

Federal Court of Appeal



Cour d'appel fédérale

Date: 20130925

Docket: A-86-13

Citation: 2013 FCA 225

**CORAM: NOËL J.A.
TRUDEL J.A.
MAINVILLE J.A.**

BETWEEN:

DORIS TREMBLAY

Appellant

and

ORIO CANADA INC.

Respondent

Heard at Montréal, Quebec, on September 9, 2013.

Judgment delivered at Ottawa, Ontario, on September 25, 2013.

REASONS FOR JUDGMENT BY:

MAINVILLE J.A.

CONCURRED IN BY:

**NOËL J.A.
TRUDEL J.A.**

Federal Court of Appeal



Cour d'appel fédérale

Date: 20130925

Docket: A-86-13

Citation: 2013 FCA 225

**CORAM: NOËL J.A.
TRUDEL J.A.
MAINVILLE J.A.**

BETWEEN:

DORIS TREMBLAY

Appellant

and

ORIO CANADA INC.

Respondent

REASONS FOR JUDGMENT

MAINVILLE J.A.

[1] This is an appeal from a decision of Justice Boivin of the Federal Court (“the judge”) dated January 31, 2013, citation number 2013 FC 109, pertaining to the copyright in a program software known as the modified SAM program. The judge ruled that the appellant owned the copyright and had not assigned it to the respondent (Orio), but he nevertheless granted the latter an implied user licence authorizing it not only to market the software, but also to copy and modify it.

Facts and proceedings

[2] The background of the dispute is straightforward, and the facts are admitted by the parties. For the past several years, Orio has been marketing an appointment management software tool for the auto mechanics industry. This program is known by the acronym SAM (Service Appointment Monitor). Orio entered into a contract of service with the appellant's company (which operates under the name Service Informatique Professionnel) in order to improve its SAM program. Since August 2009, Orio sells and installs copies of the reworked modified SAM program to its clients. The appellant and his employees worked on the software from April 2006 to June 2009, and Orio paid the appellant for this work. The new version of the software resulting from this work (the modified SAM program) was almost twice the size of the original version of SAM, and several complementary models were added.

[3] The parties' business relationship ended in June 2009. In July 2009, Orio began working with another company, Groupe Énode, to continue developing the modified SAM program, and it provided that company with a copy of the source code to rework the software, thus creating the "reworked modified SAM program". This program contains a substantial part of the source code developed by the appellant's company.

[4] The appellant submits that he owns the copyright in the modified SAM program. He acknowledges that he granted Orio a licence to use the software, but he submits that this licence did not allow Orio to copy the source code so that it could be reworked by Groupe Énode. The appellant

is therefore seeking the destruction of the reworked modified SAM program and an injunction ordering Orio to cease selling and installing that piece of software.

[5] Orio submitted before the judge that it was the sole holder of all of the rights connected with the modified SAM program because the copyright in the program was assigned to it by the appellant in his written bids, which include the following clause:

[TRANSLATION]

Any development done for Orio Canada Inc. shall become the exclusive property thereof and may not therefore be marketed or reused by Service Informatique Professionnel or any other party.

[6] The appellant submits that this assignment cannot be set up against him given that he did not formally sign these bids. He acknowledges that this clause governed his relationship with Orio, but he relies on the requirements of subsection 13(4) of the *Copyright Act*, R.S.C. 1985, c. C-32, which states that no assignment is “valid unless it is in writing signed by the owner of the right in respect of which the assignment or grant is made, or by the owner’s duly authorized agent”.

The trial judge’s reasons

[7] The judge held that the appellant owned the copyright in the improvements made to the SAM program. He wrote the following at paragraph 34 of his reasons: “in light of the case law stating that the author is the one who clothes the work with form and not the one who has the idea without making it concrete, I must find that it is the [appellant], through his employees, who is the author for the purposes of this case.”

