INTELLECTUAL PROPERTY PRIMER

Borden Ladner Gervais LLP
Introduction

In today’s business environment, trade-marks, copyright, patents, and other forms of intellectual property are important to every business. Business people must therefore understand the laws that govern the acquisition, use and protection of intellectual property.

This Primer provides an overview of the fundamental principles of intellectual property law. It also discusses the important areas of Web site domain names, licensing and the protection of personal information. Lastly, this Primer provides information about intellectual property audits and how you can improve the management of your intellectual property and reduce intellectual property-related risks.

While we hope that you will find this Primer to be a useful guide, the information in this Primer is of a general nature and should not be regarded as legal advice. The laws in this area are often complex and they must be considered in the circumstances of each individual transaction, case, or issue in which they arise. Therefore, if you are involved in or encounter a transaction, case, or issue in the area of intellectual property law, we urge you to obtain legal advice at an early stage.

The Borden Ladner Gervais LLP Intellectual Property and Technology Practice Group is experienced in all areas of intellectual property law, and can provide comprehensive, practical and timely advice. It would be our pleasure to assist you, and we invite you to contact us through the practice group co-ordinators in each of our offices, as listed on the following page.
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TRADE-MARKS

What is a trade-mark?
A trade-mark is a symbol used by a seller of goods or services to distinguish its goods or services from the goods and services of others. Traditionally, trade-marks have been a word, a design, or a combination of words and designs, but trade-marks can also include shapes, sounds, colours, and even smells.

Does a trade-mark have to be registered?
The existence or absence of a registration does not make something a trade-mark. Rather, something becomes a trade-mark when it is adopted and used by a person to distinguish his or her goods or services from the goods or services of others. However, registration is advisable.

Why should a trade-mark be registered?
Registration of a trade-mark has a number of benefits. First and foremost, a registered trade-mark may be protected by its owner throughout Canada, while an unregistered trade-mark can, at best, be protected only in the area in which it has been used and has acquired a reputation. Registration also gives the trade-mark owner rights and remedies to protect its trade-mark that may not be available to the owner of an unregistered trade-mark. Further, in a trade-mark infringement action, the owner of a registered trade-mark
may rely on registration of the trade-mark as evidence of ownership. With an unregistered trade-mark, the owner must, among other things, prove title and distinctiveness of the mark and reputation acquired as a result of the use of the mark, which can be difficult and adds to the cost of the litigation.

**What kind of marks may not be registered?**

In general, marks that may not be registered include:

- words that are primarily merely a surname;
- words that are clearly descriptive;
- words that are misleading;
- words that designate a place of origin;
- terms and symbols confusingly similar to an existing registered trade-mark;
- terms and symbols expressly prohibited under the *Trade-marks Act* (these include coats of arms, badges of national and international organizations, terms that are considered immoral or oppressive, and marks that are used, adopted and published by public authorities as official marks); and
- protected geographic indications for wines and spirits.

**How is a trade-mark registered?**

In Canada, trade-marks are registered with the Canadian Intellectual Property Office by filing an application identifying the owner of the trade-mark, the trade-mark to be registered and the goods and services for which it is to be registered. The application is first examined by an examiner in the Canadian Intellectual Property Office who will notify the applicant of any problems with the application. If there are no problems, or once the problems are overcome, the application is advertised in the *Trade-marks Journal* so that third parties have the opportunity to oppose the application. If the application is not opposed, or if any opposition is overcome, the trade-mark
will (subject to comments below with respect to proposed use trade-marks) be registered. If no significant objections from the examiner or third party oppositions are encountered, the process from filing to registration takes approximately 14 to 18 months.

Can a trade-mark be used prior to registration?
Yes. Generally, the first step in adopting any new trade-mark is to conduct a search to determine whether or not that trade-mark is available to use and register, or whether it conflicts with a trade-mark already in use or registered by someone else. If the search does not reveal any conflicting trade-marks, it is generally safe to start using the new trade-mark immediately. However, trade-mark searches are subject to certain limitations, and are not 100% effective.

Can an application to register a trade-mark be filed before the applicant begins using the trade-mark?
Yes. An application to register a trade-mark can be filed on the basis of existing use of that trade-mark or on the basis of proposed use for certain goods or services. In addition, a trade-mark application can list goods or services for which the trade-mark has already been used and others for which it is proposed to be used. However, an application based entirely or partly on proposed use will not result in registration until actual use commences.

How long does a trade-mark registration last?
Registration of a trade-mark in Canada lasts for 15 years and may be renewed for further 15 year periods (upon payment of a renewal fee). A registration can therefore last indefinitely.

