense of the term ‘author’, we are in *the region of authorship*” (emphasis added). See *Walter*, above note 21 at 561. For discussion, see Drassinower, “On Originality,” above note 19.
- 26 *CCH*, above note 3 at para. 24.
- 27 *CCH*, above note 3 at para. 24: “A creativity standard implies that something must be novel or non-obvious—concepts more properly associated with patent law than copyright law.”
- 28 See *Feist*, above note 23 at para. 10: “Originality does not signify novelty . . . .” For comment, see, for example, Daniel Gervais and Elizabeth F. Judge, *Intellectual Property: The Law in Canada* (Toronto: Thomson Carswell, 2005), at 21–25 [Gervais and Judge, *Intellectual Property*].

standard (as construed by the *CCH* Court) may well be suitable to the balance sought in patent law, it is nonetheless unsuitable to the balance at stake in copyright law. In *CCH*, that is, the Court rejects the creativity standard because it is extraneous to the copyright balance, although the very same standard may be suitable for the patent balance. In the Court's hands, the proposition that copyright is not about creativity turns out to be an affirmation of the distinction between copyright and patent. To put it otherwise, the division between copyright and patent, originality and novelty, is part and parcel of the Court's understanding of the "limited nature" of the rights at issue in copyright.

Note that the two aspects of the Court's definition of originality (on the one hand the distinction between originality and sweat of the brow, and on the other the distinction between originality and creativity) can be grasped as a single moment, involving an elaboration of the specificity of copyright *vis-à-vis* an unfair competition or misappropriation of value regime, on the one hand, and a patent regime, on the other. The question of the limits of copyright is also a question about the specificity of copyright. Justice Bastarache's analysis of *CCH* thus brings into relief the observation that, with respect to the originality requirement, the twin concepts of "balance" and "limits" deployed in *Théberge* bring in their wake issues not only of copyright scope (i.e., limits) but also of copyright subject matter (i.e., the specificity of copyright *vis-à-vis* other legal regimes).

### **b) Fair Dealing**

*CCH* redefined fair dealing as a user right. It established that, as a user right, and not as a mere exception to copyright infringement, fair dealing ought to be given large and liberal interpretation.<sup>29</sup>

The defence of fair dealing specifies situations in which the defendant's unauthorized act of substantial reproduction does not give rise to copyright liability. Justice Bastarache points out that the formulation of fair dealing as a user right entails the proposition that substantial reproduction is not wrongful, *per se*, as a matter of copyright law. The point is not only that not all unauthorized reproductions amount to infringement. Rather, the point is that unauthorized reproductions pursuant to fair dealing are to be viewed, not as wrongs to be excused, but as exercises of user rights integral to copyright law.

If the originality requirement restricts entry into the world of copyright by defining the specific nature of copyright subject matter, the defence of

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<sup>29</sup> *CCH*, above note 3 at paras. 48 and 51.

fair dealing affirms that copyright subject matter is itself protected only in a “limited” way. In other words, fair dealing comes to limit the scope of copyright subject matter by providing that the protection of skill and judgment must not itself be extended beyond its proper limits. Just because something is original, it does not follow that this something is protected against any and all unauthorized reproduction. On the contrary, users, too, have rights, and fair dealing is indeed an instance of such rights.

It is on the basis of this combined operation of originality and fair dealing that Justice Bastarache held that we must be careful to understand that the “legitimate economic interests” protected under copyright are limited in two senses — at the level of subject matter by way of originality and at the level of scope by way of fair dealing. He stated that

... sometimes a substantial reproduction of a copyrighted work will not be an infringement, because copyright protection is limited to protection of legitimate economic interests which are the result of an exercise of skill and judgment, *and* that protection must not be extended beyond its proper limits.<sup>30</sup>

In Justice Bastarache’s hands, then, the *Théberge* balance emerges as a twofold limitation on authorial entitlement. Viewed as a single conceptual stroke, this twofold limitation is a way of saying that not substantial reproduction but impingement upon “legitimate economic interest” is what defines copyright infringement. Copyright, one might say, is not about copying *simpliciter*. It is not the category of “reproduction,” but rather that of “legitimate economic interest” that presides over the analysis of copyright infringement.

The upshot of Justice Bastarache’s analysis of *CCH* is that, in addition to fair dealing as a mode of limiting the scope of authorial right, there are *other limits*, also flowing from the purpose of copyright as a balance, to be imposed on that scope. This is how Justice Bastarache puts it:

The *CCH* decision thus confirms that in order to protect the essential balance which lies at the heart of copyright law, care must be taken to ensure that copyright protection is not allowed to extend beyond the legitimate interests of a copyright holder. Copyright will not be granted to works which are not the result of an exercise of skill and judgment, which is the special kind of labour for which copyright is the appropriate protection. Similarly, once copyright is granted in a

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30 *Euro-Excellence*, above note 1 at para. 79 (emphasis added).

given work, the protection that it provides must not be extended beyond its natural limits, and must take proper account of user rights *such as* the right to deal fairly with a copyrighted work.<sup>31</sup>