[8] As to the assignment of copyright issue, the judge held at paragraph 44 of his reasons that the wording of the clause inserted by the appellant into his bids amounted to an assignment to Orio of copyright in the modified SAM program. However, given that these bids had not been formally signed by the appellant, the judge held that this assignment could not be set up against him in the light of the requirements of subsection 13(4) of the *Copyright Act*. The judge therefore refused to accept that the appellant's testimony to the effect that this clause governed all of his contracts with Orio was equivalent to a formal signature on the bids. He wrote the following at paragraph 49 of his reasons:

Accepting the defendant's argument and making the opposite finding solely on the basis of the plaintiff's testimony would render meaningless the requirement imposed by Parliament. This finding may appear rigid, but it complies with the formal requirements of the Act.

[9] The judge nevertheless concluded, on the basis of the wording of this clause, that the appellant had granted Orio an implied licence to use the modified SAM program. In rejecting the appellant's application, the judge recognized that this licence allowed Orio to use the modified SAM program for the purpose of copying the source code and having it reworked by another programming company.

Positions of the parties on appeal

[10] The appellant submits that although the judge correctly ruled that Orio held an implied licence to use the modified SAM program, he erred in extending the scope of that licence beyond the marketing of the software so as to include a right to copy the source code and rework it to create the reworked modified SAM program. According to the appellant, it [TRANSLATION] "would be contrary to the letter and spirit of the *Copyright Act* for the scope of a marketing user licence to have

the effect, in practice, of conferring on the licensee the right to act for all intents and purposes as though it owned the copyright, thereby preventing the owner of the copyright from exercising his rights in the other aspects of copyright” (Memorandum of the Appellant at para. 41).

[11] According to the appellant, only an assignment of copyright or an exclusive licence could confer such rights upon Orio. In either of those cases, under subsections 13(4) and (7) of the *Copyright Act*, the assignment or exclusive licence must be in writing and signed by the owner of the copyright. However, the judge held that the appellant’s signature did not appear on the documents that included the assignment clause.

[12] Strangely, in its appeal, Orio is no longer challenging the appellant’s ownership of copyright in the modified SAM program. Orio is content with its implied licence, which, in its view, includes the right to copy the source code of the modified SAM program for the purposes of developing and marketing the reworked modified SAM program (Memorandum of Orio at para. 10).

[13] However, Orio continues to invoke the assignment clause contained in the appellant’s bids. It submits that, in the light of this clause, the appellant’s actions are [TRANSLATION] “immoral and dishonest [and] purely motivated by resentment” (Memorandum of Orio at para. 24).

[14] During his argument before the Court, counsel for Orio added that there was, indeed, an assignment of copyright in Orio’s favour, and that, but for the fact that the appellant had tricked his client by failing to add a formal signature to the bids, this assignment could indeed have been set up

against the appellant. In Orio's view, to the extent that the assignment agreed upon by the parties cannot be set up against the appellant in the light of the formal requirements of the *Copyright Act*, the Court must take into account the language of this written assignment to give a broad scope to the implied user licence recognized by the judge.

Analysis

[15] There is no doubt that the parties' intent was that any development by the appellant of the SAM program would become the exclusive property of Orio. The clause reproduced above and included in the bid documents cannot be interpreted in any way other than as an assignment to Orio of the copyright in the modified SAM program. When the [TRANSLATION] "exclusive property" in the development of a piece of software is assigned, this necessarily includes the ownership of the copyright in such development.

[16] In this respect, the appellant testified as follows upon examination:

[TRANSLATION]

Q There you are, ownership:

[TRANSLATION]

"Any development done for Orio Canada Inc. shall become the exclusive property thereof and may not therefore be marketed or reused by Service Informatique Professionnel or any other party."

Did you take the initiative of inserting that clause?

A Yes.

Q Why?

A Because it's an annotation that has been used in earlier contracts, for exclusivity, to protect against competition.

Q Did it apply to all contracts you received from Orio Canada?

A Yes, the established bids, there, yes, of course.

