Toronto Law Journal

Estate Planning With *Inter Vivos* Gifts

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Clients are often interested in minimizing the amount of estate administration tax (also known as probate fees) payable when an application for a certificate of appointment of estate trustee is submitted.[1] A variety of estate planning strategies can be used to ensure that assets pass outside of probate and are not subject to probate fees, including beneficiary designations, secondary wills, and *inter vivos* transfers.[2] This article focuses specifically on the last strategy — *inter vivos* gifts — and potential pitfalls that clients ought to be aware of before utilizing them.

What is an *inter vivos* gift?

Unlike testamentary dispositions, which beneficiaries do not receive until the testator has died, *inter vivos* gifts take effect while the donor is still alive. Any type of property can be the subject of such a gift, including land, money, personal property, a right of survivorship, and even the forgiveness of a debt.[3] Typically three requirements are associated with *inter vivos* gifts:[4]

1. The donor must intend to make a gift and not expect consideration or compensation in return.[5]
2. The gift must be delivered to the recipient.[6]
3. The recipient must accept the gift.

Inter vivos gifts are irrevocable

After an *inter vivos* transfer is complete, it is not unusual for the transferor to change his or her mind and want to reverse the transfer.[7] With this in mind, it is important to caution clients before making an *inter vivos* gift that such a gift will be irrevocable unless the donor preserves

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[1] See the *Estate Administration Tax Act, 1998*, S.O. 1998, c. 34, Sch. and the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, rr. 74.13, 74.14, 74.1.04.
[2] See Paul Dancause, "The New Regime in Enforcement and Administration of Estate Administration Tax: The Estate Information Return", 21st *East Region Solicitors Conference*, 2015 CanLIIDocs 5143, online: <https://canlii.ca/t/ss47> at 6-8.
[3] See, for example, *Falsetto v. Falsetto*, 2023 ONCA 469 [*Falsetto*] (land and money); *Jackson v. Rosenberg*, 2023 ONSC 4403 [*Jackson*] (right of survivorship); *Singh Estate v. Shandil*, 2007 BCCA 303 [*Singh*] (forgiveness of a debt).
[4] *Doherty v. Doherty*, 2023 ONSC 1536 at para. 32; *Teixeira v. Markgraf Estate*, 2017 ONCA 819 at para. 38. The property also must actually be owned by the donor: see *Murji v. The Queen*, 2018 TCC 7 at paras. 43-44.
[5] Case law also indicates that the requisite donative intent must specifically exist at the time that the gift is made – see *Franco v. Franco Estate*, 2023 BCSC 1015 at para. 50.
[6] Manual delivery may not be required; for example, delivery may be inferred from the execution of a deed transferring title: see *Tubbs v. Tubbs*, 2006 CanLII 36965 (Ont. S.C.J.) [*Tubbs*] at para. 93. In *Falsetto*, *supra* note 3, the Court of Appeal also confirmed that transfers of title and the cashing of cheques or bank drafts serve as tangible proof of delivery.
[7] See, for example, *Sandwell v. Sayers*, 2023 BCCA 147 [*Sandwell*]; *Falsetto*, *ibid.*; *Singh*, *supra* note 3; *Jackson*, *supra* note 3.

an express power of revocation.[8] In cases where a power of revocation is not reserved, it may only be possible to reverse an *inter vivos* transfer if there is a legal basis to set it aside, such as:

- the donor lacked the requisite mental capacity to validly make the gift;[9]
- the gift was procured by undue influence;[10] or
- the donor was subject to unconscionable procurement.[11]

Inter vivos transfers may be subject to the presumption of resulting trust

Before gifting property, clients also ought to be aware that an *inter vivos* transfer could be subject to the presumption of resulting trust. In *Pecore v. Pecore*,[12] the Supreme Court of Canada confirmed that the law presumes that the recipient of a gratuitous property transfer holds that property on resulting trust for the donor.[13] To rebut the presumption, the onus is placed on the recipient to prove a gift on the balance of probabilities.[14]

While the presumption of resulting trust could be handy if a client later changes their mind about the gift and/or wants to argue that an *inter vivos* transfer was not, in fact, intended to be an absolute gift, the presumption will only apply under certain circumstances, such as where:

- there is insufficient evidence of the transferor's intent to displace the presumption;[15]
- the evidence proffered is unpersuasive;[16] or
- there is evidence indicating that the transferor did not intend a gift.[17]

Whether or not the presumption of resulting trust can be overcome in any given case will ultimately depend on the evidence available to the court.