The phrase is worth repeating: “user rights *such as* the right to deal fairly with a copyrighted work.” Fair dealing is an instance of a higher order category of user rights. The key to *CCH* is not so much that fair dealing ought to be given large and liberal interpretation, but rather that reproduction is not *per se* wrongful, and that, therefore, there are and must be other instances of user rights, instances that do not meet the requirements of the fair dealing defence. In short, fair dealing is not the only way to make non-infringing reproductions. This articulation of the category of non-infringing reproduction or non-infringing use is the fundamental teaching of *CCH*.<sup>32</sup>

### c) *SOCAN*

The twin ideas of “balance” and “limits” that animate *Théberge*, then, find further elaboration in *CCH*. Specifically, as we just noted, *CCH* brings into relief the proposition that not all reproduction is wrongful. In this conceptual sequence, *SOCAN* now comes to confirm the view that the purposive interpretation of the *Act* dislodges the primacy of “reproduction” as an organizing principle of copyright law. Justice Bastarache wrote:

This Court’s recent decision in *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers . . .* confirms this purposive interpretation of the *Act*. In that case, Binnie J wrote, at para. 116: “‘Caching’ is dictated by the need to deliver faster and more economic service, and should not, *when undertaken only for such technical reasons*, attract copyright liability” (emphasis added). While ‘caching’ is certainly an instance of substantial reproduction, it is a technical process only; as such it does not consist in an attempt to appropriate the legitimate economic interests of the copyright holder, and therefore does not constitute infringement.<sup>33</sup>

Once again, not “reproduction” but “legitimate economic interest” grounds the category of infringement. The reproductions involved in *SOCAN* did

31 *Ibid.* at para. 80 (emphasis added).

32 See Abraham Drassinower, “Taking User Rights Seriously,” in Michael Geist, ed., *In The Public Interest: The Future of Canadian Copyright Law* (Toronto: Irwin Law, 2005), at 462 [Drassinower, “User Rights”].

33 *Euro-Excellence*, above note 1 at para. 81.

not give rise to liability even though they would not have met the fair dealing criteria. *SOCAN* provides an example of a limitation on the rights of the copyright holder which (a) reminds us that reproduction *per se* does not give rise to liability, and (b) reminds us that fair dealing is but an instance of a higher order category of user rights, of which the “caching” involved in *SOCAN* is yet another example.

#### d) *Kirkbi*

Justice Bastarache now connects the foregoing discussion of the central concepts of “balance,” “limits,” “reproduction,” and “user rights” to the question of the proper divisions between patent, trade-mark, and copyright. That is, the role of *Kirkbi* in the unfolding logic of Justice Bastarache’s judgment is to grasp the question of the limits of copyright as a determination of the specificity of copyright vis-à-vis trade-mark and patent. The upshot of this move is the proposition that, because copyright operates in its own “domain,”<sup>34</sup> it should not be used to achieve through the “backdoor” what trade-mark (and/or patent) cannot do. “Merely incidental” uses of copyrighted works ought not to masquerade as infringements of copyright to achieve through copyright what cannot be achieved through trade-mark. To do otherwise is to run contrary to copyright’s own balance.<sup>35</sup> Thus the concept of “limits” now reverberates at a third level: (a) subject matter, as in the originality analysis in *CCH*; (b) scope, as in the fair dealing analysis in *CCH* and in the analysis of “caching” in *SOCAN*; and (c) domain, as in the analysis in *Kirkbi* of the proper relation or distinction between copyright, trade-mark and patent.

In *Kirkbi*, the argument from the category of domain operates to preclude the use of trade-mark to achieve what cannot be achieved through patent. The expiry of the patent over the Lego blocks gave rise to an attempt on the part of the patentee to perpetuate the monopoly by claiming

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34 *Ibid.* at para. 95: “copyright’s intended domain.”

35 *Ibid.* at para. 88:

This interpretation of s. 27(2) respects copyright’s insistence that only *legitimate* economic interests receive copyright protection. To allow s. 27(2) to protect all interests of manufacturers and distributors of consumer goods would upset the copyright balance. Far from ensuring a “just reward” for creators of copyrighted works, it would allow a copyright to be leveraged far beyond the use intended by Parliament, allowing rights to be artificially enlarged into protection over consumer goods. This undue expansion of copyright would certainly be a failure to give heed to Binnie J’s insistence, at para. 31 of *Théberge*, that the law give due weight to the limited nature of the rights of a copyright holder.

a trade-mark over the shape of the blocks. The Supreme Court held against such an attempt to extend the monopoly, on the grounds that the doctrine of functionality — whether under the *Trade-Marks Act* or as a matter of passing off at common law — precluded the operation of the shape of the blocks as a trade-mark.<sup>36</sup>

The central proposition that trade-mark cannot be used to achieve “backdoor” patent protection was formulated in *Kirkbi* at a high level of generality. Thus, Justice LeBel wrote not specifically of the patent/trade-mark relation but generally of the importance of “basic and necessary distinctions between different forms of intellectual property and their legal and economic functions.”<sup>37</sup> Justice Bastarache now leverages this proposition to find in *Kirkbi* a pronouncement not only about the relation between trade-mark and patent but also about the relation between copyright and trade-mark. He writes:

This focus on the fundamental natures and purposes of different sorts of intellectual property protections and the necessary divisions between them suggests that each form of protection relies on some core normative notion which must ground the economic interests claimed.<sup>38</sup>

He calls this normative notion “a principled fulcrum on which we may undertake copyright’s balance.”<sup>39</sup>

What, precisely, is this “principled fulcrum”?

