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When good trade-marks go bad

Typically, the more quickly a trade-mark becomes well-known, the better. However, when a mark becomes well-known too quickly, the trade-mark owner has to be very careful. This is especially true when the trade-mark is used in association with a new type of product. Failure to take proper precautions can have devastating consequences.

A trade-mark is something that points to a single source. In other words, a trade-mark distinguishes one company's products or services from those of others. For example, PEPSI cola distinguishes one company's cola from that of all other companies.

When a trade-mark is applied to a new type of product, the public and consumers might begin to confuse the trade-mark itself with the product with which it is associated. This is like offering a "kleenex" to someone who sneezes, rather than a KLEENEX brand facial tissue.

In this regard, consider what the following words have in common: escalator, linoleum, cellophane, dry ice, heroin, kerosene, trampoline and zipper. The answer is that they all used to be trade-marks. Moreover, these former trade-marks were all used in association with novel products and they quickly became famous.

Unfortunately, these terms also quickly became generic because the trade-mark owners either did not or could not stop others from using the trade-marks interchangeably as the name of the products as opposed to a brand of product.

When seeking to maintain the strength of a trade-mark, it is also important to remember one of the basic tenets of capitalism: if you are successful, you will be copied. The corollary in the trade-mark world is that brand owners must constantly be vigilant.

In view of the above, to maintain the strength of a trade-mark, a number of basic rules should be followed.

1. A brand owner must enforce its rights. A brand owner must not permit others to use its trade-mark or a confusingly similar mark in association with wares or services similar to those provided by the brand owner. If others use confusingly similar marks, the strength of the trade-mark will diminish. If the owner permits others to use the identical mark in association with identical products/services, the mark could become generic.

2. A trade-mark should always be distinguished from the surrounding text. There are many ways to distinguish a mark. If the mark is not registered, a ™ symbol may be used beside the mark. If the mark is registered, the owner may use the ® symbol. Alternatively, an asterisk may be included beside the mark with a legend explaining that the term is a trade-mark of the ABC Company. The mark may also be distinguished by depicting it in all capital letters, on a separate line, or in a different font, size or colour. The key is to somehow distinguish the mark from the surrounding text.

3. A trade-mark should be used as an adjective. In other words, a trade-mark should be followed by the common descriptive name of the product or service. For example:

   Proper use: – My KODAK camera
   – My JEEP vehicle

   Improper use: – My KODAK
   – My JEEP

4. A trade-mark should not become plural. For example:

   Proper use: – My KODAK cameras
   – My JEEP vehicles

   Improper use: – My KODAKs
   – My JEEPs

5. A trade-mark should not be used as a verb or gerund. For example:

   Proper use:
   - I'm going to ride my SKI-DOO snowmobile
   - I need to make a XEROX copy
   - I need to send that package by FEDEX courier

   Improper use:
   - I'm going SKI-DOOing
   - I need to XEROX that page
   - Please FEDEX that package for me

While brand owners must monitor the marketplace to ensure that their competitors do not use confusingly similar marks, brand owners must also educate their own marketing departments to ensure that their brands are used properly. Defendants in a trade-mark infringement action will not hesitate to prove that the plaintiff's mark has become generic by pointing to improper use of the trade-mark in the plaintiff's own marketing material. Unfortunately, this happens all too often.

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Patent myths debunked

Five common misconceptions about patents and why they are wrong.

As a highly specialized niche area of law, patent law is generally not well understood by those outside the profession. Popular discourse is fraught with myths regarding best practices for securing patent protection and misconceptions about fundamental tenets of patent law. This article addresses five common myths and misconceptions about patents by providing brief explanations of why they are wrong.

Myth #1: Preparing and filing a patent application on one's own behalf is a perfectly reasonable approach for reducing costs.

Debunked: Preparing and filing a patent application on one's own behalf might be compared to performing one's own dental surgery: it is technically possible but is far from prudent. While it is true that up-front costs might be significantly reduced, the ultimate cost in risking potentially serious complications and failing to achieve desired objectives can be enormous. The prospective applicant should be careful not to misinterpret the word "application" in the term "patent application" to mean that a patent application is a simple form with blanks to be filled out, e.g. in the manner of a passport application. To the contrary, preparing a patent application is more accurately compared to writing a complex technical paper from scratch. The terminology used in patent claims is arcane and takes years to master. Indeed, just one poorly chosen word can significantly weaken any patent that ultimately issues. Moreover, the optimal approach for patenting an invention can change over the years in view of newly decided court cases, much in the same way that optimal medical procedures can change over time with the advancement of medical science. In view of these factors, "do it yourself" is rarely a good idea in the context of patents.

