



# IP CONNECTIONS

CANADIAN INTELLECTUAL PROPERTY & TECHNOLOGY LAW NEWSLETTER

July/August 2008

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## Wine, cheese and other edible treats – a sampling of geographical indications

The origin, production process and resulting quality of a product can make all the difference. How can you be sure to get the real thing?

Fine wine and great food are welcome at any party, but do you ever find yourself wondering whether your host is serving CHAMPAGNE or sparkling wine? ROQUEFORT or blue cheese? PROSCIUTTO DI PARMA or cured ham? Or maybe you're asking yourself right now, what's the difference? The answer lies in the world of geographical indications ("GIs").

A GI is used on goods that have a specific geographical origin and possess qualities or a reputation attributable to that place of origin. For example, ROQUEFORT is a type of blue cheese made from sheep's milk and aged in the natural Combalou caves of Roquefort-sur-Soulzon, France. Similar cheeses are made elsewhere, but because they are not produced under these same conditions, they are not true ROQUEFORT.

GIs function in a manner similar to trade-marks because they: 1) allow consumers to distinguish the protected products from others, 2) provide a guarantee of quality, and 3) can generate valuable goodwill. Unlike trade-marks, however, GIs are not owned by a single entity; rather, they are typically owned by an organization or body of producers in a particular region.

Historically, protection for GIs was determined by individual governments and could vary significantly from country to country. As international trade increased, so did the importance of harmonizing GI protection. The first significant step toward harmonization was the conclusion of the TRIPS Agreement in 1994. TRIPS is administered by the World Trade Organization and ratification of TRIPS is compulsory for WTO membership, which is currently at over 150 countries. TRIPS sets minimum standards of protection for many forms of intellectual property, including GIs, that each country must meet or exceed. The basic level of GI protection in TRIPS, applying to all products, requires countries to provide legal means for protecting GIs to avoid misleading the public and to prevent unfair competition. A higher level of GI protection in TRIPS, applying only to wines and spirits, requires that there also be a legal means for protecting GIs for wines and spirits, even where misuse of the GI would not cause the public to be misled. In some cases, geographical indications do not have to be protected or the protection can be limited. This includes when a name has become the

generic (or common) term for the product, or when the GI has already been registered by a third party as a trade-mark. For example, cheddar cannot be protected as a GI because it is now the generic name for a particular type of cheese and does not necessarily refer to a cheese made in Cheddar, UK. Another example is PARMA, which is both a GI for ham from Parma, Italy, and a registered Canadian trade-mark owned by Maple Leaf Foods Inc. for use in association with meats, including ham. The trade-mark registration prevents protection of the GI in Canada, much to the dismay of Italian producers.

As a result of TRIPS, Canada amended the *Trade-marks Act* in 1996 to create special protection for GIs identifying wines and spirits. These amendments provide GIs with greater rights than a traditional Canadian trade-mark would offer. Unlike a trade-mark, a GI can only be opposed by a third party on the ground it is not in fact a GI. This eliminates traditional grounds of opposition such as confusion with a previously registered trade-mark. Furthermore, it is prohibited to adopt, use or register a trade-mark for wines or spirits that contains a GI (unless, of course, the product is legitimately from the territory indicated by the GI). For example, the trade-mark CACTUS JOE'S

CANADIAN TEQUILA-STYLE LIQUOR would be prohibited because TEQUILA is a GI. As noted above, for GIs identifying wines and spirits, it doesn't matter that the public is unlikely to be misled into believing the product is from Tequila, Mexico.

Under the Canadian *Trade-marks Act*, registration as a GI itself is only available for wines or spirits. However, non-wine or spirit GIs can still be protected. It is Canada's position that the basic level of protection required for other GIs is already available under existing trade-mark law, typically by obtaining a certification mark. Certification marks identify goods or services that meet a defined standard, such as place of origin, method of manufacture, or that labour was provided by a member of a particular union or organization. For example, IDAHO is a GI for potatoes and is one of several registered Canadian certification marks owned by the State of Idaho. The United States and Australia take an approach similar to Canada, except that they require all GIs to qualify for protection under their existing national trade-mark laws. In contrast, Europe provides a system of GI protection outside of traditional trade-mark law covering wines, spirits and other food products, such as meat and cheese. These different approaches have led to a heated debate. Key areas of disagreement are: whether TRIPS should be amended to extend the higher level of protection given to wines and spirits to other products (and also potentially to non-food products, such as PERSIAN rugs), whether GI protection should be available in a country where the GI has become the generic term, and whether GI protection should be available when a third party already owns a trade-mark registration for the same term. Europe strongly supports broadening the protections for GIs, arguably because it has the vast majority of GIs and the most to gain. In contrast, Canada, the United States and Australia oppose the changes for several reasons. One is the argument that current trade-mark law is sufficient to protect GIs. Another is that Europe's proposal would "claw back" protection for GIs that have become generic in a country (such as FETA and CHEDDAR in Canada), thereby causing substantial loss to producers who would be prevented from describing their product in a manner familiar to the public.