If a client wishes to ensure that an *inter vivos* transfer is not subject to the presumption of resulting trust, for example to reduce the risk of future litigation, a document like a solemn declaration or deed of gift can be executed at or after the time the transfer is completed, to

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[8] A power of revocation cannot be implied: see *Singh Estate v. Shandil*, 2005 BCSC 1448 at para. 19, aff'd 2007 BCCA 303.
[9] See, for example, *James v. Belanger*, 2023 ABKB 34 at paras. 10-12.
[10] See *Sandu v. Sandu*, 2023 BCSC 323.
[11] See *Gefen v. Gaertner*, 2019 ONSC 6015. But also see *Sandwell*, *supra* note 7.
[12] 2007 SCC 17 [*Pecore*].
[13] Under certain circumstances, specifically when a transfer is made to the donor's spouse or minor children, the presumption of advancement will instead apply and a gift will be assumed.
[14] *Pecore*, *supra* note 12 at paras. 23-25 and 35-36; *Sawdon Estate v. Sawdon*, 2014 ONCA 101 at paras. 56-58; *Falsetto*, *supra* note 3 at para. 27.
[15] *Newhouse v. Garland*, 2022 BCCA 276 at paras. 54-56.
[16] See *Estate of Celeste Dos Santos (Re)*, 2022 ONSC 3824 at para. 23.
[17] For example, in *Steeves Estate v. Beers*, 2019 NBQB 48, the court found that the presumption of resulting trust applied to a variety of transfers made by the testatrix to her son prior to her death. On one of the cheques, the testatrix had written "loan" and there was also evidence that when the testatrix discussed the transfers with her friends that she had described them as an advance on her son's inheritance.

expressly state that a resulting trust is not created. With such a statement of the donor's intentions, the presumption should no longer apply[18] or, if it does, will most likely be found to have been successfully rebutted.

Inter vivos gifts could negate testamentary dispositions

Before making an *inter vivos* gift, a client also ought to be warned that it could "cancel" a bequest made under the client's will, if that instrument contains a similar gift. This concept is referred to as ademption by advancement, or the presumption against double portions, and is intended to ensure that a beneficiary does not receive the same gift twice. If there is evidence that the testator gave a gift to a beneficiary after the testator made his or her will and that an advance was intended, the court may require the recipient to rebut the presumption. Like the presumption of resulting trust, however, ademption by advancement will not apply if there is evidence establishing that the will-maker intended the beneficiary to receive both benefits, or if the testator otherwise made it clear, for example, through a document, that the presumption of ademption by advancement is not applicable.[19]

Failed *inter vivos* gifts cannot be saved posthumously

Another factor that a client may want to bear in mind before making an *inter vivos* gift is that imperfect gifts generally cannot be perfected after the client has passed away. In this respect, imperfect *inter vivos* gifts are distinct from imperfect testamentary dispositions, which can often be saved by the courts. As noted by the Ontario Court of Appeal, "[f]or a gift to be valid and enforceable it must be perfected. In other words, the donor must have done everything necessary and in his power to effect the transfer of the property. An incomplete gift is nothing more than an intention to gift."[20] The court will not compel a donor to follow through and give a promised gift.[21]

To be valid, an *inter vivos* gift also may not be conditional on the death of the donor, even if the gift is a right of survivorship — the donor must be immediately and unconditionally bound by the *inter vivos* gift.[22] For example, if a donor intends to gift a piece of property but fails to register the actual transfer of ownership prior to the donor's death, the gift will fail.[23] In cases where the registration of an alleged *inter vivos* transfer is delayed until after the death of the transferor, there is no proof confirming that the transferor intended to relinquish control over the property during his or her lifetime.[24]

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[18] See, for example, *Sandwell*, *supra* note 7 at para 57.
[19] See *Johnston (Estate of) v. Gemmill*, 2007 ABQB 235 at paras. 43-47. In this case, a specific provision in the testatrix's will prevented the application of ademption by advancement.
[20] *Kavanagh v. Lajoie*, 2014 ONCA 187 at para. 13.
[21] *McKendry v. McKendry*, 2017 BCCA 48 at para. 32.
[22] *Tubbs*, *supra* note 6. The Ontario Court of Appeal has also held that *inter vivos* transfers contingent on death are ineffective as testamentary dispositions due to lack of compliance with wills legislation: see *Carson v. Wilson*, 1960 CanLII 104 (Ont. C.A.).
[23] See *Chan v. Chan*, 2022 ABQB 256.
[24] *Tubbs*, *supra* note 6 at paras.93-95.

