



IP CONNECTIONS

CANADIAN INTELLECTUAL PROPERTY & TECHNOLOGY LAW NEWSLETTER

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Talk to your doctor – got it, but what is the drug for?

Have you ever wondered why drug companies advertise their products but don't tell you what they do? The answer is that it's the law – but there are exceptions.

Canadian consumers are no doubt familiar with the straightforward “Talk to Your Doctor” message of pharmaceutical advertisements in Canada, often accompanied by images of ordinary Canadians and a brand name or logo of a drug but with no mention of the disease it treats. Take, for example, the advertisement “Good Morning” that aired a few years back in which a man is shown happily heading off to work. The ad closes with the VIAGRA logo and the words “Talk to Your Doctor”. While such ads typically promote brand awareness and not much more, this is not simply a marketing strategy on the part of Canadian drug companies.

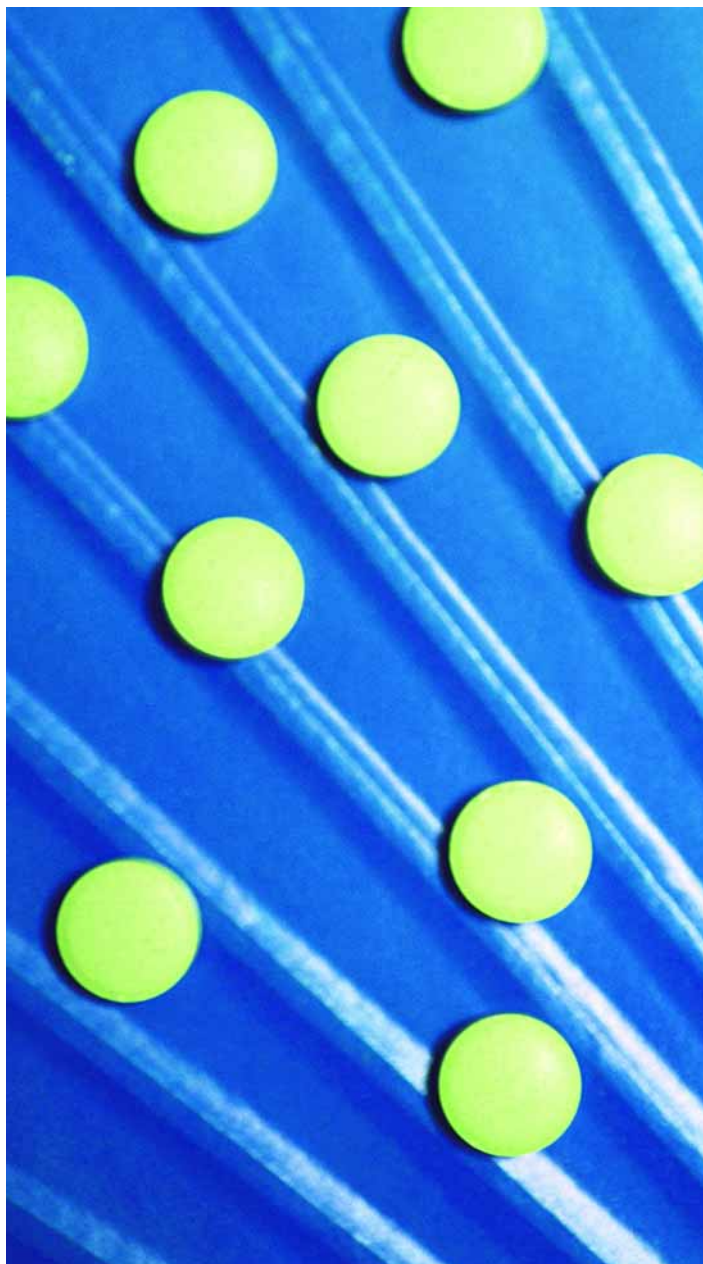
In fact, the *Food and Drugs Act (FDA)* and its regulations restrictively govern what pharmaceutical companies can include in their advertisements in Canada. As one would expect, a drug cannot be advertised in manner that is false, misleading, deceptive or likely to create an erroneous impression of the drug's character, value, quantity, composition, merit or safety. Going beyond that are provisions that reflect Health Canada's long-standing

policy against direct-to-consumer pharmaceutical advertising and to encourage individuals to seek the advice of health care professionals and/or practitioners for treatment of serious diseases.

