

## CANADIAN COMPETITION RECORD

# CANADIAN COMPETITION LAW AND POLICY DEVELOPMENTS

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## MAJOR CHANGES PROPOSED TO COMPETITION ACT

On June 28, 1995, George Addy, the Director of Investigation and Research under the *Competition Act*, published a Discussion Paper on proposed amendments to the Act and announced that he was undertaking a consultation process, at the request of the Minister of Industry, John Manley.<sup>1</sup> In announcing the process, the Director observed that after nearly a decade of experience in applying the Act since it was last amended in 1986, a number of factors have combined to warrant new amendments at this time:

- the globalization of markets has heightened the need for international co-operation among investigative agencies;
- the current law is inadequate to deal with a recent proliferation of deceptive telemarketing practices; and
- there is a need for quicker and more effective resolution of competition issues, a reduction in the regulatory burden for business and a fine-tuning of administration of the Act.

The deadline for submissions on the Discussion Paper was September 15, 1995. The consultation process is to be concluded by the end of November 1995.

The Paper proposes major changes in the following areas:

- pre-merger notification;
- confidentiality and mutual assistance in enforcement;
- misleading advertising and deceptive marketing practices;
- regular price claims;
- price discrimination and promotional allowances;
- access to the Competition Tribunal;
- prohibition orders; and
- deceptive telemarketing solicitations.

The following is only a brief summary of the Discussion Paper, which runs 28 pages in length.

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### **Pre-Merger Notification**

The Paper proposes to amend the waiting periods applicable before certain large mergers, which are subject to advance notification to the Director, may be completed. Although the Paper does not specifically acknowledge an intention to harmonize Canadian pre-merger notification timing with the U.S. system, this seems to be part of the thinking behind the proposals.

Like the U.S., there would be an initial filing with a waiting period of 30 days. This filing would be similar to the current "short form", although six categories of information currently in the short form would be deleted. However, three significant new items would be required (areas of competitive overlap between the merging parties, a list of the foreign competition authorities that must be notified, and a list of actual and potential competitors). Although this new form is intended to reduce regulatory burden, the "up-front" competition analysis required may in the end require more time to complete than the current short form. In addition, the seven-day waiting period of the short form will no longer be available.

For transactions raising significant issues, a second filing containing 14 categories of information in addition to the initial filing will be required. Like the U.S., the waiting period for the second filing would be 20 days, presumably after the second filing is made.

The Paper does not address the possibility that the parties might file a voluntary competition analysis or engage in voluntary filings to deal with the issues that might be raised by a second request for information, thus minimizing the possibility of a second filing altogether.

Unlike the U.S. process, there would not be any abbreviated waiting period for cash tender offers. Also, the Paper does not mention the possibility of routinely granting early termination of the 30-day waiting period for non-controversial initial filings.

Significantly, the Paper does not propose to raise the asset and revenue thresholds which must be crossed before a proposed transaction must be notified to the Director. These thresholds have been in place for nearly 10 years and have not been adjusted for the effects of inflation. The result has been that the Director now enjoys advance notice of transactions which would have escaped his review several years ago. Raising the thresholds would cut back this "creeping jurisdiction" and restore the application of the pre-merger notification system to the size of transactions which Parliament believed in 1986 should be subjected to this process. It would also free up resources for the Director to focus on such cases.

However, the Paper does propose to exempt asset securitization transactions from notification, asks whether other classes of transactions should be exempt and asks whether the Director should have discretion to waive notification requirements on a case-by-case basis.

Finally, the Paper notes that further consultations on filing fees for merger notifications will occur in a separate process later this year.

### **Confidentiality and Mutual Assistance**

The Paper proposes to extend statutory confidentiality to all information coming to the attention of the Director, thus expanding the limited protection currently afforded under section 29 of the

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Act. However, the Paper proposes to permit the Director to communicate confidential information in certain circumstances to advance an investigation or assist in the administration of the Act. The Paper cites, as an example, communication to an industry participant to assess the value and credibility of information. This may prove to be controversial and inhibit the free disclosure of information to the Director.

The Paper proposes communication of confidential information pursuant to mutual assistance agreements negotiated with foreign governments willing to reciprocate, subject to appropriate safeguards. Assistance between the Director and a foreign competition authority could occur in connection with the Director's investigation, joint investigations and the foreign authority's investigation only. Reciprocal assistance would also be expanded beyond criminal matters to all competition matters.

### **Misleading Advertising**

In order to deal with the shortcomings of the criminal process, the Paper proposes non-criminal adjudication as a preferred method of resolving misleading advertising cases. Criminal prohibitions would remain to deal with serious cases. As a result, the misleading advertising and deceptive marketing practices provisions would be reviewable by a single judicial member of the Competition Tribunal. The only remaining criminal provision would be the pyramid sales provision, in addition to the general criminal prohibition. The Tribunal would have the power to issue interim and final cease and desist orders, restitution orders, orders for payments or actions directed towards improving the quality of marketplace information and orders requiring notices

to be published informing the public of the misleading nature of earlier advertisements.

### **Regular Price Claims**

Currently, section 52(1)(d) of the Act prohibits materially misleading representations to the public concerning the price at which a product or like products have been, are or will be ordinarily sold. The meaning of "ordinarily sold" has generated a great deal of controversy in the retail industry. The Paper seems to suggest that the meaning of ordinary selling price should be clarified in accordance with the Director's current interpretation: that a substantial volume of sales of the product must have occurred at the represented price during the relevant time period. This appears to be contrary to various public pronouncements by the retail industry that the test should be time-related.

### **Price Discrimination and Promotional Allowances**

The Paper observes that the price discrimination and promotional allowances criminal prohibitions are out of step with current economic thinking in that they focus on the impact upon individual competitors rather than the overall level of competition in the marketplace. As a result, they can actually have an anti-competitive impact. They also create a resource burden for the Director who believes these practices rarely warrant criminal prosecution. The Paper proposes that these prohibitions be repealed and these practices be addressed under the existing civil reviewable practices provisions. Interestingly, the Paper does not propose repealing the criminal predatory pricing provisions (which are similarly discredited and seldom enforced) and instead relying upon civil enforcement under the abuse of dominant position sections of the Act.

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### **Access to the Competition Tribunal**

The Competition Tribunal is a specialized administrative tribunal responsible for reviewing civil practices including mergers, abuse of a dominant position, tied selling, exclusive dealing, delivered pricing and refusal to deal. Currently, only the Director may initiate proceedings before the Tribunal regarding virtually all of these practices. The Director has limited resources and has found it difficult to pursue all seemingly meritorious complaints. The Paper notes that some matters do not harm a broad class of consumers, but take the form of violations of contractual agreements between commercial interests. The Paper proposes amendments to allow private parties to commence proceedings on their own initiative in order to seek the remedial orders currently provided under the Act.<sup>2</sup> The Paper raises the issues of sufficiency of the current remedial orders, standing to institute proceedings, costs rules to discourage frivolous or vexatious proceedings, and the role of the Director in private proceedings.

Significantly, the Paper proposes to exclude mergers from the private remedy, on the basis that pro-competitive corporate restructuring should not be impeded by the threat of private litigation. In addition, the Paper argues that merger review is an area where public resources should be expended due to the broader economic effects arising from mergers. The Paper also raises the issue of whether, if civil misleading advertising provisions are created, there is a need to permit private parties to launch proceedings in this area.

Although the Paper proposes to exclude mergers from private actions, it is possible that the abuse of

dominant position sections of the Act could be relied upon by private parties to attack certain mergers.<sup>3</sup>

### **Prohibition Orders**

The Paper proposes to authorize the courts to issue orders which include prescriptive terms intended to prevent the continuation or repetition of offences or to overcome the effects of an anti-competitive practice. The Paper also notes that the Director has implemented an alternative case resolution program in which one possible resolution mechanism is to provide him with an undertaking. The Paper notes that there is no clear authority in the Act to compel parties to provide undertakings with prescriptive terms, that there is no decision-making mechanism available which can operate where the negotiation process has not been successful and that there is no enforcement mechanism to deal with failure to comply with an undertaking. However, the Paper does not appear to be calling for amendments to confer these powers on the Director, but rather on the courts. It is unclear whether the possible amendments raised in the Discussion Paper are intended to cover all situations in which the Director has traditionally obtained undertakings, including civil matters such as mergers.

### **Deceptive Telemarketing Solicitations**

The Paper proposes new deceptive telemarketing provisions which would apply to telemarketers who seek to cause money to be paid for products by using the telephone, or by using the telephone in conjunction with mail solicitations. The Paper also proposes to include fundraising businesses that use telemarketing to solicit donations on behalf of charitable causes. The new provisions could require

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certain information (such as the caller's identity, the purpose of the call, total cost and other material conditions) to be disclosed to the recipient of the call in a timely fashion. Before any payments are made by consumers, express or written authorization could be required to be given. Telemarketers could be prohibited from requesting or receiving payment for a prize or premium before delivering it to the recipient.

