

Licensing

Contributing editors

Fiona Nicolson and Claire Smith



2019

GETTING THE
DEAL THROUGH

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Licensing 2019

Contributing editors
Fiona Nicolson and Claire Smith
Bristows LLP

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Preface

Licensing 2019

Eleventh edition

Getting the Deal Through is delighted to publish the eleventh edition of *Licensing*, which is available in print, as an e-book and online at www.gettingthealthrough.com.

Getting the Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique **Getting the Deal Through** format, the same key questions are answered by leading practitioners in each of the jurisdictions featured.

Getting the Deal Through titles are published annually in print. Please ensure you are referring to the latest edition or to the online version at www.gettingthealthrough.com.

Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Getting the Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We would like to thank the contributing editors, Fiona Nicolson and Claire Smith of Bristows LLP for their assistance with this volume. We also extend special thanks to Bruno Floriani of Lapointe Rosenstein Marchand Melançon LLP, who contributed the original format from which the current questionnaire has been derived, and who helped to shape the publication to date.

GETTING THE 
DEAL THROUGH

London
December 2018

Canada

Daniel R Bereskin and Paul Blizzard

Bereskin & Parr LLP

Overview

- 1 Are there any restrictions on the establishment of a business entity by a foreign licensor or a joint venture involving a foreign licensor and are there any restrictions against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office? Whether or not any such restrictions exist, is there any filing or regulatory review process required before a foreign licensor can establish a business entity or joint venture in your jurisdiction?**

In general, any business entity established by a foreign licensor in Canada and any joint venture involving a foreign licensor may carry on business in Canada, with or without a domestic subsidiary or branch office. No filing or regulatory review process is required in advance of engaging in licensing activities in Canada. Licence agreements are made subject to normal rules of contract interpretation. If the agreement includes a choice of law clause, Canadian courts will generally give effect to it, unless the choice lacks bona fides or is contrary to public policy, etc.

A foreign licensor that plans to set up an entity or enter a joint venture in Canada must notify Industry Canada as required by the Investment Canada Act, RSC, 1985, c 28. Foreign investors should be aware of World Trade Organization rules requiring reviews related to acquisitions.

Kinds of licences

- 2 Identify the different forms of licence arrangements that exist in your jurisdiction.**

Licence agreements in Canada may cover virtually any form of intellectual property, including patents, trade secrets, know-how, registered trademarks, unregistered trademarks, service marks, trade names, copyright, software, personality rights, characters, etc.

Law affecting international licensing

- 3 Does legislation directly govern the creation, or otherwise regulate the terms, of an international licensing relationship? Describe any such requirements.**

There is no legislation in Canada specifically governing the creation or regulation of an international licensing relationship, provided that the relationship does not contravene Canadian law, for example, the Competition Act, RSC 1985 C-34, or does not involve franchise agreements.

Royalties charged by copyright collectives including the Society of Composers, Authors and Music Publishers of Canada (SOCAN), Re:Sound, Access Copyright, Copiebec, etc, are regulated according to tariffs specified by the Copyright Board of Canada.

Several provinces including Alberta, British Columbia, Manitoba, New Brunswick, Ontario and Prince Edward Island have legislation relating to franchise relationships under the respective provincial Franchises Acts.

- 4 What pre-contractual disclosure must a licensor make to prospective licensees? Are there any requirements to register a grant of international licensing rights with authorities in your jurisdiction?**

Subject to not making any material misrepresentations to prospective licensees, whether expressly or by implication, licensors other than franchisors generally have no disclosure obligations to prospective licensees. In the case of franchise agreements, such as a restaurant franchise, a number of Canadian provinces have specific disclosure requirements. Furthermore, Quebec has a civil system that imposes a general disclosure duty. There is no requirement to register a grant of international licensing rights with authorities in Canada.

- 5 Are there any statutorily or court-imposed implicit obligations in your jurisdiction that may affect an international licensing relationship, such as good faith or fair dealing obligations, the obligation to act reasonably in the exercise of rights or requiring good cause for termination or non-renewal?**

Franchise legislation in a number of Canadian provinces impose a duty of fair dealing for franchise licences within the province.