Myth #2: Scenario: while shopping in a foreign country, a Canadian traveler comes across a product that would likely be very popular in Canada. His research suggests the product is not sold or patented in Canada. Therefore, it is open to the traveler to patent the product in Canada.

Debunked: The traveler cannot patent the product in Canada for at least two reasons. Firstly, it is too late for the traveler to obtain a Canadian patent for the product because the product has already been made available to the public by another. This is true regardless of whether the product was made available in Canada or, as in this example, a foreign country. Secondly, Canadian patents are granted only to the inventor of the subject invention or to an entity claiming through or under the inventor. In this example, the traveler is neither.

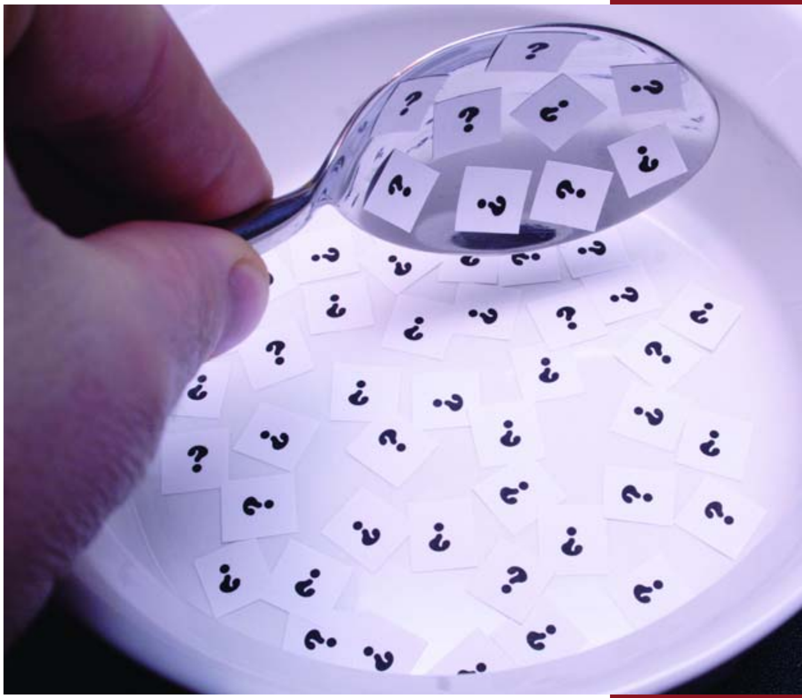
Notably, the absence of a Canadian patent at the time of the traveler's search does not necessarily mean that no patent has been sought in Canada. It is possible that a foreign inventor has filed a Canadian patent application and that the application has simply not yet been published in Canada. Publication normally occurs eighteen months after the effective filing date of a patent application. Before publication, the patent application is not visible to the public. So, although the apparent absence of any Canadian patent might lead the traveler to believe that he can make, use or sell the product in Canada, taking such action is risky and should not be undertaken without careful analysis and guidance from an intellectual property professional.

Myth #3: A Canadian patent entitles its holder to make, use and sell the patented invention in Canada for the duration of its term.

Debunked: Although it may come as a surprise to some readers, the above statement is incorrect. A patent does not constitute an entitlement or permission to make, use or sell the invention covered by the patent. Rather, a patent is a tool for stopping others from making, using or selling the invention in the jurisdiction of its filing. It has been said that a patent is not a green light for the patent holder but rather is a stop sign for the patent holder's competitors. Interestingly, it is technically possible for a patent holder to legitimately enforce the stop sign (i.e., stop others from practicing the invention) without itself having a green light to practice the invention. For example, a patent for a new lawn mower blade that is necessarily made from a carbon fibre material would entitle its owner to stop others from making the blade. Nevertheless, if a third party holds a valid, unexpired patent for the carbon fibre material as such, the holder of the lawnmower blade patent would be precluded from manufacturing the blade — or anything else made from the carbon fibre material, for that matter — without permission from the third-party patent holder.