An imperfect *inter vivos* gift also cannot be saved or treated like a testamentary disposition if the deceased references the gift in his or her will, even if it is clear that the deceased intended to gift the property.[25] As noted in *Feeney's Canadian Law of Wills*, "unless there has been compliance with the appropriate legal requirements to perfect [a] gift, the transaction will be invalidated, no matter how clear the wishes of the would-be donor might be otherwise."[26]

Conclusion

While *inter vivos* gifts are a valuable estate planning tool, particularly because they are not subject to probate fees, there are also perils associated with these gifts that clients ought to be aware of. Once made, an *inter vivos* gift cannot be taken back. An *inter vivos* gift may also fail if there is insufficient evidence to confirm that a gift was intended or that the transfer was not intended to be an advance on the recipient's inheritance. Such a gift will also fail if it is not perfected during the donor's lifetime. In light of the rules of law applicable to *inter vivos* gifts, clients ought to be cautious before choosing to make such gifts; depending on the circumstances, a testamentary bequest may make more sense, regardless of the consequences of additional estate administration tax liability.

[25] *Troop v. Troop Estate*, 2023 NSCA 83.
[26] Ian M. Hull & Suzana Popovic-Montag, *Feeney's Canadian Law of Wills*, 4th ed. (Toronto: LexisNexis, 2000) at § 1.2.

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Modernizing the Distribution of Prospectuses: Canadian Securities Administrators Approve Electronic Delivery

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Overview

On January 11, 2024, the Canadian Securities Administrators (the "**CSA**") published its final amendments and changes to implement an "Access-Equals-Delivery" model (the "**AED Model**") to generally permit the electronic delivery of prospectuses in Canada for non-investment fund reporting issuers, including venture issuers, bidding farewell to mandatory printed prospectuses.[2] The AED Model is set to come into force on April 16, 2024, subject to receiving regulatory and ministerial approvals.

Background

The AED Model follows the CSA's consultation paper[3] published on January 9, 2020, and proposal[4] issued on April 7, 2022, and associated comment periods that sought feedback on permitting reporting issuers to deliver prospectuses and certain continuous disclosure documents, electronically. "Access-Equals-Delivery" models have been prevalent in U.S. prospectus offerings for many years.

What is the purpose of the AED Model?

The AED Model puts Canada on par with existing rules and practices of other major securities markets, such as the United States, and embraces the expansion towards electronic consumption of information. Additionally, the AED Model is a response to the widespread opinion that investors do not wait for, nor rely upon, paper delivery of a prospectus to inform their investment decisions.

Prior to the AED Model, Canadian securities laws required reporting issuers to physically deliver prospectuses to investors. As a result, reporting issuers incurred significant printing and postage costs in order to comply with Canadian securities legislation. The AED Model will transform the process of prospectus delivery in Canada by enabling a paperless approach and electronic filing for streamlined delivery under securities laws. Issuers will be able to save on significant printing

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[2] *CSA Notice of Publication of Amendments and Changes to Implement an Access Model for Prospectuses of Non-Investment Fund Reporting Issuers*, Ontario Securities Commission, OSC NI 41-101, (2024) OSCB 323.

[3] *CSA Consultation Paper 51-405 - Consideration of an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*, Ontario Securities Commission, (2020) 43 OSCB 354.

[4] *CSA Notice and Request for Comment – Proposed Amendments and Proposed Changes to Implement an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*, Ontario Securities Commission, (2022) 45 OSCB 3609.

and mailing costs, while investors can enjoy a timely and eco-friendly delivery of information by embracing this paper-saving approach.

What does the AED Model apply to?

- The AED Model applies to most prospectus offerings, including long-form prospectuses, short form prospectuses, preliminary prospectuses, shelf prospectuses, prospectus supplements, and post-receipt pricing prospectuses;
- The AED Model does not apply to rights offerings, medium-term note offerings, and other continuous distributions under a shelf prospectus;
- If the AED Model is used, prospective purchasers or purchasers still have the ability to request a copy of a preliminary prospectus or final prospectus in electronic or paper form and be provided without charge. Final prospectuses must be sent within two business days from the date of request;
- A dealer may rely on the AED Model to satisfy, or be exempt from, the requirement under securities legislation to deliver or send a prospectus and any amendment;
- A news release containing information relevant to the applicable offering may also include the information required under the AED Model; and
- The CSA has removed the two-day time limit within which an issuer or dealer must send a copy of the preliminary prospectus if requested by a prospective purchaser in accordance with securities legislation.