The civil system in Quebec may impose obligations, especially on the dominant party to a licensing agreement.

In *Bhasin v Hrynew*, 2014 SCC 71, the Supreme Court of Canada found that good faith performance of a contract is a general principle of Canadian law and that it is inherent on parties to honestly perform their obligations.

The Competition Bureau has indicated that in general, the mere exercise of an intellectual property right is insufficient to warrant an investigation under the Competition Act. The Bureau has issued Intellectual Property Enforcement Guidelines (IPEGs) that discuss the Bureau's approach to:

- patent litigation settlement agreements;
- product-switching in the pharmaceutical industry;
- conduct involving patent assertion entities; and
- conduct associated with collective standard setting.

Intellectual property issues

- 6 Is your jurisdiction party to the Paris Convention for the Protection of Industrial Property? The Patent Cooperation Treaty (PCT)? The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?**

Canada acceded to the Paris Convention for the Protection of Industrial Property 1883 on 21 August 1923, and to the Stockholm Act on 16 March 1970, with a declaration that its accession does not apply to articles 1 to 12.

Canada ratified the Patent Cooperation Treaty on 29 October 1989, which came into force in Canada on 2 January 1990.

Canada adhered to TRIPs by the World Trade Organization Implementation Act, SC 1994, c 57, effective as from 1 January 1996.

7 Can the licensee be contractually prohibited from contesting the validity of a foreign licensor's intellectual property rights or registrations in your jurisdiction?

A licensee is generally estopped from contesting the validity of a licensor's intellectual property rights during the subsistence of the licence agreement, whether by the express terms of the contract or by implication from the licensor-licensee relationship. See *Curtis-Wright Corporation v The Queen* [1968] 1 Ex Ct 519 (Ex Ct); *Deering Milliken Research Corp v Louisville Spinners Ltd* (1971), 4 CPR (2d) 18 (Que SC); *Rymland et al v Regal Bedding Co Ltd* (1966), 51 CPR 137 (Man CA).

Such estoppel generally does not exist after termination of the licence agreement. If the licence agreement precludes the licensee from disputing validity of the intellectual property right after termination of the licence, the licensee may be estopped from disputing validity: see *Campbell v G Hopkins & Sons*, 49 RPC 38 (Ch 1931).

8 What is the effect of the invalidity or expiry of registration of an intellectual property right on a related licence agreement in your jurisdiction? If the licence remains in effect, can royalties continue to be levied? If the licence does not remain in effect, can the licensee freely compete?

Normally, licence agreements provide that the licence agreement as well as an obligation to pay royalties under the licence agreement will end if the patent is held invalid by a court of competent jurisdiction from which no appeal is taken or can be taken. Where there is no such term, the result will depend on the terms of the agreement and the nature of the invalidity judgment. If the term of the agreement or the obligation to pay royalties is linked to the duration of the patent, for example, the agreement might be interpreted to mean that such term or obligation ended with the invalidity of the patent.

Trubenizing Process Corporation v John Forsythe Ltd, [1943] SCR 422, (SCC), reversing [1942] OR 271 (Ont CA) concerned a non-exclusive licence for two patents, which included a covenant that the licensor would not sue (upon any patent that it owned or controlled) as long as the licensee paid the agreed royalties. Although the patent was held invalid by a decision of the Supreme Court of Canada, the licensee was obliged to continue to pay royalties.

9 Is an original registration or evidence of use in the jurisdiction of origin, or any other requirements unique to foreigners, necessary prior to the registration of intellectual property in your jurisdiction?

In general, it is not required to have a prior registration in the jurisdiction of origin.

However, if an applicant applies for a Canadian trademark registration based on use and registration of the mark in the country of origin, it is essential that the trademark is used in one or more specified countries prior to the filing date in Canada.

