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HYPERLINKS AND DEFAMATION: A JUDGMENT THAT CLARIFIES THE RULES

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Do you regularly use hyperlinks on your Internet sites or blogs to refer your visitors to external content? The recent decision rendered by the Supreme Court of Canada in the Crookes v. Newton case may protect you against a liability that you probably didn't know existed.

On October 19, 2011, the highest court in the country ruled that referring readers of an article, blog or other written matters on the Internet to another site that contains defamatory comments, by means of a hyperlink, does not constitute defamation unless the defamatory comments are presented or repeated, or the creator of the hyperlink adopts or endorses the content it refers to.

The main facts of the case were as follows: Mr. Newton owned and operated an Internet site in British Columbia containing various articles on different subjects, some of which dealt with freedom of expression in the context of the Internet. One of these articles contained hyperlinks referring readers to a site that presented allegedly defamatory comments about Mr. Crookes, who sued Mr. Newton on the basis that he had published the defamatory comments in question.

In the context of an action for defamation, the plaintiff must prove that the defendant has published, by any act, defamatory comments to at least one person, who received them. As referring to content by means of a hyperlink constitutes "any act", and generally at least one person clicks on the hyperlink, the principal issue that the Supreme Court of Canada had to look into was whether the incorporation in a text of hyperlinks leading to defamatory comments was tantamount to the "publication" of those comments.

In this instance, the Court determined that the hyperlinks were, in essence, references, similar to footnotes in a traditional text, and that these references indicated the existence of information but did not themselves communicate the content. Furthermore, a person who creates a hyperlink does not control the content found on the site to which he refers, which may be modified at any time, and it is the operator of that site who initially makes the defamatory comments available to the public and publishes them, not the person who creates the hyperlink. The person who creates the hyperlink and refers to external content does not participate in either the creation or the development of that content. Lastly, the Court considered that applying the traditional rule in defamation matters to hyperlinks would have the effect of creating a presumption of liability against everyone who creates hyperlinks, and that this would seriously restrict the flow of information

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on the Internet and, as a result, freedom of expression. For all of these reasons, the Supreme Court of Canada agreed with Mr. Newton and concluded that he had not published the defamatory comments in question.

Hyperlinks constitute an important part of what the Internet represents and are an essential element of the way it works. They enable one to connect different pages and create a veritable "web". If the Supreme Court of Canada had decided this case in favour of Mr. Crookes, it would have risked impairing the system on which the Internet is based, in addition to exposing authors acting in good faith to significant risks and discouraging them from publishing content, and thus restricting freedom of expression and the flow of information. Imagine if every author was obliged to constantly check the content of sites to which his hyperlinks refer to make sure he is not exposing himself to lawsuits.

It is also important to note that the Court did not make any distinctions in its decision between "shallow" hyperlinks, which generally take the reader to the main page of an Internet site without taking him directly to the problematic content, and "deep" hyperlinks, which take the reader directly to that content.

A lesson that can be drawn from this decision of the Supreme Court of Canada is that applying the traditional rules of law to the technological and evolving context of the Internet does not always result in a logical and desirable conclusion. The law is sometimes poorly equipped to tackle modern reality and therefore must often adjust to it. Also, one senses in the decision an intention to favour and encourage use of the Internet to publish information. Lastly, in this particular case, freedom of expression, which in the opinion of the Court plays a fundamental role in the evolution of democratic institutions and values, carried more weight than the right to protect one's reputation. However, the exercise of determining the balance between the two is one that must be constantly repeated and depends on the particular facts of each case.

THE MYRIAD CASE: ARE DNA MOLECULES PATENTABLE OR NOT?

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The United States Court of Appeals for the Federal Circuit ruled, in July 2011, that claims pertaining to deoxyribonucleic acid (DNA) and related diagnostic tests are patentable.¹

Before reviewing the conclusions of this decision that reversed that of the District Court for the Southern District of New York and its impact on our side of the border, we propose to briefly review the circumstances of this judgment.

MYRIAD'S PATENTS AND DIAGNOSTIC TESTS

During the 90s, Myriad Genetics Inc. ("Myriad"), along with several university research centres, conducted studies to identify the BRCA1 and BRCA2 genes, whose mutations are associated with an increased risk of developing certain forms of breast and/or ovarian cancer. These two genes and the methods associated with the diagnostic tests used to identify these mutations were patented by Myriad and other inventors in August 1994 (BRCA1) and December 1997 (BRCA2).

