



Intellectual Property Brief

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In this issue of *Intellectual Property Brief*, Dale Schlosser begins by providing an overview of twelve interesting IP cases from 2009. Sarah Kilpatrick discusses a recent change made by CIPO that affects the examination process of Canadian trade mark applications. Then, Sarah and Peter Wells comment on a case dealing with IP licences and how they apply in the case of a corporate merger.

Review of Cases of Interest From 2009



Dale E. Schlosser

Below is a review of 12 cases from 2009 across the IP spectrum which we viewed as particularly interesting.

Trade Marks

Drolet v. Stiftung Gralsbotschaft et al. (January 6, 2009)
2009 FC 17

This case related to the “Grail Message” and symbols related to it which were registered as trade marks by The Foundation of the Grail Movement – Canada.

Drolet rewrote a version of the work causing the defendants to demand he cease distributing his version of the work alleging that the work was a substantial copy of the translation of the original work. Drolet proceeded with an action to expunge certain trade marks and there was a counterclaim by the defendants for trade mark infringement and for infringement of copyright.

The court held that the trade mark for the title of the book was invalid because it was inherently descriptive, not because it conveys information on the content of the work but because it is the only way to identify the book in question.

Glenora Distillers v. Scotch Whisky Association
(January 22, 2009) 2009 FCA 60

The Federal Court of Appeal concluded in this case that the word “Glen” is not a prohibited mark under section 10 of the *Trade Marks Act*.

Section 10 of the *Trade Marks Act* provides that “where any mark has by ordinary and *bona fide* commercial usage become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any wares or services, *no person shall adopt it as a trade mark* in association with such wares or services or others of the same general class or use it in a way likely to mislead, nor shall any person so adopt or so use any mark so nearly resembling that mark as to be likely to be mistaken therefor.”

The Federal Court had allowed the Scotch Whisky Association’s appeal from a decision of the Trade Marks Opposition Board and held that Glenora was not entitled to register the trade mark Glen Breton for

use in association with whisky, as it was a mark prohibited by section 10 of the *Trade Marks Act*.

The Federal Court of Appeal found that “Glen” alone was never registered as a mark. Glen forms part of several trade marks such as Glen Livet. Therefore it was not shown that “Glen” was a mark and cannot be prohibited under section 10. Also, if “Glen” was prohibited, the Scotch Whisky Association members could not use it either.

Atomic Energy of Canada Limited v. Areva NP Canada Ltd. et al. (September 30, 2009) 2009 FC 980

This case involved a summary judgment motion brought by the defendant in an action for trade mark and copyright infringement, passing off and depreciation of goodwill. The parties compete in the provision of nuclear wares and services. The trade marks in issue were similar stylized designs of the letter A. The defendant’s A design was used in the first and last letter of the name Areva. It is not used alone but is in close proximity to the name Areva. The plaintiff’s mark also did not appear alone; it appears in close proximity to its corporate mark.

The Court found that the relevant public was a small, sophisticated group and that there was no possibility of confusion because the nuclear procurement business was a long, careful process and those involved would not be confused as to which company they were dealing with because of any similarity in the stylized “A” trade marks.

The court found that there was no genuine issue for trial with respect to trade mark infringement, passing off and copyright infringement, and granted the summary judgment motion and dismissed the plaintiff’s claim.

Pioko International Imports Inc. v. B.O.T. International Ltd. (November 20, 2009), CanLii 64819 (Ont. S.C.)

Pioko sought a declaratory order that the importation into Canada of goods described in certain purchase orders issued by Cotton Ginny Inc. and bearing Cotton Ginny trade marks would not infringe section 19 of the *Trade Marks Act*, which provides the owner of a trade mark with the exclusive right to use the mark in association with listed wares or services throughout Canada.

