

Intellectual Property 101

F u l t o n & C o m p a n y

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INTELLECTUAL PROPERTY 101

A. INTELLECTUAL PROPERTY LAW - GENERAL

The term Intellectual Property or “IP” encompasses rights to such things as Trade-marks, Copyright, Patents, Industrial Designs and Trade Secrets. More recently, the term has also been used to reference issues and disputes involving domain names, Internet matters and other computer-related topics.

The increasingly varied and complex nature of the business conducted by local governments, coupled with the relatively recent proliferation of IP issues and claims arising in all manner of business transactions, has placed added pressure on local governments to obtain at least a basic familiarity with IP law. More than ever, local governments are well advised to ensure that key staff members are familiar with the basic legal principles necessary to recognize and navigate IP licensing, infringement, enforcement and risk management issues. Accordingly, this paper is intended to furnish the reader with a basic orientation to such principles.

B. DISTINGUISHING BETWEEN DIFFERENT FORMS OF IP

Copyright

Copyright protects various forms of original literary, dramatic, musical and artistic works. More specifically, copyright protects the *form* of expression of an idea, but does not protect the idea itself.

Example: “THE FIRST THING WE DO, LET’S KILL ALL THE LAWYERS.”

William Shakespeare (1564 – 1616)

Henry VI, Part 2 (1592) act 4, sc. 2, 1.[88] [Note: CR exp’d]

Patents

A Patent is best thought of as a legal device which protects *function*; for instance, the manner in which the parts of a machine or product functionally interact, or the functional steps of a method. A Patent may be granted for an invention of any new and useful art, process or machine as well as the manufacture or useful *improvement* of any art, process or machine.

Example: INSTANT TEXT MESSAGING USING A WIRELESS INTERFACE

Applicant: Nortel Networks Limited (Canada),

Patent Application CA 2379741, filed - Mar. 28, 2002 - Not yet issued

C. COPYRIGHT LAW

i. *Copyright Defined*

Copyright is a bundle of rights conferred by the federal *Copyright Act*. Principally, Copyright allows the author to prevent other people from copying an original literary, dramatic, musical or artistic work. It includes the exclusive right to produce, re-produce, perform, publish, translate, convert, adapt, publicly present, record or broadcast a work or any substantial part of it. The Copyright owner can prevent anyone from doing, or can give anyone permission to do, any of these things with the work.

Copyright protects the *form or expression* of ideas but not the *ideas themselves*. For example, there is no Copyright in the method of assembling or operating a particular piece of machinery; however, there is Copyright in a written manual explaining its assemblage or operation.

ii. *Examples/Types of Copyright*

Copyright protection extends to almost anything written, composed, drawn or shaped. Simply put, every original literary, dramatic, musical and artistic work is protected, regardless of its mode or form of its expression. The types of materials protected by Copyright are further defined and illustrated in the *Copyright Act*, which sets out four general categories of works: literary, dramatic, musical and artistic.

iii. *Acquiring Rights*

The *Copyright Act* provides that Copyright arises automatically in Canada upon the creation of a work, without registration or other formalities.

A work must be “original” to be protected by Copyright. “Originality” simply means that the work originated with the author, and that he or she did not copy it from another. There is, however, no requirement that the ideas in the work be novel, or that the work have any artistic or literary merit. Accordingly, Copyright protects against unauthorized copying, but not against independent creation by others of similar or even identical works.

Generally, the author or creator of the work will automatically own the Copyright in that work. Exceptions arise when the author is an employee, who has created the work during the course of his or her employment duties. In such cases, unless otherwise provided for in the employment contract, ownership of Copyright will belong to the employer.

The *Copyright Act* also provides for the registration of a work. One of the primary benefits of registration is the consequential legal presumption that Copyright subsists in the work, and that the person registered is the owner of the Copyright. This relieves a plaintiff in an infringement action from having to prove these facts, in the absence of evidence to the contrary.

