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Recent CRTC Telecom Decision 2008-6 clarifies the CRTC Unsolicited Telecommunications Rules. Once the CRTC's soon-to-be selected third party investigator under the rules is operational, all organizations on whose behalf telemarketing is performed, even those whose only telemarketing activities are exempt from the National Do-Not-Call List (DNCL) Rules, will need to register with and pay the National DNCL operator (currently Bell Canada) and the investigator. Affected organizations should proceed quickly to comply with these rules, expected to be fully in force by September 30, 2008. [PAGE 2](#)

U.S. business method patents (and the State Street decision) to be revisited

The United States Federal Court of Appeals has decided to rehear the appeal of *In re Bernard L. Bilski and Rand A. Warsaw* on appeal from the USPTO Board of Patent Appeals and Interferences, and has asked for briefs on, among other things, whether and how the landmark patentability cases of *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* and *AT&T Corp. v. Excel Communications, Inc.* should be reconsidered. [PAGE 4](#)

U.K. High Court judgment expanding ambit of software patents to be appealed

The recent High Court decision in *Symbian Ltd. v. Comptroller General Of Patents* overturned an earlier decision by the U.K. Intellectual Property Office (UKIPO) to refuse Symbian's application. The Court concluded that the UKIPO took too narrow a view of the "technical effect" of this invention when applying the so-called "Aerotel/Macrossan test", and that computer programs that go to the reliability of the computer itself may be patentable. The UKIPO has already announced that it will appeal the decision. [PAGE 6](#)

Canadian private-sector video surveillance privacy guidelines released

On March 6, 2008, the Canadian, Alberta and British Columbia privacy commissions released joint guidelines on how businesses should treat video surveillance containing personal information, and thereby remain in compliance with private-sector privacy legislation. [PAGE 7](#)

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Changes to proposed CRTC Do-Not-Call-List Rules and Telemarketing Rules

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The Canadian Radio-television and Telecommunications Commission (CRTC) is moving swiftly toward implementation of the new National Do-Not-Call List (National DNCL), which is expected to be fully operational by September 30, 2008. The National DNCL will be a nationwide registry of home, wireless and fax numbers that telemarketers (and other companies engaging in telemarketing their own services) will be prohibited from contacting without the express consent of the consumer. The list is meant to be synchronized on a rolling basis with the individual do-not-call lists maintained by telemarketers, and forms part of the CRTC Unsolicited Telecommunications Rules revised most recently in the CRTC Telecom Decision CRTC 2008-6. The Unsolicited Telecommunications Rules govern the National DNCL Rules (Part II), the Telemarketing Rules (Part III) and the Automatic Dialing-Announcing Device Rules (Part IV).

Rules

The rules and reasons for the enforcement and operation of the National DNCL for companies and telemarketers are set out in CRTC Telecom Decisions CRTC 2007-47 and CRTC 2007-48, both issued July 3, 2007, and slightly amended in Telecom Decision CRTC 2008-6. The Unsolicited Telecommunications Rules also varied some of the telemarketing rules established in Decision CRTC 2004-35. The National DNCL implements Bill C-37, *An Act to amend the Telecommunications Act*, which came into force June 30, 2006.

Revised Rules

Consumers will be able to register individual home, wireless and fax numbers for free through a toll-free number (to be determined) or online through the Internet. Each registration will remain effective for a three-year period, after which the number will automatically be de-registered (it will be the consumer's responsibility to re-register). The National DNCL Rules do not apply to telemarketing made to a business consumer, or for various exempt purposes discussed below.

From the point of view of those involved in telemarketing, the result of the new National DNCL Rules is, first and foremost, that each telemarketer must be a registered subscriber to and abide by the National DNCL if they wish to engage in telemarketing for their own benefit or to hire a telemarketer on their behalf. The registration obligation includes fees to the National DNCL operator and the Complaints Investigator under the rules, and applies whether or not the affected organization does any telemarketing which would be governed by the National DNCL Rules. Subscribers to the National DNCL may not use it for purposes other than those set out in the rules. The list itself may not be sold, rented, leased, published or otherwise disclosed, except in limited circumstances and only then on a completely confidential basis.

