

IP PERSPECTIVES

INTELLECTUAL PROPERTY & TECHNOLOGY LAW NEWSLETTER

Barbie and Veuve Clicquot – Supreme Court of Canada Clarifies Protection for Famous Trade-marks in Canada

The Supreme Court of Canada has issued two landmark decisions which should result in a broader scope of protection for famous trade-marks in Canada than appeared to be available following the decision of the Federal Court of Appeal in the *Pink Panther* case.

In *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2006 SCC 23) ("*Veuve Clicquot*"), the famous Champagne manufacturer sued a small chain of Quebec-based clothing retailers that have been operating under the names CLIQUOT and LES BOUTIQUES CLIQUOT since 1995.

In *Mattel v. 3894207 Canada Inc.* (2006 SCC 22) ("*Mattel*"), a Montreal-area restaurant owner had filed an application to register the trade-mark BARBIE'S & Design (SN 736898) in association with "restaurant services, take-out restaurant services, [and] catering and banquet services", based upon use in Canada since 1992.

The Federal Court, at trial and on appeal, dismissed both famous brand owners' cases, as it held that there was no reasonable likelihood of confusion due to the differences in the parties' wares and services.

In its decisions, the Supreme Court of Canada also dismissed both appeals, stating that its decisions were based upon the facts and evidence in these particular cases, which included the absence of any instances of actual confusion. However, the Court's reasons contain a number of significant statements about confusion in relation to famous trade-marks.

Importantly, the Supreme Court emphasized that a difference in wares or services does not "trump" all other factors. Rather, it stated that "different

factors will be given different weight in different situations" and that all surrounding circumstances, including the factors listed in section 6 of the Canadian *Trade-marks Act*, must be considered.

In its decision in the *Mattel* case, the Supreme Court reviewed the decision of the Federal Court of Appeal in *Pink Panther*, and disagreed with it in two important respects. First of all, the Supreme Court disagreed that "only in exceptional circumstances, if ever" should property rights be extended "into areas of commerce that do not remotely affect the trade-mark owner", and said that this test "puts the bar too high and may be seen as an attempt to impose rigidity where none exists". It also disagreed with the proposition that there must be "some resemblance or linkage to the wares in question" for confusion to exist, finding that resemblance is clearly not a requirement under section 6. Together, these statements make it easier for those trying to assert a famous mark against a third party's use of the same or a similar mark for unrelated wares or services.

The Supreme Court held that VEUVE CLICQUOT and BARBIE are famous marks, but also noted that, in keeping with all of the indicia to be considered under section 6 of the *Trade-marks Act*, "[f]amous marks do not come in one size". Depending upon the inherent nature of the mark and its associated goodwill, some famous marks are less likely to have a scope of protection that extends to unrelated wares or services. On the other hand, famous marks that are inherently strong or that have become famous in various business areas are more likely to be given an expansive scope of protection. Thus, fame alone does not necessarily conquer all; confusion remains very much a question of fact to be proven by the evidence.

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In *Veuve Clicquot*, the Supreme Court also reviewed the concept of depreciation of goodwill of a registered trade-mark, pursuant to section 22 of the Canadian *Trade-marks Act*. As noted by the Supreme Court, this anti-dilution remedy – which is not based upon confusion – has "received surprisingly little judicial attention" since its enactment more than 50 years ago.

The Supreme Court identified four factors that need to be established under section 22, namely that:

1. The Claimant's registered trade-mark was used by the Defendant in connection with wares or services, regardless of whether such wares and services are competitive with those of the Claimant. The Supreme Court emphasized that the Defendant may be liable, even if it does not use an identical mark to that registered by the Claimant, so long as the mark is sufficiently similar to evoke a mental association. By not requiring the marks to be identical, the Supreme Court has resolved an unsettled issue, and has expanded the applicability of this cause of action.