There can be no doubt that this question gives us ample reason to pause. The concept of “balance” has an irreducibly central position in Supreme Court of Canada copyright jurisprudence. Since Justice Binnie iterated the concept in *Théberge* in March 2002, the Supreme Court has decided four copyright cases,<sup>40</sup> in each of which, albeit in varying ways, “balance” has played an unmistakable role. The concept has, in fact, provided both the vocabulary and the underlying grammar through which the Court approaches the formulation of the purpose of copyright law, and therefore the interpretation of the *Copyright Act*.

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36 *Kirkbi*, above note 15.

37 *Ibid.* at para. 37.

38 *Euro-Excellence*, above note 1 at para. 82.

39 *Ibid.* at para. 84.

40 *CCH*, above note 3; *SOCAN*, above note 14; *Robertson v. Thomson Corp.*, [2006] 2 S.C.R. 363, 2006 SCC 43 (<http://scc.lexum.umontreal.ca/en/2006/2006scc43/2006scc43.html>); and *Euro-Excellence*, above note 1.

In such a context, Justice Bastarache's assertion that the balance is inoperable in the absence of a "principled fulcrum" that animates it cannot help but attract our attention. What is it about the maturing constellations of meanings surrounding the well-settled copyright balance that Justice Bastarache seeks to bring into relief through his reliance on *Kirkbi*?

In my view, the role of *Kirkbi* in Justice Bastarache's judgment is to make explicit a dimension of the copyright balance that was not explicitly treated in *CCH*. Recall for a moment that it was on the basis of "balance" that the Court in *CCH* rejected the "sweat of the brow" and creativity standards. Both "sweat of the brow" and creativity were said to be off-side the true copyright balance. Whereas the "sweat of the brow" standard is said to be too low, and therefore too author-centered, favouring authors at the expense of users, the creativity standard is said to be too high, and therefore too public-centered, favouring users at the expense of authors. Note, however, that, notwithstanding the Court's insistence, there is absolutely nothing in the idea of balance *per se* that can, in any way, guide the determination as to which standard to adopt.

Consider, for example, that in *Théberge*, Justice Binnie reminds us that the concept of balance has been integral to copyright jurisprudence since time immemorial. "This is not new," Justice Binnie writes of the copyright balance, citing a 1769 English case as evidence of the longevity of the concept of balance.<sup>41</sup> When *CCH* was decided, we had as a copyright jurisdiction held the idea of balance together with the "sweat of the brow" originality standard for quite some time. That is, the proposition that the idea of balance is *per se* sufficient to give up the "sweat of the brow" standard is remarkably vacuous. Similar observations can be made about the creativity standard. While the *CCH* Court rejected creativity in the name of balance, the United States has been deploying creativity as the originality standard, precisely in the name of its own version of the copyright balance, since at least the *Feist* decision in 1990, if not longer. Again, then, it seems radically insufficient merely to assert without more ado that the creativity standard ought to be rejected in the name of balance. Simply put, something other than the bare idea of "balance" must be at work here.

What is missing here (or rather, to be more precise, what was not explicitly articulated in *CCH*) is the apparently trivial proposition that the copyright balance is not just any which balance but specifically a balance between authors and users in respect of works of authorship. That is, when we speak about balancing in copyright we are talking not just about "bal-

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41 *Théberge*, above note 2 at para. 30.

ancing” in the abstract but about balancing in a specific domain, about balancing in the domain of authorship.<sup>42</sup> We need to think not just about balancing but about what it is in particular that is on the balance. Justice Bastarache’s basic point in discussing *Kirkbi* is that, once we do that, it becomes clear that that not all values can get on the balance. The legitimate economic interests of authors *as authors* can get on the balance, but not all or any interests or values generated by their labour.

This is of course already familiar from *CCH*. *CCH* teaches that not all or any kind of labour counts. In *Euro-Excellence*, Justice Bastarache is doing little more than asking us to take this seriously. He is asking us to see the category of skill and judgment not as the result of the balancing process, but rather as a prior determination, independent of that balancing, that specifies what kind of values get on the balance to begin with. The skill and judgment specific to authorship is thus the “principled fulcrum,” the “core normative notion” that defines copyright’s domain and orients copyright’s balance.

It is the distinction between copyright and other intellectual property regimes that renders the copyright balance intelligible as a balance involving authors rather than inventors, and, as in *Euro-Excellence*, authors rather than trade-mark owners. It is this aspect of *CCH* that Justice Bastarache brings into relief through his reliance on *Kirkbi*. He reminds us, as it were, of what we already knew from *CCH*: namely, that the question of the limits of copyright is also a question about the specificity of copyright.<sup>43</sup>

Once this principled fulcrum is in place, we can readily understand the basic thrust of Justice Bastarache’s judgment. Euro-Excellence Inc. is accused of selling works. More precisely, the action against Euro-Excellence Inc. cannot succeed in the absence of a showing that Euro-Excellence Inc. was involved in the sale of copyrighted works. On Justice Bastarache’s construal, Euro-Excellence Inc. was not involved in any such sale. To be sure, Euro-Excellence Inc. was involved in the sale of chocolate bars to which the copyrighted works were affixed as trade-marks. But this means only that there was a “close association” between the transactions in ques-

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42 See Abraham Drassinower, “Canadian Originality: Remarks on a Judgment in Search of an Author,” in Ysolde Gendreau, ed., *An Emerging Intellectual Property Paradigm: Perspectives from Canada* (London: Edward Elgar Publishers, 2009) at 139.