Telemarketers will now be required to update their own lists with the National DNCL, and there will be a 31-day grace period from the date of registration by the consumer for affected lists to be updated. As is currently the case, consumers may request to have their numbers added to a telemarketer's own list, which request must be processed by telemarketer at the time of the call (but perhaps not implemented for up to 31 days) and honoured (by maintaining the number on the list) for 3 years and 31 days from the date of the request.

Telemarketers will need to maintain records of compliance with the Unsolicited Telecommunications Rules as they maintain other ordinary course of business records, and provide such records to the CRTC within 30 days of a request to do so.

The existing requirement of telemarketers to provide a toll-free do-not-call inquiry line is somewhat lightened by that line no longer needing to be answered by a live operator during business hours (but merely needing to be able to record all messages) and by unique tracking numbers for the request no longer needing to be provided. However, toll-free numbers for both the telemarketer and the client of the telemarketer must be provided to a call recipient if such a request is made, and messages to the toll-free number must be responded to within 3 business days.

Telemarketing is restricted to the hours of 9:00 a.m. to 9:30 p.m. on weekdays, 10:00 a.m. to 6:00 p.m. on weekends, in the time zone of the recipient, without regard to statutory holidays (ostensibly because the CRTC is of the view that telemarketing does not normally occur on statutory holidays).

Sequential dialling is prohibited for the purposes of telemarketing altogether, and random dialling must exclude numbers on the National DNCL, the client's do not call list and the telemarketer's do not call list, as well as emergency lines and those associated with healthcare facilities. Automatic Dialing-Announcing Devices (ADADs) may not be used for solicitation without "express consent", and may only be used for other non-solicitation purposes in accordance with the ADAD Rules.

Telecommunications exempt from the National DNCL Rules

Pursuant to the *Telecommunications Act*, the National DNCL Rules will *not* apply to telecommunications:

1. by or on behalf of registered charities;
2. by or on behalf of political parties;
3. to collect information for a survey;
4. to solicit a subscription for a "newspaper of general circulation; and
5. to a consumer that has an existing business relationship with the telemarketer (provided that such consumer has not withdrawn its consent to be so contacted).

This final exemption permits a telemarketer to solicit the customers of the telemarketer's clients notwithstanding that the applicable number is on the National DNCL, but both the telemarketer and its client will still be responsible for general compliance with the National DNCL rules and the Unsolicited Telecommunication Rules. This exemption does not extend the business relationship of one company to its affiliates.

It is important to note that the exemptions apply to telecommunications and not to the entities themselves, such that all entities are subject to compliance with other aspects of the Unsolicited Telecommunications Rules (including the prohibition on telemarketing by using Automatic Dialing-Announcing Devices (ADADs) and the obligation to remove complaining consumers from a telemarketer's own do not call list, etc.). This view was confirmed by the CRTC in Telecom Decision CRTC 2008-6.

Complaints

Consumers who receive unsolicited telemarketing in violation of the rules must complain within 14 days of a call. Complaints may be made to the National DNCL operator (discussed below), but will be investigated by a third party.

Penalties

The CRTC has authority to impose administrative monetary penalties (AMPs) of up to \$15,000 on corporate violators, or up to \$1,500 in the case of an individual. Whether it decides to impose an AMP, and the amount of the penalty, will be determined in each case in light of the following factors: (i) the nature of the violations, (ii) the number and frequency of complaints and violations, (iii) the relative disincentive of the measure and (iv) the potential for future violations.

Defences

The defences to breach of the National DNCL Rules are quite broad, and include the due diligence defence applicable to the Unsolicited Telecommunications Rules generally, the exemptions above and a prior business or personal relationship.