Pioko was a supplier of garments to Cotton Ginny. Cotton Ginny issued 116 purchase orders to Pioko between August 15, 2008 and January 15, 2009 under an agreement with Pioko for the production and purchase of certain Cotton Ginny trade marked goods. Pioko contracted with a manufacturer in China to manufacture the goods. Some Cotton Ginny goods were delivered, but most were not delivered to Cotton Ginny prior to Cotton Ginny filing a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, on June 29, 2009. Pioko had not paid the Chinese manufacturer for the delivered goods. On June 28, 2009, Cotton Ginny sold all of its trade marks and related intellectual property to B.O.T. Neither Cotton Ginny nor B.O.T. paid for any of the undelivered Cotton Ginny goods.

The issue for the court was whether Pioko could import into Canada the undelivered Cotton Ginny goods under its agreement with Cotton Ginny. The court found that there was no explicit license of the trade marks in favour of Pioko, that Cotton Ginny was effectively the party for whom the Cotton Ginny undelivered goods were manufactured and Cotton Ginny had full control over all aspects of the sales process. The court found that Cotton Ginny did not put the undelivered Cotton Ginny goods into the course of trade by initiating the manufacturer of the undelivered Cotton Ginny goods and as a result, the doctrine of first use did not assist Pioko. Therefore, Pioko

did not have the right to import and sell the goods without infringing section 19 of the *Trade Marks Act*. The court also found that it was not an implied term of the agreement under either the default or termination provisions that Pioko could sell the undelivered Cotton Ginny goods in Canada without infringing the Cotton Ginny marks. Therefore, while Pioko owned the undelivered goods, it could only sell them in jurisdictions where Cotton Ginny, or its successors, did not own the trade marks.

Copyright

Robertson v. Thomson Canada Ltd. (June 24, 2009) 2009 Carswell Ont 3660 (Ont. S. C.)

This was an application for approval of a settlement in a class action regarding copyright infringement by use of individual

In Atomic Energy, the relevant public is a small sophisticated group that would not be confused by similarly styled trade marks as to which company they were dealing with because atomic procurement is a long careful process.

newspaper articles in computer databases, following the Supreme Court of Canada decision on the issues [(2006) 52 CPR 4th 417] which held that such use was infringement. The settlement for \$11 million (less counsel fees of \$4 million) was provisionally approved, pending satisfactory resolution of the judge's concerns over the claims distribution process for the thousands of members in the class.

Neugebauer v. Labieniec (June 25, 2009) 2009 FC 666

This was an application to expunge a copyright registration regarding a literary work which showed two people as co-authors and co-owners of copyright. The work was the life story of a Holocaust survivor.

There was a written agreement under which the applicant was to be “author” and the respondent was to be “editor.” It was found that the agreement related to an edited transcription of the applicant's recollections recorded on tape. It did not deal with a book. It resulted in about 30 pages of material.

There was a second oral agreement regarding the book in issue in which the parties were to be co-authors. The respondent used the applicant's transcribed recollections, combined with further research, and wrote a 224 page book. The book was not the result of just editing the applicant's work. The second agreement was confirmed by acts after publication of the book: both signed autographs as authors; and at a promotional reading the respondent was described as author without objection by the applicant.

After considering other Canadian, US and UK sources, the Court concluded that *Levy v. Rutley* (1871) LR 6 CP 523 continues to be the leading authority on the elements of joint authorship, and that:

- (1) the existence of a work of joint authorship is established by the facts and by the law, and is not based on the parties' intentions.
- (2) the contributions of each of the parties need not be equal, though each must be substantial.
- (3) even if one contribution may be qualitatively and quantitatively inferior to the other, there must be a joint labour in carrying out a common design.

Applying *Levy*, the respondent was found to have contributed sufficient originality and expression in a colla-

borative work to claim co-authorship of the book. The application to expunge the copyright registration was dismissed.

Patents

Apotex v. Pfizer (January 16, 2009) 2009 FCA 8

This was the first case in which the Federal Court of Appeal considered the obviousness test set out in the 2008 Supreme Court of Canada case of *Apotex v. Sanofi-Synthelabo*.

