RECENT DEVELOPMENTS IN COPYRIGHT LAW: IS PARODY A DEFENCE FOR 3X RATED FILMS AND ARE CHEMICAL FORMULAE LITERARY WORKS?

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Two Canadian copyright cases have recently been decided: *Tri-Tex Co. Inc. v. Ghaly, Elia Gideon et al.* and *Productions Avanti Ciné Viéo Inc. v. Favreau*. As both cases were decided by the Quebec Court of Appeal, they set important precedents in intellectual property law. Leave to appeal to the Supreme Court of Canada is being sought in both cases.

The *Tri-Tex* case:

Tri-Tex manufactures dyes and other chemical products, which it sells to the textile, leather, carpet, and paper industries. *Gideochem Inc*. (*Gideochem*) operates a similar business, although on a much smaller scale.

Tri-Tex alleges that in may 1998, it discovered that *Ghaly Elia Gideon* (*Gideon*), President of *Gideochem*, had illegally obtained some of its confidential information and a number of its secret formulae for the production of dyes and other chemical products.

On May 15, 1998, *Tri-Tex,* alleging a right of ownership, caused to be issued a Writ of seizure before judgment pursuant to article 734(1) of the C*ode of Civil Procedure* (C.C.P.) which permits a person to seize before judgment "the moveable property which he has a right to revendicate".

Tri-Tex asserts that it has a right of ownership in the secret formulae as well as the products produced therefrom which right stems from the *Copyright Act*[1]

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[1] *Copyright Act*, R.S.C. 1985, c. C-42.

(Act). It also asserts that it has a right of ownership in confidential information namely, its chemical formulae, its list of clients as well as its list of suppliers.

In its motion, *Tri-Tex* requests the seizure of all confidential information which concerns *Tri-Tex* and which is owned by *Tri-Tex,* the list of clients, the list of suppliers and the secret formulae and the products in the possession of the defendants which has or which have been manufactured through the use of the secret formulae including, computers, hard-disks, magnetic tapes and diskettes even though these wares may not belong to *Tri-Tex* but as long as they contain confidential information belonging to *Tri-Tex.*

The Writ of seizure was executed on May 15, 1998. A number of items were seized including chemical products contained in barrels, three boxes of documents and one computer.

Gideochem filed, pursuant to article 738 C.C.P., a motion to quash the seizure before judgment alleging both the insufficiency and falsity of the affidavit on the strength of which the Writ of seizure was issued.

Gideochem argued, *inter alia,* that none of the products seized before judgment constitute products which infringe on *Tri-Tex*'s alleged copyright.

By judgment dated June 22, 1998, the Superior Court quashed, in part, *Tri-Tex's* seizure before judgment on the grounds of insufficiency of the affidavit and ordered that an inventory be taken of those items for which the seizure was not quashed. On June 30, 1998, *Tri-Tex* as well as *Gideon* and *Gideochem* sought and obtained leave to appeal the judgment below. *Tri-Tex* maintains that the trial judge should not have quashed the seizure before judgment insofar as it pertains to the chemical compounds seized. The basic issue in this appeal is whether the chemical formulae of *Tri-Tex* are subject to protection of the *Act*?

The Court of Appeal stated that the *Act* is meant to grant advantages to the person who expresses and idea in an original form. It does so by giving the person in whom copyright vests the exclusive right to do, and to restrain others from doing, certain acts with relation to original literary, dramatic, musical and artistic works. In essence, the owner of copyright in an original work has the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever.

Tri-Tex maintained that the judge in first instance erred in finding that its secret formulae were not protected by copyright and that the chemical compounds produced therefrom could not be seized before judgment in accordance with s. 38 of the *Act* and article 734(1) C.C.P.

Tri-Tex contends that the term "literary work" has been defined in s. 2 of the Act, in a liberal manner so as to include a vast variety of works. *Tri-Tex* argued that the written version of the chemical formulae created and developed in its laboratories constitute literary works within the meaning of s. 2 of the *Act*. On this basis, *Tri-Tex* claimed that it had a right, in virtue of s. 38 of the *Act* to seize before judgment the chemical formulae as written, printed or otherwise reproduced on paper or computer software as well as the chemical compounds produced therefrom.

On the other hand, *Gideon* and *Gideochem* submitted that the *Act* did not apply to chemical or biochemical processes. It was their contention that a chemical formula is only proper subject matter for patent.

