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# REPORT ON THE APPROPRIATENESS OF LEGISLATION PROTECTING FUNCTIONAL OBJECTS

March, 1991

PREPARED FOR

THE DEPARTMENT OF CONSUMER AND  
CORPORATE AFFAIRS

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## ABSTRACT

This Report examines the question as to whether it is appropriate that Canada adopt legislation for the protection of the shape and design of objects that are largely if not entirely functional but do not have the necessary attributes as to patentability. It is the recommendation of the authors of this Report that, in view of the lack of specific treaty obligations, the lack of an international consensus and in view of the lack of any clear demand from the business community, there is no need for Canada, at present, to move to adopt such legislation.

**REPORT ON THE APPROPRIATENESS OF LEGISLATION  
PROTECTING FUNCTIONAL OBJECTS**

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**IS LEGISLATION PROTECTION  
FOR FUNCTIONAL OBJECTS  
APPROPRIATE FOR CANADA**

**A. THE QUESTION**

The authors of this report have been asked by Consumer and Corporate Affairs Canada to survey the history of legislation and jurisprudence in Canada and elsewhere and present this Report giving recommendations as to whether it is appropriate that Canada adopt legislation for the protection of the shape and design of objects that are largely, if not entirely, functional but do not have the necessary attributes for patentability, and, if so, what legislation may be appropriate.

## B. INTRODUCTION

Industrialized nations have traditionally fought for a balance between encouragement and reward for those who innovate, and the free availability of up to date products at the least cost to consumers. The public readily concedes that great artists, such as sculptors, should be protected for a reasonable period against unauthorized copying; the public similarly concedes that creators of new devices such as computers, should be encouraged. On the other hand, the public also demands that commodities such as nails and lamp bulbs be cheap, readily available and interchangeable, in competitive economic conditions.

The controversy exists between the extremes; for instance, must an automobile owner return to the manufacturer's representative for a new muffler, or a new fender? Parts must not only fit, they must also function and "look right". Can anyone make a fender for a new Chevrolet, or only the designer or the designer's employer General Motors?

Countries in the forefront of industrial technology such as the United States, Germany, the United Kingdom and Japan have created substantial laws in areas such as patent, Utility Model, design law, copyright, and computer chip legislation, all designed to give significant monopolies to creators and innovators. Other countries have significant copying industries engaged in the manufacture of unauthorized replacement parts for vehicles, "look alike" fashion items such as watches. Some of these countries do have legislation that is, in theory, like that of the forefront countries but enforcement of such legislation is indifferent if not impossible.

Canada has tended to follow the lead of forefront countries. It has, for instance, made recent changes to its patent laws to conform to the leading European and international standards. Changes have been made to Canada's copyright laws to deal with issues such as "moral rights" for authors, and the administration of copyright royalties associated with cable television. One significant change to Canada's copyright law in June, 1988 was the removal of copyright protection (if indeed there ever was such protection) for functional three dimensional objects intended for volume manufacturer. This latter change has given rise to the question to be addressed in this report.

Canada has, historically, adopted a very traditional approach to the legislative protection of what is commonly referred to as "industrial property" rights, that is patents which grant to the owner a monopoly of up to twenty years from the filing of a patent application for an invention which is a new useful and inventive product, machine or process; industrial designs which grant a monopoly of up to ten years to the proprietor of a new ornamental design which is applied to a product; copyright which grants a monopoly of fifty years and more to the author of an original artistic work that is not intended for production in volume; and trade-marks which provide protection for an indefinite term to labels and packaging which have acquired a character that is recognized as unique and distinguishing the product or service of a particular person or organization.

A patent is generally considered to be involving something that is an "invention"; an industrial design has more to do, in this context, with eye appeal than technology and is "ornamental" in nature; copyright relates to a work which is "original" and sometimes "artistic"; trade-mark rights are created by use in the marketplace and have to do with logos, words, or packaging or shape of an object that make it distinguishable from products from other sources.

The problem arises since the lines between what is "inventive" or "ornamental" or "original" or "artistic" or "distinctive" have never been well defined, nor capable of exact description or application in practice. Most objects possess many of each of these characteristics and can, and have on occasion, been argued to possess whichever characteristic or group of characteristics, that suits the purposes of the proponent. As a result, we have seen a series of confusing and often inconsistent decisions by the Courts as well as legislative attempts at clarification not only in Canada but also in many other industrialized country where similar problems have arisen.



## C. HISTORY OF CANADIAN JURISPRUDENCE

Since amendments were made to the *Canadian Copyright Act RSC 1985, c. C-42*, sections 64 and 64.1, (a copy of these sections is attached) there is no copyright protection afforded to the shape or design of objects that are functional; where protection is sought for ornamental features, registration under the *Industrial Design Act RSC 1985, c. I-9*, (copy attached) can be obtained. The history leading to this present situation is considerably intertwined with the United Kingdom experience, requiring therefore a closer look at what has happened in the United Kingdom.

The history of copyright protection in the United Kingdom, particularly in artistic works, came about in a rather piecemeal fashion. Protection was first extended in two acts of George III (*54 Geo III c. 56* and *38 Geo III c. 71*) which provided limited protection for new models of casts and busts. In 1839 (*2 Vict. c. 17*) an Act was passed to give to proprietors of designs of articles a limited period of monopoly. Other Acts were passed to give protection for paintings, printed materials and so forth but it was not until 1911 that a consolidated *Copyright Act* was passed embracing all "copyright" matters (*1 & 2 Geo V, c. 46*). At almost the same time, 1907, the *Patents and Designs Act (7 Edw. VII, c. 29)* was enacted so that persons who had created designs for manufactured articles which "appealed to and are judge solely by the eye" could register such design if produced by an industrial process. It was almost inevitable that a pattern or model would have to be created but would be considered as an artistic work thereby attracting copyright protection (e.g. *Miller v. Polak [1908] 1 Ch 433*) Thus the *Copyright Act* of 1911 provided that copyright protection did not extend to designs "capable of being registered" as industrial designs and providing a series of rules for such capability such as the making of over 50 copies.

The Canadian *Copyright Act* passed in 1924 is essentially the same as the United Kingdom Act of 1911. The provisions respecting Canadian Industrial Designs are essentially the same as well. Canada amended these provisions in June 1988. The United Kingdom Act was first amended in that regard in 1956 and again in 1988 to correct a rather peculiar course of judicial interpretation that had been given to those United Kingdom statutes.

Under the 1911 Act, the United Kingdom Courts did recognize some form of copyright protection in three dimensional articles; a leading case is *King Features v. Kleeman [1941] A C 417* where the House of Lords held that a brooch in the form of the popular "Popeye" cartoon character infringed copyright in the drawing of the character.

In 1956 the United Kingdom *Copyright Act (4&5 Eliz. II, c.74)* was amended so as to provide that copyright would subsist in drawings irrespective of their artistic merit (s. 3(1)(a)). Three dimensional reproductions of those drawings would infringe the copyright (s.9(8)) even though those three dimensional works themselves were not capable of copyright protection (s. 3(1)(a)). These provisions were considered by the English Court of Appeal in *Dorling v. Honnor [1965] Ch 1*, a case dealing with whether a copyright existed in plans for a boat design. The court held that where the design of an article was not "registrable" under the *Registered Design Act* as being functional rather than ornamental, it still enjoyed copyright protection.

In 1968 there was implemented in the United Kingdom a *Design Copyright Act* (copy attached) which would provide copyright protection to registered or registrable designs for a period of 15 years, the same term as a registered Industrial Design. It was seen that registration as Industrial Design for articles that had "appeal to the eye" would be given protection for only 15 years. On the other hand, copyright offered the protection, without needing any form of registration, for 50 years and more, provided there existed a drawing of which the three dimensional object could, to a "non-expert", appear to be a copy.

A series of cases in the United Kingdom Courts followed in which designs that could not be registered under the *Designs Act* were entitled to copyright protection for 50 years. An example is *Interlego AG v. Tyco Industries [1988] 3 WLR 678*, a case in the Privy Council where it was argued that the popular "Lego" toy blocks were not registrable as designs hence enjoyed copyright protection. A high water point was reached in *LB (Plastic) Ltd. v. Swish Products Ltd. [1979] RPC 591*, a decision of the House of Lords dealing with knock down plastic drawers familiar to those making "Ikea" furniture. There was never an original drawing of the drawers, though one was later created, and the drawers were not particularly different from similar types previously made and sold by others. The Court nonetheless held that the drawers were entitled to copyright and drawers copied from these drawers infringed that copyright.