The Court stated:

The test recognized is “obvious to try” where the word “obvious” means “very plain.” According to this test, an invention is not made obvious because the prior art would have alerted the person skilled in the art to the possibility that something might be worth trying. The invention must be more or less self-evident.

While the Federal Court Judge does not use the phrase “obvious to try,” his reasons show that he conducted his analysis along the dividing line drawn in *Sanofi-Synthelabo*. Specifically, he rejected the contention that the invention was obvious based on mere possibilities or speculation and looked for evidence that the invention was more or less self-evident.

An invention will not be held to be obvious based on mere possibilities or speculation; the invention must be more or less self-evident.

Re Amazon.com, Inc. Patent Application (March, 2009) (PAB, Commissioner)

This involved a patent entitled “Method and system for placing a purchase order via a communications network.”

The Patent Examiner rejected all 75 claims on the basis of obviousness and non-statutory subject matter. The Patent Appeal Board upheld the decision on non-statutory subject matter.

Assessing patentable subject matter requires consideration of the form and substance of the claims. Form is the language and substance is the nature of the claimed invention and a determination of what it adds to human knowledge. The form and substance must fit into the statutory categories of invention of new and useful art, process, machine, manufacture or composition of matter or any improvement thereof. Non-technological matter and business methods are excluded, non-patentable, subject matter.

The method of claims 1–43 and 51–75 are directed to methods in a client system or computer system for ordering

items. This is a method of purchasing goods which is a method of doing business and therefore excluded subject matter.

Claims 44–50 are in form directed to a client system which is a physical object and therefore in form directed to a machine.

Claims 44–50 in substance, however, are the same as the excluded method claims. The actual discovery is a new use of a “cookie”; single action ordering without a checkout step or entry of account information; advantages of a registered user; and benefits of fewer steps. These are just rules for ordering. These rules do not change the character or condition of a physical object. They are non-technological methods of doing business and therefore unpatentable.

***Eli Lilly v. Apotex* (March 25, 2009), 2009 FCA 97, leave refused (SCC) Oct 2009**

This case involved a dismissal of an appeal from the decision of Hughes J. (2008 FC 142) dismissing an application by Eli Lilly for a NOC prohibition order in respect of raloxifene for use in treatment of post menopausal women based on Patent 2,101,356 (’356 Patent) on the basis that the allegation of invalidity for failure to disclose the basis for sound prediction was justified.

The appellant accepted that, as found by Hughes J., the “Hong Kong study” was required in order to turn the prediction on which the ’356 Patent was predicated into a sound one.

This study was not disclosed in the ’356 Patent, with the result that the underlying factual basis for the prediction and the sound line of reasoning that grounded the inventors’ prediction were not disclosed.

Noël J.A. referred to the importance of the disclosure obligation and the decision of the Supreme Court of Canada in *Apotex v. Wellcome (AZT)*. He stated:

In my respectful view, the Federal Court Judge proceeded on proper principle when he held, relying on *AZT*, that when a patent is based on a sound prediction, the disclosure must include the prediction. As the prediction was made sound by the Hong Kong study, this study had to be disclosed.

In an award of accounting of profits for patent infringement, the defendant may deduct from the profits arising from the infringement the profits that would have been achieved using a non-infringing alternative to the patented invention used.

***Monsanto Canada Inc. et al. v. Rivett* (March 26, 2009) 2009 FC 317; *Monsanto Canada Inc. et al. v. Janssens et al.* (March 26, 2009) (Amended Reasons July 10, 2009) 2009 FC 318**

These cases involved calculation of an accounting of profits for infringement of patent 1,313,830 re glyphosate-resistant plants by cultivation of infringing soybeans. The defendants sprayed with glyphosate herbicide and hence used the invention and infringed.

The differential profit method, as applied by the Supreme Court of Canada in *Monsanto v. Schmeiser*, was applied.