What does delivery under the AED Model look like?

Instead of requiring the delivery of a paper copy of a prospectus to investors, the AED Model allows (but does not require) reporting issuers to satisfy their delivery requirements by:

- filing the prospectus on System for Electronic Document Analysis and Retrieval ("**SEDAR+**"); and
- in the case of a final prospectus, filing the final prospectus and any amendment on SEDAR+ and issuing and filing a news release on SEDAR+ with the following required information:

    (i) in the title of the news release, that the document is accessible through SEDAR+;

    (ii) that access to the document is provided in accordance with securities legislation relating to procedures for providing access to a prospectus and any amendment;

    (iii) that the document is accessible at www.sedarplus.ca;

(iv) the securities that are offered under the document; and

(v) the following statement: "An electronic or paper copy of the final prospectus and any amendment may be obtained, without charge, from [insert contact information for the issuer or dealer, as applicable] by providing the contact with an email address or address, as applicable."

British Columbia, Québec, and New Brunswick have structured the AED Model to be an exemption from the delivery obligation, as this approach better aligns with the legislative authority in those jurisdictions, while in all other jurisdictions the AED Model is structured to satisfy the delivery obligation under securities legislation. In each instance, the AED Model intends to provide investors with electronic access to a final prospectus or preliminary prospectus, as applicable.

Does the AED Model alter withdrawal rights?

The AED Model will alter the withdrawal rights that were previously available to investors under certain provincial securities laws. Historically, withdrawal rights available to investors under certain securities laws like Ontario, expired at midnight on the second day after the investor received the prospectus. In the event an investor agreed to purchase additional securities in the offering after the two-day period had passed, the investor would not have had a withdrawal right for those additional securities. Under the AED Model, investors may now exercise their withdrawal rights on the later of the date on which:

(a) the prospectus was filed on SEDAR+ and the associated news release was issued; and

(b) the investor entered into an agreement to purchase the security.

As such, if an investor agrees to purchase additional securities, the withdrawal period may commence when the additional purchase agreement was entered into.

The CSA has clarified that a request for a paper or electronic copy of a prospectus by an investor will not impact the duration of the investor's withdrawal rights.

Does the AED Model establish different requirements for news releases related to shelf distributions and post-receipt pricing (PREP) prospectuses?

The AED Model brings forward a distinct approach for shelf prospectuses and post-receipt pricing (PREP) prospectuses than prospectuses generally. Namely, rather than requiring that the prospectus is electronically available at the same time a news release is issued for a shelf or PREP prospectus, the AED Model allows the news release to include a forward-looking statement that the prospectus will be available on SEDAR+ within two business days.

The CSA acknowledges that under certain circumstances, an issuer may, prior to the filing of the final prospectus, issue a news release disclosing material information with respect to the offering. For example, a news release is commonly issued immediately after pricing is determined for shelf prospectuses and PREP prospectus offerings. Subsection 6.4(2) of National Instrument 44-102[5] and section 4.8 of National Instrument 44-103[6] impose prescribed time limits for filing a shelf prospectus supplement and supplemented PREP prospectus, respectively, once the offering price of the securities to which the document pertains is determined.

In light of the specified time constraints on filing shelf prospectus supplements and supplemented PREP prospectuses, the CSA holds the opinion that, under the AED Model, it is appropriate to allow the prescribed news release to be issued within two business days before the date the document is filed. The AED Model also permits the reporting issuer to satisfy the news release requirements by filing only a single news release.

Does the AED Model have any impact on marketing and road shows?

The AED Model requires that all marketing communications, including road shows, refer to the final prospectus or amendment as being available on SEDAR+ for any offering that relies on the AED Model for delivery.

Future Developments

The CSA considered extending the AED Model to continuous disclosure documents; however, there were investor protection concerns amongst stakeholders. As a result, the paperless delivery remains exclusive to prospectuses. In due course, we may see a revised AED Model for continuous disclosure documents for stakeholder evaluation and comment. The Ontario Securities Commission Statement of Priorities for 2024-2025 indicates that this could happen as soon as the end of fiscal 2024.[7]

Conclusion

The AED Model is a welcomed development for the Canadian capital markets landscape and is consistent with the prevailing shift towards electronic disclosure consumption. From a reporting issuer's perspective, the AED Model significantly cuts down costs relating to printing and postage and eliminates the regulatory burden to deliver hard copies of a prospectus to each and every investor. From an investor's perspective, the AED Model provides timely and efficient access to information through SEDAR+ while still allowing for the distribution of paper copies of prospectuses for investors who prefer paper copies. Lastly, from an environmental perspective,

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[5] *Unofficial Consolidation: National Instrument 44-102 Shelf Distributions*, Ontario Securities Commission, OSC NI 44-102 (2020-08-31) at s 6.4(2).

