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IP CONNECTIONS

CANADIAN INTELLECTUAL PROPERTY & TECHNOLOGY LAW NEWSLETTER

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DOUBLE DOUBLE: when two may not be enough

If you walk into any coffee shop in Canada and ask for a double double, you will automatically receive a coffee with two creams and two sugars. Can this term be registered as a trade-mark?

One of the basic rules of Canadian trade-mark law is that a trade-mark that describes your goods and services, or a feature, trait or characteristic of your goods or services, cannot be registered. As a result, trade-marks such as OFF for insect repellant, CAFÉ SUPREME for coffee, GRO-PUP for dog food, ONCE A WEEK for floor cleaner, and O'CEDAR for polish containing oil of cedar have all been denied registration in Canada. The philosophy behind this is that no one person should be permitted to monopolize descriptive words or phrases to market their goods and services and therefore potentially gain an unfair advantage over competitors.

There are, of course, exceptions to this basic rule of trade-mark law, and we refer you to the article entitled "Choosing a winning trade-mark is key to creating a strong brand", which appears at page 5 of this newsletter, for more information in this regard.

Welcome to *IP Connections*, a newsletter from Smart & Biggar/Fetherstonhaugh covering topics of interest in the world of intellectual property and technology. In this inaugural issue, we look at diverse topics such as an attempt by Tim Hortons to register DOUBLE DOUBLE as a trade-mark and a patent relating to Apple's IPOD. We also provide some tips for managing a patent portfolio and choosing a winning brand. We hope that you will find these and the other articles in our newsletter to be both interesting and useful.

While *IP Connections* is intended to be informative, there is no substitute for legal advice that deals with your specific circumstances. Please feel free to contact me or any of our authors if you have comments or questions, or would like to discuss any of the topics covered by our newsletter. Should you wish to arrange for a consultation or for legal advice on any issue relating to intellectual property or technology law, our contact information is provided on the back page.

Keltie Sim, Editor
krsim@smart-biggar.ca

In view of this basic rule of trade-mark law, it would seem pretty obvious that you could not register PIZZA, for example, as a trade-mark for pizza. However, PIZZA PIZZA is a registered trade-mark of Pizza Pizza Ltd. for – you guessed it – pizza. The Court in this case found that by doubling the descriptive word "pizza" (a technique grammarians refer to as reduplication), Pizza Pizza Ltd. had formed what amounted to a coined or invented phrase with "no specific descriptive connotation". As a result, the Court was of the view that the trade-mark PIZZA PIZZA did not describe the goods of Pizza Pizza Ltd., that is, pizza. In reaching this decision, the Court noted that "[t]he expression "pizza pizza" is not a linguistic construction that is part of normally acceptable spoken or written English" and that "[t]he words "pizza pizza" do not go together in a natural way." It therefore seems that reduplication can turn descriptive words into registrable trade-marks. Indeed, Little Caesar Enterprises Inc. subsequently obtained registrations for PEPPERONI!PEPPERONI! and HAWAIIAN!HAWAIIAN! for pizza, and SPAGHETTI! SPAGHETTI! for pasta.

However, reduplication alone may not be the key. Eplett Dairies Co. Ltd. applied to register the trade-mark BON-BON for ice cream. Eplett argued that the trade-mark would be perceived as a "nonsense word" made up of a reduplication of the French word *bon* (meaning good) and was therefore not descriptive of ice cream. However, the Court disagreed. The Court was of the view that the trade-mark BON-BON was the equivalent of the French word *bonbon*, meaning candy, and that the consumer, when seeing the trade-mark, would think that the ice cream contained candy, tasted like candy or was sweeter than normal. Moreover, the Court noted that the dictionary definition of the French word *bonbon* indicates that the derivation of the word is the reduplication of the word *bon*, which squarely countered Epplet's argument that the reduplication would be perceived as a "nonsense word".