In cases where a defendant intends to rely on the express consent of a call recipient, the burden and evidence required to establish consent is set out in the rules.

Abandonment rate

Among other amendments to Telecom Decision CRTC 2004-35 in Telecom Decision CRTC 2007-48, the permissible abandonment rate for telemarketers using a predictive dialing device will be fixed at 5% per calendar month, and the telemarketer must maintain records in relation to this rate. The "permissible abandonment rate" refers to "dead air" calls that are abandoned when a predictive dialing device (i.e. a dialing device which uses a pre-determined list of numbers) reaches a consumer but there is no "live agent" available to handle the call at the telemarketer's end.

Selection of the National DNCL Operator – Bell Canada

A major step toward the implementation of the National DNCL took place on December 21, 2007, when the CRTC announced that Bell Canada had been awarded a five-year contract to operate the list. As operator of the National DNCL, Bell Canada will be responsible for registering numbers, providing telemarketers with up-to-date versions of the list and receiving consumer complaints. Subscription fees received from telemarketers will fund Bell Canada's costs as operator of the National DNCL, and all telemarketers, even those only making exempt communications, must register and pay the fees.

Selection of the Telemarketing Complaints Investigator – Announcement Pending

Although the CRTC is granted broad investigative powers under the Unsolicited Telecommunications Rules, the CRTC announced in Telecom Decision CRTC 2008-6 that it will delegate these powers to an outside service provider (Complaints Investigator) to be chosen pursuant to a request for proposal. Pursuant to its February 15, 2008 news release, the request for proposal was open until March 25, 2008

The Complaints Investigator will be entitled to charge telemarketers in relation to the investigation service, which is expected to be levied at the time of registration with the National DNCL operator.

The National DNCL Rules are expected to come into effect on September 30, 2008, and the rules regarding the Complaints Investigator once it is operational. Given the interrelation between the roles, it is not expected that the Complaints Investigator will be operational before the National DNCL.

WEB LINKS >

Full text of Telecom Decision CRTC 2008-06 containing the revised Unsolicited Telecommunications Rules:
www.crtc.gc.ca/archive/ENG/Decisions/2008/dt2008-6.htm

Full text of the CRTC decision: www.crtc.gc.ca/archive/eng/decisions/2007/dt2007-48.htm

Full text of Telecom Decision CRTC 2007-47 with the DNCL Operations Working Group report:
www.crtc.gc.ca/archive/eng/decisions/2007/dt2007-47.htm

Full text of the CRTC press release announcing Bell Canada as operator:
www.crtc.gc.ca/eng/NEWS/RELEASES/2007/r071221.htm

The CRTC DNCL fact sheet for telemarketers: www.crtc.gc.ca/eng/INFO_SHT/t1027.htm

The CRTC DNCL fact sheet for consumers: www.crtc.gc.ca/eng/INFO_SHT/t1026.htm

U.S. business method patents (and the *State Street* decision) to be revisited

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On February 15, 2008, the United States Court of Appeals for the Federal Circuit issued an *en banc* Order stating that the full Court will rehear the appeal of *In Re Bernard L. Bilski and Rand A. Warsaw*, originally argued before a three-judge panel on October 1, 2007. In U.S. Court of Appeals practice, an *en banc* rehearing is typically granted only where a case is considered unusually important. Here, the patent application at issue, on appeal from the United States Patent and Trademark Office, Board of Patent Appeals and Interferences (USPTO), claims a "method for managing the consumption risk costs of a commodity." In its ruling, the USPTO had objected to issuing a patent for the method on the ground (among others) that it was not restricted to performance by machines and/or did not contain any limitation to prevent it from covering a purely mental process by individuals.

The implications of the Court's order

In the *en banc* Order, the Federal Circuit requested supplemental briefs on five questions:

1. Does claim 1 of the patent application claim patentable subject matter?
2. What standard determines if a process is patentable subject matter?
3. Are the claims not patentable because they cover an abstract idea or mental process; and at what point does

a claim for both mental and physical steps become patentable subject matter?

