



IP CONNECTIONS

CANADIAN INTELLECTUAL PROPERTY & TECHNOLOGY LAW NEWSLETTER

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Keeping a (trade) secret in the oilpatch: mitigating risks with patent protection

Discovering the protection offered by a patent can be as promising as striking oil.

Many technological developments in Canada's oilpatch are related to new or improved processes. Historically, this is the exact subject matter best suited to protection as a trade secret. There is no settled definition, but trade secrets usually comprise a company's well-guarded confidential information of a technical nature which, if disclosed, would likely adversely affect the company's business.

Trade secrets can, in theory, be maintained by a company indefinitely. However, once the information becomes public, then it is free for anyone to use, with recourse – if any – likely limited to the party having misappropriated the secret. It is this risk of irrevocable loss of exclusivity that must be weighed in the balance against other intellectual property protection, like patent protection, in the market forces at play in the oilpatch.

The tremendous economic growth in the oilpatch has created a thriving job market where individuals frequently move from one company to another. It can be very difficult to keep information confidential in these circumstances, despite best efforts through the use of company confidentiality programs.

The risk of disclosure of trade secrets can therefore be very high, leaving a company exposed to the possibility of losing its market advantage in a technology. This exposure might be mitigated with patent protection.

There are some basic requirements that must be met in order to obtain a patent, including that the technological development be an "invention". Usually, an invention can be identified in a new process or an improvement to an existing process such that some form of patent protection can be obtained, giving the patent owner the exclusive right to prevent others from using the patented invention. This sometimes involves a Court proceeding, but the mere existence of the patent can often deter competitors from adopting the patented technology. Using patented technology without the patent owner's consent can result in a Court ordering that the infringing user financially compensate the patent owner for the harm done through its unauthorized use of the patented invention. The amount of such compensation can be significant.

However, patent protection is limited to a maximum 20 year term. Also, in order to obtain

protection, there must be full disclosure of the invention. It is this requirement for full disclosure with a fixed term of protection that must be balanced against the potential for keeping information secret forever. It may be that the reasonable certainty of obtaining some form of patent protection will outweigh the uncertainty of maintaining a trade secret.

If the balance tips in favour of patenting, then the following points are worthy of note. First, for many countries, entitlement to a patent is determined by who applied for the patent

first, and not by who first independently discovered the invention. Thus, it is often prudent to file a patent application at the earliest opportunity, particularly in technological fields that are experiencing competitive growth. Second, public disclosure of the invention before the application for patent is filed is an absolute bar to patent protection in many countries. Steps should be taken to ensure that patent applications are therefore filed before any information is revealed to the public. Finally, patents have only a national scope, such that patent protection must be obtained in each country in which patent protection is of interest. For many inventions deriving from the oilpatch, this is but a few countries, and sometimes it is only Canada that is of any commercial interest. The bonus for oilpatch companies: the cost of obtaining patent protection is often relatively inexpensive compared to other technological sectors.

There is no absolute formula for weighing the benefits and risks associated with trade secrets and patent protection. Each secret/invention must be assessed on its own facts, and ultimately a business decision must be made. However, given the possibility for significant adverse consequences in the event that a trade secret is disclosed, patent protection should be given serious consideration as a means of mitigating the risk of unintentional disclosure of a trade secret.

Daphne C. Lainson, Ottawa
dclainson@smart-biggar.ca



Triple protection for the shape of useful articles

Protection for your innovations can be found using many different types of intellectual property legislation, including within the *Trade-marks Act*, the *Copyright Act* and the *Industrial Design Act*.

When obtaining intellectual property protection for a product that, at the outset, is intended to enjoy long-term commercial success, obtaining multiple forms of IP protection for the same subject matter can be of significant advantage. Protection for the shape of functional articles in particular poses an interesting situation whereby one may potentially benefit from rights arising concurrently under copyright, trade-mark, and industrial design legislation.

