

This Newsletter does not constitute legal advice.

Proposed Patent Act Amendments

The Federal Government of Canada is preparing an Intellectual Property Improvement Bill intended to include a number of amendments to the *Patent Act*. We reported in our December 2001 Newsletter a number of amendments planned for the *Trade-marks Act*.

Many of the proposed *Patent Act* amendments are relatively minor housekeeping amendments, some of which are designed to ease the tasks of practitioners. For example, a few remaining impediments to electronic filing of applications and of prosecution documents are proposed to be removed. It will also be easier to obtain time extensions in a number of circumstances, and to reinstate an abandoned application in some circumstances. The *Dutch Industries* case would be circumvented; late payment of all fees on a large-entity basis would be permitted.

Of particular interest is the proposal to remove the requirement for the filing of a written assignment from the inventors to the applicant. It will also be easier to correct inventorship where inventors have been misnamed, erroneously included, or omitted.

Disclaimer practice will change to eliminate the present practice of disclaiming parts of claimed subject matter not covered by an entire claim. Only subject-matter wholly within a claim (which may be a dependent claim) would be permitted to be disclaimed.

It is proposed that reissue be eliminated or constrained to a few circumstances; re-examination proceedings will be preferred. The Commissioner would be given power to commence re-examination proceedings of his own initiative.

Write to us if you wish to obtain further information on the current Government proposals, which are preliminary only.

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Can Confusion with Opponent's Abandoned Application Preclude Registration of Applicant's Trademark?

When an applicant's trademark application is opposed, the applicant has the burden of proving an absence of any likelihood of confusion. Is that burden reduced or eliminated if the opponent has abandoned its own Canadian application to register the mark on which the opponent's case of confusion is predicated?

Whether the abandonment of the opponent's trademark application is to be reviewed in assessing the likelihood of confusion between the trademarks in issue was recently considered by the Federal Court, Trial Division in *Conagra v. McCain Foods*. The Court held that the abandonment of the opponent's trademark applications was not a relevant factor in assessing whether there existed a likelihood of confusion.

The Opponent Conagra filed applications for registration of the trademarks **HEALTHY CHOICE** and **HEALTHY CHOICE & Design** in April of 1991 and 1989 respectively. The marks were first used in June of 1991, when Conagra launched its line of **HEALTHY CHOICE** food products in Canada. In 1994, McCain Foods filed an application to register the mark **HEALTHY DECISION** on the basis of its intent to use the mark in association with food products.

Conagra opposed McCain's application for registration of the **HEALTHY DECISION** mark in 1996, but abandoned its applications for registration of **HEALTHY CHOICE** and **HEALTHY CHOICE & Design** in 1999, before the Opposition was heard. At the hearing, the Registrar considered each of the surrounding circumstances enumerated in §6(5) of the *Trade-marks Act* and treated the current status of Conagra's trademark applications as a further surrounding circumstance to be considered in assessing the likelihood of confusion between the trademarks in issue. The Registrar concluded that confusion between the marks was no longer an issue, given the abandonment of Conagra's trademark applications.

On appeal of this decision to the Federal Court, Conagra successfully argued that the Registrar's finding could potentially adversely affect the rights of the opponent, depending on the length of the opposition proceedings. If the decision stood, a mark not entitled to registration at the time of filing the application by reason of confusion with an earlier-filed pending application could become entitled to registration at a later date upon abandonment of the earlier application. Conagra argued that, in the interests of public policy, the equities of a situation should not change merely because of the length of the opposition process; the *Act* provides a statutorily mandated material date that should be respected and upon which parties should be able to rely.

Abandonment of the Opponent's trademark application is not to be taken into account in assessing the likelihood of confusion between trademarks in issue in an opposition.

The Registrar had relied on the 1996 case *Molson Breweries v. Labatt Brewing Company* in reaching a decision. In that case, Molson had filed applications for the marks **CLUB ALE** and **CLUB ALE & Design** in 1968. Labatt later filed an application for its **MANITOBA CLUB & Design** mark and commenced opposition proceedings against Molson's marks, claiming earlier use of its mark. Molson filed an application for an updated version of its **CLUB ALE** mark in 1975, which application was also opposed by Labatt. This opposition was not heard until 1994, by which time Labatt had voluntarily abandoned the **MANITOBA CLUB & Design** mark some seven years earlier. The Court held that precluding Molson from registering updated versions of its registered trademarks by reason of the prior filing of Labatt's subsequently-abandoned mark would have been somewhat anomalous, especially considering that Molson had earlier opposed Labatt's application for this mark, resulting in its abandonment by Labatt. The Court found this to be a further surrounding circumstance to be taken into account in concluding that there was no likelihood of confusion. Though the abandonment of Labatt's mark arose subsequent to the material date set out in the *Act*, it was found to be intrinsically connected to a circumstance that existed at the material date.