Registration also constitutes notice of the Copyright to an infringer, and thereby prevents his or her from asserting that he or she had no reasonable ground for suspecting that the copied work was protected by Copyright. Registration also permits the recovery of damages, as well as the availability of injunctions, in infringement actions.

iv. Maintaining Rights

Copyright generally lasts for the life of the author, plus 50 years, although there are special time limitations for individual works such as photographs, sound recordings and joint authorships.

In other words, the copyright will generally subsist during the author's lifetime, plus an additional 50 years from his or her date of death. Where the author cannot be identified, copyright subsists for a period of 50 years from the end of the year when the work was first published.

More complicated terms apply to the following particular works:

- (a) Photographs: Life of the author plus 50 years, where the author is a natural person, or a corporation where the majority voting shares are held by an actual person. Otherwise, the term is 50 years from the end of the calendar year in which the original negative, plate or photograph was produced;
- (b) Certain joint works: The life of the author who died last, plus 50 years;
- (c) Crown works: 50 years from the date of first publication of the work; and
- (d) Sound recording: 50 years from the end of the calendar year in which the rights began.

Copyright is not renewable in any circumstance.

v. Copyright Infringement

Simply put, Copyright is infringed when anyone, without the owner's consent, participates in an unauthorized production, re-production, performance, distribution, translation, conversion, adaptation, public presentation, publishing, recording or broadcasting of a work, or any substantial part of it.

Fairly liberal exemptions to Copyright are permitted by law; including, fair dealing for the purpose of private study, research, criticism or review, drawings of publicly situated sculpture or architecture and certain school materials.

D. PATENTS

i. *Patents Defined*

A Patent is best thought of as a legal device which protects *function*: the protection of the manner in which the parts of a product functionally interact, or the functional steps of a method. Patents are issued and protected solely under the federal *Patent Act*, which gives the inventor of a new and useful product or method the right to exclude others from making, selling or using the invention in Canada for a specified period of time.

A Patent does not necessarily entitle the Patent owner to make, sell or use the Patented invention; rather, it gives the owner the right to stop others from doing so, and the right to sue others for damages or for an accounting of the profits if they infringe the Patent. In this way, Patents may be thought of as limited monopolistic rights granted by the Patent Office.

ii. *Examples or Types of Patents*

Only “inventions” are patentable. “Invention” is defined by the *Patent Act* as “any new and useful art, process, machine, manufacture or composition of matter or any new and useful improvement in any art, process, machine, manufacture or composition of matter”.

Certain types of subject matter, by law, are not patentable. For instance, methods of medical and surgical treatment, scientific principles and abstract theorems, teaching methods, methods of painting pictures, playing musical instruments, etc. Generally speaking, methods of doing things that require professional skill and judgment cannot be Patented.

iii. *Acquiring Rights*

To obtain a Patent, the inventor must file an application with the Canadian Intellectual Property Office (“CIPO”). The inventor must describe how the product was made, or the best way to perform the process or method in question. Upon application, there is a presumption of novelty that may be disproved by an opposing party attacking the grant by showing prior common general knowledge of the subject matter of the Patent.

The monopoly is not enforceable until the Patent is granted, usually two to four years later. During the review period by Patent Office, the application is compared with other products and processes known to the Patent Office.

Canada operates on a “first to register” basis. Regardless of who actually invented the device, the first successful applicant will own the registered Patent.

iv. *Maintaining Rights*

The term of a Patent granted upon an application filed before October 1, 1989 is 17 years from the date of grant, and for a Patent granted upon an application filed after October 1, 1989, the term is 29 years from the date of filing.

