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Frequently Asked Questions

1. We are beginning to market our services to clients via email. Under *Canada's Anti-Spam Legislation* (CASL), can we use our existing email list?

The underlying purpose of CASL is to prevent 'spam' and ensure that commercial electronic messages ("CEMs") are welcome. Most businesses will need to review and update their lists. Specific information in the database, such as the date of a purchase or inquiry, will be used to determine what may be mailed without contravening CASL.

CASL will apply whenever the list is used to market *new* services to e-mail addresses of Canadians. Responding to a specific request for information or a quote, completing or following up on products/services previously sold will not contravene CASL.

You can send CEMs to individuals where you have:

- their express consent, e.g., they submitted an online request or replied to a mailing (that meets CASL's requirements for requests for consent) to indicate that they do wish to receive information about new products and services.
- an "existing business relationship", e.g., they made a purchase within the last two years or submitted an inquiry within the six-month period before you sent the e-mail.

Further general information on updating your e-mail list to comply with CASL is available at www.caobrienlaw.com. For specific legal advice to ensure that your business is in compliance, contact Carol Anne O'Brien at caob@caobrienlaw.com or (416) 640-7270.

2. Our advertising agency has prepared an ad campaign highlighting a "sale price". Our legal department wants to seek outside legal advice on the requirements for using this term. Why would we need to do this?

The *Competition Act* prohibits false or misleading advertising representations and has particular provisions relating to sale price claims. Whenever a claim is made that a sale price is a discount or savings compared to the regular or ordinary price, the regular price must be justifiable. The *Competition Act* provides two methods of justifying a regular price:

- Volume Test: a substantial volume of the product or service is sold at that regular price or higher, either by the supplier or the market generally. While "a substantial volume" can vary in different circumstances, this will generally be the case where more than 50% of sales were made at the regular price.

- Time Test: the product or service has been offered in good faith, at the regular price or higher (and that price was reasonable in the circumstances) for a required time frame, e.g. for more than 50% of the time during the six months before or after the sale price representation.

Compliance is important, since the Act provides significant penalties for breaches of these provisions. As a non-criminal "reviewable matter", administrative monetary penalties of up to $750,000 (against an individual) and $10 million (against a corporation) could apply. As a criminal matter, imprisonment may also apply.

For specific legal advice to ensure that your business is in compliance with the ordinary price claim provisions of the *Competition Act*, contact Carol Anne O'Brien at caob@caobrienlaw.com or (416) 640-7270.

3. Our company distributes content over the Internet. Are we required to comply with Canadian Radio-television and Telecommunications Commission (CRTC) regulations for broadcasters?

Not all "content" is treated as "broadcasting"; the term is defined by the *Broadcasting Act*. But even for broadcasting content, if it is delivered and accessed only over the Internet, or delivered using point-to-point technology and received by way of mobile devices, it will likely benefit from an exemption that is available. The most recent version of the CRTC's "New Media Exemption Order" was issued in 2012 and provides that digital media broadcasting is not required to be licensed, to be Canadian-owned and controlled, and is not subject to the content rules that apply to traditional broadcasters.

However, if broadcasting content is distributed over the Internet *and* through traditional means, e.g. over-the-air programming, or specialty programming services delivered by cable or direct-to-home distribution services, CRTC rules do impose some limitations on Internet distribution, to ensure fairness to the various distributors. Businesses claiming the benefits of the exemption may not give any "undue preference" to themselves or other entities. There are also certain filing requirements, to enable the CRTC to monitor broadcasting in digital media. For these reasons, you should seek specialized legal advice on whether you are required to comply with the CRTC's broadcasting regulations. For specific legal advice contact Carol Anne O'Brien at caob@caobrienlaw.com or (416) 640-7270.

4. We are in merger talks with another company that recently acquired one of our two other competitors in this field. At what point does the Competition Bureau decide it should review mergers and acquisitions?

The *Competition Act* specifies that very large mergers are "notifiable"; parties must provide detailed information to the Competition Bureau so that the merger can be reviewed, before the transaction is closed. Both of the following thresholds must apply for a merger to be notifiable:

- Parties to the transaction and their affiliates have aggregate book value of assets in Canada, or gross revenues from sales in, from or into Canada, over $400 million, AND

- The acquisition exceeds $86 million in either assets in Canada or gross revenues from sales in or from Canada.

These are the 2015 thresholds. They are updated annually.

In addition, the Bureau has the authority to review any merger where the parties are competitors or potential competitors and the merger could "substantially lessen or prevent" competition, regardless of whether or not it is notifiable. The *Competition Act* sets out specific factors that will be considered in determining whether a merger will prevent or lessen competition, such as:

- the extent to which foreign products or competitors may provide effective competition to the merged entity;
- whether one of the parties' business (or part of it) has failed, or is likely to fail, and
- whether acceptable substitutes for the parties' products/services are likely to be available.

