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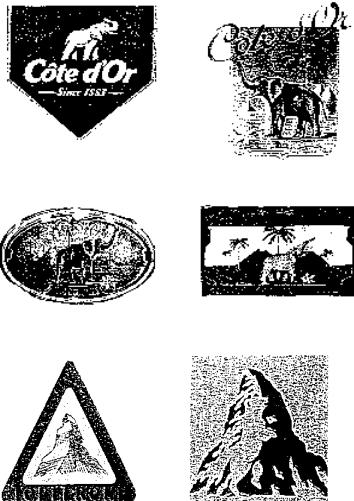


Case Law Comment:

Copyright Stops Sales of Chocolate Bars, But Victory is Bittersweet

P. Scott Maclean

The Federal Court of Canada decided earlier this year, in *Kraft Canada Inc. v. Euro Excellence Inc.*, (2004) 33 C.P.R. (4th) 246, to award damages and an injunction concerning the importation for sale in Canada of the applicants' own (authentic) European made TOBLERONE® and CÔTE D'OR® brand chocolate bars by an unlicensed importer / distributor in Canada. The wrappers of the imported chocolate bars displayed trademarks of the applicants comprising the aforementioned brands in combination with artistic designs, as shown below:



The Court decided that the artistic designs were proper subject matter for copyright protection under the *Copyright Act* (R.S.C. 1985, c. C-42). Section 27(2)(e) of the *Copyright Act* makes it an infringement of copyright to import a copy of a copyright work into

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Patent Law Update:

Dark Clouds to Remain Over “Small Entity” Claims: Inadequate Bill Introduced to Parliament

Lynn S. Cassan

As reported in our last Newsletter, the unsatisfactory, final rulings of the Canadian courts on the issue of erroneously paid small entity fees are: (i) there is no basis within the existing *Patent Act* to correct a small entity fee payment made more than a year earlier, thereby subjecting such patents to an invalidity attack; and, (ii) the question of whether or not a claim to small entity status is available is to be determined only once, namely, at the filing date of the application and based on the facts applicable to the applicant on that specific date (and such “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).

Given the finality of the court rulings, the Canadian government has now chosen a course of action in response to this hazardous situation. Disappointingly, although it has chosen to remedy the situation for past mistakes (including its own erroneous practice, of several years, of accepting “top up” payments - a practice which misled everyone to reasonably believe such payments were lawful and that the patents they pertained to were thereby rendered in good standing), it now shows no commitment to put forward means to

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Canada for doing any of the activities referenced in Section 27(2)(a) to (c), i.e., to sell or rent out, to distribute to such an extent as to affect prejudicially the owner of the copyright, or by way of trade distribute, expose or offer for sale or rental, or exhibit in public.

While the applicants were successful in obtaining damages, the Court's injunction did not prevent the respondent from being permitted to alter the wrappers of existing inventory so as to avoid further copyright infringement. Thus, by application of masking inventory over the copyrighted designs, the remaining inventory could be lawfully sold. (The Court, inexplicably, did not deal with the injunction issue in connection with the copyrighted design embossed on the chocolate itself, which likely could not be masked.) In a follow-up motion to interpret the injunction, the Court clarified that it would not be an infringement of copyright for the respondent merely to import into Canada or possess the chocolate bars in wrappers displaying the copyrighted designs, as long as the respondent rendered the wrappers non-infringing in Europe or Canada. This is because the respondent would not be importing to commit any of the activities referenced in Section 27(2)(a) to (c) of the *Copyright Act*.

It is noteworthy that the successful applicants in the **TOBLERONE**® / **CÔTE D'OR**® case, being the respective manufacturers of the chocolate bars in Europe and their exclusive Canadian distributor, may not have been able to rely on Canadian trademark law for any relief against the unlicensed importer. The Federal Court of Appeal, in *Smith & Nephew Inc. v. Glen Oak Inc.*, (1996) 68 C.P.R. (3rd) 153, held that an exclusively licensed Canadian importer and distributor of **NIVEA**® brand facial cream (such cream being made in the United States by a U.S. subsidiary of the German trademark owner), could not stop the importation and sale, by an unlicensed distributor in Canada, of **NIVEA**® brand facial cream that is made in Mexico by a licensed manufacturer of the German trademark owner. In the **NIVEA**® case, the facial cream made in Mexico was shown to be not of the same quality as the cream made in the United States. In particular the Mexican cream was shown to contain formaldehyde not present in the United States cream. However, the Court held that there was no deception of the public as to the origin of the Mexican cream from the German trademark owner and that the Canadian licensee's remedy lay only with its licensor, the trademark owner.