[6] *Unofficial Consolidation: National Instrument 44-103 Post-Receipt Pricing*, Ontario Securities Commission, OSC NI 44-103 (2013-08-13) at s 4.8.

[7] *OSC Notice 11-798 – Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year 2024-2025*, Ontario Securities Commission, OSC NP 11-798, (2023) 46 OSCB 9219.

the AED Model brings forth the possibility of saving a substantial quantity of paper and reduction of carbon emissions associated with mailing.

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2023's Procedural Developments in IP Litigation

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2023 saw several important developments in Canadian intellectual property litigation, including limits on patent summary proceedings, clarification of the rule in *Browne v. Dunn*, the use of AI-generated content, counsel's involvement in drafting expert reports, and others.

1. Heavier Weather Encountered in Summary Proceedings in Patent Cases

2023 brought mixed outcomes in summary proceedings, with the Federal Court questioning the availability of summary proceedings in two patent cases, but not in two trademark and copyright cases.

In *Meridian Manufacturing v. Concept Industries*[1] — a proceeding claiming patent infringement and counterclaiming invalidity — both parties sought summary judgment. The Federal Court concluded that the infringement question could not be determined without a trial as, in part, there was a fundamental disagreement between the parties on the essential elements of the claim. Moreover, the Court saw the differences on both infringement and invalidity between the parties' witnesses, and the credibility of those witnesses, as better explored at trial.

In *Noco v. Guangzhou Unique Electronics,*[2] a summary trial seeking judgment that the patent was not infringed was dismissed. The Federal Court found that the moving party had not met its burden of demonstrating that the Court should decide the issues summarily. The issues raised by the moving party were regarded as not suitable for summary trial, and the Court was not satisfied that summary disposition would assist with the efficient resolution of the action. The Court found that there was insufficient evidence for adjudication of the issues raised, and, accordingly, that it would be unjust to decide the issues summarily. The Court recognized that reserving multiple days for a summary trial in patent cases to allow the Court to hear *viva voce* evidence from experts could, in some cases, result in delay and expense that would not be in keeping with the objectives of Rule 3 — that interpretation of the Court's procedural rules be applied so as to secure the just, most expeditious, and least expensive determination — and in keeping with the principles of proportionality.

In *Dermaspark v. Patel,*[3] the Defendants sought, by summary trial, an order dismissing the counterfeit trademark and copyright claims advanced. The Federal Court found that summary trial was appropriate and determined the infringement claims on their merits. The Defendants' motion was dismissed, and judgment was granted in favour of the Plaintiffs. In doing so, the

[1] *Meridian Manufacturing Inc. v. Concept Industries Ltd.*, 2023 FC 20.
[2] *Noco Company, Inc. v. Guangzhou Unique Electronics Co., Ltd.*, 2023 FC 208.
[3] *Dermaspark Products Inc. v. Patel*, 2023 FC 388.

Court observed that conflicting evidence and credibility issues do not preclude summary trial unless it would be unjust to decide the issues without trial.

In *Techno-Pieux v. Techno Piles,*[4] earlier summary judgment motions in relation to infringements of the Plaintiff's trademark rights and copyright had been brought by both parties, and, in respect of the applicable factors to be considered on trademark confusion, the Federal Court had found on most, but not all of the factors, seeing the unresolved factors as appropriate for summary trial. The parties thereafter agreed that a summary trial was the appropriate manner in which to resolve the Plaintiff's claims.

2. **Rule in *Browne v. Dunn* Confirmed and Clarified**

In *TUI UK Ltd. v. Griffiths*[5] the UK Supreme Court clarified the rule in *Browne v. Dunn*,[6] which rule has longstanding application in Canada. The rule precludes a party from relying on evidence that is contradictory to a witness' testimony, without first putting that contradiction to the witness to permit the witness to explain the contradiction. The Court made clear that the evidentiary rule, which is rooted in procedural fairness, applies to both factual and expert evidence. It also applies to attacks on the sufficiency of a witness' evidence regardless of whether there is contradictory evidence from the opposing party.

