



Managing Intellectual Property

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▼ Disclaimer

- *The information contained in this presentation is of a general nature. It is not legal advice and should not be construed as such.*

▼ IP Management Overview

- Main types of IP
 - identification
 - ownership
 - protection
- Assignment and Licensing
- Top 10 takeaways

▼ What is Intellectual Property?

- “intellectual”
 - represents intellectual efforts and achievements:
 - writing of software, books, screen plays
 - brands, logos, product or company names
 - business plans, formulae, recipes, business processes
 - inventions, such as new drugs, electronics goods, manufacturing processes

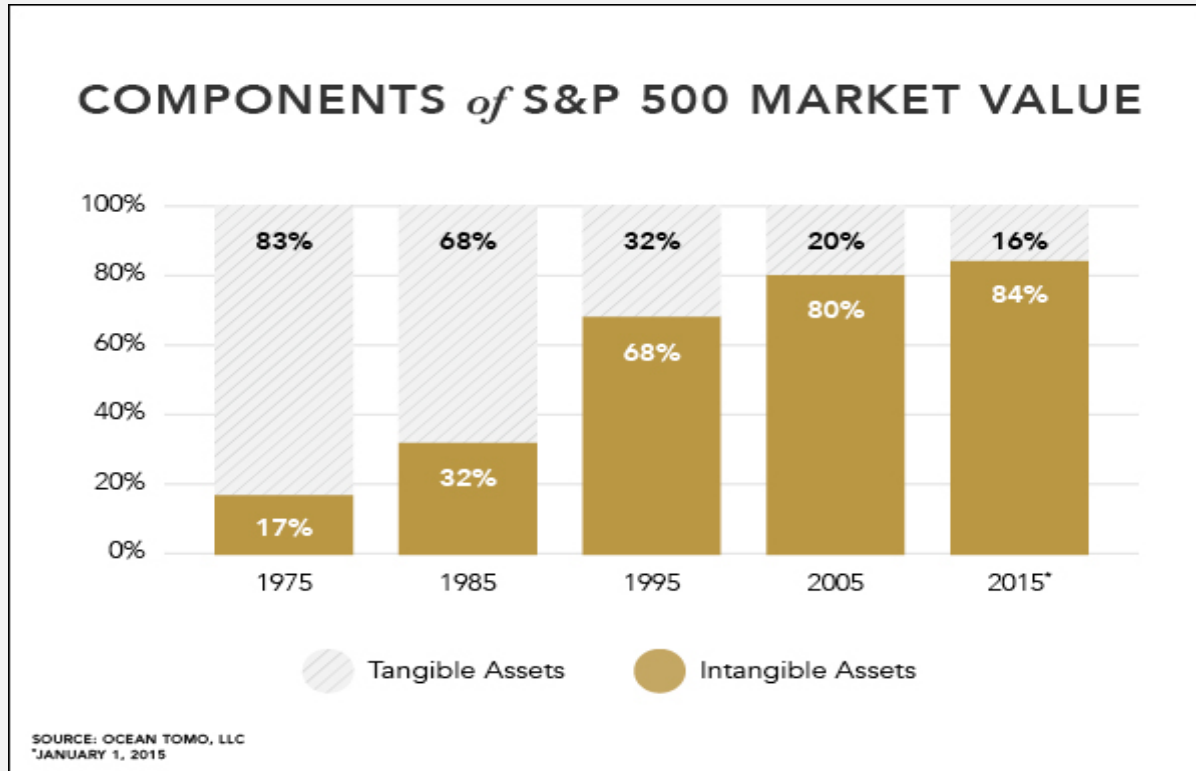
▼ What is Intellectual Property?

- “property”
 - usually has commercial value
 - gives a bundle of rights to the owner:
 - right to sell a product or service
 - right to prevent others from doing so
 - right to license others to use your rights

▼ Why IP Protection is Important

- Can be a vital asset in corporate and financing transactions
- Provides a competitive advantage
- IP is a commercial asset (valuation/royalties)
- Protects and justifies R&D and investments
- IP portfolio as a shield
- Company Culture
- Digital info is easy to copy

▼ Intangible Assets-Relative Value



▼ Intellectual Property

- Four pillars of intellectual property
 - Copyrights
 - Trademarks
 - Trade secrets
 - Patents
- Other forms of IP
 - Industrial design
 - Plant breeders rights
 - Integrated circuit topography

▼ Quiz

- What types of IP protect software?