Is it necessary to use the symbol TM or ® with a trade-mark?
In Canada, there is no requirement to use the symbol TM or ® to identify a trade-mark, although it is good practice to do so. The symbol TM can be used for both registered and unregistered trade-marks, but the symbol
Can the owner of a trade-mark permit someone else to use it?

The owner of a trade-mark may license another person to use the trade-mark. However, the owner should do so only under a formal licence agreement that gives the owner control over the character or quality of the goods or services sold by the licensee using the owner’s trade-mark. If the owner fails to retain and exercise this control, the owner’s trade-mark may become invalid.

Can a trade-mark be sold?

Yes. The owner of a trade-mark may sell, bequeath, or otherwise transfer its rights in the trade-mark through an assignment.

What happens if someone uses a trade-mark without the owner’s consent?

The owner of a trade-mark should not permit anyone to use its trade-mark except under a proper licence agreement. If the owner discovers that any person, other than the owner or its licensees, is using the owner’s trade-mark or a mark that is confusing with the owner’s trade-mark, steps must be taken to prevent that unauthorized use from continuing. Generally, these steps start with a letter demanding that the unauthorized use be stopped, followed by litigation if the person guilty of the unauthorized use does not comply with the initial demand. The failure to stop unauthorized use of a trade-mark may result in the trade-mark becoming invalid.
Can a Canadian trade-mark be protected outside of Canada?

Trade-mark protection is territorial in nature. Therefore, registration of a trade-mark in Canada provides protection only within Canada. If protection is required in any other countries, then applications in those countries should be undertaken. In countries that are party to certain international treaties to which Canada is also a party, registration of a trade-mark in those countries may be obtained based upon use and registration of that trade-mark in Canada.
What is a patent?

A patent is a legally granted exclusive right to use, manufacture and sell an invention, for a specified period of time, given to an inventor in exchange for the inventor's disclosure of his or her invention to the public.

Can any invention be patented?

To qualify for patent protection, the invention must be new (in the sense that it has not previously been publicized or invented by anyone, including the inventor¹, anywhere in the world), useful, and non-obvious (in the sense that it contains a true inventive step that would not be "obvious" to someone familiar with the field and area to which the claimed invention pertains).

Not all new, useful, and non-obvious advances are considered patentable inventions. For example, higher life forms, methods of medical treatment and business methods are only patentable in some countries and currently are not patentable in Canada.
What rights are conferred by a patent?

A patent gives the inventor (or someone who has obtained the patent rights from the inventor) the exclusive right to make, use, and sell articles covered by the invention claimed in the patent or produced using the patented method or process. The term of patent protection in Canada is 20 years from the date the patent application is filed. Patent protection is restricted to the jurisdiction in which the patent is obtained. Accordingly, a Canadian patent will only provide protection in Canada, and not in any other country. Generally it is prudent to obtain patent protection in every country in which a substantial market exists for the patented article or the products of a patented process.

How is patent protection obtained?

To protect an invention with a patent in Canada, an application must be filed with the Canadian Intellectual Property Office. The application must include a detailed technical disclosure of the invention, as well as claims (definitions of the invention) that specify the novel and inventive features of the invention for which the exclusive right is sought. A patent application is a legal document, and inventors are strongly advised to employ a patent agent to prepare the application. Patent agents are trained in the writing of patent applications and are registered with the Canadian government after passing rigorous qualifying examinations.

Is disclosure of the invention before filing the patent application permitted?

To be valid, a Canadian patent application must be filed within one year of any prior disclosure of the invention anywhere in the world by the inventor or any persons who have derived knowledge of the invention from the inventor. Therefore, public disclosure of the invention within that one year period will not destroy the novelty of the invention in Canada. However, many countries in the world do not allow this one year “grace period” for filing a
patent application. In these countries, any public disclosure of the invention anywhere in the world prior to the filing of the initial patent application (not necessarily in that country) will disqualify the invention from receiving patent protection within that country. For this reason, inventors are strongly advised not to make any disclosure of the invention prior to filing appropriate patent applications. In cases where disclosure of at least some elements of an invention is essential for business negotiations, great care must be taken to ensure the confidentiality of the information disclosed. Prior to disclosure, the entity or individual to whom the disclosure is to be made should be required to sign a confidentiality or non-disclosure agreement. Confidential disclosure to others does not qualify as “public disclosure” that would destroy the novelty of an invention. However, there is always a risk of disclosure, accidental or otherwise, by parties to whom the confidential information has been disclosed.