Key prohibitions are:

- Advertising any prescription drug to the general public containing any representation other than the brand name, proper name, common name, price and quantity of the drug. The associated disease cannot be mentioned.
- Advertising any drug to the general public with a claim that the drug treats, prevents or cures any one of a number of specific diseases (“Schedule A diseases” – see below). A “preventative” claim includes risk reduction and “treatment” includes symptomatic treatment.

While Health Canada's policy has not changed, as of June 1, 2008, the restrictions have loosened somewhat as a result of statutory and regulatory amendments that took effect



on that date that are part of an ongoing effort to modernize the regulation of health products.

Schedule A, which was added to the *FDA* in 1934, has been updated to list diseases, disorders or abnormal physical states that meet defined criteria. Generally speaking, these are the diseases that Health Canada considers to be life-threatening or acute forms of specific diseases, such as cancer, gangrene and obesity. Conditions that are not considered acutely serious (such as sexual impotence and dysentery) have been removed and others have been narrowed (e.g., liver disease has been changed to hepatitis).

In addition, changes to the *Food and Drug Regulations* and the *Natural Health Products Regulations* have exempted most non-prescription drugs and all natural health products from the general prohibition in the *FDA* against preventative claims for Schedule A diseases. Manufacturers of non-prescription drugs and products such as herbal remedies and probiotics are now able to advertise and label their products using preventative claims, provided such claims are first approved by Health Canada.

Additional changes could be on the way that may further loosen the restrictions imposed upon pharmaceutical companies. This past spring, the government tabled Bill C-51. If passed, the Bill would amend the *FDA* and other related laws and may result in a restructuring of the current regulatory regime and may allow direct-to-consumer advertising of pharmaceutical products. Whether Bill C-51 will pass remains to be seen, as does the resulting impact on the advertising of pharmaceutical products in Canada.

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Commercialization of innovation and IP from Canada-California university collaborations: a Canadian Government project

In today's ever-increasing knowledge-based economy, both the private and public sectors face the challenge of successfully commercializing innovations to maintain their competitive edge. To ensure Canadian competitiveness and sustained economic growth in a global partnering environment, and as one example of an initiative arising from the 2007 federal strategic document entitled

"Mobilizing Science and Technology to Canada's Advantage", the Canadian Department of Foreign Affairs and International Trade (DFAIT) has taken an active role to improve upon the commercialization success flowing from cross-border university collaborations between leading Canadian and California universities.

The Canada-California Strategic Innovation Partnership (CCSIP) initiative began in 2005 to build upon the existing strengths and synergies of Canada and California. Both are leaders in R&D and generate in excess of \$30 billion in bilateral trade whereby California is a significant export market and trading partner for Canada. As importantly, on the research and venture capital fronts, California is viewed globally as a benchmark innovation cluster due to its leading university research and top-class VC ecosystem, having created world-class venture-backed companies such as Google, Cisco, Oracle, Sun Microsystems, HP and Genentech to name a few.

At the first Summit in January 2006 in Los Angeles, Dr. Robert Dynes, then President of the University of California (and Canadian of origin) addressed academia, government agencies, industry and investment sectors. He emphasized the importance of research, development and delivery (R&D&D) and advocated that research and the sharing of knowledge are central to collaboration. The key to successful partnerships is the development of leading-edge technology / innovation and timely commercialization of valuable goods and services whereby academia, government and the private sector are the three necessary partners to achieve such successful commercialization.

A bilateral Steering Committee for CCSIP identified areas of interest for joint research in key R&D areas for both parties, such as sustainable energy, information communications technology, nanotechnology, stem-cells / regenerative medicine and infectious diseases. These are viewed as priority R&D areas for both countries for eventual commercialization and, more importantly, to sustain economic growth by building innovative and world-class companies together in the future.