The differential profit approach requires that the Court compare the profits made by the infringer that are attributable to the invention and the profits that the infringer would have made if he had used the best non-infringing option.

The analysis of the differential profits method required is as follows:

- a. Is there a causal connection between the profits made and the infringement? If there is none, then there are no profits that require an accounting.
- b. If there is a causal connection, then what were the profits made by the infringer as a result of the infringement? This amount is described by Court as the “Gross Profits of Infringement.”
- c. Is there a non-infringing option that the infringer could have used?
- d. If there is no non-infringing option, then the Gross Profits of Infringement are to be paid over to the patentee.
- e. If there is a non-infringing option, then what profit would the infringer have made, had he used that option? This amount is described by Court as the “Gross Profits of Non-Infringement.”
- f. Where there was a non-infringing option available, the amount to be paid over to the patentee is the difference between the Gross Profits of Infringement and the Gross Profits of Non-Infringement. This sum is the profit that is directly attributable to and that results from the infringement of the invention.

The Court found that the non-infringing option would

have yielded 69% of the profit of the infringing option and thus awarded 31% of the profits. The differential method thus substantially dilutes the value of an accounting of profits as a remedy.

Belzberg v. Commissioner of Patents (June 23, 2009), 2009 FC 657

This was an application for judicial review of a decision of the Commissioner to resume prosecution of an application following a decision of the Patent Appeal Board.

The patent application was for a computerized stock exchange trading system. The Patent Office “Final Action” stated that the application was defective on grounds of: (i) obviousness; (ii) insufficient disclosure and indefinite claim language; and (iii) claimed improper subject-matter.

On appeal, the Patent Appeal Board concluded that none of deficiencies were substantiated. The rejection of the application was reversed and the application was returned to the examiner for further prosecution.

On further examination, new issues, not included in “Final Action,” were raised.

The Applicant objected to the jurisdiction to raise such issues.

Patent Rule s.30(4) states the following:

Where an examiner rejects an application, the notice shall bear the notation “Final Action” or “Décision finale,” shall indicate the outstanding defects... [and shall requisition amendment or submissions regarding defect]

It was held that the final action must include all outstanding defects and the application for judicial review was allowed. The decision was set aside and the Commissioner was directed to grant the patent.

Ratiopharm Inc. v. Pfizer Limited (July 8, 2009) 2009 FC 711

This was an impeachment action regarding patent 1,321,393 (’393 Patent) which claimed amlodipine besylate as a selection patent over an earlier patent for amlodipine.

Briefly, selection patents are valid if:

1. the selected compounds, though encompassed by the genus, had not been actually made before;

2. there is a substantial advantage to be had or disadvantage to be avoided by using the selected group;
3. all of the selected members must have the advantage or avoid the disadvantage; and
4. the special character is peculiar to the selected group, i.e. a large number of unselected members could not have the special character.

Amlodipine was a known compound and known to be useful in a salt form. Some specific salts were disclosed. There was nothing surprising in testing the besylate. In addressing obviousness, one must address the invention as claimed. The testing to select the besylate salt was routine. Applying the *Apotex v. Sanofi-Synthelabo* approach, the claimed invention was obvious.

It must be determined if the besylate salt of amlodipine has a “special advantage” in respect of a “quality of special character” unique to besylate.

The words “unexpectedly” and “unique” and “outstandingly suitable” are used in the ’393 Patent. However, adjectives and adverbs without solid foundation cannot create a “selection patent” where none in fact exists. It is unsupported from the evidence to state that besylate is sufficiently superior to the other salts, for instance

tosylate and mesylate so as to make it “unique” or “outstanding” or “particularly suitable.” If a category of “selection” patent exists, the besylate salt of amlodipine does not merit being a member of that category. The ’393 Patent was held invalid for this reason as well.

The promise of the patent as “unique” and “outstanding” was not fulfilled. The patent is invalid for lack of utility.