The Bureau's *Merger Enforcement Guidelines* describe the analysis it undertakes in analyzing a merger or proposed merger; review of the Bureau's enforcement activity provides additional guidance. In 2011, the Bureau initiated legal proceedings in connection with a small, non-notifiable merger; that litigation continued until the 2015 decision of the Supreme Court of Canada. Parties should seek advice before acquiring competitors, regardless of transaction or party size.

For specific legal advice on the application of the merger provisions of the *Competition Act*, contact Carol Anne O'Brien at caob@caobrienlaw.com or (416) 640-7270.

5. As a wholesale distributor, we have agreements with many retailers. One of our competitors is claiming that our agreements are contrary to competition law. Is the Competition Bureau entitled to review our agreements with our retailers?

The Competition Bureau cannot review agreements between businesses without having a basis for its request, under the *Competition Act.* However, the Bureau has powers that are equivalent to those of a police force. It can request that businesses voluntarily provide documents, including agreements, in connection with an investigation where it has reason to believe that there has been, or is about to be, a breach of the *Competition Act* or an order made under that law. In addition to requesting voluntary returns of documents, the Bureau may also apply for court orders and warrants, which would require the production of documents and other information within certain time frames.

The Bureau could ask or demand to review an agreement between a wholesaler and its retailers if the retailer or a competitor has complained to the Bureau and the agreement is relevant to the investigation, or where the Bureau had initiated its own investigation. For example, the wholesaler could be alleged to be engaging in an "abuse of a dominant position" (contrary to s. 79) or in "price maintenance" (contrary to s. 76). Each of these is "reviewable conduct" subject to orders of the Competition Tribunal and to administrative monetary penalties of up to $10 million (s. 79) or orders relating to future conduct (s. 76).

To ensure that your distribution agreements with retailers comply with the *Competition Act*, contact Carol Anne O'Brien at caob@caobrienlaw.com or (416) 640-7270.

6. Canadian producers of television programs and feature films struggle mightily to compete in a marketplace that is dominated by U.S. companies. Is there any federal legislation to protect us from this competition?

Yes, there are various types of federal laws that protect Canadian film and TV producers from direct competition with the much larger U.S. market. First, the Canadian Radio-television and Telecommunications Commission ("CRTC") administers regulatory regimes for broadcasters and broadcasting distribution undertakings ("BDUs"). These regimes include regulations and policies that provide support for producers whose content meets certain thresholds for "Canadian content". For example, many broadcasters have requirements or expectations for the proportion of their program schedules that consist of Canadian content; this creates a demand for Canadian content. Similarly, BDUs are now required to ensure that each subscriber receives a "predominance" of "Canadian" TV channels, compared to non-Canadian channels. (Under new rules coming into force in March 2016, BDUs will only be required to *offer* a predominance of Canadian channels to each subscriber.)

In addition, there are various tax measures, both at the federal level and in a number of provinces including Ontario, that provide support for the production of content which meets certain Canadian content thresholds and for other content that may not be classified as Canadian, but is produced in Canada using Canadian labour.

Further, as a matter of copyright law, the owners of TV programs and films have the right to control the reproduction, transmission, broadcast, distribution, and telecommunication to the public of the works that they own. This creates a separate Canadian market for these works, enabling producers to license rights for Canada separately from the licenses that are granted to U.S. broadcasters and theatrical distributors.

As a practical matter, however, some of these rights are being threatened by the grant North American rights and the ease of reproduction and distribution via the Internet. For additional information about the analysis that would apply to your situation as a producer, please contact Carol Anne O'Brien at caob@caobrienlaw.com or (416) 640-7270.

7. We manufacture health products and we are concerned about competing products being marketed in Canada that we believe to be unsafe. Should we report them to Health Canada?

Health products are regulated in Canada under the *Food and Drugs Act* ("FDA") and its specific regulations for food, drugs, cosmetics, medical devices and natural health products. The FDA and its regulations are administered by Health Canada and, for food, the Canadian Food Inspection Agency ("CFIA"). The FDA and the regulations prohibit the advertising and sale of food, drugs, cosmetics, devices, and natural health products that are unsafe. The specific licensing and overall regulatory requirements

and the language of the prohibitions vary for food, drugs, cosmetics, devices and natural health products.

To provide support for your position that your competitor's products are unsafe, you should consider the specific regulatory requirements (for licensing and otherwise) that apply to the competing product. You would provide that information to Health Canada or the CFIA and the applicable agency would determine whether enforcement action is required. The FDA and its regulations authorize Health Canada and the CFIA to take steps such as requiring the manufacturer or importer to obtain or update their licenses and in some cases, requiring the recall of a product.

If your research indicates that the competitor is complying with licensing and other requirements (e.g., good manufacturing practices), you may wish to consider whether the products are being marketed and advertised in a way that is contrary to the FDA and its regulations, or is misleading to consumers. The FDA prohibits direct-to-consumer advertising of most drugs, and the FDA and the *Competition Act* prohibit misleading representations. These prohibitions may apply to the competitor's advertising and you may be able to interest either Health Canada or the Competition Bureau in investigating the matter.

