



IP CONNECTIONS

CANADIAN INTELLECTUAL PROPERTY & TECHNOLOGY LAW NEWSLETTER

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Are you ready for new top-level domains?

Changes are coming that will impact addressing standards on the Internet. Will they affect your interests?

A top-level domain is the suffix of two or more letters that comes after the dot in a domain name. There are two types of top-level domains: generic top-level domains (gTLDs) such as .com, .org and .net, and country-code top-level domains (ccTLDs) such as .ca, .uk, and .fr. There are currently 21 gTLDs and 250 ccTLDs, each of which is managed by a registry operator. For example, the Canadian Internet Registration Authority (CIRA) manages .ca, Canada's ccTLD.

ICANN (Internet Corporation for Assigned Names and Numbers), the non-profit organization that coordinates the domain name system, is preparing for a major expansion of new ccTLDs and gTLDs. Some predict that this expansion will change the nature of the Internet, while others are more skeptical. There are two major aspects of this expansion: non-Latin TLDs and new gTLDs.

Non-Latin top-level domains. When the Internet began, all domain names were restricted to Latin characters, e.g. companyname.com. In 2003, ICANN introduced Internationalized Domain Names (IDNs), which allow characters in non-Latin languages and scripts such as Japanese or Korean. At present, only the portion of the

domain name before the dot can be in a non-Latin script, since all existing TLDs use Latin characters. For example, if you want to register "yourname.jp" in Japanese, the closest equivalent would be "日本語.jp" where the ".jp" remains in Latin characters. However, starting in 2010, ICANN will begin approving TLDs in non-Latin scripts (IDN TLDs). This is significant as over half of the world's 1.6 billion Internet users are fluent in a language using non-Latin script.

IDN TLDs will apply to both ccTLDs and gTLDs. ICANN has provided a fast-track application process (opened November 16, 2009) for IDN ccTLDs. The process for ccTLDs is restrictive as applications must be authorized by the relevant national government, the IDN ccTLD must be in an official language of the country, and it must be a meaningful representation of the name of the corresponding country such as the country name itself (or part of it) or an abbreviation. Some countries have already applied, including Russia and Egypt, and new IDN ccTLDs are expected to be approved by mid-2010. Only about 50 IDN ccTLDs are expected, as the number is restricted to one ccTLD per country, per official language.

Those doing business in countries with non-Latin official languages will want to stay informed of the launch dates of that country's new IDN ccTLDs. For example, Russia has applied for .рф as its new Cyrillic language country code. It is reasonable to assume that persons currently operating a .ru domain name will want to obtain the Cyrillic equivalent. It is important to note that some countries, including Canada, have presence requirements for their ccTLDs that limit who can obtain a domain name registration. Presence requirements may include citizenship, national incorporation, national trade-mark registration, place of business or others. Companies with famous names, common names, and names with known equivalents (AA = American Airlines, Alcoholics Anonymous and Automobile Association) will be especially concerned with early registration of their domain names on new ccTLDs registries in important markets.

Non-Latin gTLDs will also be available soon, as discussed below.

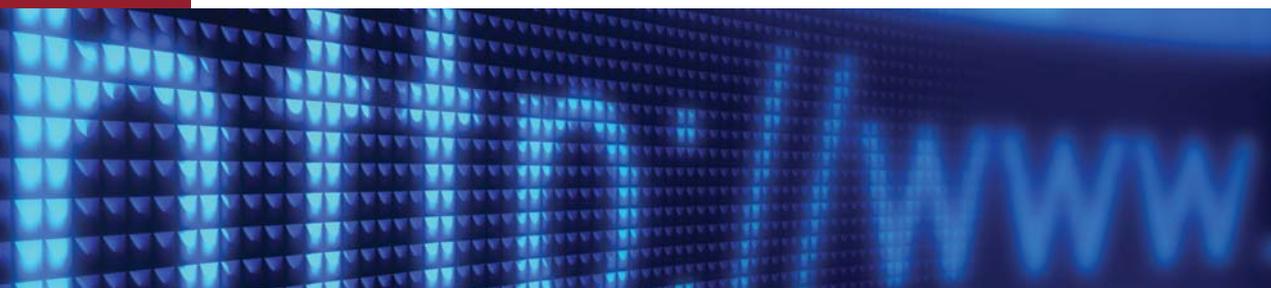
Unlimited generic TLDs. While the addition of IDN ccTLDs is an important expansion of the domain name environment, there is greater excitement and uncertainty over ICANN's plan to allow unlimited new gTLDs. New gTLDs will be available in Latin and non-Latin scripts. At present, the application process is still under development. It is expected that applications will be accepted sometime in 2010 following publication of a final Applicant Guidebook and that the first gTLDs may be approved as early as 2011. Presently, the application fee is set at \$185,000 USD. In addition, new gTLDs are expected to require an initial investment of \$500,000 to \$1,000,000 USD over the first two years and continuing maintenance costs of over \$100,000 USD per year. Despite the costs, hundreds of applications are expected.