Maintenance fees must be paid annually upon every Patent, failing which the Patent will be deemed to have lapsed.

v. *Patent Infringement*

Oddly, “patent infringement” is not defined by the *Patent Act*. The *Act* does, however, grant to a Patent owner the exclusive right, privilege and liberty of making, constructing, using and selling the invention, for the term of the Patent. Patent infringement is committed when any person interferes with this exclusive right.

vi. *Remedies for Patent Infringement*

There are a wide variety of remedies available to patent owner for infringement, including:

- (a) The imposition of an injunction, prohibiting or mandating certain conduct;
- (b) An accounting of all profits made by the defendant, by reason of his or her infringing activity, and recovery of such lost profits;
- (c) Recovery of damages;
- (d) Destruction of infringing products; and
- (e) Punitive damages (in exceptional cases).

E. TRADE-MARKS

i. *Trade-mark Defined*

Trade-marks are protected both at common law and under the federal *Trade-marks Act*. A Mark is defined by the *Trade-marks Act* as meaning, among other things:

A Mark that is used by a person for the purpose of distinguishing wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased hired or performed by others.

ii. *Examples/Types of Trade-marks*

The term “mark” is not limited by any statutory definition, and may include such items as a distinct sound or odour. Normally, however, a mark is a word or words, a design or logo, a slogan, a set of letters or numbers, a symbol, or a combination of any of these elements. The key element in the definition of a Trade-mark is that it is a mark that is used by its owner specifically to *distinguish* the owner’s goods or services from others. In other words, a Trade-mark must indicate a single source of origin for the goods or services.

A mark is not distinctive if it is the same as, or confusingly similar to, a Trade-mark used by another person in association with the same or very similar kinds of goods and services. For example, if two independent parties use the same Trade-mark for a cookie, the mark would not be distinctive of either, because it would not indicate to consumers a single source of the products. Accordingly, either could object to the other registering the mark.

Additionally, a mark is not distinctive if it is merely descriptive of the goods or services with which it is associated. For example, “Apple” would not be a distinctive mark in relation to apple sauce, though it is in relation to computers.

iii. *Acquiring Rights*

At common law, Trade-mark rights accrue when a person uses a mark and generates good-will in that mark. Such rights accrue only in the geographical area in which the mark is used, and may be purely local (as for a mark used for a retail store known only in its neighbourhood), or country wide (as for a mark used for goods or services sold across Canada).

Additionally, the owner of a mark can obtain stronger, more readily enforceable rights if he or she registers the mark in accordance with the *Trademarks Act*. The registration of a Trade-mark gives the owner of the mark the exclusive right to the use of the mark throughout Canada, in association with the goods or services for which it is registered.

There are several important advantages to obtaining a registration:

- (a) A registered mark can be protected throughout Canada, regardless of whether it has a reputation in a particular area of the country, whereas a common law mark can be protected only in those areas of the country where it has established a reputation;
- (b) Registration of a mark serves as public notice that the owner has a claim to exclusivity of that mark in association with the wares and services listed in the registration. The registration will form part of CIPO’s database. After registration, anyone filing an application to register a confusingly similar mark will likely be rejected by CIPO;

- (c) A trade-mark is an asset of a business, and that business may be sold with or without the goodwill in the trade-mark. Registration can enhance a company's value or ensure that a company's value is more easily recognized by a potential purchaser;
- (d) Registration can also protect a trade-mark owner from later becoming disentitled, due to the adoption of a similar Official Mark by a public authority (see below);
- (e) Registration also provides the owner with additional grounds for opposing subsequent trade-marks by other parties; and
- (f) Finally, registration also protects the owner from having its Trade-mark diluted by licensees.

iv. *Maintaining Rights*

Registered Trade-marks are valid for a period of 15 years, and may be renewed every 15 years, upon payment of the appropriate fees, so long as the owner continues to properly "use" the mark and maintain its distinctiveness.

v. *Trade-mark Enforcement and Infringement*

Persons seeking to enforce Trade-mark rights can obtain recourse under the *Trade-mark Act*, or under the common law, in both provincial superior courts as well as the federal court. A plaintiff's action may be based on several grounds, the most frequent of which include:

- (a) Infringement of registered Trademarks;
- (b) Diminution in the value of the goodwill attached to the mark; and/or
- (c) Passing-off and unfair competition.