10 Can unregistered trademarks, or other intellectual property rights that are not registered, be licensed in your jurisdiction?

Unregistered trademarks may be licensed in Canada. Copyright works may be licensed, and it is not mandatory to register copyright in Canada. Trade secrets, know-how, computer software and other forms of unregistered intellectual property that are proprietary in nature, may also be licensed.

11 Are there particular requirements in your jurisdiction to take a security interest in intellectual property?

It is common for security interests to be registered against the intellectual property, typically patents or registered trademarks. Security in personal property is governed by the Personal Property Security Acts in each province and by Book 6 of the Civil Code in Quebec.

Although it is advisable to register security agreements with the Canadian Intellectual Property Officer (CIPO), the legal effect of such registration is not entirely clear.

Registration of security agreements generally requires the following be submitted to CIPO:

- a request to register the document;
- the document or a copy of the document to be registered;

- an indication of the registered intellectual property to which the document relates; and
- a prescribed fee.

12 Can a foreign owner or licensor of intellectual property institute proceedings against a third party for infringement in your jurisdiction without joining the licensee from your jurisdiction as a party to the proceedings? Can an intellectual property licensee in your jurisdiction institute proceedings against an infringer of the licensed intellectual property without the consent of the owner or licensor? Can the licensee be contractually prohibited from doing so?

A foreign owner or licensor of intellectual property can institute proceedings against a third party for infringement without joining the licensee, but it may be advantageous to join the licensee in order to recover damages suffered by the licensee as a result of the infringement. A licensee can institute proceedings against an infringer if the licence agreement so provides, but must join the licensor as a party to the proceedings. A licensee can be contractually prohibited from instituting suit without the consent of the licensor. A non-exclusive licensee by itself does not have status to sue: *Milliken & Co v Interface Flooring Systems (Canada) Inc*, (1998) 3 FCR 103.

13 Can a trademark or service mark licensee in your jurisdiction sub-license use of the mark to a third party? If so, does the right to sub-license exist statutorily or must it be granted contractually? If it exists statutorily, can the licensee validly waive its right to sub-license?

A trademark licensee (including licensees of service marks) is not permitted to sub-license use of the mark unless the licence agreement specifically permits the licensee to do so. This may be reasonable where the licensee in effect acts as a licensing authority for the licensor, finding and supervising licensees, collecting royalties, etc. Such sub-licence right exists only contractually, and is not the subject of statute.

14 If intellectual property in your jurisdiction is jointly owned, is each co-owner free to deal with that intellectual property as it wishes without the consent of the other co-owners? Are co-owners of intellectual property rights able to change this position in a contract?

Joint ownership of intellectual property rights may cause significant problems, and therefore there should be a contract between the parties that deals with all likely contingencies. Usually, the better alternative is to divide the intellectual property ownership rights between the parties, with cross-licences if appropriate, so that each party then is free to exploit their own intellectual property without having to refer to the other party, except as required by the terms of the agreement. If the parties are determined to jointly own the intellectual property, they should enter into an agreement that clearly sets out their respective rights and obligations. The agreement should address issues such as whether one co-owner is entitled to obtain revenue from the jointly owned intellectual property right without the consent or involvement of the other co-owner, and with or without having to account to the other co-owner for a portion of such revenue, and the extent to which each co-owner is responsible for the costs involved in enforcement.

15 Is your jurisdiction a 'first to file' or 'first to invent' jurisdiction? Can a foreign licensor license the use of an invention subject to a patent application but in respect of which the patent has not been issued in your jurisdiction?

Since 1 October 1989, Canada has been a 'first to file' jurisdiction for patents. A foreign licensor may license the use of an invention subject to a pending patent application in Canada.

16 Can the following be protected by patents in your jurisdiction: software; business processes or methods; living organisms?

Provided it is new, non-obvious and useful, software inventions in general may be patented in Canada, but a great deal depends on the nature of the invention and the manner in which it is claimed. The provision in section 27(8) of the Patent Act, RSC 1985, c P-4 that an invention cannot be directed to a 'mere scientific principle or abstract theorem' excludes some software inventions that are directed primarily to performing

calculations. The patentability of software is dealt with in *Amazon.com Inc v Canada (Attorney General)*, 2011 FCA.