4. Must a method or process result in a physical transformation of an article or be tied to a machine to be patentable subject matter?
5. Should *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999) be reconsidered in this case and, if so, should they be overruled in any respect?

Any reconsideration or clarification of the *State Street* and *AT&T v. Excel* decisions would have a significant impact on U.S. patent law. These landmark decisions have been used to support the U.S. patent law doctrine that transformation of data by a machine, business methods and software are all patentable subject matter. These decisions have remained controversial, especially in light of the relative ease of obtaining software patents in the U.S. as compared to other jurisdictions, and (as is often argued) the frequent issuance of U.S. patents for non-innovative ways to implement known methods using computers. The myriad software patents issued during the dot-com boom (and the high dollar values of many successful and high profile claims) are testament in part to the broad influence these decisions have had on U.S. patent law, so any reconsideration of them could conceivably have a similarly broad impact.

Is the pendulum swinging back against business method patentability?

Just as *State Street* itself was seen as the start of a long swing towards acceptance of business methods as patentable subject matter, recent events suggest that the pendulum may be swinging back.

On September 20, 2007, in its *In re Comiskey*, 499 F.3d 1365 (Fed. Cir. 2007) ruling, the Federal Circuit affirmed with respect to an automated method of arbitration that mental processes themselves are not patentable subject matter (incidentally, the Court could have rejected the *Bilski* and *Rand* patent application on this basis without having to reconsider *State Street* or *AT&T v. Excel*).

Also, on January 24, 2008, the U.S. Senate added section 14 to the Patent Reform Act of 2007 (Bill S.1145) to limit the damages and other remedies of financial institutions with respect to patents for methods of complying with the U.S. government's "Check 21" check imaging rules. This situation is seen as a rare case of Congressional intervention in ongoing litigation. At issue are patents currently licensed by DataTreasury Corporation to some banks and allegedly infringed by others, against whom lawsuits are pending. The Congressional Budget Office estimates that the federal government's cost of compensating DataTreasury for the "taking" would be at least \$1 billion, noting a "high likelihood" that the patent holder would succeed in a suit against the government.

Implications beyond the U.S.

In re Bilski and Warsaw may be part of a broader U.S. trend towards tightened standards for obtaining and enforcing patents. Like the Patent Reform Act of 2007 itself, this trend would bring U.S. practice more closely into line with that of other jurisdictions. For Canadians and those doing business in Canada, it would be expected that Canadian patent policy towards patentable subject matter (as set out in MOPOP amendments in early 2005) is unlikely to move any closer to the current U.S. model: i.e., that in order to be a patentable art, software or business methods must claim "act or series of acts performed by some physical agent upon some physical object and producing in such object some change either of character or condition" and there must be an "essentially economic result relating to trade, industry or commerce."

Oral arguments in the rehearing are to be heard May 8, 2008.

WEB LINKS >

En Banc Order: www.cafc.uscourts.gov/opinions/07-1130%20order.pdf

Washington Post Article, "Lawmakers Move to Grant Banks Immunity Against Patent Lawsuit, February 14, 2008, page A22: www.washingtonpost.com/wp-dyn/content/article/2008/02/13/AR2008021303731.html

Patent Reform Act of 2007 as reported in Senate: <http://thomas.loc.gov/cgi-bin/query/z?c110:S.1145.RS>

Congressional Budget Office Cost Estimate for S. 1145 Patent Reform Act of 2007: www.cbo.gov/ftpdocs/89xx/doc8981/s1145.pdf

U.K. High Court judgment expanding ambit of software patents to be appealed

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The recent High Court decision of Mr. Justice Patten in *Symbian Ltd. v. Comptroller General of Patents* overturned an earlier decision by the U.K. Intellectual Property Office (UKIPO) refusing Symbian's patent application with respect to an interface to facilitate access to updated dynamic link libraries. In its decision, the UKIPO had applied the so-called "Aerotel/Macrossan test", determining that the technical contribution of the invention lay solely within the excluded subject matter of computer programs and that the application was therefore claiming a computer program as such (which is unpatentable). In allowing the appeal, and therefore the patent, the High Court identified the unreliability of the computer itself as the technical shortcoming that was overcome by Symbian's computer program, a finding that established the program's contribution outside the field of computer programs as such, and its patentability.