Once an application for a patent is filed in one country (which may be Canada, if desired, though the United States is more common for a variety of reasons), the provisions of an international convention commonly referred to as the Paris Convention (to which most industrialized countries of importance subscribe) come into play. Under this treaty, the applicant then has up to one year to file in such countries and, if applications are filed in these countries within the one year period, the applicant’s rights are preserved between the date of the first filing and the date of filing in such other countries. Accordingly, all foreign applications must be filed on or before the first anniversary of the filing date of the initial patent application. Serious thought must be given to the selection of countries in which protection is sought to ensure an effective protection strategy while controlling costs. Filing in foreign countries is a significant expense.

The provisions of another treaty, known as the Patent Cooperation Treaty
(PCT), may be beneficial in certain cases where filings in a number of foreign countries are under consideration. The treaty provides certain delays, including deferral of filing costs, and may afford a better basis for decisions regarding patent protection in such countries.

**How is a patent infringed?**

If anyone makes, uses or sells an article covered by a patent or makes, uses, or sells any product made employing a patented process or method, without the patent owner’s permission, the patent is infringed. Infringement may also occur where infringing articles or products are imported into a jurisdiction in which patent protection has been obtained.

**What remedies are available for a patent owner whose patent has been infringed?**

The owner of a patent that is being infringed may apply to a court to obtain an injunction requiring the infringer to cease its infringing activities. If the infringement is proven at trial, the patent owner may be entitled to an injunction against the infringer, and to recover money damages to compensate the patent owner for loss sustained as a result of the infringement. As an alternative to monetary damages, the patent owner in an infringement action may elect to receive an accounting of the profits of the infringer attributable to the infringement. In virtually all cases, the alleged infringer will defend itself by attacking the validity of the patent.

**What is the significance of patent marking?**

Markings on articles such as “patented” (sometimes accompanied by a patent number) or “patent pending” signify the patent status of the article. In either case, the markings should only be applied where the statement is true. In particular, to claim that an article is patented or that a patent is pending (i.e. applied for) when such is not actually the case is prohibited under most patent legislation and may have significant negative consequences on the ability to obtain and enforce patent rights. At one time, articles patented in
Canada were required to be marked as being patented, but this requirement has now been eliminated. However, patent marking may be important where the patented articles are exported from Canada, as foreign jurisdictions may have laws which mandate patent marking or make it beneficial in terms of remedies for patent infringement. In any event, patent marking is a good practice and may help deter infringement.

*Once a patent is obtained, how does the owner go about commercializing the patented invention?*

The owner of a patent can commercialize the patented invention itself, sell the patent outright to someone who wishes to commercialize the patented invention, or license the patent to that person. The principal drawback to commercializing a patented invention is usually the large up-front investment associated with doing so. Where the patent owner lacks the necessary resources to make the investment, he or she can sell or license the patented invention. Generally, if the patent is being sold, there will be a fixed price associated with the sale. Typically, a patent licence will involve some up-front initial licence fee together with a percentage royalty on sales made by the licensee. However, whether a sale or a license, payment methods – and of course amounts – can vary widely.

*If a person purchases a patented article, does that person require a license from the patent owner?*

A person who purchases an article to which patent rights are attached acquires an implied licence to use the article. In addition, the purchaser is generally thought to also acquire the right to repair the article if it breaks down and to make modifications to the article as may suit the purchaser’s needs. However, all of these rights would be limited to the specific unit purchased.
What are the rights associated with an improvement to a patented invention?

If a person develops an improvement to a patented invention, and if that improvement is new and unobvious, that person can patent that improvement in the same way as if it were an independent invention. However, the patent for that improvement does not give the inventor of the improvement any rights to the original invention. Therefore, to make, use, or sell an improvement which still embodies the original invention, the inventor of the improvement will need a licence from the owner of the patent for the original invention. Furthermore, anyone licensing the improvement patent from the inventor of the improvement would also require a licence from the owner of the patent for the original invention before being able to manufacture and sell the improvement. Conversely, the original patent does not give its owner any rights to the improvement or the patent for the improvement. Improvement patents often form the basis for a cross-licensing arrangement between the owner of the patent for the original invention and the owner of the patent for the improvement, giving both the right to exploit the original and the improved technology.
What is a trade secret?
A trade secret is information that is not generally disclosed or known to the public and therefore is valuable. The content of that information can be practically anything, from an invention, data, or customer list, to an idea for a trade-mark or marketing strategy.

Are trade secrets the same as confidential information?
The terms “trade secrets” and “confidential information” are generally used interchangeably.