43 On the specificity of copyright, see Abraham Drassinower, “Authorship as Public Address: On the Specificity of Copyright *vis-à-vis* Patent and Trade-Mark,” 2008:1 Michigan State Law Review 199–232 [Drassinower, “Authorship as Public Address”].

tion (i.e., the sale of chocolate bars) and the artistic works in issue.<sup>44</sup> We should not confuse this “close association” of the works to the transaction with the quite different proposition that it is the works that are sold in the transaction. The benefits to be derived from the sale of a chocolate to which an artistic work is affixed as a logo do not fall within the “legitimate economic interests” of a copyright holder *as copyright holder*. The role of the copyrighted logos is “merely incidental” to the sale of chocolate bars. In short, the category of domain functions as an imperative to (a) specify the interests proper to copyright as a legal regime, and to (b) distinguish those interests from other (extraneous) interests in situations of “close association.” The concept of “merely incidental” is nothing but a way to operationalize that distinction.

Note that this does not mean that, in Justice Bastarache’s view, the logos play no role in the transaction. On the contrary, they most certainly do.<sup>45</sup> What Justice Bastarache is telling us is that the logos do not play a role in the transaction *as works of authorship*. To be sure, they function as trade-marks: as indications of source differentiating chocolate bars provided by Kraft Canada Inc. from chocolate bars provided by others in the marketplace. But that is precisely the point: the logos are not functioning as works of authorship in the chocolate transaction, and so they do not, in their role as trade-marks, get into the copyright balance to begin with.

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44 *Euro-Excellence*, above note 1 at para. 85:

Section 27(2) of the Act is meant to prohibit secondary infringement resulting from the wrongful appropriation of the gains of another’s skill and judgment by way of the acts enumerated in paras. (a) to (c). Conversely, other economic interests — although they may seem to be *closely associated* with the interests legitimately protected as emanating from that skill and judgment — are not protected. [emphasis added]

45 *Ibid.* at para. 104:

Similarly, I do not mean to suggest that logos play no role whatsoever in the sale of chocolate bars. So I think it is therefore useful to stress, once again, that in the s. 27(2) analysis the logos must be viewed strictly through the copyright lens *as works*. The analysis does not speak to the possibility — indeed, the certainty — that the logos, as trade-marks, can play a large role in the sale of the chocolate bars and are of great value to KCI [Kraft Canada Inc.]. It is not disputed that part of the reason that a consumer buys a Côte d’Or bar or a Toblerone bar is because of the reputation and goodwill associated with each brand. But that is not a consideration which is relevant under the *Copyright Act*. It cannot be reasonably maintained that anyone buys a Côte d’Or or Toblerone because of the logos as works of art.

Their identity as works of authorship is merely incidental to the transaction of which they are, or may be, an integral aspect only as trade-marks.

In essence, Justice Bastarache is asking us to distinguish between patterns of ink and works of authorship as a matter of copyright law. The insight is that a pattern of ink can assume different legal meanings, on the one hand as an indicator of source in the marketplace, and on the other as a work of authorship. The point is that the function of the pattern of ink as an indicator of source should not be conflated with the identity of that very same pattern of ink as a work of authorship. Thus, the bare fact that a certain pattern of ink is printed on a chocolate bar wrapper is not sufficient reason for the legal finding that, as a copyright law matter, the sale of the chocolate bar and its wrapper amounts to the sale of a copy of a work of authorship.<sup>46</sup> On the contrary, the thought that the pattern of ink is one and the same thing in both instances, as trade-mark and as work of authorship, is an illusion for which Justice Bastarache's judgment in *Euro-Excellence* is the required therapy.

#### D. PATTERNS OF INK AND WORKS OF AUTHORSHIP

This distinction between patterns of ink and works of authorship may at first sight seem foreign, but it is in fact thoroughly familiar to copyright lawyers. The defence of independent creation and the defence of fair dealing, for example, both affirm the proposition that the mere physical identity of patterns of ink in the plaintiff's and the defendant's respective works need not give rise to copyright liability. Assume for a moment that a lay audience were to be shown two identical sheets of paper with identical text on them. It is reasonable to expect that, when asked whether

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46 This distinction between patterns of ink and works of authorship is Bastarache J's answer to Abella J's statement in *Euro-Excellence*, above note 1 at para. 110, that "When a product is sold, title to its wrapper is also transferred to the purchaser." Abella J also adds in this context that "The Act is indifferent as to whether the sale of the wrapper is important to the consumer." This last statement strikes me as perfunctory. Where work "A" deals fairly with work "B," a substantial part of work "B" is also printed in every copy of work "A." At the time of sale, title to the sheet of paper on which both works are printed, as well as to the ink on that sheet of paper, is transferred to the purchaser of a copy of work "A." But it does not necessarily follow that a copy of work "B" has been either bought or sold. Moreover, since — to give but one example — "[i]t may be relevant to consider the custom or practice in a particular trade or industry to determine whether or not the character of the dealing is fair" (*CCH*, above note 3 at para. 55), it seems inaccurate to assume without more ado that the Act is indifferent as to whether the use of a work is important to its intended audience.