One GI with a complex history in Canada is CHAMPAGNE. In 1933, Canada and France entered into a treaty to protect GIs nominated by the respective countries. One of the terms included by France was CHAMPAGNE. This posed a problem, as the term CANADIAN



CHAMPAGNE had been used on sparkling wine made in Canada since 1927. No action was taken under the treaty to stop such use until the Institut National des Appellations d'Origine des Vins et Eaux-de-Vie ("INAO") launched a court case in 1968. This ultimately led to an injunction from the Superior Court of Quebec in 1976 preventing use of the term CANADIAN CHAMPAGNE on sparkling wine not originating from the Champagne region of France. In 1978, under pressure from Canadian vintners, Canada withdrew from the treaty. After withdrawal from the treaty, vintners in Ontario promptly resumed use of CANADIAN CHAMPAGNE. (By this time the use of CHAMPAGNE for sparkling wines made in Canada was prohibited in Quebec by the Soci t  des Alcools du Qu bec, the Quebec provincial regulator of alcoholic beverages. That prohibition remains in force today.) When the INAO tried to enforce their GI in Ontario without the protection of the treaty, they were unsuccessful. After ten years of litigation, the Ontario Court of Appeal held in 1987 that the term CHAMPAGNE alone was prohibited for sparkling wine from Canada, but the term CANADIAN CHAMPAGNE did not create any confusion and was permitted. At present, the Canadian *Trade-marks Act* includes CHAMPAGNE in a list of wine and spirit names excluded from GI protection. However, the story does not end there. In a few years CHAMPAGNE will once again be protected. Canada and the EU reached an agreement in 2003 to remove 23 wine and spirit names (including CHAMPAGNE) from the list of excluded names in the *Trade-marks Act*. Those names will then be added to the *Food and Drugs Act*, which effectively means they cannot be used by anyone in Canada on wine and spirit labels other than legitimate sellers whose goods originate from the region protected by the GI. In return, the EU agreed to protect the term RYE WHISKEY and to relieve Canada of certain regulatory hurdles to



selling ICE WINE in the EU. The agreement takes effect in stages, with CHAMPAGNE being removed from the list of excluded names on December 31, 2013.

The global harmonization of minimum standards for GI protection has come a long way, though how those standards are implemented is far from uniform. Whatever the legal framework in place, a properly controlled and enforced GI can be a powerful marketing tool that allows producers to profit from the fame and reputation of their distinct region. Looking forward, the current international debate over the future of GI protection is unlikely to be resolved in the near future, so in the meantime, pop a cork and enjoy some bubbly, regardless of the name.

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## Patently ridiculous

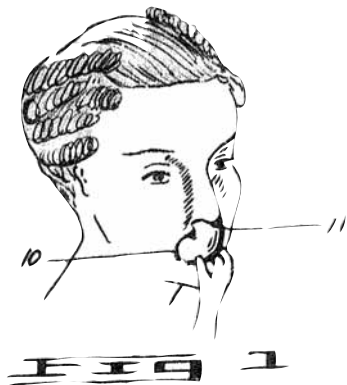
### A brief look at a number of amusing Canadian patents.