Are trade secrets property?
In general, Canadian law does not treat trade secrets as property. Thus, one cannot “steal” a trade secret or confidential information in the sense that one cannot be guilty of theft under the Criminal Code for taking a trade secret. Instead, rights in trade secrets or confidential information can only be enforced against certain parties who are in a special relationship with the “owner” of the trade secret or the confidential information. This relationship may be created by contract or by the conduct of the parties. This right is not enforceable against third parties who are not in the same
I N T E L L E C T U A L P R O P E R T Y P R I M E R

type of relationship.

However, trade secrets can be seen as quasi-property because they have some attributes clearly similar to property. For instance, trade secrets can be sold and licensed to others, and a capital gain realized on a sale of trade secrets is taxable.

*When does the duty of confidentiality arise, and what is the nature of this duty?*

The duty of confidentiality will arise when two elements are present. First, the information itself must necessarily be a secret or confidential. Second, the information must have been disclosed under circumstances importing an obligation of confidence.

If these two elements are present, the recipient of the trade secret or confidential information owes a duty to the party disclosing the trade secret or confidential information to not use the trade secret or confidential information for any purpose other than the purpose for which it was disclosed.

*What would constitute a breach of the duty of confidentiality?*

A breach of a duty of confidentiality will occur when there is any unauthorized disclosure or use of a trade secret or confidential information.

*What if someone discovers a trade secret through his or her own invention or ingenuity?*

If someone independently discovers someone else’s trade secret through his or her own invention or ingenuity, there is no violation of the other person’s rights, and there will be no duty of non-disclosure of that trade secret on the independent discoverer. Such a duty will only arise if there is some sort of relationship between the discoverer and the party who owns the trade secret. It is also acceptable to “reverse engineer” an item to try to discover the trade secret, as long as the item was rightfully obtained. Reverse engineering is the process of deconstructing a product to determine how it was constructed.
initially. This applies to mechanical, chemical, and pharmaceutical products, as well as to computer programs.

**How can a trade secret be protected?**

The best protection for a trade secret is to keep it secret. However, if the secret must be disclosed to others for production, manufacturing or other purposes, then it can be protected through the use of such things as confidentiality agreements. By having the other party sign such an agreement, the owner of the trade secret will have an avenue of legal recourse if the other party breaches the agreement by disclosing the secret.

**Can a trade secret be sold or transferred?**

Trade secrets are often sold or transferred together with the sale of a business as a going concern. They can also be sold or transferred separately from the business, when bundled with other rights and interests relating to a particular technology, product or commercial activity.

**Can a trade secret be licensed?**

Yes. Trade secrets can be licensed. A trade secrets licence is basically an expansion of the confidentiality agreement that grants wider rights of use and imposes greater obligations on the licensee.

**Can one get international protection for a trade secret?**

No. There is very little uniformity in the way that trade secrets are treated outside of the major industrialized countries. Moreover, even the major industrialized countries differ in some important respects in the way they treat trade secrets. Therefore, foreign laws should be carefully considered before finalizing a trade secret licence or non-disclosure agreement that involves a foreign country.
What about Québec?

The Civil Code of Québec codifies certain provisions with respect to trade secrets, specifically that: (1) a person will not be liable for injury caused to another resulting from the disclosure of a trade secret when disclosure was in the public interest and that such disclosure was justified for reasons of public health or safety; (2) the loss incurred by the holder of a trade secret which has been improperly disclosed includes expenses incurred and profit lost; and (3) employees are bound to maintain the confidentiality of information obtained during or in the course of their employment.

Due to the different system of law in Québec, as compared to the other Provinces of Canada, it is important that the owner of a trade secret who is in Québec or who may be disclosing the trade secret to someone in Québec obtain legal advice in Québec, and not rely on standard form confidentiality agreements prepared for use outside of Québec.
What is copyright?
Copyright in a work refers to the exclusive right to produce or reproduce the work or any substantial part of the work in any material form, and the right to prevent others from doing so. In essence, the owner of copyright in a work has a time-limited, exclusive right to almost all commercially valuable uses of the work.

What kinds of works receive copyright protection?
Copyright subsists in every original literary, dramatic, musical and artistic work, as well as in performances, sound recordings and broadcasts. To be protected by copyright, a work must be original in the sense that it originated from its author. There is no requirement that the work be novel or that its subject matter have merit. However, copyright protects only the form of expression and not the underlying ideas or facts.
Who owns the copyright?

Generally, the creator of a work is considered to be the owner of the copyright in the work. The creator is the person who actually wrote, drew, composed or produced the work. When two or more creators collaborate to produce a work and they intend to jointly hold the copyright in the work, then each of the creators will have an equal share in the copyright.