Recently, Tim Hortons (The TDL Marks Corporation) applied to register the trade-mark DOUBLE DOUBLE. Is this trade-mark descriptive? Should Tim Hortons be permitted to register it? Well, let's consider the following. If you walk into any coffee shop in Canada and ask for a coffee "double double", the barista will know to add two creams and two sugars to your coffee. While the trade-mark is a reduplication of the word double, the expression double double is part of our everyday spoken language. In fact, the expression double double is now included in the Canadian Oxford Dictionary and is defined as a coffee with two creams and two sugars. In the PIZZA PIZZA case, the Court pointed out that "the expression 'pizza pizza' is not a linguistic construction that is a part of normally acceptable spoken or written English" and that "the words 'pizza pizza' do not go together in a natural way". Clearly, the same cannot be said of DOUBLE DOUBLE.

As a result, it would appear that Tim Hortons could potentially face an uphill battle. This would certainly appear to be the case if they were applying to register the trade-mark for coffee. However, in what may be a clever move on their part, Tim Hortons has in fact applied to register DOUBLE DOUBLE for coffee additives. Is DOUBLE DOUBLE clearly descriptive of coffee additives? What do you think?

The Tim Hortons application to register DOUBLE DOUBLE is still making its way through the Canadian Trade-marks Office. A decision as to whether it can be registered has not yet been made. We will keep you posted.

Geneviève M. Prévost, **Toronto**

Panning for patent gold: differentiating the obvious from the innovative

Many engineers and scientists dismiss their solutions as obvious, when in fact their advancements may well constitute new and non-obvious patentable inventions.

On August 23, 2006, Apple Inc. agreed to pay $100-million to obtain a patent licence from Creative Technology Ltd. This settlement resolved a patent infringement lawsuit that Creative had brought against Apple several months earlier, alleging that Apple's IPOD portable music players infringed a U.S. patent obtained by Creative for portable music players in 2005.

So what was the ground-breaking invention that Creative had made to secure this gem of a patent? Were they the first to invent portable music players? Hardly. Thomas Edison's 1878 phonograph patent beat them out of the gate by 127 years, not to mention earlier Swiss music boxes dating back to 1811. How about the first to invent portable *handheld electronic* music players? Nope: think back to 1979 when the Sony Walkman set a new standard for portability. Portable *digital* music players? Not even close, as Sony had followed up with its Discman portable CD player in 1984.

Creative's patented invention was, quite simply, a user interface. The claims define a hierarchy of categories, subcategories and items. A user can select a category from a first display screen (*e.g.* "Album Name"), then a subcategory from a second display screen (*e.g.* "Led Zeppelin II"), then one or more items belonging to that subcategory from a third screen (*e.g.* "The Lemon Song"). A musical track is then played based on the user's selections.

Sound simple? Maybe even obvious? After all, human beings have categorized and subcategorized things throughout recorded history. Patent laws require an invention to be both new and non-obvious over the "prior art". So how did Creative's application meet these requirements?

To answer this question, it is necessary to consider the legal tests for obviousness. Obviousness is alleged as a ground of invalidity in virtually every patent lawsuit. The Courts rightly view these attacks with caution, particularly in view of the risk of hindsight reasoning. Once an invention has been created and published for the world to see, it is easy to say, "I could have done that". To guard against this, the Court must place itself in the position of the notional person of ordinary skill in the art at a time before the invention was made.

To invalidate a U.S. patent, it is not enough to find some elements of the claimed invention in one piece of prior art, and other elements in another, then conclude that it would have been obvious to combine them. Rather, the patent examiner or other attacker must identify an apparent reason that would have prompted the notional person of ordinary skill in the art to modify and combine the prior art to arrive at the invention. The Canadian test is differently worded but to similar effect.

Three-level hierarchical categorization structures are old and well-known. Portable digital music players are old and well-known. However, there was no apparent reason that would have prompted the notional person of ordinary skill in the art to combine these two aspects to arrive at Creative's claimed invention. Therefore, the invention was not obvious.

The moral of this $100-million story is that the level of inventiveness or non-obviousness required to obtain a patent is relatively low. Some of the most valuable commercial inventions may not be groundbreaking, but could relate to seemingly mundane solutions to problems that arise in the development of a product, or to perceived shortcomings of existing competing products. For any innovating company, therefore, the test in deciding whether to patent a solution should not be based on its apparent ingenuity, but on whether exclusive rights to it would provide commercial value. Would the company's competitors potentially want to adopt the solution? If so, would it be difficult for those competitors to design around the patent by offering a competing product that lacks the solution? If the answer to the first question is yes, then patenting the solution in question is advisable; if yes to both questions, patenting is essential.