### Conclusion

If implemented, the amendments proposed by the Discussion Paper will have a significant impact on business activity in Canada, including:

- the timing for completion of merger transactions;
- the expectation that confidential business information will remain only with the Director;
- the resolution of misleading advertising and deceptive marketing issues;
- more flexibility to engage in certain pricing practices, fewer pricing constraints on suppliers and continued inflexibility regarding regular price claims; and
- the ability to privately challenge many forms of anti-competitive behaviour before the Tribunal and new exposure to private civil claims.

P.G.

### Notes

<sup>1</sup> See Bureau of Competition Policy, *Competition Act Amendments — Discussion Paper* (Ottawa: Industry Canada, 1995). For a copy of the related News Release issued by the Bureau of Competition Policy, see "Industry

Minister Manley Announces Consultations on *Competition Act Amendments*", *infra*, at 19.

<sup>2</sup> These orders include interim and final orders designed to remedy the effects of the conduct in question and orders arrived at by consent of the parties. The Tribunal does not have the power to award damages or costs.

<sup>3</sup> See *Director of Investigation and Research v. Laidlaw Waste Systems Limited* (1992), 40 C.P.R. (3d) 289 (Comp. Trib.).

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## COMPETITION POLICY AND INTELLECTUAL PROPERTY RIGHTS: COMPLEMENTARY FRAMEWORK POLICIES FOR A DYNAMIC MARKET ECONOMY

*The following are the notes from a speech made by George N. Addy, the Director of Investigation and Research of the Bureau of Competition Policy, to the XXXVIth World Congress of the Association Internationale pour la Protection de la Propriété Industrielle in Montreal, Quebec on June 29, 1995, and is reproduced with permission.*

### Introduction

The Director of Investigation and Research is an independent law enforcement official responsible for the administration and enforcement of the *Competition Act*.<sup>1</sup> Adopted in 1986, the Act incorporates both criminal and non-criminal provisions dealing with practices such as conspiracies in restraint of trade, mergers, abuse of a dominant position and misleading advertising.

With regard to civil matters, the Director makes applications to the Competition Tribunal for remedial orders designed to maintain competition and deal

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with anti-competitive practices. Evidence of criminal matters is referred to the Attorney General of Canada for consideration of prosecution before the courts. The legislation also authorizes the Director to intervene in proceedings of federal and provincial regulatory bodies that have implications for competition.

### **Intellectual Property Rights, Competition Policy and the Emerging Global Economy**

Intellectual property rights ("IPRs"), including patents, trademarks, copyrights, registered industrial designs and integrated circuit topographies, are a key factor in fostering innovation and growth in today's economy. Such rights provide vital incentives for research and development leading to new products and production processes. By promoting innovation, intellectual property rights also serve to strengthen competition in particular markets for goods and services. In this regard, the nature and extent of innovation in a market is specifically referred to in the Act as a factor to be considered in assessing the competitive impact of mergers.<sup>2</sup>

The interface between competition policy and intellectual property rights is currently receiving increasing attention from antitrust authorities and policy makers. In fact, IPRs have figured importantly in several recent competition law cases in Canada and the U.S.<sup>3</sup> This increased interest by antitrust authorities stems from three developments. The first is the growing importance of knowledge-based industries and the role of technology as an input to the production process. Secondly, as geographic distance has become less significant and the notion of "distinct national markets" less reflective of commercial realities, there is a growing focus on intellectual property rights as a factor that can facilitate market control.

Thirdly, technological change has eroded the rationale for direct regulation in the telecommunications, electricity generation and other traditionally regulated industries — i.e., the view that such industries constitute natural monopolies. As a result, such industries are increasingly being exposed to the forces of competition. These developments have prompted growing interest in the content and application of marketplace policies such as competition policy and intellectual property rights that provide the operative framework for commercial enterprise and development in many industries.

From a static or short run perspective, there is a certain tension between the goals of competition policy and IPRs. Indeed, while IPRs provide a limited form of "statutory monopoly", the role of competition law is to provide remedies to deal with licensing and other practices that unreasonably limit competition, to the detriment of users.<sup>4</sup> This is important particularly in circumstances where IPRs confer significant market power on their owners.<sup>5</sup>

In the majority of cases, however, IP rights do not provide significant market power, at least to a degree that is of concern to antitrust officials. Rather, the product space covered by a particular IP right is usually smaller than a "relevant market" in an antitrust sense.<sup>6</sup> More fundamentally, in the long run, intellectual property rights generally strengthen competition in the economy by providing incentives for the development and production of new products and production processes. Thus, the long run goals of competition policy and IPRs are mutually reinforcing.

In general, Canada's competition legislation provides a flexible, market-oriented framework for dealing with business arrangements and practices relating to intellectual property rights. The Act provides

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remedies to deal with a wide range of anti-competitive practices that may occur in the context of licensing and other arrangements. At the same time, the relevant statutory provisions incorporate appropriate filters that focus the provisions on situations involving significant market power, and facilitate consideration of potential efficiency justifications for particular practices.

The competition policy framework for the exercise of intellectual property rights in Canada compares well with the rules applicable in other advanced industrial economies. In the U.S., the antitrust framework for intellectual property licensing has recently been extensively clarified through the issuance of new *Antitrust Guidelines For Intellectual Property Licensing*.<sup>7</sup> These Guidelines contain many useful insights relating to matters such as "markets for innovation."<sup>8</sup> They also clarify the policy framework for licensing arrangements in the U.S., which has evolved through distinct phases from one of fairly strict prohibition of many standard licensing practices in the early 1970s (the period of the so-called "Nine No-no's"), to one of comparative laissez-faire in the mid-to-late 1980s.<sup>9</sup>

In Canada, we have not had the same major shifts in competition enforcement policies relating to intellectual property as have been observed in the U.S.<sup>10</sup> Indeed, competition policy in Canada has traditionally provided broad scope for efficient vertical licensing practices and related arrangements. Nonetheless, I have not ruled out setting out the competition policy treatment of intellectual property in Canada in an appropriate set of *Enforcement Guidelines* at some point in the future. Indeed, I would be interested in your views as to whether such *Guidelines* would be helpful.

### Overview of Relevant Statutory Provisions and Jurisprudence

Let me now highlight some key provisions of the Act that are potentially applicable to anti-competitive abuses of intellectual property rights.<sup>11</sup> The abuse of dominance provisions were incorporated into the legislation in 1986. Found in sections 78 and 79 of the *Competition Act*, they are a key element of the legislation and are potentially applicable to a wide range of practices relating to the exercise of intellectual property rights. These sections provide for a case-by-case evaluation of restrictive practices engaged in by dominant firms.

Section 78 of the Act provides a non-exhaustive list of possible anti-competitive acts that may be considered abusive and subject to challenge by the Director before the Competition Tribunal under section 79. The list includes acts such as requiring or inducing a supplier to sell primarily to certain customers, or to refrain from selling to a competitor, with the objective of preventing a competitor's entry into, or expansion in, a market. Recall, however, that the list of anti-competitive acts was deliberately left open-ended by Parliament. Accordingly, the abuse provisions are thus potentially applicable to a broad range of licensing practices such as tie-ins, field-of-use or exclusive purchasing restrictions which are not enumerated in section 78.

The abuse of dominance provisions contain a limited exception for the exercise of intellectual property rights. This exception, found in subsection 79(5) of the legislation stipulates that acts that are engaged in "pursuant only to the exercise of any right or the enjoyment of any interest" derived under intellectual property statutes do not constitute anti-competitive

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acts for the purposes of the abuse provisions. This exception does *not* provide a blanket exemption for intellectual property holders from the application of the abuse provisions. The wording of the exception suggests that the provisions remain applicable to practices which are shown to constitute *abuses* of intellectual property rights (as opposed to the mere exercise of such rights).<sup>12</sup> The statute conveys on the Competition Tribunal broad discretion to issue remedial orders to address practices considered abusive.

The first decision by the Competition Tribunal under the abuse of dominance provisions, the *NutraSweet* matter, dealt with a number of issues relating to the role of intellectual property rights in the intense sweetener industry.<sup>13</sup> A key allegation of the Director in this matter was that the NutraSweet Company ("NSC") had used its trademark to foreclose competition in the market for aspartame.

In its decision in the case, the Competition Tribunal accepted the Director's argument that an allowance offered to its customers by NutraSweet to encourage them to display the NutraSweet logo constituted an anti-competitive act, in view of the associated requirement for customers displaying the logo to use exclusively NutraSweet brand aspartame. In the Tribunal's view, this created an "all or nothing" choice for purchasers, which impeded entry by competitive suppliers. The remedial order issued by the Tribunal prohibited NutraSweet from continuing to offer discounts for the display of its trademark or logo and from engaging in other acts, such as offering its customers meet-or-release or "most-favoured customer" clauses, which were deemed to be anti-competitive.