For example, one of the partnership projects being developed jointly is the high-speed research Internet infrastructure of Canada (CANARIE) and California (CENIC) that have already been implemented, creating a dynamic platform for research collaboration. Also, in June 2008 at BIO in San Diego, the Stem Cell and Regenerative Medicine Working Group of CCSIP produced an historic agreement whereby Canadians and Californians will join forces to gain a better understanding of the role cancer stem cells play in the development of the disease and learn how to prevent and treat cancer. Mr. Tony Clement, Canadian Minister of Health, announced a grant of over \$100M dollars from Canada to the Cancer Stem



Cell Consortium (CSCC) to work with the California Institute for Regenerative Medicine (CIRM). The two organizations signed a three-year agreement that lays the foundation for CIRM and CSCC to explore collaborative approaches to evaluate, fund and monitor cancer stem cell research projects leading to therapies or diagnostics.

On the commercialization front, the CCSIP aims to establish effective interfaces between public and private sectors, implement appropriate funding mechanisms and set best practices and legal guidance for managing cross-border IP and tax issues, which are viewed as key impediments presently for attracting cross-border early stage investors or venture capital.

Smart & Biggar is pleased to have been involved since 2006 as a founding partner of CCSIP and to have participated in one of the two horizontal working groups, namely the

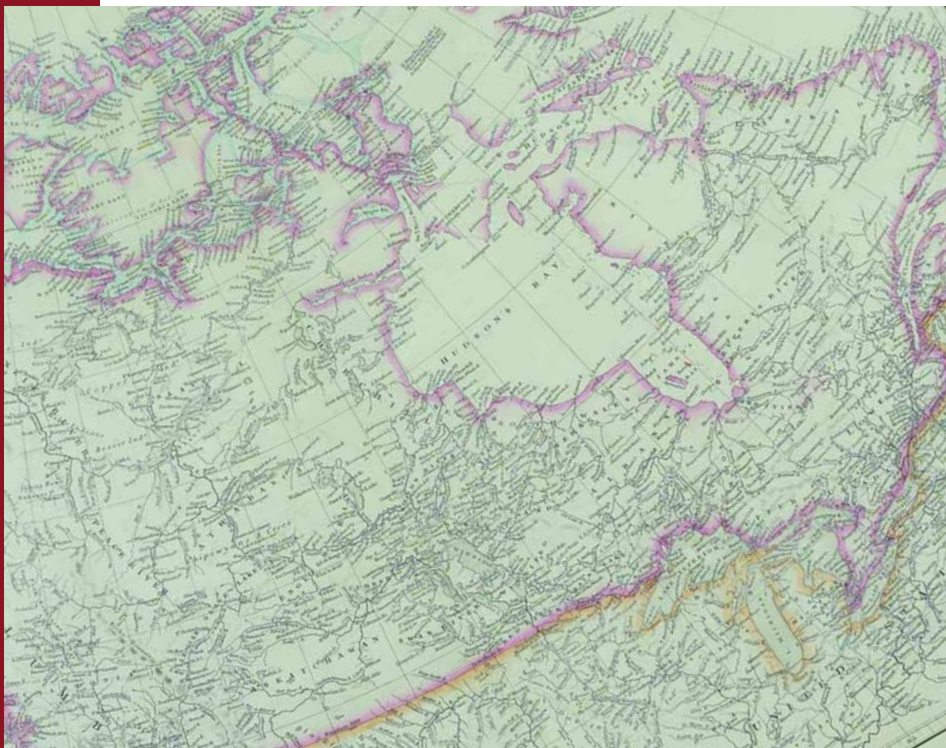
Venture Capital / Cross-border IP Working Group that will provide guidance to the key vertical areas of research. In this Group, Smart & Biggar is pleased to be working with Dr. Angus Livingstone of the UBC Technology Transfer Office and Mr. Tom Sweeney, Chair of this Working Group and partner of Garage Technologies Ventures Canada.

The Venture Capital / IP Working Group is presently working on a cross-border joint IP protocol that would provide guidelines for universities participating in CCSIP projects. Papers, proceedings and reports of the Summits may be accessed at <http://www.ccsip.org/about.html>. This Working Group, among the other working groups, will be presenting update reports at the third Summit of CCSIP which will take place in October 2008 in Montreal, Canada.