Myth #4: Scenario: a voluntary patentability search is performed by a prospective patent applicant to ascertain the likelihood of success in obtaining a patent. The search reveals no prior disclosure of the subject invention. This means that it is virtually guaranteed that a subsequently filed patent application for the invention will result in an issued patent.

Debunked: While it is encouraging that the voluntary patentability search has not revealed any prior disclosure of the relevant invention by others, this unfortunately does not constitute a guarantee of patentability. There are a number of situations in which a patent might be denied despite a favourable patentability search result. For example, the Canadian patent office may find a relevant prior art patent document during examination that was simply not published at



the time that the voluntary patent search was conducted. This might occur if the voluntary search happens to take place less than eighteen months after a relevant prior art patent application was filed, in which case that patent application will usually still be unpublished and thus will be undetectable in any prior art search. In another example, a patent office examiner may in some cases uncover a relevant piece of prior art from a patent office in another jurisdiction that is different from the patent office jurisdiction whose records formed the basis for the voluntary search. For example, assuming that a voluntary patentability search is based exclusively upon the records of the Canadian Patent Office, a Canadian examiner might, during examination of a subsequently filed patent application, uncover a relevant patent document from another patent office, such as the United States or Europe, which has no Canadian counterpart and was therefore undetected by the voluntary search. That document could form the basis for a legitimate Canadian Patent Office objection, despite being from another jurisdiction. However, these possibilities should not be understood to mean that patentability searches are pointless. To the contrary, such searches can provide very useful information regarding the state of the relevant art and the prospects of obtaining patent protection, particularly when similar inventions are revealed. In that case, the comparatively low cost of the search may save the prospective applicant thousands of dollars in patent preparation, filing and prosecution costs that might otherwise be wasted.

Myth #5: A Canadian patent entitles its holder to receive regular royalty fee payments.

Debunked: Although some Canadian patent holders regularly receive royalty fee payments for licensing their patents, it is by no means assured that each Canadian patentee will receive such payments. It is up to each individual patent holder to find other parties in the Canadian marketplace who are interested in practicing the patented technology for their own purposes. At that stage, it is a matter of negotiation to arrive at mutually agreeable terms for licensing the patent. Royalty fee payments, e.g. a per-unit amount such as five cents per unit, are not uncommon. However, in some cases, other licensing terms, such as cross-licensing of the other party's technology or a one-time flat-fee payment, may be preferred. Regardless of the agreed-upon terms, the search for a licensee may entail significant effort. Nevertheless, when a licensing revenue stream is successfully arranged, it may constitute the closest thing to an automatic source of income as one can find.

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Making promises — warranties and indemnities in intellectual property agreements

The old adage "buyer beware" reminds us that, when we're making a purchase, it is important to make sure that we're actually getting what we think we're getting. This applies to intellectual property rights such as patents, trade-marks and copyrights and is equally applicable to situations where the IP right is purchased outright or licensed for use. By the same token, a seller or licensor of an IP right should be careful that the IP is sold or licensed with assurances that do not extend beyond what can reasonably be guaranteed or promised.

In contractual agreements, the assurances or guarantees relating to what is being bought or sold are called the "warranties" and promises to cover or pay for any deficiency that is later discovered and any damage resulting from a deficiency is called an "indemnity." As a purchaser, vendor, licensor or licensee, there are certain basic warranties and indemnities that should be considered.

Purchasing an IP right is not like buying, for example, a chair. It cannot be picked up and examined for scratches or tears in the fabric. It is not always easy to determine whether a seller actually owns and has the right to sell the chair, but it is even more difficult for the average purchaser to be certain of whether a seller or licensor of IP is the current owner of an IP right. Not all details of the status of IP assets can be searched by a purchaser or licensee by way of due diligence, and there is also often much more at stake when purchasing a patent than when purchasing a chair. Thus, it is particularly important that warranties and indemnities covering the fundamental aspects of the IP be included in a purchase, sale or license agreement. When purchasing or licensing IP rights, the following are some provisions that might be included:

(i) a warranty that the vendor or licensee is the legal and beneficial owner of the IP asset(s)

(ii) a warranty that the IP is registered and that the registration(s) is/are current and up-to-date

(iii) a warranty that the IP is unencumbered or encumbered only to the extent disclosed by the agreement

(iv) a warranty that the IP asset, particularly in the case of a patent, is valid and enforceable

(v) a warranty that the IP asset does not infringe the rights of any other party, at least to the knowledge of the vendor or licensor

(vi) a warranty that there are no outstanding claims against the IP, whether by way of written notice or legal proceedings

(vii) in the case of copyright, a warranty that the vendor has the authority to waive moral rights

(viii) an agreement to indemnify and hold the purchaser or licensor harmless against any claims relating to any activities of the vendor or licensor, whether before or after the agreement commences.