(Appeal Book at p. 340, lines 7 to 25)

[TRANSLATION]

Q. O.K. And did I understand correctly from your response that all of your dealings with Mr., with Orio Canada, were governed by the spirit of that clause, the spirit and the letter of that clause?

A Yes.

(Appeal Book at p. 342, lines 13 to 18).

[17] The judge, therefore, correctly decided that the parties had agreed to assign the copyright in the modified SAM program to Orio. However, the judge was of the view that this assignment could not be set up against the appellant given the requirements of subsection 13(4) of the *Copyright Act*, which reads as follows:

13. (4) The owner of the copyright in any work may assign the right, either wholly or partially, and either generally or subject to limitations relating to territory, medium or sector of the market or other limitations relating to the scope of the assignment, and either for the whole term of the copyright or for any other part thereof, and may grant any interest in the right by licence, but no assignment or grant is valid unless it is in writing signed by the owner of the right in respect of which the assignment or grant is made, or by the owner's duly authorized agent.

[Emphasis added.]

13. (4) Le titulaire du droit d'auteur sur une œuvre peut céder ce droit, en totalité ou en partie, d'une façon générale ou avec des restrictions relatives au territoire, au support matériel, au secteur du marché ou à la portée de la cession, pour la durée complète ou partielle de la protection; il peut également concéder, par une licence, un intérêt quelconque dans ce droit; mais la cession ou la concession n'est valable que si elle est rédigée par écrit et signée par le titulaire du droit qui en fait l'objet, ou par son agent dûment autorisé.

(Je souligne.)

[18] The purpose of the *Copyright Act* is to strike a fair balance between the public interest in the creation and dissemination of works of the arts and the intellect, on the one hand, and obtaining a just reward for the creator, on the other hand: *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 S.C.R. 339 at para. 23. It was with this objective in mind that Parliament required that an assignment of copyright not be valid unless it is in writing signed by the owner of

the copyright. This principle applies equally to an outright assignment of copyright (subsection 13(4) of the Act) and to an exclusive licence with respect to a copyright (subsection 13(7) of the Act).

[19] What distinguishes an assignment or an exclusive licence from a non-exclusive licence is the transfer of a right of ownership in the copyright. In the words of Justice Rothstein in *Euro-Excellence Inc. v. Kraft Canada Inc.*, 2007 SCC 37, [2007] 3 S.C.R. 20 at para. 28: “An assignee possesses full ownership rights in the copyright with respect to the rights assigned. A non-exclusive licensee has no property rights in the copyright, and enjoys only contractual rights *vis-à-vis* the owner-licensor. . . . An exclusive licensee, on the other hand, has a limited property interest in the copyright.”

[20] Subsections 13(4) and 13(7) of the *Copyright Act* deal with the transfer of a property right: *Robertson v. Thomson Corp.*, 2006 SCC 43, [2006] 2 S.C.R. 363 at para. 56, citing *Ritchie v. Sawmill Creek Golf & Country Club Ltd.* (2004), 35 C.P.R. (4th) 163 at para. 20. In order to protect copyright owners, the statute requires that they consent clearly to the assignment of their interest in their right. That is why the *Copyright Act* requires the holder of the copyright to indicate his or her informed consent to the transfer of the property right in writing bearing his or her signature.

[21] Therefore, the case law consistently holds that an assignment or a grant of an exclusive licence cannot be set up against the owner of a copyright unless it is in writing signed by the owner of the right in question: see e.g. *Motel 6 Inc. v. No. 6 Motel Ltd.* (1981), [1982] 1 F.C. 638, 56

C.P.R. (2d) 44; *Guillemette v. Centre coopératif de Loisirs & de Sports du Mont Orignal* (1986), 12 F.T.R. 51, 15 C.P.R. (3d) 409; *J.L. de Ball Canada Inc. v. 421254 Ontario Ltd.* (1999), 5 C.P.R. (4th) 352, 179 F.T.R. 231.