2. The Claimant's registered trade-mark is sufficiently well known to have significant goodwill attached to it. The Supreme Court noted that, unlike anti-dilution laws in some other jurisdictions, the trade-mark need not be famous.
3. The Claimant's mark was used in a manner likely to have an effect on that goodwill. The Supreme Court stated that while the test is not one involving confusion, there must be a likelihood that consumers have a "mental association" or "linkage" between the parties' marks. In *Veuve Clicquot*, there was neither direct evidence from any consumers nor any survey evidence establishing any such association between the brands.
4. The likely effect would be to depreciate the value of or damage the Claimant's goodwill.

While the Supreme Court held that *Veuve Clicquot's* evidence was not sufficient to prevail on this basis, this decision could lead to an increase in anti-dilution actions based on section 22.

Mark K. Evans, Toronto

Supreme Court Displays Its Sweet Tooth

In the [February 2006](#) issue of *IP Perspectives*, we reported on the decision of the Federal Court of Appeal in *Kraft Canada Inc. v. Euro-Excellence Inc.* (2005 FCA 427). In that case, Kraft Canada successfully sued a former Canadian distributor for infringement of copyright in artistic works appearing on the packaging of chocolate bars obtained by the Defendant from an unnamed source in Europe. The action was based on a section of the *Copyright Act* which provides that it is an infringement of copyright for any person to import a work into Canada for the purpose of its distribution or sale (an original or a copy) if that person knows or should know that the work would infringe copyright had it been made in Canada.

The bars themselves were genuine and lawfully put into commerce in Europe. However, Kraft Canada held the exclusive right to the copyrighted images in Canada, and had not authorized their reproduction on the imported chocolate bars.

Leave has now been granted for the Defendant to appeal this decision to the Supreme Court of Canada. In its application for leave to appeal, the Defendant argued that: the *Copyright Act* should not be construed to allow control of the otherwise free distribution of ordinary commercial products; the action constituted an abuse of copyright; the application of the *Copyright Act* in this case was against the public interest; and this application of the *Copyright Act* was contrary to Canada's international obligations under TRIPS. The Supreme Court does not publish its reasons for granting leave to appeal, and it is therefore impossible to say what considerations have stimulated its interest in this particular case. We will report on any significant developments in relation to this appeal, including the ultimate decision, in future issues of *IP Perspectives*.

A. David Morrow, Ottawa



A. David Morrow

Small Entity Fee Deadline Approaching

As noted in the [February 2005](#) issue of *IP Perspectives*, patent fees improperly paid on the small entity scale can invalidate a patent. Legislation has been passed providing a limited opportunity for patentees to correct such payments with one-time make-up fees.

The legislated one year period to bring small entity patent fees to a large entity level ends **February 1,**

2007. Because of the risk to patent validity, we strongly recommend that any such fees be paid up to a large entity level within the allotted time period. Please contact us by October 1, 2006 if you wish us to provide assistance in this regard.

For further information, please visit: <http://www.smart-biggar.ca/smallentity>



Daphne C. Ripley

Strategic Considerations for Patenting Pharmaceuticals in Canada

Canada has a legislative scheme — the *Patented Medicines (Notice of Compliance) Regulations* (“*Regulations*”) — that links drug regulatory approval to patent protection. If the *Regulations* are engaged, a pharmaceutical patentee may delay regulatory approval for a second party (usually a generic) to sell the patentee’s medicine, sometimes for as long as the life of its patents. This is particularly important in Canada, where interlocutory relief in a patent infringement action is almost impossible to obtain, and where data protection legislation (which can also delay generic market entry) has been found only to apply in limited situations.

In order to benefit from the *Regulations*, a patent must be listed on the Patent Register maintained by the Minister of Health. A patent can only be listed if it contains a “claim for the medicine itself” or a “claim for the use of the medicine”. This determination is generally easy, since many pharmaceutical patents have at least one listable claim to a new chemical compound or a new use of a known chemical compound (e.g., “use of drug X for treating disease Y”), or only claim non-listable processes of manufacture or intermediates having no therapeutic value as drugs.