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Provincial Courts: intellectual property understudies

In intellectual property cases, which Canadian court should you use? The answer depends on what you're trying to achieve.



In Canada, when one thinks of intellectual property disputes, the Federal Court invariably comes to mind. It may therefore be surprising to find that the Federal Court and the Provincial Courts share jurisdiction for most matters pertaining to intellectual property. The statutory basis for this concurrent jurisdiction is found in section 20(2) of the *Federal Court Act*, which states:

(2) The Federal Court has concurrent jurisdiction in all cases, other than those mentioned in subsection (1), in which a remedy is sought under the authority of an Act of Parliament or at law or in equity respecting any patent of invention, copyright, trade-mark, industrial design or topography referred to in paragraph (1)(a).

However, despite not being the only court on the block, the Federal Court continues to hear the majority of intellectual property disputes. This is largely due to three factors.

In rem versus in personam. First, only the Federal Court has the jurisdiction to impeach, invalidate or expunge intellectual property.

Section 20(1) of the *Federal Court Act* provides that:

The Federal Court has exclusive original jurisdiction, between subject and subject as well as otherwise,

(a) in all cases of conflicting applications for any patent of invention, or for the registration of any copyright, trade-mark, industrial design or topography within the meaning of the Integrated Circuit Topography Act; and

(b) in all cases in which it is sought to impeach or annul any patent of invention or to have any entry in any register of copyrights, trade-marks, industrial designs or topographies referred to in paragraph (a) made, expunged, varied or rectified.

This gives the Federal Court the jurisdiction to make findings that are *in rem* (“against the thing”), meaning that the finding is directed toward the intellectual property itself. In the case of a patent, a determination by the Federal Court that certain claims of a patent are invalid prevents the patentee from further asserting those claims against other defendants. In contrast, invalidity findings in Provincial Courts are said to be *in personam* (“against the person”), meaning they are directed toward the parties involved in the litigation. Taking the above example, an *in personam* invalidity finding does not necessarily preclude the patentee from asserting those same claims against different defendants in the future, provided the common law doctrine of abuse of process/issue estoppel is not engaged.

Thus, at least on paper, the Federal Court clearly can provide more comprehensive intellectual property remedies. However, is this really an advantage? From a plaintiff’s perspective, proceeding in the Federal Court means risking an *in rem* determination that their intellectual property is invalid, a scary proposition at best. Alternatively, a finding of invalidity in a Provincial Court would be on an *in personam* basis. Potentially, their intellectual property lives to fight another day.

Tradition and experience. The second major reason why the Federal Court is the venue of choice for intellectual property disputes is tradition. Given that the vast majority of intellectual property matters have proceeded in the Federal Court in the past, the Federal judiciary has a great deal of experience and



litigants/litigators are comfortable with the forum. From the perspective of the parties involved, this means less time spent bringing judges up to speed on the relevant law and, perhaps, a more predictable experience.

National jurisdiction. Finally, the Federal Court’s jurisdiction extends to all provinces. This is helpful in the case of injunctions where an order obtained from the Federal Court can be enforced nationwide. That being said, there is some case law to suggest that, at least in Quebec, the irreparable harm component of the interlocutory injunction test is easier to meet at the provincial level (see for example, *Lampe Berger Canada Inc. v. Pot Pourri Accent Inc.* (2005), 49 C.P.R. (4th) 369). Thus, the provincial route may be worth investigating where the infringer’s manufacturing base is

located in or the infringement is highly localized to a specific province.

So, while the Federal Court continues to be the major venue for intellectual property disputes, the Provincial Court – at least in some cases – might be an attractive alternative. In fact, the Provincial Court might be the only option for disputes that are strongly contractual in nature, such as title disputes based on employment contracts or disputes over license agreements. Also, disputes based on tortious activities such

as misappropriation of trade secrets or common law passing off must be dealt with in the Provincial Courts. However, where these issues are ancillary to predominantly intellectual property matters, they may potentially be dealt with by the Federal Court. The choice appears to be equivalent to six of one and a half dozen of the other.

