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IP CONNECTIONS

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1 Your domain name: are you in control?

3 Detecting patent infringement

4 Going global with your brand, part 2: the importance of trade-mark registration

5 Past resolutions bring forth new year changes, part 1

7 Recent developments in brief

Your domain name: are you in control?

The Internet is a minefield that could potentially damage your brands at every turn. Learning to defuse these issues is essential to maintain the integrity of your brands, online and in the real world.

Brand owners work hard to acquire and develop their trade-marks. Today, owning and controlling Internet domain names which incorporate those trade-marks is at least as important for a brand owner as controlling the underlying trade-marks themselves. But without proper planning and monitoring, it is much too easy for a company to lose control over what is often one of its most important assets. Experience shows that the stronger the brand, the more likely a company's domain names will be targeted for attacks.

Loss of control. Loss of control of a brand on the Internet can occur when a third party registers a domain name that is identical to, or confusing with, a company's trade-marks. The most common problems leading to a brand owner's loss of control on the Internet include cybersquatting, gripe sites and competition.

Cybersquatting. Cybersquatting is the practise of registering a domain name including or closely resembling a well-known trade-mark with the aim of selling the domain name back to the trade-mark owner at substantial profit. A cybersquatter will usually offer to sell a domain name to a brand owner at inflated prices corresponding to the importance of the brand owner's trade-mark which is the subject of the domain name. A cybersquatter may also post derogatory remarks about the brand owner to encourage the purchase of the domain name to prevent damage to the brand. Many cybersquatters will use the domain name to post paid links via Google, Yahoo and other paid advertising networks, thus unjustifiably earning profits from Internet traffic intended for the brand owner's business. Vulnerability to cybersquatters is highest when a brand owner fails to register or renew key domain names, or fails to register the trade-mark rights underlying the domain name in the first place.

Gripe sites. A gripe site is a website devoted to criticizing a business, typically initiated by a dissatisfied customer or an opponent of a company's practices. If the domain name for the gripe site incorporates a brand owner's trade-mark in a confusing manner, it is possible to have the gripe site shut down or the domain name transferred, even if the gripe site is restricted to fair criticism. For example, in a recent case, a construction company with a "dot com" domain name successfully shut down an identical "dot ca" domain name being used by a former customer to complain about her experience with the construction company.

Competition. In the global marketplace, it is not uncommon for different companies to legitimately use the same name or same trade-mark, whether because they deal in different industries or because they are located in different countries. Since domain names are generally obtained on a first come, first serve basis, legitimate competition can result in only one brand owner obtaining a domain name corresponding to a trade-mark even though that trade-mark is used by other companies outside of the Internet. For example, both The Sporting News magazine and The Sports Network television station could legitimately stake claim to the domain name tsn.com, but The Sporting News did so first and so it is the only owner. Though there is no bad faith, such competition can limit growth of a brand around the world. In contrast, if a domain name is registered by a competitor in bad faith, this amounts to cybersquatting and can be addressed via a domain name dispute resolution procedure described below.

Reclaiming control. There are several options available to shut down or recover a domain name that incorporates a brand owner's trade-mark. The Internet Corporation for Assigned Names and Numbers (ICANN), which coordinates top-level domain names such as "dot com", "dot biz" and "dot net", has established a uniform domain name dispute resolution policy (UDRP) for resolving domain name disputes. The UDRP provides a mandatory administrative proceeding against a domain name registrant where:

- the domain name is identical or confusingly similar to a mark in which the complainant has rights;
- the domain name registrant has no rights or legitimate interests in respect of the domain name; and
- the domain name has been registered and is being used in bad faith.

A non-exclusive list of factors is used to evidence registration and use in bad faith, including:

- circumstances indicating that the domain name has been registered primarily for the purpose of selling, renting, or otherwise transferring the domain name for valuable consideration in excess of out-of-pocket expenses;
- the domain name has been registered in order to prevent the complainant from reflecting the mark in a corresponding domain name, where there is a pattern of such conduct;
- the domain name has been registered primarily for the purpose of disrupting the business of a competitor; and,
- the domain name has been used to attract, for commercial gain, Internet users to a website or other online location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement.