Myriad has granted licences for these tests in several countries. In Canada, MDS Laboratory Services, based in Toronto, has obtained an exclusive licence for the purpose of offering these tests.

Several parties have challenged Myriad's monopoly, alleging that the exclusivity held for the identification of a mutation of these genes in a patient allowed it to charge a price that is higher than the actual cost of the tests, which, in practice, precludes certain patients from undergoing them.

ASSOCIATION FOR MOLECULAR V. PTO

In May 2009, a group composed of medical associations, researchers and patients sought a declaration that fifteen claims from seven patents held, among others, by Myriad and the University of Utah Research Foundation concerning the BRCA1 and BRCA2 genes were drawn to patent-ineligible subject matter. In order to rule on this complaint, the U.S. courts had to review the practices of the United States Patent and Trademark Office (USPTO) respecting the issuance of patents on genes and then rule on the issue of patentability.

In a decision constituting a change of paradigm, the District Court invalidated the claims in certain of Myriad's patents respecting the BRCA1 and BRCA2 genes, particularly those relating to isolated DNA sequences and the methods of DNA comparison and analysis to identify the presence of mutations.

In a split decision, the Court of Appeals reversed the District Court's decision, mainly stating that:

- ▶ **The cDNA molecules (complementary DNA) and isolated DNA molecules are patentable.** The three judges were unanimous on the issue of patentability of cDNA, except for very short sequences since it results from human manipulation and does not exist in nature. However, the justices were divided over the issue of the patentability of isolated DNA molecules, which have been cleaved or synthesized to consist of just a fraction of a naturally occurring DNA molecule. In fact, the justices disagreed on the scope of manipulation necessary to isolate the DNA in question: the majority was of the view that it amounted to more than a simple purification and the isolated DNA was significantly different, having an identity and chemical composition different from DNA in its natural state, while the

¹ Moreover, on September 12, 2011, the same court refused to revise its decision.

minority justice merely saw a simple rupture of covalent bonds;

- ▶ The claims concerning the methods of using of DNA for screening therapeutic agents against cancer meet the requirements of the machine or transformation test and thus, are patentable. These claims concerned the methods for analysing the changes in cell growth with or without treatment, and, according to the Court, include transformation steps and represent functional and palpable applications for the field of biotechnology;
- ▶ The claims respecting the methods for comparison and analysis of the DNA sequences were invalidated since they failed to meet the requirements of the machine or transformation test. In fact, the Court ruled that the wording of the claims only amounted to a simple abstract mental process for comparing DNA sequences.

In doing so, the Court dismissed the approach proposed by the U.S. government who sought to have the patents respecting DNA molecules invalidated by proposing

to apply an analysis based on the "magic microscope" test. According to such, if an imaginary microscope could focus in on the claimed DNA molecule as it exists in the human body, the claim covers unpatentable subject matter.

The Court of Appeals also refused to modify the well-established practice of the USPTO to deliver DNA-related patents on the ground that it was up to the legislators to decide whether to prohibit the issuance of such patents. The Court was of the view that to decide otherwise could have significant effects on the industry's expectations and may ultimately hinder innovation. In fact, the Court noted that in the last 29 years, the USPTO had issued 2,645 patents respecting isolated DNA and, since 2005, 40,000 patents respecting DNA without distinction were issued.

It is interesting to note that although underlying moral and ethical issues related to granting ownership rights in portions of human DNA were mentioned by a justice, the Court chose not to use its judicial power, rather referring these issues to the U.S. Congress.

IMPACT IN CANADA

In Canada, the Canadian Commissioner of Patents has issued and is still issuing patents respecting DNA. In 2004, in the *Mosanto* case, the Supreme Court of Canada issued a close 5 against 4 decision confirming that a gene and a cell are patentable. The Court also noted, on this occasion, that it is incumbent on the person challenging an issued patent to demonstrate that the Commissioner was erred in allowing the patent application.

In view of its potential impacts on our Canadian regime, various industry stakeholders have closely followed the *Myriad* case. If the U.S. Court of Appeals had invalidated *Myriad's* patents, it may have had significant effects on the entire Canadian biotechnological industry.

In short, we note that this decision maintains the possibility of patenting DNA in the United States, which indirectly supports the Canadian position in this respect.

LESSONS DRAWN FROM THE SUPREME COURT'S DECISION IN MASTERPIECE: REGISTER YOUR TRADE-MARKS!