Infringement of a Registered Mark

Pursuant to the provisions of the *Trade-marks Act*, a mark is infringed by an unauthorized person who uses the mark in association with his or her own goods or services. In some cases, the scope of protection extends beyond the exact mark registered, and beyond the exact goods or services covered by the registration. Specifically, an action for infringement may be made out where an unauthorized person uses an "essential feature" of the mark, such that it is likely to mislead or confuse the public. The *Trade-marks Act* sets out several grounds of consideration



when determining whether a defendant's mark is confusingly similar to that of another. In such cases, the registered owner need not show any financial losses in order to succeed in his or her action.

Diminution in Value of Goodwill

The *Trade-marks Act* also provides that where a defendant's improper use of a registered Trade-mark results in a depreciation of the value of the goodwill attached to the mark, the registered owner may bring an action for compensation for the loss of that goodwill. In such cases, the registered owner is required to tender evidence which establishes that it has a valid mark, that the mark has developed some reputation or goodwill, that the defendant improperly used the mark, and that the unauthorized use resulted in a depreciation of good-will in the mark.

Passing-off

In general, Passing-off cases fall into two broad categories. In the first are those where competitors are engaged in a common field of activity and the plaintiff has alleged that the defendant has named, packaged or described its product or business in a manner likely to lead the public to believe the defendants product or business is that of the plaintiff.

The second, and perhaps more common type of Passing-off occurs when a defendant has promoted its product or business in such a way as to create the false impression that its product or business is in some way approved, authorized or endorsed by the plaintiff, or that there is some business connection between the defendant and the plaintiff. By these means, a defendant may hope to "cash in" on the goodwill of the plaintiff.

The historic tort of Passing-off has been codified in section 7 of the *Trademarks Act*, and includes prohibitions against related forms of unfair competition. Accordingly, where an individual asserts ownership of a registered Trade-mark, it may bring an action for Passing-off under section 7 of the Act, or at common law, whereas owners of unregistered marks must rely on the common-law tort.

vi. Remedies

A broad range of remedies is available to plaintiffs in cases where his or her rights have been improperly infringed by the defendant, including:

- (a) The imposition of an injunction, prohibiting or mandating certain conduct;
- (b) An accounting of all profits made by the defendant by reason of his or her infringing activity, together with recovery of such lost profits;
- (c) Recovery of damages;

- (d) Destruction of offending material or wares;
- (e) Exportation of offending material or wares to their country of origin;
- (f) Removal, obliteration or over-labelling of the offending mark;
- (g) Expungement of a registered Trade-mark; and
- (h) Punitive damages, in exceptional cases.

F. OFFICIAL MARKS

i. Official Marks Defined

The *Trade-marks Act* delegates to the Registrar of Trade-marks jurisdiction over several different types of marks, including ordinary Trade-marks, Certification Marks, and Official Marks. The provisions governing Official Marks give “public authorities” special privileges and rights in respect of designs, logos, words, crests, badges or emblems, that have been adopted and used as their Official Marks.

Section 9 of the *Act* allows a “public authority” to request that the Registrar of Trade-marks give public notice of the authority’s adoption and use of a specific Official Mark. Once notice has been published in the Trade-marks Journal, no one else can adopt a mark that “resembles” the Official Mark.

Section 9 Official Marks represent an extraordinary advantage for public authorities, by permitting them to lay claim to a mark without navigating the often costly and time-consuming Trade-mark application process. Thus, the public authority is able to save both time and legal fees, and perhaps more significantly, avoid opposition proceedings.