The fact that the European Patent Office recently granted a patent for virtually the same application highlights the different approaches to the application of Article 52 of the European Patent Convention (EPC) on either side of the English Channel. (The *Patents Act 1977* is aligned with the EPC, so a determination of patentability in the U.K. should be consistent with that in other EPC member states.) As noted by the High Court, the EPO has since replaced the very decisions on which the Aerotel/Macrossan test is based with newer decisions, and now merely examines of the form of the claims to determine whether or not a claim is to excluded subject matter as such. At the EPO, apparatus claims (using language such as "... in the programmed computer") are not considered excluded subject matter. The High Court rejected the new European approach and based its analysis on the Aerotel/Macrossan test, concluding that the UKIPO took too narrow a view of the "technical effect" of the invention in refusing the application.

The UKIPO has announced that it intends to appeal the decision on the grounds that Patten J. did not apply the Aerotel/Macrossan test "in the way intended by the Court of Appeal". Until this issue is resolved, there will continue to be confusion over the applicable test in the U.K. and the extent to which it may ultimately be converging with the EPO standard; although Patten J.'s ruling indicates that while the results should converge, the approach should not. To better understand what is at issue, it is useful to consider the conflicting interpretations of the Aerotel/Macrossan test in the rulings of the UKIPO and the High Court.

There is no dispute about the bare outlines of the test, which has four steps:

1. properly construe the claim;
2. identify the actual contribution;
3. ask whether it falls solely within the excluded subject matter; and
4. check whether the actual or alleged contribution is actually technical in nature.

The UKIPO decision omitted any consideration of step 4, on the basis that it had already found at step 3 that the contribution was purely within the realm of computer programs. This approach is arguably problematic, given that the Aerotel/Macrossan decision itself is somewhat ambiguous as to whether or not step 4 is a necessary check even if step 3 seems determinative: "The fourth step – check whether the contribution is 'technical' – may not be necessary because the third step should have covered that. It is a necessary check however if one is to follow *Merrill Lynch* as we must." (para. 46)

At the High Court, Patten J. does not explicitly state that step 4 was incorrectly ignored by the UKIPO. Nevertheless, he does state that the question of whether there is a relevant technical contribution must be posed at some point as the analysis proceeds through steps 2, 3 and 4. He warned that treating each of steps 2, 3 and 4 as self-contained could produce an overly restrictive view of the contribution being made. The implication of this appears to be that if the step 4 analysis reveals a technical contribution that extends beyond computer programs as such, then steps 2 and 3 should have come to the same conclusion.

The upshot of the High Court ruling is that, in determining whether or not a technical contribution lies solely in the field of computer programs, the examiner must take a broad view of whether a technical contribution is made to non-software aspects of the system. Significantly, it suggests that the operating system is so important as to go to

the function of the computer itself, and that improvements to address the reliability of the operating system are really improvements in the reliability of the computer itself – and therefore patentable.

It is unclear, on the basis of the decision, which steps in the analysis the High Court believed were improperly applied by the UKIPO. Also at issue is the mixed finding of fact or law regarding the elevated status Patten J. has given to operating system software over other types of software.

If upheld on the appeal, the decision is likely to expand the ambit of patentable software and make Art. 52 objections to software patents somewhat easier to overcome in the U.K. It is important to note, however, that Patten J.'s ruling does not call for overturning the U.K.'s existing structural approach to the Art. 52 analysis in favour of the apparatus claims approach adopted at the EPO.