It is noteworthy that in addressing the conduct associated with the respondent's trademark, the

Tribunal did not find it necessary to discuss the exception for intellectual property rights in subsection 79(5) of the Act. It seems clear that the Tribunal determined that the exception does not limit the application of the section to IPR-related contractual and other practices when they are deemed to constitute anti-competitive acts.

Overall, the Tribunal's decision suggests that it viewed NutraSweet's marketing strategy as an attempt to artificially extend the duration of the company's Canadian patent protection. This was evident in the Tribunal's commentary on NutraSweet's argument that its various long term exclusivity clauses were necessary to prevent free riding and to enable the company to recoup the costs incurred in obtaining regulatory approvals and developing its market. In this regard, the Tribunal stated that it "does not accept that NSC is entitled to any more protection against competition than it was able to obtain through patent grants that provided it with a considerable head start on potential competitors."<sup>14</sup>

A second relevant provision of the Act is section 32, a little-known civil provision that deals specifically with anti-competitive abuses of intellectual property rights. Originally enacted in 1910, section 32 is the current provision which permits the Federal Court of Canada, on application by the Attorney General, to issue orders providing for various remedial measures respecting abuse of patents, copyrights, trademarks or registered industrial designs.

The remedies available under section 32 include orders: (i) declaring void restrictive provisions in licensing agreements; (ii) restraining any persons from carrying out such objectionable provisions; (iii) directing the grant of licenses under a patent or copyright or, if this is considered insufficient, revoking a patent; (iv) requiring

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that a trademark be expunged; and (v) mandating such other measures as the Court considers necessary.

Two key points should be noted regarding the application of section 32. First, securing remedial measures under this section is contingent on satisfying the Federal Court that the practices in question have had "undue" anti-competitive effects. A somewhat similar test is incorporated in the criminal conspiracy provision of the Act.<sup>15</sup> Of course, the legal interpretation of the test and its application may differ in the context of a civil proceeding under section 32.

Second, remedial measures taken under this section may not violate Canada's international obligations with respect to the protection of intellectual property. This is an important safeguard on the application of the section.

Section 32 has not been applied in any recent cases. However, the potential application of this provision (then section 29 of the *Combines Investigation Act*) was illustrated in two earlier cases that were ultimately resolved through negotiated settlements. These cases centered on restrictive provisions in Union Carbide of Canada's licensing agreements for the use of the company's patented processes and machines for the extraction of polyethylene film from resin and treatment of this film for printing.<sup>16</sup> The provisions involved included field-of-use restrictions, sliding scale royalties that allegedly discriminated against smaller producers, grant-back provisions relating to patents taken out by licensees, clauses that barred licensees from challenging the validity of the licensed patents, even after the termination of the licensing agreements, and provisions restricting the type of film that licensees were

allowed to treat using the patented process. The *Union Carbide* cases were both resolved through negotiated settlements that addressed the main competition policy concerns, and thus did not provide any jurisprudence on substantive aspects of the provisions.<sup>17</sup>

Sections 85 to 90 of the Act, relating to the registration of specialization agreements, are also relevant. Specialization agreements are voluntary interfirm arrangements under which each firm agrees to discontinue producing a product. Agreements under which each firm promises to buy specified products from the other are also included. Under the applicable provisions, which were added to the legislation in 1986, such agreements may be registered with the Competition Tribunal (and thereby obtain limited protection from the application of the conspiracy and exclusive dealing provisions of the Act) where they meet the applicable statutory tests. In addition, the Act provides that as a condition for registration on an agreement, the Tribunal may make various orders including orders requiring the wider licensing of patents.

The purpose of the specialization agreement provisions is to facilitate industrial rationalization and help Canadian firms to compete effectively in international markets. Although the provisions have not been used to date, the Bureau is currently considering their possible use in connection with a particular agreement.

Section 61 of the *Competition Act* is a criminal provision relating to the practice of price maintenance. This section refers specifically to the exclusive rights and privileges conferred by patents, trademarks, copyrights and registered industrial designs.

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In addition, several other sections of the *Competition Act* that do not refer specifically to intellectual property rights are nevertheless applicable to abusive practices relating to such rights. For example, section 77 of the Act deals specifically with the practices of tied selling, exclusive dealing and territorial market restriction. It should be emphasized that these practices are not *per se* offenses under the legislation. Rather, they are reviewable matters that are dealt with on a case-by-case basis. The intent of the legislation is to provide remedies for dealing with these practices only where they are likely to result in a substantial lessening of competition and meet other statutory conditions.

A recent matter addressed under the tied selling provision that dealt with specific contractual abuses associated with intellectual property rights was the Digital Equipment of Canada Limited ("DEC") matter. This involved an "integrated service policy" under which DEC tied the sale of updates for its copyrighted operating system software to hardware servicing on its equipment. The Director believed that DEC's policies amounted to an anti-competitive extension of market power derived from IP rights that had impeded the entry and expansion of third party maintainers that compete with it in providing hardware servicing. As a result, end-users of DEC equipment were prevented from enjoying the lower prices and enhanced services offered by third party maintainers. The Director's concerns were ultimately resolved through undertakings received from Digital in October 1992, to discontinue its integrated service policy.<sup>18</sup>

One issue that has not been resolved in the Canadian jurisprudence relates to whether, and in what circumstances, a refusal to license intellectual property rights could constitute an abuse of market

power for the purposes of competition law. As you know, this issue was dealt with by the European Court of Justice in the recent *Magill* case.<sup>19</sup> In its decision, the Court held that the exercise of an exclusive intellectual property right by the proprietors may, in exceptional circumstances, go beyond what is necessary to fulfill the essential function of copyright protection, and could, therefore, constitute an abuse of dominant position subject to review under Article 86 of the Treaty of Rome. It remains to be established whether the Canadian courts would take this view in the context of Canadian legislation and jurisprudence.

#### **Comparative and International Policy Developments**

On a more forward looking note, let me now share with you some thoughts on policy issues relating to competition policy, intellectual property and the framework for international trade and investment in the future. The recently concluded North American Free Trade Agreement ("NAFTA") contains a number of provisions that have implications for the competition policy-intellectual property interface. To begin with, Chapter Fifteen of the NAFTA agreement provides that each party to the agreement shall adopt and apply measures to deal with anti-competitive business practices. The chapter also provides for the establishment of a Working Group on Trade and Competition, comprising representatives of each party, to study issues concerning the relationship between competition laws and policies and their implications in the free trade area.

The Bureau of Competition Policy has the lead role in shaping Canada's input to the Working Group, in cooperation with the Canadian Department of

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Foreign Affairs and International Trade as well as the Department of Finance. Currently, the Group is examining a range of issues relating to the application of competition law, including issues relating to national treatment and transparency in competition law enforcement, comparative aspects of trade and competition policy and export cartels.

Chapter Seventeen of the NAFTA Agreement contains precedent setting provisions relating to Intellectual Property protection. The chapter stipulates that Parties to the Agreement may adopt or maintain appropriate measures dealing with anti-competitive abuses of intellectual property rights.<sup>20</sup> The chapter further indicates that, in contemplating such measures, competition authorities must have regard to the maintenance of an environment conducive to innovation and productivity improvement.

In view of these and related developments, it is likely that the interface between competition policy, intellectual property and international economic integration in the North American continent will receive increasing attention in the future. A particular matter that will undoubtedly merit consideration particularly for competition law officials concerns the implications of international market segmentation through the use of intellectual property rights. A good argument can be made that patent and other IP rights that are national in scope may be efficient and practical in many circumstances.<sup>21</sup> Nonetheless, at some point in the future, it may be desirable to give consideration to adopting a policy of "exhaustion" of intellectual property rights across the North American Free Trade Area, to foster competition and the free movement of goods and services. This would be comparable to the policy applicable in the European Community.<sup>22</sup>

### Concluding Remarks

In today's economy, marketplace framework policies such as those dealing with competition law and intellectual property rights have a crucial role to play in fostering efficient market structures and behaviour. This role has been accentuated by globalization, rapid technological change and decreased reliance on industry-specific regulation and public ownership.

In Canada, competition law has traditionally provided a market-oriented framework for the exercise of intellectual property rights that guards against anti-competitive practices while providing broad scope for efficient business arrangements. While this framework will continue to evolve and be clarified, the basic policy direction is clear — competition law and intellectual property rights will work together to foster a dynamic and competitive marketplace in Canada.<sup>23</sup>

G.N.A.

### Notes

<sup>1</sup> Important procedural safeguards applicable to the exercise of the Director's powers are discussed in George N. Addy, "Private Rights and the Public Interest Under Canada's Competition Act" (Remarks to a Seminar on Antitrust in a Global Economy, Fordham Corporate Law Institute, October 21-22, 1993).

<sup>2</sup> See s. 93(g) of the Act.

<sup>3</sup> In the U.S., intellectual property rights figured in the 1994 consent decrees entered in the *Pilkington* and *Wave Soldering* matters. See *United States v. Pilkington plc and Pilkington Holdings Inc.* (CCH 1994-2 Trade Cases ¶70,842) and *United States v. Cookson Group plc et al.* (CCH 1994-1 Trade Cases ¶70,666). In Canada, intellectual property rights were a key consideration in the *NutraSweet* matter, discussed *infra*.