The latest case decided in the House of Lords in *British Leyland Corp. v. Armstrong Patents Co. Ltd., [1986] AC 577*, tried to come to grips with the incongruities raised by the decisions. This case involved replacement automotive exhaust systems. The automobile manufacturer argued that independent muffler shapes infringed the manufacturer's copyright in the exhaust system by providing the customer with replacement parts. The House of Lords had difficulty backing off from the *LB (Plastic) Ltd. v. Swish Products* decision where they had recently decided that copyright did exist. Thus in the *British Leyland* decision, the House of Lords created the doctrine that an automobile owner has an "inherent right to repair" which superseded any copyright. There were very different judicial opinions given in the House of Lords, for one Lord Scarman said at page 613:

*"this case illustrates that... nothing less than an overhaul of some of the principles of the modern extended law is necessary. Judicial decision has extended copyright protection to industrial drawings of purely functional objects... Thus there has arisen the anomaly that in effect... a manufacturer can achieve in respect of such objects... a more enduring monopoly than would have been available if the object had been which it is not, patentable... or its design had been registrable."*

Against this background and having several reports in mind, the United Kingdom Parliament in 1988 passed several amendments in the copyright and design area. The *Designs and Patents Act 1988* (36 & 37 Eliz. II, c. 48) (copy attached) introduced the concept of a proprietary right in a "design" which is defined as:

*"any aspect of the shape or configuration (whether) internal or external of the whole or part of an article" (Sec. 213(2)). Exceptions were provided, (Sec. 213(3)) so that a design right does not subsist in*

- (a) a method or principle of construction,*
- (b) features of shape or configuration of an article which;*
  - (i) enable the article to be connected to, or placed in around or against, another article so that either may perform its function, or*
  - (ii) are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part, or*
- (c) surface decoration."*

The exception in part (b) is sometimes called the "must match" exception to provide for lamp bulb sockets and the like although it appears that an article having only in part a "must match" feature must still, as a whole, be considered as a design (see *Amp Inc. v. Utilux Pty Ltd.*, [1977] RPC 103.)

The *Copyright Act* and *Registered Design Act* were amended so that copyright extended to "artistic" three dimensional objects only for the same length of time as a registered design (25 years). However if a design is not "artistic" it gets no copyright protection except that provided by the "design right".

The "design right" is automatic, no registration is required as provided for, and it lasts for up to 15 years. However for the last five years of this term compulsory licenses are available. It can extend to functional objects and arises once the design is reproduced in a drawing or article bearing the design (such as a prototype). This right is only available if the designer was a citizen or subject of the United Kingdom or its colonies and the design was made in the United Kingdom or a State of the European Economic Community. Provision is made to extend the qualifications to other countries by Order.

To date there are no reported decisions which comment on these provisions. However the endeavour is to create a minimum 15 year right to new articles, functional or not, and extend a right up to 25 years for artistic articles. Qualifications as to citizenship and country of origin create severe restrictions and it is doubtful that these provisions comply with International treaty obligations for reciprocity (see section H (3) infra).

Against this vigorous background of British jurisprudence, the Canadian situation should now be examined.

The longest line of cases in Canada relates to Industrial Design. The proprietor of an Industrial Design can apply to the Canadian Industrial Design Office to register the design, giving the proprietor up to 10 years of a monopoly in applying that design to objects. A design, in order to be registered, must be "new" (i.e. not previously "published" in Canada) and "ornamental" (i.e. not "functional"). Traditionally the thought was that a design of this sort was something that was "applied to" an article rather than part of the shape of an article. This thinking was changed by the *Cimon* case (*Cimon Ltd. v. Bench Made Furniture Corp.*) [1965] 1 Ex.Cr. 811) where the Exchequer Court made it clear that both designs "applied to", and those "forming part of" the shape of an article, could be registered.

A controversy persists as to whether a given design is "functional", hence not registrable, or whether it is "ornamental", hence registrable. A few examples of registrations refused are a tire tread design (*Goodyear Tire & Rubber v. Commissioner of Patents* [1979] 2 FC 558 (CA)); aluminum extrusions (*Gandy v. Commissioner of Patents* (1980) 47 C.P.R. (2d) 118 (FCA)); and clothes hangers (*Mainetti S.P.A. v. E.R.A. Display Co.* 80 C.P.R. (2nd) 206); whereas in earlier decisions registrations were allowed for a rubber overshoe (*Kaufman Rubber Co. v. Minor Rubber Co.* [1926] Ex.Cr. 26); and a building block (*Angelstone Ltd. v. Artistic Strong Ltd.* [1960] Ex.Cr. 286).

Prior to 1988 there was an overlap between industrial design and copyright. Anything capable of being registered as an industrial design and made in over 50 copies did not get copyright protection (e.g. *Bayliner Marine Corp. v. Doral Boats Ltd.* [1986] 3 FC 421 (FCA)). Thus, it was argued that if something was "functional" it was not "capable of being registered" as an industrial design and therefore got the automatic copyright protection without registration for the author's lifetime plus 50 years.

Canadian Courts began to follow the United Kingdom law in this respect since Canadian law was like the United Kingdom law prior to 1956. Since many persons neglected or deliberately chose not to register industrial designs, in order to argue that such objects possessed copyright protection. The defence was that if the design of the object was "capable" of being registered as an industrial design then copyright protection was lost. The Canadian Courts had to decide what was "capable" of being registered. They decided that the "intent" of the creator may matter (*Central Art Services v. Steinberg Inc.* (1987), 12 CIPR 29 (Que.))

The Courts have been divided as to whether purely functional objects get copyright protection; the Federal Court of Appeal said enigmatically "to ask the question is to answer it" (presumably meaning no!) *Bayliner Marine Corp. v. Doral Boats Ltd.* [1986] 3 FC 421 whereas the British Columbia Courts suggests that copyright protection does exist (*Spiro-Flex Industries Ltd. v. Progress Sealing Inc.* (1986), 13 C.P.R. (3d) 311). The *Bayliner* case in the Federal Court of Appeal did conclude that if the design was ornamental and over 50 copies were intended to be provided, it was "capable" of being registered as an industrial design, hence had no copyright protection was available. In that case, a series of popular motor boats had been copied by a practice known as "flipping" where a competitor's boat was purchased, some changes made by cutting or adding material and a competitive boat could be made directly from the modified boat. The Court held that the boat design was largely ornamental, should have been registered as an industrial design and had no copyright protection.

Still left open is the question as to whether practices such as "flipping" could represent unfair competition or other form of common law passing off (e.g. *Bayliner supra* and *Gunnard Co. v. Regal Home Products Inc.* (1986), 13 C.P.R. (3d) 335 (Ont.)).

In 1988, the Parliament of Canada passed amendments to the *Copyright Act* and the *Industrial Design Act* so that it would not be copyright or industrial design infringement to copy any functional object, or any artistic object which had been produced in numbers greater than fifty, unless the artistic object was registered as an industrial design. In effect thereafter, all copyright protection for functional objects made in quantity was removed, leaving only industrial designs protection available for "ornamental" features.

Other countries have legislation such as Utility Model for "less inventive" objects than patented devices, or in the United Kingdom, for functional objects except those that must, of necessity, fit on or in something else (e.g. a lamp bulb). There is presently a vacuum in Canada with no statutory protection at all. Some cases have been instituted to determine the legality of the retroactive effect of the changes to the Canadian *Copyright Act* and *Industrial Design Act*, (*Iscar Ltd. v. Hertel GmbH* (1988), 23 C.P.R. (3d) 406) an interlocutory decision. The case was settled without a trial on the merits. Other cases have held that some form of common law protection against "passing off" may be available for three dimensional objects (*Oxford Pendaflex Canada Ltd. v. Korr Marketing Ltd.* [1982] 1 SCR 494).

It is too early to tell whether these recent legislative amendments to the *Copyright Act* have had an effect on the Canadian marketplace, which in any event may be too small a player on the international scene to be noticed much. No massive copying industries appear to have been established. No substantial number of cases have come before the Courts to establish whether other means, such as passing off, are useful to prevent copying. While some small lobbying may from time to time have been made by some particular interest groups, no large scale consensus seems to have arisen to challenge the merits of this recent change in our law.