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Recent developments in brief

“Green Copyright” policies proposed. Michael Geist, a well known commentator on copyright matters, has recently proposed more environmentally friendly copyright policies for Canada, coining the term “green copyright”. As reported in *The Ottawa Citizen* on July 22, 2008, the University of Ottawa researcher has pointed out that Bill C-61, which provides proposed amendments to the *Copyright Act*, may discourage the reuse of old electronics by prohibiting the unlocking of cell phones, thus requiring some consumers to discard their phones when they switch carriers. Geist also contends that the Bill creates barriers to network-based computing which would otherwise create efficiencies and reduce carbon emissions. With environmental issues at the forefront, Geist’s statement that “the digital environment has joined the physical environment as one of the hot button issues of the summer” may well cause the our Industry Minister, Mr. Prentice, to sit up and take notice long into the fall and upcoming year.

Google expands keyword availability. Maintaining and expanding traffic through Google is a critical issue for many businesses. Since 2004, Google’s policy in Canada and the U.S. has been to allow a company to buy the rights to use another’s trade-mark to trigger its own advertisement and obtain additional exposure. Now, advertisers in the UK can also bid for the right to display their advertisement when a trade-mark is used as a search term. While viewed as a welcome change and furtherance of free enterprise by some, many established owners of trade-marks are concerned about the erosion of the ability of brand owners to clearly identify themselves to the public and benefit from the promotion of their marks. While efforts have been made to

restrict the practice through the courts, American Airlines recently dropped a trademark lawsuit against Google that was based on this issue. It has been speculated that, faced with rising fuel prices, the airline simply could not afford prolonged litigation, despite the importance of the issue.

“Taste Infringement” takes a serious turn. The COKE ZERO advertising campaign has featured a popular “taste infringement” and “sue a friend” spoof that has recently taken a turn for the serious with the commencement of a legal proceeding in the Federal Court in Atlanta. Having received repeated complaints from Bluesprings Water Co. which alleges prior use of NATURALLY ZERO CANADIAN NATURAL SPRING WATER, Coca-Cola attorneys have petitioned the court for a declaratory judgment that the company’s use of the word ZERO does not infringe or otherwise misappropriate the intellectual property of



Bluesprings. Thus, basically having premised the ad campaign on a lawsuit, Coke is now bringing a lawsuit in order to prevent a lawsuit, making COKE ZERO the center of a legal maelstrom indeed!

Singing and wrestling recognized as different.

In breaking news from the Canadian Trade-Marks Office, the Opposition Board has issued a decision that recognizes singing and wrestling as different fields of endeavor, capable of being distinguished by the Canadian public. The World Wrestling Federation applied to register the trade-mark RAW for their well-known entertainment services and were opposed by the owner of the trade-mark IN THE RAW, an entertainer previously in the field of dancing and more recently that of singing. In making its assessment of whether consumers were likely to be confused by the concurrent use of the two marks, one of the factors taken into consideration by the Opposition Board was the nature of the business. In this case, the two fields were considered to be significantly different, which will likely come as no surprise to most readers!

Battle for the GREEN SHIFT heats up. It is well-known that the same trade-mark can be owned by different companies so long as the products or services are quite different. However, the jury is out on whether Stephane Dion's choice of GREEN SHIFT will be permitted to co-exist with the same mark, previously used and the subject of a pending application by an environmental assessment and marketing company in Toronto called Green Shift Inc. The dispute, if not settled by the parties, will involve an assessment of the similarity of the type of activities carried on by the Liberal Party and the Toronto company as well as the way that they present the marks to the public.

Adidas wins landmark damage award. For many years, Adidas has aggressively defended its three-stripped logo that is applied to athletic shoes, clothing and accessories. In May of this year, its vigilance paid off in a big way when it won an award of damages that may well be the largest ever in a U.S. trade-mark case. A Federal jury in Portland, Oregon ordered Payless Shoesource to pay Adidas \$304.6 million for selling shoes that infringed on the well-known three-stripped design. Payless called the award "excessive and unjustified" and plans to appeal, but the verdict nonetheless sends a strong note of caution to retailers that sell products that look like famous brands.



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