



NOT ENTIRELY FUNCTIONAL: CANADIAN FEDERAL COURT OF APPEAL CLARIFIES THE SCOPE OF PROTECTION CONFERRED BY INDUSTRIAL DESIGNS IN CANADA

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In an interesting patent and industrial design infringement case involving fluid containment products used in oil fields, the Canadian Federal Court of Appeal set aside a decision rendered by the Federal Court, which dismissed Zero Spill Systems (Int'l) Inc., KATCH KAN HOLDINGSLTD., QUINN HOLTBY and KATCH KAN RENTALS LTD's ("Zero Spill") action for infringement, on the basis that the patents alleged were invalid and the industrial design being asserted was not infringed. While the Federal Court of Appeal referred these issues back to the Trial Court for re-evaluation, its comments on the scope of protection granted by industrial design registrations-that happen to cover features that are both functional and "appealing to the eye"-clarifies a common misunderstanding of the rights conferred by such registrations in Canada. [Zero Spill Systems (Int'l) Inc. v. Heide, 2015 FCA 115]

Background & Trial Decision

Zero Spill is a non-exclusive licensee of Canadian Patent registrations 2,136,375 and 2,258,064 (the "Patents"). It is also the licensee of Canadian Industrial Design registration 86,793 (the "'793 Design"). The Patents and the '793 Design cover several aspects of fluid containment devices (pipe trays) sold by Zero Spill, used during oil field operations.

Zero Spill sued Mr. Bill Heide dba Central Alberta Plastic Products, Rat Plastic Ltd and 1284897 ALBERTA LTD ("Heide Respondents") for selling a competing product that it alleges infringes on the Patents and on the '793 Design¹. The Heide Respondents are in the plastic fabrication and welding business and manufacture line pipe trays that are modeled from or inspired by the Zero Spill tray.

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¹ Zero Spill Systems (Int'l) Inc. v. 614248 Alberta Ltd. (Lea-Der Coatings), 2013 FC 616.

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Briefly, the Heide Respondents alleged in their defense that the Patents were invalid and that the '793 Design was not being infringed. They did not allege however that the '793 Design was invalid.

At trial, and with regards to the '793 Design allegations specifically, the Trial Judge was of the opinion that there were in fact many similarities between the Heide Respondent's tray, and the tray covered by the '793 Design.

However, the Federal Court rejected Zero Spill's claim for industrial design infringement and, as part of its reasons, referred to section 5.1 of the Industrial Design Act² (the "Act"), which states:

- s. 5.1 No protection afforded by this Act shall extend to:
 - (a) features applied to a useful article that are dictated solely by a utilitarian function of the article; or
 - (b) any method or principle of manufacture or construction

In comparing the '793 Design to the Heide Respondent's tray, the Federal Court concluded that the common design features related to elements that were functional in nature, even if these features "appealed to the eye". It found that these features were within the scope of section 5.1 of the Act and therefore, excluded from protection.

Furthermore, the Trial Judge was of the opinion that, even though the Heide Respondents used the '793 Design as a basis on which to build their own product, Zero Spill failed to identify in their pleadings which features of the '793 Design were not excluded by section 5.1 of the Act.

The Federal Court therefore held that since many of the features of the '793 Design were « functional », and that no evidence was provided that would remove these features from the scope of section 5.1, then those features could not be protected under the Act. The Federal Court dismissed the action and held that the '793 Design was not infringed by the Heide Respondents product. On the other issues regarding patent infringement, the Court found that the Patents were also not infringed for reason of obviousness and/or anticipation (not discussed here).

The Appeal

On appeal, Zero Spill submitted that: 1) in matters involving industrial design infringement, it is not up to the person who benefits from industrial design protection to prove the validity of its design, because such a registration is presumed valid. This burden is actually on the Heide Respondents, who needed to show that the

² R.S.C., 1985, c. -I-9.

exclusion of section 5.1 applies because the design covers functional elements, and 2) that even if section 5.1 of the Act applied, this section only excludes features whose form are « solely » dictated by their function.

The Federal Court of Appeal agreed and found that the Trial Judge erred in placing the onus on Zero Spill to prove which elements of the industrial design were protected, or not excluded, under section 5.1 of the Act.

Further on the issue of the presumed validity of an Industrial Design registration in Canada, the Federal Court of Appeal referred to section 7(3) of the Act, which states that:

s 7. (3) The certificate, in the absence of proof to the contrary, is sufficient evidence of the design, of the originality of the design, of the name of the proprietor, of the person named as proprietor being proprietor, of the commencement and term of registration, and of compliance with this Act.

Section 7(3) of the Act therefore creates a “blanket presumption of compliance with the Act”. As such, it is up to the party alleging invalidity to prove otherwise and the Heide Respondents did not do so in this case. Therefore, the trial Court erred in law when it found that Zero Spill failed to provide evidence on which functional features of the ‘793 Design were excluded from section 5.1 of the Act.

The Federal Court of Appeal also had issue with the Trial Judge’s interpretation of section 5.1 of the Act and its finding that « all features of an industrial design that are functional are unprotectable [sic]”. Upon reading section 5.1 of the Act, one can conclude that only the features of an industrial design that are dictated solely by function are excluded from protection. Therefore, functional features that are « simultaneously useful and visually appealing » can be protected under the Act.

In its analysis, the Court also referred to section 64(2) of the *Copyright Act*³, where an exemption to copyright protection exists for “useful” articles that are reproduced more than 50 times. The Court interpreted this as implying that the *Industrial Design Act* would actually serve no purpose if it could not protect features that were functional, since these were specifically excluded from copyright protection in Canada.

Therefore, by referring to the purpose and the plain text of section 5.1 of the Act, the Federal Court of Appeal confirmed that functional features can benefit from protection under the Act. Only the design of elements that are solely dictated by function are excluded.

³ R.S.C. 1985, c C-42

The Court remitted the issue of infringement of the '793 Design by the Heide respondents, as well as the issues regarding the Patents (not discussed here), back to the Federal Court Judge for redetermination.

Conclusion

This decision by the Canadian Federal Court of Appeal clarifies an often misunderstood exception to the level of protection granted by Industrial Design registrations in Canada: industrial design protection can apply to design elements that are both functional and ornamental. Therefore, it is not because a particular design includes "a functional element" that protection by Industrial Design is automatically precluded. The element must be "solely functional" for the exclusion to apply. The Court also reminded us that in litigation involving such matters, the burden of proof is on the party alleging invalidity or exclusion of the Industrial Design at issue.

Professionals should therefore keep this decision in mind when consulting with clients on the various forms of intellectual property protection available to them in Canada, or on enforcement issues involving an industrial design.



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