In other cases, the determination is less clear. In an early case under the *Regulations*, it was decided that a claim to a pharmaceutical composition that includes a pharmaceutically active ingredient is a

claim to the medicine itself. However, later cases have arguably restricted the scope of what would be considered such a claim. It has been held that a claim to a drug combined with an inhaler useful for delivering the drug was not a claim to the medicine itself, and a similar finding was made with respect to a drug contained within a transdermal patch. In more recent appellate decisions, claims reciting a controlled-release dosage form containing any one of a number of different active ingredients have also been found not to be claims to the medicine itself.

While these decisions suggest that patents protecting drugs in combination with pharmaceutical devices, patches or controlled-release dosage forms will not be accepted for listing, this is not necessarily the case. It may be possible during the prosecution of a patent application to add or amend the claims to improve the chances of having a resulting patent listed. A good strategy is to ensure that at least one claim specifically recites the active ingredient for which regulatory approval has been or will be obtained. Also, use claims reciting each utility for which approval has been or will be sought should be added.

It may also be possible to add claims reflecting other aspects of the invention that are more clearly related to the medicine itself or its use. For instance, in the case of controlled delivery, the inventive aspect might also be expressed as a use,

such as a use of the drug according to a particular dosing regimen. Even for those difficult cases in which the key part of the inventive combination is the device or dosage form, reference to the device in a claim may not be fatal. In one case, for example, the claims of one of the patents at issue referred to a “composition in a container”.

It is important to let the Canadian agent know early in prosecution that a patent application

relates to a product for which regulatory approval from Health Canada has or will be obtained. Claims can be added or amended at any time during prosecution of a Canadian patent application, and if there are initially no claims giving rise to a listable patent, amendments can be made that may do so.

Daphne C. Ripley, Ottawa

Copyright Infringement Online – U.S. Decision Affirmed by Canadian Court

As reported in the [October 2005](#) issue of *IP Perspectives*, jurisdictional issues relating to activities that take place over the Internet are of increasing importance to intellectual property owners. The test for taking jurisdiction over borderless intellectual property infringement was clarified further in a recent decision of the Ontario Superior Court of Justice.

In *Disney Enterprises Inc. et al. v. Click Enterprises Inc.*, [2006] O.J. No. 1308, several U.S. movie studios sought to enforce an award of \$468,442.17 (USD) obtained in New York against an Ontario resident named Philip Evans and his company, Click Enterprises Inc.

The Respondents had “conducted an Internet retail business for profit that facilitated the illegal copying and downloading of copyrighted motion pictures.” This had been done through a series of websites through which a user could purchase a membership and thus access downloadable copyrighted films. The websites also provided software called “Evidence Shredder” to destroy any evidence of the users having downloaded infringing content.

Madam Justice Lax addressed the question of whether the operation of Ontario-based websites was an activity over which the New York Court could properly exercise jurisdiction. Under Canadian law, proper jurisdiction depends on the existence of a “real and substantial connection” with either the cause of action or the Defendant. Justice Lax found that Click Enterprises had contracted with service providers in the U.S. to process Internet payments, and “had a commercial purpose that utilized the Internet to enter the United States to carry out its activities”. Furthermore, it was found that the Respondents’ websites were available to residents of New York, causing harm there. Having found a “real and substantial connection” between the Respondents and New York, Justice Lax enforced the U.S. judgment.

As the test for intellectual property infringement online continues to take shape, cases such as this may have international significance.

Rex M. Shoyama, Toronto



Rex M. Shoyama

Jurisdiction of the Patented Medicines Prices Review Board

In Canada, the Patented Medicines Prices Review Board (PMPRB) has jurisdiction to control pricing of patented medicines. Recently, the issue was raised as to whether the PMPRB has jurisdiction to control pricing of a medicine back to the date on which the patent application was laid open.

Although not specifically addressed in either the *Patent Act*, the *Patented Medicines (Notice of Compliance) Regulations, 1994* nor the *Compendium of Guidelines, Policies and Procedures*, the *Patented Medicines Pricing Review Board Newsletter* does address such a scenario. A recent article captures the hypothetical issue and perhaps sheds some light as to the current state of affairs.

