



NEWSLETTER

Canadian IT Law Association

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Criminal Law And Sentencing

The Alberta Provincial Court deal with sentencing in a case of identity theft in *R. v. Naqvi*. The accused, who worked at a gas station, had participated in a scheme whereby he was given a magnetic card reader which he used to skim the electronic account data encoded on the magnetic strip of debit and credit cards. Where possible he then observed the customers enter their PIN numbers, and provided the skimmed data and PIN numbers to the friend who had given him the skimmer. Nagvi received \$100 for each skimmed card, and over the course of several months made \$17,700.00. His friend used the data to produce duplicate cards, which were used to gain access to a number of accounts, causing a loss to various financial institutions totalling \$117,188.00. The accused, whose role had been limited to gathering the initial information, pleaded guilty to the theft charges and cooperated with the police in their investigation. At sentencing, the accused sought a conditional sentence, but the Crown argued that a term of imprisonment of 18 to 24 months was appropriate.

Stevenson A.C.J.Prov.Ct held that general deterrence and public denunciation were paramount consideration in circumstances of this kind, involving identity theft. He noted that the scheme extended over a period of several months, that the accused had not stopped voluntarily, and rejected the claim that the accused was a minor player, since he did not take part in the actual counterfeiting of cards. In particular he held:

s. 35 To describe him as a minor participant is akin to describing a bank robber as a low

level participant, and the driver of the getaway vehicle as the primary offender. Without the gathering of information by the accused, and its distribution to his criminal acquaintance, the criminal enterprise that resulted from his participation would not have been possible.

He held that the purposes and principles of sentencing would not be satisfied by a conditional sentence of imprisonment, and sentenced the accused to 18 months imprisonment. He also ordered the accused to pay restitution in the amount of \$17,700.00.

Defamation

Romano v. D'Onofrio (O.C.A.)

The Appellant was a third year law student at the Osgoode Hall Law School. He was a member of the Italian Minturo Social Club. At the Club's 2001 AGM which had 150-200 members in attendance, the Appellant unsuccessfully attempted to respond to an issue raised by the Club president, Mr. D'Onofrio. Speaking into the microphone, the Respondent shouted down the Appellant. He did not allow the latter to speak. The president alleged that the Appellant was not a Club member. As the Appellant returned to his seat, the Respondent allegedly said into the microphone (in Italian) "He is just a troublemaker and he only came here to cause trouble and confusion like he always does: This young person is a liar. He lies to violently piss people off." (para. 2).

After writing and demanding an apology but without getting any, the Appellant sued the Respondent for libel, slander and intentional infliction of mental suffering. Following discoveries, the Respondent moved for summary judgment after admitting for the purpose of the motion that the offensive words were spoken. Dismissing Appellant's claim, the motion judge held that actions complained of were not libelous because they did not constitute a broadcast under section 1(b) of the *Libel and Slander Act*, R.S.O. 1990 c. L 12. The Court also held

that the allegation of slander could not succeed in the absence of evidence of special damage and that as a law student, the Appellant did not come under statutory exception to the requirement to prove special damage.

On Appeal, the Court of Appeal (per Laskin, Goudge and Felden, JJA) allowed the appeal. The Court held that the motion judge erred by deciding a major issue of law regarding the definitive interpretation of a section of the *Libel and Slander Act*. According to the Court, the interpretative analysis required here is one that could be done in the context of comprehensive factual record and if need be, with the aid of expert evidence. According to the Court, the scope of the term “broadcast” in the *Libel and Slander Act* is yet to be conclusively determined by case law and “[t]his was not case where the law was settled and could be applied to admitted facts” (para. 7). The Court of Appeal also held that the Appellant’s withdrawal from the Social Club and consequent mental suffering were indicative of special damage hence the action for slander could not have been summarily dismissed.

Defamation and Contempt of Court

Brian Mallard Insurance Services Ltd. v. Shirley, (Alta. Q.B.)

The Plaintiffs sued the Defendant, Kent Shirley, an employee, for breach of fiduciary duty. They alleged misappropriation of confidential and proprietary information and public disclosure of privileged information, including making of statements defamatory to the Plaintiffs. Meanwhile, at the Saskatchewan Court of Queen’s Bench, the Defendant had earlier commenced action against the Plaintiffs for constructive dismissal, damages and aggravated and punitive damages. In the present action, the Court granted the Plaintiffs’ motion for Anton Piller Order requiring Mr. Shirley to grant access to his residence to KPMG Forensic team as well as the Plaintiffs’ counsel to conduct a search and seizure of Shirley’s computer and paper record for purpose of obtaining Plaintiffs’ confidential and proprietary records. This Order was carried out accordingly and an interim confidential report was prepared and sent to eligible parties, including the Court, pursuant to the Anton Piller Order. There was

clear instruction on the confidential and restricted nature of this report and consequential liabilities for breach (para.7).

