COPYRIGHT OWNERS BEWARE! YOU MAY HAVE GRANTED A LICENSE WITHOUT EVEN KNOWING IT

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On July 12th 2010, the Federal Court of Canada (the "**Court**")[1] dismissed an action brought forth by a copyright owner against the alleged infringers of its copyright in light of the formers inability to adduce the evidence required to prove that the latter had engaged in infringing activities.

Under Canadian law, a copyright owner wishing to bring suit against an alleged infringer must prove that the:

i. latter engaged in an activity reserved for copyright owners pursuant to the *Copyright Act* R.C.S. 1985, c.C-42; and
ii. former did not consent to the alleged infringing activity.

In the case at hand, the Court determined, based on the evidence brought forth at trial, that the plaintiff had authorized several of the defendants to use a report authored by the plaintiff. In fact, the Court opined that the plaintiff and several of the defendants had come to a verbal agreement pursuant to which the former granted the latter the right to use its report for a specific purpose.

Moreover, the Court concluded, much to the plaintiff's dismay, that the plaintiff had in fact granted several of the defendants a non-exclusive license to use its report.

Such a conclusion was drawn by the Court in light of the fact that:

i. the plaintiff had neglected to put a confidentiality notice on its report;
ii. the plaintiff failed to place restrictions (written or otherwise) upon the use of its report; and
iii. there were no copyright markings on the plaintiff's report.

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[1] *Nicholas v. Environmental Systems (International) Limited* 2010 FC 741, Russell, J.

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The Court rendered its decision despite the plaintiff's attempts to convince the Court that the defendants "understood" what they were and were not entitled to do with the plaintiff's report.

According to the Court, the license granted by the plaintiff was a license operating as a permission to do certain things as opposed to a license granting an ownership interest. Only the latter must to be in writing to be valid. Under the Canadian *Copyright Act*, licenses granting an interest in a copyright must be in writing and signed by the copyright owner in order to be valid. According to the court, "permission to do" licenses, permit licensees to use copyrighted works for a specific purpose and can be given explicitly or can be implied and can be in writing or not.

"Transfer of ownership" type licenses are more than mere licenses. In fact, it is clear by their very appellation that "transfer of ownership" type licenses permit licensees to acquire an interest in the intellectual property being licensed by licensors as opposed to a mere right to use. Under the Canadian *Copyright Act*, an exclusive license is an example of a "transfer of ownership" type license.

Among the other differences between "permission to do" licenses and "transfer of ownership" licenses, is the fact that "permission to do" licenses do not permit licensees to institute legal proceedings against infringers in their own name. Such a right is however granted to licensees acquiring an interest in copyrighted works by way of "ownership interest" type licenses.

There are however some similarities between "permission to do" licenses and "transfer of ownership" licenses, the most noteworthy being that they provide licensees with a viable defence in infringement related proceedings.

What then is the moral of this story? After all, every story has a moral. The case at hand is no different. Essentially, copyright owners need to understand the importance of their actions – or in this case, of their inaction, and how their actions or inaction can place them in a precarious situation.

Copyright owners must ensure that the parties to whom they wish to grant access to their copyrighted works understand what they are and are not entitled to do with their works. Instructions upon the use of copyrighted works should be reduced to writing and explained in a document accompanying the works in order to avoid the uncertainties of "implicit licenses" which often lead to disagreements concerning the obligations or rights of the parties. Letters, memorandums of understanding and contracts are all great examples of documents which should systematically be used by copyright owners in an effort to ensure that they do not find themselves in a situation where they have unintentionally granted a license. After all, it's always better to be safe than sorry.

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