When a new invention is formulated in Canada, it is not mandatory to seek a patent for the invention. The decision of whether to file a patent application is left to the inventor. In most cases, a patent will only be sought if it is considered likely that the invention will be embraced by consumers. However, there is always some risk that the inventor, perhaps

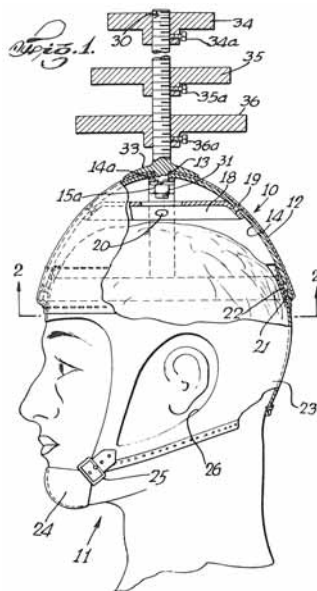
caught up in the heat of invention, may overestimate the likelihood of this eventuality. As a result, some of the patents that have been sought in Canada describe inventions that are, at best, unlikely to be commercially successful, and at worst are unlikely to be taken seriously by anyone. We have singled out four Canadian patents as being good examples of this

phenomenon, and have summarized them below. We hope that you find them to be as entertaining as we did.

**Canadian Patent No. 385,534: “Halitosis Detector”:** This patent describes a curved tube that is placed over the mouth by which exhaled halitosis is directed upwards to the nose for detection. Apparently the apparatus is intended for people who cannot be bothered to cup their hands over their mouth and nose whenever the need to check their breath arises (or perhaps for people whose hands are so tiny that this would be impossible – see FIG. 1).

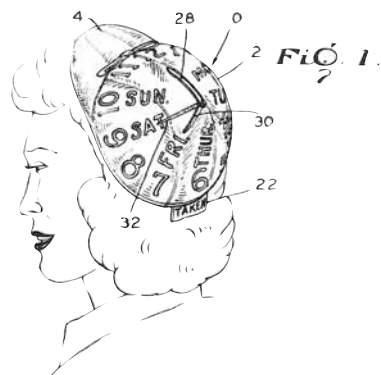


**Canadian Patent No. 487,905: “Exercising Helmet”:** This patent covers an exercising helmet having an upwardly projecting post upon which weights are stacked for exercising the neck. It seems that the helmet design is loosely based upon the headgear of human cannonballs.



**Canadian Patent No. 568,044: “Date Hat”:** This invention is intended for use by “adolescents, and especially teen-age girls” for indicating

their date status. It is a hat that conveys whether the wearer is available for a date on a particular day and time which are indicated by adjustable pointers on the hat. When a flap labeled “TAKEN” is lowered, this means that the wearer is unavailable for a date at that day and time. We find it ironic that frequent wearers of such hats may find themselves never needing to lower the flap.



**Canadian Patent No. 2,046,099: “Chin Muscle Tonifier”:** This patent addresses the heretofore unknown problem of untoned chin muscles. The invention is apparently an inflatable ring which constricts the jaw, forcing the wearer to exercise his chin muscles when speaking. We suspect that the most commonly spoken phrase by wearers of this apparatus might be, “Please release me from this contraction!”

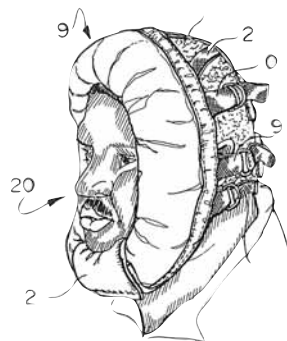


FIG. 5

In searching for the above-described patents, we encountered a number of patents whose titles alone evoked incredulity or amusement, including: **Canadian Patent No. 335,945 “Bacon Straightening Device”** – saving the world from the scourge that is crooked bacon; **Canadian Patent No. 48,326 “Moustache Adjuster”** – possibly just a small comb; and **Canadian Patent No. 972,954 “Eel Holder”** – providing welcome relief to those who perpetually drop their eels.

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## Canada's legal drug wars – what's all the fuss about pharmaceutical patent litigation in Canada?

The stakes are high in the pharmaceuticals market in Canada, both for those researching and inventing the drugs and those who want to produce generic versions.

In Canada, pharmaceutical patent cases have dominated the Federal Court's intellectual property docket in recent years. In addition to the high stakes involved – generic access to markets worth \$10's or \$100's of millions of dollars annually – the reason for the proliferation of litigation is the unique legal framework governing pharmaceutical patents. This article provides a brief overview of that legal framework.

**The linkage regulations.** The *Patented Medicines (Notice of Compliance) Regulations* ("Regulations") were first adopted in 1993 to prevent abuse of the then newly-introduced exception to patent infringement relating to work-up of a generic drug regulatory submission. The *Regulations* have been amended a number of times, most recently on June 12, 2008.

