

HAROLD G. FOX MOOT

MOOT PROBLEM

November 4, 2008

1. The following are reasons and judgment of the Trial Court of Canada, Intellectual Property Division.
2. The decision of the Trial Court was subsequently overturned by the Court of Appeal; the reasons and judgment for which are also set out below.
3. Both Courts have jurisdiction over all issues raised in the respective decisions.
4. The decision of the Court of Appeal is now appealed to the Supreme Moot Court for Intellectual Property Appeals.
5. The standard of review adopted by the Court of Appeal is also correct and not the subject of appeal.
6. All the reasons given by the lower courts also need to be addressed by counsel for MontiesTavern.com Inc. and for Wolf News LLC in their submissions.
7. Other arguments not set out in the reasons given may also be raised by the parties on appeal but such arguments must pertain to the issues that have been identified in the judgments below.
8. The actual quantification of damages (if any), and costs, should not be addressed.

Date: 20080701

Docket: A-1-08

Citation: 2008 FCIP 125

Ottawa, Ontario, this 1st day of July, 2008

TRIAL COURT OF CANADA,
INTELLECTUAL PROPERTY DIVISION

Cripps, J:

[1] The facts giving rise to this copyright and passing off case are as follows.

[2] One year ago, Bill Stiles was in the final stages of designing a new Canadian political website, “MontiesTavern.com”, when he ran into his old classmate Cliff Touring. During a night of carousing together, Stiles told Touring about his new website and showed him the site in operation. Touring was excited by the idea came up with his own idea of adding a daily news update section to the homepage of MontiesTavern.com. Without any further input from Stiles, Touring spent a week at his home writing the HTML code to implement his ideas for the new part of the website, which he called “The Family Compact”. At the end of the week, Touring took a flash drive with his HTML code to the office of Stiles’ company, MontiesTavern.com Inc., and delivered it to Stiles.

[3] The witnesses before me were in agreement that when he delivered the HTML code, Touring shook hands with Stiles and said “It’s all yours.” Stiles responded by saying “You’ve got 10% of the company, Touring.” There was no paperwork involved. However, two weeks later, Touring received notification by mail that he was an owner of 10 shares in MontiesTavern.com Inc. Touring’s evidence was that he remains owner of those shares, today.

[4] Touring’s HTML code was incorporated in the MontiesTavern.com website right away. As a result, the homepage had a new column on its left hand side with a list of reduced-sized reproductions of headlines from on-line newspapers. When a user clicked on a headline on the MontiesTavern.com homepage, the headline was enlarged. At the same time, the first three lines of the news story related to the headline were displayed, as was a visible link (the URL) to the

on-line newspaper site that the story came from. There was no search done to see if “The Family Compact” was used by any other website.

[5] The example provided in the evidence at trial showed the headline in 10 point font: **Seatbelt Blitz Creates “Firestorm” in Legislature**. When users clicked on that headline in the Family Compact column of the MontiesTavern homepage, the headline was expanded to 16 point font and the first three lines of the story, together with a visible link to the originating new site, were displayed, as follows:

Seatbelt Blitz Creates “Firestorm” in Legislature

The RCMP announcement that they would increase patrols along highways during this busy long weekend resulted in the call for the resignation of the Minister for Public Safety in the Legislature yesterday.

Although Minister Vari Wolley stated that officers were merely on the lookout for

<http://www.CanadaNationalMail.com/>

[6] All evidence pointed to the political MontiesTavern.com website having been an immediate hit, when launched. Further, the statistics for MontiesTavern.com usage showed that The Family Compact section was the most popular. Due to the growing popularity of the site, various companies began placing their advertisements on MontiesTavern.com.

[7] Stiles was ambitious and ploughed all the company’s profits back into expanding the website and marketing. The website no longer focused solely on Canadian politics, and headlines, but was becoming more international in scope. American and International politics were also included. The headlines listed in The Family Compact remained primarily political in nature but it was common ground at the trial the definition of “political” became broader. As Stiles admitted: “the personal is political”. Aligned with such expansion, the site also became more wide-ranging in nature – with content including headlines relating to crime, human rights abuses, environmental responsibility, daycare policy, drug use in sports and poverty. Radio announcements and magazine advertisements placed in Canada highlighted the expansion and new features of the site, always including reference to The Family Compact section, by name.

[8] With the growing success of their site, Stiles did not have much time for socializing with Touring. As Stiles stated at trial, he was “stunned” when, six months after the

MontiesTavern.com launch, the multinational entertainment conglomerate Wolf News LLC announced it was launching a new political website for Canadians called TheHigherBar.com.