As an alternative to litigation, the UDRP provides a relatively inexpensive and expeditious administrative process to recover a domain name if it has been registered in bad faith with no legitimate purpose, and the domain name is confusing with a company's trade-mark rights. The Canadian Internet Registration Authority (CIRA) employs a similar policy called the CDRP that governs disputes involving "dot ca" domain names.

Of course, in some cases, a disputed domain name can be acquired by a brand owner through negotiation, with or without payment.

Prevention strategy. The following are steps that should be considered by any company that wants to prevent losing control of its brands on the Internet:

- Register trade-marks for each of the company's brands, especially the commercially important ones. A trade-mark registration is advantageous in a domain name dispute proceeding under the UDRP and CDRP. For non-Canadian companies, a trade-mark registration can be a condition of obtaining a "dot ca" domain name and commencing a domain name dispute resolution proceeding.
- Register domain names for each of the company's brands, in every jurisdiction around the world where the company does business. Consider "pre-emptive" registrations of confusing domain names and domain name with common typographical errors. A company should forward traffic for all its domain names to its main traffic site.
- Consolidate all domains with one reliable registrar that has an automatic renewal option and also keep track of domain renewals internally as a back-up.
- Keep credit card information and administrative and technical contacts up to date.
- Monitor the Internet periodically to identify cybersquatters and gripe sites or retain one of the many third party search companies which will monitor a company's brands on the Internet for a fee.

Companies should not let themselves become easy targets for cybersquatters and the like. Control and vigilance should be maintained over all domain names incorporating a company's trade-marks. The alternative is to put at risk what are often a company's most important assets – its brands.

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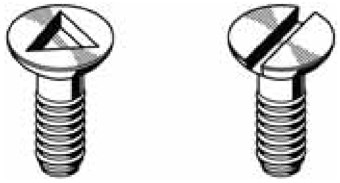
Detecting patent infringement

Is major detective work necessary to detect infringement of your patents in the marketplace? For enhanced strategic value, seek patents for inventions that can be easily spotted in competitors' products or services.

Most people are aware that there is no such thing as a "patent police". The duty of monitoring the marketplace for infringement of a patent falls on the shoulders of the patent holder. If this duty is not fulfilled, then the patent cannot be used to stop others from making, using or selling the relevant invention, because the identity of the "others" will not be known.

Monitoring the marketplace for infringement typically involves a non-trivial investigation effort on the part of the patent holder. The reason is that infringers rarely trumpet their infringing activities. What is not widely appreciated, however, is that the amount, complexity and cost of such investigation can vary significantly depending upon the nature of the invention that is claimed in a patent.

For example, consider two hypothetical patents owned by a company that manufactures screws. The first patent covers a new type of screw whose head has a triangular hole for receiving a triangular screwdriver bit. The second covers a new method of manufacturing screws that results in conventional slotted screws but only requires a fraction of the power historically needed to manufacture such screws. The company initially treats the patents as being equally important within its patent portfolio.



It would be straightforward to detect infringement of the first patent, as any manufacturer producing screws having heads with triangular holes is likely to be an infringer. Monitoring for infringement of this patent may therefore be as simple as periodically visiting local hardware stores and scanning the shelves for competing screws of the relevant type.

Detecting infringement of the second patent, on the other hand, may be more challenging. The reason is that the end product of the inventive manufacturing method – conventional slotted screws – may be indistinguishable from screws made by non-infringing manufacturing methods. To detect infringement of the second patent, the patent holder may need to examine competitors' factories or assembly lines. Of course, a competitor is unlikely to provide access to its facilities, especially for the purpose of inviting a patent infringement lawsuit. The patent holder may therefore be forced to resort to alternative methods for detecting infringement, such as scouring competitors' websites or technical documentation for admissions evidencing infringement (*e.g.* "We now manufacture our screws more efficiently using <the patented method>!"). This approach may fall flat, however, because savvy competitors may intentionally limit the amount of product information accessible by non-customers, precisely to avoid providing unknown patent holders with ammunition for a patent infringement lawsuit. Absent any information regarding competitors' manufacturing methods, the company may be reluctant to allege infringement of its second patent. The patent may therefore be considered to have diminished strategic value within the company's patent portfolio.