In *Conagra*, the Federal Court considered *Molson Breweries* and found that that case presented anomalous circumstances not present in the case at bar. The *Act* refers to the date of filing of the applicant's trademark application as the time at which the confusion issue is to be resolved, accordingly the Registrar erred in referring to circumstances that arose following that date.

At the end of the day, the Court did not accept the Registrar's interpretation of the decision in *Molson Breweries* as standing for the general proposition that confusion between an opposed mark and an opponent's mark that has been abandoned prior to the opposition hearing is no longer an issue. The Court did accept, however, that the holding in *Molson Breweries* might apply to the extent that surrounding circumstances that arose after the material date could be considered if intrinsically connected to a circumstance that existed at the time of filing the application.

The circumstances under which the subsequent abandonment of a mark is "intrinsically connected to a circumstance that existed at the time of filing" will require further elaboration by the courts, but, based on the holding in *Conagra*, such circumstance must require something more than the fact that the previously filed mark is no longer being used.

Important Changes to PCT National Phase Entry Deadlines

If you have not yet received a copy of our firm's memo on recent important changes to PCT National Phase Entry deadlines, please take a look at our website, www.barrigar.com, and/or communicate with us if you would like to receive a copy of our memo by regular or electronic mail.

For purposes of testing confusion, a post-filing fact can qualify as a "surrounding circumstance" if it has an "intrinsic connection to a circumstance that existed at the time of filing" of an application.

Compensation for Pre-Grant Use of Patented Invention

In 1989, §10 of the *Patent Act* was amended to provide for laying open of pending patent applications for public inspection 18 months after the Convention priority date, or if no priority has been claimed, 18 months after filing.

Concurrently, §55 of the *Act* governing damages for patent infringement was amended to provide as follows:

(2) A person is liable to pay reasonable compensation to a patentee and to all persons claiming under the patentee for any damage sustained by the patentee or by any of those persons by reason of any act on the part of that person, after the application for the patent became open to public inspection under section 10 and before the grant of the patent, that would have constituted an infringement of the patent if the patent had been granted on the day the application became open to public inspection under that section.

S.55(2) was interpreted for the first time in *Baker Petrolite Corp. v. Canwell Enviro-Industries Ltd.* Referring to earlier analogous jurisprudence, Gibson J. held that “reasonable compensation” means the compensation that would be arrived at by a willing licensor and a willing licensee:

A reasonable royalty rate is “that which the infringer would have had to pay if, instead of infringing the Patent, [the infringer] had come to be licensed under the Patent”. The test is what rate would result from negotiations between a willing licensor and a willing licensee.

However, since the reasonable compensation according to §55(2) must be “for any damage sustained by the patentee”, the patentee must prove, by leading evidence, that it did sustain damage. In the event, in the absence of such evidence, Gibson J. awarded \$1.00 nominal compensation.

New Personnel

We welcome **Anne M. Flanagan** to our firm. Anne obtained her M. Sc. from the University of Alberta in Biochemistry in 1980, and later earned a Ph.D. in Developmental Biology from the University of Victoria in 1985. She was a Professor of Biotechnology at the University of Alberta for 13 years, of which the last 9 were at the Associate Professor level. During that time she was also involved in the nutraceutical and forestry industries. Anne has an extensive scientific publication record, and has been the recipient of numerous awards and fellowships including post-graduate fellowships from NSERC and the National Research Council. Prior to joining our firm, Anne was an associate of another prominent Canadian law firm with an extensive patent practice.

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Pre-grant compensation for the use of a patented invention is tested as if a willing licensor had licensed a willing licensee.

New associate Anne M. Flanagan will assist with our firm's biotechnology practice.

**BARRIGAR
INTELLECTUAL
PROPERTY GROUP**
Barristers and Solicitors
Registered Patent
and Trademark Agents

Suite 830, 1066 W. Hastings Street
Vancouver, B.C. V6E 3X1
(604) 689-9255
(604) 689-9265
email@van.barrigar.com

Suite 290, 1675 Douglas Street
Victoria, B.C. V8W 2G5
(250) 389-0387
(250) 389-2659
email@vic.barrigar.com