Meanwhile, while the action pended, Mr. Shirley died tragically. Apart from his lawyer, Mr. Shirley had a relationship with a certain Mr. Killoran who self-styled as investor advocate. Killoran claims that before his death, Shirley had requested his assistance as an expert professional witness and investor advocate with a privileged status. Killoran’s relationship with Shirley was not approved by the latter’s counsel. Following Shirley’s death, Killoran took advantage of his access, under unproven circumstances, of the KPMG interim report. He disseminated the report by e-mail and website postings to many targeted individuals, including the CJ of Saskatchewan, and securities regulatory agencies in Canada and the US, calling it “smoking gun evidence” and claiming that Shirley was a truth-teller or a whistleblower (para. 23). He described Shirley’s death as “collective murder” arising from “the refusals of EVERYBODY to publicly disclose” that the Plaintiffs were involved in fraudulent securities activities (para. 15) with a third party, Assante. He also described the Anton Piller Order obtained against Shirley as a “felony”. Meanwhile, the Plaintiffs had moved the court in Saskatchewan to find that Mr. Killoran’s conducts (publication of several e-mails) was in breach of that court’s existing order and therefore in civil contempt of the Saskatchewan court.

For obtaining and utilizing the KPMG interim report and incorporating same into his attacks of both the Alberta proceedings and the counsel for the Plaintiffs, and for tying these proceedings to the death of Shirley, the Plaintiffs moved the Court to convict Mr. Killoran for contempt of court. At the hearing of the motion, Mr. Killoran represented himself. The Court declined to convict Mr. Killoran of contempt in the face of the court as urged by Plaintiff counsel because of the former’s remarks that associated the proceedings with the death of Shirley. This, according to the Court, was because of Killoran’s inability “to separate his, and for that matter Mr. Shirley’s, concerns about the securities industry from the scope of the action” (para. 32).

However, Killoran’s refusal to be properly sworn and refusal to disclose where and from whom he

obtained the KPMG interim report as well (para. 40) as his “deliberate and knowing disobedience of the use restrictions set with reference to the Anton Piller Order, and thus in deliberate and knowing disobedience of the Anton Piller order” (para. 49) amounted to obstruction of justice and a violation of the sub judice rule. The Court found that he “clearly attempted to hijack this action to pursue his own ends giving credence to the alleged premeditated securities fraud in Canada and United States involving applicants and Assante, attributable only in part to his relationship with Mr. Shirley” (para. 51). The Court declined to hold that Killoran’s conduct was one of criminal contempt partly because Killoran’s intervention only impacted negatively on private settlement initiatives between the Plaintiffs and the Shirley’s estate. There was no conclusive evidence on the public impact of Killoran’s action because “for the most part, [it was] unsuccessful in generating any meaningful response by industry regulators, politicians and the police” (ibid.).

[Comment on the issues raised in this case at the IT.CAN blog.](#) 

New Legislation

Two noteworthy pieces of legislation were given Royal Assent on November 25 2005, shortly before Parliament was dissolved. First, changes to the *Telecommunications Act* instituted the national “do-not-call” list. Section 41 of the *Telecommunications Act* had already provided that:

The Commission may, by order, prohibit or regulate the use by any person of the telecommunications facilities of a Canadian carrier for the provision of unsolicited telecommunications to the extent that the Commission considers it necessary to prevent undue inconvenience or nuisance, giving due regard to freedom of expression.

The changes to the Act and regulations mean that consumers will not need to make individual requests not to be contacted of each telemarketer separately. They also create a Commission able to enforce the provisions, and provide for penalties of up to \$1,500 for individuals and \$15,000 for corporations who violate the new rules.

The legislation provides that it does not apply to a number of telecommunications, including calls made by registered charities, from businesses with whom the consumer has an existing business relationship, calls from a political party or candidate, calls conducting general surveys of members of the public, or calls soliciting subscriptions for newspapers.

The new Act also provides that a committee of the House of Commons, the Senate, or both is to be struck to review the operation of the Act three years after it comes into force. The Act has not yet been proclaimed.