In *Amazon.com*, the court held that there is no categorical exclusion of business method patents in Canada provided the invention otherwise qualifies, which is not always easy to demonstrate.

Higher life forms were held to be non-patentable in *Harvard College v Canada (Commissioner of Patents)*, [2002] 4 SCR 45. However, in *Monsanto Canada Inc v Schmeiser*, [2004] 1 SCR 902, a majority of the Supreme Court held that lower life forms such as single cells or genes may be patentable.

17 Is there specific legislation in your jurisdiction that governs trade secrets or know-how? If so, is there a legal definition of trade secrets or know-how? In either case, how are trade secrets and know-how treated by the courts?

Trade secrets are protected under common law in Canada (civil law in Quebec). There are several references to trade secrets in a number of statutes including the Access to Information Act, RSC 1985, c A-1, section 20(1) and the Ontario Freedom of Information and Protection of Privacy Act, RSO 1990, c F-13, sections 17 and 18, but there is no per se trade secrets legislation.

There is clear definition of 'trade secret' in Canadian law, although in general the subject matter must be of a proprietary nature (ie, not generally or easily available to the public). The Supreme Court of Canada in *Merck Frosst Canada Ltd v Canada (Health)*, [2012] 1 SCR 23, defined trade secret as a subset of confidential information. Other references may be found in international agreements such as the North American Free Trade Agreement, Chapter 17, article 1711(1) and the TRIPS agreement.

Injunctive relief is available to prevent unlawful disclosure, use of a trade secret or other proprietary information. Remedies are also available for breach of contract and breach of confidence. In situations involving parties in fiduciary roles, restitutionary remedies are available.

Employers are generally entitled to ownership of patents for inventions made by employees in the course of their employment and it is recommended that all employment agreements should deal with invention ownership in cases where employees are expected to make inventions, or which may arise out of their employment.

There is a common law duty of confidence in contracts of service in Canada, including a duty to refrain from disclosing or using confidential information belonging to a former employer. It is better to provide for this in the employment contract and to remind the departing employee of his or her obligations in an exit interview.

18 Does the law allow a licensor to restrict disclosure or use of trade secrets and know-how by the licensee or third parties in your jurisdiction, both during and after the term of the licence agreement? Is there any distinction to be made with respect to improvements to which the licensee may have contributed?

Written confidentiality or non-disclosure agreements can be freestanding or may be a part of a licensing agreement, and they may prohibit the disclosure or use of trade secrets and know-how by the licensee both during and after the term of the agreement.

Whether third parties are entitled to use a trade secret turns on whether the third party knew the information was communicated in a breach of confidence. An innocent third-party purchaser of a trade secret for value without notice may be able to resist a claim by a plaintiff for injunction (see *International Tools Ltd v Kollar*, [1968] 1 OR 669 (CA) at 674). A third party who is aware or who learns that information they receive is a result of a breach of confidence may be restrained from using it (see *Cadbury Schweppes Inc v FBI Foods Ltd*, [1999] 1 SCR 142 at paragraph 19).

A licence agreement may include a clause requiring assignment of rights to improvements made by an employee-based knowledge communicated to or acquired by an employee during the course of his or her employment.