After becoming ill on an all-inclusive vacation, the plaintiff Griffiths sued the tour operator TUI. Griffiths led expert evidence to establish TUI's liability. TUI did not lead any expert evidence in response and did not cross-examine Griffiths' expert. Instead, in closing argument TUI argued that the expert report was deficient, as failing to provide a complete explanation for the cause of the sickness and to consider other potential causes, and, therefore, Griffiths had not met his burden of proof. The trial judge agreed. The Court of Appeal affirmed the trial decision.

The Supreme Court allowed Griffiths' appeal, holding that the rule in *Browne v. Dunn* applies not only to matters of credibility, but is a wider rule based on procedural fairness. The Court was concerned about the fairness of TUI raising the sufficiency of Griffiths' expert opinion only in closing argument, without cross-examining the expert and permitting him to explain or address the criticisms. The Court held that the "general rule" in civil cases is that a party is required to challenge by cross-examination the evidence of any witness of the opposing party on a material point which he or she wishes to submit to the court should not be accepted.[7] It is not limited to circumstances where the opposing party adduced competing evidence. The Court noted that as the rule is based in procedural fairness, it is not inflexible. It mentioned several exceptions when cross-examination should not be required: for example, it may be

[4] *Techno-Pieux Inc. V. Techno Piles Inc.*, 2023 FC 581.
[5] *TUI UK Ltd. v. Griffiths* [2023] UKSC 48.
[6] *Browne v. Dunn* (1893) 6 R. 67 (H.L.).
[7] *TUI UK Ltd. v. Griffiths* [2023] UKSC 48 at para. 70.

disproportionate and unrealistic to expect that every reason for disbelieving a witness be put to the witness, particularly with respect to collateral or insignificant matters; if the witness' evidence is manifestly incredible; an opinion that lacks any support; or an obvious absurdity or mistake.[8] The trial judge was wrong to not consider the effect on the fairness of the trial of TUI's failure to cross-examine Griffiths' expert, which left his evidence uncontroverted. In view of the trial judge's factual findings, and the expert report, Griffiths had established his case.

This case highlights the potential danger of a litigant simply putting the opposing party to its burden of proof, and then arguing that its evidence is deficient.

3. **Permanent Injunction Refused**

Although an injunction is an equitable remedy, patentees have come to expect that the remedy will be awarded if they are successful in an infringement action. Indeed, prior to 2023, it had been three decades since the Federal Court had denied a successful patentee injunctive relief where an infringing product was being sold in Canada,[9] and it has noted that it should refuse to grant a permanent injunction where there is a finding of infringement only in very rare circumstances. [10]

In *Abbvie v. Jamp,*[11] the Federal Court considered that it was one of those rare circumstances that warranted refusal of a permanent injunction based on the public interest. Notwithstanding that it found Abbvie's patent in issue was valid and infringed, the Court nevertheless refused to issue a permanent injunction restraining Jamp from marketing and selling its SIMLANDI biosimilar product. Jamp already held notices of compliance for, and marketed, 40 mg/0.4mL and 80 mg/0.8mL high-concentration, citrate-free, doses of SIMLANDI. These were the only higher concentration, lower volume, citrate-free biosimilar products in the Canadian market, and Abbvie did not market an 80 mg/0.8mL dose in Canada. The Court found that it was not in the public interest to force patients to switch to another biosimilar given that it was the only 80 mg/0.8mL formulation available in Canada. Given that Abbvie did not market the same product in Canada, if SIMLANDI was removed from the market, patients would switch to a higher volume, lower concentration biosimilar possibly including citrate, which may cause increased injection site pain. The Court held that a reasonable running royalty would compensate Abbvie for any loss.

On the other hand, in *Angelcare Canada v. Munchkin*[12] the Federal Court granted a permanent injunction even though the defendant had removed the product from the Canadian market. The

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[8] *TUI UK Ltd. v. Griffiths* [2023] UKSC 48 at para. 70.

[9] See *Unilever PLC v. Procter & Gamble Inc.* (1993) 47 CPR (3d) 479 at para. 568-572; affirmed (1995) 61 CPR (3d) 499 (FCA).

[10] *Valence Technology Inc. v Phostech Lithium Inc.* 2011 FC 174 at paras 239-240.

[11] *Abbvie Corporation et al. v. Jamp Pharma Corporation,* 2023 FC 1520 (F.C.).

[12] *Angelcare Canada Inc. v Munchkin Inc.* 2023 FC 1111

Court held a permanent injunction constitutes the natural remedy against infringement going forward. The fact that the patent in issue did not expire for five years militated in favour of granting a permanent injunction.