For an IP owner who is selling or licensing a right such as a patent, trade-mark or copyright, it is important that the representations and warranties included in the agreement do not go beyond what is reasonable and within the owner's knowledge and also that any limitations on the owner's responsibility for the activities of a licensee are clearly defined. In this case, qualified language along the following lines may be appropriate:

(i) all registrations for the IP assets are current and up-to-date to the best of the vendor's knowledge

(ii) the patent is valid to the best of the vendor's knowledge

(iii) there has been no judicial decision rendered that has limited the validity or enforceability of the IP

(iv) the vendor is not aware of any claims against the IP asset

(v) the vendor has not received any written notice of any claim against the IP asset.

It is important to note that the representations and warranties are only part of the many details that should be covered in a transaction where IP is purchased or licensed and that the specific representations and warranties that are appropriate will vary from case to case. Legal advice should be sought to ensure that the provisions of the agreement are adequate and appropriate for the particular circumstances.

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Innovation, Intellectual Property and Intellectual Property Management — 10,000 feet level

Nowadays, much is being written about the need for innovation to help kick-start the economy as well as to help institutions, industries, companies, regions or even countries further distinguish themselves from others, i.e., develop a competitive advantage that aims to generate corporate and/or economic growth. To make this happen, participation is required by numerous key stakeholders, and — more importantly — these stakeholders need to realign and coordinate amongst themselves more effectively to deliver this ambitious yet necessary plan for sustained growth and success.

This article provides the author's personal view, at the 10,000 feet level, of where we may currently stand and the challenges that lie ahead in gradually implementing this requisite innovation strategy. It will discuss "Innovation", the relationship between Innovation and "Intellectual Property", and "Intellectual Property Management".

Innovation. Innovation, as defined by the Organisation for Economic Co-operation and Development (OECD), is the key business performance of essentially finding new or better ways of doing things that are valued in the marketplace. Innovation may be radical or incremental, the latter being more common for most innovative companies. The OECD defines business innovation as "the implementation of a new or significantly improved product (good or service), or process, a new marketing method or a new organizational method in business practices, workplace organization or external relations."

There are four types of innovations:

- **Product innovation (more common in manufacturing industries)** — significant changes or improvements in the capabilities of goods or services
- **Process innovation (more common in manufacturing industries)** — significant changes or improvements in production and delivery methods
- **Organizational innovation (more common in service industries)** — new or significant changes or improvements to organizational methods, business practices, workplace organization or external relations (e.g., Dell's direct to customer business model)
- **Marketing innovation (more common in service industries)** — new or significant changes or improvements in product design and packaging, product promotion and placement, and methods of pricing goods and services (e.g., Apple iPod)

Put differently, an innovation is not simply inventing or creating; it must be implemented into a new or significantly improved product, good, service, process or even a new marketing or business method that is introduced into the marketplace or business operations. For each type of innovation, "significant" is defined as a significant degree of novelty, whether developed internally (i.e., internal R&D) or externally (i.e., via collaborations, joint ventures, licensing or acquisition, for example). As such, leading companies have Innovation Management as a key competency.

Relationship between Intellectual Property and Innovation. In IP — and, more specifically, in the realm of patents — novelty is a key criterion in determining whether an invention, creation or development may qualify as a patentable subject matter (i.e., is the invention, creation or development substantially novel in light of what is already known?). The concept of novelty, which also defines Innovation, is one key example of the interface between Innovation and IP.

In practice, companies that are constantly making and managing their innovations usually have, as one of their metrics of success or key performance indicators, an objective to protect their key innovations under IP laws and thereby generate IP assets that create or generate corporate value and benefits. As such, Innovation Management has a direct relationship with, and it comprises, IP Management in terms of good practices at innovative companies.