19 What constitutes copyright in your jurisdiction and how can it be protected?

According to section 3(1) of the Copyright Act, RSC 1985, c C-42, copyright, in relation to a work, means the sole right to produce or reproduce the work or any substantial part thereof in any material form

whatever, to perform the work or any substantial part thereof in public or, if the work is unpublished, to publish the work or any substantial part thereof, and includes the sole right:

- (a) to produce, reproduce, perform or publish any translation of the work,
- (b) in the case of a dramatic work, to convert it into a novel or other non-dramatic work,
- (c) in the case of a novel or other non-dramatic work, or of an artistic work, to convert it into a dramatic work, by way of performance in public or otherwise,
- (d) in the case of a literary, dramatic or musical work, to make any sound recording, cinematograph film or other contrivance by means of which the work may be mechanically reproduced or performed,
- (e) in the case of any literary, dramatic, musical or artistic work, to reproduce, adapt and publicly present the work as a cinematographic work,
- (f) in the case of any literary, dramatic, musical or artistic work, to communicate the work to the public by telecommunication,
- (g) to present at a public exhibition, for a purpose other than sale or hire, an artistic work created after 7 June 1988, other than a map, chart or plan,
- (h) in the case of a computer program that can be reproduced in the ordinary course of its use, other than by a reproduction during its execution in conjunction with a machine, device or computer, to rent out the computer program,
- (i) in the case of a musical work, to rent out a sound recording in which the work is embodied, and
- (j) in the case of a work that is in the form of a tangible object, as long as that ownership has never previously been transferred in or outside Canada with the authorisation of the copyright owner, and to authorise any such acts.

Copyright subsists in every original literary, dramatic, musical and artistic work, including every original production in the literary, scientific or artistic domain, whatever may be the mode or form of its expression, such as compilations, books, pamphlets and other writings, lectures, dramatic or dramatico-musical works, musical works, translations, illustrations, sketches and plastic works relative to geography, topography, architecture or science; performer's performances; sound recordings and broadcast communication signals, among others.

In general, copyright subsists in Canada, in every original literary, dramatic, musical and artistic work if, in the case of any work, whether published or unpublished, including a cinematographic work, the author was, at the date of the making of the work, a citizen or subject of, or a person ordinarily resident in, a treaty country.

Software licensing

20 Does the law in your jurisdiction recognise the validity of 'perpetual' software licences? If not, or if it is not advisable for other reasons, are there other means of addressing concerns relating to 'perpetual' licences?

In general, software licences may be granted on a 'perpetual' basis (ie, not restricted as to time). Usually licence agreements have a specified term of duration, often co-extensive with the term of the intellectual property right. If a licence term is time-limited, the licence agreement may provide for the renewal or extension of term.

Contracts in general are governed by provincial law in Canada, and therefore it is important to review the requirements in the relevant provincial jurisdiction to determine whether 'perpetual' licences are problematic.

21 Are there any legal requirements to be complied with prior to granting software licences, including import or export restrictions?

Some forms of software, such as encryption, are subject to export restrictions: see Exports and Imports Permits Act, RSC, 1985, c E-19 and the Customs Act, RSC, 1985, c. 1. These restrictions also include military and dual-use software, nuclear technology including nuclear software and any software destined for countries on an area control list such as Myanmar.

22 Are there any legal restrictions in your jurisdiction with respect to the restrictions a licensor can put on users of its software in a licence agreement?

Anticompetitive licensing terms may face challenges under the Competition Act, RSC 1985, c C-34. Licensing terms contrary to the abuse of rights provisions in the Patent Act, RSC, 1985, c P-4 s 65-71 may similarly be problematic.

Royalties and other payments, currency conversion and taxes

23 Is there any legislation that governs the nature, amount or manner or frequency of payments of royalties or other fees or costs (including interest on late payments) in an international licensing relationship, or require regulatory approval of the royalty rate or other fees or costs (including interest on late payments) payable by a licensee in your jurisdiction?

Generally, the contract governs the payment of royalties. In some specific situations there are statutory provisions affecting royalties.

The Copyright Board of Canada is a federal tribunal that establishes royalties to be paid for the use of protected copyright works pursuant to the Copyright Act, RSC 1985, c C-42. The board has a mandate to establish, either mandatorily or at the request of a party, the royalties to be paid for the use of protected works when the rights are administered by a collective society such as SOCAN, Access Copyright or Re:Sound.

Under section 77 of the Copyright Act, RSC 1985, c C-42 a person may apply for a statutory licence from the Copyright Board at a fixed royalty rate for works where the owner cannot be located.

