FEDERAL COURT DECLARES THAT COPYRIGHT LITIGANTS WERE NOT "COMPETITORS" UNDER SUBSECTION 7(a) OF CANADA'S *TRADE-MARKS ACT* IN *BUSINESS DEPOT* CASE

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In a decision that analyzes the notion of "competitor" found in subsection 7(a) of Canada's *Trade-marks Act*, R.S.C. 1985, c. T-13 (hereafter the "Act"), Canada's Federal Court has recently provided guidelines concerning the interpretation of this provision of the Act in a case alleging copyright infringement (*The Canadian Copyright Licensing Agency v. The Business Depot Ltd.*, 2008 FC 737 (F.C., de Montigny J., June 13, 2008)).

In 2007, The Canadian Copyright Licensing Agency (hereafter: "CCLA") initiated proceedings before the Federal Court of Canada against The Business Depot Ltd. (hereafter: "Business Depot"), a retailer selling office supplies, business machines and office furniture and offering business services, including in-store photocopying services to its retail and small business customers.

In its statement of claim, CCLA alleged that because it offered photocopying services to its clients, Business Depot had engaged over a period of time in both direct copyright infringement and the authorization of copyright infringement. After it commenced its suit, CCLA posted a press release on its website informing visitors that Business Depot was "no different from those organizations that profit from illegally downloading copyright protected music or the unauthorized sharing of videos and published works on the internet".

In its Defense and Counterclaim it filed against CCLA, Business Depot denied any wrongdoing and alleged, *inter alia*, that statements in the press release posted by CCLA were "false and misleading" and tended to "discredit the business, wares and services" of Business Depot and therefore formed the basis of a claim for damages under subsection 7(a) of the Act.

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CCLA moved to strike the Counterclaim since Business Depot's allegations, even if true, could not form the basis of any claim under subsection 7(a) of the Act because of the factual circumstances before the Court. CCLA's motion was allowed by Prothonotary Aalto on April 30, 2008. This order was appealed by Business Depot before a judge of the Federal Court. On June 13, 2008, Mr. Justice de Montigny confirmed Prothonotary Aalto's order; in so doing, he reviewed the various requirements of a claim under subsection 7(a) of the Act. This particular subsection provides that "[n]o person shall make a false or misleading statement tending to discredit the business, wares or services of a competitor". Business Depot relied on this provision to attack what it viewed as a false and misleading statement published on CCLA's website. However, as underlined by the Court, subsection 7(a) only applies when a false or misleading statement has been made by a "competitor". Under the circumstances, was Business Depot a competitor of CCLA? How should the word "competitor" be interpreted? Should this issue of statutory interpretation be left with the trial judge?

The Court outlined each party's activities: CCLA is a non profit corporation that acts as a collective society to carry out the collective administration of copyright for the benefit of copyright owners in various published works while Business Depot is a retailer that provides the various services described earlier. The Court also noted that Parliament chose not to define the word "competitor" in the Act; under the circumstances, according to the rules of statutory interpretation, such expression must be given its natural meaning, taking into account the objective of subsection 7(a). The Court therefore reproduced definitions found in dictionaries such as *West's Law and Commercial Dictionary in Five Languages* (West Publishing Company, 1985) that defines "competitors" as "persons endeavouring to do the same thing and each offering to perform the act, furnish the merchandise, or render the service better or cheaper than his rival" and the *Pocket Dictionary of Canadian Law* (Thomson Carswell, 4th ed., 2006) that ascribes to the word "competition" two meanings, the most relevant of which is "a situation when two or more businesses seek customers from the same market-place".

The Court rejected Business Depot's argument that both parties were competitors because each one alleged that its revenue was affected by the other party's activities; rather, it accepted the argument that competitors (in order to merit this description) must compete for the same customers in the market-place. In the case before the Court, the parties did not sell the same products, nor were they in the same market. The Court therefore confirmed the finding that Business Depot and CCLA were not competitors for the purpose of subsection 7(a) of the Act. Moreover, this specific issue could be decided on a motion to strike rather than being left for decision at trial.

Business Depot's Counterclaim was also dismissed for another reason: it contained no allegation that CCLA's statement related to any trade-mark or intellectual property asset of Business Depot. For constitutional reasons, any cause of action under

subsection 7(a) of the Act, a federal statute, must relate to a false and misleading statement *made in respect of a trade-mark or other intellectual property*, all areas of federal jurisdiction; to hold otherwise and allow a subsection 7(a) claim without a reference to any I.P. right would be an invasion of provincial legislative power (in the area of property and civil rights) not allowed under Canada's *Constitution Act, 1867* that grants exclusive responsibilities to each of Canada's federal and provincial governments.

This case is a reminder of the limited scope of the various unfair competition remedies found in the *Trade-marks Act*. While Business Depot could not rely on subsection 7(a) of the *Trade-marks Act* in its Federal Court Counterclaim, Mr. Justice de Montigny noted that it had also commenced a defamation action before the Ontario Superior Court based upon the same press release statements that formed the foundation of its Counterclaim before the Federal Court.

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