4. **Use of AI-Generated Content Before the Federal Court**

In December 2023, the Federal Court issued a Notice to the Parties and the Profession regarding the use of artificial intelligence in court proceedings.[13] In line with several other provincial jurisdictions, the Notice requires parties to inform the Court, and the other parties, if they have used artificial intelligence to create or generate new content in preparing a document that is filed with the Court. If any such content has been included in a document, the first paragraph of the text in that document must disclose that AI has been used to create or generate that content. The Notice also sets out principles to guide the use of AI in court documents, including the exercise of caution and use of only well-recognized and reliable sources when referring to legal authority or analysis, and for counsel and the parties to verify any AI-related content.

5. **Counsel's Involvement in Expert Report Preparation**

In *dTechs EPM v. British Columbia Hydro and Power Authority*,[14] the Federal Court of Appeal affirmed the important role that counsel can play in the preparation of expert reports in patent cases. The Court discussed how this applies not only to technical issues *per se*, but also to the complex questions that need to be answered by the expert. The Court noted that it is rare that technical experts will know how to present a claim analysis or be familiar with legal principles such as claim construction, anticipation or obviousness. Thus, it is a well-known and necessary practice in this particular field that counsel are intimately involved in the extensive process to prepare expert reports. But care must be taken to ensure that the ultimate report is objective, and reflects the actual opinion of the expert. Any overstep of these limits would normally be revealed during cross-examination at trial. As such, counsel should be alert to their duty to test whether the expert's opinion is truly their own objective opinion.

6. **Novel Rolling Order Issued**

In *Burberry v. Ward*,[15] the Federal Court issued an order in a trademark and copyright case to deal with a defendant the Court saw as engaging in the game "whack-a-mole". In 2021 the plaintiffs became aware of an individual importing and selling counterfeit goods. Despite an apparent agreement to stop, the infringing activity continued through a constantly changing and expanding online presence using multiple names and aliases.

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[13] 2023-12-20-notice-use-of-ai-in-court-proceedings.pdf (fct-cf.gc.ca)

[14] *dTechs EPM Ltd. v British Columbia Hydro and Power Authority* 2023 FCA 115

[15] *Burberry Limited v Ward* 2023 FC 1257

After finding infringement, the Court issued an injunction, including a so-called rolling order. The Court found that there was a significant risk that the defendant would continue her infringing behaviour in the face of an injunction, with the result that there would be future importations intercepted and detained by the Canadian Border Services Agency. Given the ever-changing names, addresses and intermediaries the defendant might employ, the Court issued a rolling order structured to fold any additional names used by the defendant into the injunction so that the plaintiff would not be required to commence a new action each time it was notified of a detention of counterfeit goods by the CBSA. This appears to be the first time the Federal Court has issued such an order.

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Public Disclosure of Private Company Control

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As of January earlier this year, for corporations formed under the *Canada Business Corporations Act* (“**CBCA**”) there is a requirement for the corporation to file along with their annual return the information pertaining to the ‘individuals of significant control’ (“**ISC**”).[1] These changes to the CBCA were made by Bill C-42, *An Act to amend the Canada Business Corporations Act and to make consequential and related amendments to other Acts*.[2] Bill C-42 received Royal Assent from Parliament on November 2, 2023, and the ISC disclosure requirements came into force January 22, 2024.[3] This article will outline and discuss what information is required for the filing, as well as what information from that disclosure will be available to the public.

What information is included in the ISC?

As of June, 2019, CBCA entities were required to maintain and keep an ISC in the corporate records. The information required in the ISC includes:[4]

- Legal name of the individual
- Date of birth
- Country of citizenship
- Resident country for tax purposes
- Home address
- Address for service
- Date control of the corporation was acquired;
- Date control of the corporation ceased; and
- A description of how the individual has control.

Filings are expected to be made within fifteen (15) days of a change in the control of the corporation, or along with the filing of the annual return.[5]

On filing, all of the above information is made available to the public, except for the citizenship, tax residency, and the home address for the individual, which the filer can elect to remain private. However, an address service at least must be provided for each individual, which can be the same as the registered office address for the corporation.

[1] An overview of the ISC register requirements can be found at: https://ised-isde.canada.ca/site/corporations-canada/en/individuals-significant-control.
[2] https://www.parl.ca/documentviewer/en/44-1/bill/C-42/royal-assent
[3] *Canada Business Corporations Act*, R.S.C., 2022, c.10.
[4] *Canada Business Corporations Act*, R.S.C., 1985, c. 44, s. 21.1(1).
[5] *Canada Business Corporations Act*, R.S.C., 1985, c. 44, s. 21.1(3).

