



# Blaneys on Business

This newsletter is designed to bring news of changes to the law, new law, interesting deals and other matters of interest to our commercial clients and friends. We hope you will find it interesting, and welcome your comments.

Feel free to contact any of the lawyers who wrote or are quoted in these articles for more information, or call the head of our Corporate/Commercial group, Alex Mesbur at 416.593.3949 or [amesbur@blaney.com](mailto:amesbur@blaney.com).

## **BUSINESSES FAILING TO MANAGE INTELLECTUAL PROPERTY EFFECTIVELY RUNNING MAJOR RISKS IN NEW ECONOMY**

James W. Carson & Bruno P. Soucy

Effective asset management is a key to business success. Historically, leading firms have been very good at managing such hard assets as inventory, equipment and buildings. They have been less savvy, however, about how they manage their *intangible* assets, such as intellectual property rights relating to corporate brands, product designs and manufacturing processes.

Given the way the global economy has been developing, into one rooted more in brain than muscle, this can only be fatal down the road. As a recent article in the *Economist* stated, “as much as three-quarters of the value of publicly traded companies in America comes from intangible assets...Intellectual-asset management now figures as a strategic business issue”.

Even if your organization is not one deeply rooted in tomorrow’s ideas, such as a publicly traded technology or communications company, intellectual asset management cannot be ignored. *Every* business has intellectual property assets, from your business name, to brands used on your products or in selling or providing your services, to copyright in advertising materials, to patent or design protection on products, to software used in your business. Failure to identify and strategically manage your intellectual property assets increases risks.

Here are some questions that you are advised to work through to help assure that you are managing your intellectual property assets effectively and maximizing their value to you:

- Have you adopted a brand name for a product or service but not taken steps to register the brand? If you are planning to expand into another province or country you may be faced with someone else having rights to the same or a similar brand, or to your business name, forcing you to change or face legal action.
- Do you ever engage consultants to develop new or improved product designs or receive unsolicited proposals for product concepts? If you do, make sure that your contract with them is airtight. Otherwise, you will end up paying for ideas and images that you do not own and that can be re-sold to other buyers.
- Do you ever develop new or improved products? Do you have a system in place for assessing the merits of seeking protection for the design?
- Have you obtained any Canadian patents on your products? Have all maintenance fees been paid properly?
- Do you have any rights that you are not using that could be sold or licensed to someone else? Do you have any rights that you could “share” with one or more other entities that could be licensed to someone else?
- Are you unknowingly doing something that may be infringing on a third party’s rights? Is a license available to allow you to continue your business without interruption?

In order to consistently protect against risk to your intellectual property (IP assets), we recommend a regular review of these and the many other matters that concern your intellectual property portfolio and related business policies and practices. Such a review is meant to help your organization properly ascertain what intellectual property it holds as well as whether its

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With over 25 years experience, his practice covers the full range of intellectual property law — the identification and protection of trade-marks, domain names, industrial designs, copyright and inventions in Canada, the United States and internationally; the review and preparation of technology transfer agreements and intellectual property licensing, confidentiality and distribution agreements; the performance of due diligence in connection with the intellectual property aspects of business acquisitions; and the conduct of intellectual property litigation in the Federal Court and Ontario Courts. Jim is both a registered Patent Agent and registered Trade-Mark Agent in Canada and, a registered U.S. Patent and Trademark agent. He is a member of the Intellectual Property Institute of Canada, the Intellectual Property Section of the Canadian Bar Association and the International Trademark Association (INTA).

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internal policies and practices are conducive to securing, maintaining and protecting rights in the intellectual property it uses or commercializes.

Let's take a moment and look at three key considerations that may be addressed in any review.

**First**, Canadian patents and those obtained in most other countries require the payment of a maintenance or renewal fee on an annual (or other periodic) basis to maintain the patent in force. In Canada, an entity that qualifies as a small entity under the Patent Act can pay fees at a substantially reduced rate.

Prior to the Federal Court decision in *Dutch Industries Ltd v. Barton No-Till Disk Inc.* (2003), 301 N.R. 152 (F.C.A.), the Canadian Patent Office would permit a patentee who had originally paid fees on a small entity scale to top-up those fees if its status subsequently changed. In reviewing this practice, the Federal Court Trial Division, in 2001, held that the Patent Office “had no jurisdiction to accept corrective payments on account of the failure to pay the prescribed maintenance fees within the required time”. This placed the validity of a large number of Canadian patents in doubt.

On appeal, the Federal Court of Appeal agreed with the finding of the Trial Division insofar as it related to the jurisdiction of the Patent Office to accept corrective payments. However the Court went on to find that “a person who meets the definition of ‘small entity’ when applying for a patent maintains that status as long as the application is pending, and as long as the patent remains in effect. . . , there is no statutory requirement for the status of a person as a ‘small entity’ or ‘large entity’ to be re-determined at any other time, at least in relation to maintenance fees.”

Recently-enacted legislation providing for the retroactive correction of past payments came into force February 1, 2006. Patent owners will have only until January 31, 2007 to correct past fee payments that should have been paid at the large-entity level. It is critical that any IP review be conducted prior to January 31, 2007 so that your patent portfolio can be examined to ensure that all fees have been paid on the right basis and, if not, that any corrections required can be made.