In the Canadian context, the decision highlights that there is a high degree of flux in this area in multiple jurisdictions, with a lack of clarity at where protection will be granted, and even if granted, where it will be upheld or enforced. Since most courts will face the problem for the first time, they can be expected to address the issue *tabula rasa*.

WEB LINKS >

Symbian Patent Case: www.bailii.org/ew/cases/EWHC/Patents/2008/518.html

Aerotel/Macrossan: www.bailii.org/ew/cases/EWCA/Civ/2006/1371.html

UKIPO Press Release: www.gnn.gov.uk/Content/Detail.asp?ReleaseID=361438&NewsAreaID=2

UKIPO Practice Notice issued in November 2006:

www.ipo.gov.uk/patent/p-decisionmaking/p-law/p-law-notice/p-law-notice-subjectmatter.htm

UKIPO Practice Notice issued in February 2008:

www.ipo.gov.uk/patent/p-decisionmaking/p-law/p-law-notice/p-law-notice-subjectmatter-20080207.htm

Canadian private-sector video surveillance privacy guidelines released

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On March 6, 2008, the Privacy Commissioners of Canada, Alberta and British Columbia released Guidelines for Overt Video Surveillance in the Private Sector. Each of the Privacy Commissioners assert that since their private sector privacy legislation governs the collection, use and disclosure of information about an identifiable individual, surveillance through a video camera is clearly subject to that legislation.

Of particular importance is the guidance to use the least privacy-invasive means, to control operator use, to notify the public and to respond to requests regarding the footage.

In planning for, using and retaining video surveillance, the guidelines recommend that organizations take the following 10 steps:

1. Determine whether less privacy-invasive alternatives meet your needs. For example, an area can be protected by physical security before surveillance.
2. Establish the business purposes for conducting video surveillance and use it only for those purposes. If there is no legitimate business reason to use it, you should not. If the purpose is to protect property, it should not be used to track individuals in the frame who do not pose a risk to the property.
3. Develop a policy on the use of video surveillance. The policy should include: specifications of the system (locations of systems and camera, special capabilities, times of use, whether and when to record, how records are managed, disposal procedures, etc.), procedures to respond to breaches in the policy, sanctions for employees and contractors who breach the policy and the name of the individual or officer accountable for privacy compliance and responding to inquiries.
4. Limit the use and viewing range of surveillance equipment as much as possible. Time limited operation is preferable to continuous operation, cameras should be focused for the business purpose and not on

individuals not targeted, cameras should not be aimed at areas where people have a heightened expectation of privacy (with steps taken to prevent possible repositioning by operators in violation of this obligation) and sound should not be recorded without a specific need (and any recording of sound must comply with the *Criminal Code*).

5. Inform the public that video surveillance is taking place. Clear notice that video surveillance is occurring must be given before an individual enters the frame.
6. Store any records created by video surveillance in a secure, limited-access location and destroy them when they no longer serve a business purpose. The destruction should be complete. In the case of cameras which are monitored, images should not be recorded unless unlawful activity is suspected or observed.
7. Be prepared to respond to public inquiries regarding video surveillance records as you should to any inquiry regarding personal information you collect, use or disclose. Individuals are entitled to know who is collecting the information, for what purpose and what information is being collected.
8. Give individuals access to records concerning them. Responses to one individual's request to see his/her images should be masked to obscure other individuals. Disclosures to third parties must be justified and documented
9. Educate camera operators on their privacy obligations to individuals.
10. Periodically evaluate the need for continued video surveillance.

WEB LINKS >

Canada Guidelines: www.privcom.gc.ca/information/guide/2008/gl_vs_080306_e.asp

Alberta Guidelines: www.oipc.ab.ca/ims/client/upload/F2008-007.pdf

British Columbia Guidelines: [www.oipc.bc.ca/news/rlsgen/Video_Surveillance_Guidelines\(March2008\).pdf](http://www.oipc.bc.ca/news/rlsgen/Video_Surveillance_Guidelines(March2008).pdf)

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