## D. 1988 AMENDMENTS TO THE CANADIAN COPYRIGHT ACT

On June 8, 1988, Royal Assent was given to a great many changes to the Canadian *Copyright Act*. This *Act* had been in force since 1924 with very few changes, relevant to this topic; the 1924 *Act* was essentially a copy of the United Kingdom *Copyright Act* of 1911.

As previously discussed, prior to the changes in 1988 the law in Canada relating to copyright protections in three dimensional objects had been interpreted by the Federal Court of Appeal in the *Bayliner* case (*Bayliner Marine Corp. v. Doral Boats Ltd.* [1986] 3 FC 421) to mean that no copyright protection extended to "ornamental" features and appear to leave open whether or not it extended to "functional" features. The latter issue was considered by a British Columbia court in dealing with sewer pumps where the Court expressed a view that perhaps functional objects did enjoy copyright protection (*Spiro-Flex Industries Ltd. v. Progressive Sealing Inc.* (1986), 13 CPR (3d 311).

The 1988 amendments are expressed in complex terms, but simply stated, the intention appears to remove any claim to copyright, and any claim for infringement of copyright, in functional articles.

The amendments provide in respect of designs created after June 8, 1988, that where copyright otherwise subsists in a design applied to a "useful article" or an artistic work derived from that design and the owner or anyone authorized by the Canadian or a foreign owner of copyright makes fifty or more copies (presumably in Canada or elsewhere) or if the article is a plate and is used to make fifty or more such copies, then it is not an infringement to make that article or any drawing or other reproduction of the article or otherwise do what the copyright owner could do.

Certain exemptions are provided so that it remains an infringement of a copyright in a work that is used as or for:

- (a) *a graphic or photographic representation that is applied to the face of an article;*
- (b) *a trade-mark or a representation thereof or a label;*
- (c) *material that has a woven or knitted pattern or that is suitable for piece goods or surface coverings or for making wearing apparel;*
- (d) *an architectural work of art that is a building or model of a building;*

- (e) *a representation of a real or fictitious being, event or place that is applied to an article as a feature or shape, configuration, pattern or ornament;*
- (f) *articles that are sold as a set, unless more than fifty sets are made; or*
- (g) *such other work or article as may be prescribed by regulation of the Governor in Council.*

Notwithstanding the above, it is not an infringement of copyright or moral rights to do certain acts, namely:

- (a) *applying to a useful article features that are dictated solely by a utilitarian function of the article;*
- (b) *by reference solely to a useful article, making a drawing or other reproduction in any material form of any features of the article that are dictated solely by a utilitarian function of the article;*
- (c) *doing with a useful article having only features described in paragraph (a) or doing with a drawing or a reproduction that is made as described in paragraph (b) anything that the owner of the copyright has the sole right to do with the work; or*
- (d) *using any method or principle of manufacture or construction.*

There have not yet been any reported cases dealing with the substance of these new provisions. These provisions (a) to (d) above are retroactive, thus apply to anything that happened before June 1988 as well as afterward, and some legal skirmishes have happened in this area. However this will become less relevant as time goes on. There is a three year limitation period applicable to copyright actions so that after June 1991, these retroactive provisions should be less of an issue.



What has happened since June 1988? On the legal front, really nothing. The *Bayliner* case has left it open for determination in another case whether direct copying by creating moulds from a competitor's product may be a form of "passing off" or "unfair competition". There is a long line of cases to the effect that if a product is "distinctive", thereby acquiring a reputation in the marketplace because of its appearance, then the courts will prevent those who seek to copy it or create a similar appearance. There is also the provisions of the *Industrial Design Act* which continues to provide protection for up to 10 years for registered ornamental designs; and the *Copyright Act* continues to protect "artistic" objects made in less than 50 copies. However, functional objects such as bolts, nails, exhaust pipes, spare machinery parts and the like have no copyright protection, nor indeed any form of statutory protection in Canada.

## E. OVERLAP IN CANADIAN LEGISLATION

Notwithstanding the 1988 amendments to the Canadian *Copyright Act*, supra, eliminating copyright protection for the appearance of functional articles, there are several areas in which overlap between different forms of industrial property exists.

The most closely related statutes are the *Industrial Design Act RSC 1985 c. I-9* and the *Copyright Act RSC 1985 c. C-42*. Prior to the amendment to the *Copyright Act* of June, 1988, Section 46 of that *Act* stated quite clearly that rights granted under the *Copyright Act* and rights granted under the *Industrial Design Act* could only overlap if the design, though capable of being registered under the *Industrial Design Act*, was not used or intended to be used as a model or pattern to be multiplied by any industrial process, which meant according to the general rules under the *Industrial Design Act*, to be multiplied in quantities exceeding fifty. Since the *Copyright Act* was amended and the provisions of the old Section 46 repealed, it can still be said that the overlap can only exist for designs applied to useful articles reproduced in a quantity of less than fifty (see Section 64(2) of the *Copyright Act*). If a design capable of being registered under the *Industrial Design Act* is not applied to a useful article (which would not be the common case of an industrial design) and the design is reproduced in a quantity of more than fifty, an overlap between the protection granted by the *Copyright Act* and the *Industrial Design Act* could exist, which was not the case prior to the amendments to the *Copyright Act* of June, 1988. An example of such a design could be found in a purely ornamental object manufactured and multiplied by an industrial process in quantities exceeding fifty and not applied to useful article.

The relationship between patent rights and copyright has been commented upon by Canadian Courts but not resolved. In the case of *Rucker Co. v. Gavel's Vulcanizing Ltd. (1985)*, 7 *CPR (3d)* 294, the Trial Decision of the Federal Court stated that "...[it] was not the intention of Parliament nor from a practical view is it desirable that the *Patent Act*, the *Copyright Act*, and the *Industrial Design Act* should be interpreted so as to give overlapping protection (pp 312-3)" and refused to give copyright protection to a patented article. This decision must be contrasted with the recent case of *Energy Absorption Systems Inc. v. Boissoneault & Fils Inc. (1990)*, 30 *CPR (3d)* 420 where the same Court (but different Judge) stated that a party "...ought not to lose copyright protection because of the existence of a patent that it owns (p. 468)."

Trade-mark protection is extended to a design placed upon, or forming the shape of an article, if it is shown that such design is recognized by the public as being distinctive of a particular person or organization. The Courts, however, have refused to extend such protection where the design is seen to be essentially functional so that, for instance a colored band around a pharmaceutical capsule that really served to seal the capsule and identify the medical ingredients cannot also be a trade-mark; *Parke Davis & Co. v. Empire Laboratories Ltd.* [1964] SCR 351. However a colored strand woven into a rope, which has no real functional purpose, was held to be a good trade-mark; *Wrights Ropes Ltd. v. Broderick and Bascom Rope Co.* [1931] Ex Cr 143; a pine scented air freshener in the shape of a pine tree constituted a good trade-mark; *Samann v. Canada's Royal Gold Pinetree Mfg. Co. Ltd.* (1986), 9 CPR (2d) 223 (FCA). The message derived from these decisions, and similar decisions, is that it often becomes a rather subjective issue, to be decided in each case, whether or not a design or shape is so functional as to be denied trade-mark protection.

## F. LEGISLATIVE EXPERIENCE IN OTHER COUNTRIES

### 1. IN GENERAL

Protection has been extended to the shape of or design applied to objects, in a variety of ways in many countries. Traditional ways include a registered design right, generally applicable only to ornamental features; another is the Utility Model concept which is a form of patent protection given to the design or shape of object that cannot truly be called inventive. Newer concepts have recently been developed in the United Kingdom and discussed in the United States, Europe and South Africa, whereby a limited form of protection, like copyright, is available for a short term subject to extended protection following registration. A review of these traditional, and some of the more progressive, concepts follows. A more detailed examination of the legislation in certain countries is appended.

### 2. REGISTERED DESIGN

The Canadian *Industrial Design Act* RSC 1985, c. I-9 is typical of legislation found in many countries whereby a term of monopoly is given to new designs applied to or forming the shape of objects, provided the design is "ornamental". A copy of this *Act* is attached. The sections of the United States *Patent Act* (Title 35 of The United States Code) extend similar protection to any new, original and ornamental design for an article of manufacture. It is not the intention of this form of legislation to provide protection for designs that are considered to be "functional".