the sheets are copies of each other, most members of that audience would reply affirmatively. If we were to ask the very same question to a group of copyright lawyers, however, we would likely get an answer along the following lines: “Well, it depends. There is certainly substantial similarity, or even identity, but it does not follow that we have an instance of copying. In order to show copying we would have to inquire whether there is a causal connection between these two sheets — that is, whether there was actual copying involved or whether, on the contrary, what we have before us is an instance of independent creation.” The copyright lawyer is well aware that mere identity does not in and of itself give rise to liability.<sup>47</sup> The copyright liability inquiry is more complex than a mere ascertaining of substantial similarity or identity between patterns of ink on sheets of paper.

The complexity is even greater in the case of the defence of fair dealing. As is well known, the defence operates to preclude liability even where there is a finding of substantial similarity (or identity) *and* causal connection. If the defence of independent creation warns us away from inferring liability from mere identity, the defence of fair dealing warns us away from inferring liability even from identity *coupled with actual copying*. Thus, strictly speaking, a finding of “reproduction” (i.e., substantial similarity coupled with actual copying) is not in and of itself sufficient to warrant the inference that liability obtains. The defence of fair dealing thus confirms that the copyright liability inquiry is far more complex than the ascertaining of physical similarity, even where such similarity is the result of copying.

In this light, Justice Bastarache’s judgment in *Euro-Excellence* covers strikingly familiar territory. The heart of the judgment is an insistence upon the fundamental importance of the distinction between patterns of ink and works of authorship for the analysis of infringement pursuant to section 27(2). It is because of that distinction that the sale of chocolate bars in wrappers carrying patterns of ink physically identical to certain works of authorship need not amount to the sale of those works of authorship themselves.

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47 On establishing infringement and the role of independent creation, see *Francis Day & Hunter Ltd., and another v. Bron (trading as Delmar Publishing Co.) and another* [1963] 1 Ch. 587 (C.A.) at 627 (per Diplock LJ):

Even complete identity of the two works may not be conclusive evidence of copying, for it may be proved that it was impossible for the author of the alleged infringing work to have had access to the copyright work. And, once the impossible (*viz.*, copying) has been eliminated, that which remains (*viz.*, coincidence [*i.e.*, independent creation]) however improbable, is the truth; I quote inaccurately, but not unconsciously, from Sherlock Holmes.

The analogy with fair dealing is instructive. Dealing fairly with a work of authorship for the purposes of criticism, for example, is not within the legitimate interests of the copyright holder. In the same vein, Justice Bastarache's point is that precluding parallel importation of consumer goods to which copyrighted works are incidentally affixed as trade-marked logos is not within the legitimate economic interests of the copyright holder. Both situations involve unauthorized yet non-infringing uses of copyrighted works (or, to be fastidiously precise, of patterns of ink identical to copyrighted works). By the same token, both situations illustrate that the concept of legitimate economic interest belongs on a higher normative plane than that of mere use. Not all unauthorized uses of copyrighted works are within the copyright holder's exclusive rights.

The analogy can be developed further still. The defence of fair dealing operates through a legal test that assists in the determination of whether the substantial reproduction giving rise to the fair dealing inquiry is an infringing one. These are the fair dealing factors formulated in *CCH*:

- a) the purpose of the dealing,
- b) the character of the dealing,
- c) the amount of the dealing,
- d) alternatives to the dealing,
- e) the nature of the plaintiff's work, and
- f) the effect of the dealing on the market of the work.<sup>48</sup>

Similarly, Justice Bastarache offers a legal test to assist in the determination whether a given use of a copyrighted work pursuant to Section 27(2) is an infringing one. Parallel importation or sale of a copyrighted work merely incidental to the parallel importation or sale of a consumer good is not parallel importation or sale of the work as such. The factors to be examined in making the determination whether the work is merely incidental to the consumer good are

- a) the nature of the product,
- b) the nature of the protected work, and
- c) the relationship of the work to the product.<sup>49</sup>

Justice Bastarache explains that "[i]f a reasonable consumer undertaking a commercial transaction does not think that the copyrighted work

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<sup>48</sup> *CCH*, above note 3 at paras. 53–60.