There are different rules for ownership of copyright in works created by employees and independent contractors. If a work is created by an employee in the course of his or her employment, then copyright in the work is owned by the employer unless there is an agreement to the contrary. If a work is created by an independent contractor, then copyright in the work is owned by the contractor and not the person who engaged and paid the contractor to create the work. The one exception to the independent contractor rule is that where a person directly commissions a particular photograph, portrait, engraving or print, the person commissioning the work is considered to be the first owner of the copyright.

Anyone engaging an independent contractor to create a work should obtain an assignment of the copyright. Failure to do so may limit the ability of the person who paid for the work to use the work in the future. Also, to avoid any uncertainty, employment agreements should include copyright assignment provisions.

How does one get copyright protection in a work?

Copyright arises automatically upon the creation of an original work.

How long does copyright protection last?

Generally, copyright in a work will last for the life of the creator plus a period of fifty years. There are some exceptions to this rule. For example, if there are two or more joint creators of a work, the copyright will last for fifty years after the death of the last surviving creator. Other exceptions exist concerning unpublished works, photographs, sound recordings and certain
cinematographic works.

Can copyright be assigned?
Copyright in a work can be assigned either wholly or partly, and either generally or subject to limitations relating to territory, medium, or sector of the market, and either for the whole term of the copyright or merely for part of it. The assignment must be in writing and signed by the copyright owner. It is important to note that the assignment of copyright in a work does not also constitute an assignment of the moral rights attached to that work. In fact, moral rights cannot be assigned, but can only be waived.

Must copyright be registered?
A work does not have to be registered nor does notice of copyright have to be given for a work to be protected by copyright in Canada. Nevertheless, registration and notification provide some advantages; for example, a certificate of copyright registration is evidence that copyright exists in the work and that the registrant is the owner of the copyright.

Accordingly, the copyright in valuable works should be registered in jurisdictions of significance. Furthermore, appropriate copyright notices, such as “© 2004 [name]”, should be placed on all works.

Will a work protected by Canadian copyright be protected outside of Canada?
Protection granted by the Copyright Act is territorially limited to protection within Canada. However, Canada is a party to certain international conventions that may extend some international protection to a work created in Canada.

How is copyright infringed?
Copyright infringement occurs when a person does something, without the consent of the copyright owner, that only the copyright owner has the right to do, such as performing, reproducing, communicating the work to the
public by telecommunication (e.g. via Internet), or publishing a work, or authorizing another person to do such an act. Copyright is also infringed by any person who rents a computer program or a sound recording, or imports into Canada a copy of the work that infringes the Canadian copyright in the work.

**What are moral rights?**

Moral rights give the author of a work the right not to have the work distorted, mutilated or otherwise modified in a way that is prejudicial to the author’s reputation. Also, where reasonable in the circumstances, the author has the right to be acknowledged by name (or pseudonym) as the author of the work. Moral rights in a copyright work last for the same length of time as the copyright itself, and they pass to the author’s heirs even if the heirs do not inherit ownership of the copyright.

Moral rights cannot be assigned, but they can be waived, either in whole or in part. An assignment of copyright does not constitute a waiver of moral rights.

Moral rights in works created by employees or independent contractors are not automatically waived in favour of the employer or person for whom the work is created. Accordingly, it is prudent to obtain waivers of moral rights from all employees and independent contractors engaged to create works.

**What are neighbouring rights?**

Neighbouring rights are rights granted under the *Copyright Act* to performers, makers of sound recordings and broadcasters with respect to their performances, sound recordings, and broadcast signals. Neighbouring rights compensate performers and makers of sound recordings by providing them with remuneration rights when eligible published sound recordings are publicly performed and/or communicated to the public by...
telecommunication. Insofar as these rights are administered by a collective, the benefit of these rights to performers and makers of sound recordings is essentially the fees they will receive from the collective.

The other rights extended to a performer in respect of the performer’s performance and to the maker of a sound recording are primarily the right to record the performance, for the performer, and the right to publish the recording, for the maker, as well as the right to reproduce a recording, to rent a recording, and to authorize those acts. Broadcasters have similar rights in respect of their communication signals.

Neighboring rights expire at the end of the calendar year in which the subject performance was performed, fixed or broadcast, depending of the nature of the copyright object to which they pertain.
INDUSTRIAL DESIGN

What is an industrial design?
An industrial design is defined in the Industrial Design Act to mean the features of shape, configuration, pattern or ornament and any combination of these features that, in a finished product, appeal to and are judged solely by the eye.