At least three conceptual types of gTLD are likely to be popular, namely .brand, .generic and .community type gTLDs. A .brand gTLD, such as .google or .ford, will be most attractive to larger entities that want greater control over their brand and goodwill and can

afford the high costs associated with establishing and managing their own gTLD. Applications for .generic gTLDs, such as .car, .food, or .sports, will almost certainly be motivated purely by profit, with the intention of selling as many domain name registrations as possible. A .community gTLD, such as .tokyo or .doctors, may be motivated by several factors, depending on the interests of the particular community. For example, Norway is reportedly considering an application for .oslo. With the ever-expanding amount of information on the Internet, the greater specificity that will result by adding new gTLDs may serve to alert the Internet users of relevant content. Consider that someone using a search engine to find out where to eat in Toronto may prefer to follow a link to restaurants.gta than restaurants.com. It is also possible that search engines will begin giving more weight to the gTLD in the algorithm that determines the ranking of search results.

Several companies have already expressed an interest in competing in the new gTLD environment by applying for and/or managing new registries. One such company, Mind + Machines, plans to apply for the gTLD .food in partnership with famous chef Wolfgang Puck and his wife Gelila Puck. This relationship has already resulted in a public falling-out whereby the Pucks allegedly claimed a right to co-invest in certain other gTLD applications that may be filed by Mind + Machines on the basis of celebrity introductions made by the Pucks. In response, Mind + Machines filed suit in United States Federal Court seeking confirmation that the Pucks have no rights in its non-.food projects.

Intellectual property stakeholders are particularly concerned with new gTLDs as the potential for consumer confusion, cybersquatting, brand infringement, fraud, etc. may increase exponentially. Current projections are that between 300 and 500 new gTLDs may be approved, which is a major cause for concern for IP rights holders. To limit the negative consequences of new gTLDs, IP advocates are pushing for a series



of protections to govern new gTLDs, including sunrise (pre-registration) periods for trade-mark rights holders, improved dispute resolution procedures, and a trade-mark clearinghouse database that would facilitate participation in rights protection mechanisms. ICANN has not yet established which IP protection mechanisms will be required for new gTLD registries, and the matter is still being hotly debated by stakeholders. In this regard, there are strong interest groups that support minimum IP protection and an “open” Internet.

Many IP rights holders are now preparing strategies to deal with these new developments, including preparing to register domain names with new TLDs as they arise and ensuring

that trade-mark registrations are in place in certain jurisdictions to meet presence requirements. The major concern for IP rights managers is the unknown increase in costs to establish and enforce their rights down the line. It is hoped that the IP rights protections adopted by ICANN will be robust and will minimize the harm to IP rights holders.

One thing is certain: brand owners will want to stay informed as new ccTLDs and gTLDs are approved as prompt action may be required to maximize protection for their brands.

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What’s really in a name?

Especially in difficult economic times, it is important to know not only what one does or does not need but also how to get the most out of what one already has. This is also true of intellectual property (IP). Yet, one important IP asset that companies already have often goes overlooked in devising an IP strategy: the trade-name.