Generally, there is provided some procedure for applying for protection, examination by government employees for the purpose of ensuring that the design appears to be new and not previously published, and registration. A monopoly in respect to that design is given to the registered owner for a term generally between five and fifteen years, that is, less than the term given for patent protection (about 17 to 20 years) and much less than copyright (at least 50 years). For example, a United States Design Patent provides for a period of exclusivity of 14 years.

### 3. UTILITY MODEL

Several countries in Europe and the Far East have adopted legislation affording protection for new designs of a functional nature as applied to objects; Canada has not.

This form of protection is similar to that of patent and is often viewed as an alternative form of protection particularly where it is believed that the features of the design are not sufficiently new or inventive so as to merit patent protection. Typically, protection of this kind is sought for tools, parts of machinery and articles of everyday use which demonstrate some form of novelty and a degree of inventiveness although it is generally conceded that the degree of inventiveness, required is not as high as that required for a patent. Some countries provide for a period of opposition whereby new applications are published before registration and may be opposed by interested members of the public.

The term of protection is less than that for a patent, generally a maximum of ten years.

This system has advantages in that it tends to support a higher level of inventiveness for a patent by providing an alternative to a patent for articles which have questionable inventive attributes and by avoiding questionable endeavours to describe as "ornamental" that which is largely functional, when only registered design right for ornamental objects are provided.

Disadvantages of this system are that it requires the registration of designs in order that protection be afforded and it does require the government to establish and maintain an examination and registration system.

Two foreign jurisdictions which have implemented utility model legislation are Germany and Japan:

## **I. GERMANY**

In West Germany, two possibilities exist for protecting functional objects: firstly, under the Utility Model and, secondly, under the Copyright Law. Functional objects are however excluded from the protection of the Model and Design Act, since designs are registrable under this Act only so far as they are not functional.

### **(i) Nature And Scope Of Protection**

Utility Model subsists in working tools and implements, articles of everyday use or parts thereof, which show a new configuration, arrangement, device or circuit.

To be protected, the Utility Model must be registered. It is granted after a formal examination only, normally about three (3) months after filing. On a special request, the German Patent office can carry out a search to examine the prepublished matter. This request can be made by the applicant, the owner or a third person at the time of filing the application.

There is no examination as to novelty and inventiveness, contrary to standard patents. Criteria of novelty and inventiveness are examined only if a dispute arises with a third party.

No registration can be allowed if a prior use is known in West Germany. However, the German Utility Model is legally valid even if its subject has already been marked in another country. Novelty is not destroyed, and a legally valid Utility Model can still be obtained from an application even when the subject matter of the Utility Model is published or used, i.e., brought on to the market by the applicant or his predecessor in title or a third person who has obtained knowledge of the invention by the predecessor, not more than six (6) months before filing date or priority date of this application.

The inventive level required for the granting of an Utility Model is less than that for a patent. A valid Utility Model can be obtained for a subject matter for which a patent cannot be granted. Accordingly, it is possible that because of a particular prior art determined after grant, a patent can be nullified but the Utility Model cannot be. However, a certain level of inventiveness must be found in the Utility Model which must constitute an engineering improvement in Germany and elsewhere. As inventive achievement, it must surpass the capability of the average expert.

#### **(ii) Duration**

The term for a Utility Model is eight (8) years from filing date, which is shorter than the 20 year protection for a patent in West Germany.

#### **(iii) Infringement and Remedies**

The scope of protection is as wide as for a patent. The owner of the Utility Model has the exclusive right to use the model and can prohibit a third party from making, offering, putting on the market or using a product which is the subject of the model, or importing or possessing the product for such purpose. The protection is also extended to the inventive idea which results from the Utility Model. Thus, after registration of the Utility Model, claims for injunction and damages against infringers to the rights mentioned above can be made.

## II JAPAN

### (i) Scope of Protection

Under Article 1 of the Japanese Utility Model Law, a Utility Model is defined as being a device relating to the shape or construction of an article or to a combination of articles.

To be registrable, a Utility Model must be novel, inventive, industrially applicable, and must relate to the shape or construction of articles or a combination thereof. Thus, processes are not protectable by way of Utility Model registration. All other classifications of devices which would be proper subject matter for patent, are also protectable by way of Utility Model. Furthermore, Japanese Utility Model Law employs many of the principles of Japanese Patent Law, in terms of both substance and procedure.

The inventiveness required for a Utility Model registration is of a lesser degree than that required for patents. Specifically, Utility Models that could "very easily" have been originated by persons of ordinary skill in the art on the basis of Utility Models known, used, or described in a printed publication anywhere in the world, are not registrable.

Applications for Utility Models may be converted to applications for patents (or designs) within a prescribed time period. Furthermore, conversions of patent and design applications to Utility Model applications are also possible within a set period of time.

The absolute novelty provisions under Japanese Patent Law are equally applicable to Japanese Utility Model Law. Specifically, Utility Models which are known or have been used in Japan or described in a printed publication anywhere prior to filing, are unregistrable.

As with the Japanese Patent Law, there is an exemption for disclosure contrary to the applicant's will, or by virtue of experiment,. There is also an exemption where the Utility Model has been disclosed in a publication or display at an officially recognized exhibition, provided the Utility Model application is filed within six months of such disclosure and a statement of the facts accompanies the application.

It is important to note that many of the provisions of the Japanese Patent Law are applied to Utility Model rights, *mutatis mutandis*.

## (ii) Term of Protection and Marking

The term of a Japanese Utility Model registration is 10 years from the date of publication, but may not exceed 15 years from the application date. There are no provisions for renewal.

Proprietors of registered Utility Models are required to mark the registered models. Japanese Utility Model Law also provides for criminal sanctions in the event of fraudulent marking.

## (iii) Infringement and Remedies

The types of actions and remedies available under Japanese Utility Model Law include temporary injunction (Kari-Shobun) for temporarily enjoining any infringing activities until disposition at trial, and main lawsuit (Honso) for permanently enjoining infringing activities and obtaining compensation for damages incurred as a result of infringement. Japanese courts are reluctant to grant temporary injunctions in Utility Model actions where the court determines that some delicate and difficult technical problem is involved, preferring instead to postpone the decision or urge the plaintiff to institute a main lawsuit.

## 4. UNREGISTERED DESIGN RIGHT

In 1988, the United Kingdom adopted changes to its legislation (the *Copyright, Designs and Patents Act*) after considerable debate, directed to providing a form of protection, like copyright, to designs applied to objects. (A copy is attached.) In addition, the United Kingdom preserved its *Registered Designs Act* with certain changes.

Protection afforded to unregistered designs is quite parochial. Protection is afforded only to original designs and begins only when the design has been fixed either in a drawing or in an article made in accordance with the design. The design must have been made by a qualifying individual (i.e. a citizen or subject of, or habitually resident in, the United Kingdom or other European Economic Community country or any country in respect of which an Order in Council has been made), or under a commission or employment by a qualifying person (i.e. a qualifying individual or a body having legal personality formed under or having a place of business at which substantial business activity is carried on in a qualifying country), or first marketed in the United Kingdom, another European Economic Community country or a country in respect of which an Order in Council has been made, by a qualifying person who is exclusively authorized to put such articles on the market. The term of protection is fifteen years from the end of the calendar year in which the design was first recorded in a document or an article was first made to the design; or if articles which are made to the design, are made available for sale or hire within the first



five years of that year, ten years from the end of the calendar year in which that first occurred.

The *Registered Design Act* is still maintained with a 25 year term of protection being available. One of the main distinctions between registered and unregistered design is that infringement of an unregistered design can only be proved if the alleged infringer is shown to have actually "copied" the design whereas if the design is registered, it is only necessary to prove that the design is sufficiently similar; it is not necessary to prove copying.

The 1988 legislation specifies that designs which "must match" that is, designs encompassing a feature which enables the article to be connected to, placed in, around or against another to perform its function or that are intended to be an integral part of another article, are not protected by the Act. This is an attempt to preserve the right to acquire spare parts from a variety of sources, consistent with the *British Leyland v. Armstrong* decision discussed earlier.

Similar legislation has been proposed in the United States but no such legislation has been passed.