Are there any exceptions to the above definition?
Yes. The Industrial Design Act does not provide protection to features of a useful article that are dictated primarily by a function of the product, or any principle or manner of manufacture or construction. The term “useful article” is defined in the Industrial Design Act to mean something with a utilitarian function or a model of such an article.

Is an industrial design the same thing as a patent?
No. An industrial design registration protects only the appearance or shape of an article. A patent provides protection for the function of the article or the manufacturing process used.
Can the colour of an item form the necessary subject matter to be protected by an industrial design registration?

No. Colour cannot form the subject matter of an industrial design. However, in some instances, colour can be protected by trade-mark registration.

How is an industrial design registered?

An application for registration must be filed, together with a declaration of the applicant stating that to the best of his or her knowledge, the design was not and is not currently in use by any other person. The design will be registered if it is found to not so closely resemble any other design already registered so as to be confused with it.

When must an application to register an industrial design be filed?

An application for an industrial design registration must be filed in the Canadian Intellectual Property Office within one year of publication of the design in Canada or elsewhere. “Publication” means the date on which the design was first made available to the public anywhere in the world by, for instance, sale, exhibition or advertising. In most jurisdictions other than Canada and the United States, an application to register an industrial design must be filed before the design is published anywhere in the world.

How long does an industrial design registration last?

The exclusive right to make and sell a product protected by a Canadian industrial design registration lasts for a maximum of ten years from the date of registration.

What will happen if it is discovered that the industrial design was not original at the time of filing?

If an industrial design registration is obtained for a design that turns out not to have been original at the time of filing of the application for registration, the registration is invalid.
**How does one determine if an industrial design is original?**

Unlike copyright, where “original” means only that the creator has not copied the work from anyone else, the “originality” of an industrial design requires that there be something new or novel that did not exist before. Therefore, to be protected and registrable, an industrial design must be unique in some way.

**Who can apply for registration of an industrial design?**

The author of a design is entitled to apply for registration. However if the author made the design for another person (for example, as an employee or an independent contractor), then the employer or person who contracted for the design is the person entitled to obtain the registration.

**What qualifies as infringement of an industrial design?**

It is an infringement for any person, without the licence of the owner of the design, to make, sell, rent or import for the purpose of trade, any article to which a registered design has been applied.

**What remedies are available for infringement of an industrial design?**

In an action for infringement of a registered industrial design, a court may award any number of remedies, including damages, an injunction, disposal of infringing items, or an accounting of profits.
What is licensing?

Licensing occurs when one person who owns something gives another person the permission in the form of a licence, generally in accordance with certain restrictions or limits, to use that thing.

Is a licence a contract?

A licence is also a contract. A contract requires that there be at least two parties and that there is “consideration” flowing between the parties. In other words, the party granting the permission must receive something in return to make the grant of permission binding. In a licence agreement, the person granting the licence (the “Licensor”) gives permission to use the licensed property. The person to whom the permission is granted (the “Licensee”) will then pay the Licensor, usually in the form of royalties.

When does a licensing situation normally arise?

A licensing situation will usually arise when the Licensor owns an intellectual property right, such as a patent or copyright, which gives the Licensor certain exclusive rights. The Licensor may grant to others a licence to exercise some or all of the Licensor’s exclusive rights.
Does the Licensor maintain ownership over the property being licensed?

A Licensor generally grants the Licensee the right to use the Licensor’s property and related intellectual property rights, but the Licensor retains ownership of the property and rights. For example, a Licensee of software acquires the right or licence to use the software, but the Licensor retains all ownership of the software and the intellectual property rights in the software.

What is an exclusive licence?

An exclusive licence provides the Licensee with the exclusive rights to use the Licensor’s property and related rights. In other words, only the Licensee can use the licensed property and rights, and the Licensor may not use the licensed property and rights or allow anyone else to do so during the term of, and within the scope of, the licence. The Licensor retains the ownership in the licensed property and rights, but nothing else.

What is a sole licence?

A sole licence prevents the Licensor from granting licences to anyone else. Therefore, the Licensee will be the only party with a licence to use the licensed property and rights. However, the Licensor may continue to use the licensed property and rights itself.

What is a non-exclusive licence?

A non-exclusive licence is one that can be granted by the Licensor to an unlimited number of Licensees. The Licensee has no rights in the licensed property and rights other than the non-exclusive right to use them. Most commercial software licences granted today are non-exclusive licences.

In what ways can a licence be restricted or limited?