The **TOBLERONE**® / **CÔTE D'OR**® case shows that while relief may be possible, e.g., against unlicensed importers and distributors, when an artistic design, or perhaps other copyright subject matter, is displayed on

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remedy the very same errors when made in the future. This position ignores the inherent unfairness of such a one-way remedy and the fact that it would place Canada out-of-step with its largest trading partner, the U.S., whose laws do permit corrective top-up payments for wrongly paid small entity fees.

On 3 December, 2004 the government introduced to Parliament, for first reading, a Bill which addresses such past mistakes by means of a single clause. Specifically, a new Patent Act "Transitional" section introduced by the Bill would allow patentees to correct small entity payment errors (only) which were made in the past (only) by topping-up such deficient payment amounts either before or after the coming into force of the section but (only) up to a maximum of one year after that date. Previously, the draft provisions distributed for the public's review included a provision which would have enabled the making of regulations to also correct such errors when made in future and, clearly, this is what innovators reasonably expect and need. However, that provision was withdrawn as being considered too broad and, perhaps, unnecessary for the intended purpose. Indeed our review of the current Patent Act leads us to believe that such regulatory authority does, already, exist but, to confirm this, we have urged the Commissioner of Patents to obtain the advice of government counsel on this question.

The government has promised to soon release draft new Rules to implement the proposed new "Transitional" section and we are submitting to government representatives that such new Rules should include provisions for correcting such errors, through top-up payments, when made in future.

Trade Marks:

Searching - It's a Matter of Money!

Heather L. Boyd

Christmas is coming and with it we are inundated with advertisements for "must have" products and services. They target our children who hound us incessantly. They play on our emotions and sensitivities and indulge our desire for a fast and more efficient way of life. We refer to these products and services by their trademarks: the name; the mark; the identity, if you will. An extraordinary amount of money goes into creating the perfect trademark and then advertising it. Trademarks are big business!

Now imagine, Company "A" putting a large percentage

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the packaging of foreign-made goods imported for sale in Canada against the wishes of the owner or Canadian licensee of the copyright, an unlicensed importer and distributor may avoid liability for such relief if the copyright subject matter is effectively covered from view when distributed in Canada. It also appears that retaining the trademarks for view on the packaging, apart from any copyright subject matter, would not likely give rise to trademark infringement.

Patents:

Doctrine of Sound Prediction - When is a prediction patentable?

Shafiq Manji

In rapidly evolving and highly competitive fields, it is important to file a patent application as soon as possible in order to obtain a priority date. In this race against time, however, inventors must bear in mind that a patent application claiming protection for an innovation at too early a stage may be rejected for failure to meet the patentability requirement of "utility", i.e. that the invention is useful for the purpose claimed. Even if the application is not rejected by the Patent Office, the resulting patent which issues from such a premature application may later be found to be invalid for lack of utility if challenged by a third party. At the time of filing a patent application, inventors must therefore be certain they are in a position to show the utility of their innovation either through demonstration (i.e. experimental results proving the utility of the invention) or, in the absence of such results, through *sound prediction*.

The doctrine of sound prediction has been established in Canadian law for some time. However, the doctrine originated in England well before it was admitted into Canadian law by the Supreme Court in its landmark decision *Monsanto Co. v. Commissioner of Patents* (1979) 42 C.P.R. (2d) 161. The underlying principle of the doctrine of sound prediction is the so-called honest foundation i.e. if a patentee can formulate an honest prediction as to the utility of their invention, he or she should, in all fairness, be entitled to base a patent claim on it. In *Monsanto*, the Court warned that the doctrine of sound prediction should not be abused or diluted as patents are not to be issued in exchange for misinformation, mere speculations, or lucky guesses.

The Supreme Court of Canada recently revisited the doctrine of sound prediction in the matter of *Apotex Inc.*

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Cassan Maclean News

*We are pleased to announce that **Lillian L. Camilleri** has recently become the Chair of the Ontario Bar Association's Young Lawyers' Division East Section Executive, as well as a Member on the Young Lawyers' Conference of the Canadian Bar Association.*

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of their venture capital into creating what they believe to be a "must have" product; spending countless dollars on the branding strategy, including packaging, advertisements, promotions and filing trademark applications; only to be served with an infringement law suit and an interlocutory injunction by Company "B", because the trademark Company "A" chose to launch their product under is confusing with the long-established product and registered trademark owned by Company "B". The end result could be that Company "A" loses all its investment capital and perhaps even ends up washed up on the shore (no additional lateral business).