<sup>4</sup> Two broad categories of anti-competitive conduct involving IPRs may be identified. The first relates to the concept of extension of statutory monopoly rights. Cases of this nature may include patent cartels, tying arrangements, etc. The second category of conduct (which sometimes overlaps with the first) involves pre-emptive

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behaviour by firms to deter the entry of potential competitors. See Organization for Economic Co-operation and Development, *Competition Policy and Intellectual Property Rights* (Paris: 1989).

<sup>5</sup> The concept of market power relates to the ability of a firm (or a group of firms acting together) to maintain prices above competitive levels, without losing sales so rapidly that the price increase is unprofitable. Market power may also be manifested through an adverse impact on service quality, innovation or otherwise relevant variables. See Director of Investigation and Research, *Merger Enforcement Guidelines* (March 1991), at 3.

<sup>6</sup> See e.g., J. Paul McGrath, "Patent Licensing: A Fresh Look at Antitrust Principles in a Changing Economic Environment" (1984) 82:9 Patent and Trademark Review at 355-65.

<sup>7</sup> See U.S. Department of Justice and Federal Trade Commission, *Antitrust Guidelines for the Licensing of Intellectual Property* (April 6, 1995). For a useful exposition, see Richard J. Gilbert, "The 1995 Antitrust Guidelines for the Licensing of Intellectual Property: New Signposts for the Intersection of Intellectual Property and the Antitrust Laws", (Address to the Spring Meeting of the American Bar Association Section of Antitrust Law, April 6, 1995).

<sup>8</sup> Markets for innovation are an analytical tool encompassing R & D efforts to develop particular new goods and services, and close substitutes for such efforts.

<sup>9</sup> Arguably, the policy swing was, to some extent, rhetorical rather than substantive. See Willard K. Tom, Special Assistant to the Assistant Attorney-General, U.S. Department of Justice, "Antitrust and Intellectual Property" (Address to a Conference on Copyright in Transition: Enforcement, Fair Dealing and Digital Developments, Ottawa, Ontario, October 13, 1994).

<sup>10</sup> R.D. Anderson, S.D. Khosla and M.F. Ronayne, "The Competition Policy Treatment of Intellectual Property Rights in Canada: Retrospect and Prospect" in R.S. Khemani and W.T. Stanbury, eds., *Canadian Competition Law and Policy at the Centenary* (Halifax: Institute for Research on Public Policy, 1991) chapter 23 at 497-538.

<sup>11</sup> Such rights may include patents, trademarks, copyrights, registered industrial designs and integrated circuit topographies. A more detailed analysis of the relevant statutory provisions and jurisprudence is provided in Howard I. Wetston, "The Treatment of Intellectual Property Rights under Canadian Competition Law" in Gordon F. Henderson, ed., *Patent Law of Canada* (Carswell: Scarborough, 1994) at chapter 11.

<sup>12</sup> R.D. Anderson and S.D. Khosla, "Reflections on McDonald on Abuse of Dominant Position" (1987) 8:3 Can. Comp. Rec. 51.

<sup>13</sup> *Canada (Director of Investigation and Research) v. The NutraSweet Co.* (1990), 32 C.P.R. (3d) 1 (Comp. Trib.).

<sup>14</sup> *Ibid.* at 52.

<sup>15</sup> In the context of a criminal conspiracy case, "undueness" has been described by the Supreme Court of Canada as a serious or significant effect on competition as determined by an examination of two factors. The first is whether the parties have market power in the relevant market; the second requires a determination as to whether the parties' behaviour has been or will be likely to injure competition. *R. v. Nova Scotia Pharmaceutical Society et al.*, [1992] 2 S.C.R. 606 at 651-658 (the "PANS" Decision).

<sup>16</sup> Director of Investigation and Research, *Annual Report for the Year Ended March 31, 1968*, at 42, *Annual Report for the Year Ended March 31, 1970*, at 54-56, and *Annual Report for the Year Ended March 31, 1972*, at 29-30.

<sup>17</sup> *Ibid.*

<sup>18</sup> Director of Investigation and Research, *Annual Report for the Year ended March 31, 1993*, at 14.

<sup>19</sup> See *RTE, BBC, ITP v. Commission of the European Communities* [the *Magill TV Case*], affirmed on appeal by the European Court of Justice (April 6, 1995). The case dealt with a refusal by three television stations to licence their copyrighted television schedules to allow a third party to create a new comprehensive weekly guide to television programs for which there was potential consumer demand.

<sup>20</sup> See NAFTA, Article 1704.

<sup>21</sup> Bureau of Competition Policy, *Intellectual Property Rights and International Market Segmentation: Implications of the Exhaustion Principle* (Working Paper) by R.D. Anderson, P.J. Hughes, S.D. Khosla and M.F. Ronayne (Ottawa: Industry Canada, October 1990).

<sup>22</sup> Under the rule applicable in the European Community, legitimately made patented articles that are placed on the market in any member state may move freely throughout the Community.

<sup>23</sup> Recently, the Bureau of Competition Policy has commissioned a series of economic and related studies on the subject of Competition Policy, Intellectual Property Rights and International Economic Integration. The studies are intended to provide an in-depth examination of various issues that have been addressed in my remarks today, as well as analyzing more specific enforcement policy issues and commenting broadly on the roles of competition and intellectual property in fostering a dynamic and competitive economy. This work is being carried out in cooperation with the Canadian Intellectual Property Office and the Policy Sector of Industry Canada.

## CANADIAN COMPETITION RECORD

**INTERLOCUTORY  
INJUNCTIVE RELIEF  
IN RECENT COMPETITION ACT  
PROCEEDINGS**

The availability of interlocutory injunctive relief has been considered recently by several courts in various different contexts in proceedings commenced pursuant to the *Competition Act*.

On the criminal side, an injunction was granted to restrain the accused corporation from winding up or disposing of \$6.8 million in sale proceeds pending completion of a conspiracy prosecution under section 45 of the *Competition Act* in *R. v. Consolidated Fastfrate Transport Inc.* ("CFTI").<sup>1</sup> CFTI, a subsidiary of Federal Industries Ltd., was charged with conspiring to unduly lessen competition in the supply of pool car freight forwarding service between 1976 and 1987. The Crown indicated that it would be seeking a fine of \$8 million if CFTI was convicted. CFTI's business had been sold and its only asset was the sale proceeds. The Court concluded that it had the jurisdiction to grant injunctive relief to the Crown in the public interest in order to ensure that funds would be available to pay the fine in the event of a conviction. In considering whether such relief was appropriate in the circumstances, the Court applied the following test:

1. Has the applicant established that there is a strong *prima facie* case on the merits?
2. Is the respondent disposing of its assets in a manner out of the ordinary course of business, so as to make tracing of assets remote or impossible?
3. Would there be irreparable harm suffered if the injunction is not granted?

4. In balancing the relative inconvenience of the applicant and the respondents, whose interests should prevail?

By contrast, an application by consent for an interim injunction pursuant to subsection 33(1) of the *Competition Act* was denied by the Federal Court in *Attorney-General of Canada v. David Oppenheimer and Associates*.<sup>2</sup> Subsection 33(1) provides for an interim injunction forbidding actions that may constitute an offence "pending the commencement or completion of proceedings under subsection 34(2)". In this case, the parties had agreed to an order for a six month period and for the duration of any proceedings commenced. In refusing the application, the Court described the injunction sought as too open-ended and "pending investigation, not pending commencement of s. 34(2) proceedings". Subsequently, the parties consented to the reversal of the above order and an injunction pursuant to subsection 33(1) was ultimately granted.

The availability of interlocutory injunctive relief in civil proceedings commenced pursuant to section 36 of the *Competition Act* was considered in several cases, albeit with somewhat different results.

An interlocutory injunction was granted to restrain the defendant from proceeding with a planned marketing campaign for the sale of its "Sifto Baking Soda": *Church and White Ltd. /Ltee. v. Sifto Canada Inc.*<sup>3</sup> The action was brought pursuant to section 36 of the *Competition Act* based on an alleged breach of the prohibition against misleading advertising in section 52, and pursuant to certain provisions in the *Trademarks Act*. The defendant had argued that injunctive relief was not available in respect of a private action commenced under section 36 and in trademark proceedings as had been decided in *ACA Joe International v. 147255 Canada Inc.*<sup>4</sup> The Court

## CANADIAN COMPETITION RECORD

expressed the view that the ACA decision was inconsistent (as it related to the *Trademarks Act*) with *Purolator Courier Ltd. v. Mayne Nickless Transport Inc.*<sup>5</sup> where an injunction had been granted. However, the Court noted that neither of these Federal Court decisions were binding on it and that it was unnecessary to resolve this apparent inconsistency because false advertising could also be actionable as the tort of injurious falsehood if the necessary elements could be established. The Court then applied the following three part test in determining that interim injunctive relief was appropriate:

1. a strong *prima facie* case on the merits was established even though the plaintiff had not been identified by name as it was identifiable by implication;
2. potential loss of market share and goodwill was recognized to constitute irreparable harm; and
3. the balance of convenience favoured preserving the status quo.