## 5. REGISTERED FUNCTIONAL DESIGN

The South African Government published a new draft bill on August 24, 1990 (copy attached) which would repeal the *Designs Act, 1967*, in its entirety. The Bill would replace the prior *Act* but would substantially retain the existing system for the registration and protection of designs, and in addition, would provide for the protection of so called "functional designs". Aesthetic designs which are presently capable of registration under the *Design Act*, would continue to be registrable under the new Act. In addition, a "functional design" is defined under the statute in the same way as an aesthetic design, except for removal of the prohibition against the design being dictated solely by the function which the article is intended to perform. The Bill provides that aesthetic designs would be registrable in Part A of the register of designs, while functional designs would be registrable in Part F of the register. It is contemplated that the same design can be registered in both Parts A and F.

The novelty requirements for aesthetic designs remain the same. However, the novelty requirements for the functional designs require that the design be new at the time of application for registration, or at the time when the design was first made available to the public by public disclosure of it, or by distribution, sale, or the offering or exposing for distribution or sale of authorized reproductions to the public (the "release date") whichever is earlier.

Whereas the proprietor of an aesthetic design is given the absolute right to exclude others from making, importing, using or disposing of any article embodying the registered design or a substantially similar design, the proprietor of a registered functional design would be given the right to exclude others from "reproducing" the registered design or a substantially similar design or from using, importing or disposing of any article embodying such design. Thus, whereas the proprietor of a registered aesthetic design can prevent the use of similar designs irrespective of where the design was derived, the proprietor of a registered functional design would only be permitted to prevent the use of a similar design arrived at by actual copying of the registered functional design.

The proposed term of protection for aesthetic designs would remain the same (i.e. 5 years, subject to two further 5 year renewals). Duration of a functional design registration would subsist for a period of 10 years from the date of registration or the release date, whichever is the earlier.

A functional design would be registrable at any time within 10 years from its release date, provided that the novelty requirements have been met.

There is included a provision by which any person who has expended time or money prior to registration of a design, which has been asserted against him may apply to the Court for reasonable compensation from the proprietor in respect of money, time and labour which he expended prior to registration.

Compulsory licenses will be available in the event of failure to commercially exploit the design in South Africa.

## 6. MIXTURE OF REGISTERED AND UNREGISTERED DESIGN RIGHTS

As previously discussed, the United Kingdom provides for parallel systems of registered and unregistered design rights. Late in 1990, the Max Planck Institute in Germany proposed a draft law for the European Economic Community relating to design. (A copy is attached.) This law would provide protection for designs of a two-dimensional or three-dimensional form "capable of having an effect on the human senses of form and/or colour" but would not give protection to designs "exclusively contingent upon their technical function for their intended use". In other words, the kind of design protected is like the "ornamental" design protected under Canada's *Industrial Design Act*.

This draft proposes a limited period of protection (two years) without registration and a larger term (twenty five years) with registration. It is interesting to note that a term of protection without registration (like copyright) is provided, followed by a longer term available only with registration (like industrial design), but the concept is limited to "ornamental" rather than "functional" designs.

More recently, the Directorate General III of the European Economic Community Commission has commented publicly that it is in favour of an extended term of protection for designs as suggested by The Max Planck Report. However, the Directorate General III has indicated that it would prefer only a requirement of originality as a prerequisite to registrability, instead of the combined novelty and originality requirement proposed by The Max Planck Institute.

The views of the Directorate General III are expected to be elaborated upon in a European Economic Community green paper due for publication in April, 1991.

## G. COMMON LAW - UNFAIR COMPETITION

Apart from legislation, there exists the common law concepts of unfair competition which are said to have been codified, under Section 7 of the *Trade-marks Act* RSC 1985, c. T-13, by the Federal Court of Appeal in *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* [1987] 3 FC 544 (FCA). Using the common law concepts whereby a trader may be protected against unfair competition, the Canadian courts have stated that where the shape or appearance of an article, commonly called "get-up" has become sufficiently identified in the mind of the public as to distinguish the wares of a trader, then it will prevent another from using confusing or deceptively similar get up on similar wares. A good example is the case of *Oxford Pendaflex Canada Ltd. v. Korr Marketing Ltd.* [1982] 1 SCR 494, where the Supreme Court of Canada affirmed that such a right existed in this case in respect of desk trays but that evidence of public recognition, sometimes called "secondary meaning", was required.

In the *Bayliner* decision referred to earlier, the defendant company had purchased an outboard motorboat of the plaintiff and modified it to some extent and then used it to produce boats of its own. As earlier discussed, the Federal Court of Appeal said that no copyright claim existed but expressly refrained from commenting as to whether there may exist questions of unfair competition or commercial morality (10 CPR (3d) 289 at 297). There exist cases, but none reported in Canada, of situations where molds used for the production of articles have been given to a person for one purpose and misused for another to create unauthorized articles from the mold. These cases appear to turn on the concept of express or implied contract rather than unfair competition.

## H. CONSIDERATIONS AS TO LEGISLATION

### 1. LEGAL ISSUES

In considering whether legislation should be adopted so as to afford protection to functional designs, and if so whether a patent type protection with requirements as to novelty and registration would be appropriate or whether a copyright form of protection requiring only that the design be original (that is, not copies from another) without requirement of registration, a consideration of the law is appropriate.

When considering patentability of an invention or the validity of a patent, the Commissioner of Patents or a court of law, respectively, must consider whether or not an alleged invention is new, useful, and inventive. It is only after having answered in the affirmative those three questions that there will be recognized the right of an inventor to exercise up to a twenty-year monopoly with respect to the use of an invention. If one of the above questions is answered in the negative, no such monopoly will be granted.

The reason for such an attitude is that it would seem to be extending the right to a monopoly beyond reasonable limits to grant to someone such a privilege when the alleged invention is either not new, nor useful or obvious. This is at least what MacLean J. thought when he said in *Crosley Radio Corporation and Canada General Electric Co. Ltd.* [1935], Ex. C.R. 190 at page 196:

*"In deciding whether or not there is invention in West we have to decide a question of fact, and we can get little or no assistance in wandering into other cases to see what question of fact was there decided. The authorities give one little assistance, for they merely illustrate the difficulties which arise in almost every patent action. The line which separates things invented from things otherwise produced is not capable of being concisely defined and frequently it is very difficult to decide whether or not here is subject matter in a patent. Here, I am not convinced that it is called for the exercise of the inventive faculty to conceive of West. However popular, or new and useful the West door is, it seems to me that it does not merit monopoly, and it would seem to be extending the right to a monopoly beyond reasonable limits to say that no one but Mrs. West, or her assignee, could construct a refrigerator door of the type described. A refrigeration chamber is space enclosed, made air-tight and insulated, and of course, provided with some refrigerant. The door refrigerating space in West is constructed substantially in the same way as the space in the body proper, and the chief difference is as to size, and particularly depth."*

If in Canada a legislation protecting functional design had existed, Mrs. West would most likely have enjoyed a monopoly on the manufacturing of refrigerator door of the type described in her drawings or plans during the period prescribed by this legislation, whatever that period might have been.

Depending on the conditions prescribed by that legislation, she most likely would not have had to establish novelty, usefulness or lack of obviousness to the same extent as was required by the *Patent Act*. If such legislation protecting functional objects had created a right similar to copyright, it is likely that Mrs. West would only have had to prove that her drawings or plans were original works of her own doing. Had she obtained registration of her copyright, the certificate of registration would have constituted prima facie evidence of her copyright in the drawings or plans. What Mrs. West did was to conceive a refrigerator door with storage place provided therein. It would seem that no such doors for refrigerators had ever been designed before. The Exchequer Court considered her design not to meet the threshold of patentability. Would it have met the threshold of a legislation protecting functional objects? It would definitely have met the criteria of the *Copyright Act* as they existed prior to June, 1988. Today, such designs would not be protected against infringement by the *Copyright Act*. They would not be protected by the *Industrial Design Act* because of their functionality.

If legislation protecting functional objects had existed, Mrs. West would have had a monopoly for a certain number of years and her design would not have been capable of being copied by others during that time. Had she granted an exclusive license to one refrigerator manufacturer, only that refrigerator manufacturer while the monopoly existed, could have manufactured refrigerator doors with storage therein. Would it have been detrimental to the consumers, and would they have had to pay more to get a refrigerator with a door having storage? These are all questions which can be asked but which no one can really answer.