When dealing with a functional article embodying an aesthetically-pleasing design, the *Industrial Design Act* is a good place to begin as industrial design registration can provide up to 10 years of protection. After addressing the useful article from an industrial design perspective, one may also seek to complement the design protection with additional layers of protection under the *Copyright Act* and the *Trade-marks Act*, which can work hand-in-

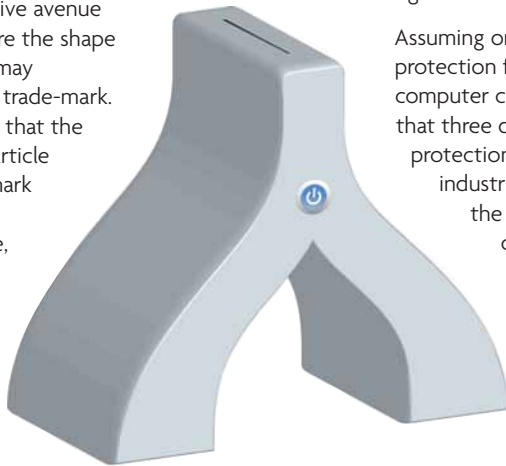
hand when dealing with the shape of useful articles.

The *Copyright Act* eliminates overlap with the *Industrial Design Act*. Where an article is reproduced more than fifty times by its copyright owner, a third party that reproduces the article will not infringe the copyright in its shape. However, the *Copyright Act* provides certain exceptions to this exclusionary rule, and it presents an attractive avenue of protection where the shape of a useful article may eventually act as a trade-mark. It should be noted that the shape of a useful article acting as a trade-mark will likely entail a distinguishing guise, and thus one must satisfy the statutory requirements for recognizing a distinguishing guise (i.e. a trade-mark).

Since a distinguishing guise must by definition distinguish the wares of one company from another, the shape of a useful article may not qualify as a distinguishing guise at the outset. To acquire distinctiveness, an article should be extensively advertised and promoted. Needless to say, such a campaign necessitates a multidisciplinary approach, focusing not only on a legal standpoint, but also that of marketing/advertising. During this period, promotional and advertising campaigns must aim to accentuate the distinctiveness of the useful article's shape, but should also be mindful to avoid emphasizing aesthetic and/or functional qualities. Rather, an effective strategy will be mindful of the objective of such a campaign: to create an association in the minds of consumers between the distinctive shape of the article and its source. As such, for instance, a successful marketing campaign may encourage consumers to look for and identify a product simply by its shape.

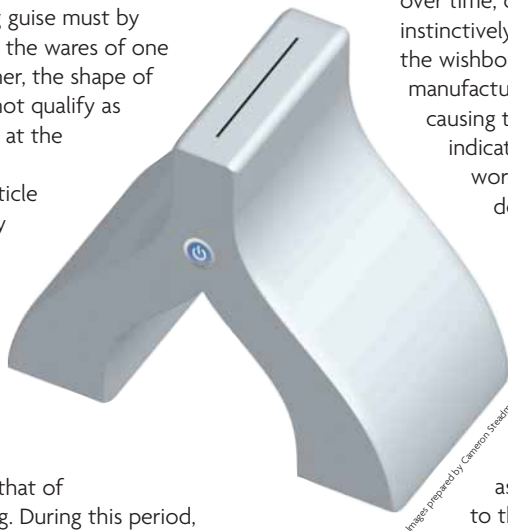
The foregoing notion may be best understood using the example of the fictional wishbone-

shaped computer case. Above all, before contemplating potential marketing strategies, it goes without saying that where a market for the product at issue already exists, the article must possess a unique shape (not dictated by functional considerations) that distinguishes it from all other similar products. The market for computer cases, for instance, presents a potential opportunity, since most cases are available more or less in the shape of a rectangular box.



Assuming one wanted to obtain IP protection for this wishbone-shaped computer case, over time it is possible that three different forms of IP protection may be pursued. First, industrial design protection for the aesthetic look of the case could be sought. An appropriate further strategy could concentrate on stressing the distinctive shape of the case. For example, advertisements may

suggest that consumers "Look for the Wishbone". The objective is that over time, consumers will instinctively associate the shape of the wishbone case with its unique manufacturer, thereby effectively causing the shape to act as an indicator of source (in other words, a trade-mark). In so doing, registration of the shape of the article as a distinguishing guise would be greatly facilitated.



Only once a useful article acquires distinctiveness, and is thereby recognized as a trade-mark pursuant to the *Trade-marks Act*,

does the *Copyright Act* enter the scene to protect the artistic quality of the article, irrespective of mass production. In this way, if successfully accomplished, one may benefit from considerable protection stemming from three different IP statutes, each protecting different aspects of the same article. Moreover, such a strategy is especially interesting given that each statute provides for a different term of protection and includes its own set of remedies.