Canada has acceded to the Marrakesh VIP Treaty 2013, and therefore subject to section 32.01 of the Copyright Act, it is not an infringement for a non-profit organisation acting for the benefit of a person with a print disability to reproduce works in a limited manner. In such a case, royalties for the reproduction are fixed by regulations.

24 Are there any restrictions on transfer and remittance of currency in your jurisdiction? Are there any associated regulatory reporting requirements?

In general, there are no restrictions on transfer and remittance of currency in Canada, but remittances in excess of C\$10,000 (or equivalent in foreign currency) generally must be reported to the Financial Transactions and Reports Analysis Centre of Canada.

25 In what circumstances may a foreign licensor be taxed on its income in your jurisdiction?

Royalty payments made to non-residents generally are subject to withholding taxes. The statutory withholding tax rate is 25 per cent. This rate is usually reduced as a result of Canada's tax treaties with other countries. Foreign investors doing business in Canada through a subsidiary are considered to be Canadian residents and are taxed as such. Income tax is applied to the worldwide income of the subsidiary, but relief is generally provided for in taxes paid in other countries.

Competition law issues

26 Are practices that potentially restrict trade prohibited or otherwise regulated in your jurisdiction?

In general, there are both civil and criminal sanctions for such conduct under the Competition Act, RSC 1985, c C-34. The civil branch of the Competition Bureau deals with issues relating to abuse of dominance, refusal to deal, exclusive dealing, tied selling and price maintenance.

The criminal branch of the Competition Bureau deals with cartels, conspiracies, agreements between competitors to fix prices, market allocation, supply restriction and bid rigging.

Section 32 of the Competition Act includes specific restrictions on the exercise of intellectual property rights.

27 Are there any legal restrictions in respect of the following provisions in licence agreements: duration, exclusivity, internet sales prohibitions, non-competition restrictions and grant-back provisions?

There are no restrictions on duration. The Competition Bureau may review the exclusivity or non-competition terms of a licence agreement if they involve a refusal to deal, exclusive dealing, tied selling or

Update and trends

Canadian Copyright Licensing Agency v York University, 2017 FC 669 (currently under appeal) relates to an ongoing dispute between the Canadian Copyright Licensing Agency (Access) and York University regarding fair dealing in post-secondary education and the enforcement of interim tariffs granted by the Copyright Board. The outcome of this case could significantly affect the use and/or licensing of educational materials by post-secondary institutions. In a related case, the Quebec Court of Appeal granted leave for class proceedings against Laval University in *Société québécoise de gestion collective des droits de reproduction (Copibec) v Université Laval*, 2017 QCSC 5417. The federal government has announced proposed amendments in bill C-86 to extend licensing commitments made by Standards Essential Patent (SEP) holders to successors in title of the SEPs.

terms that otherwise fall within its purview. The Competition Bureau released the IPEGs that indicate the direction the Bureau may take in various licensing situations.

28 Have courts in your jurisdiction held that certain uses (or abuses) of intellectual property rights have been anticompetitive?

The Competition Bureau has indicated that something more than the mere exercise of an intellectual property right is required to trigger an investigation of alleged anticompetitive behaviour.

In *Toronto Real Estate Board v Commissioner of Competition*, 2017 FCA 236, the Federal Court of Appeal dismissed an appeal by the appellant *Toronto Real Estate Board* over the use of data from their Multiple Listing Service. The Commissioner applied to the Competition Tribunal under section 79(1) of the Competition Act RSC 1985, c C-34, the abuse of dominance portions of the Act.

Pay-for-delay contracts involving pharma products may attract Competition Bureau scrutiny. Understandably, the situation is highly fact-driven. The following is stated in a 2014 Bureau publication entitled Patent Litigation Settlement Agreements: A Canadian Perspective:

When a brand pays more than the generic could have obtained from PM(NOC) Regulation proceedings, such payments are less likely to be justified. In contrast, more nuanced analysis is called for when the payment falls within the realm of what could be expected in PM(NOC) Regulation litigation, such as where the brand faces section 8 damages liability and makes a modest payment that is less than the expected damages the brand would owe the generic.