The opposite result occurred in *Unitel Communications Inc. v. Bell Canada*<sup>6</sup> in which an application for an interlocutory injunction to restrain the broadcast of a Bell long distance advertisement was dismissed. Unitel argued that the advertisement targeted the plaintiff (although it was not expressly identified), that it was false and misleading contrary to the misleading advertising prohibitions in the *Competition Act* and that it constituted the tort of injurious falsehood. In addressing the first element of the test for an interlocutory injunction, the Court considered whether the appropriate threshold should be the lower threshold of a "serious question to be tried" or the higher threshold of a "strong *prima*

*facie* case". The Court applied the lower threshold, finding that this was appropriate except: (a) where the result of the interlocutory injunction would effectively determine the action; (b) where constitutional issues were involved; or (c) where no facts were in dispute. The Court found that there was no serious question to be tried as the advertisement did not expressly identify Unitel and the Court was not satisfied that Unitel was specifically targeted. With respect to the second element, the court failed to find that Unitel would suffer irreparable harm if the injunction was not granted as it was not satisfied that Unitel would suffer permanent market loss, Unitel had taken no steps to respond with its own advertisements, there was no evidence of harm to date despite the fact that the advertisement had been running for five months and no evidence that Unitel would be driven out of business or that Bell would be unable to pay any damages awarded. Regarding the third element, the Court found that the balance of convenience favoured the party with the established client base.

Similarly, an application for an interlocutory injunction to restrain certain statements in an advertising campaign regarding the bacterial content in milk based on the *Trademarks Act*, sections 36 and 52 of the *Competition Act* and the tort of injurious falsehood was also dismissed: *Beatrice Foods Inc. v. Ault Foods Ltd.*<sup>7</sup>

The principle enunciated in *ACA Joe International* that injunctive relief is not available in an action brought under section 36 of the *Competition Act*, unless the conduct complained of would give rise to an independent action, was reiterated by the court in *947101 Ontario Ltd. v. Barrhaven Town Centre Inc.*<sup>8</sup> In that case, an application for an interlocutory injunction based in part on allegations of predatory pricing was dismissed.

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The Ontario Divisional Court recently allowed an appeal from an order granting an interlocutory injunction directing Bell Mobility to continue to deal with a former agent pending the disposition of a section 9 complaint to the Director under the refusal to deal provisions contained in section 75 of the *Competition Act: Cellular Rental Systems Inc. v. Bell Mobility Cellular Inc.*<sup>9</sup> Cellular Rental Services ("CRS") had been a sales agent for Bell Mobility under an agreement which expired February 28, 1993. The parties continued the relationship without formally renewing same until Bell Mobility purported to terminate the arrangement effective March 31, 1994. CRS applied to the Director under section 9 of the Act for an inquiry into Bell Mobility's practices seeking an application to the Competition Tribunal under the refusal to deal provisions in section 75 for an order requiring Bell Mobility to continue its contract with CRS until disposition of the matter by the Director or by the Competition Tribunal, if an application was brought. The Court had concluded that there were substantial issues to be tried, that there would be irreparable harm as CRS would be out of business if no injunction was granted and that the balance of convenience favoured CRS. In allowing the appeal, the Divisional Court concluded that the injunction which had been granted exceeded the jurisdiction of the Court below, as section 104 of the *Competition Act* contemplated that the Competition Tribunal had the exclusive jurisdiction to grant such interim orders upon application by the Director in conjunction with the administration of the civil remedies found in Part VIII of the *Competition Act*.

J.S.

## Notes

<sup>1</sup> (1995), 59 C.P.R. (3d) 191 (Ont. Gen. Div.). For analysis of this decision, including the subsequent decision of the Ontario Court of Appeal, see "Case Comment: *R.*

*v. Consolidated Fastfrate Transport Inc., infra.*

<sup>2</sup> (1994), 57 C.P.R. (3d) 101 (F.C.T.D.).

<sup>3</sup> (1994), 58 C.P.R. (3d) 316 (F.C.T.D.).

<sup>4</sup> (1986), 10 C.P.R. (3d) 301 (F.C.T.D.).

<sup>5</sup> (1990), 33 C.P.R. (3d) 391 (Fed. Ct.).

<sup>6</sup> (1994), 56 C.P.R. (3d) 232 (Ont. Gen. Div.).

<sup>7</sup> (1995), 59 C.P.R. (3d) 374 (Ont. Gen. Div.).

<sup>8</sup> [1995] O.J. No. 15 (Ont. Gen. Div.). For additional analysis of this decision, see P. Collins, "Injunctive Relief Under Section 36 of the *Competition Act*" (1995) 16:1 Can. Comp. Rec. 18.

<sup>9</sup> [1995] O.J. No. 1535, rev'g (1994), 56 C.P.R. (3d) 251 (Ont. Gen. Div.).

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**CASE COMMENT: *R. v.*  
CONSOLIDATED FASTFRATE  
TRANSPORT INC.**

The relationship between civil procedure and original procedure is a topic infrequently considered by courts, which seem content to preserve the distinction between matters civil and matters criminal. However, the emergence of the regulatory body, often replete with the specific criminal or quasi-criminal enforcement powers challenges the traditional division between the two forms of procedure. It is therefore not surprising that when the Ontario Court of Appeal was recently faced with having to consider the application of a civil interlocutory remedy in a criminal proceeding, it did so in the context of charges under the *Competition Act*. It is for this reason that the Court's decision in *R. v. Consolidated Fastfrate Transport Inc.*<sup>1</sup> bears examination.

**Facts**

Consolidated Fastfrate Transport Inc. ("CFTI") was charged with conspiracy under section 45 of the Act. It was alleged that CFTI, along with four other transport companies, had conspired to lessen competition in the supply of pool car freight

## CANADIAN COMPETITION RECORD

forwarding services for an 11 year period ending in 1987. The Crown indicated that if convicted under the provisions of the *Competition Act*, CFTI would face a fine as high as \$8 million. The alleged need for a Mareva injunction arose out of the sale of all of CFTI's assets and liabilities to Consolidated Fastfrate Inc. ("CFI") for \$6.8 million. Both CFTI and CFI were subsidiaries of Federal Industries Ltd., and CFI was to carry on the business previously conducted by CFTI. The Crown argued that if a Mareva injunction were not granted, CFTI would be able to dispose of the sale proceeds, and, in the event of a conviction, a possibility existed that Federal Industries Ltd. would not be under any obligation to pay any fine imposed upon CFTI.

### The Initial Application for Injunctive Relief

The matter was first heard by McCombs J. of the Ontario Court (General Division). The learned justice adopted the following four part analysis in determining whether to grant the requested remedy:

- (1) Had the applicant established a strong *prima facie* case on the merits?
- (2) Was the respondent disposing of its assets in a manner out of the ordinary course of business, so as to make the tracing of assets remote or impossible?
- (3) Would irreparable harm be suffered if the injunction were not granted?
- (4) In balancing the relative inconvenience of the applicant and respondent, whose interests should prevail?

The learned justice found that there was a strong *prima facie* case, as CFTI had been committed

for trial following a preliminary inquiry and had not appealed from that ruling. In addition, as the transaction could have left funds unavailable in the event CFTI was fined, there was a possibility that the disposal would make tracing of the assets a difficult task. In McCombs J.'s opinion, this was also sufficient to constitute irreparable harm if the injunction were not granted. Finally, McCombs J. found that since the parent company had assets of \$840 million and revenues of \$1.4 billion, there was no reason to believe that any substantial hardship would befall the parent company as a result of the granting of the injunction. As a result, an injunction was issued restraining CFTI from disposing of any part of the proceeds of the sale of its assets or winding up its corporate existence.

### The Decision of the Ontario Court of Appeal

CFTI then brought the matter before the Ontario Court of Appeal, where it was heard by Justices Houlden, Galligan and Weiler. The panel was unanimous in allowing CFTI's appeal and dismissing McCombs J.'s order granting the Mareva injunction, though Galligan J.A. and Weiler J.A. differed markedly in their reasons for doing so.

#### (i) Reasons of Galligan and Houlden JJ.A.

Galligan J.A., with whom Houlden J.A. concurred, was of the opinion that McCombs J. was correct in concluding that he had the jurisdiction to grant a Mareva injunction preserving assets out of which a fine could be paid in the event of a successful prosecution. Having said this, though, he came to a different conclusion on the merits of the case. Galligan J.A. emphasized that the jurisdiction of the civil courts to order Mareva injunctions in aid of a criminal prosecution was to "be exercised with

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caution and only in exceptional cases". Thus, he concluded that a Mareva injunction would only be available in aid of the criminal law where the court is persuaded that the accused person is arranging its affairs for the improper purpose of preventing its assets from being available to pay a fine, should one be imposed.