The second piece of legislation was the *Remote Sensing Space Systems Act*. This legislation creates a licensing regime for remote sensing satellites, and regulates the distribution of the data produced by these systems. The various uses of these remote sensing systems can relate to oil and gas deposits, oceanography, cartography, hydrology, agriculture, forestry and disaster response, as well as monitoring the environment, tracking the movement of ice floes, and other uses.

The Act requires that any license issued for a remote sensing system include the provision that raw data from the system about the territory of any country be made available to that country within a reasonable time and on reasonable terms. It also requires that the raw data only be communicated to governments, to system participants, or to other persons identified within the terms of the license. The license can also impose terms involving the encryption of data gathered through the system.

The Minister of Foreign Affairs is entitled to amend, suspend or cancel any license if he or she is satisfied that that action is desirable based on national security, the defence of Canada, the safety of Canadian Forces, Canada’s conduct of international relations, Canada’s international obligations or other prescribed factors.

In addition, the Act permits the government to require that it be given priority access to data from any remote sensing system for various purposes. The Minister of Foreign Affairs is entitled to demand information where the Minister believes on reasonable grounds that it is desirable for the conduct of international relations or the performance

of Canada's international obligations. The Minister of National Defence has a similar power where it is desirable for the defence of Canada or the safety of Canadian Forces, and the Solicitor General of Canada may make an order requiring information to be given to the RCMP for matters relating to the *Security Offences Act* or to CSIS in connection with the *Canadian Security Intelligence Service Act*. The Solicitor General can also require information required for critical infrastructure protection or emergency preparedness.

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Privacy

Assistant Privacy Commissioner (APC) heard a complaint in PIPEDA [Case Summary #314](#) by the complainant against her insurance company. A third party filed a claim with the complainant's insurance company alleging that the complainant damaged the third party's vehicle. The insurance company had the claim investigated by an adjuster. The latter accepted the claim and the adjuster's conclusion. The complainant disputed the claim and the conclusion and subsequently exchanged correspondence with the adjuster and the insurance company. She demanded pieces of information about the claimant, including her insurance company and a written account of the claim. The correspondences were exchanged prior to Jan 1, 2005 when the insurance became subject to PIPEDA.

As result of her frustration for not getting the required information, the complainant enlisted the assistance of the provincial superintendent of insurance. The latter's intervention prompted the insurance company to seek the claimant's consent to before it could release the requested information. The claimant declined to give consent.

Applying principle 4.9, the APC noted that an organization should not grant an individual access to personal information of a third party. The APC noted also that some of the information in the statement requested by the complainant was the complainant's personal information even as it contained the third party claimant's personal information as well. In her determination, the APC ruled that the personal

information of the claimant could be severed in accordance subsection 4.9(1). By denying the complainant the entire information, the insurance company denied her access to her personal information contrary to principle 4.9.

Report of Study on Offices of Information and Privacy Commissioners

The special Advisor to the Minister of Justice, Gerard V. La Forest, has released his report on [The Offices of the Information and Privacy Commissioners: The Merger and Related Issues](#). The Advisor was appointed last summer and mandated, among other things, to assess "the merits of fully merging the offices of the Information Commissioner and Privacy Commissioner into a single office as has been done in numerous provincial jurisdictions as well as [to assess] the merits of cross-appointing a single commissioner to both functions while maintaining two separate commissions". The Advisor was also to consider the merits and impacts of merge or across-appointment on the policy aims of *Access to Information Act*, the *Privacy Act* and the *PIPEDA*.

In his report released November 15, 2005, the advisor recommended, inter alia, against either a full merger of both offices or appointment of a single commissioner for them. According to the report, in the event that the government decides to proceed with the merger and cross-appointment, implementation should be delayed and approached gradually to enable a thorough study of and response to the challenges facing the current access and privacy regimes. The report also recommended that in the meantime "Government must do much more to foster a "culture of compliance" with access and privacy obligations".

Trademarks

In *Kirkbi AG v. Ritvik Holdings Inc.*, colloquially referred to as the "Lego" case, the unanimous Supreme Court of Canada considered two main issues. The first was a challenge to the constitutionality of s.7(b) of the *Trade-marks Act*. This issue had not been raised or argued in the courts below, nor had it formed part of the

application for leave to appeal. It had been raised after the Court had granted leave. The second issue was whether the doctrine of functionality applied to unregistered trademarks in Canada.