[9] This action was commenced when Stiles realized that TheHigherBar.com included a section called SupersizeThis that worked almost exactly like The Family Compact section of MontiesTavern.com.

[10] The similarity in the SuperSizeThis feature of TheHigherBar.com is easily explained: Some four weeks after delivering the HTML code for The Family Compact feature to Stiles at MontiesTavern.com Inc., Touring had been hired by Wolf News. Touring implemented the SupersizeThis section for TheHigherBar.com by merely making some small changes to the HTML code that he had written to implement The Family Compact section of the MontiesTavern.com homepage. Wolf News LLC received the HTML code from its new employee Touring and copied it to the Wolf News web server so as to put the SuperSize This feature up on TheHigherBar.com website on the Internet.

[11] Expert evidence before me established that there are limited difference in the two sets of HTML code (approximately ten percent of the code was changed). For users of the two sites, the main discernible differences are the location of the news columns and their appearance. The SupersizeThis section is displayed on the right side of TheHigherBar.com website (the Family Compact feature is located on the left of the MontiesTavern.com website); an when a headline is clicked by a user on TheHigherBar.com, it is not enlarged, rather the display changes to include the first sentence of the story (regardless of length), and includes the phrase “Taken from [originating website name], please click here for the full story”.

[12] The example from TheHigherBar.com entered into evidence was as follows:

Seatbelt Blitz Creates “Firestorm” in Legislature

The RCMP announcement that they would increase patrols along highways during this busy long weekend resulted in the call for the resignation of the Minister for Public Safety in the Legislature yesterday.

Taken from www.CanadaNationalMail.com, please click *here* for the full story

[13] MontiesTavern.com Inc. has brought this action against Wolf News, claiming:

(1) copyright infringement based on Wolf News having copied the HTML code for The Family Compact HTML (specifically, copying HTML code that was previously delivered on a flash drive by Touring to Stiles); and

(2) copyright infringement due to the allegedly similar manner in which headlines are displayed and then expanded when users click on the headlines.

[14] Wolf News LLC has, in turn, counterclaimed as follows:

- (a) Copyright infringement based on the claimed copyright of Wolf News to the underlying news stories whose headlines were displayed on The Family Compact (many of which came from the Wolf News online editions, such as CanadaNationalMail.com),
- (b) Passing off based on trade-mark rights alleged to be owned by Wolf News. “The Family Compact” has been used in Australia as the title of a small-format magazine of interest to families. The magazine had been published for many years by Wolf News LLC in Australia. The magazine has been made available on the Internet for the previous three years on TheFamilyCompact.au.

[15] Turning to the legal issues before me, I find that there are valid copyright interests of MontiesTavern.com Inc. which have been infringed by Wolf News. The copyright in the HTML code for The Family Compact feature belonged to MontiesTavern.com Inc. as the HTML code is an original literary work under s. 2 of the *Copyright Act*, and is therefore subject to protection under ss. 3 and 27 of the *Copyright Act*. If I am wrong that the HTML code was assigned by Touring to MontiesTavern, then I find an exclusive licence to have been created by the agreement between Touring and MontiesTavern.com Inc. In either case, there is a protectable interest under the *Copyright Act*.

[16] Turning to infringement, minor changes made to the HTML code by Mr. Touring, while employed by Wolf News, are insufficient to give rise to a new, original work by Wolf News. The use by Wolf News of the slightly modified HTML code is therefore an infringement under s. 27(1) of the *Copyright Act*. Further, the Wolf News SuperSizeThis feature also copied the “look and feel” of the Family Compact section of the website operated by MontiesTavern. This is a further unauthorized copying of the literary work and is copyright infringement.

[17] The counterclaims of Wolf News are dismissed.

[18] The display of the news headlines on the MontiesTavern.com website are protected under fair dealing since a headline, by definition, is an item of news and worthy of reporting. The law of copyright must strike a balance between an author's right to his or her own work, and the rights of users. The availability of news items is essential in any democracy. Although Wolf News may have copyright in the underlying news articles, the limited use made of the news articles by MontiesTavern is permitted under s. 29.2 of the *Copyright Act*.

[19] There is also no passing off by MontiesTavern.com Inc. due to the use of "The Family Compact" on the website. The name "The Family Compact" is embedded in the homepage and clearly associated with MontiesTavern.com. Although evidence was adduced that Internet users did search for "The Family Compact" to find the MontiesTavern.com homepage, there was no use of "The Family Compact" as part of the URL for the website. The embedded use in the homepage does not equate to trade-mark use. Further, the average reasonable website reader from Australia would not confuse MontiesTavern.com and TheFamilyCompact.au. Finally, the political nature of the MontiesTavern.com website and the family-oriented nature of TheFamilyCompact.au lead me to conclude that there is no likelihood of confusion since the consumers of both websites are markedly different. The single inquiry that MontiesTavern.com Inc. did actually receive asking if it would publish an article relating to Australian parental leave policies does not persuade me that there is a likelihood of confusion.