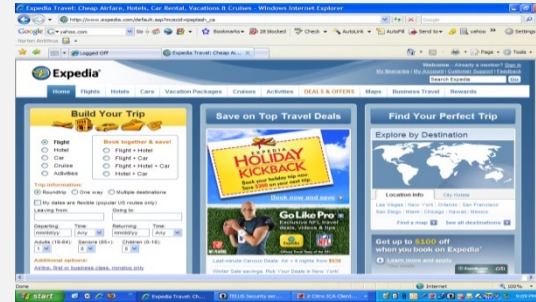


▼ Copyright

- Copyright is the sole right to produce or reproduce a work, or a substantial part of a work
- Protects the expression of idea, not the ideas themselves

Copyright

- “Work” includes articles, photographs, graphic designs, study protocols, data, computer programs, website designs



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▼ Copyright

- Requirements:
 - Originality: the exercise of skill and diligence, but not necessarily creativity
 - Fixation: must be expressed to some extent at least in some material form



▼ Copyright

Ownership

- As a general rule, the author (or creator) of a work is the first owner of copyright
- Employment is an exception to the general rule
- Freelancers or independent contractors are considered the “author” of their creations and own it

▼ Copyright

Moral Rights

- Moral rights give the author of a work the exclusive right to be associated with the work and to the integrity of the work
- Moral rights can only belong to people
- Moral rights cannot be assigned, only waived



▼ Copyright Protection

- Arises automatically
- © notices should be used
- Registration enhances rights
 - Simple and inexpensive to register
 - Some registrations occur before commencing litigation

▼ Copyright Management

- Focus on ownership and rights
- How are works developed?
- What do your contracts say about copyright?
 - Employment agreements
 - Service contracts
 - Licenses

▼ Copyright Questions?

Trademarks

- Trademarks are used to indicate the origin of goods and services











- They can be:

- Words
- Designs
- The shape of goods or their packaging
- Combinations of colours
- Sounds



Trademarks

Interbrand's most valuable brands (2017):

	\$184B		\$56B
	\$141B		\$50B
	\$80B		\$48B
	\$70B		\$48B
	\$65B		\$47B

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Trademarks

- Why are trademarks important
 - The goodwill associated with products and companies reside in their respective trademarks
 - Consumers make decisions based on trademarks

Trademarks

Ownership

- Owned by first user or person that registers or uses the trade-mark
- Use is most important
 - Goods: “use” means on the goods, packaging or in any other manner so associated with the goods that notice of the association is given
 - Services: “use” means use or display in the performance or advertising of those services



▼ Trademarks management

- A. Picking a good trademark
 - I. Distinctiveness
 - II. Searching and Clearance
- B. Registration
- C. Enforcement

▼ A. Picking a good trademark

I. Distinctiveness

- The key to choosing an effective trademark
- The purpose is to distinguish your goods and services from competitors.
- Distinctiveness requires that your trademark:
 1. Does not describe your goods and services
 2. Is not confusingly similar to your competitors trademarks
- Distinctive marks: GOOGLE, APPLE (for computers)

▼ Trademarks

Descriptiveness

- trademarks law generally prohibits obtaining rights to and registering trademarks that describe the character or quality of the goods and services with which they are used
- Reason: trademark owners should not monopolize words that describe goods or services
 - E.g. “safe” cars, “fresh” bread
- It is tempting to choose trademarks that are somewhat descriptive
- However, the more descriptive your trademark is, the less you will be able to claim rights to it and protect it

▼ Trademarks

Confusion

- You are not allowed to use and register trademarks that are confusingly similar with those of your competitors because:
 - it creates confusion in the marketplace
 - It infringes the rights of others
- It is tempting to choose marks that are somewhat confusing with established marks or that contain common elements

▼ Trademarks



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▼ Trademarks

II. Searching and Clearance

- Prior to choosing a trademark, search the trademarks **register** and **marketplace** to ensure that no identical or confusingly similar marks are already used, registered or applied to be registered for the same goods or services
- **Tip: come up with more than one potential trademark at the start of the searching process and rank according to preference**