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The recent decision of the Supreme Court of Canada in *Masterpiece Inc. v. Alavida Lifestyles Inc.* is interesting in several respects. Not only does the Supreme Court of Canada rarely deal with disputes involving trade-marks, but this decision also clarifies numerous principles of trade-mark law that remained uncertain until very recently. In addition, the decision provides several interesting lessons for trade-mark owners relating to, among other things, filings of applications for registration of their trade-marks.

The dispute before the Supreme Court of Canada deals in a general way with the notion of confusion between trade-marks. Indeed, the issues on appeal in this case consisted in determining whether the trade-mark MASTERPIECE LIVING, proposed and subsequently registered by Alavida Lifestyles Inc. ("*Alavida*"), a company entering the retirement residence industry in Ontario, created confusion with the unregistered trade-marks, including MASTERPIECE THE ART OF LIVING, or the trade-name that another corporation, Masterpiece Inc. ("*Masterpiece*"), was already using in the same industry in Alberta.

In its decision, the Supreme Court of Canada was mainly interested in four issues.

First, the Court asked itself whether the location where a mark is used is relevant when considering the likelihood of confusion between an applied for or registered trade-mark and a prior unregistered trade-mark or trade name. The Court observed that the test set out in the *Trade-marks Act* (the "Act") for the analysis of confusion provides that one must assess the impression created by the two trade-marks as if they were used in the same area, irrespective of whether this is actually the case. Furthermore, the Court observed that Canada's trade-mark regime is national in scope: the Act entitles the owner of a registered trade-mark

the exclusive right to use it throughout Canada. Thus, in order for the owner of a registered trade-mark to have the exclusive right to use it throughout Canada, there must not be a likelihood of confusion with another trade-mark anywhere in the country. Therefore, the Court came to the conclusion that the locations where the trade-marks were actually used were not relevant for the purposes of the analysis relating to confusion.

Secondly, concerning the factors to be considered in assessing the resemblance between two trade-marks, the Court observed that the registration of a trade-mark does not in itself confer priority of title to the trade-mark and that a person seeking to register a trade-mark must first establish that she has a right to it because she uses it. Moreover, according to the judges, in matters of confusion, the test remains, as a matter of first impression, what is left in the mind of a casual consumer somewhat in a hurry when he sees the trade-mark, while having only an imperfect recollection of the prior trade-marks he has seen and does not pause to give the matter any detailed consideration or scrutiny or examine closely the similarities and differences between the marks. The Court also observed that it is necessary to study each trade-mark separately (rather than undertaking a single composite analysis of the trade-marks): even one similar trade-mark or trade name will invalidate Alavida's registration. Indeed, the Supreme Court was of the opinion that the trial judge

erred in undertaking a single composite analysis in which he examined generally the resemblance between Alavida's trade-mark and all of Masterpiece Inc.'s trade-marks and trade name. Thus, the judges concluded on this point that taking into account the strong similarities, it is very difficult not to conclude that a strong resemblance exists between the two trade-marks of Masterpiece and Alavida.

Thirdly, the Court considered what influence the nature and the cost of the wares or services involved had in the confusion analysis. The Supreme Court concluded that the trial judge erred in considering that consumers of expensive goods and services would generally take considerable time to inform themselves about the source of those goods and services to suggest a reduced likelihood of confusion.

Lastly, with regards to the usefulness of expert evidence in the confusion analysis, the Court's judges stated that an expert should only be permitted to testify if his testimony contains information that, in all likelihood, is outside the experience and knowledge of the judge, which was not the case in this matter. The Court added that judges should be careful to question the necessity and relevance of such evidence, perhaps as part of a case management process, particularly in light of the substantial cost of evidence that may be of little utility.

In conclusion, the taking into account of all the circumstances of this matter, notably the factors stated in the Act relating to confusion and particularly the strong resemblance between the MASTERPIECE LIVING trade-mark and the MASTERPIECE THE ART OF LIVING trade-mark of Masterpiece, led to the conclusion that Masterpiece had proven that the use of Alavida's trade-mark in the same area where its trade-marks are used would likely lead to the inference that the services associated with Masterpiece's trade-marks were being performed by Alavida.

What lessons learned from this judgment should a trader-mark owner remember? First, it is essential to carry out a trade-mark availability search before filing an application for registration or beginning to use the trade-mark in order to avoid the risks of confusion. Moreover, an owner of a trade-mark should proceed as quickly as possible with the filing of an application for registration of his trade-mark in order to benefit from the advantages conferred by registration and thus avoid finding himself in the same situation as Masterpiece Inc. Once the trade-mark is registered, it is still important to monitor for inappropriate use that may be made of the trade-mark by third parties. Various preventive actions can help you avoid a lot of problems.

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