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Canada

CASE LAW COMMENTARY:

Schmeiser v. Monsanto -- Making of Bad Law Too Narrowly Averted

Lynn S. Cassan

The most remarkable aspect of the recent decision of Canada's highest Court in the case of *Schmeiser et al. v. Monsanto et al.* 2004 S.C.C. 34 (the "Monsanto" case) is not the final result, which upheld all the lower courts' findings of infringement, but the fact that it followed a very close 4-5 split vote as between the dissenting and majority justices. Remarkable, because the governing law does not justify even one dissent on the facts of this case -- and because the 4 dissenting justices chose to ignore many decades of established case law on patent claim construction in favour of making new, bad law.

The *Monsanto* case concerned a farmer, and that farmer's corporation, charged with infringing patent claims for a plant gene, and plant cell containing that gene, by cultivating and using the plant generated from, and containing, those genes and cells. In essence, it is a straightforward patent infringement case. However, some may have formed an impression that is more complex than it is because it was cleverly leveraged to include a political dimension by promoting it as a "higher life form" case akin to the earlier decision of the Supreme Court in *Harvard College v. Canada (Commissioner of Patents)* 2002 S.C.C. 76 (the "Harvard mouse" case). In this light, it is important to understand that the *Harvard mouse* case concerned only a patent claim for a genetically modified mouse and it held, simply, that higher life forms, such as mice, do not fall within the meaning of invention under Section 2 of the Patent Act. In other words, a patent claim cannot define a mouse *per se*. As such, when properly considered in correct context, the *Harvard mouse* decision is a very limited and academic-type case. Patent claims to genes and other similar materials which formed the building block of the mouse were not in issue in *Harvard mouse* and have long been taken to constitute patentable subject matter in Canada and elsewhere.

In the *Monsanto* case the farmer alleged that since the patent did not contain any claim defining a plant *per se*

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TRADEMARKS UPDATE:

Design Marks: When are they "Clearly Descriptive"?

Christopher T. Dejardin

Earlier this year, the Federal Court of Canada released a decision which cast doubt as to the registrability of design marks featuring descriptive words. The case, *Best Canadian Motor Inns Ltd. v. Best Western International, Inc.* 2004 FC 135, involved an appeal of the decision of the Registrar of Trademarks. The Registrar of Trademarks refused registration of a design mark consisting of the words BEST CANADIAN MOTOR INNS for hotel, restaurant and accommodation services, on the basis that the mark, when sounded, was clearly descriptive of the services with which it was associated. The design mark appeared as follows:



At issue was the wording of paragraph 12(1)(b) of the *Trademarks Act* ("Act") and, in particular, the difficulty posed by the words "or sounded".

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he should be permitted to grow and cultivate plants and seeds containing the patented genes and cells notwithstanding that his plants wholly consisted of the patented genes and cells. But, that contention runs contrary to more than a century of established patent law under which, for example, incorporating a patented hydraulic cylinder into a tractor does not avoid infringement simply the patent does not also include a claim to such tractor *per se*. It is obvious that if the law were to be otherwise, there would be little point in patents or patent laws, since a patent claims defines an invention and cannot, and need not, also define every imaginable commercial usage of it. It is for this reason that the fundamental test of patent infringement, under the law, is to ask whether an impugned product interferes with the patentee's commercial exploitation of the patented subject matter.

Faced with this fundamental law, the farmer in *Monsanto* also urged creativity in construing the patent claims so as to read them not as claims to a "gene" or "cell", as they are, but, instead, to a "gene when used in a laboratory" and a "cell when used in a laboratory". However, this line of thinking suggested by the farmer, and accepted by the four dissenting justices, would erroneously read a major limitation into the patent claims; one which cannot be justified under any interpretation of the governing law on claim construction -- laws which call for at least some measure of certainty and predictability in the way patent claims are interpreted. The case law makes it clear that the court is prohibited from re-writing a patent claim, such as the re-writing the Supreme Court was urged to do in the *Monsanto* case. No learned patent practitioner would ever read such a use limitation into a product claim unless it is called for within the clear wording of the claims and application as a whole.

Luckily, the ultimate result in *Monsanto* was a majority vote to adhere to the established law and not to throw our patent regime into chaos. This case, and others, highlight the risks of patent litigation and the writer believes it is time to implement a new authority to administer our patent laws -- one which is in part defined by an expertise in patent drafting and patent law.

CASSAN MACLEAN NEWS

We are pleased to announce that **Heather L. Boyd** has recently obtained her designation as a Registered Canadian Trademark Agent. She joins our trademark team in providing excellent service to clients in all aspects of trademark prosecution.

PATENTS UPDATE:

Uncertainty Continues re: Erroneous "Small Entity" Claims *Lynn S. Cassan*

For many years now Canadian patent practice has been unable to properly address, and correct, the unfortunate situation where a small entity fee payment was made in error and it subsequently comes to light that the applicant or patentee did not meet the definition of a small entity.

The key court case addressing this situation, *Dutch Industries*, has finally been resolved after taking many years to proceed through the various levels of court. However, the result is very unsatisfactory in that we are no better off than we were before the case commenced. The final ruling of the courts, by the Federal Court of Appeal (leave to appeal further was refused), is that the status of an applicant is determined once, only, at the time of the filing date and based on the facts applicable to the applicant on that date. According to that appellate Court, this "once off" determination then applies to the application, and any ensuing patent, for the entire patent term regardless of any subsequent change in status of the applicant or patentee. Furthermore, the Court found no basis within the existing *Patent Act* to correct a payment made more than a year earlier under an incorrect claim to small entity status, thereby subjecting such patents to an invalidity attack.