▼ Trademarks

- Two types of trademark rights to search for:
 - Statutory rights
 - arise from registering or applying to register a trade-mark
 - need to search the CIPO Trademarks Registry to find them
 - Common law rights
 - arise from use of a trademark in the marketplace
 - need to search the marketplace to find them
 - more limited than statutory rights

▼ Trademarks

- Trademark search tools
- The main search tools are:
 - Knock-out searches
 - Full availability searches
 - Investigations


Knock-out Searches - Canada


Canadian Trademarks Database

The database was last updated on: 2018-04-24

[Help](#) 

Search Find Translation

 Enter your search criteria in the text box. Select a search field using the available dropdown selection.
You may want to read the [Trademarks Database tutorial](#) to understand how to do an advanced search in the database.


 **NOTE:** When searching for application or registration numbers, they can be entered with or without leading zeros but they **must not** contain commas or spaces.

[Disclaimer](#)

On January 1, 2017 the latest edition of the International Classification of Goods and Services for the Purposes of Registration of Marks (Nice Classification) will enter into force. CIPO will apply the 11th edition of the Nice Classification where an applicant or registrant has grouped and classed their application or registration according to the classes of the [Nice Classification](#) with the Office on or after January 1, 2017.

Search Criteria

Criteria 1

Select a search field 

All 

Enter search criteria:


Add another search criteria

Search

Clear

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Knock-out Searches - US



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WARNING: AFTER **SEARCHING** THE USPTO DATABASE, EVEN IF **YOU** THINK THE RESULTS ARE "O.K.," **DO NOT ASSUME** THAT YOUR MARK CAN BE REGISTERED AT THE USPTO. AFTER YOU FILE AN APPLICATION, THE USPTO MUST DO ITS OWN SEARCH AND OTHER REVIEW, AND MIGHT **REFUSE TO REGISTER** YOUR MARK.

View Search History:

Plural and Singular Singular

Live and Dead Live Dead

Search Term:

Field:

Result Must Contain:

Please logout when you are done to release system resources allocated for you.

▼ Trademarks

B. Registration

- Registration is by country (except EU)
- Canada:
 - One and a half years average for registration
 - \$2,200 (no objections, oppositions)
 - 15 year renewable registration period
- **Tip: prioritize countries by value of market and likelihood of sales**

▼ Trademarks

C. Enforcement

- Watch out for infringement of your rights
- Take action against infringements and potential infringements
 - Cease and desist letters
 - Litigation
 - Opposition
- Failure to act can weaken your trademark rights

▼ Trademark Management

- Pick the right trademark
 - Consider more than one potential trademark
 - Avoid trademarks that are descriptive or similar to other trademarks used in your industry
 - Search the marketplace
 - Assess risks before proceeding
- Register trademarks
- Use it or lose it
- Keep an eye out for infringers
- **Bonus tip: use fewer trademarks**

▼ Trademark Questions?

▼ What are Trade Secrets?



- Information must be secret
- Has commercial value because it is secret
- Reasonable efforts to maintain its secrecy

Advantages of Trade Secrets

- Never expire – as long as the secret remains secret
- No filings or government approval required
- Can be very successful



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▼ Disadvantages of Trade Secrets

- Once trade secret is no longer secret, it is gone
- Cannot prevent independent creation or reverse engineering (subject to contractual provisions)

▼ Examples of Trade Secrets

- Business plans & strategies
- New product names
- Financial projections
- Marketing plans, unpublished promotional material
- Cost & pricing information
- Sales data
- Customer lists
- Info re: new business opportunities



Three essential legal requirements:

1. The information must be secret
2. It must have commercial value because it's secret
3. Owner must have taken reasonable steps to keep it secret

▼ Reasonable Steps

- Most TS regimes require you to have taken reasonable precautions to keep the information confidential
- “Reasonable” → case by case
 - reasonable security procedures
 - Non-disclosure agreements (NDA)
 - information could only be obtained by others through improper means
- Importance of proper TS management program



▼ Who Owns a Trade Secret

- New technology or software - developed by employee
- New technology or software - developed by external contractor
- To avoid disputes: written agreement / assignment of all trade secrets

▼ Enforcement of Trade Secret

- Can sue for theft of a Trade Secret (where someone has improperly acquired, disclosed or used the information)

▼ A Growing Problem. Why Does It Occur?