The substantive issue of whether an injunction should have been granted by McCombs J. in the Court below was then considered. Galligan J.A. found that McCombs J. erred in equating committal for trial with the establishment of a strong *prima facie* case, as a legal possibility of conviction was not, in his opinion, tantamount to a strong *prima facie* case. Second, Galligan J.A. considered whether CFTI was disposing of its assets in a manner out of the ordinary course of business. While McCombs J. found that the nature of the transaction raised concern over the unavailability of funds in the event CFTI were fined, Galligan J.A. found that there was no improper purpose involved in the sale of CFTI's assets, and that the granting of a Mareva injunction restraining CFTI from disposing of the sale proceeds was unjustifiable. Accordingly, CFTI's appeal was allowed and the order of the Court below set aside.

(ii) Reasons of Weiler J.A.

Weiler J.A. concurred in the ultimate result reached by Galligan and Houlden J.J.A., though for different reasons. After initially finding that the injunction granted by McCombs J. was not an interlocutory remedy granted in a criminal proceeding, Weiler J.A. turned to the question of whether the injunction was a civil injunction in aid of the civil law, and if so, whether McCombs J. had the jurisdiction to make an order for such relief. Weiler J.A. held that McCombs J. had the jurisdiction to order an injunction, though he expressed strong reservations about the resort to

such relief. The learned appeal judge found that such injunctions could be granted (a) prior to conviction; (b) where the assets did not have a connection to the crime alleged; (c) where the sole purpose of the injunction was to ensure the availability of assets; (d) where there was a justiciable issue, with proceedings under the Act constituting such or; (e) where the Attorney General sought to protect the public interest, though a mere infringement of the criminal law would not suffice in itself to justify seeking an injunction on this basis. However, though Weiler J.A. concluded that McCombs J. had the jurisdiction to grant an injunction, he was less sanguine about the issue than Galligan J.A., stating that judicial restraint ought to have been considered and exercise of jurisdiction declined.

Having dealt with the threshold issue, Weiler J.A. then treated the substantive question of whether the facts before him met the requirements of the test for the granting of a Mareva injunction. Unlike Galligan J.A., who concluded that committal for trial was indicative of a strong *prima facie* case, Weiler J.A. found that the mere fact of committal was insufficient to establish a strong *prima facie* case. Instead, he reviewed the Crown's case, inclusive of affidavit material and concluded that the Crown did not meet this standard, thereby failing the first component of the test for the granting of a Mareva injunction. Though Weiler J.A. allowed CFTI's appeal on this basis, he then considered the issue of improper purpose, upholding McCombs J.'s finding that the transfer of assets was out of the ordinary course of business, and thus made for an improper purpose.

**Analysis**

Though the Court of Appeal ultimately set aside the Mareva injunction granted by the Court below, the

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reasons of both Galligan and Weiler J.J.A. concede that courts have the jurisdiction to grant civil remedies in prosecutions under the Act, and indeed, in criminal proceedings generally. This, of course, is subject to the caution that in doing so, courts are to exercise their discretion carefully and sparingly. The decision, therefore, raises a number of issues of concern.

The first of these is whether the importation of civil remedies into criminal proceedings should be sanctioned. There is little doubt that Weiler J.A.'s caution with respect to such importation is amply justifiable, given the panoply of available civil remedies which could be asserted in any number of criminal proceedings. Yet in reality, and particularly with respect to the *Competition Act*, the decision may not provide much more than is already available under statute. For example, the question of whether or not an Anton Piller order<sup>2</sup> can be brought into a tribunal proceeding is likely moot, given the broad investigatory powers contained in Part I of the Act.<sup>3</sup> In a similar vein, the application of other interlocutory remedies is rendered nugatory by virtue of section 33 of the Act which provides for the granting of injunctory relief.<sup>4</sup> Though the decision may initially raise fears of abuse, it is submitted that the decision will not lead to a spate of civil remedies being brought to bear in criminal proceedings under the Act.

Consideration should also be given to the advisability of importing a civil remedy into proceedings pursuant to a regulatory regime, as opposed to criminal proceedings solely under the *Criminal Code*. In his reasons, Weiler J.A. cited the words of Lamer C.J.C. in *Kourtessis v. M.N.R.*,<sup>5</sup> in which the Chief Justice expressed trepidation at the "mishmash" inherent in mixing provincial civil procedure with criminal

procedure, adding that in dealing with procedure, and particularly criminal procedure, it was important for a litigant to have knowledge of what its next procedural steps would be. In Lamer C.J.C.'s opinion, this was the reason for Parliament's adoption of a comprehensive procedure under the *Criminal Code*. This point bears additional significance when seen in the light of regulatory regimes like the *Competition Act*, where creatures of statute are given mandates carefully tailored by the legislature. Any interference with a regulatory framework through the importation of civil remedies otherwise unavailable is not a step to be taken lightly.

A final issue which the decision highlights is the practical difficulty of seeking civil injunctive relief in proceedings under the Act. As set out in the decision, the test to be applied in deciding whether to grant a Mareva injunction is whether there is a strong *prima facie* issue at stake. In *Fastfrate*, this question was narrowed by Weiler J.A. to whether the Crown had a strong *prima facie* case with respect to the lessening or attempt at lessening competition. This is misleadingly simple. It is submitted that whenever focus is placed on market conduct, there can be no quick and simple answer of the type implied by the phrase "*prima facie*". It is conceivable that in future proceedings of a similar nature, considerable evidence, inclusive of expert testimony, may have to be tendered with respect to market issues in order to prove or disprove a strong *prima facie* case. This seems counterintuitive, given that the purpose of a Mareva injunction is to expeditiously "freeze" a defendant's assets to avoid them being spirited off to another jurisdiction.<sup>6</sup> It is submitted that the lesson to be drawn is that certain competitive analyses may not be conducive to the type of analysis required to invoke a civil interlocutory remedy.

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In conclusion, the *Fastfrate* case is important not for its ultimate result, but rather for what it leaves unsaid. Though admitting (albeit reluctantly) that courts do have the jurisdiction to grant civil interlocutory remedies in criminal proceedings, the decision remains silent on the ramifications of the exercise of such jurisdiction. It is hoped that further decisions on the topic will clarify what is an important point of law.

S.B. and P.C.

### Notes

<sup>1</sup> (June 22, 1995) (Ont. C.A.) [unreported].

<sup>2</sup> An Anton Piller order gives a plaintiff access to inspect, seize or preserve documents in the possession of a defendant. Such an order will be made where the plaintiff has demonstrated a strong case and where it is clear that the defendants would flout the ordinary process of the court and deprive the plaintiff of a remedy. See R.J. Sharpe, *Injunctions and Specific Relief*, 2d ed. (Toronto: Canada Law Book, 1994) at 2-59.

<sup>3</sup> If the right of private parties to initiate proceedings before the Tribunal is extended to include reviewable practices, this may not be the case: see Bureau of Competition Policy, *Competition Act Amendments - Discussion Paper* (Ottawa: Industry Canada, 1995) at 22.

<sup>4</sup> As noted by Weiler J.A. at page 4 of his judgment, *Mareva* injunctions are not contemplated by this section.

<sup>5</sup> [1993] 2 S.C.R. 53 at 80.

<sup>6</sup> One commentator notes that the only practical way to obtain a *Mareva* order is to proceed without notice, as the defendant might otherwise know what is intended and take steps to become judgment proof before an order can be retained. In addition, evidence ought to be presented in as few affidavits as possible, as the defendant has the right to cross-examine on each one. See D. McAllister, *Mareva Injunctions*, 2d ed. (Toronto: Carswell, 1987) at 108-9. In this light, a battle of experts over market size, for example, seems Pyrrhic in nature.

## INDUSTRY MINISTER MANLEY ANNOUNCES CONSULTATIONS ON *COMPETITION ACT* AMENDMENTS

*The following is a News Release issued by the Bureau of Competition Policy on June 28, 1995, and is reproduced with permission.*

OTTAWA, June 28, 1995 — Industry Minister John Manley announced today the start of public consultations aimed at updating the *Competition Act* within the next year. The Minister has asked the Director of Investigation and Research, George N. Addy, to conduct a consultation process on legislative amendments.

“The *Competition Act* is an important instrument in promoting a healthier marketplace, one of the key features of the government’s jobs and growth agenda”, said Mr. Manley. “The law has served us well, but we need to make some adjustments to address the rapid pace of change in world markets. Our objective is a more effective competition law that will help shape a more innovative economy in Canada.”

A discussion paper released as part of a broad consultation process outlines the rationale for amendments and specific areas that the government is studying. The paper describes a number of measures designed to:

- promote quicker and more effective resolution of competition issues;
- remove out-dated restrictions concerning price discounts and promotional allowances that inhibit pricing flexibility;

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- better equip Canada to deal with anti-competitive and deceptive practices that originate outside the country;
- address the problem of deceptive telemarketing promotions;
- allow members of the private sector to take action before the Competition Tribunal against practices which inhibit innovative and competitive behaviour.