Christian Bolduc, Montreal
cbolduc@smart-biggar.ca

Canada's proposed amendments to the *Copyright Act*

Balancing the need to meet Canada's obligations under international treaties with satisfying the Canadian public has proven to be a tricky proposition.

It is widely believed that the Canadian *Copyright Act*, in its current form, offers little legislative guidance for reconciling the myriad of legal issues that have developed alongside the digital revolution. Under the 1996 *World Intellectual Property Organization Performances and Phonograms Treaty* ("PPT"), signatory states were impressed with the task of amending their copyright laws to reduce the piracy of copyright-protected digital media. Prior to the PPT, end users in various jurisdictions, including Canada, the United States ("U.S."), and European Union ("E.U."), who circumvented technological protection measures ("TPM") and digital rights management ("DRM") (used to protect digital forms of copyright protected media, such as MP3 music files), were not held liable for copyright infringement when such digital forms of copyright-protected media were subsequently disseminated.

In 1998, in an effort to ratify the PPT, the U.S. implemented the *Digital Millennium Copyright Act* ("DMCA"), which made an end user who circumvented TPM and DRM liable for copyright infringement. Further, the DMCA restricted the "fair use" exceptions to copyright infringement as related to the circumvention of TPM and DRM. In 2001, the E.U. passed a similar statute, the *E.U. Copyright Directive*. To date, despite being a signatory to the PPT, Canada has failed to ratify the PPT principles by amending its *Copyright Act*.

On October 16, 2007, when the Federal Government of Canada announced that it planned to "improve the protection of cultural and intellectual property rights in Canada, including copyright reform", one might have expected this announcement to be met with applause, given that over a decade had passed since Canada had signed the PPT. However, as those who follow the mainstream Canadian press know, the announcement was met with mixed reviews; it initiated a groundswell of public criticism against the anticipated amendments, which were believed to be in line with the DMCA provisions, despite the fact that the proposed amendments were not made public. This overwhelming opposition ultimately resulted in the amendments to the



Copyright Act not being tabled in December 2007 as had originally been expected.

Interestingly, many of the same digital platforms that could be affected by any proposed amendments to the *Copyright Act* have served to amplify the voice of the opposition. For example, a blog operated by a leading Canadian intellectual property law professor, and a Facebook social group named "Fair Copyright for Canada" (which currently boasts more than 40,000 registered members), have taken center stage in defining the opposition's arguments to the anticipated amendments.

The main thrust of the arguments has been focused on the "fair use" exceptions, which are currently codified in sections 29 to 32.2 of the *Copyright Act*. Exceptions to copyright infringement presently exist in Canada for parties who are involved in research or private study, criticism or review, or news reporting. Further, a series of exceptions exist for specific and otherwise infringing activities when conducted by educational institutions, libraries, archives, or museums.

Opponents of the anticipated amendments argue that the amended *Copyright Act* will not

only make it an infringement to circumvent TPM and DRM, but that the current “fair use” exceptions will either be done away with entirely, or at least insofar as such exceptions would apply to TPM and DRM. The opponents’ arguments seem to be based on the fact that the DMCA, upon which it is believed the Canadian provisions will be based, limited the “fair use” exceptions that had previously existed in the U.S. *Copyright Act of 1976*, at least where TPM and DRM circumvention is concerned.

However, what many opponents may fail to recognize is that the American legislation is not static. A Bill to amend the DMCA was introduced in February 2007, proposing that greater “fair use” exceptions be re-introduced into the DMCA. The *Freedom and Innovation Revitalizing U.S. Entrepreneurship Act of 2007* has been referred to the Subcommittee on Courts, the Internet, and Intellectual Property; accordingly, the impact of this proposed amendment is not known.

The date on which the Federal Government of Canada plans to retable the amendments to

the *Copyright Act* remains unknown at the time of this newsletter’s publication. It may well be that the proposed amendments to Canada’s *Copyright Act* do not precisely mimic the DMCA, but instead incorporate “fair use” exceptions similar to those which have been proposed for reintroduction in the U.S.

