

## Ontario Court confirms no fiduciary relationship arises in ordinary course of trade-mark licensing

### ALSO INSIDE

United States Federal Circuit to reconsider the patentability of new business methods

Trademarks clearly descriptive of geographical origin are not registrable

In *Bluefoot Ventures Inc. v. Ticketmaster (c.o.b. CitySearch)*, the Ontario Superior Court of Justice recently had the opportunity to consider the question of whether, in the ordinary course of trade-mark licensing, it can be said that a trade-mark licensee owes a fiduciary duty to the trade-mark licensor.

The Statement of Claim in *Bluefoot Ventures* asserted a number of claims arising from a licensing agreement entered into between predecessors of both the plaintiff and the defendant. The plaintiff, Bluefoot Ventures Inc., is the current owner of certain rights in and to the registered mark CITYSEARCH. The previous owner of those trade-mark rights had granted an exclusive license (limited to certain applications and as to geographic reach) to the predecessors of the defendants. Through a series of name changes and mergers, the named defendants (referred to collectively herein as Ticketmaster) were the current beneficiaries of the licensed rights. Stikeman Elliott is counsel to Ticketmaster in this matter.

In granting Ticketmaster's motion to strike those portions of the Statement of Claim alleging that Ticketmaster owed a fiduciary duty to Bluefoot, and that such fiduciary duty had been breached, Lederer J. reviewed the case law for determining the circumstances in which a fiduciary relationship exists.

Lederer J. identified the fundamental hallmark required to establish a fiduciary relationship as evidence of a "mutual understanding that one party has relinquished its own self-interest and agreed to act solely on behalf of the other party." The Court noted that on the face of it, a contractual relationship would not be expected to lead to a fiduciary relationship, because in a negotiated contract, it is clear that the parties look after their own self-interests, and not the interests of the other side.

On the facts, the Court found that the contract under consideration in the claim reflected a purely commercial relationship. The contract, which created a license permitting Ticketmaster to use intellectual property owned by Bluefoot, sets out the rights of Ticketmaster and the consideration that Ticketmaster owed to Bluefoot in return. The Court held that the contract "does not create the duty of loyalty which is the fundamental characteristic of a fiduciary relationship." The Court also cautioned that "to recognize the possibility of a fiduciary relationship existing on the facts presented [in this case] is to acknowledge that the Court could fall into the trap of too easily recognizing the presence of these obligations where, properly understood, they ought to be found not to exist."

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The Court also soundly rejected the proposition that the *Trade-marks Act* creates a fiduciary relationship between licensor and licensee, holding that "the *Trade-marks Act* and the registration of a trade-mark under that *Act* do not in and of themselves create a fiduciary relationship." While the Court acknowledged that there may be circumstances in which a fiduciary duty may exist in the presence of a concern arising out of the registration or use of a trade-mark, such a duty did not arise as a result of the registered trade-mark, but as a result of the underlying relationships between the parties.

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## United States Federal Circuit to reconsider the patentability of new business methods

On February 15, 2008, the United States Court of Appeals for the Federal Circuit issued an *en banc* Order stating that the full Court will rehear the appeal of *In Re Bernard L. Bilski and Rand A. Warsaw*. In U.S. Court of Appeals practice, an *en banc* rehearing is typically granted only where a case is considered unusually important. Here, the patent application at issue claims a "method for managing the consumption risk costs of a commodity." In rejecting the application, the United States Patent and Trademark Office had objected to issuing a patent for the method on the ground (among others) that it was not restricted to performance by machines and/or did not contain any limitation to prevent it from covering a purely mental process by individuals.

The U.S. Court of Appeals for the Federal Circuit has expressly raised the possibility of overruling its own prior decisions on business-method patents from two cases: *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F.3d 1368 (Fed. Cir. 1998) and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999).

Oral argument will be heard in May 2008. The decisions under reconsideration have been used to support the U.S. patent law doctrine that transformation of data by a machine, business methods and software are all patentable subject matter. These decisions have remained controversial, especially in light of the relative ease of obtaining software patents in the U.S. as compared to other jurisdictions, and (it is often argued) the frequent issuance of U.S. patents for non-innovative ways to implement known methods using computers.