- Way we do business today (increased use of contractors, temporary workers, out-sourcing)
- Declining employee loyalty: more job changes
- Storage facilities (DVD, external memories, keys)
- Wireless technology / Digital information

▼ Examples

- Reverse engineering, independent discovery
- Improper licensing
- Burglaries by professional criminals targeting specific technology
- Network attacks (hacking)
- Mobile device/laptop theft
- Inducing employees to reveal TS



80% of trade secret loss

< employees, contractors, trusted insiders!

- departing or disgruntled employees
- intentional (malicious)
- inevitable (knowledge acquired)
- by ignorance

▼ HOW TO PROTECT YOUR TRADE SECRETS?



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▼ 1. Identify Trade Secrets

Reasons for Identifying Company Trade Secrets

- Know and understand confidential assets
- Protect confidential assets consistently
- Reduces risks involving third party trade secrets
- Meet burden of proof in trade secret litigation



- Is it known outside the company?
- Is it widely known by employees and others involved within the company?
- Have measures been taken to guard its secrecy?
- What is the value of the information for your company?
- What is the potential value to your competitors?
- How much effort/money spent in developing it?
- How difficult would it be for others to acquire, collect or duplicate it?

▼ 2. Develop a protection policy

Advantages of written policies and procedures

- Clarity (how to identify and protect)
- How to reveal (in-house or to outsiders)
- Demonstrates commitment to protection → important in litigation

▼ 3. Restrict Access

- Restrict access to only those persons having a need to know the information
- Computer system should limit each employee's/contractor's access to data actually needed for a project/transaction

▼ 4. Mark Documents

- Help employees recognize TS
→ prevents inadvertent disclosure



- Uniform system of marking documents
 - paper based
 - electronic (e.g. 'confidential' button on standard email screen)

▼ 5. Maintain Computer Secrecy

- Secure online transactions, intranet, website
- Password; access control
- Mark confidential or secret (legend pop, or before and after sensitive information)
- Physically isolate and lock: computer tapes, discs, other storage media
- No external drives and USB ports
- Monitor remote access to servers
- Firewalls; anti-virus software; encryption

▼ 6. Measures for Employees

(a) New employees

- Brief on protection expectations early
- Obligations towards former employer!
- Assign all rights to inventions developed in the course of employment
- NDA/CA
- Non-compete provision



(b) Current employees

- Prevent inadvertent disclosure (ignorance)
- Train and educate
- NDA for particular task

(c) Departing employees

- Limit further access to data
- Exit interview
- Letter to new employer
- Treat fairly & compensate for patent work

▼ 7. Measures for Dealing with Third Parties

- Sharing for exploitation
- Consultants, financial advisors, computer programmers, website host, designers, subcontractors, joint ventures, etc.
- Confidentiality agreement, NDA
- Limit access on need-to-know basis

▼ Trade Secret Questions?

▼ You Have an Invention – What Next?

- Your business has an invention
 - “something” that makes your product or service better/cheaper/faster
-
- Goal: to prevent competitors from using that “technology”



▼ The Problem

- If you disclose your invention to the public, others can use it...
- ...unless you take steps to protect it

What is a Patent?

A document that describes an invention

- Details how to put the claimed invention into practice
- Includes claims that define the scope of the invention that is protected



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▼ Why Patent?

- Gives you the right to prevent others from making, using, selling the claimed invention.
- Lasts up to 20 years from filing date
- In exchange – you have to fully disclose your invention

▼ What You Don't Get With a Patent

- Freedom to operate
- Government enforcement of patent rights (only through courts)
- You must be your own “patent police”

▼ Steps in Obtaining a Patent

- Secrecy
- Assess Patentability
- File Patent Application(s)
 - First Filing
 - Other (International) Filings
- Prosecute Applications
- Exploit Registered Patents

▼ Secrecy Issues – KEEP IT SECRET!