In some fields, there may be no getting around the practical difficulty of detecting patent infringement. For example, patents for computer-based inventions are often directed to the inner workings of computer hardware or software, which may not be readily apparent from the operation of an infringing device. Reverse-engineering competitors' products may provide insight as to whether infringement is likely. Indeed, companies whose primary purpose is to reverse-engineer products (*e.g.* Ottawa-based Chipworks) have arisen, likely in part to satisfy this need. The cost of reverse-engineering, which may be significant, might be justifiable as likely paling in comparison to the cost of doing nothing, in terms of potential lost revenues resulting from an infringing competitor product. At least in the case of software, however, many end user licences now expressly bar reverse-engineering. Perhaps as a consequence, the number of patent applications directed to the graphical

user interface ("GUI") of computer-based products has increased in recent years, with the rationale being that GUI features are more easily spotted in competing products.

The above-described potential hurdles to detecting patent infringement in certain fields should not be understood to suggest that no patents should be sought in these fields. On the contrary, because each patent holder presumably faces the same hurdles in detecting infringement by competitors, the playing field is effectively levelled as between competitors in each field. Moreover, it should be appreciated that ease of detecting infringement is but one factor to consider in one's patent acquisition strategy. Other considerations, such the potential value of a patent in garnering investment, generating licensing revenue, or promoting strategic partnerships, may deserve equal or perhaps even greater weight. Nevertheless, it is valuable to consider ease of detecting infringement early in the patent acquisition process, to ensure that one's patent procurement budget is wisely allocated. Had the above fictitious company followed this advice, it might have recognised the particular strategic value of its first patent early in its history.

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Going global with your brand, part 2: the importance of trade-mark registration

If you have made the decision to expand your brand to a foreign country, your next decision should be to register your brand as a trade-mark in that country. Failure to obtain a registration in the foreign country to which you wish to expand may have dire consequences on your ability to use and profit from your trade-mark in that country.

For example, a legitimate prior-existing registration owned by a third party can block the use of your trade-mark. Even famous trade-marks that are known around the world are not immune to this potential and very frustrating problem. One very well known example is the NIKE trade-mark in Spain.

During the Barcelona Summer Olympics in 1992, Nike could not sell clothing with the NIKE trade-mark on it, despite being one of the most recognizable brands in the sportswear industry and having paid substantial amounts of money to have U.S. Olympic athletes wear NIKE-branded clothing. It turned out that a trade-mark that included the word "NIKE" had been registered in Spain in 1932 and was owned by Nike's former distributor in Spain. This former distributor was successful in having a court issue an injunction prior to the start of the Olympics, barring Nike from selling clothing in Spain bearing the NIKE trade-mark. While Nike now has the right to sell NIKE-branded clothing in Spain, it only gained that right in 2005, when the Supreme Court of Spain overturned the earlier ruling that barred Nike from selling such clothing.

Of course, there is nothing that Nike could have done to avoid what happened in Spain, given that the prior registration dated all the way back to 1932. However, their experience simply serves to highlight the benefit of obtaining a registration as soon as possible in order to avoid the possibility of a third party obtaining rights prior to you. The importance of getting a registration is all the more critical in countries such as Spain, where prior registration and not prior use is the basis for establishing which party has the right to a trade-mark. Such countries are commonly referred to as "first-to-file" countries.