The trade-name, as defined in the Canadian *Trade-marks Act*, is “the name under which any business is carried on, whether or not it is the name of a corporation, a partnership or an individual.” A distinction is to be made between a trade-name that is the name a company uses to identify itself to the public and a corporate name that is named in its articles of incorporation. As indicated by the definition of trade-name, a company’s trade-name and corporate name may be the same or similar, or a company may carry on business under a different name, as demonstrated by the following examples:

- Acme Manufacturing Company (corporate name) identifying itself as Acme Manufacturing Company (trade-name)
- Acme Manufacturing Company (corporate name) doing business as Acme (trade-name)
- 984472 Ontario Limited (corporate name) doing business as Dave’s Equipment Rentals (trade-name)

Trade-names and corporate names must likewise be distinguished from trade-marks, which often overshadow them. Whereas

corporate names and trade-names serve to identify a corporate entity or business, trade-marks serve a different, albeit related function: to distinguish the wares and services of a business from those of another.

To capitalise on the value of the trade-name of a business, it is important to understand the difference between these concepts, which in turn allows a company to take full advantage of the different rights and recourses they provide.

Registration of a corporate or trade-name.

When incorporating a company in Canada, it is mandatory to identify its corporate name in its articles of incorporation pursuant to the federal or provincial legislation under which incorporation is being sought. Moreover, if a company is carrying on business under a trade-name other than its full corporate name, that name must be registered under the applicable provincial legislation. Referring to the examples above, this applies if Acme Manufacturing Company is carrying on business simply as “Acme” or if 984472 Ontario Limited is carrying on business simply as “Dave’s Equipment Rentals.”

It is important to note that registering any trade-name under which it is doing business serves to protect the public, not to protect the name. As such, this mechanism alone affords a very limited scope of protection. For example, it does not operate:

- to prevent a third party from using the same or a confusingly similar trade-name, whether such use commenced before or after the registration;

- as a defence to the infringement of a third party's rights. In other words, if a trade-name is similar to that of a third party, the simple fact that a trade-name has been registered will not constitute a defence to an action brought by that third party.

That is not to say, however, that legislation pertaining to corporate or trade-names cannot play a role in an effective strategy to protect a company's rights in its trade-name. Indeed, although the specific requirements vary between jurisdictions, such legislation generally provides a framework that allows:

- to search the corporate names or trade-names already registered that can help in selecting a more distinctive corporate name or trade-name and avoiding the possibility of running afoul of third parties' rights;
- a mechanism to challenge corporate names or trade-names that are considered misleading, confusing or not distinctive by reason of the use of another trade-name or even a trade-

mark that may be relatively fast and inexpensive

Such legislation can therefore provide interesting alternatives to the classic remedies offered pursuant to the *Trade-marks Act* and should not simply be overlooked when devising a strategy to maximise the value of a trade-name.

Use of a trade-name. Because of their identification function, trade-names also have an important role to play within the framework of the *Trade-marks Act*. Of course, the use and promotion of a trade-name can serve to accumulate goodwill, but trade-names can also be used to actively protect that goodwill.

Use of trade-names, if properly evidenced, can notably present the following strategic advantages:

- acting as a bar to the subsequent registration by a third party of a trade-mark that is confusingly similar with a trade-name. For example, the ACME Manufacturing Company, in operation since 1950 and famous for its sale of widgets, may be in a position to stop its most recent competitor, ABC Co., from registering the trade-mark ACME in relation to widgets;
- serving as the basis for passing-off actions, which are legal actions that seek to prohibit one trader from misidentifying his/her products as those of a competitor or trying to usurp that competitor's goodwill by using a confusingly similar trade-name or unregistered trade-mark.

As well as the above strategies that use trade-names directly, trade-names can also be used in conjunction with other IP rights to maximise the value of a company's overall portfolio.