- Public disclosure of invention prior to filing may be used against the application
- Canada and US have a one year grace period - many countries don't
- Use NDAs etc., prior to filing

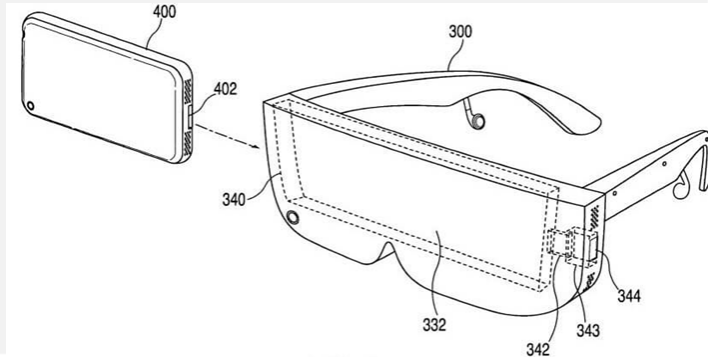
▼ Requirements for Patentability

- **Novelty** - the invention is “new”
- **Non-obvious** – not just a minor tweak of what has been done before
- **Utility** – the invention has a useful function
- **Subject Matter**

▼ Subject Matter

- *Art, Process, Machine, Manufacture or Composition of Matter*
 - Pharmaceuticals
 - Mechanical Devices
 - Chemicals and chemical processes
 - Electronics

 - Computer Software
 - Business Methods



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▼ What Cannot Be Patented?

- Abstract ideas
- Scientific principles
- Pure mathematic algorithms
- Products of nature
- Mental processes
- Data (trade secret?)

▼ How to Obtain a Patent

- File Patent Application
- Examination
 - Search
 - Examiner's report
 - Prosecution (responses / amendments)
- Registration

▼ Ownership

Individual inventor is presumed to be the owner of an invention unless:

- (1) Express agreement to the contrary;
- (2) He was employed for the purpose of inventing under a contract of service; or
- (3) Nature of employment relationship indicates that employer was to own the invention.

▼ Who is the Inventor?

- Person(s) who has:
 - Conceived of the invention (at least one claim);
and
 - Reduced it to a definite and practical shape
- Patent can be invalidated if inventorship is incorrect *and* error reflects deceptive intent

▼ The First Filing

- Preparing the Application
 - Work with your agent
 - Provide detailed description
 - You probably know this area of technology better than he does
- Can consider a U.S. provisional application, if cost is an issue

▼ Where to File?

- Patents are territorial, i.e. a U.S. patent only covers activities in the U.S.
- Problem: Filing in multiple countries gets very expensive (> \$100,000 very quickly)
- Solution: Take advantage of treaties.

▼ Claiming Priority

- After applicant files a first application – subsequent applications filed within 1 year can “piggy-back” off first application
- Can defer costs
- First application may be a provisional
- Allows you to make invention public after first filing