Arguably, the Canadian debate has been intensified by the fact that neither side has had the opportunity to view the proposed legislation. It is likely that all parties would agree that more transparency from the Federal Government of Canada would be beneficial in drafting a modern *Copyright Act* that addresses the two major concerns: that digital piracy is a rampant problem that needs legislative intervention, and that “fair use” exceptions are important for promoting independent research and supporting our educational and cultural institutions.

Karen F. MacDonald, Vancouver
kfmacdonald@smart-biggar.ca

Jeffrey D. Morton, Vancouver
jdmorton@smart-biggar.ca

Past resolutions bring forth new year changes, part 2

This article provides a summary of the changes to Canadian and European patent rules proposed in the past year.

European summary. EPC 2000 is the first major revision of the European Patent convention (EPC) to improve harmonization of the EPC with different international patent treaties. This revision applies to the majority of pending European patent applications and granted patents. Key changes of interest to Canadian applicants are outlined below.

Unity of invention for Euro-PCT applications. Previously, a party submitting a PCT patent application that was entering into the European regional phase and claiming more than one non-unified invention was issued a communication by the EPO to pay additional fees for any non-searched inventions. This provision no longer exists under the EPC 2000. A European application must now be limited to one invention, and additional inventions must be prosecuted in one or more divisional applications. Additionally, the applicant can no longer choose which invention to prosecute initially unless the EPO was the International Searching Authority (ISA) during the international phase of the application. If the



EPO was not the ISA during the international phase, then a supplementary search report (SSR) will be prepared on the *first mentioned invention only*. Accordingly, requesting further searches by the EPO during the international phase for PCT applications will be advantageous, since any of the searched inventions could potentially be examined during European examination. Alternatively, if the EPO was not the ISA during the international phase, and a lack-of-unity issue is raised in the European regional phase, then it is important that the most important claim grouping (e.g. of commercial value) appears first.

Medical use claims. A substance or composition already known for a first medical use (e.g. therapeutic application) may be patentable for a second or additional specified medical use providing that use is novel and inventive. Previously, second medical uses drafted as “Swiss-type” use claims were not expressly authorized by European law, e.g. use of composition X in the preparation of a medicament for treating disease Y. Under EPC 2000, valid protection is now available for second medical uses drafted under the “purpose-limited product claim” format, e.g. composition X for use in treating disease Y. Previously, the purpose-limited product claim was available for first medical uses only. Swiss-type claims are still available, but will likely be phased out. Notably, this new provision does not apply to the new use of a medical device in Europe.

Central limitation and revocation. At any time during the life of a European patent, the patentee can now revoke or limit the patent through a centralized procedure at the EPO, unless opposition proceedings are pending. The patentee is not required to provide a reason for the request (e.g. new prior art). However, the amended claims will not be re-examined by the EPO, but will only be reviewed for formality requirements. This provision is beneficial in instances where a patentee wishes to enforce a European patent against an infringer, but may need to voluntarily amend

the patent if relevant new prior art has surfaced. Previously, separate amendments and compliance with different requirements in each of the relevant EPC states were necessary and costly.

Canadian summary. In Canada, procedural changes have been made to the *Patent Rules* that affect payment of small entity government fees, registration of title documents and filing of sequence listings, the latter two of which are application completion requirements but are not necessary for obtaining a filing date.

Small entity. Applicants who claim small entity status are entitled to pay half of most government fees. Under the amended *Rules*, a small entity is defined as an entity employing 50 or fewer employees or a university, but excludes an entity that (a) is controlled directly or indirectly by another entity that employs more than 50 employees (other than a university), and (b) has transferred or licensed any right in the invention to another entity that employs more than 50 employees (other than a university). Entitlement to small entity status is determined as at the date of filing of a regular application (*i.e.*, a non-PCT application) or during national phase entry of a PCT application. Although a new provision also provides relief for making a corrective payment if a small entity fee has been paid in error, the boundaries within which this provision will be applied by the Patent Office are presently unclear.

Assignments. Previously, an applicant for a Canadian patent was required to register title document(s) showing transfer of title from the inventor(s) to the applicant. Under the new *Rules*, an applicant may instead file a declaration of entitlement (as for PCT applications) which states the basis for the applicant's entitlement to apply, e.g., as employer of the inventor(s), or based on an assignment identified in the declaration. Registration of title document(s) is still required to show change of ownership of the patent or patent application.