In most cases, patents issue before a drug comes to market, and fall under the jurisdiction of the PMPRB immediately upon release. In a situation where a drug reaches the market before the patent issues, the drug falls under PMPRB jurisdiction after the patent has issued. The Board's price review jurisdiction extends retroactively to include the patent pending period for which the patentee

receives retroactive patent infringement protection. Therefore, the Board may determine that a patented medicine was sold at an excessive price before the patent was issued and make a remedial order.

This ongoing practice of the PMPRB may come under additional judicial scrutiny, particularly in light of the recent Federal Court decision in *Hoechst Marion Roussel Canada Inc. v. Canada (Attorney General)* (2005 FC 1552) ("*Hoechst*"). In *Hoechst*, it was ruled that medicines which are still patent applications do not fall under the pricing control of the PMPRB. Reconciling *Hoechst* with the PMPRB's retroactive ability to issue remedial orders of recently granted patents comes down to timing. While the PMPRB cannot assert price control over patents still in application, once the patents are issued the Board can control the pricing of patented medicines through a remedial order.

Daphne C. Ripley and C. Donald Brown, Ottawa

Congratulations to the Winners of the 3rd Annual Smart & Biggar Scholarship Award

Smart & Biggar is pleased to announce the winners of the 3rd Annual Smart & Biggar Scholarship Award at the University of Ottawa. Each year a cash prize is awarded to deserving engineering students at the university who have demonstrated outstanding academic merit as chosen by the university's Faculty Selection Committee.

The scholarship winners are:

Meghan Butler (3rd year Chem. Eng. student)

Graham Morse (3rd year Chem. Eng. student)

Karen Soueidan (3rd year Comp. Eng. student)

In celebration of this occasion, Smart & Biggar hosted the three winners, along with Dr. David Gibbons, Associate Dean of Academic Affairs, and Isabelle Mayrand, Academic Administrator, for a luncheon in the firm's Ottawa office on March 8, 2006.

The scholarship is funded by the firms' donation of teaching income generated by the three partners of the Ottawa office who teach a course entitled "Intellectual Property and Technology Law for Engineers" at the University of Ottawa. The course, taught by Philip Lapin, David Schwartz and Colin Ingram, introduces students to the legal mechanisms for protecting their inventions and other forms of intellectual property.

Smart & Biggar is pleased to support the University of Ottawa and these admirable students, and encourages their continued studies in the field of engineering.



Back row, left to right: Ms. Isabelle Mayrand, Ms. Meghan Butler, Ms. Karen Soueidan, Dr. David Gibbons, Mr. Graham Morse
Front row, left to right: Mr. David Schwartz, Mr. David Morrow, Mr. Colin Ingram, Mr. Philip Lapin
Photograph taken by: Mr. Tim O'lett

Notes

Announcements

We are pleased to announce that *Alakananda Chatterjee* was called to the British Columbia Bar on February 22, 2006 and is now a Barrister and Solicitor in our Vancouver office.

Seminars and Presentations

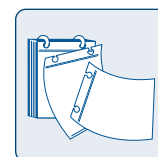
Andris D. Macins gave a presentation on the topic of "Patent Filing and Prosecution" at the Insight IP Paralegal Forum held in Vancouver on April 6, 2006.

Stephen J. Ferance gave a presentation and participated in a panel discussion on the topic of "Dangers in the Lab: The Experimental Use Defence to Patent Infringement" at the Intellectual Property Institute of Canada's Spring Meeting in Gatineau, Quebec on April 25, 2006. *A. David Morrow* was a joint presenter on the topic of "An Update on Canadian Patent Law" at the same conference.

Brian P. Isaac moderated a panel on the topic of "International & Domestic Customs Best Practices: What Works & What Doesn't" at the International Anticounterfeiting Coalition 2006 Annual Spring Conference held in Toronto from May 3-5, 2006. *Michael D. Manson* was the co-chair and moderator of the conference.

Michael D. Manson gave a lecture on the topic of "North American Comparative Trade-mark Review" at the International Trademark Association Annual Meeting held in Toronto on May 6, 2006. *Brian P. Isaac* spoke on the topic of "What U.S. Trademark Lawyers Must Know about Anticounterfeiting, Customs and Crossing the Border" at the same conference.