Additionally, section 9 Official Marks provide local governments with quasi-expropriation authority. A public authority may adopt as its Official Mark a previously registered Trade-mark owned by a private entity. Once notice of the Official Mark has been published, nobody, including the owner of the prior registered trade-mark, may adopt any mark resembling it. The private entity is entitled to continue a limited use of its registered trade-mark, but may not expand the wares or services associated with that mark, nor adopt similar or related marks. The public authority is, in effect, entitled to “expropriate” the private entity’s right to expand its use of its own registered trade-mark.

ii. Examples/Types of Official Marks

Perhaps the most famous and prolific Official Marks are those belonging to the Canadian Olympic Association. A quick search of the Canadian Trade-marks Database reveals that the

Canadian Olympic Association has registered well over 500 Official Marks, including:



iii. Acquiring Rights

In order to obtain an Official Mark, the applicant must first satisfy the Registrar that it is, in fact, a “public authority”, as defined by the *Trade-marks Act* and relevant case law. While the definition of “public authority” has preoccupied much of the recent Intellectual Property jurisprudence, there is no doubt that all local governments are by definition public authorities, and thus eligible to take advantage of section 9 Official Marks. Accordingly, the definition and classification of “public authorities” will not be discussed in any detail.

Section 9 of the *Trade-marks Act* provides that a “public authority” may adopt and use a badge, crest, emblem or mark as its Official Mark. After having so adopted and used the badge, crest emblem or mark, the public authority delivers a request to the Registrar of Trade-marks to publish Notice in the Trade-marks Journal. So long as the public authority has met the statutory criteria, the Registrar has no discretion to refuse to give the Notice.

Once the Registrar of Trade-marks has given Notice by means of publishing it in the Trademarks Journal, no one else may adopt a mark which resembles the Official Mark.

iv. Maintaining Rights

Once public notice has been given, an Official Mark is virtually unexpungeable.

Unlike regular Trade-marks, Official Marks have no term, and thus, do not expire. While the public authority may request that its own Official Mark be withdrawn, there is nothing in the *Act* which authorizes the revocation of a section 9 Official Mark, either by the Registrar of Trade-marks or by a court. Accordingly, it is not open to private entities to challenge the validity or existence of an Official Mark about which public notice has been published.

It is, however, recommended that public authorities engage in the practice of withdrawing or cancelling Official Marks no longer in use, so as to ensure that the Trade-marks Database does not become cluttered and unworkable.

v. ***Infringement of an Official Mark***

Unlike regular Trade-marks, the owner of an Official Mark obtains full exclusivity. This means that no other entity may adopt a mark confusingly similar to an Official Mark, regardless of the nature of the entities' wares or services.

The test as to whether a mark is one "nearly resembling" an Official Mark is simply that of resemblance: whether a person having an imperfect recollection of the impugned mark would be likely to mistake it for the Official Mark, or whether a person with imperfect recollection would likely be deceived or confused.

The prohibition applies only to the adoption of marks after notice of the public authority's use and adoption was given in the Trade-marks Journal. Parties having prior "use" (as defined in the *Act*) may continue, but may not expand the type or extent of their use.

vi. ***Remedies***

A broad range of remedies is available to a public authority whose rights associated with its Official Mark have been improperly infringed, including:

- (a) The imposition of an injunction, prohibiting or mandating certain conduct;
- (b) An accounting of all profits made by the defendant by reason of his or her infringing activity, together with recovery of such lost profits;
- (c) Recovery of damages;
- (d) Destruction of offending material or wares;
- (e) Exportation of offending material or wares to their country of origin;
- (f) Removal, obliteration or over-labelling of the offending mark; and
- (g) Punitive damages (in exceptional cases).

G. CONCLUSION

The impact of Intellectual Property issues on local governments will continue to expand, both in frequency and scope. The relatively recent proliferation of Intellectual Property issues and claims arising in all manner of business transactions, coupled with the increasingly diverse responsibilities assumed by local governments, guarantee that these issues will occupy an ever increasing amount of local government time and resources. Accordingly, local governments are well advised to ensure that key staff members are familiar with the basic legal principles necessary to recognize and navigate licensing, infringement, enforcement and risk management issues.