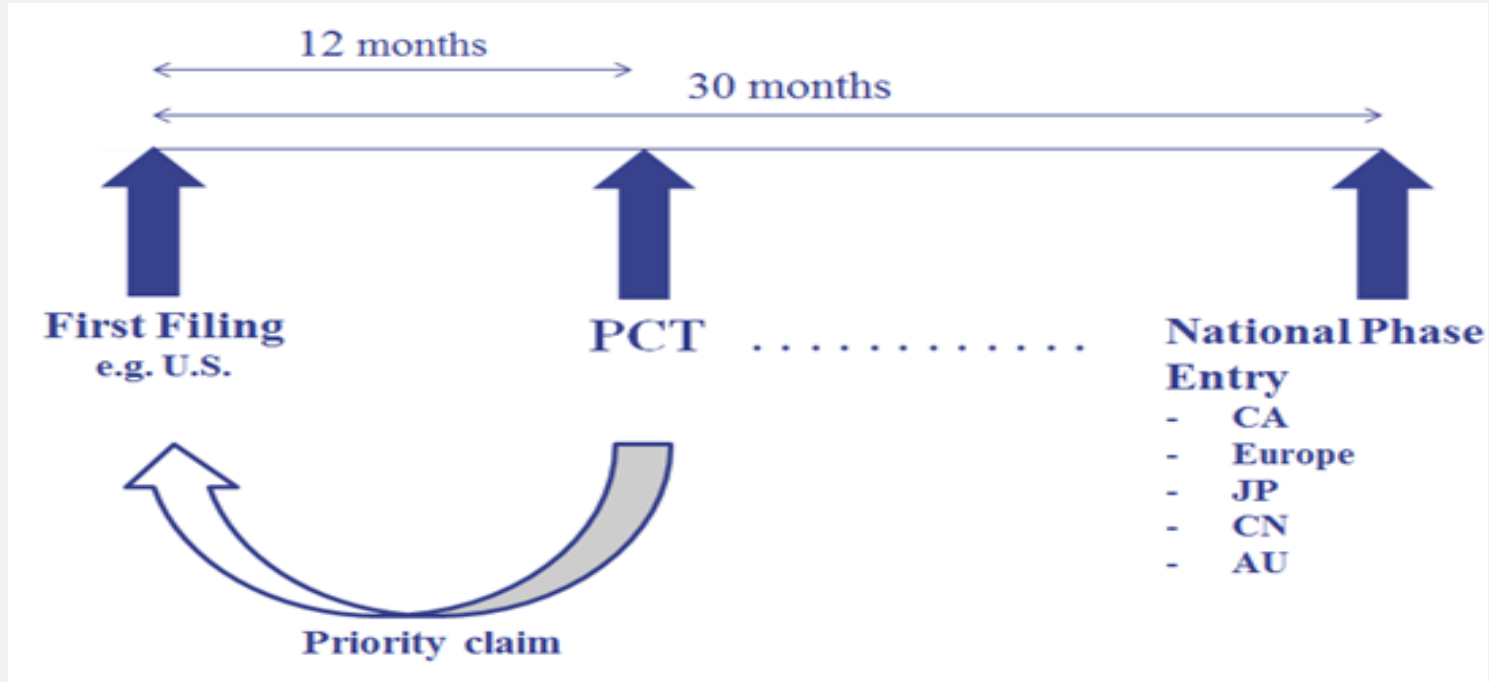
▼ PCT Applications

- Closest thing to “world patent” application (covers most major industrialized countries)
- Treated as a pending application in all selected member countries
- Still requires entry into those countries within 2 ½ years – just defers cost

▼ US Provisional Applications

- Only serve as an initial filing for the purposes of claiming priority – never becomes a patent
- Can be less expensive than a regular application
- Useful when invention is in development
- *Need to ensure provisional adequately supports priority claim

Common Filing Strategy



▼ Common Strategy

- Goal – Defer costs as much as possible while preserving rights
- 1) File Provisional Application
- 2) One year later, file PCT Application
- 3) 2 ½ years from first filing, enter national phase in selected jurisdictions
- **DISADVANTAGE** – Delays obtaining patents

▼ Patent Questions?

▼ Assignments & Licensing

▼ Assignments & Licensing

- Introduction
 - Intellectual property may be assigned or licensed
 - Fundamental difference: an assignment changes the ownership in the IP from the assignor to the assignee, a license does not

▼ Assignments & Licensing

- Preferred to a license by IP purchaser, investors and acquirers
 - IP becomes an asset of the assignee
 - not affected by assignor bankruptcy
- IP owners prefer to license technology
 - IP continues to be owned by licensor
 - Greater control over IP