<sup>49</sup> *Euro-Excellence*, above note 1 at para. 94.

is what she is buying or dealing with, it is likely that the work is merely incidental to the consumer good.”<sup>50</sup>

The bare statement of this test is, I think, sufficient to allay concerns that Justice Bastarache’s interpretation of section 27(2) is untenable because it is inconsistent with section 64 of the *Copyright Act*. Justice Rothstein formulates the objection as follows:

Section 64 of the *Copyright Act* . . . addresses the very issue that is fundamental to my colleague’s approach: can a work of art appearing on a label and receiving trade-mark protection also be the subject of copyright protection? Parliament concluded that works can receive concurrent copyright and trade-mark protection.<sup>51</sup>

Nothing in Justice Bastarache’s judgment, however, is inconsistent with the proposition that, to repeat Justice Rothstein’s words, “works can receive concurrent copyright and trade-mark protection.” Justice Bastarache nowhere states that there can be no concurrent protection. In fact, he specifically states that such concurrent protection exists.<sup>52</sup> What his judgment affirms is that copyright liability pursuant to Section 27(2) does not arise automatically from the mere use of particular patterns of ink in association with a consumer good. The question whether such use gives rise to copyright liability is to be answered through the application of the merely incidental test. Where the application of the test yields the conclusion that the use of the copyrighted work in question is more than merely incidental, copyright liability arises. The use in issue would in that instance sound in copyright as well as trade-mark law (if indeed the conditions for trade-mark infringement are present, of course!). Concurrent protection would indeed obtain.

The difference between Justice Rothstein and Justice Bastarache is not about concurrent protection. It is about the interpretation of Section 27(2). Assume, for example, that the logos in issue in *Euro-Excellence* were no longer subject to copyright protection because the person who auth-

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50 *Ibid.* at para. 94. Recalling a remark of Binnie J.’s at the hearing, we might say that, on the facts of *Euro-Excellence*, it is not as if the reasonable consumer keeps the wrapper and throws away the chocolate!

51 *Ibid.* at para. 9. Abella J makes a similar claim at para. 110.

52 *Ibid.* at para. 87: “While it certainly true that one work can be the subject of both copyright and trade-mark protection (see s. 64(3)(b) of the Act), it is equally certain that different forms of intellectual property protect different types of economic interests.”

ored them has been dead for longer than 50 years.<sup>53</sup> In that case, the parallel importation of the chocolate bars would not give rise to any copyright liability, regardless of concurrent protection issues pertinent to Section 64 of the *Copyright Act*. To state the obvious, the fact that Section 64 extends concurrent copyright protection to logos used as trade-marks does not mean that Section 64 grants copyright where none exists to begin with. Although copyright and trade-mark protection may be concurrent, the copyright inquiry is radically independent from the trade-mark inquiry.

Justice Bastarache's position is that the use of the logos in *Euro-Excellence* does not sound as a copyright matter pursuant to Section 27(2). He would reach that conclusion even if the logos were unregistered under the *Trade-Marks Act*, and even if the use of the logos could not under any circumstance sustain a passing-off action at common law. As it happens, of course, it is unlikely that the plaintiff Kraft Canada Inc. could sustain, on the facts as we know them, either a trade-mark infringement or a passing-off action against the defendant Euro-Excellence Inc. But the point here is that the trade-mark aspect of the case is on the facts as irrelevant to Justice Bastarache's analysis of Section 27(2) as it would be were this a case where the copyright had expired. Justice Bastarache's judgment is about liability under the *Copyright Act*. Properly construed, his reasoning is *not* that no copyright liability arises because the logos are being used as trade-marks. His reasoning is that no copyright liability arises because the use of the logos by Euro-Excellence Inc. does not fall within the meaning of Section 27(2). Strictly speaking, Justice Bastarache's judgment has nothing to do with concurrent protection.

Distilled to its essence, the heart of Justice Bastarache's judgment is rather the distinction between patterns of ink and works of authorship. It is on the basis of this distinction that Justice Bastarache can examine the sale of chocolate bars and conclude that no copyright liability arises. Simply put, his point is that the mere presence of shapes of ink (albeit identical to the works of authorship in issue) printed on the chocolate bar wrappers cannot in and of itself ground liability. The transaction whereby title to the wrapper is transferred to a purchaser is not, by that token alone, a sale of a "copy of a work" within the meaning of Section 27(2).

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53 Section 6 of the *Copyright Act*, above note 6, provides that "[t]he term for which copyright shall subsist shall, except as otherwise expressly provided by this Act, be the life of the author, the remainder of the calendar year in which the author dies, and a period of fifty years following the end of that calendar year."

It is tempting to object that Justice Bastarache's reliance on *CCH* and *SOCAN* is suspect in that the (so-called) "exceptions" to infringement formulated in each of those cases tracked a provision in the statute — namely, the fair dealing provision in *CCH*<sup>54</sup> and the common carrier exception in *SOCAN*<sup>55</sup> — exempting the defendants from liability. In *Euro-Excellence*, by contrast, we can find no provision in the *Act* stating that "merely incidental" uses of copyrighted works are to be exempted from liability pursuant to Section 27(2).

Two important observations are worth underlining in this respect. The first is that neither in *CCH* nor in *SOCAN* were the provisions in question interpreted in the absence of pivotal references to the purpose of the *Copyright Act* as a balance between authors and users. In *CCH*, it was attentiveness to the purpose of the *Act* that in fact led the Court to alter significantly what many would have regarded as the accepted interpretation of fair dealing as a mere exception to be narrowly construed,<sup>56</sup> an interpretation that more than certainly would have fallen short of affirming the legality of the reproductions in issue in *CCH*. Similarly, in *SOCAN*, it was attentiveness to the purpose of the *Act* that led the Court to reject the Court of Appeal's narrow interpretation of the common carrier exception,<sup>57</sup> an interpretation that would have fallen short of affirming the legality of "caching." Thus, Justice Bastarache's reliance on the purpose of the *Act* to interpret Section 27(2) is by no means surprising.