One such strategy is combining the use of both a trade-name and a trade-mark corresponding to the trade-name. For example, coming back to the ACME Manufacturing Company, assuming that no third party has acquired any rights in the trade-name or trade-mark "ACME," it could not only use the trade-name ACME Manufacturing Company and prevent others from using the ACME trade-mark but could also itself use the ACME trade-mark to identify its widgets. Using a trade-name and trade-mark together in this way can:

- add to the distinctiveness of both a company's trade-name and trade-mark and have them work together to grow



the goodwill both in the business and its products; and

- allow a company to potentially obtain a trade-mark registration for the trade-mark corresponding to the trade-name, which in turn offers a wider scope of protection, including additional grounds of opposition and actions for trade-mark infringement and depreciation of goodwill, which a company can use to stop third parties from using confusing trade-marks as well as trade-names.

If a company already has a trade-name and corresponding trade-mark, consider the following tips to maximize the benefits of this combination:

- if the trade-mark corresponding to the trade-name has been registered, ensure that the trade-mark is used as registered; and
- ensure that the trade-mark (i.e. ACME) and not the trade-name (i.e. ACME Manufacturing Company) is used on the company's widgets to identify their

source. This in turn ensures that both the trade-name and the trade-mark are used for their intended purpose: the former to identify the business and the latter to identify its products or services. Indeed, clear and consistent use of trade-names and trade-marks can help ensure that a company can benefit from all the various grounds of opposition and recourse either offers and, importantly, can also help protect a company's trade-mark (or registration as the case may be) against various attacks on the ground of improper use.

These tips will help diversify the recourses available and avoid the potential pitfall of losing rights (and therefore investment and goodwill) in the trade-mark from indiscriminate and interchangeable use of the trade-name as a trade-mark. This will help to ensure that your trade-name and trade-mark are working together to grow your rights and not against each other to detract from them.

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The risks and rewards of trade secrets

To patent or not to patent – consider the potential benefits and drawbacks of one alternative.

For many reasons, innovators often seek patent protection for inventions. A patent can offer powerful and valuable protection by preventing competitors from making or using an invention during the term of the patent. Similar forms of protection are also available for other types of innovations such as plant breeds and integrated circuits.

However, some innovators choose instead to try to keep their valuable business knowledge secret. For example, famous recipes for Coca-Cola and Kentucky Fried Chicken have been, and are claimed still to be, vigorously guarded trade secrets. As another example, the violin maker Antonio Stradivari apparently kept secret his technique for the manufacture of Stradivarius violins.

So, what are some considerations that should go into deciding whether to pursue patent protection versus keeping an innovation as a trade secret?

Whether the innovation can be kept secret.

Many innovations must be put in the public domain to derive commercial benefit from



them. For some innovations, once in the public domain, competitors can easily figure out how they work and what components go into making them. Trade secrets are generally not advisable for these types of innovations since they will be virtually impossible to maintain. For example, it would have been difficult, if not impossible, for the Wright brothers to commercialize and protect their “flying machine” without patent protection.

However, where an innovation can be kept secret, owners of the innovation have a choice between disclosing the innovation to seek patent protection or trying to keep the innovation secret. Innovations relating to manufacturing methods and processes are generally easier to keep as trade secrets. For example, if an innovation relates to a new cost-effective way of manufacturing widgets, if once those widgets are in the marketplace it would be impossible for a competitor to figure out how the widgets were manufactured, then it is perhaps better to keep the new cost-effective manufacturing technique as a trade secret. In this manner, instead of obtaining a limited-time monopoly by way of a patent, keeping the innovation as a trade secret will allow commercial exploitation of the innovation indefinitely (or at least for as long as the innovation remains secret).

Duration of protection. Patents are time-limited and generally require comprehensive disclosure of the innovation in question. Therefore, once these rights expire, the innovative subject matter is generally available for use by anyone. On the other hand, trade secrets can be protected indefinitely as long as they continue to remain secret. Therefore, by choosing not to seek patent or similar protection, the owner of the innovation takes a risk that the innovation could be disclosed and exploited at any time.

Risk of losing secrecy. If the subject matter of a trade secret becomes public knowledge, then there is limited available protection – and sometimes no available protection – from competitors who might take advantage of that subject matter. For example, if a trade secret is discovered, such as by chemical analysis or reverse engineering, then that information is probably irrevocably in the public domain. Trade secrets can also be disclosed inadvertently or misappropriated by those who know the secret.

