

# CURRENT AFFAIRS

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## LEGAL EVOLUTION

This edition of our newsletter shall focus on three stories involving technology and its impact on law, and the influence technology is having on varied aspects of our lives, resulting in unforeseen consequences, both at home and abroad.

## STUDENT ID

The Law School Admissions Test (LSAT), a required standardized test for those applying to North American law schools, is suddenly raising some legal questions of its own. The problem is that individuals must provide a thumbprint in order to write the LSAT. Since the test is administered by the Law School Admission Council, a non-profit American entity, the thumbprints of Canadian LSAT writers are sent to and stored in the United States, and are therefore subject to far-reaching American laws such as the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the USA Patriot Act).

Privacy concerns have gained greater prominence in Canada in recent years. This is due in part to the enactment of private-sector privacy laws such as the federal Personal Information Protection and Electronic Documents Act and British Columbia's Personal Information Protection Act. There is also increased sensitivity to the disclosure of Canadians' personal information to U.S.

entities, as demonstrated by a recent court action by the B.C. Government and Services Employees' Union over the government's decision to outsource certain medical accounts processing activities to U.S. companies or their Canadian subsidiaries.

In this context, and with the realization that if Canadians' thumbprints are sent to the United States they can be collected and stored by U.S. security officials without that person's knowledge or prior consent, a privacy complaint over the LSAT practice has been filed with the Information and Privacy Commissioner of British Columbia. The Commissioner has agreed to investigate the complaint, and his findings could change the way that the LSAT is administered in Canada.

## BUSINESS OWNERSHIP

The question recently addressed by her Honour Branson J of the Australian Federal Court, was whether a method for structuring a financial transaction, designed to protect an individual's assets, presumably against their creditors' claims, was patentable subject matter.

This was an appeal against the decision of the Commissioner of Patents, who determined that it was not the proper subject of a patent. The method involved:

- establishing a trust;
- Mr A gifting money to a trust;
- the trust making a loan to Mr A; and
- the trust taking security over Mr A's assets.

For example if the assets were real property, first mortgages could be given in favour of the trust and secured on title by registration. The appellant relied upon a previous High Court's decision<sup>1</sup>, that found that something was patentable if it created an artificial effect falling squarely within the true concept of what must be produced by a process.

Relevantly, the delegate considered it undesirable that monopoly rights be granted over aspects of the law. He observed:

"...the law is the foundation upon which our society is built ... I do not believe that it is open (or proper) for the Commissioner of Patents to grant monopoly rights over certain aspects of Australian law."

Her Honour, upholding the decision of the delegate identified the overriding principle distilled from section 6 of the Statute of Monopolies, was that an invention should only enjoy the protection of a patent "if the social cost of the resulting restrictions upon the use of the invention is counterbalanced by resulting social benefits."

When that was applied to the facts, it was determined that the law of Australia assumed that the public interest was served by individuals paying their debts as and when they fall due. In contrast the performance of the invention did not add to the economic wealth of

<sup>1</sup> National Research Development Corporation v Commissioner of Patents (1959) 102 CLR 252 (NRDC), at page 277.

Australia or otherwise benefit Australian society as a whole as it insulated a section of the public from the operation of laws intended to serve the public interest.

**T**he result was that the social cost of conferring on the invention the protection of a patent would therefore not be counterbalanced by any resultant benefit to the public.

**T**his decision is one which sets the example of a very healthy principle. Patent law has been plagued with decisions where the allegedly infringing patent adds nothing to the state of known technology. These are not advancements but rather they are sideways moves designed to circumvent the effectiveness of a patent.

**H**istorically, letters patent, as they were called because their secret was made obvious or patent, were granted by royal prerogative in recognition of some useful achievement to the community or in recognition of the risks taken by an individual to bring something from abroad, previously unknown in the jurisdiction.

**O**ne rationale for patents is that they provide by the grant of a statutory monopoly an incentive for persons to invest in research and development. The patent is granted in exchange for the published details of the invention. The technology is then exposed, allowing others to make further advancements on the known prior art, for the benefit ultimately of the public.

**T**he Statute of Monopolies was introduced in 1624 as a reaction to the abuses of monopolies that had been created. Excepted from the statute were letters patent provided:

“...they be not contrary to the law, nor mischievous to the state, by raising prices of commodities at home, or hurt of trade, or generally inconvenient.”

**T**he decision is one that is a general deterrent of financial planning models as subject matter of patents, but is not the imposition of some policy that the subject matter was not worthy of patentability because it was not useful.

**I**ndeed the delegate found that the subject matter had economic utility but that there was a difficulty in a person owning “certain aspects of Australian law.” Rather than its particular purpose, whilst lawful, did not result in social benefits that counterbalanced the resulting restrictions imposed upon society by the granting of the patent.

#### SHAREHOLDER PROTECTION?

**S**ection 21 of the Canada Business Corporations Act (“CBCA”) requires corporations on request by a shareholder to provide a list setting out the names of the shareholders of the corporation, the number of shares owned by each shareholder and the address of each shareholder as shown on the records of the corporation. The request of a shareholder must be accompanied by payment of a reasonable fee and an affidavit setting out the name and address of the applicant and a statement that the information contained in the securities register will not be used except pursuant to section 21(9) of the CBCA.

**I**n *EnCana Corporation v. Douglas* (“EnCana”), this is exactly what Douglas, a shareholder of EnCana, and sole director, officer and shareholder of Douglas Resources Ltd. (“Douglas Resources”) attempted to do. Douglas applied, under section 21 of the CBCA, for a list of the shareholders of EnCana, and its predecessor companies, Pan Canadian,

and Alberta Energy. Thereafter, through his company Douglas Resources, he sought to identify potentially lost shares in these companies and used the information associated with the securities register and potential lost shares in order to find the shareholder and unite the shares with their rightful owner for a fee.

**E**nCana resisted the application, arguing that Douglas’ intended use of the information would violate the Personal Information Protection and Electronic Documents Act and the Alberta Personal Information Protection Act, and that it was not an authorized use under section 21(9) of the CBCA. The Alberta Court of Appeal allowed the appeal stating that privacy legislation does not modify the obligation required by section 21 of the CBCA where the information is being provided as required by law. Furthermore, the Court ruled that the use which Douglas planned to make of the information simply had to be a matter relating to the “affairs of the corporation” under s. 21(9)(c) of the CBCA. The court then referred to the definition of “affairs” in the CBCA to indicate that any use of the securities register that involves communication between shareholders— as shareholders, or regarding the corporation, directors and/or officers is an allowable use.

**T**he Court also noted that both Douglas, as a shareholder, and Douglas Resources, as a corporation, are able to access the securities register of EnCana under s. 21 of the CBCA as subsection (3) states that shareholders and, if the corporation is a distributing corporation, any other person, may on application require the corporation or its agent to furnish a list, with “person” being defined under s. 2(1) to include a body corporate.

**S**imply put, the Court’s decision stressed that “a corporation cannot hide behind general privacy law to deprive shareholders access to the securities register...”