Stephen J. Ferance, Vancouver

Patent portfolio management: know what you have

"Be Proactive" is habit #1 from Steve Covey's *The 7 Habits of Highly Effective People*. When it comes to building and maintaining a valuable patent portfolio, proactivity is an absolute necessity.

The first and most important step in managing a patent portfolio is knowing what patent assets your company already has. By understanding the existing assets, a manager can better plan and strategize in support of the company's business objectives. This helps in deciding what should or should not be patented, and what assets should be purged or maintained.

For the experienced manager, the importance of this may seem obvious. After all, how can any asset be managed without knowing what that asset is? Yet surprisingly, few companies have an accurate picture of their patent holdings and how they fit into their businesses.

For many companies, managing a patent portfolio is limited to obtaining patents for their new products and services without regard to existing holdings and their ongoing value. These companies tend to seek new patents that are isolated in their scope of protection, rather than patents that complement their portfolio.

Knowing your patent portfolio goes beyond maintaining a simple list. It involves understanding how your existing patent assets relate to your company's commercial activities, knowing the business purpose behind holding each patent asset, and being aware of where your portfolio stands relative to those of your competitors. It also means keeping your patent strategy current as you introduce or drop products or services and as competitors enter and exit the marketplace.

Performing an IP audit is a good way to kick off the process of managing your patent portfolio. However, an IP audit is not enough on its own. While an IP audit can provide a snapshot of your patent assets at a specific point in time, it is often a process that is performed and soon forgotten. On the other hand, effective patent portfolio management is a dynamic task that must receive ongoing attention.

A practical step towards proactively managing your portfolio is to hold periodic patent review meetings. At such meetings, managers from different departments review your company's current patent assets, define, refine, or redefine strategic objectives for the portfolio, and evaluate patent protection needs for developing technologies. Relevant individuals within your company are kept updated, making them able to identify possible gaps in patent protection. These meetings also allow a patent asset that has upcoming expenses, such as maintenance fees and foreign filings, to be considered in light of its contribution to the overall patent portfolio instead of in isolation. This in itself can result in thousands of dollars of savings by avoiding maintenance fees on patent assets that have become commercially irrelevant.

Another practical step toward proactively managing a patent portfolio is to assign its management responsibility to a specific person. It is, however, worth mentioning that since the tasks involved will include significant decision making based on in-depth product knowledge, the responsibility should be assigned to a manager rather than to a clerk or administrator. This step will help to ensure that someone is actively aware of the patent assets you have, and will avoid patent portfolio management becoming an afterthought.

Knowing what you have is only the first step in proactively managing your patent portfolio. The next step is deciding what to do with that knowledge and how to leverage it to improve your bottom line.

Brigide Mattar, Montreal

Choosing a winning trade-mark is key to creating a strong brand

Many considerations go into choosing a brand name (or trade-mark) when a new product or service is prepared for launch.

Consumers who see a strong trade-mark will automatically know the source of the product or service and the level of quality to expect. In other words, a strong trade-mark distinguishes your products or services from those of your competitors.

In general, there are four categories of trade-marks:

Fanciful trade-marks. Fanciful or coined trade-marks are invented words with no known meaning. They include EXXON, KODAK, and XEROX. This category contains the strongest types of marks. They are the easiest to register and protect, as it is unlikely that a competitor has prior rights to a confusingly similar trade-mark.

Arbitrary trade-marks. These marks are known words applied to unrelated products or services, such as APPLE as applied to computers. These are relatively strong trade-marks, and there is typically a good chance that they can be registered and protected.

Suggestive trade-marks. These marks are known words that suggest a quality of the product or service, but do not describe the product or service itself. Some examples include COPPERTONE for tanning oil, WHIRLPOOL for washers, and CHICKEN OF THE SEA for tuna. These marks are more difficult to register and protect, as competitors may have used similar trade-marks in the past.