With respect to the constitutional issue, the Court noted first that the *Trade-Marks Act* as a whole fell within the federal government's general trade and commerce power under s. 91(2) of the *Constitution Act*. The constitutionality of the Act itself was not at issue in the appeal. Rather, the Court was asked to address the narrower question of whether s.7(b) was *ultra vires* Parliament. The Court applied the three part test from *Kitkatla Band v. B.C. (Minister of Small Business, Tourism and Culture)*. First, it found that s.7(b), which codifies the tort of passing off, would, unless it were sufficiently integrated into a federal scheme of regulation, fall within the province's power of property and civil rights. The Court then found that the *Trade-marks Act* constituted a "regulatory scheme for both registered and unregistered trade-marks." (at para 28) Further, "[t]here is no reason to believe that the registration regime under the *Trade-marks Act* was intended to create two separate enforcement regimes." (at para 31) The Court concluded that the Act "is more than simply a system of registration." (at para 31) Finally, the Court noted that s.7(b) intrudes minimally into provincial jurisdiction over property and civil rights. LeBel J. noted that s.7(b) "is, in its pith and substance, directly connected to the enforcement of trade-marks and trade-names in Canada because it is directed to avoiding confusion through use of trade-marks". (at para 33) In the absence of s.7(b), LeBel J. reasoned, there would be a gap in the legislated protection for trademarks which "would create inconsistencies in the protection of registered and unregistered trade-marks and lead to uncertainty." (at para 36) The Court concluded that s.7(b) was *intra vires* Parliament.

The Court framed the second issue as relating, fundamentally, to the "basic and necessary distinctions between different forms of intellectual property and their legal and economic functions." (at para 37) In this case, the Court emphasized the differences between patents and trademarks and took the view that to allow the trademark to be the product itself would impermissibly blur the two areas of intellectual property protection. LeBel J. wrote: "... despite its connection with a product, a mark must not be confused with the product - it is


something else, a symbol of a connection between a source of a product and the product itself."

The Court reviewed the doctrine of functionality in Canadian trademark law, noting that the doctrine was well-established and uncontroversial. LeBel J. also noted that the Canadian position is consistent with that in other comparable jurisdictions. After a review of foreign case law, he noted: "At the root of the functionality principle in European law, as in Canadian intellectual property law, lies a concern to avoid overextending monopoly rights on the products themselves and impeding competition, in respect of wares sharing the same technical characteristics." (at para 52) He took note of the fact that Kirkbi had been litigious the world over in various attempts to extend its expired patents through other forms of intellectual property law. He commented that "in a free market, trade-marks should not be used to prolong monopolies on technical characteristics of products... It is simply the way the economy and the market are supposed to work in modern liberal societies." (at para 54)

The Court made short work of the argument that the doctrine of functionality was only meant to apply with respect to registered trademarks. LeBel J. affirmed the views expressed by Sexton J.A. at the Federal Court of Appeal to the effect that the doctrine of functionality applies to all marks whether registered or unregistered, "as the legal nature of the marks remains the same." (at para 58)

In closing the Court made a few *obiter* comments about the law of passing off. These were introduced by the suggestion that there was some controversy in the courts below: "Disagreements arise in the case law about the components of the tort. Are there three, four or five? How should they be classified?" (at para 64). For those who required clarification, the Court confirmed that the three-part test they set out in the unanimous decision in *Ciba-Geigy v. Apotex* remains the law. The Court also noted that had they decided that the doctrine of functionality did not apply to unregistered trademarks, Kirkbi would still have been unable to make out the elements of the tort of passing off: "It would not have been able to meet the first condition of the action, namely that there be goodwill in respect of the distinctiveness of the product. The alleged distinctiveness of the product consisted precisely of the process and

techniques which were now common to the trade.”
(at para 69) The Court concluded by noting that
Kirkbi “must now face the rigours of a free market
and its process of creative destruction.” (at para 69).

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If you have comments or suggestions about this newsletter, please contact Professors Anne Uteck, Teresa Scassa and Chidi Oguamanam at it.law@dal.ca.

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Le présent bulletin se veut un outil d'information à l'intention des membres d'IT.Can qui souhaitent être renseignés sur les développements du droit canadien et du droit international qui pourraient avoir une incidence sur le Canada. Le comité exécutif et le conseil d'administration de l'Association s'en serviront également pour vous tenir au courant des nouvelles concernant l'Association, telles que les conférences à venir.

Pour tous commentaires ou toutes suggestions concernant le présent bulletin, veuillez communiquer avec les professeurs Anne Uteck, Teresa Scassa et Chidi Oguamanam à l'adresse suivante : it.law@dal.ca

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