[22] However, those cases do not involve copyright owners who have admitted before the court that they have consented to the transfer of ownership of the right in question. It strikes me as excessively formalistic not to set up against an assignor a copyright assignment clause that he himself has drafted and that he has recognized before the court as governing his relationship with the assignee, merely because the clause is unsigned. As I noted above, the purpose of subsections 13(4) and (7) of the *Copyright Act* is to protect copyright owners against assignments of copyright to which they have not clearly consented. When the assignor himself recognizes before the court the assignment clause governing the relationship, the objective of the Act, in my view, is met.

[23] In the particular circumstances of this case, in which the owner of the right has admitted before the court deciding the issue that the assignment clause governs his relationship with the assignee, form ought not to prevail over substance. I also note that this dispute arose in Quebec and that article 7 of the *Civil Code of Québec*, S.Q. 1991, c. 64, sets out that “[n]o right may be exercised with the intent of injuring another or in an excessive and unreasonable manner which is contrary to the requirements of good faith.”

[24] Orio, however, did not cross-appeal the judge's holding that the assignment of copyright could not be set up against the appellant. In the circumstances, it is not for this Court to alter this aspect of the judge's decision.

[25] As for the implied user licence, I see no error in the judge's holding that, in the circumstances, the appellant had consented not only to an implied licence to market the modified SAM program, but also to the possibility of further modifications by Orio in order to increase sales. In this respect, *Netupsky v. Dominion Bridge*, [1972] S.C.R. 368, a Supreme Court of Canada case, seems to be analogous to this case. In that case, the SCC recognized an implied licence to modify plans for a civil engineering work. At pages 377-78 of that case, Justice Judson adopted the following statement of the Supreme Court of New South Wales in *Beck v. Montana Construction Pty. Ltd.* (1963), 305 F.L.R. 298 at pages 304-5:

. . . that the engagement for reward of a person to produce material of a nature which is capable of being the subject of copyright implies a permission or consent or licence in the person making the engagement to use the material in the manner and for the purpose in which and for which it was contemplated between the parties that it would be used at the time of the engagement.

[26] I have absolutely no doubt that the intent of the parties was that the modified SAM program could be not only marketed, but also further improved in the future at Orio's request, and that these improvements could be carried out either by the appellant or by a third party designated by Orio. By explicitly recognizing that "[a]ny development done for Orio Canada Inc. shall become the exclusive property thereof", the appellant renounced any exclusive rights he might have had to develop future improvements to the program in question. This means that the implied licence resulting from the relationship between the parties allows Orio to copy the source code of the

modified SAM program in order to have it reworked by a third party. The trial judge therefore did not err in so deciding.

[27] For these reasons, I would dismiss the appeal with costs awarded to Orio.

“Robert M. Mainville”

J.A.

“I agree.
Marc Noël J.A.”

“I agree.
Johanne Trudel J.A.”

translation

FEDERAL COURT OF APPEAL

SOLICITORS OF RECORD

DOCKET: A-86-13

**APPEAL FROM A JUDGMENT OF THE HONOURABLE MR. JUSTICE BOIVIN
OF THE FEDERAL COURT DATED JANUARY 31, 2013, DOCKET NO. T-2090-10**

STYLE OF CAUSE: Doris Tremblay v.
Orio Canada Inc.

PLACE OF HEARING: Montréal, Quebec

DATE OF HEARING: September 9, 2013

**REASONS FOR JUDGMENT
OF THE COURT BY:** MAINVILLE J.A.

CONCURRED IN BY: NOËL J.A.
TRUDEL J.A.

DATED: September 25, 2013

APPEARANCES:

Pascal Lauzon

FOR THE APPELLANT

André J. Bélanger

FOR THE RESPONDENT

SOLICITORS OF RECORD:

BCF, LLP

Montréal, Quebec

FOR THE APPELLANT

André J. Bélanger

Laval, Quebec

FOR THE RESPONDENT