Descriptive trade-marks. These marks are words that clearly describe the owner's products or services. When seeing these types of marks, consumers are likely to immediately understand the exact nature of the products or services being offered. Thus, this type of trade-mark can be beneficial from a marketing standpoint. However, descriptive marks are problematic, as the laws in most countries prevent their registration and protection. These laws have been enacted to prevent one individual or company from monopolizing descriptive words that are needed by all competitors in the marketplace.

Although choosing a trade-mark that describes a product or service (such as GREATSLEEP for a mattress) may work well in initial marketing efforts, there are a number of pitfalls associated with this strategy. If your competitors have used the same descriptive term or a similar trade-mark in the past, they could have established prior rights. A competitor with prior use of a mark in Canada may not only be able to stop you or your company from registering the chosen trade-mark, but may be able to stop you from using the mark as well.

Descriptive marks can become registrable and protectable if the owner can show that the trade-mark has been used substantially over a significant amount of time, so that consumers automatically associate the trade-mark with only that one owner. This typically requires that the owner has a significant market share in the category and that no other competitors have used the mark. Examples of descriptive marks that have become registrable and protectable include ROLLERBLADE for in-line skates and WEIGHT WATCHERS for food products and weight loss programs. While these marks are very well known, their fame has taken a considerable amount of time and money to achieve.

While choosing a descriptive trade-mark may initially be appealing and can save some money, a fanciful or arbitrary mark will provide a better base for a strong brand that will serve you well in the long term.

Timothy P. Lo, **Vancouver**

The quest for VC funding: improve your odds with effective IP management

In the post dot-com era, IP is becoming an increasingly important consideration for investors and venture capitalists (VCs). This is especially true when VCs are contemplating investments in small technology companies.

Businesses that continuously innovate and demonstrate effective management of their IP will be more likely to succeed commercially and attract financing from VCs and investors. So what does a small technology company seeking financing need to know before beginning discussions with or investigations by VCs relating to IP?

VCs invest at various stages of a company's life (pre-seed, seed, early stage, first round, second round, etc.). The size of the investment also varies, depending on the nature of the technology (for example, biotech companies usually receive greater amounts of funding than IT or industrial technology companies because of their lengthy and complex R&D phases) or the involvement of foreign VCs (such as those from the U.S.) in an investment round. Regardless of the stage or size of the investment, more sophisticated VCs usually focus on the manner in which the technology company is managing its IP assets and related risks.

The following are five key areas of interest for VCs who conduct some level of IP investigation or assessment before they invest:

1. the IP assets or rights (such as license rights) owned or held by the technology company;
2. the quality and scope of those assets or rights;
3. the presence of any third party patents or rights that may potentially pose risks for the company, especially in the U.S.;
4. the commercial relevance of the portfolio to the company's business objectives; and
5. any unprotected or pipeline technology that can still be protected.

Unfortunately, small technology companies often do not manage their IP assets or risks effectively. For example, if the company decided at the outset to forego patent protection, it may be too late to obtain such protection if the product or service has been offered for sale in North America for more than a year. This can be damaging if found during a VC's pre-investment investigation.

Most Canadian technology companies focus on the U.S. as a key marketplace for their products or services. Since the U.S. is arguably the most complex IP jurisdiction worldwide, even a small technology company operating on a limited budget should have a clear and sensible position on each of the above five items.

Budgetary constraints are not usually a satisfactory reason for taking very little or no action on IP matters. In most cases, the technology and related IP are a small technology company's most important assets, and it should therefore act responsibly to show that sensible steps have been taken to protect these key assets. In addition, even a small company on a limited budget can use its own resources to conduct a cursory assessment of potential risks from third party patents in the U.S. An external IP firm is not required for this purpose until after the company has received financing (after which such services are recommended).

A technology company seeking financing should address the five items above in order to be viewed favorably by a VC during its pre-financing investigation. This process will effectively prepare the company for the next stage in the VC's investigation.

