

Another interesting and potentially fundamental point has been raised by Prof. Gold in a recent article that looks at s. 57 of the *Copyright Act* from the standpoint of a commercial licensee of software and concludes that it does not protect such a licensee from a third purchaser who acquires title to the software through a trustee in bankruptcy.¹³³

Naturally, a commercial license agreement involving computer software usually involves a much more complex arrangement than a mere copyright license and it is necessary to conceptually distinguish between the license agreement with its various service and other executory aspects and the more limited concept of the granting of a copyright based permission or at least a forbearance from suit.

Prof. Gold suggests that software code escrow agreements (which are part of most software licenses and give a licensee a limited interest in the source code of the licensor in the event of a bankruptcy) might be registered by licensees under PPSA legislation, but that practitioners generally believe that this would be ineffective to protect the licensee. He seems to suggest in a footnote that if s. 57 of the *Copyright Act* protected licensees against assignees of copyright title there would be a "clear conflict" between federal and provincial legislation.¹³⁴ Clearly, this is a potentially important point that merits further discussion. Gold notes that the 1988 U.K. legislation specifically addresses the issue of protection of the equitable interests of licensees in s. 90(4) which provides:

(4) A license granted by a copyright owner is binding on every successor in title to his interest in the copyright, except a purchaser in good faith for valuable consideration and without notice (actual or constructive) of the license or a person deriving title from such a purchaser; and references in this Part to doing anything with, or without, the license of the copyright owner shall be construed accordingly.¹³⁵

According to Gold, this section "clearly balances the rights of licensees and subsequent assignees".¹³⁶ According to Vaver, the provision means that copyright licenses are binding on "all but those good faith buyers who did not know and could not have known of them".¹³⁷ This raises but does not answer the question of what degree of due diligence would be expected of a purchaser of a copyright who may not wish to know about the equities between the previous owner and its licensees and may wish to start with a clean slate.

Prof. Gold notes that the U.S. treats licensees better under its bankruptcy laws than does Canada,¹³⁸ noting that the combined effect of American bankruptcy

133 E.R. Gold, "Partial Copyright Assignments: Safeguarding Software Licensees Against the Bankruptcy of Licensors" (2000) 33 C.B.L.J 193.

134 *Ibid.*, note 33.

135 *Copyright, Designs and Patents Act* ("CDPA 1988") (U.K.).

136 Gold, *Partial Copyright Assignments*, *supra*, note 133, p. 210.

137 Vaver, *Exclusive License*, *supra*, note 126, p. 193.

138 Gold, *supra*, note 133, p. 210.

and intellectual property law is that "assignees of copyright are bound by prior licenses regardless of whether they had prior knowledge of them".¹³⁹

Gold's proposed solution to the problems of licensees in Canada is a practical one. He advocates that practitioners acting for licensees attempt to obtain an agreement that couples a license with a grant, a "partial assignment", that presumably could be registered effectively under s. 57(3) of the *Copyright Act*.¹⁴⁰

It must be emphasized that the Canadian copyright registration system does not allow for the deposit or even the examination of actual works. The only information recorded is the name of the author(s), the owner, the title, and a brief description (maximum 115 characters of the work can be recorded in the Canadian copyright register).¹⁴¹ Interestingly, the Copyright Office will register an actual assignment or license agreement, which can provide much more detail in the body of the document.

It should be reiterated that the Canadian Copyright Office database – limited as it is – cannot be accessed on-line. At present, there are no announced plans to make this so available.

There are some real ironies concerning the copyright registration system in the context of secured transactions. On the one hand, PPSA law is replete with instances of how security interests have failed because of clerical errors in the entry of a serial number or of an error or omission in an initial in the debtor's name,¹⁴² and yet PPSA systems generally only provide notice of the existence of an agreement, the agreement itself not being filed. By contrast, the copyright registration system provides little information about the identity of a work, but an assignment document can be filed *in toto*, and presumably stands as constructive notice to a certain extent.¹⁴³

The lack of identification certainty under the Canadian system is a potential problem. Copyrighted works have a way of constantly changing their "working title" (i.e. the name of the motion picture, film, or song). Titles are also essentially non-protectable by copyright law. Titles also may frequently duplicate or be confusing with each other. For example, there are many songs that feature or include the word "Sunrise" as a prominent element of their title. Therefore, searching by title of the work in Canada is a very unsatisfactory way of proceeding, unless the identity of the work can be somehow verified. This should be contrasted

139 Gold, *supra*, note 133, p. 210.

140 Gold, *supra*, note 133, pp. 208, 218 ff.

141 Refer to Testimony of M. Peters before Coble Committee.

142 See *Lambert, Re* (1994), 20 O.R. (3d) 108 (C.A.), additional reasons at (1995), 22 O.R. (3d) 480 (C.A.), leave to appeal refused (1995), 33 C.B.R. (3d) 291n (S.C.C.). Cf. *Kelln (Trustee of) v. Strasbourg Credit Union Ltd.* (1992), 89 D.L.R. (4th) 427 (Sask. C.A.), cited at J. Ziegel, *Ontario Personal Property Security Act: Commentary and Analysis*, Second Edition (Toronto: Butterworths, 2000), p. lvii.

143 In principle, the parties could include the "work" as an appendix to the assignment. The Copyright Office would probably accept this, as long as it is in paper form. However, a book, diskette, cassette, or any other media other than paper would be rejected.