In the opinion of the Court of Appeal, the *Tri-Tex* chemical formulae are ideas and as such, are not subject to copyright. The fact that these formulae were written or printed on paper or otherwise recorded on computer software does not mean that they are "literary works" within the meaning of the *Act.* The Court stated that perhaps, the *Tri-Tex* formulae constituted trade secrets. The Court stated that trade secrets may in certain cases, be protected contractually, (*e.g.* non-competition convenants), by the application of certain legal concepts (*e.g.* employee loyalty, unfair trade practices, the obligation to act in good faith), or by having recourse to the *Patent Act.* In the Court's opinion however, they cannot, simply on the grounds of being trade secrets, be afforded protection under the *Act*. As a consequence, the Court of Appeal found that the chemical formulae and the chemical compounds could not be seized by virtue of the *Act.*

According to the Court, even if the chemical formulae were subject to the *Act*, *Tri-Tex* would not have had the right to seize the chemical compounds derived from it. Such a seizure would not be justified giving the reasoning underlying the judgment of the Supreme Court of Canada in *Cuisenaire v. South West Imports Ltd.*[2] (Cuisenaire).

Tri-Tex alleged that its copyright in these chemical formulae was infringed when *Gideon* and *Gideochem* produced the chemical compounds. In *Cuisenaire*, the appellant tried to claim copyright in the "teaching rods" produced, by the respondents, in accordance with the instructions contained in his book.

In *Cuisinaire,* the Supreme Court of Canada unanimously ruled that copyright protects the expression of an idea but not the idea itself. On that basis, even

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[2] *Cuisenaire v. South West Imports Ltd.* (1969) S.C.R. 208, at pp. 211-212.

if *Tri-Tex* formulae hypothetically, did fall within the purview of the *Act*, only the expression of these formulae would be protected. Those following the instructions to produce the chemical compounds would not be infringing *Tri-Tex's* copyright; they would simply be using the idea contained in *Tri-Tex's* "literary works" (chemical formulae). *Tri-Tex* would accordingly not have had the right to seize, on the basis of s. 38 of the *Act,* the chemical compounds mentioned in the affidavit. For these reasons, *Tri-Tex's* appeal was dismissed.

With respect to *Gideon* and *Gideochem's* appeal, both appellants submitted that the seizure before judgment of their property should have been quashed in its entirety on the grounds of insufficiency of the affidavit. Their appeal raised one question: Is confidential information "moveable property" that can be seized before judgment pursuant to article 734(1) C.C.P.?

According to the Court of Appeal, the right to seize before judgment is a provisional remedy of an exceptional nature. A Writ of seizure may therefore only be issued in circumstances where the rules governing this procedure have been strictly observed. Article 734(1) C.C.P. states: *The Plaintiff may also seize before judgment the moveable property which he has a right to revendicate.*

Gideon and *Gideochem* argued that *Tri-Tex* was not the owner of the contents of 3 sealed boxes and the computer and did not have the right to revendicate these items in accordance with article 734(1) C.C.P.

Tri-Tex maintained that the trial judge correctly decided /that it had established its right of ownership of the confidential information stored either in the boxes or in the computer that were seized on the commercial premises of *Gideochem.*

In *R. v. Stewart*[3]*,* the Supreme Court of Canada ruled that confidential information does not constitute "property" within the meaning of s. 283 (theft) or 338 (fraud) of the *Criminal Code*. In rendering the judgment of the Court, Lamer J., as he then was, commented on the possibility of considering confidential information as property.

The Quebec Court of Appeal then quoted with approval Professor Mistrale Goudreau where she concluded to the rejection of the notion that information can be assimilated with property.

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[3] (1988) 1 R.C.S. 963.

Tri-Tex having failed to demonstrate that confidential information constitutes "moveable property" within the meaning of article 734(1) C.C.P., the Court dismissed its appeal.

This case while dealing with a specific article of the *Quebec Code of Civil Procedure* should be useful to courts of other jurisdictions in their interpretation of the definition of "literary works" and whether it includes chemical formulae or trade secrets expressed in a material form, and in their interpretation of "infringing copies" under s. 38 of the *Act,* whether this expression includes chemical compounds derived from the chemical formulae or the computer hard disk or other medium containing the trade secrets?

***La petite vie* case:**

Another judgment of the Quebec Court of Appeal dated August 4, 1999 may also have repercussions outside of the province of Quebec since it deals with the defence of parody in an action instituted by the owners of the copyrights in a television series entitled "*La petite vie*" who claimed that the defendant had infringed their copyrights by the production of a pornographic film entitled "*La petite vite*" (*The quickie*)[4].