Intellectual Property Management. As a key component of Innovation Management, IP Management — which may fall within the responsibility of the legal, R&D and/or finance functions — should comprise **all** of the following best practices:

- Create IP assets resulting from innovative efforts, such as patents, trade-marks, trade secrets, copyrights, etc.
- Develop a management system to capture, own and protect such IP assets.
- Ensure that commercial exploitation of the results of the innovative efforts — namely products, services, processes, methods of doing business, etc. — do not infringe on the IP rights of third parties, especially in the U.S., where the legal and financial risks of such infringements are high.
- Leverage the IP assets or rights to create commercial value for the company in a clear and tangible manner, including, for example, licensing, enforcement to maintain market position or control competitive business activities, reducing client costs, enhancing joint ventures or business collaborations, increasing revenues, securitizing loans, etc. This essentially values IP as an investment, not a cost or expense, for an innovative company that is proactively managing its IP, since presumably innovation and IP are viewed as a key competitive business asset that is aligned with the business strategy.

Challenges... or opportunities? It is the author's view that, in Canada, we are only recently focusing on developing an Innovation, as well as an IP, strategy for the country. In the business sector, the situation appears similar, with such development only taking place within the last decade. In general, it would seem that most companies still view IP as an extension of R&D and not yet as a corporate investment with potential for significant return or a value enhancer. Furthermore, sometimes even senior management, investors or board members may not yet have had sufficient experience (good and bad) in managing and growing companies whose key assets include those that are intangible. Moreover, the professionals who advise on such intangible or IP assets, such as lawyers and accountants, have not yet fully coordinated their efforts and services to help their clients better understand and manage this unique asset class.

Accordingly, more focus and genuine efforts are required for a clearer and strategic public policy on Innovation that will be practical and useful for companies of all sizes and technologies. Businesses also need to adjust their management practices and objectives to improve or optimize the latent commercial value of their IP assets. IP Management, as a subset of Innovation Management, needs to be more structured, resourced and rolled out into the various company functions that touch upon innovative activities or efforts within companies. External professional advisors and consultants that deal with IP should coordinate more closely when advising clients on technology, Innovation and IP to help their clients better understand, manage and leverage such assets for corporate value.

Proactively and methodically addressing some of these challenges, which in essence constitute opportunities, should assist to some extent in implementing an innovation strategy that would improve business and economic results in Canada.

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Recent developments in brief

New Practice Notice on obviousness in Canada. In the wake of a decision of the Supreme Court of Canada in 2008, the Canadian Patent Office has issued a new Practice Notice regarding the assessment of obviousness, effective November 2, 2009. The lengthy Practice Notice reviews the four-step approach adopted by the Supreme Court and its effect on examination of patent applications, which will be applied by examiners going forward, although they will not review cases that have been approved for allowance or allowed prior to the date of the Notice.

New Wares and Services Manual for Canada. As many applicants for registration of trade-marks in Canada know, it can be a difficult task to provide a description of the goods and/or services for a trade-mark that is satisfactory to the Canadian Trade-marks Office. The process can involve several exchanges of correspondence and/or telephone discussions with the examiner with increasing costs and frustration along the way. However, the Office has recently updated the Wares and Services Manual, which provides examples of acceptable and unacceptable descriptions for a wide variety of items and services along with improved online searching capabilities. Of course, the new Manual does not cover every conceivable product and service, but the increased availability of guidance is a step in the right direction for trade-mark applicants.

Giant PEZ dispenser comes under attack. Beloved by children everywhere (and many grown-ups as well), the PEZ dispenser is celebrated in a San Francisco museum known as the Burlingame Museum of Pez. The museum houses what is claimed to be the world's largest dispenser of PEZ candy, which is topped by a snowman head wearing a black-top hat. The museum is celebrating its 14th anniversary and holds an exhibit of vintage PEZ dispensers, a PEZ store and provides everything PEZ enthusiasts want to know about the history and statistics of PEZ candy. However, the museum is neither affiliated with nor authorized by the trade-mark owner, which is claiming that the museum has infringed its trade-mark rights in a variety of ways, including the giant snowman dispenser, the display of PEZ toy truck dispensers displaying campaign ads for both John McCain and Barack Obama in addition to T-shirts reading "Got PEZ?" This will be an interesting case for PEZ lovers to follow.

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- IP management and strategic counselling
- Domain names
- E-commerce

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