This does not provide free rein for brands to make whatever payments they wish. For example, the amount of section 8 damages could be low when there is generic competition, as generic prices tend to fall with more generics on the market. One commentator has explained that the presence of authorised generics 'significantly reduces the size of the market available to other generic competitors' and 'drastically reduces the amount of damages that are possibly recoverable under section 8.' In fact, the court, in *Teva Canada Limited v Sanofi-Aventis Canada Inc* made clear that authorised generics can be considered in determining the generic's likely profits. In short, as a result of authorised generics and other entrants, the amount of section 8 damages for which the brand would be responsible could be significantly reduced, which would increase the concern with large payments to generics.

Indemnification, disclaimers of liability, damages and limitation of damages

29 Are indemnification provisions commonly used in your jurisdiction and, if so, are they generally enforceable? Is insurance coverage for the protection of a foreign licensor available in support of an indemnification provision?

Indemnification provisions are commonly used and available in Canada and are generally enforceable. Insurance coverage for a foreign licensor is also available.

- 30 Can the parties contractually agree to waive or limit certain types of damages? Are disclaimers and limitations of liability generally enforceable? What are the exceptions, if any?**
Disclaimers and limitations of liability including liquidated damages are generally enforceable.

Termination

- 31 Does the law impose conditions on, or otherwise limit, the right to terminate or not to renew an international licensing relationship; or require the payment of an indemnity or other form of compensation upon termination or non-renewal? More specifically, have courts in your jurisdiction extended to licensing relationships the application of commercial agency laws that contain such rights or remedies or provide such indemnities?**

If a valid, enforceable licence agreement is stated to be irrevocable, neither party can terminate it without the consent of the other party. If a licence does not include a termination provision, which is unusual, generally such licences are terminable on reasonable notice.

- 32 What is the impact of the termination or expiration of a licence agreement on any sub-liscense granted by the licensee, in the absence of any contractual provision addressing this issue? Would a contractual provision addressing this issue be enforceable, in either case?**

In the absence of a contractual provision to the contrary, the rights of a sub-licensee of the licensee cease as of the termination or expiry of the licence.

Bankruptcy

- 33 What is the impact of the bankruptcy of the licensee on the legal relationship with its licensor; and any sub-liscense that the licensee may have granted? Can the licensor structure its international licence agreement to terminate it prior to the bankruptcy and remove the licensee's rights?**

The Bankruptcy and Insolvency Act, RSC 1985, c B-3 (BIA) and the Companies Creditors Arrangement Act, RSC 1985, c C-36 (CCAA) give trustees in bankruptcy broad rights to deal with assets of any bankrupt. An intellectual property licence in general is a contractual rather than property right. A trustee in bankruptcy of the licensee is entitled to disclaim the licence, and in some cases depending on the licence, to transfer the licence to a third party. Licence agreements often give the licensor the right to terminate the license if the licensee commits an act of bankruptcy, and that result might be automatic if the licence so provides. The mere filing of a notice by a licensee of its intention to file a proposal in bankruptcy, or the filing of a proposal, in general does not justify the licensor terminating the licence. If the licensor suspects the licensee is insolvent or is about to be insolvent, it is advisable to consider the possibility of terminating the licence for cause (if such cause exists) before the licensee commits an act of bankruptcy. Assignability

of licences by a trustee in bankruptcy may be possible provided such assignments are not inconsistent with the licence agreement.

- 34 What is the impact of the bankruptcy of the licensor on the legal relationship with its licensee; and any sub-liscense the licensee has granted? Are there any steps a licensee can take to protect its interest if the licensor becomes bankrupt?**

In general, a bankruptcy trustee has the right to disclaim licences granted by a bankrupt licensor, and such disclaimer may terminate rights of a sub-licensee. A licensee may be allowed to continue to use intellectual property licensed from the bankrupt licensor provided the licensee continues to perform its obligations in relation to the use of the intellectual property in accordance with the terms of the agreement. Neither 'intellectual property' nor 'continues to perform its obligations under the agreement' have fully been interpreted by the courts and therefore there is some uncertainty as to the scope of the foregoing.