Sequence listings. In Canada, sequence listings in electronic and paper forms are required if the application discloses an unbranched sequence of four or more amino acids, or of ten or more nucleotides, unless the sequence forms part of the prior art. Under the new *Rules*, the Patent Office no longer requires submission of the paper form of the sequence listing. Advantageously, this avoids potential formality objections by the Patent Office when paper and electronic forms of the sequence

listing are not identical, as well as costs associated with the preparation of an extensive sequence listing in paper form. However, the sequence listing will be included in the final fee calculation by the Patent Office for issuance of a Canadian patent application, *i.e.*, excess page fees for each page of the specification and drawings over 100 pages.

Elizabeth A. Hayes, Ottawa
eahayes@smart-biggar.ca

Recent developments in brief

iPods in the clear...for now. Federal Court of Appeal. January 10, 2008. In our September/October 2007 issue, we reported on a move by the Canadian Private Copying Collective ("CCPC") to extend copyright levies now payable on blank CDs to iPods and other MP3 players. The Federal Court of Appeal has, however, considered the matter and has ruled that the tariff cannot be extended to digital audio recorders or to the memory that is permanently embedded in digital audio recorders. All interested parties now await the new Copyright amendments, which have been temporarily on hold, as discussed in more detail in our article on page 4.

P.E.I. leaps to defend Anne of Green Gables. Anyone who has visited Prince Edward Island will appreciate the extent to which Anne of Green Gables is known, loved and marketed in Canada's smallest province. Thus, when a Toronto-based website called *annesdiary.com* caught the notice of the P.E.I. government, Development Minister Richard was quick to say that unauthorized uses of the Anne of Green Gables trade-mark would be taken very seriously and pursued vigorously. Although she is a fictitious character created by L. M. Montgomery, Anne of Green Gables is both a Canadian icon and a very valuable intellectual property asset.

SCRABULOUS catches attention of SCRABBLE. Having largely flown under the radar since being developed by two brothers in India, the online game of SCRABULOUS finally caught the attention of the owners of SCRABBLE in January of this year, when Facebook let users play against their existing friends without having to go to another website. With striking similarities to the traditional SCRABBLE, including the little tiles, and a reported 600,000 active users, it's not surprising that Ivor Tossell of the *Globe & Mail* has speculated that the game will soon be "lawyered out of existence".



Patents working to fight micronutrient deficiencies. Anemia occurs and is routinely treated in the developed world, but it is a serious health problem, particularly for women and children in parts of the world that are still developing. Dr. Levente Diosady and his colleagues at the University of Toronto have come up with a patented process for coating iron particles in vegetable fat and a white colouring so that they can be added to salt without changing its taste and appearance. They have turned the patent over to The Micronutrient Initiative, an Ottawa-based international, not-for-profit organization that is dedicated to eliminating vitamin and mineral deficiencies worldwide. Since most of the developing world consumes salt, the new technology will provide an ideal vehicle for combating the health risks of insufficient iron.

SMART & BIGGAR FETHERSTONHAUGH

Barristers & Solicitors • Patent & Trade-mark Agents

OTTAWA

55 Metcalfe Street Suite 900
PO Box 2999 Station D
Ottawa ON K1P 5Y6
Canada
t. 613.232.2486
f. 613.232.8440
ottawa@smart-biggar.ca

TORONTO

Box 111 Suite 1500
438 University Avenue
Toronto ON M5G 2K8
Canada
t. 416.593.5514
f. 416.591.1690
toronto@smart-biggar.ca

MONTREAL

Suite 3300
1000 De La Gauchetière Street West
Montreal QC H3B 4W5
Canada
t. 514.954.1500
f. 514.954.1396
montreal@smart-biggar.ca

VANCOUVER

Box 11560 Vancouver Centre
2200-650 West Georgia Street
Vancouver BC V6B 4N8
Canada
t. 604.682.7780
f. 604.682.0274
vancouver@smart-biggar.ca

www.smart-biggar.ca

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Virtually every member of our firm has an engineering or scientific educational background and many also have post-graduate degrees. More than two-thirds of our firm members, including most of our lawyers, are registered patent agents.

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- E-commerce

To offer your feedback on this newsletter or any of its articles, please contact:

Keltie R. Sim (Editor)
krsim@smart-biggar.ca

Geneviève M. Prévost (Co-editor)
gmprevost@smart-biggar.ca

Emma Start (Co-editor)
emstart@smart-biggar.ca

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