The evidence shows that the specification of the ’393 Patent does not disclose what the invention was as contemplated by the inventors. It is also invalid for that reason.

Three statements were misleading and, sufficient intent to make such statements was made out in the evidence. The ’393 Patent was invalid for this reason as well.

Dale E. Schlosser is a partner and Chair of the Intellectual Property Group in Toronto. Contact him directly at 416-307-4110 or dschlosser@langmichener.ca.

A Patent Office “Final Action” must include all outstanding defects in an application. If the defects are overcome, the Commissioner may not raise further issues when prosecution resumes.

CIPO Change in Practice in Granting Extensions During Trade Mark Examination



Sarah Kilpatrick

The Canadian Intellectual Property Office (“CIPO”) has issued an important practice notice which affects Canadian trade mark applications and strategies during examination. The change, which took effect March 11, 2010, reduces the number of extensions available during trade mark examination.

After a trade mark application is filed, an examiner reviews the application to determine if the trade mark is ready for advertisement in the *Trade-marks Journal*. If the examiner identifies problems with the application, CIPO will issue a report to which the applicant must respond. Previously, applicants were given six months to respond to an examiner’s report and were typically permitted up to two, six-month extensions in which to file a proper response.

As of March 11, 2010, applicants now have an initial six-month period to respond to an examiner’s report, and are generally permitted to request only *one* extension of six months. No further extensions of time will be granted unless the applicant can demonstrate exceptional circumstances that would justify a further extension. If a proper and complete response is not filed in time, the application will be noted in default, which can lead to loss of the application.

CIPO advises that this new practice applies to all applications that have already been granted extensions. As such, if an applicant has already been granted an extension of time to respond to an Examiner’s Report, as of March 11, 2010, that applicant will generally *not* be granted another extension to reply to the same Examiner’s Report, unless the

applicant can demonstrate sufficient exceptional circumstances. CIPO has provided the following *non-exhaustive* list of examples it considers to constitute “exceptional circumstances” for the purposes of seeking additional extensions of time in examination:

- (1) a recent change in Trade-mark Agent;
- (2) circumstances beyond the control of the person concerned;
- (3) there has been a recent assignment of the trade mark;
- (4) a certified copy of the registration in the office in which it was made has not yet been issued since the foreign application has yet to proceed to registration;
- (5) if the cited co-pending and confusing mark is either possibly going to be abandoned within the next two months or is subject to opposition proceedings initiated by the applicant;
- (6) the cited registered mark is subject to a section 45 proceeding initiated by the applicant; or
- (7) the applicant is negotiating for a consent from the holder of an official mark.

This change in practice is the latest in a series of efforts by CIPO to expedite trade mark proceedings and requires trade mark agents and their clients to diligently address issues raised during examination.

Sarah Kilpatrick is an associate in the Intellectual Property Group in Toronto. Contact her directly at 416-307-4010 or skilpatrick@langmichener.ca.

“It’s Not What You Don’t Know That Causes All The Trouble – It’s What You Know For Sure That Isn’t So”



Peter Wells



Sarah Kilpatrick

The quote in the title, variously attributed to Mark Twain, Walt Whitman and Satchel Paige is true in life, but is particularly true in law, and the recent decision of the United States 6th Circuit Court

of Appeals Court in *Cincom Systems Inc. v. Novelis Corp* (“*Cincom*”) is the perfect illustration. The case provides a

valuable lesson to IP owners and their lawyers that assumptions about the law that may relate to a transaction have the potential to cause no end of trouble.

In *Cincom*, a software licensee corporation (Alcan) became part of a new entity (Novelis) through a series of mergers and internal restructurings. When Novelis continued to use certain software originally licensed by Alcan, Cincom sued Novelis for infringement, as the terms of the licence provided that it was non-exclusive and non-transferrable

without prior consent from Cincom. No such consent had been sought because under Ohio state merger laws (which the lawyers assumed was the appropriate law as all the corporations were under Ohio law), the assets of Alcan would immediately vest in (or “flow” to) the surviving entity, Novelis. Surprisingly, the Court held that the transfer was impermissible and Novelis was liable for software infringement.