In the case of *Cuisinaire v. South West Imports Ltd. (1967)*, 54 C.P.R. 1, Noël J. of the Exchequer Court had to decide whether certain rods which were used for the teaching of the science of arithmetic were protected under the *Copyright Act*. Mr. Justice Noël decided that such rods were not protected under the *Copyright Act* because he did not consider them as being artistic works. He wrote:

*"An artistic work, in my view, must to some degree at least, be a work that is intended to have an appeal to the aesthetic senses not just an incidental appeal, such as here, but as an important or one of the important objects for which the work is brought into being. The Plaintiff's rods may have a certain attraction to children, but this in my view, is a very secondary purpose which, I am afraid, is not a sufficient basis for a finding that the rods are artistic".*

Mr. Justice Noël in this case (which was confirmed on appeal to the Supreme Court (1968) 57, C.P.R. 76 ), refused to consider these rods as protectable under the *Copyright Act* because he felt that there has to be some limitation to what is protected by copyright, as it could not have conceivably been the intention of Parliament to protect by way of copyright, material of any kind or any type of object. He considered that the rods were tools and nothing more.

Had there existed legislation protecting functional objects, it is likely that the rods, which Mr. Justice Noel had to deal with, could have been protected under such legislation.

The rods in question did not meet the threshold of patentability. It did not according to Mr. Justice Noël, meet the threshold of the *Copyright Act*. Would it have met the threshold of a legislation on functional objects? It obviously depends on the provisions of such a legislation. Are such rods the kind of objects our Canadian society wishes to protect? If a protection had been granted, would it have been an encouragement to would be designers of similar articles? Would the consuming public have been affected in one way or the other? Again, these questions cannot easily be answered, but in the context of this report, they are at least worth being asked.

In the case of *D.R.G. Inc. v. Datafile Ltd. (1987), 18 C.P.R. (3d) 538*, Mdm. Justice Reed had to decide whether a registration for copyright in a series of colour-coded numeric labels had to be expunged. The labels were designed to be affixed to file folders to enable easy location of a file and easy identification of any misfiling which may take place. The application for expungement was based on six grounds:

- 1) the design is not a proper subject-matter for copyright because it lacks the characteristics of an artistic work;
- 2) the design is not a proper subject for copyright because it is essentially a functional tool;

- 3) the work is not sufficiently original because it does not constitute a substantial modification of the pre-existing art;
- 4) the alleged author was not the author of the work;
- 5) the "work" was disclosed in prior patents and as such was dedicated to the public;
- 6) the design was registrable under the Industrial Design Act, and therefore, is not protectable by copyright as a result of the operation of s. 46 of the Copyright Act.

All the grounds relied upon by the plaintiff failed except the last one, i.e. the design was registrable under the *Industrial Design Act*.

The Federal Court of Appeal dismissed an appeal from the decision of Reed J. (*D.R.G. Inc. v. Datafile Ltd (1991)*, 117 NR 308 per Decary J.A. for the Court). The Court of Appeal held that, under the *Industrial Design Act* a "design" while not defined by that Act was "*something that determines the appearance of an article ...and must have as its objective making the appearance of the article more attractive*" and that a design "*cannot be something that determines the nature of the article as such...and it cannot determine how an article is to be created.*" The Court of Appeal refused to be led into a determination as to whether an "ugly" design would obtain Industrial Design protection or, failing that, copyright protection for fifty years. Beauty was said to be in the eye of the beholder. Thus anything intended to "ornament" would require registration as an Industrial Design and not obtain copyright protection.

We do not wish to comment on these decisions but simply point out that as a functional design after June, 1988, this design would probably not have been protectable under the *Copyright Act*; it may have been the kind of design protected by legislation on functional objects. The question arises here again whether our Canadian society would want such a design to be protected and what consequences would such protection have on the economy of our country.

In the case of *Bayliner Marine Corporation v. Doral Boats Ltd. (1986)* 10 C.P.R. (3d) 289, the Federal Court of Appeal decided that the plans of the boats in question were designs capable of being registered under the *Industrial Design Act* and were not subject of copyright. It was obviously a borderline case whereby it would not have taken much more for these designs to be functional and therefore not protectable under the *Industrial Design Act*. Had it been that way, the owner of the designs would have enjoyed a monopoly for many years to come. Had the designs been created after June, 1988, these designs would then have fallen in the current "no man's land". If, on the other hand, legislation protecting functional objects existed, these designs would likely have been protected under that legislation. What good would that have done to Canada?



In the case of *Spiro-Flex Industries Ltd. et al. v. Progressive Sealing et. al. Inc.* (1986) 13 C.P.R. (3d) 311, two questions were asked from the Court, one of them being:

*"whether the manufacture and sale of a functional, three dimensional object, the "Circoflex" pump coupler reproduced from the three dimensional "Spiro-Flex" pump coupler is an infringement of the copyright alleged to subsist in the drawings and specifications that depict the "Spiro-Flex" pump coupler".*

The Court concluded, after having reviewed the *Doral Boat* case and other cases, that:

*"The manufacture and sale of a functional, three-dimensional object, the Circoflex pump coupler, reproduced from the three-dimensional Spiro-Flex pump coupler is an infringement of the copyright in the drawings and specifications that depict the Spiro-Flex pump coupler".*

Since the amendment of June, 1988 a different decision would have been rendered. However, if legislation protecting functional objects had existed, it is likely that the three-dimensional Spiro-Flex pump coupler would have been protected against infringement. This obviously would have depended on the provisions of such a piece of legislation. The question is, is there a need for a legislation to protect objects such as the three-dimensional Spiro-Flex pump coupler? We know as a matter of fact that this pump coupler benefitted from the protection of the *Copyright Act*, admittedly for only a short time. Did that protection encourage designers to be more creative? Did it cause the consumer public to be deprived of competing products? It is easy to ask, but not easy to answer.

In the *British Leyland Motor Corp.* case (1986) 12 F.S.R. 221, the Privy Council decided reluctantly that the *Copyright Act* as it then was, protected against infringement, the drawings of a muffler. The reproduction of the muffler constituted an infringement of the copyrighted drawings.

At page 227 Lord Scarman wrote:

*"If it be right, as my noble and learned friend Lord Templeman asserts and as I also think, "that Parliament did not intend the protection afforded by copyright to a drawing should be capable of exploitation so as to prevent the reproduction of a functional object depicted in a drawing", the present review of law should lead to legislation to bring the law back within the limits*

*intended by Parliament. This would involve a legislative rejection of the view of the law upon which the House acted in deciding L.B. (Plastics) Ltd. v. Swish Products Ltd. [1979] R.P.C. 551.*

*But further it would be helpful if the current review of the law could lead to incorporating in the Copyright Act the principle latent in our law but not fully discussed or expressed until the present case that the manufacturer of an article such as a motor vehicle or other "consumer durable" cannot by the exercise of copyright preclude the user of the article from access to a free market for spares necessary to maintain it in good working order."*

We all know that since the amendment of June, 1988, a judgement like the one in the *British Leyland Motor Corp.* case would not be possible in Canada. The question being discussed here is whether similar drawings either of mufflers or of other functional objects should get some protection and if so, at what condition. But, even before discussing the conditions which might be prescribed by a new piece of legislation for the protection of such drawings, the fundamental question has to be answered: Is there a need in our Canadian society to protect drawings similar to those which were put into question in the *British Leyland Motor Corp.* case?

Do car manufacturers, or generally speaking manufacturers of machines, need such protection in order to be encouraged to manufacture better cars or better machines at better prices? Would the consumer public be better served by having such protection granted?

In considering these questions, it is useful to note that the United Kingdom Monopolies and Mergers Commission's Report in 1982 on auto body parts concluded that the use of copyright to protect functional objects amounted to an unreasonable restriction of competition (HMSO, HC 318, Session 1981/1982).

Likewise, heated debate has ensued in the United States before the House of Representatives on the topic of whether or not design protection should be expanded through new legislation (see tab #26 of the Annex to this Report). Auto insurance spokesmen have argued that extending design protection to auto body parts would increase insurance costs to consumers and interfere with the consumer's right to repair their automobiles. For their part, the automotive industry representatives have argued that protection is required for designs with eye appeal in order to stem the flow of allegedly inferior copies being imported from offshore.