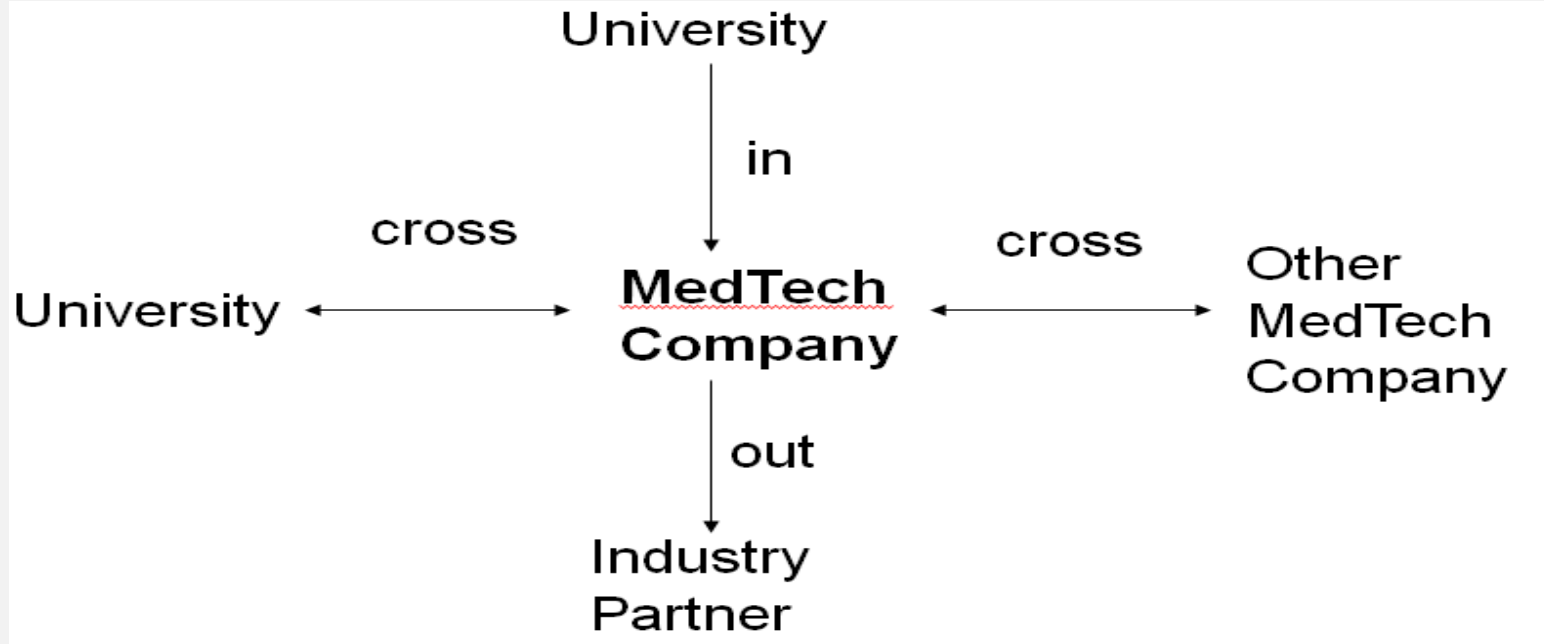
▼ Assignments

- Moral rights cannot be assigned or licensed, but may be (wholly or partially) waived or asserted by the author or estate for the duration of the copyright
- An assignment must be in writing and signed by the IP owner or authorized agent
- An assignment of registered IP should be recorded with the appropriate registry (e.g. USPTO, CIPO)

▼ Licenses

- License is a contract that allows a licensee to use IP on the terms specified in the license
- Few limits on possible license terms
- A license agreement may be implied, but should be in writing

▼ Licenses



▼ Licenses

- Agreements that include licenses:
 - End user agreements
 - Research services agreements
 - Research collaboration agreements
 - Manufacturing agreements
 - Beta agreements
 - Distribution agreements

▼ Licenses: main provisions

- Term
- Exclusivity
- Scope of use
- Territory
- Fees
- Modifications/improvements
- Sublicensing
- Performance/anti-shelving

▼ Licenses

- Term
 - The length of time of the license should be specified
 - Could be for duration of patent
 - Strategic considerations might come into play
 - Shorter term if licensor doubts licensee's ability
 - Longer term if commercialization requires significant investment
- **Pitfall: know-how license term**

▼ Licenses

- Exclusivity
 - Must be in writing
 - Exclusivity represents an extra value (monopoly)
 - Only sign an exclusive license agreement if you know and trust the licensee
 - Competitive advantage vs. freedom to operate
 - Consider performance/anti-shelving provisions

▼ Licenses

- Scope of use
 - Scope of use defines what the licensee can do with the IP
 - Different applications of IP can be licensed separately with different scopes of use
 - The scope of use needs to be clearly defined in order to avoid disputes and implied licenses
 - In general, the licensee is only entitled to use the technology for purposes that have been specified in the agreement

▼ Licenses

- Scope of use
 - Examples:
 - Use of a medical device for diagnostics, but not treatment
 - Use of a biological compound for a particular indication, but not others
 - Use of technology for academic research, but not commercial use

▼ Licenses

- Territory
 - Can be worldwide or limited by country, state or other geographic description
 - The breadth of a Licensee's territory can reflect the Licensee's ability in various regions
 - Generally speaking, the broader the Territory, the higher the price

▼ Licenses

- Granting provision that addresses term, exclusivity, scope of use and territory:
- “Licensor hereby grants to Licensee a perpetual, exclusive, worldwide right and license to use the XBX Compound on drug-eluting coronary artery stents.”