[20] Judgment is to go in favour of MontiesTavern.com Inc., the counterclaim of Wolf News LLC is dismissed.

Date: 20081101

Docket: C-4-08

Citation: 2008 FCA 150

Toronto, Ontario, this 3rd day of November, 2008

COURT OF APPEAL

Fisher J. (Rubble J., and Barney J. concurring):

[1] Justice Cripps has set out the facts clearly and we see no palpable and overriding error by the trial judge. However, we cannot agree with the outcome reached by the learned judge.

[2] Beginning with the central issue on appeal. The use by Wolf News LLC of any or all of Touring's HTML code for The Family Compact is not an infringement of any copyright that MontiesTavern.com Inc. can claim dominion over. The basis for this conclusion is simple: MontiesTavern.com Inc. never acquired ownership in the copyright in the HTML code and therefore MontiesTavern.com Inc. has no legal right to enforce. We find that "a mere handshake is insufficient to assign copyright." This outdated mode of 'gentleman's agreement' has no footing in the *Copyright Act*.

[3] An assignment of copyright, or grant of any interest, must be in writing. Since there was nothing in writing when the flash drive (containing the HTML code) was delivered to MontiesTavern.com Inc., nor afterwards, there can be no assignment of copyright to the latter. This leaves Mr. Touring as the owner of the copyright in the HTML code for The Family Compact. It is common ground that Mr. Touring was never an employee of MontiesTavern.com Inc. He is therefore free to take his own HTML code and use it for the benefit of his future employers, or himself. The argument advanced by MontiesTavern.com Inc. that it was, in the alternative, an exclusive licensee of the copyright in the HTML code, is rejected for the same reasons.

[4] Further, there is no protection for "look and feel" under the *Copyright Act* and therefore there could be no infringement by Wolf News due to the (admittedly) similar functioning of the SuperSizeThis feature on its website in comparison with The Family Compact section of the MontiesTavern.com website.

[5] Concerning the counterclaim advanced by Wolf News, we respectfully depart from the conclusions of the trial judge. There is no dispute that Wolf News LLC is the owner of copyright in news stories on www.CanadaNationalMail.com, such as the Seatbelt Blitz article referred to by the Court below. The verbatim reproduction of the first three lines of such stories by MontiesTavern.com is an infringement of such copyright held by Wolf News LLC. The mere attribution of source is not enough to protect the respondent as being fair dealing under s. 29.2 of the *Copyright Act*. The preferred manner of attributing source, while protecting the balance between copyright interests and the accessibility of newsworthy items in a democratic society, would have been the manner in which SuperSizeThis displayed information to the user after clicking on the headline. The manner of display on MontiesTavern.com and length of the headline information displayed went beyond what is appropriate for fair dealing, given the balance that Parliament intended under the fair dealing provisions of the *Copyright Act*.

[6] We also find that Wolf News' claim in passing off to be well-founded. We therefore find that the trial judge erred in law on this point as well. This Court draws an adverse inference from MontiesTavern.com's arbitrary adoption of the phrase "The Family Compact" to describe a section of its website devoted to current news items. We are persuaded by the able arguments of Mr. Foxworth Q.C., who had adduced evidence for Wolf News at trial showing that there is a sizeable Australian immigrant population within Canada. As Mr. Foxworth argued, we find this population will likely be confused as to whether use of the name "The Family Compact" used in the MontiesTavern.com website is, somehow authorized by the Australian magazine. This becomes especially salient as MontiesTavern.com now covers political affairs of many Commonwealth countries, Australia included. I also note that there is no dispute over the fact that Wolf News' Australian website had been available in Canada for some two years before the MontiesTavern.com website began using the name, although there was no evidence that the paper magazine The Family Compact was ever distributed in Canada. As such, given the reputation of "The Family Compact" trade-mark in Canada and a likelihood of confusion of its use by the Respondent on the MontiesTavern.com website, we find passing off.

[7] For all of the foregoing reasons, we overturn the decision below and dismiss the copyright claims of MontiesTavern.com Inc.. Regarding the counterclaim, we find that the Respondent is liable to Wolf News LLC for copyright infringement and for the claims in passing off. We return

this matter to the Trial Court for an assessment of damages and costs consistent with these findings.