In the case of *Beaver Delta Machinery Corp. v. Lumberland Building Materials Ltd. et al.* (1985) 4 C.P.R. (3d) 545, Mr. Justice Muldoon was seized with an application ex parte for default judgment against the Defendant. In this case, the Plaintiff was seeking redress against a copyright infringement of drawings of component parts of certain wood cutting machines. Judgment was rendered in favour of Plaintiff but no damages were awarded until persuasive evidence be presented to a referee on a reference. Had this case been tried and had it been tried on its merits after June, 1988, no infringement of copyright could have been found to exist. In that case, the alleged infringing wood cutting machines were imported from Taiwan. The alleged copyrights were owned directly or indirectly by an American company. Would it be to the advantage of Canada, its business community and its consumers to prohibit the importation of such goods?

There are many other cases which could have been cited or glanced through in order to appreciate the legal consequences of protecting or not protecting functional objects which do not meet the threshold of patentability. However, the sample of cases which we have referred to would seem to be sufficient to appreciate the nature of the problem involved.

## 2. IMPLICATIONS ARISING FROM TREATIES AND INTERNATIONAL CONVENTIONS

A number of treaties and conventions to which Canada is a signatory, have been examined with respect to possible implications as to legislation respecting the design of functional objects and these include:

- 1) *Paris Convention of March 20, 1883, London Text;*
- 2) *Paris Convention of March 20, 1883, Stockholm Text dated July 14, 1967;*
- 3) *Berne Convention for the Protection of Literary and Artistic Works of 1886, as amended;*
- 4) *Arrangement of Madrid for the International Registration of Marks of April 14, 1891, Stockholm Text of July 14, 1967;*
- 5) *Pan-American Convention, February 11, 1929;*
- 6) *Arrangement of Nice for the International Classification of Goods and Services, of June 15, 1957;*

- 7) *The Agreement Concerning Automotive Products between Canada and the United States (Autopact) of January 16, 1965;*
- 8) *Universal Copyright Convention as revised at Paris on July 24, 1971;*
- 9) *Vienna Trade Mark Registration Treaty of 1973; and*
- 10) *The Canada-United States Free Trade Agreement.*

Of these only one, the *Paris Convention*, appears to have relevance. This Convention deals with all forms of intellectual property, including Utility Models and industrial designs providing for, inter alia, priority periods, compulsory licensing and cancellation of registrations; it provides for reciprocal rights, where all contracting states must grant to nationals of other contracting states the same scope of protection as it does to its own nationals.

The *Berne Convention* and *Universal Copyright Convention* do not appear to be relevant to the protection of functional articles. The *Berne Convention* provides that "works of art applied to industrial purposes shall be protected so far as the domestic legislation of each country allows", while the *Universal Copyright Convention* stipulates that if a contracting state protects works of applied art, the term of registration must be at least 10 years.

As to trade-marks, Article 5 of the *Pan-American Convention* provides:

*"Labels, industrial designs, slogans, prints, catalogues or advertisements used to identify or advertise goods, shall receive the same protection accorded to trade marks in countries where they are considered as such, upon complying with the requirements of the domestic trade mark law."*

However, neither the *Pan-American Convention* nor any other Convention requires that the design of functional articles be protected by the member states.

Therefore, Canada is under no treaty obligation to provide for protection for functional designs but, if it does, it would appear to be obliged to provide, under the *Paris Convention* reciprocal benefits to nationals of other countries signatory to that Convention. It may well be that the United Kingdom, as a signatory to that Convention, is in contravention in that its new design laws do not provide for benefits for the nationals of all signatory countries but only to those countries having similar and reciprocal legislation.

The Hague Agreement Concerning the International Deposit of Industrial Designs as revised, entered into force on August 1, 1984, however, Canada is not yet a signatory to that Agreement. This Agreement provides that nationals of, or persons domiciled in, each of the contracting states can protect their industrial designs in the other contracting states by depositing an international application. An International Register is created for this purpose. The term of protection is at least five years, and can be renewed for further five year terms. National laws must provide for at least one five-year renewal term.

As of December, 1990, twenty-one countries are signatories at various levels of the Agreement.

### 3. PROPOSED TREATIES

There are no treaties presently proposed for international consideration that would deal directly with protection of functional designs. The World Intellectual Property Organization (WIPO) in 1970 proposed a Model Law on Industrial Designs (copy attached) which related only to designs having an ornamental or aesthetic feature. The Model Law defines a design as "any composition of lines or colours or any three dimensional form, provided that such compositional form gives a special appearance to the product". Exempted are designs that serve solely to obtain a technical result.

The United States Government has issued a proposed Annex to the General Agreement on Tariffs and Trade (GATT) that deals specifically with intellectual property rights. Article 2 of the Annex would provide for reciprocity, where nationals of other contracting parties are treated no less favourably than nationals of the party. Articles 20, 21 and 22 of the Annex deal specially with Industrial Designs and Models. Protection is to be given for designs that are new, original, ornamental, and nonobvious.

### 4. THE CANADIAN CONSTITUTION

It is appropriate to give at least a brief view of the constitutional propriety of legislation relating to functional designs. The *Constitutional Act, 1981*, in dividing powers between the Federal Parliament and Provincial Legislatures, touches upon part of the areas of industrial property. In particular, the federal parliament is given exclusive jurisdiction in section 91 of that Act in respect of:

- (2) *Regulation of Trade and Commerce*
- (22) *Patents of Invention and Discovery*
- (23) *Copyright*

as well as a "residuary" power which has been the subject of some judicial interpretation.

The provincial legislatures have been given exclusive jurisdiction in section 92, in respect of:

(13) *Property and Civil Rights*

The federal government has enacted the *Patent Act* and the *Copyright Act*. The *Patent Act* has only been challenged constitutionally as to aspects relating to licences for pharmaceutical patents, while the *Copyright Act* has not been constitutionally challenged in the Courts. The *Trade-marks Act* has been the subject of challenges. It has been held in *Good Humour Corp. of America v. Good Humour Food Products Ltd.* [1937] Ex. C.R. 61, *A.G. (Ont.) v. A.G. (Can.)*, [1937] A.C. 405 (P.C.), *MacDonald v. Vapour Canada Ltd.*, [1977] 2 S.C.R. 134, and *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*, [1987] 3 F.C. 544 (F.C.A.), that the Federal Parliament is competent to enact legislation in respect of trade-marks.

The *Industrial Design Act* has not been the subject of a constitutional challenge.

In *A.G. (Ont.) v. A.G. (Can.)*, *supra.*, the Judicial Committee of the Privy Council held, in respect of trade-mark cases, that the legislative competence of the Dominion Parliament should extend to the creation of juristic rights in novel fields, if they can be brought fairly within the classes of subjects confined to Parliament by the Constitution. The *Trade-marks Act*, as a whole, was said to fall within the class of subjects enumerated in s.91(2), "The Regulation of Trade and Commerce", because it is a law of general application regulating standards of business conduct in Canada.

More recently, the Supreme Court of Canada in *MacDonald v. Vapour Canada Ltd.*, *supra* at pg. 28, also indicated that possible indicia for a valid exercise of the general trade and commerce power include the presence of a national regulatory scheme, (as exemplified by such related statutes in the industrial property field as the *Patent Act, R.S.C. 1970, c. P-4*, the *Copyright Act, R.S.C. 1970, c. C-30* and the *Industrial Design Act, R.S.C. 1970, C. 1-8*), the oversight of a regulatory agency and a concern with trade in general rather than with an aspect of a particular business.

It would appear that, under the present constitutional system, the Parliament of Canada has sufficient basis under one or more of subsections 2, 22 and 23 of section 91 of the *Constitution Act, 1981*, to enact legislation to protect non-inventive functional objects.

## 5. ARGUMENTS PRO AND CON

At present Canada has no form of legislation giving protection for new designs of a functional, non-inventive nature, as applied to objects. Some but not all other countries do have legislation of some kind (for instance, the United States has none). Some countries protect designs having some limited form of inventiveness and some protect any new design. Great Britain has most recently addressed this issue by providing a form of copyright to original designs for a period of 10 to 15 years, without the need for any form of registration.

### A. IN FAVOUR

Arguments in favour of some form of protection for new designs of a functional, non-inventive nature include:

- 1) There is an inherent "unfairness" in providing automatic copyright protection to that which is "artistic" but denying it to that which is functional. There is as much effort and expense put forward in creating a functional object as there is in an artistic object, and each is worthy of protection.
- 2) The line between that which is "ornamental" or "inventive" and that which is "functional" or "not inventive" is quite indistinct and involves substantial grey areas. It is unreasonable to give protection to one but no protection to the other.
- 3) There is international precedent for such a form of protection e.g. Great Britain, and a tradition in Canada, prior to the amendments to the *Copyright Act* in 1988, in appearing to provide such protection.