A licence can be restricted or limited in many ways. The licence can be geographically limited in that the Licensee can use or market the licensed property or right only in a particular territory. It can be time limited so that the licence will only be in effect for a certain period of time (i.e., one year,
Licenses can even be use limited, meaning that the Licensee can only use the licensed property or right for particular activities and not for any use in general.

**What remedies are available in the event of a licence being breached?**

Breaching a licence agreement is the same as breaching any other contract. As a result, potential remedies include such things as requiring that the breaching party fulfill its obligations, pay damages, stop a particular activity (i.e., if the breaching party is violating the limits on the licence), or account for any profits earned as a result of the breach.
What is a domain name?

Domain names allow Internet users to locate Web sites on the Internet. Although each Web page has a numeric Internet address, each is also given a unique domain name for the convenience of users. Domain names are easier to remember than numeric addresses. Domain names may incorporate key trade-marks and may themselves be valuable corporate assets bearing considerable goodwill.

What are the components of a domain name?

A domain name is comprised of a series of alphanumeric fields or “domains” separated by periods or “dots”. There are two basic components - the domain and the host. The “top level domain” (“TLD”) appears at the end of the domain name. It may be a generic TLD (“gTLD”) such as .com, .net, .org, .biz or .info, or a country level TLD (“ccTLD”) such as .ca for Canada, .uk for the United Kingdom, and .us for the United States. The host appears to the left of the TLD, and it is the part of the domain name that may incorporate business names or trade-marks. For example, in the domain name www.yahoo.com, the host is yahoo and the gTLD is .com.
How is a domain name registered?

Domain names are administered by various approved domain name registrars, and are generally issued on a first-come-first-served basis upon payment of a small registration fee. Domain name registrars must ensure that requested domain names are unique, but they generally will not make any determination regarding the legality of the proposed domain name, whether it is confusing with other domain names, or whether its registration or use might infringe the trade-mark or other rights of a third party.

Who can register a domain name?

Some domain name registries, such as those governing the .com, .net and .org and .info domains, are unrestricted, and anyone can register a domain name with them. Other registries, such as those governing the .ca and .biz domain name, are restricted, and applicants must meet certain criteria before being permitted to register a domain name with them.

An applicant for a .ca domain name must have a “Canadian Presence”, i.e. be a Canadian citizen or permanent resident; a Canadian corporation, political party, government, union or educational institution; or own a registered Canadian trade-mark. Associations, partnerships and other organizations may also meet this requirement if a prescribed number of their members are Canadian.

An applicant for a .biz domain name must make a “bona fide business or commercial use” of the domain name. Generally, this means that the domain name must be used in connection with the exchange of goods or services in the ordinary course of the domain name owner’s business.

Other restricted domain name registries that will soon be implemented include .aero (air transport industry), .coop (cooperatives), .museum (museums), .name (individuals), and .pro (accountants, lawyers and physicians).
Can a domain name be a trade-mark?

Yes, a domain name can be a trade-mark, provided that the general requirements of trade-mark law are satisfied. To be protected by trade-mark law, a mark must be both distinctive and used to identify the source of goods or services. The Canadian Intellectual Property Office and the United States Patent and Trademark Office have both indicated that applications for trade-mark registrations of domain names will generally be considered in accordance with traditional trade-mark principles. The application for and registration of a domain name as a trade-mark must include a disclaimer of any exclusive right to the TLD (for example, .com or .ca) apart from the trade-mark as a whole.

What is “cybersquatting”?

“Cybersquatting” is the opportunistic practice of registering domain names that incorporate well-known trade-marks and then offering them for sale to the highest bidder (usually the party to whom the incorporated trade-mark more properly belongs).

What is “typo-squatting”?

“Typo-squatting” is the practice of registering domain names that are identical to popular Web site domain names except for slight differences that may occur as a result of common keyboarding errors. Typo-squatters register and use those domain names because Web users sometimes make errors when entering domain names into their Web browser, and typo-squatters hope to take advantage of such errors to generate additional traffic to their Web sites.

Is the domain name registrar liable for registering a domain name that infringes a trade-mark?

Courts have generally declined to impose liability on domain name registrars for granting a domain name registration to one party that infringes a trade-mark owned by another person.
How are disputes over the rights to a domain name resolved?

Disputes involving alleged bad faith registration and use of .com, .net, .org, .biz and .info domain names may be resolved pursuant to the Uniform Domain Name Dispute Resolution Policy ("UDRP"), which has been implemented by the Internet Corporation for Assigned Names and Numbers ("ICANN") and incorporated into applicable registration agreements. The UDRP is intended to provide an efficient and cost-effective procedure for resolving cybersquatting disputes.