**Second**, you should protect those aspects of your business that give you a competitive advantage in the marketplace. As a minimum, your brand(s), by which customers identify you or your products, should be protected by registration as a trademark. Rights to prevent others from using your trademark or business name are acquired in two ways: (1) by establishing a reputation in that name, and thus building up goodwill in the name, or (2) by obtaining a trademark registration under the Canadian Trade-Marks Act.

In the absence of a trademark registration, you can prevent an infringer from using a confusingly similar name for a similar product or business, but only within the specific geographic area in which you can show that you have established a substantial reputation associated with the trademark. You must also establish that the infringer is unfairly trading on the reputation that you have developed; is passing off its product or service as yours, or is otherwise acting in such a way as to confuse consumers.

A Canadian trademark registration gives the owner the exclusive rights to the use of the mark across Canada. Trademark registrations are granted for 15 years and may be renewed as long as in use. To enforce rights against an infringer, you need only show that there would be a likeli-

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hood of confusion if you and the infringer were selling in the same geographic area, regardless of whether or not you were actually located in the same area.

Contrary to common belief, the registration of a business name with provincial authorities, or incorporation, do *not* provide you with the automatic right to use that name. You could be prevented from using it by someone who had previously registered it as a trademark, or by someone who had previously established a reputation in your area using that name or a very similar one. Likewise, a business name registration or incorporation will not provide you with an automatic right to prevent others from using the name as a trademark (although others generally will be prevented from *registering* the name in the province as a company name).

In order to be registered, a trademark must:

- either constitute the mark [word(s), logo, color, sound, scent or character] or the shaping of goods or their containers, or the mode of wrapping or packaging wares, used to distinguish goods or services manufactured, leased, sold from goods or services manufactured, leased or sold by others;
- cannot primarily be a name or surname of a living individual or person who has died in the preceding 30 years;
- cannot be clearly descriptive, or deceptively mis-descriptive, of a character or quality of the goods or services, although it can be suggestive;
- cannot be the name of the goods or services or the place that they are manufactured;
- cannot be confusing with another mark previously used, made known, or registered in Canada; and

- cannot be a prohibited mark under the Trade-Marks Act.

Even where you do not register, proper *use* of trademarks is important. They should never be used in such a fashion as to become generic – so that they come to be the name of the product. Once this happens, any competitor becomes entitled to use the word, and it loses its trademark status. To avoid a mark becoming generic, tie the trademark to a generic name for the product or service. For example, **Blaney**<sup>TM</sup> legal services where **Blaney** is the trademark and legal services the generic name.

It is important to give notice that you are using the mark as a trademark by making it stand out from surrounding text by using, for example, upper case letters. Use the designation <sup>TM</sup> in the case of an unregistered trademark, or ® in the case of a registered trademark, to show that the word or logo is a trademark.

If the trademark is licensed to another company that makes and sells the goods or services, make sure that on the goods or services at the time of sale or purchase the mark is identified as a trademark of the owner and it is used under license.

**Third**, it is very important to ensure that well defined and understood policies are in place to cover situations where you engage consultants to develop new or improved product designs, advertising copy or web designs or where you receive unsolicited proposals for product concepts from third parties.

When dealing with consultants (or even employees) you want to make sure:

- the consultant is going to retain all information received from you and the work is being done in confidence; and

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- all rights to the work product of the consultant are owned by your company and it can be used as you see fit without any further obligation to the consultant.

In some cases it may be important that the consultant is precluded from offering a similar service to your competitors

When dealing with unsolicited proposals from third parties the concerns are different. Third parties often have excellent ideas that may be of interest to your company. At the same time you do not want to incur any obligation or liability where the idea being submitted is either: (a) something you already have been working on or you are aware of; (b) is not really anything new and is publicly known, or (c) the same or similar to an idea presented by other people. To avoid problems it is important to have in place a policy for the submission of new ideas that provides:

- the information is not disclosed in confidence and no obligations of confidentiality arise;
- the only liability to the person submitting the idea is if you enter into a contract with them or under any patent they may obtain. In fact most companies that utilize a formal policy only accept disclosure of the idea if it is the subject of a pending patent application or patent;
- there is a simple and clear method for receiving and assessing any ideas submitted.

#### **Conclusion**

We encourage all of our clients to initiate an Intellectual Property assessment in 2006. One of our Intellectual Property lawyers will work with you on a complimentary basis to discuss your business and its operations to determine whether you have properly secured your key intellectual property assets or whether it is vul-

nerable to certain internal or external threats. We will also provide you with our general recommendations.

Ideally, the results of this intellectual property assessment will help your organization:

- identify key intellectual property developed, acquired, used or commercialized;
- structure information about its intellectual property portfolio for decision-support purposes;
- ascertain the value of its intellectual property portfolio and evaluate existing or proposed revenue models;
- set priorities in terms of development, internal usage and/or commercialization of intellectual property;
- better protect its intellectual property;
- prevent others from misappropriating its intellectual property; and
- properly educate its employees and management team in terms of intellectual property development, management, protection and enforcement. ■

EXPECT THE BEST

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