Proceedings under the *Regulations* account for the majority of the pharmaceutical patent litigation cases in Canada. The *Regulations* are sometimes referred to as "linkage regulations" as they link the ability of a generic manufacturer to obtain Health Canada regulatory approval to market and sell its product, to the innovator's patents. Specifically, the Minister of Health cannot grant regulatory approval (a notice of compliance or NOC) to a generic filing a piggy-back submission (a submission based on a comparison with an innovator's product) until it addresses patents listed by the innovator in connection with its product/regulatory submissions, by a certain date, on a list of patents called the Patent Register. In many cases, the generic manufacturer will allege that the patent is invalid and/or will not be infringed when it markets its proposed product, and the innovator will challenge those allegations in the Federal Court. As there are patents listed against most innovator products, many if not most generic drug regulatory submissions trigger the *Regulations*, with resulting litigation. During the litigation (up to 24 months), the Minister cannot grant an NOC to the generic. At the end of the proceeding, the Federal Court can prohibit the Minister from granting

an NOC to the generic until relevant patent expiry if it decides that the generic's allegations are not justified; if it does not, the generic can obtain an NOC (subject to addressing other patents).



The *Regulations*, while brief, are complex. In addition to the above cases, their interpretation has been considered in other contexts, including whether patents are eligible to be listed on the Patent Register, whether patents on the Patent Register need to be addressed by a generic manufacturer, and whether an innovator is liable to pay damages to a generic following an unsuccessful proceeding under the *Regulations*.

All of these cases have created a wealth of jurisprudence, not only regarding procedural points, but also addressing substantive patent law principles, such as sufficiency of disclosure and obviousness. Indeed, the most recent intellectual property case before the Supreme Court is a case relating to the validity of a selection patent covering clopidogrel (sanofi-aventis' PLAVIX) in the context of a proceeding under the *Regulations*.

**Pharmaceutical patent infringement and invalidity actions.** Regardless of the outcome of a proceeding under the *Regulations*, the innovator can bring a patent infringement action and/or the generic can bring an action to impeach the patent. A relatively recent example of a successful patent infringement action that followed an unsuccessful prohibition proceeding was a case relating to Janssen-Ortho's LEVAQUIN (*Janssen-Ortho Inc. and Daiichi Pharmaceutical Co., Ltd. v. Novopharm Limited*, 2006 FC 1234, aff'd 2007 FCA 217).

An interesting recent development in the Federal Court is the ability of plaintiffs to obtain quicker trial dates, sometimes within two years of starting an action, in stark contrast to the historical timeline of up to ten years. Such a short timeline means that it may be possible to remove the generic from the market before patent expiry.

As a result of the above legal framework, one can expect that pharmaceutical patent litigation will continue to flourish in Canada. Innovators and the generics will continue to litigate under the *Regulations* given the linkage to the generic's regulatory approval. However, one can also expect growth in the number of patent infringement and invalidity actions before the Federal Court, given that speedier trials are now possible.

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## Recent developments in brief