More importantly — and this is the second observation worth underlining here — the demand that there be an additional provision exempting certain otherwise infringing acts from liability under Section 27(2) mis-

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54 *Ibid.* at s. 29.

55 *Ibid.* at s. 2.4(1)(b).

56 *CCH*, above note 3 at para 48: "The fair dealing exception, like other exceptions in the *Copyright Act*, is a user's right. In order to maintain the proper balance between the rights of a copyright owner and users' interests, it must not be interpreted restrictively."

57 *SOCAN*, above note 14 at para. 115:

In the Board's view, the means "necessary" under s. 2.4(1)(b) were means that were content neutral and were necessary to maximize the economy and cost-effectiveness of the Internet "conduit." That interpretation, it seems to me, best promotes "the public interest in the encouragement and dissemination of works of the arts and intellect" (*Théberge*, above, at para. 30) without depriving copyright owners of their legitimate entitlement. The creation of a "cache" copy, after all, is a serendipitous consequence of improvements in Internet technology, is content neutral, and in light of s. 2.4(1)(b) of the *Act* ought not to have any *legal* bearing on the communication between the content provider and the end user.

construes what one might call the jurisprudential location of Section 27(2) in the structure of the *Act*. The demand for an exempting provision seems to rely on the view that just as the fair dealing provision in Section 29, for example, narrows the reach of the right of reproduction granted under Section 3(1), so must an exempting provision narrow the reach of Section 27(2), if Justice Bastarache's interpretation is to have any semblance of a statutory basis. But this view rests on the assumption that Section 27(2) is akin to Section 3(1), a provision granting rights to be limited elsewhere. In *CCH*, the Supreme Court warned that, procedurally, fair dealing as a defence should not obscure the integral role of fair dealing as a user right in the overall structure of the copyright system.<sup>58</sup> It seems only natural to heed the parallel warning to steer away from concluding that any and all limitations imposed on authorial right require some kind of exempting provision. Especially in the case of Section 27(2), which grants the copyright holder under specific conditions rights additional to those already granted under the core copyright definition in Section 3(1),<sup>59</sup> it seems odd to await yet another limiting provision before allowing oneself to get on in earnest with the task of interpreting the words of the provision itself (i.e. Section 27(2)) — as does Justice Bastarache in *Euro-Excellence* — in light of the scheme and purpose of the *Act*, in particular, in light of the balance of authors and users and the specificity of copyright's own domain.

Justice Bastarache's interpretation of Section 27(2) in fact affirms a fundamental distinction familiar in copyright law — a distinction between mere physical identities and infringing copies — from a standpoint able to integrate recent and seminal Supreme Court of Canada decisions affirming the centrality of the concepts of “balance,” “limits,” and “user rights” in Canadian copyright. Of course, this is not to say that Justice Bastarache's judgment does not bring difficulties of its own in its wake. But it is to say that the view that the judgment lacks statutory and/or jurisprudential basis is either exaggerated or misplaced. The judgment is neither more nor less lacking in statutory and/or jurisprudential basis than anything else that the Supreme Court of Canada has done with copyright law at least since *Théberge*. On the contrary, among its virtues is having focused the issues in *Euro-Excellence* through a prism that advances the ongoing conversation about copyright and its limits (re)initiated in *Théberge*.

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58 *CCH*, above note 3 at para. 48.

59 *Copyright Act*, above note 6, s. 3(1): “For the purposes of this Act, ‘copyright’, in relation to a work, means the sole right to produce or reproduce the work or any substantial part thereof . . . .”

## E. CONCLUSIONS

What does remain unresolved and undeveloped in the judgment is the extent to which the conceptual structure deployed by Justice Bastarache in the interpretation of Section 27(2) would exert pressure on the interpretation of Section 3(1). Two examples will suffice to illustrate.

The first example I have in mind is a variation on the facts of *Euro-Excellence*. Assume for a moment that Euro-Excellence Inc. acquired in Europe not the wrapped chocolate bars but only the chocolate bars themselves, so that Euro-Excellence Inc. would have had to manufacture the wrappers. Assume also that Euro-Excellence Inc. goes ahead and manufactures the wrappers without authorization from the holder of the copyright in the relevant logos. Presumably no trade-mark issue would arise on these facts, as Euro-Excellence would still be offering genuine Kraft chocolate bars to the public. The resolution of the copyright issues, however, is not immediately self-evident, at least not from Justice Bastarache's perspective.

On the one hand, if—as Justice Bastarache appears to insist<sup>60</sup>—the “merely incidental” analysis is to be restricted to Section 27(2), there can be no doubt that Euro-Excellence is on these facts liable for copyright infringement, specifically, for the unauthorized reproduction on the chocolate bar wrappers of the copyrighted works. On the other hand, however, recall that Justice Bastarache found no liability on the actual facts of the case on the grounds that the “legitimate interests” of the copyright holder do not encompass the sale of chocolate bars in wrappers on which certain patterns of ink (i.e., the copyrighted works in issue) happen to appear merely incidentally. Such sales are not sales of copies of the work within the meaning of Section 27(2). But if chocolate bar sales involving merely incidental ink-patterns do not fall within the “legitimate interests” of the copyright holder, there seems to be no reason to conclude that the reproduction of such ink-patterns *solely for the purpose of being used merely incidentally* in the sale of chocolate bars does fall within such interests.