In formulating its decision, the Court differentiated between IP licences and other types of licences. It held that, although state contract law generally governed the interpretation of a licence and whether a merger results in a transfer, US federal common law governed questions relating to the assignment of copyright licences. The rationale was primarily a policy-driven one, suggesting that unauthorized assignability of a licence by a licensee discouraged IP creators from licensing their technology if licensees could then transfer it to third parties, such as a licensor’s competitors, without the licensor’s consent. The decision in *Cincom* therefore suggests that under US law, a non-exclusive IP¹ licence is *presumed* to be non-assignable and non-transferable in the absence of express provisions to the contrary.

Non-exclusive Canadian licensees of US IP who are involved in corporate reorganizations should check their agreements for assignability terms and seek any necessary consent from the licensor prior to a merge to prevent loss of licensee rights.

Canadian licensees of US IP who are contemplating corporate reorganizations should closely scrutinize those agreements for anti-assignment provisions and seek the appropriate permission prior to completing a merger to ensure that licensing rights are not inadvertently diminished or lost or that unintended infringement of the licensor’s rights has taken place as a result of the reorganization. More generally, where a Canadian corporation has an interest in any foreign intellectual property, whether US or any other country, it should check with counsel in all those jurisdictions to ensure that any corporate transaction that is being contemplated will not have some unexpected impact on its IP rights.

¹ Of note, under US law, only patent and copyright are federally recognized, and therefore encompassed by the federal common law.

Peter Wells is a partner in the Intellectual Property Group in Toronto. Contact him directly at 416-307-4007 or pwells@langmichener.ca.

Sarah Kilpatrick is an associate in the Intellectual Property Group in Toronto. Contact her directly at 416-307-4010 or skilpatrick@langmichener.ca.

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News

Lang Michener Lawyers Included in the 2010 Guide to the Leading 500 Lawyers in Canada

Lang Michener is pleased to announce that three lawyers from the firm have been recognized as leading practitioners in the *2010 Lexpert/American Lawyer Guide to the Leading 500 Lawyers in Canada*, an annual publication reporting on Canadian legal matters.

Donald MacOdrum, Partner, Intellectual Property Group, is listed as a Leading Lawyer in Intellectual Property and Intellectual Property Litigation.

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Lang Michener is pleased to announce that eight partners have been recommended in the *Chambers Global: The World’s Leading Lawyers for Business 2010*. Chambers & Partners has published one of the world’s leading guides to the legal profession since 1990.

Donald MacOdrum is listed as a Leading Lawyer in the field of Intellectual Property Litigation.

Lang Michener was also ranked among Canada’s leading firms in the 2010 guide in the area of Intellectual Property.

Lang Michener *InBrief*

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Editor: Mark S. Mitchell
416-307-4039
mmitchell@langmichener.ca

RETURN UNDELIVERABLE CANADIAN ADDRESSES TO:

Lang Michener LLP
Brookfield Place
181 Bay Street, Suite 2500
P.O. Box 747
Toronto ON M5J 2T7
Tel.: 416-360-8600 Fax.: 416-365-1719
e-mail: info@langmichener.ca

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Lang Michener LLP

Lawyers – Patent & Trade Mark Agents

Toronto
Brookfield Place
181 Bay Street, Suite 2500
P.O. Box 747
Toronto, ON M5J 2T7

Vancouver
1500 Royal Centre
1055 West Georgia Street
P.O. Box 11117
Vancouver, BC V6E 4N7

Ottawa
Suite 300
50 O'Connor Street
Ottawa, ON K1P 6L2

Hong Kong
1106, Tower 1
Lippo Centre, 89 Queensway
Hong Kong SAR

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