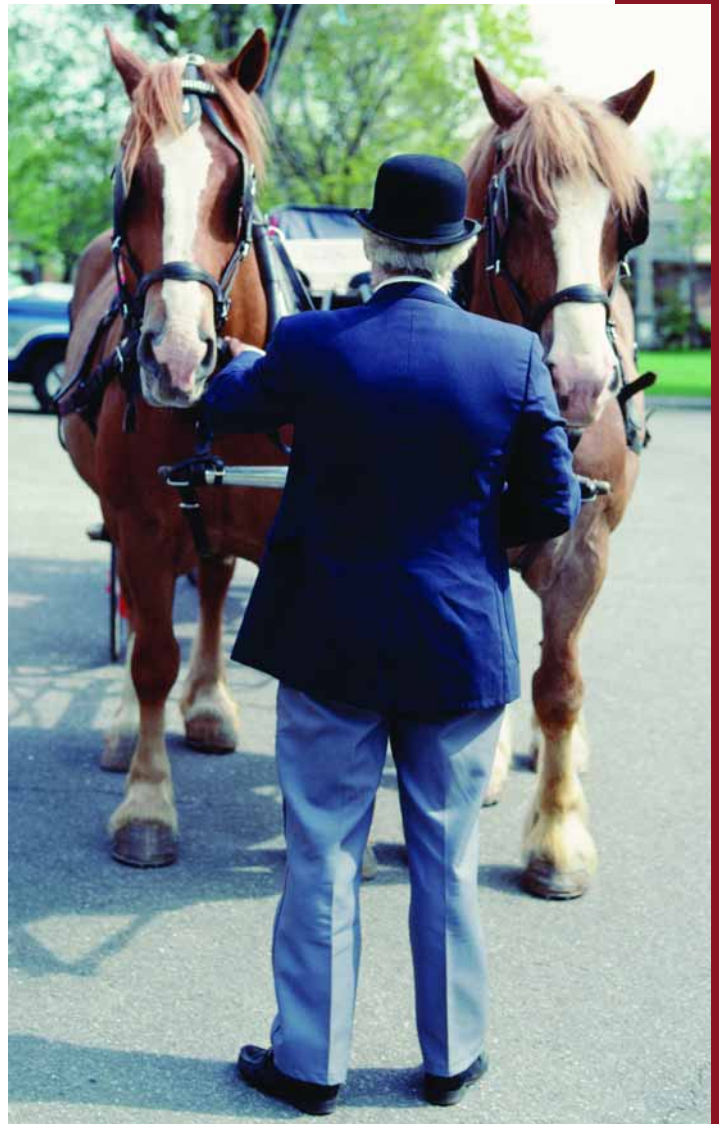
**Who owns the Stanley Park domain?** Stanley Park is a Vancouver landmark that is familiar to Canadians and visitors alike. On April 29, 2008, the Vancouver Sun reported on a dispute involving the ownership of [www.stanleypark.com](http://www.stanleypark.com). Gerry O'Neil bought the name in 1997 and his website promotes his horse-drawn carriage business in the park. The business has been in operation since 1985 and now has 18 horses with six carriages that tour the park. Now, the Vancouver park board wants him to turn the name over, and so far O'Neil has refused.

**Parliament considers net neutrality.** The NDP has introduced a private members' bill to the House of Commons that is designed to regulate the control of Internet use by service providers. Bill C-552 would amend the *Telecommunications Act* to prohibit network operators from engaging in practices that "favour, degrade or prioritize any application, or service" that is provided, subject to certain exceptions. The issue of net neutrality has become increasingly important as Internet traffic has grown and the government will need to weigh the competing interests carefully when deciding whether and in what matter it should be regulated.

**Good intentions no excuse for non-use.** Federal Court of Appeal. June 3, 2008. In a decision involving the trade-mark VANITY, the Federal Court of Appeal has commented on the ability of a trade-mark owner to defend a registration in a situation where a mark has not been used in Canada during the three-year period preceding a request for cancellation. Previous jurisprudence has held that non-use can be excused and a registration upheld if there are special circumstances, which might include obstacles that make use of the mark impossible for a period of time. However, in this case, the Court found that were there was deliberate non-use with a stated intention to recommence use in the near future. The Court held that an intention to recommence use cannot be considered a justification. Thus, trade-mark owners should be aware that if a mark is not used for three years, it will likely take more than an intention to resume use to save a registration from cancellation if challenged.

**Scrabble fights back.** In our March/April issue we reported on the appearance of the online game of SCRABULOUS on Facebook. Now

Electronic Arts is weighing in with a version of SCRABBLE that has been authorized and licensed by Hasbro and will be available to Canadian and U.S. Facebook members. With a headstart that has created a dedicated following and close to half a million users on a daily basis, SCRABULOUS may be hard to beat in the marketplace, but Hasbro and Electronic Arts say that they have given their online game some advantages that they hope will provide a competitive edge, including improved reliability, production and technical support. In the meantime, the owners of SCRABBLE continue to pursue legal remedies and a "Save Scrabulous" group has formed on FACEBOOK.



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Smart & Biggar/Fetherstonhaugh is pleased to announce that the firms have been named both Trade-mark Prosecution Firm of the Year and Trade-mark Contentious Firm of the Year for 2008 by U.K. publication *Managing Intellectual Property* magazine (MIP). Smart & Biggar/Fetherstonhaugh is the first to be awarded this honour in Canada in two of MIP's five categories recognizing excellence in the field of Canadian intellectual property law.

With approximately 100 professionals in four offices, Smart & Biggar is Canada's largest firm practising exclusively in intellectual property and technology law. Related to the patent and trade-mark agency firm Fetherstonhaugh through common partners, offices, and personnel, we have been leaders in our field for over a century.

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- E-commerce

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