Governing law and dispute resolution

- 35 Are there any restrictions on an international licensing arrangement being governed by the laws of another jurisdiction chosen by the parties?**

In general, there are no restrictions on forum selection clauses. One exception may be contracts of adhesion (ie, a 'take it or leave it' agreement), where there is a significant disparity in bargaining power of the respective parties.

- 36 Can the parties contractually agree to arbitration of their disputes instead of resorting to the courts of your jurisdiction? If so, must the arbitration proceedings be conducted in your jurisdiction or can they be held in another?**

Parties may contractually agree to arbitration instead of recourse to the courts.

- 37 Would a court judgment or arbitral award from another jurisdiction be enforceable in your jurisdiction? Is your jurisdiction party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards?**

Foreign judgments that are final are generally enforceable in Canada. Canada is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (New York Convention), having ratified the convention on the 12 May 1986.

- 38 Is injunctive relief available in your jurisdiction? May it be waived contractually? If so, what conditions must be met for a contractual waiver to be enforceable? May the parties waive their entitlement to claim specific categories of damages in an arbitration clause?**

Injunctive relief is available in Canada. It is unusual for a contract to waive injunctive relief, and it is likely that a court would not favourably view such a provision. That said, often the dispute involves



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determination of whether the licence agreement has been breached. If the breach is by the licensee, the licensor may be entitled to enjoin violation of the licensed intellectual property right irrespective whether the licence agreement so provides. Assuming the agreement does not involve an anticompetitive aspect, it is likely that the contract can waive specific categories of damages in an arbitration clause.

Getting the Deal Through

Acquisition Finance	Enforcement of Foreign Judgments	Ports & Terminals
Advertising & Marketing	Environment & Climate Regulation	Private Antitrust Litigation
Agribusiness	Equity Derivatives	Private Banking & Wealth Management
Air Transport	Executive Compensation & Employee Benefits	Private Client
Anti-Corruption Regulation	Financial Services Compliance	Private Equity
Anti-Money Laundering	Financial Services Litigation	Private M&A
Appeals	Fintech	Product Liability
Arbitration	Foreign Investment Review	Product Recall
Art Law	Franchise	Project Finance
Asset Recovery	Fund Management	Public M&A
Automotive	Gaming	Public-Private Partnerships
Aviation Finance & Leasing	Gas Regulation	Public Procurement
Aviation Liability	Government Investigations	Rail Transport
Banking Regulation	Government Relations	Real Estate
Cartel Regulation	Healthcare Enforcement & Litigation	Real Estate M&A
Class Actions	High-Yield Debt	Renewable Energy
Cloud Computing	Initial Public Offerings	Restructuring & Insolvency
Commercial Contracts	Insurance & Reinsurance	Right of Publicity
Competition Compliance	Insurance Litigation	Risk & Compliance Management
Complex Commercial Litigation	Intellectual Property & Antitrust	Securities Finance
Construction	Investment Treaty Arbitration	Securities Litigation
Copyright	Islamic Finance & Markets	Shareholder Activism & Engagement
Corporate Governance	Joint Ventures	Ship Finance
Corporate Immigration	Labour & Employment	Shipbuilding
Corporate Reorganisations	Legal Privilege & Professional Secrecy	Shipping
Cybersecurity	Licensing	Sovereign Immunity
Data Protection & Privacy	Life Sciences	State Aid
Debt Capital Markets	Loans & Secured Financing	Structured Finance & Securitisation
Defence & Security Procurement	Mediation	Tax Controversy
Dispute Resolution	Merger Control	Tax on Inbound Investment
Distribution & Agency	Mining	Technology M&A
Domains & Domain Names	Oil Regulation	Telecoms & Media
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