This scenario, albeit an extreme one, could have been avoided by a simple trademark search and having a qualified trademark agent/attorney provide an opinion. The benefits of a search may far outweigh the cost of the actual search and opinion itself. A search can actually save you money!

There are other benefits to obtaining a comprehensive search from a qualified trademark agent/attorney. A search may provide you with valuable information on your competitors. Expunged or abandoned marks may give you a hint as to what didn't work for your competitors. A search could reveal whether your intended trademark is being used by other parties in a way which could have a negative impact on the use of your trademark. For example, consider if you have a proposed trademark for FRESH BITES for use in association with "gum", and a search reveals that FRESH BITES is registered by a third party in association with "dog treats". Your proposed mark may be registrable because the goods themselves and the channels of trade are so different according to the Trademarks Office, but would you want your gum being associated with "dog treats" in the minds of some of the general public?

Planning on taking your product and trademark internationally? A trademark search in Canada may provide you with information on foreign companies and their products. A foreigner filing a trademark application

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“Sound Prediction” - cont'd from page 3

v. Wellcome Foundation Ltd. (2002) 21 C.P.R. (4th) 499. The central issue in this case was a challenge to the validity of a patent based on the argument that the necessary utility had not been established as of the priority date of the Canadian patent. The Court reaffirmed that “the utility required for patentability must, as of the priority date, either be demonstrated or be a sound prediction based on the information and expertise then available.” In rendering its decision that the respondent had disclosed a rational basis for making a sound prediction of the claimed utility for AZT at the priority date of its patent and was consequently entitled by law to frame a claim on it, the Court extensively reviewed the requirement of utility in Canadian patent law and the extent to which the doctrine of sound prediction can be relied upon in supporting the utility of a patent claim. The Court concluded that Glaxo Wellcome had sufficient information about AZT and its activity against HIV to make a sound prediction that AZT would be useful in the treatment and prophylaxis of HIV/AIDS in humans, even though AZT had not, at that time, been administered to patients with HIV or AIDS.

This decision of the Supreme Court of Canada provided an extensive and valuable review of the doctrine of sound prediction and provided guidelines for determining when a speculation can become a useful invention that may be patented. Assuming the invention based on a prediction is both new and non-obvious, the Court identified three requirements for a prediction to be sound and the doctrine to hold. Specifically, it is possible to file a patent application prior to full verification of its utility if: (1) there is a factual basis for the prediction; (2) the inventor has an articulable and sound line of reasoning from which the desired result can be inferred from the factual basis; and (3) there is proper disclosure (i.e. sufficient description in the patent application itself).

The aim of the doctrine of sound prediction is to balance the public interest in having early disclosure of new and useful inventions prior to full verification of disclosure of speculative information. In other words, sound prediction will not successfully support a patent claim if either the prediction at the date of filing the application was not sound or, regardless of the soundness of the prediction, there is evidence of a lack of utility with respect to some of the areas covered by the claim. The Supreme Court decision is a reminder of the importance of documenting both the inventing and the testing activity. In conclusion, the soundness of a prediction is a question of fact which must be assessed as of the priority date. Each case will turn on the particular details associated with the discipline to which the subject matter relates, and the evidence in respect thereof.

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in Canada may have an established reputation in their home country.

Be wary of the company that relies on a search without the opinion of a qualified trademark agent/attorney! Admittedly, today's Internet provides accessibility to an abundance of information, including a number of foreign trademark databases. Companies may try to cut their bottom line by conducting their own searches; however, they may be at risk without a skilled searching capability. Furthermore, assessing confusion is a unique and often precarious beast. When there is potentially a lot of money at stake, why take the risk of not using an experienced and qualified trademark agent/attorney to get it right the first time? Depending on your type of business, your risk management, and your commitment to a trademark, searching can be tailored to your needs. You have the “must have” product of the year; make sure you protect it and yourself! Ultimately, it's a matter of money!

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We specialize in all areas of intellectual property law including patents, trade marks, industrial designs, copyright, domain names, prosecution and litigation.

The articles in this newsletter are for general information purposes only. Moreover, they do not comprise, and are not intended to comprise legal advice.

If you have any question or concern arising from this publication, or wish to enquire about our services, please contact us at:

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