In addition to prior-existing registrations, trade-mark "pirates" can also be a problem if you do not quickly file for registration. Indeed, in first-to-file countries, it is not uncommon for pirates to obtain registrations for well-known trade-marks, which can then potentially prevent the rightful owner from using and exploiting its trade-mark in that country. An example is Nintendo, who fell prey to a pirate in Venezuela. Back in 1995, a video-game manufacturer in Venezuela filed an application to register the trade-mark NINTENDO. Since Venezuela is a "first-to-file" country, the manufacturer claimed to have the right to the trade-mark, since he had filed his application first. While the court in Venezuela found that NINTENDO was a well-known mark, it did not make a decision as to which party had the right to register the mark, which left Nintendo with no effective remedy against the manufacturer. In the case of a less well-known mark, the court may have fully sided with the manufacturer and prevented the trade-mark owner from using its trade-mark.

As a result, when going global with your brand, registrations should be obtained in all countries of interest as quickly as possible in order to safeguard your rights. Delay in doing so may prevent you from using and profiting from your trade-mark.

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Past resolutions bring forth new year changes, part 1

This article provides a summary of the changes to U.S. patent rules proposed in the past year.

As we usher in the new year and reflect on the past, 2007 will undoubtedly be recognized as the year of change to improve and modernize the patent system in the United States, Europe and Canada. Some of these changes eliminate many of the options that are widely used in patent practice today, while others impose new obligations on patent applicants.

The following is the first of a two-part discussion highlighting some key aspects of the rule changes in the United States, Europe and Canada and their impact on patent practice. Part 1 will focus on proposed changes to the U.S. rules, and part 2 will focus on rule changes implemented in Europe and Canada.

U.S. summary. In the United States, the rule changes were to take effect on November 1, 2007 until just one day earlier, a preliminary injunction staying implementation of the rules by the United States Patent and Trademark

Office (USPTO) was granted by an Eastern District of Virginia Federal Court judge based on law suits filed by GlaxoSmithKline, and others.

Until such time as the USPTO decides to withdraw the rules or appeal the Court's decision, the injunction will remain in effect pending a judicial review by the Court. In the interim, the USPTO has instructed its employees to continue processing and examining patent applications under the rules and procedures in effect on October 31, 2007 until further notice. Given the uncertainty as to if and when the new rules will be implemented, applicants should develop prosecution strategies assuming that the new rules will eventually take effect as published. Although the new rules have been sharply criticized by some as "vague, arbitrary and capricious" and even "cause irreparable harm", it is unlikely that the USPTO will yield under pressure but rather will remain steadfast and put forth great effort to preserve their mandate to streamline and promote efficiency in the patent system. Ultimately, the USPTO expects that these changes should encourage applicants to use greater effort and precision in pursuing patent protection for their inventions and to rely less on the negotiation style of prosecution.

The following is a brief summary of some of the proposed U.S. rule changes.

5/25 claim limit rule. Under the current laws and regulations, there is no limit to the number of patent claims that can be presented. Under the proposed rules, each application will be limited to only five independent claims, and 25 total claims (the "5/25 rule") unless the applicant files an examination support document (ESD) containing extensive supplementary information. An ESD involves a very comprehensive patentability search conducted on all claims presented including a detailed discussion of each prior art reference and an explanation of why each claim is patentable over the prior art.

Should the rule be implemented, it is expected that most applicants will simply adhere to the 5/25 claims limitation rather than to file an ESD. The requirements for an ESD are not only onerous, costly to implement and stringent to meet, but will risk making of record comments that might be later used in litigation to challenge the validity of the patent and/or limit the scope of the claims.

2+1 continuation rule. In the U.S., there is presently no limit to the number of continuation or continuation-in-part (CIP) applications, or requests for continued examination (RCE) that an applicant can file. These mechanisms allow an applicant to pursue additional (and sometimes broader) claims, and to continue prosecution (rather than appeal) after a final rejection by the examiner.

Under the new rules, an applicant will be limited to two continuing applications and one RCE (the "2 plus 1 rule") per patent application.