▼ Licenses

- Fees
 - Fixed fees
 - Milestone payments
 - Royalties
 - Shares in the capital of the licensee
 - Consider cash flow needs and risk/reward calculations to determine the right mix

▼ Licenses

- Fees – Fixed Fees
 - Fixed fees can be paid up-front or in installments (e.g. annual fees)
 - Provide a guaranteed level of income
 - Up-front fees test the seriousness and resources of the Licensee
 - Generally speaking, greater risk on your part (i.e. deferred payment) should result in greater potential upside

▼ Licenses

- Fees – Milestone Payments
- Milestone payments can be paid for certain events such as:
- Obtaining financing for a project
- Entering into different phases of clinical trials
- Obtaining regulatory approval
- First commercial sale of a product
- Milestone payments tied to product development allow the licensee to lessen the risk of a large up-front payment
- Milestone payments are easy to determine if drafted well

▼ Licenses

- Fees - Royalties
 - Royalties can be calculated and paid based on the licensee's sales under the license
 - Royalties are riskier than fixed payment but allow the Licensor to get a bigger share of the commercial upside of technology
 - Require a clear calculation method
 - Audit rights are recommended
- **Trap: stacking royalties**
 - Consider anti-stacking clauses

▼ Licenses

- Fees - Royalties
 - Negotiating royalties
 - Increasing or decreasing rates
 - Floors and ceilings
 - Buy outs
 - Royalty after patent expiry

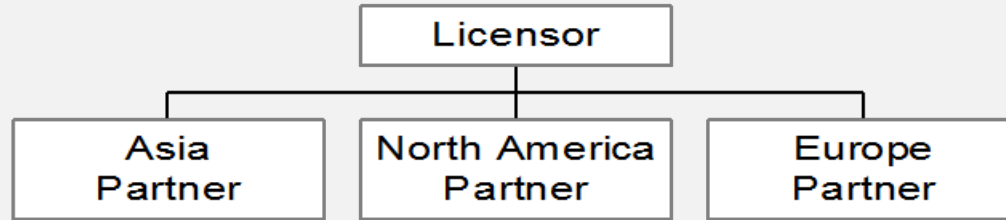
▼ Licenses

- Fees – Shares of the licensee
 - Private company:
 - valuation and liquidity risks
 - Public company:
 - Escrow considerations
 - Consolidation and share splits
- **Trap: share price fluctuations**

▼ Licenses

- Modifications/improvements
 - Is the licensee entitled to modify the IP or not?
 - If modification is permitted, who owns modifications?
 - Licensors usually want to own all IP relating to the core IP
 - If licenses exist in separate territories, all parties might benefit from licensing of improvements

▼ Licenses



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▼ Licenses

- Performance requirements/anti-shelving
 - Allow licensor (and sometimes licensee) to terminate if certain milestones are not met
 - Product development
 - Regulatory approval
 - Sales
 - More important with exclusive licenses
 - Prevent licensees from “shelving” the technology
 - Consider reverting to non-exclusive

▼ Licensing Questions?

▼ Top 10 Takeaways

1. IP ownership is critical
 - Make sure you own it
 - Be able to prove it
2. Protect patentability
 - Do not disclose your invention w/o protections in place
3. Utilise patent treaties to defer filing costs
4. U.S. provisional patents – use carefully

▼ Top 10 Takeaways...

5. Trade secrets depend on confidentiality
 - Identify them, protect with agreements and continually monitor
6. Pick TMs that are not descriptive or confusing with others in the same field
7. Copyright works – moral rights cannot be assigned, can only be waived.

▼ Top 10 Takeaways...

8. IP rights have to be “policed” and enforced
9. IP assets are key business assets – keep them in good order.
10. Conduct IP due diligence before any IP transaction or IP litigation.



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