Trade secrets must therefore be protected vigilantly. For example, both the Coca-Cola and Kentucky Fried Chicken recipes are said to be stored in highly secure vaults and

accessible to only very few individuals. But, of course, to commercialize a trade secret, at least some persons must know at least part of the secret, and trade secret owners therefore rely on legal protection against misuse by persons who know their secrets.

Available legal protection. Unlike many states in the United States, Canada does not have legislation to protect trade secrets. Nevertheless, owners of trade secrets can impose contractual duties of confidentiality. Furthermore, Canadian courts have recognized duties of confidentiality even without contracts.

Therefore, any person – such as a current or former employee, officer, director, supplier, or licensee – who learns confidential information of another on a confidential basis may owe a duty of confidentiality. Even a third party with no direct relationship to a trade secret owner can in some circumstances owe a duty of confidence to the trade secret owner.

A person who owes a duty of confidentiality may breach that duty by making unauthorized use of the confidential information and may be liable for damages, injunctions, and a variety of other remedies for such breach. Monetary remedies for a breach of confidentiality can, of course, be very significant.

However, generally speaking, a trade secret owner can only obtain remedies from those who owe a duty of confidentiality. A trade secret, once legitimately in the public domain, is freely available to all. The owner has no recourse against a person who innocently learns the secret. Patents, in contrast, can be enforced against competitors regardless of how the competitors learned of the invention.

Therefore, owners of innovations that can be kept secret often have an important choice between keeping the innovation secret and the competing strategy of disclosure in exchange for time-limited protection in a patent.

As recently as 2009, the Kentucky Fried Chicken recipe was reportedly relocated under significant protection. Auction prices for Stradivarius violins have set records in recent years, including one for over \$3 million. Therefore, beyond the protection from competitors, trade secrets may also capture widespread public curiosity and bring substantial fame to these and other products.

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Recent developments in brief

Trade-mark applications gather speed.

Beginning on March 11, 2010, the availability of extensions of time for response to examiner's reports in trade-mark cases will be limited. Going forward, only one extension of time of six months will be granted during prosecution unless there are circumstances beyond the control of the applicant or that are otherwise exceptional to justify a further extension. This is a significant change from the previous practice and will require applicants to make decisions and move forward with handling the examiner's objections and other requirements in a much more timely manner.

And industrial design applications as well.

The March 11, 2010 deadline is also significant for industrial design applications. A similar change in practice also limits the availability of extensions of time for response to examiner's reports in industrial design cases to a single extension of time of six months, barring exceptional circumstances.

Book titles not trade-marks. In a case involving a religious movement called Grail Message, the Federal Court of Canada has found that the title of a book is not registrable as a trade-mark. Interestingly, the reasoning of the Court was that a book title is not "clearly descriptive" in the sense that it conveys information about the content of the book but is rather "inherently descriptive" in that it is the only way to identify the book. Thus, the title cannot be disassociated from the book itself.

Extra-territorial reach of United States copyright law. A recent decision in California granted summary judgment in favour of several film studios against Gary Fung, the operator of Vancouver-based BitTorrent website www.isohunt.com ("isoHunt"). The Court determined that Fung was liable for secondary copyright infringement via inducement. Through use of the isoHunt website, users can download .torrent files that allow them to download copyrighted content such as films, television shows and music directly from the computers of multiple other users. Fung argued that U.S. copyright law does not apply where the transferor and transferee of copyrighted content are not both within the U.S. The Court disagreed and determined that "the acts of uploading and downloading are each independent grounds of copyright infringement." Accordingly, the plaintiffs were only required to provide evidence that "users either uploaded or

downloaded copyrighted works" in the United States via the isoHunt website. With evidence that over 50% of the actual downloads using Fung's websites were made from the U.S. and uncontroverted evidence that Fung encouraged and instructed users to upload and download copyrighted content via his website, the Court granted summary judgment. A message posted on the isoHunt website suggests that Fung intends to appeal the decision.



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- Domain names
- E-commerce

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