What is an individual of significant control?

There are multiple ways in which an individual can be identified. It is first important to note that the CBCA requires that it indeed be an 'natural person'.[6] As other entities, including, corporations, trusts, or partnerships may be shareholders of the corporation, these types of entities are not natural persons and therefore are not to be listed on the register. If it is not an individual who is a shareholder, and has control, the register requires a determination of who the ultimate controlling individual of the non-individual shareholders. If a client has many layers in their corporate structure, this may require a specific analysis of trustees, beneficiaries, and controlling voting rights of a particular entity.

The second piece of the analysis includes what type of control the individual has on the corporation. The control can lie with a single individual, be joint or in concert with more than one individual.[7] The CBCA has indicated that control is analyzed by considering the influence of the individual over the corporations, and whether that influence, be it direct or indirect, would result in 'control in fact'.[8]

The third piece of the analysis, is what constitutes 'significant' in terms of shareholdings in the corporation. This CBCA provides guidance with 25% being the threshold for significance, either by fair market value or votes.

If there is no ability for the corporation to identify particular individuals of significant control, for example, where no party controls greater than 25% of the corporation, there is an option available in the filing to indicate that is the circumstance.

There are other jurisdictions, both in Canada and internationally, that require the disclosure of shareholders in private corporations.[9] The reasoning being put forward by Corporations Canada is that increased transparency can aid in the fight against money laundering, and provide information to prevent tax evasion.

Penalties for Non-Compliance

In addition to providing for the disclosure requirements, Bill C-42 also increased the penalties associated with non-compliance. The penalty for contravening the requirements of filings vary depending on the particular offence. If a shareholder, director or officer provides, authorizes, permits, or acquiesces in the provision of false or misleading information, they can be subject to fines up to a maximum of one million dollars, and/or a prison term of up to five years.[10]

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[6] *Canada Business Corporations Act*, R.S.C., 1985, c. 44, s. 2(1).
[7] *Canada Business Corporations Act*, R.S.C., 1985, c. 44, s. 21.1(2).
[8] *Canada Business Corporations Act*, R.S.C., 1985, c. 44, s. 21.1(3).
[9] For example, Quebec introduced Bill 78 "An Act mainly to improve the transparency of enterprises, which was assented to in 2021(https://assnat.qc.ca/en/travaux-parlementaires/projets-loi/projet-loi-78-42-1.html); and the U.S. now requires all corporations doing business in the U.S. to file Beneficial Ownership disclosure with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (https://www.fincen.gov/boi).
[10] *Canada Business Corporations Act*, R.S.C., 1985, c. 44, s. 21.4(1)-(5).

What does increased transparency mean for clients?

Increased transparency for clients may mean that client's need to provide additional information to their counsel or other parties making the filings on their behalf. The increased disclosure will require more information sharing up front between a client and their lawyer and an increased vigilance in keeping up with filings if any changes in the ISC occur.

What does increased transparency mean for lawyers?

The advent of this disclosure and the hefty penalties provides corporate lawyers with an incentive to encourage clients with CBCA corporations to maintain their books and records. In practice, there is usually little delay on the part of Corporations Canada in their administrative dissolution of corporations who fail to file their annual returns in a timely fashion. Now that this additional ISC disclosure forms part of the annual return filing, and non-compliance can result in jail time or substantial fines, there will be potentially more motivation for clients to have more frequent discussions with their lawyers about any changes for the corporation. When filing through the online portal, there is no option to forego providing the ISC required details. It is important for lawyers to verify the information they are providing with the client prior to making any filings on their behalf.

Additionally, for corporations yet to be formed, this may be a factor in the decision for some clients on whether they choose the federal jurisdiction. As it stands in Ontario at this time, under the *Business Corporations Act* (Ontario), there is no public disclosure requirement of the ISC information required to be recorded in the books and records of Ontario corporations.[11] There is no guarantee, however, that Ontario will not follow suit and require some disclosure, especially given the more recent requirements around filing of annual returns.

While private corporations are separate and distinct from public corporations, the advent of the ISC disclosure and the greater regulatory framework around corporate records and maintenance, may be attempting to remove some of the anonymity around individuals behind corporations.

[11] *Corporations Information Act* (Ontario), R.S.O. 1990, c. C.39; OReg 400/21, s. 4, 5.