Steven B. Garland presented a paper authored by *Michael D. Manson* titled "Pre-Trial Issues: Examination in Chief" at the Canadian Bar Association



2006 National Intellectual Property Conference held in Ottawa on May 16, 2006.

Marc Gagnon gave a presentation on the topic of “La protection d’une innovation par brevet et par dessin” at the Parc technologique du Québec métropolitain in Québec City on May 18, 2006.

Ted W. Sum spoke on the topic of “Best Practices for Drafting IP Licensing Agreements” at the Canadian Institute Conference titled “Negotiating and Drafting Intellectual Property License Agreements” held in Calgary from June 12-13, 2006. *Michael D. Manson* spoke on the topic of “Safeguarding Your Rights by Effectively Including Termination, Renewal and Post-Termination Clauses” at the same conference.

Michael D. Manson gave a presentation on the topic of “Copyright in Architectural Works: Implications in the Digital Age” to the Architectural Institute of British Columbia on June 14, 2006.

Michael D. Manson spoke on the topic of “Tales from Beyond Encryption” at the Architectural Institute of British Columbia/Royal Architectural Institute of Canada Festival of Architecture held in Vancouver on June 16, 2006.

Jennifer L. Ledwell participated in a panel discussion on the topic of “Careers in Science Outside of Traditional Research” at the Faculty of Medicine Career Day for Graduate Students held at the University of Ottawa on June 22, 2006. She also spoke on the topic of “The Patent Agent Profession” at the same event.

Brian P. Isaac will speak on the topic of “Dealing with Grey Market and Counterfeit Goods” at Insight’s Annual Summer Law Clerk Forum: Advanced Skills – Commercial Litigation and Intellectual Property to be held in Toronto on July 13, 2006.

Michael D. Manson will speak on the following topics at the International Intellectual Property Law

Conference to be held in Vancouver (Practica) and Victoria (Academic) from July 10 – August 1, 2006:

- Bench and Bar Practice Issues: “IP Trials – Expert Witness Examination” with Thomas Filarski
- Recent Patent Development in U.S. and Canada: “Patent Developments in Canada: A Year in Review”
- ACA-4: “International and Comparative Patent and Trade Secret Protection”

Mark K. Evans will speak on the topic of “Copyright Enforcement and Remedies” at the McGill/Intellectual Property Institute of Canada seminar Understanding the Business of Copyright to be held in Toronto on August 22, 2006.

Mark K. Evans will speak on the topic of “Protecting Intellectual Property in the Distribution Channel” at the Federated Press Seminar titled Product Distribution Marketing to be held in Toronto on September 11-12, 2006.

Gunars Gaikis will be presenting on the topic of “Notices of Allegation and Section 8 Damages: Successful Brand and Generic Strategies” at The Canadian Institute’s 5th Annual Forum on Pharma Patents to be held in Toronto on October 16, 2006. *Nancy P. Pei* and *Yoon Kang* will be leading a workshop titled “Developing and Managing Your Patent Portfolio – Maximizing Patent Life Cycles and Minimizing the Impact of Patent Expiry and Innovation Uncertainty” at the same conference.

Publications

Elliott S. Simcoe, “Round in circles: The regulation of copyright and new media in Canada”, *Copyright World*, March 2006.

Michael D. Manson, “International Patent Litigation — Patent Litigation in Canada”, *California Business Law Practitioner*, Volume 21, Issue 1, March 2006.

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Update to Dimock, Manson *et al.*: "Intellectual Property Disputes: Resolutions and Remedies", 2002.

Daniel Anthony and Michael D. Manson, "A Shift on the Horizon: The Conspiracy of Assignment", *Patent World*, May 2006

Mark K. Evans, "A Canadian Cat Fight", *Managing Intellectual Property Magazine*, May 2006.

Steven B. Garland and Kevin Graham, Canadian Chapter of "Global Patent Litigation: Strategy and Practice", *Wolters Kluwer Law*, June 2006.

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