Finally, you could consider the *Canadian Code of Advertising Standards*, administered by the self-regulatory body, Advertising Standards Canada ("ASC"). Under the *Code*, there are procedures for ASC to review consumer complaints and disputes between advertisers. In addition, for cosmetic products, the ASC administers *Guidelines for Cosmetic Advertising and Labelling Claims*, prepared with Health Canada. If the competing products are being advertised using claims that are unacceptable under these Guidelines, evidence of this contravention should be brought to the attention of Health Canada.

For additional information about the regulatory requirements that could apply to your situation, contact Carol Anne O'Brien at caob@caobrienlaw.com or (416) 640-7270.

8. I own a trademark that I want to use as part of an Internet domain name. The domain name I want appears to have been registered by someone else. As the trademark owner, can I get the domain name transferred to me?

Yes, this may be possible. The organizations that administer domain name registrations have established rules giving priority to trademark owners for domain names that incorporate or are likely to be confused with established trademarks. All registrants agree to these rules when they register their domain names.

Generally, the rules establish an arbitration process so that both parties' arguments can be considered and the domain name can be transferred (or a decision made that the registrant may keep it) without having to go to trial. This is important, since such conflicts often involve rights in different jurisdictions; litigation would be time-consuming and costly.

While the specific requirements differ, the rules are designed so that a legitimate trademark owner can have a domain name that is registered by a "cyber-squatter" who has no legitimate interest in the domain name transferred to the trademark

owner. The results are less clear where there are legitimate conflicting trademark rights, e.g. in different countries or for different types of products. The specific rules (e.g. ICANN for .com, .org and other domain names and CIRA for .ca domain names) differ in the requirements that trademark owners are required to meet. For specialized legal advice the particular rules that will apply to the domain name(s) at issue, contact Carol Anne O'Brien at caob@caobrienlaw.com or (416) 640-7270.

9. We have been advised that our labelling and packaging must be changed if we wish to market our products in Quebec. Why would that be?

Although federal legislation imposes only minimal requirements for both English and French language information on labels and packages, legislation in the Province of Quebec (the *Charter of the French Language*) requires that in general, product labels for products sold in Quebec must be provided in French as well as another language. Most importantly, the French language version must be "no less predominant" than the version in another language such as English. For this reason, most products in Canada are labelled with "mirror image" French and English language labels.

The *Charter of the French Language* contains a number of exceptions, however, and one of the unusual ones applies to trade-marks. According to the *Regulation respecting the language of commerce and business,* Division 1, s. 7(4), so long as there is no Canadian registration for a French-language version of a trade-mark, the trade-mark may be used in English or another language other than French and need not be translated into French. A recent court decision in Quebec confirmed the scope of this exception, but the Quebec government has indicated that it may amend the Regulation, so it will be important to seek advice before relying on the exception. On the basis of this exception, some companies decide to use and register only the English-language version of a trade-mark, even though they use the mirror-image packaging generally. For additional information about packaging and labelling requirements, contact Carol Anne O'Brien at caob@caobrienlaw.com or (416) 640-7270.

10. We are an American company expanding into Canada. Our accountants are recommending that we seek legal advice about complying with Canadian privacy requirements. Why?

Residents of Canada, whether they are consumers, suppliers, employees or otherwise, have certain privacy rights that may differ from those in the U.S. Depending on your activities and the personal information that you collect, use and disclose, your policies and procedures may need to be adapted to comply with Canadian requirements.

Where personal information is collected, used, and disclosed in the course of commercial activities, the applicable federal law is the *Personal Information Protection and Electronic Documents Act* ("PIPEDA"). In provinces that have adopted similar privacy legislation (as of mid-2015: Ontario, Alberta and British Columbia), the provincial law applies to personal information that is collected, used and disclosed only within that province. Otherwise, PIPEDA applies throughout Canada. Other legislation protects personal information provided to governments and government agencies, and personal health information.

Under PIPEDA, “personal information” (“PI”) means information about an identifiable individual. Every organization that collects, uses or discloses PI in the course of commercial activities, whether or not the organization is based in Canada, is required to give the individual notice of how it will collect, use and disclose the PI and obtain the individual’s consent in advance. While there are some exceptions (e.g. where information is disclosed to a governmental authority for the purpose of enforcing a law), individuals have the right to provide informed consent to the collection, use or disclosure of their PI. Consent may be provided for in a Privacy Policy or in other documents, such as an employment agreement or an agreement of purchase and sale. The Privacy Policy or other agreement may provide that, after the company has given information about the PI it intends to collect, use and disclose, the individual’s consent will be deemed to be given by taking certain actions, such as making a purchase.

Many companies collect e-mail addresses from customers, suppliers and others. In some cases, the e-mail addresses may be “personal information” subject to PIPEDA or other privacy legislation. Use of those e-mail addresses to send commercial electronic messages may be subject to and need to comply with *Canada’s Anti-Spam Legislation* (“CASL”). More detailed general information about CASL’s requirements is available on the Resources page at www.caobrienlaw.com. For additional information about the specific application of CASL and privacy laws to your situation, contact Carol Anne O’Brien at caob@caobrienlaw.com or (416) 640-7270.