The *Competition Act* is a key component of the marketplace framework governing business activity in Canada. The Director of Investigation and Research heads the Bureau of Competition Policy and is responsible for the enforcement and administration of the *Competition Act*. At the conclusion of the consultation process, he will make recommendations to the Minister on specific amendments.

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### **DIRECTOR OF INVESTIGATION AND RESEARCH RECEIVES UNDERTAKINGS FROM INSURANCE CORPORATION OF BRITISH COLUMBIA**

*The following is a News Release issued by the Bureau of Competition Policy on July 13, 1995, and is reproduced with permission.*

OTTAWA, July 13, 1995 - George N. Addy, Director of Investigation and Research under the *Competition Act*, announced today that he has received undertakings from the Insurance Corporation of British Columbia ("ICBC"), in which ICBC has agreed to change certain policies that raised questions under the *Competition Act*.

ICBC is a crown corporation established by provincial legislation for the purpose of providing primary automobile insurance to all residents of British Columbia. ICBC sells its products under the trade name "Autoplan".

The undertakings, which include changes to ICBC's Autoplan agents commission structure, alleviate concerns under the abuse of dominant position and exclusive dealing provisions of the Act.

Following an extensive investigation, the Director found that a number of past and ongoing practices of ICBC raised competition concerns in the personal automobile insurance market in British Columbia. Information obtained from a number of participants in the insurance industry led the Director to conclude that ICBC's conduct was likely to restrict the ability of other insurers to compete effectively in the market for optional auto insurance such as collision and comprehensive policies. Foremost among these concerns were disincentives faced by Autoplan agents to offer optional automobile insurance policies from ICBC's competitors.

"These undertakings represent an effective resolution of competitive concerns identified in this matter. I am pleased that ICBC voluntarily changed its policies and extended its full cooperation during our investigation. The resolution reinforces the public interest in competitive markets as well as the public interest as reflected in the British Columbia legislation governing the ICBC," Mr. Addy stated.

During 1993 and 1994, an agent's commission rate from ICBC varied with ICBC's share of the automobile insurance sold by the agent. In 1992, ICBC required certain Autoplan agents to sign agency agreements which may have had the effect of discouraging them from placing insurance policies

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with ICBC's competitors.

During the course of the investigation, ICBC voluntarily adopted a new commission scheme that addressed concerns under the *Competition Act*. Also, ICBC discontinued using restrictive agency agreements which the Director viewed as being potentially anti-competitive.<sup>1</sup>

### Notes

<sup>1</sup> For a copy of the News Release issued concurrently by the Insurance Corporation of British Columbia, see "ICBC Practices Do Not Restrict Trade, Competition Bureau Reports", *infra*, at 24.

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### SUZY SHIER FINED \$300,000 FOR MISLEADING ADVERTISING

*The following is a News Release issued by the Bureau of Competition Policy on July 17, 1995, and is reproduced with permission.*

OTTAWA, July 17, 1995 George N. Addy, Director of Investigation and Research, under the *Competition Act*, announced today that the women's clothing retailer Suzy Shier Limited, which operates several stores across Canada under the names Suzy Shier, La Senza and L.A. Express, has pleaded guilty to a charge laid under paragraph 52(1)(d) of the *Competition Act*. The company was fined \$300,000 in the Criminal Division of the Court of Quebec in Montreal and the court issued an order prohibiting the company, as well as its directors and administrators, from engaging in such misleading promotional practices.

The charge centered on the fact that SUZY SHIER was offering its clothing at discount prices, with price

tags indicating the original price, the special price and the amount of the discount. In-store signs also advertised discounts of 50% to 70% off originally-marked prices. However, it was established that the original price indicated on the tag did not represent the regular price, since the clothing was never sold for this amount. The investigation further revealed that the articles of clothing were already tagged "Special" before even entering the store.

"The use of misleading comparison prices hurts consumers and makes it difficult to maintain healthy competition among retailers. This case demonstrates once again the commitment of the Bureau of Competition Policy to discourage such practices in the Canadian market," stated Mr. Addy.

Paragraph 52(1)(d) of the Act prohibits misleading representations to the public concerning the price at which a product is ordinarily sold.

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### INDUSTRY MINISTER MANLEY SIGNS CANADA - U.S. COMPETITION POLICY AGREEMENT

*The following is a News Release issued by the Bureau of Competition Policy on August 3, 1995, and is reproduced with permission.*

OTTAWA, August 3, 1995 — Industry Minister John Manley signed a new Canada-U.S. Competition Policy Agreement today on behalf of the Government of Canada. The Agreement was signed in Washington, D.C. by the U.S. Attorney General, Janet Reno, and the Chairman of the Federal Trade Commission, Robert Pitofsky.

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The Agreement establishes a framework for closer relations between Canada and the U.S. regarding the enforcement of their competition and deceptive marketing practices laws. It provides for improved and expanded notification, consultation and cooperation between the Bureau of Competition Policy in Canada and the Antitrust Division of the U.S. Department of Justice and the Federal Trade Commission. The new Agreement replaces the 1984 Canada-U.S. Memorandum of Understanding regarding the application of their competition laws.

“Effective enforcement of the *Competition Act* is essential to promoting Canada’s economic welfare in today’s global economy,” the Minister said. “Increasing trade between Canada and the United States benefits Canadian consumers and businesses. Closer cooperation between our two countries’ competition authorities is essential to ensure that cross-border anti-competitive activities do not impair those benefits.”

Minister Manley noted that cooperation between the Bureau of Competition Policy and U.S. authorities during the past year has led to convictions under the price-fixing and misleading advertising provisions of the *Competition Act*. “Recent cases have clearly demonstrated the benefits of international enforcement cooperation. The new Agreement and the recently announced public consultations on amendments to the *Competition Act* are two important initiatives intended to enhance international enforcement cooperation.”

The Minister also explained that the Agreement will facilitate the resolution of potential disputes arising from the enforcement of each country’s competition laws. The Agreement provides an improved framework for bilateral consultations and the avoidance of disputes when one country’s competition

law enforcement activities may affect the interests of the other.<sup>1</sup>

### Notes

<sup>1</sup> See “Agreement between the Government of Canada and the Government of the United States of America Regarding the Application of their Competition and Deceptive Marketing Practices Laws”, *infra*, for background information.

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## AGREEMENT BETWEEN THE GOVERNMENT OF CANADA AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA REGARDING THE APPLICATION OF THEIR COMPETITION AND DECEPTIVE MARKETING PRACTICES LAWS

*The following is an Information Backgrounder prepared by the Bureau of Competition Policy and is reproduced with permission.*

### Introduction

Canada and the United States concluded a new Competition Policy Agreement on August 3, 1995. The new Agreement replaces the 1984 Memorandum of Understanding between the Government of Canada and the Government of the United States of America as to Notification, Consultation and Cooperation with respect to the Application of National Antitrust Laws (the “MOU”). It incorporates the significant features of the MOU and contains further improvements in light of the experience under the MOU during the past decade.

The Agreement also goes beyond the MOU in that it addresses cooperation and coordination in the area

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of deceptive marketing practices. The Director of Investigation and Research (the "Director") and the U.S. Federal Trade Commission (the "FTC") are both responsible for the enforcement of deceptive marketing practices laws and have in the past cooperated informally in this area.

### **Notification (Article II)**

The general principle regarding notification is that each Party will notify the other whenever its enforcement actions might affect the other Party's important interests.

The Agreement sets out in greater detail than the MOU the situations in which notification will ordinarily be required and provides further precision with respect to the timing of notifications. In particular, it expands the notification process by expressly requiring notice of investigations that are relevant to the other Party's enforcement activities, investigations of mergers involving companies organized under the laws of the other Party (and their subsidiaries), remedial orders that require implementation in the other country and interventions by the competition authorities in regulatory or judicial proceedings. The Agreement provides for further notification seven days in advance of enforcement action or settlement in particular cases, notwithstanding prior notification of the original investigation. This will ensure that Canada has an opportunity to express its views with respect to enforcement action contemplated by the U.S.

### **Enforcement Cooperation (Articles II to V)**

The Agreement expressly endorses closer cooperation between the Parties' competition authorities. It also contains a commitment to exchange information in

a manner consistent with each Party's laws, enforcement policies and important interests.

The Agreement specifically encourages the Parties to coordinate their activities when both are investigating the same or related trans-border conduct and establishes guiding principles with respect to such coordination.

It also encourages enforcement action by each Party to address anti-competitive conduct in its territory that affects the interests of the other. This approach is often referred to as "positive comity". By encouraging enforcement by the Party on whose territory the conduct actually takes place, positive comity potentially increases the effectiveness of enforcement action while minimizing frictions arising from "extraterritorial" enforcement.