One of the first things that the Court of Appeal had to consider was whether or not "*La petite vite"* constituted a substantial taking of the original work "*La petite vie*". The trial judge had concluded that it did not. The trial judge was of the opinion that the characters of "*La petite vie"* did not present characteristics sufficiently original to be by themselves protected by copyright. It was the interaction between these characters, the words that they exchanged, the scenes which they played that gave to these characters some originality.

However, according to the trial judge, very little of the words, of the text, of the scenes and of the play was taken from the original work. The trial judge said that confusion should not be made between artistic works constituted of cartoon characters and characters of dramatic works who generally have no independent life apart from the work itself.

The Court of Appeal considered this analysis of the trial judge and in order to determine whether a substantial taking of the original work had taken place, the Court of Appeal referred to the judgment of the Supreme Court of

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[4] *Productions Avanti Ciné Vidéo Inc. v. Favreau,* (1999) R.J.Q. 1939 (C.A.) reasons by Rothman J. and Gendreau J.

Canada in *Slumber-Magic Adjustable Bed Co. v. Sleep-King Adjustable Bed Co*[5]. It is not contested that the defendant did borrow from the original work. The question is whether he borrowed a substantial part of the original work.

The Court of Appeal indicated that it could not agree with the trial judge when he stated that the characters did not have sufficient original characteristics by themselves to be subject to copyright protection without their theatrical play and script.

The Court of Appeal was of the opinion that the first work was an original work, coherent and integrated. The stage set was essential to the text as were the decors and the characters. One did not go without the other. Each part was a creation in itself and the fruit of the imagination of the author.

The Court of Appeal was of the view that the characters themselves are a creation and a substantial part of the work and the use of the characters without authorization is illegal under the Act. The XXX film has not only used the characters of "La petite vie" in their recognisable costumes and habits but it has also appropriated the visual aspect of the first work, including the musical theme, the decors, the opening presentation with the credit titles, etc… In fact, the XXX film copied the totality of the first work except the dialogue as such, but it did keep the characteristics of the language and of the expressions used by the characters.

The Court of Appeal concluded that what was taken was a substantial part of the first work.

Having decided that a substantial taking of the first work had taken place, the Court of Appeal went on to decide whether the defence of parody was acceptable. The respondent's only serious defence of his use of the characters, costumes and decor created in "*La petite vie*" is a defence of fair use of these elements for purposes of parody under section 29 of the *Act*.

The Quebec Court of Appeal saw nothing in "*La petite vite"* that could possibly be characterized as parody. Clearly, the purpose was not to parody "*La petite vie"* but simply to exploit the popularity of that television series by appropriating its characters, costumes and decor as a mise-en-scene for respondent's video film.

From the Court of Appeal's point of view, there is an important line separating a parody of the dramatic work created by another writer or artist and the

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[5] (1984), 3 C.P.R. (3d) 81.

appropriation or use that work solely to capitalize on or "cash in" on its originality and popularity.

Parody normally involves the humorous imitation of the work of another writer, often exaggerated, for purposes of criticism or comment. Appropriation of the work of another writer to exploit its popular success for commercial purposes is quite a different thing. It is no more than commercial opportunism. The line may sometimes be difficult to trace, but courts have a duty to make the proper distinctions in each case having regard to copyright protection as well as freedom of expression.

According to the Court of Appeal, the respondent was on the wrong side of the line. Far from a parody of an original dramatic work, "*La petite vite*" constituted a crass attempt to gain instant public recognition without having to create characters, costumes, decor or situation. "*La petite vie*" had supplied the characters, costumes and mise-en-scene. Once that was obtained by the respondent, he only had to supply the simple pornographic activity for the success of "*La petite vite*". Whatever the dramatic merits of "*La petite vite*", the Court of Appeal saw no parody, criticism or originality in it. Simply adding pornographic activity as a story line for characters that have been appropriated from another writer's work does not, in the opinion of the Court, constitute parody or fair use of that material.

In the opinion of the Court, the respondent's appropriation did not constitute parody. It was an infringement of appellant's copyright motivated by commercial opportunism.

This decision of the Quebec Court of Appeal has given indications as to what constitutes the taking of a substantial part of a dramatic work, and to what extent the defence of parody is available in an action for infringement of copyright in a dramatic work. The conclusions of the Court are that the defence of fair dealing does not lie where the parody is really an appropriation of a first work solely to capitalise on or cash in on its originality and popularity, and there can be a substantial taking of a dramatic work even though no part of the dialogue or script has been taken.