Understandably, the IP profession and patentees alike consider that this ruling should be urgently corrected through appropriate remedial legislation. Some progress has been made on this front. A draft revised *Patent Act* amendment was recently circulated on behalf of the Canadian government, following a first draft released in 2003 in respect of which submissions were made by the public. At the moment, it is not clear whether the Patent Office will be entertaining submissions on this second draft legislation.

The key draft provision would enable applicants/patentees to retroactively correct fee payment errors made in the past. Under this draft provision, all such errors would be correctable provided that the corrective payments be completed within one year of the coming into force of such new legislation. That is, only a limited one-year term is being proposed for retroactive corrective measures (to cure deficiencies which occurred prior to such new legislation). Another important draft provision would allow Council to adopt rules allowing for the correction (i.e. "topping up") of fees. The Patent Office has not yet circulated any such draft rules for consideration by the public but has promised to do so sometime this Fall.

PITFALLS: PROPER USE OF YOUR CANADIAN TRADEMARKS

Christopher T. Dejardin

It is generally known that a trademark must be used in order to obtain and maintain rights in the mark. However, there are many qualifications as to the nature and extent of use which can impact upon the ability to secure, maintain and enforce rights in a mark. The following is a brief list of these qualifications:

1) Use your trademark as a trademark.

There have been many documented instances of trademark rights being lost through the intentional or inadvertent use of the mark in a descriptive or generic fashion. To avoid such problems with your mark, please keep these simple guidelines in mind:

a) Never use your trademark in place of a noun. For example, avoid sentences such as "hand me a Kleenex". Instead use, "hand me a Kleenex tissue". Ideally, it should be possible to remove the trademark from the sentence and be left with a sentence which is grammatically correct.

b) Set the mark apart from the surrounding text using different fonts, font sizes or colours.

c) Identify your trademark using marking indicia such as TM (for unregistered marks) or ® (for registered marks).

2) Use your trademark in the exact form in which it is registered.

Trademarks, in particular those consisting of designs are likely to change over time. It is important to recognize the dangers these changes may pose to the validity of a trademark registration. While the courts will usually tolerate minor variations to a design or word mark, it is best to avoid making any changes to the form of a mark that is registered or, in the alternative, to seek a new registration for any variations of your trademark.

3) Make sure that your trademark is used by its rightful owner or a properly licensed entity.

A trademark typically functions to identify the origin of the wares or services with which it is associated. Trademark rights may be lost if the use of the mark identifies a party as a source of the wares or services that is not a rightful owner of the mark or is not properly licensed to use the mark. It is imperative that any users of the mark (even subsidiary or affiliated companies) are covered by an appropriate licensing arrangement, one which allows the

owner of the mark to exercise control over the character and quality of the wares or services offered under the mark.

4) Use your trademark in commerce.

It is a common misconception that a trademark is used the moment it is conceived or created. This is false. Qualifying "use" typically requires that a trademark be featured in association with some form of commercial activity. The Canadian Trademarks Act spells out certain specific criteria for establishing use of a mark in relation to wares and/or services. Generally, use of a mark in association with wares requires that the mark be affixed to the wares or their packaging during the ordinary commercial transfer of the wares. For services, use typically occurs when the mark is advertised or displayed in association with the offer of services.

As the foregoing illustrates, there are many aspects to establishing proper "use" of a trademark. A proper understanding and careful compliance with these criteria will ensure that your trademark rights will not be placed at risk unnecessarily.

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Under section 12 (1) (b) of the *Act*, " a trademark is registrable if it is not...whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the wares or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin; (emphasis added)".

In rendering the initial decision that refused registration, the Opposition Board Member noted that the mark, when sounded, would be referred to by the descriptive words which comprised the mark and would thus be unregistrable pursuant to Section 12(1)(b). While acknowledging that it did not seem reasonable that a design mark would suddenly become unregistrable by virtue of the addition of descriptive words, the Member noted that the wording of Section 12(1)(b) was clear and that the Registrar must apply the *Act* as it currently exists and not as it should have been drafted.

On appeal, the Applicant referred to a decision of the Federal Court in *Fiesta Barbecues Ltd. v. General Housewares Corp.* 2003 F.C. 1021. Similar to the *Best Canadian* case, *Fiesta* involved an appeal of the decision of the Registrar refusing registration of a mark on the

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basis that it was considered clearly descriptive when sounded. The mark in question comprised the words GRILL GEAR in the design format depicted below:



for use in association with barbecue accessories.

In the *Fiesta* case, the Court held that it was improper to dissect the mark into verbal and visual components for the purposes of applying Section 12(1)(b). Rather, the Court stated that the verbal components of the mark along with the flame motif, when properly looked at as a whole, clearly bore sufficient distinctive elements to allow for registration.

However, the Court in the *Best Canadian* case rejected the decision in *Fiesta* noting that the *Fiesta* decision ignored generally accepted principles of statutory interpretation when it considered the wording of paragraph 12(1)(b) of the *Act*. In particular, the Court stated that the words of paragraph 12(1)(b) were clear on their face and that it was open to Parliament, when drafting the *Act*, to provide an exception to paragraph 12(1)(b) in respect of design marks that include words that are a dominant feature of the marks.

It remains to be seen whether Parliament will take up the challenge and introduce legislation to provide the necessary exceptions contemplated by the Court or whether a higher court will overturn the present decision. Nevertheless, the subject case should be viewed by all prospective and current registrants as a warning against the practice of combining descriptive words with design features as a means to obtain registration.

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We specialize in all areas of intellectual property law including patents, trademarks, industrial design, copyright and domain name issues, including prosecution and litigation.

The articles contained in this newsletter are of a general, informative nature only and are not intended to be, nor can they be construed as being, legal advice.

We are pleased to provide additional details upon request.