Indeed, the basic thrust of Justice Bastarache's focus on the specific authorship interests of the copyright holder would suggest that no liability would arise on those facts. Just as chocolate bar sales are not truly sales of copyrighted works appearing on wrappers merely incidentally, so reproductions of copyrighted works for the sole purpose of appearing merely incidentally on chocolate bar wrappers are not truly reproductions of the copyrighted works *as works*. There is as little reason to believe that these

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60 *Euro-Excellence*, above note 1 at para. 95.

reproductions for merely incidental use would engage the specific authorship interests of the copyright holder as there is reason to believe that chocolate bar sales do. This conclusion is possible, however, only once it is admitted that the purpose of the reproductions is relevant to the interpretation of the scope of the core exclusive right of reproduction granted to the copyright holder in Section 3(1) of the *Copyright Act*.

Evidence that such a line of thought is by no means foreign to copyright jurisprudence can be gleaned from the second example I have in mind and which I offer by way of conclusion. Assume that a patentee has submitted to the Patent Office as part of her patent specification certain diagrams disclosing her invention. Also assume that these diagrams are copyrightable, and that, because it is a reproduction of those diagrams “in any material form,”<sup>61</sup> the construction of the invention they disclose infringes the copyright in the diagrams. Thus, *prima facie*, it would seem that both during and after the expiration of the patent, the patentee has a cause of action in copyright against unauthorized construction of the invention disclosed in her drawings. Where this option is pursued after the expiration of the patent, the copyright would have the effect of providing a “backdoor” extension of the patentee’s monopoly.

Courts have handled this difficulty by appeal to a concept of “deemed abandonment” of the relevant copyrights in patent drawings.<sup>62</sup> The concept of deemed abandonment, however, seems less than accurate. The point is not so much that the patentee has a right — albeit deemed abandoned or licensed by implication<sup>63</sup> — to rely on her copyright in the patent diagrams, but rather that her copyright does not from the very outset

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61 The phrase “in any material form” appears in the core definition of “copyright” in s. 3(1) of the Act (see *Copyright Act*, above note 6). On the move from two-dimensional form (e.g., a drawing) to three-dimensional form (e.g., a doll or model) as copyright infringement, see *King Features Syndicate Inc. v. O. & M. Kleeman Ltd.*, [1941] A.C. 417 (H.L.).

62 See *Catnic Components Ltd. v. Hill & Smith Ltd.*, [1978] F.S.R. 405 (Ch.); *Burnaby Machine & Mill Equipment Ltd. v. Berglund Industrial Supply Co.* (1984), 81 C.P.R. (2d) 251 (F.C.T.D.); *Rucker Co. v. Gavel’s Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294 (F.C.T.D.). For discussion, see Gervais and Judge, *Intellectual Property*, above note 28 at 597–600; Tomkowicz, “Copyrighting Chocolate,” above note 7 at 423–25. See also Robert J. Tomkowicz and Elizabeth F. Judge, “The Right of Exclusive Access: Misusing Copyright to Expand the Patent Monopoly” (2006) 19:2 *Intellectual Property Journal* 351–91 ([http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=819109](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=819109)).

63 Gervais and Judge, *Intellectual Property*, above note 28 at 599, suggesting an implied licence solution.

encompass what we might regard as non-authorial uses of the diagrams.<sup>64</sup> Thus, while reproduction of the diagrams as posters (or perhaps even as three-dimensional models) would be actionable, reproduction of the diagrams as working inventions would fall outside the legitimate domain of the copyright, not because the patentee has abandoned or licensed the latter reproduction, but because it was not within the purview of her right to begin with.<sup>65</sup>

In short, the point is that, construed from an authorship-specific standpoint attentive to copyright's own domain, the core exclusive right of reproduction granted in Section 3(1) of the *Copyright Act* is less an absolute right to reproduce physical patterns in any and all contexts than a far more richly textured right to reproduce works as works.<sup>66</sup> Only the legitimate interests of authors as authors are protected under the *Copyright Act*.

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64 Compare Tomkowicz, "Copyrighting Chocolate," above note 7 at 424, suggesting a "limited judicial doctrine of copyright misuse" rooted in the purpose of the *Copyright Act*.

65 *Euro-Excellence*, above note 1 at para. 103 (Bastarache J):

The above does not imply that the Côte d'Or or Toblerone logos are not copyrightable works. Quite the opposite: the logos have been properly registered and there is no reason to dispute the trial judge's conclusions that the logos meet the Act's originality threshold and are therefore copyrightable works. KCI [Kraft Canada Inc.], as holder of those copyrights in Canada, would surely succeed in an action for copyright infringement against a defendant who produced and distributed posters of the logos, for example. However, it is necessary to ensure that this legitimate copyright protection is not illegitimately leveraged into a protection for a market in consumer goods.

66 On the concept of "works as works," see Drassinower, "Authorship as Public Address," above note 43 (analyzing works of authorship as communicative acts).