4) Provision of protection may encourage investment by innovators in functional designs.

5) Some consider that the level of "inventiveness" under our current patent system is too low, and the introduction of a Utility Model might be the occasion to raise the standards under the *Patent Act* and afford to those inventions having less merit a limited protection. The cost of obtaining this limited protection would probably be less and the cost of litigation surrounding the limited rights granted may also be of less importance. The introduction of a Utility Model act could have the effect of putting real inventions where they really belong and lesser inventions in a different category but at the same time recognizing that they do serve a purpose and deserve limited protection.

A good design is the one which is functional and perfectly adapted to its function. If, after research or trial and error, a functional object becomes perfectly adapted to its function, why should those who have invested their work and money in producing such an object not be in the same position as the professional designer sitting in the next room whose task is to wrap this functional object in a design which will give it a look that will make it sell. The designer working on the appearance of the object will get a protection under the *Industrial Design Act*. The mechanic or engineer working on the function of the object will get nothing. Both attributes (functionality and good looks) have the same purpose, i.e., to make the object saleable. Into this competitive environment, an object which is not functional and ugly, will not sell. On the other hand, an object which meets attributes of functionality and attractiveness, has a better chance of being a business success. In other words, both have their own merit and should be equally protected.

It is frequently stated, while there is not much straight forward evidence to support this statement, that capital will be invested in a friendly environment. This argument was raised and put forward in support of amending the *Patent Act* with regard to pharmaceutical products. If there is any truth in this statement, a legislation protecting functional objects could have the result of creating a friendly environment for a healthier manufacturing industry in Canada. Statistics still show Canada as being mainly an exporter of raw-goods; by creating a friendly environment, Canada may be able to attract capital in its manufacturing industry.



**B. AGAINST**

Arguments against a form of protection for functional objects include:

- 1) The creation of monopoly in a functional design runs counter to the general public interest in securing a wide choice of products at reasonable prices. The market for spare parts in particular would be unreasonably restricted.
- 2) Certain of Canada's major trading partners such as the United States, Japan and some European countries, excluding the United Kingdom, do not have such protection, although Japan and some European countries give "Utility Model" protection to designs having lesser inventiveness than patentable designs.
- 3) The absence of such protection may encourage competition or investment by those copying designs of others or providing spare parts.
- 4) The creation of a form of protection other than that of a Utility Model may be in contravention of Canada's treaty obligation under the *Paris Convention*. If Canada creates a system outside the scope of that treaty, then Canadians would not receive reciprocal benefits abroad, unless the Canadian system closely copied the United Kingdom system in which case Canadian would obtain reciprocal in treatment that country alone.

Edith Penrose in the Economics of the *International Patent System (1951)*, at page 30, wrote:

*"If national Patent Laws did not exist, it would be difficult to make a conclusive case for introducing them; but the fact that they do exist shifts the burden of proof and it is equally difficult to make a really conclusive case for abolishing them."*

Since currently no protection exists for functional objects, the easy answer would seem to be to do nothing and not to introduce an additional burden on the development of industry, which will have no known benefits but many known disadvantages, if it were only many uncertainties for business people and many costly litigations.

Rights granted under the *Copyright Act*, the *Industrial Design Act*, the *Trade-marks Act* or the *Patent Act*, no matter how generous they may be, will generally serve only those who can afford to avail themselves of their rights and fight before the courts for the respect of their rights and the maintenance of their rights. It is no secret that only very few can afford such litigation and therefore in practice such rights will mainly benefit those already well-off and well-established. Such protection would definitely not increase competition nor favour the arrival of new players on the market place but will encourage mainly those already there to hold on to their share of the market. There is no evidence that such protection of functional objects would encourage anyone to develop new products for the improvement of the well-being of the Canadian society. Having to choose between the uncertainty of the development of new functional products and the certainty of less competition and less possibility for newcomers to enter as players on the market place, the choice should go in favour of certainty.

## I. RECOMMENDATIONS

Canada, at present, offers no form of legislation which would afford protection for non-inventive functional objects. Canada is not unique in this position. Other countries, such as the United States, do not offer such protection either.

From an economic point of view, as seen through the eyes of the authors who practice as lawyers in the area, there seems to be little clamour for protection of this kind. Those organizations who do create such objects and may wish to claim protection are at least balanced by those who wish to have a choice of suppliers or be unrestrained in their ability to manufacture objects that fit on or with or replace others. Litigation prior to the 1988 amendments was sporadic and after the repeal of any copyright as many have arguably existed, no large outcry was apparent.

As an industrialized country, Canada must play a harmonious role in the world community of industrialized players, however, there exists no treaty or convention obligation to implement legislation affording protection to non-inventive functional objects. If there is a policy element to such protection it is to stem the flow of "counterfeit" goods, often sold as replacement parts and said to be of inferior, and perhaps even unsafe quality. Much of such argument would appear, however to be met by the maintenance of enforceable government standards for replacement parts of a critical nature and the policy of marking such goods with an appropriate trade-mark and thereafter policing against counterfeits through trade-mark forgery, or infringement, or passing off.

Legislation, by way of "Utility Model" or "petty patent" is offered in many industrialized countries, with the notable exception of Canada's largest trading partner, the United States, whereby functional objects exhibiting some minimum inventiveness are given a narrow scope of protection for a limited number of years. This form of protection offers two benefits which the authors believe to be worthwhile; the first is that the demands of those seeking some form of protection for newly devised objects can be met by the introduction of a minimum level of inventiveness so as to eliminate the merely commonplace or trivial variants thereof; secondly, it would serve to raise the standards for true "inventiveness" for those seeking patent protection by way of affording a reasonable alternative rather than no alternative at all. We believe that Canada's standards for "inventiveness" for patents presently fall well below those found acceptable in most other industrialized countries; this may in part be due to the fact that no alternative is available.

The amendments brought to the *Copyright Act* as of June, 1988 excluded from the realm of copyright infringement the fact of reproducing in certain circumstances designs applied to useful articles. It would be counterproductive to go back to the situation where we were prior to those amendments and reintroduce the concept of copyright infringement of designs applied to useful articles be it for a short period to time. Copyright would not seem to be the right route to follow to protect designs applied to useful article if it were only because of the relatively low standards or prerequisites imposed by the *Copyright Act*.

The problem would not be solved by shortening the period of protection. The main problem would be to justify the "raison d'être" of such a protection for designs which do not have to be useful, which do not have to be new, and which could be obvious, their only quality being originality in the sense of having been independently created.

Economically, morally and politically, it would seem hard to justify. This is the reason why we are of the opinion that if a legislation protecting functional objects has any merit, it would have to be to protect those objects which have some usefulness, some novelty and are not totally obvious.

There are authors who already complained that the prerequisites currently imposed under the Patent Act are so trite that a patent can be obtained on almost anything. David Vaver in an article entitled: *Intellectual Property Today: Of Myths and Paradoxes* (1990) vol. 69 *The Canadian Bar Review* at page 118 wrote:

*"In other respects, the standard of invention is set too low. Patent lawyers advise that virtually any new gadget or way of doing things is patentable: it is just a question of skillful drafting. There is, of course, an element of drumming up business in such advice, but there is also some truth. Many patents are known to be invalid, but to challenge them by litigation is a business decision: are the costs of taking a licence on a per unit royalty lower than the costs and uncertainties of litigating invalidity? If so, better to be licensed than to fight."*

If there is any truth in what David Vaver describes as the low standards of invention under our *Patent Act*, the mere presence of originality under *Copyright Law* would definitely not only be too low but could be characterized as a free-for-all as was the case prior to June, 1988. To meet this objection, some consideration may be given to the implementation of a Utility Model scheme for objects having at least some level of inventiveness.

IT IS THEREFORE THE RECOMMENDATION of the authors of this Report that, in view of the lack of specific treaty obligations, and in view of the lack of an international consensus and in view of the lack of any clear demand from the business community there is no need for Canada, at present, to move to adopt legislation that would afford protection for functional objects that lack inventive qualities. If consideration is to be given to implementing a Utility Model, such a scheme should grant only a limited term and scope of protection for newly devised functional objects having some minimum level of inventive quality.

RESPECTFULLY SUBMITTED BY

ROGER T. HUGHES, Q.C.

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May, 1991

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