The rule is intended to significantly shorten the length of prosecution of an application and discourage applicants from extending prosecution indefinitely. Although an applicant can petition to exceed the 2 plus 1 rule, it is expected that the USPTO will be reluctant to grant such petitions. Furthermore, it is not yet clear what standards the USPTO will use to analyze these petitions. It is therefore likely that the 2 plus 1 rule will be difficult to exceed and that final rejections will be challenged more often through the appeal process.

Common ownership. In order to prevent circumvention of the 2 plus 1 rule for continuing applications by filing separate but similar applications, the USPTO will impose a requirement on an applicant to identify all "related" patents and patent applications, *e.g.* having common ownership, at least one common inventor, similar filing and/or priority dates. Multiple applications meeting these criteria will be treated by the USPTO as a single application for the sake of the 5/25 rule.

Although the USPTO has been enjoined presently from implementing these changes, it is expected that there will be much discussion over the coming months as to how the new rules will be implemented. Like it or not, significant changes in U.S. patent laws and regulations are inevitable in the very near future.

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Recent developments in brief

Canada clamps down on counterfeiters. In the last issue of *IP Connections* we reported on the need to strengthen Canada's response to counterfeit crime. Three recent cases have now demonstrated the willingness of the courts to get tough with counterfeiters and pirates. In the first, the Federal Court of Canada granted default judgment finding purveyors of counterfeit Louis Vuitton merchandise guilty of infringement and ordering a substantial award of damages for copyright and trade-mark infringement as well as significant compensation for costs of the case against the defendants in Vancouver. In Montreal, the Federal Court, issued an injunction freezing the assets of a serial pirate of Microsoft software and restraining the further sale, distribution and advertising of counterfeit goods. Microsoft also received an order for payment of its legal costs of the case. In Toronto, The Entertainment Software Association, representing publishers of video games, were involved in the prosecution of criminal charges against a recidivist individual video game pirate who was carrying out pirating activities from his home. The individual received a conditional sentence of house arrest and community service as well as forfeiture of significant funds and equipment, seized upon execution of a search warrant by the RCMP and a substantial fine. Restitution to The Entertainment Software Association was also ordered to be paid out of the forfeited funds. These cases send a strong message to counterfeiters and pirates in Canada. Clearly, the courts have taken notice of the seriousness of the problem of product counterfeiting and copyright piracy in Canada and are willing to apply tough enforcement measures to protect the rights of innovators and creators in this country.

Copyright amendments meet unexpected backlash. A protest has erupted over a series of proposed amendments to the Canadian *Copyright Act*, which were expected to be tabled in the House of Commons during the week of December 10. The amendments were expected to introduce safeguards to protect artists as well as music, film and media companies from infringements, mirroring legislation in the U.S. and fulfilling Canada's obligations under a World Intellectual Property Organization treaty. However, it seems that Industry Minister Jim Prentice has decided to delay the introduction of the bill, perhaps in view of a sudden backlash, carried out largely over the Internet through personal and consumer blogs as well as a Facebook group

protest joined by over 19,000 people. A variety of interested advocates and their supporters are concerned that the amendments are unbalanced, and seek to protect the rights of copyright owners without giving due consideration to making allowances for non-commercial personal use. The backlash has not been confined to the Internet, as evidenced by the appearance of a group of protesters at Mr. Prentice's open house in his Calgary constituency office in December. As the government grapples with Canada's treaty obligations, the need for tougher protections against counterfeiting and infringements and the concerns of those who seek to preserve free exchange, it remains to be seen whether the government will introduce the proposed amendments in 2008 or send them back to the drawing table.

Canadian flag waves on Second Life. The hugely popular social networking website Second Life has been known to span the gap between the real and virtual worlds through the exchange of Linden and U.S. dollars and the sale of virtual land and avatars on eBay. Now the Canadian flag can be found outside the Canada Post store in Maple Grove, a virtual city in Second Life where other retailers such as Sears and Toys "R" Us have joined in to embrace ecommerce. With over 11 million subscribers to Second Life worldwide, the move creates significant exposure for Canadian businesses with the possibility of real world gains from virtual world shoppers.

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