Prior to the 1998 decision in *State Street*, business methods were not considered to be patentable subject matter by the USPTO. *State Street* did away with the so-called "business method exception" to patentable subject matter, and held that business methods could be patentable if they could be applied to produce "a useful, concrete and tangible result" - that is, accomplish a practical application. The business method at issue in *State Street* was for a computer-based system of pooling mutual funds.

*State Street* opened the floodgates to business-method patent applications in the United States, resulting in a seven-fold increase in such patent application filings from 1998 to 2006. Numerous patents have been granted for business methods, many for internet-based methods ranging from Amazon.com's "one-click" on-line ordering process to Priceline.com's on-line reverse auction for airline tickets. As a result, the Federal Circuit's *en banc* decision in *In Re Bilski* could affect the validity of scores of patents issued since *State Street*.

Although the Federal Circuit's decision will almost certainly have a significant impact on United States patent law, it is also likely to have important ramifications for patent law in Canada. The approach in Canada to business-method patents is more conservative than that in the United States, so a reining-in of the scope of patentable business methods in the U.S. may help to clarify and solidify Canada's position. Ultimately, the decision may overturn a landmark case and carve out a new approach to business-method patents - the implications of which remain to be seen.

## Trade-marks clearly descriptive of geographical origin are not registrable

In *Sociedad Agricola Santa Teresa Ltda. and Vicente Isquierdo Menendez v. Vina Leyda Limitada*, the Federal Court considered the scope of paragraph 12(1)(b) of the *Trade-Marks Act* (the *Act*). This paragraph provides that a trade-mark is not registrable if the mark is (when written or sounded) "either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the wares or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin."

Vina Leyda Limitada, a wine producer from the Leyda Valley region of Chile, had applied to register LEYDA as a trade-mark for use in association with wine. Vina Leyda's application was opposed by Sociedad Agricola Santa Teresa Ltda. and Vicente Isquierdo Menendez, each of which are wine producers from the same region in Chile.

In rejecting the opposition, the Trade-Marks Opposition Board (TMOB) had held that although wine was produced in the Leyda Valley, the valley had not been designated by the Chilean government as an appellation of origin. Because the phrase "clearly descriptive" modified the meaning of the term "place of origin," the Registrar felt that there was insufficient evidence that the average Canadian would believe that LEYDA branded wine was from the Leyda Valley.

Sociedad Agricola Santa Teresa Ltda. and Vicente Isquierdo Menendez appealed the decision of the TMOB under section 56 of the *Act*, which allowed them to submit new evidence on the appeal. The new evidence showed that the term "Valle de Leyda" had been designated an appellation of origin in 2001 by the Chilean Ministry of Agriculture.

In overturning the TMOB's decision, the Court noted that because the word LEYDA clearly referred to the wine's place of origin, it was not registrable as a trade-mark. On a policy level, the Court noted that "geography is one of the most important considerations in assessing whether one should try a new wine." Allowing the respondent to register LEYDA, thereby preventing others in the region from referring to their wine's place of origin on labels or promotional literature, would give the respondent an unfair competitive advantage.

Although the Court did note that a trade-mark that describes a place of origin might be registrable if it had been used and/or become distinctive at least as early as the time at which the application for registration was filed, such a caveat could not help the application before it, as LEYDA had not been used in Canada before the application was filed, nor had it become distinctive.

For further information about any article in this newsletter, please contact your Stikeman Elliott representative, the editor, Justine Whitehead ([jwhitehead@stikeman.com](mailto:jwhitehead@stikeman.com)), or any member of our Intellectual Property Group listed on the following page.

### RECENT GROUP DEVELOPMENTS

Stikeman Elliott was a sponsor of the Spring Meeting of the Intellectual Property Section of the American Bar Association, held in Washington from April 9 - 12. **Justine Whitehead** and **Marisia Campbell** attended.

**Stuart McCormack** was invited to the Northwind Professional Institute's conference on Business Method Patents, held on April 3-4, 2008

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