Sanjay D. Goorachurn, **Montreal**

Recent developments in brief

Fairmont Hotels Inc. v. Fairmont Resort Properties Ltd., **Federal Court, January 29, 2007.** Did you know that Fairmont Hotels and Fairmont Resort Properties are two different companies? The Federal Court recently heard a case involving an application by Fairmont Resort Properties to require Fairmont Hotels to change their name because of the risk of confusion. The matter is ongoing.

BMW Canada Inc. v. Nissan Canada Inc., **Federal Court, March 7, 2007.** Car lovers will know that BMW has a family of trade-marks beginning with an M for some of its models, like the M5 and M6. When Nissan began advertising its new INFINITI M35 and M45 in 2005 and 2006, BMW objected. The Court noted these are expensive, luxury cars that are purchased only after significant study and careful consideration. Nonetheless, it was found that there was a likelihood of confusion between the Nissan and BMW marks, in part because the marks, the products and the type of business are all very similar. The case is under appeal and awaits final determination.

Emall.ca Inc. v. Cheap Tickets and Travel Inc., **Federal Court, March 2, 2007.** Sometimes, getting a descriptive trade-mark approved by the examiner and onto the Trade-mark Register is not the end of the story. Emall.ca Inc., the owner of CheapTickets.ca, applied to remove Cheap Tickets and Travel Inc.'s trade-mark registrations for CHEAP TICKETS from the Register in word and design format on the basis that the marks were descriptive of the travel agency services provided. The Court agreed that CHEAP TICKETS qualified as "clearly descriptive" of providing access to travel services at advantageous rates and ordered that the marks be struck from the Register. The case is under appeal.

88766 Canada Inc. v. Coca Cola Ltd., **Trade-Mark Opposition Board, February 8, 2006 (reported in 2007).** Under the use-it-or-lose-it principle of trade-mark law, a numbered company applied to cancel Coke's registration for CLASSIC on the basis that the real trade-mark was COCA-COLA CLASSIC and not CLASSIC alone. The mark was struck from the Register on the basis that most people would view CLASSIC as part of the overall mark, and not as a separate mark.

News flash: **Canadian Trade-marks Office now permits wine and beer (sadly, on paper only).** Those with experience in describing products and services in Canadian trade-mark applications will know that it can be a frustrating process, given the amount of detail required. Long lists of specific pharmaceutical preparations, food items and types of clothing can often be found in approved applications. However, good news in the form of a Practice Notice now dictates that "wine" and "beer" are acceptable descriptive terms not requiring further detail.

SMART & BIGGAR
FETHERSTONHAUGH
Barristers & Solicitors • Patent & Trade-mark Agents

OTTAWA
55 Metcalfe Street, Suite 900
P.O. Box 2999, Station D
Ottawa, Ontario Canada
K1P 5Y6
t. 613.232.2486
f. 613.232.8440
ottawa@smart-biggar.ca

TORONTO
438 University Avenue
Suite 1500, Box 111
Toronto, Ontario Canada
M5G 2K8
t. 416.593.5514
f. 416.591.1690
toronto@smart-biggar.ca

MONTREAL
1000 de La Gauchetière St. W.
Suite 3300
Montreal, Québec Canada
H3B 4W5
t. 514.954.1500
f. 514.954.1396
montreal@smart-biggar.ca

VANCOUVER
650 West Georgia Street
Suite 2200
Box 11560, Vancouver Centre
Vancouver, B.C. Canada
V6B 4N8
t. 604.682.7780
f. 604.682.0274
vancouver@smart-biggar.ca

www.smart-biggar.ca

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.

Virtually every member of our firm has an engineering or scientific educational background and many also have post-graduate degrees. More than two-thirds of our firm members, including most of our lawyers, are registered patent agents.

This technical depth and record of superior service are the reasons Canada's most innovative corporations and law firms look to Smart & Biggar/Fetherstonhaugh for a full range of intellectual property and technology law services including:

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To offer your feedback on this newsletter or any of its articles, please contact:

Keltie R. Sim (Editor)
krsim@smart-biggar.ca

Geneviève M. Prévost (Co-editor)
gmprevost@smart-biggar.ca

Emma Start (Co-editor)
emstart@smart-biggar.ca