### **Avoidance of Conflicts (Article VI)**

The Agreement sets out several principles and factors that the Parties will consider whenever their enforcement actions may affect the other Party's interests. The Parties are required to give careful consideration to each other's interests throughout all phases of their enforcement activities and, when so requested, to provide timely notice of significant developments in particular cases.

The Agreement also sets out a non-exhaustive list of "comity" factors that the Parties will consider when they contemplate enforcement action that might adversely affect the other Party's interests.

### **Deceptive Marketing Practices (Article VII)**

In view of developments such as cross-border telemarketing and increasing bilateral trade generally, the Agreement sets out a regime for

## CANADIAN COMPETITION RECORD

cooperation and coordination with respect to deceptive marketing practices. It commits the Director and the FTC to cooperate in the detection of deceptive marketing practices, to inform each other of investigations involving practices occurring in, or affecting consumers or markets in, the other country, to share information relating to the enforcement of deceptive marketing practices laws and to coordinate their enforcement activities in appropriate circumstances.

### **Consultations and Semi-Annual Meetings (Articles VIII & IX)**

Article VIII requires the Parties to engage in consultations, upon request, regarding any matter relating to the Agreement. During consultations, both Parties are required to explain their positions in light of the principles set out in the Agreement.

Article IX provides for semi-annual meetings between the competition authorities to discuss matters of common interest in relation to their competition and deceptive marketing practices laws.

### **Confidentiality (Article X)**

Neither Party is required to communicate information to the other where its communication is prohibited by its laws or incompatible with its interests. Information communicated in confidence between the Parties or their competition authorities must be protected to the fullest extent possible. Information communicated between the Parties in the course of notifications and consultations is deemed to be confidential and would not be communicated outside the federal government without the consent of the other Party.

Information communicated between the competition authorities in the context of enforcement cooperation would be confidential to the competition authorities and would not be communicated to other agencies of the receiving authority's government without consent. Such information may, however, be communicated to other law enforcement officials for the purpose of enforcing competition or deceptive marketing practices laws, e.g., the Attorney General or the R.C.M.P.

### **Existing Laws (Article XI)**

Neither Party is required to act in a manner inconsistent with its existing laws, nor be required to amend those laws by the Agreement (Article XI).

### **Communications (Article XII)**

Communications pursuant to the Agreement would normally take place directly between the competition authorities. Notifications, requests for consultations and "positive comity" requests would be confirmed in writing through diplomatic channels.

### **Entry into Force and Termination (Article XIII)**

The Agreement went into effect upon signature on August 3, 1995. It can be terminated by either Party upon 60 days notice.

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**ICBC PRACTICES DO NOT  
RESTRICT TRADE, COMPETITION  
BUREAU REPORTS**

*The following is a News Release issued by the Insurance Corporation of British Columbia and is reproduced with permission.*

ICBC President Bill McCourt said today he is gratified that the federal Bureau of Competition Policy acknowledged that the Corporation's business practices as they relate to Autoplan agents do not restrict trade.

"At our impetus, we developed and implemented early this year a series of initiatives dealing with our commission payment structure to Autoplan agents and related matters," said McCourt. "The Bureau noted, in a news release distributed this morning, that these revisions were an 'effective solution' of competition concerns raised in 1993 by private sector insurers."

The Bureau added that they reviewed full cooperation from ICBC during their examination.

The concerns which led to the Bureau examination were related to the Corporation's previous method of providing incentives to insurance agents who sold

greater numbers of optional Autoplan coverages instead of private sector policies. At least one private sector insurer, which offered optional vehicle insurance policy coverages in competition with ICBC, made their concerns known to the Bureau.

"At no time was our way of doing business intended to restrict trade — and we do not believe that it ever had that effect," emphasized McCourt. "We simply implemented an incentive program that responded to the business needs of ourselves and our agents."

"As part of the ongoing development of business practices, we undertook to work with the Bureau and the Insurance Brokers Association of B.C. to further revise our commission structure and related practices in a way that would meet our business needs and address any concerns expressed by these organizations."

The Corporation's current business practices include measures to ensure that ICBC will not discourage its independent agents from representing other insurance companies.<sup>1</sup>

**Notes**

<sup>1</sup> For a copy of the News Release issued concurrently by the Bureau of Competition Policy, see "Director of Investigation and Research Receives Undertakings from Insurance Corporation of British Columbia", *supra*, at 20.

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**THE CANADIAN BAR ASSOCIATION**

**THE AMERICAN BAR ASSOCIATION**

### NATIONAL COMPETITION LAW SECTION

#### 1995 ANNUAL CLE CONFERENCE

The National Competition Law Section of the Canadian Bar Association held its annual continuing legal education conference on September 28-29, 1995 just outside Ottawa, Canada. The 1 1/2 day program included an afternoon on September 28, 1995 devoted to fundamentals of Canadian competition law and, *for the first time, sessions held jointly between the CBA National Competition Law Section and the Antitrust Section of the ABA.*

The September 29 sessions by Canadian and U.S. panelists included cross-border enforcement, intellectual property and the information highway, vertical conduct, compliance programs and the regulated conduct/state action doctrine. A concluding plenary session discussed proposed amendments to the Canadian *Competition Act*, including amendments that will facilitate cross-border investigations and prosecutions. Speakers included Anne Bingaman and George Addy (the Canadian Director of Investigation and Research). A detailed list of the faculty appears below.

A brochure containing additional information on the program and registration details was forwarded to members during August. Interested persons may register and obtain information on joining the National Competition Law Section by contacting Georgina Pickett at the Canadian Bar Association (tel. 613-237-2925).

#### American Speakers

Anne K. Bingaman, *Assistant Attorney General, Antitrust Division, U.S. Department of Justice*

John DeQ. Briggs, *Howrey & Simon, Washington, D.C.*

Caswell O. Hobbs, *Morgan, Lewis & Brockius, Washington, D.C.*

James F. Rill, *Collier, Shannon, Rill & Scott, Washington, D.C.*

Alan H. Silberman, *Sonnenschein Nath & Rosenthal, Chicago, IL.*

Michael L. Weiner, *Skadden, Arps, Slate, Meagher & Flom, New York, N.Y.*

Alan J. Weinschel, *Weil, Gotshal & Manges, New York, N.Y.*

#### Canadian Speakers

George N. Addy, *Director of Investigation and Research, Bureau of Competition Policy, Ottawa, Ont.*

David D. Archibald, *Northern Telecom Limited, Mississauga, Ont.*

John Barker, *Director, Compliance and Coordination Directorate, Bureau of Competition Policy, Ottawa, Ont.*

## CANADIAN COMPETITION RECORD

Yves Bériault, *McCarthy Tétrault, Montreal, Que.*

Susan Boughs, *Shell Canada Products Limited, Toronto, Ont.*

Harry Chandler, *Head, Amendments Unit, Bureau of Competition Policy, Ottawa, Ont.*

Peter H. G. Franklyn, *Osler, Hoskin & Harcourt, Toronto, Ont.*

Calvin S. Goldman, *Davies, Ward & Beck, Toronto, Ont.*

Warren M. H. Grover, *Blake, Cassels & Graydon, Toronto, Ont.*

Don Houston, *Stikeman, Elliott, Ottawa, Ont.*

Lawson A. W. Hunter, *Stikeman, Elliott, Ottawa, Ont.*

John A. Kazanjian, *McMillan Binch, Toronto, Ont.*

J. Timothy Kennish, *Osler, Hoskin & Harcourt, Toronto, Ont.*

David Kidd, *Vice President and Chief Regulatory Counsel, Bell Canada*

Rachel Larabie-LeSieur, *Deputy Director of Investigation and Research (Marketing Practices), Ottawa, Ont.*

Dr. George Lermer, *Dean, Faculty of Management, University of Lethbridge, Alt.*

Russell Lusk, *Ladner Downs, Vancouver, B.C.*

Francine Matte, *Senior Deputy Director of Investigation and Research, Bureau of Competition Policy, Ottawa, Ont.*

Stuart McCormack, *Stikeman, Elliott, Ottawa, Ont.*

Gilles Menard, *Deputy Director Investigation and Research (Civil), Bureau of Competition Policy, Ottawa, Ont.*

James Musgrove, *Lang Michener, Toronto, Ont.*

Bruno Pateras, *Pateras & Iezzoni, Montreal, Que.*

Mr. Justice Marshall Rothstein, *Federal Court of Canada, Ottawa, Ont.*

William T. Stanbury, *UPS Foundation Professor, Faculty of Commerce and Business Administration, University of British Columbia, B.C.*

Richard Stursberg, *President and Chief Executive Officer, Canadian Cable Television Association*

Kent E. Thomson, *Tory Tory DesLauriers & Binnington, Toronto, Ont.*

Stan Wong, *Davis & Company, Vancouver, B.C.*

Barry Zalmanowitz, *Milner Fenerty, Edmonton, Alt.*

Mary Zamparo, *Director General, Compliance and Operations Branch, Bureau of Competition Policy, Ottawa, Ont.*

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