The Canadian Internet Registration Authority ("CIRA"), which is responsible for managing the .ca domain name registry, has adopted a similar dispute-resolution process (the "CDRP").

How quickly can disputes be resolved under UDRP or the CDRP?

The UDRP Rules generally require disputes to be resolved within 45 days. The CDRP Rules require administrative panels to issue decisions within 21 days after their appointment.

What remedies are available under UDRP and the CDRP?

An administrative panel under the UDRP or the CDRP may order a domain name registration to be cancelled or transferred to the complainant. However, a panel may not grant remedies like those that may be granted by a court, such as shutting down a Web site or awarding damages and costs.

To Which Types of Disputes does the UDRP and the CDRP apply?

Although there are some differences in what a complainant must prove under the UDRP and the CDRP, both processes are generally limited to disputes involving alleged bad faith registration or use of domain names. They do not apply to other kinds of domain name disputes, including conflicts between legitimate trade-mark owners.

Further, in order to bring a claim under the CDRP, a complainant must satisfy the Canadian presence requirements or be the owner of the trade-mark
registered in the Canadian Intellectual Property Office that forms the basis of the complaint.

**What must the complainant prove in a UDRP proceeding?**

The *UDRP* requires the complainant to prove that:

- the registrant’s domain name is identical or confusingly similar to the complainant’s mark;
- the registrant has no rights or legitimate interests in the domain name; and
- the domain name was registered and is being used in bad faith.

**What does the UDRP mean by “bad faith” registration and use?**

The *UDRP* identifies certain circumstances indicative of bad faith domain name registration and use, including the following:

- that the registrant registered or acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring it to the complainant owner of the mark or its competitor for a profit;
- that the registrant registered the domain name to prevent the complainant owner of the mark from using it in a domain name, provided the registrant has engaged in a pattern of such conduct;
- that the registrant registered the domain name primarily to disrupt the business of a competitor; or
- that the registrant used the domain name to attract, for commercial gain, users to its Web site by creating a likelihood of confusion with the complainant’s mark as to the source, sponsorship, affiliation, or endorsement of the Web site or a product or service on that Web site.

These factors are not exhaustive.
What must be established in a CDRP proceeding?

Before it may order that a domain name be transferred or that its registration be cancelled, an administrative panel under the CDRP must be satisfied that:

- the domain name is confusingly similar to a mark in which the complainant had rights prior to the date of registration of the domain name and continues to have such rights;
- the registrant has no legitimate interest in the domain name; and
- the registrant has registered the domain name in bad faith.

The CDRP provides that the complainant must prove on a balance of probabilities that the disputed domain name is confusingly similar to the conflicting mark and that the registrant registered the domain name in bad faith, but need only provide “some evidence” that the registrant has no legitimate interest in the domain name. If the complainant satisfies this burden, the onus shifts to the registrant to prove on a balance of probabilities that the registrant has a legitimate interest in the domain name.

Are the CDRP criteria defined?

Unlike the UDRP, the criteria which must be proved by the complainant are exhaustively defined in the CDRP.

With respect to the first criterion, the conflicting mark must be a trademark, certification mark or official mark registered in the Canada Intellectual Property Office or a trademark or distinctive trade name used in Canada, and must be used in a specific manner. A domain name is “confusingly similar” to a mark if the domain name so nearly resembles the mark in appearance, sound or idea as to be likely to be mistaken for the mark.

With respect to the second criterion, the CDRP provides that a registrant has a legitimate interest in a domain name if, and only if, before notice of the complaint:
the domain name was a mark used by the registrant in good faith and in which the registrant had rights;

- the registrant used the domain name in Canada in good faith in association with any wares, services or business and the domain name was clearly descriptive in Canada in the English or French language of the character or quality of the wares, services or business, the conditions of, or the persons employed in, production of the wares, performance of the services or operation of the business, or the place of origin of the wares, services or business;

- the registrant used the domain name in Canada in good faith in association with any wares, services or business and the domain name was understood in Canada to be the generic name thereof in any language;

- the registrant used the domain name in Canada in good faith in association with a non-commercial activity including, without limitation, criticism, review or news reporting;

- the domain name comprised the legal name of the registrant or was a name, surname or other reference by which the registrant was commonly identified; or

- the domain name was the geographical name of the location of the registrant’s non-commercial activity or place of business.

With respect to the third criterion, a registrant will be considered to have registered a domain name in bad faith only if:

- the registrant registered or acquired the domain name primarily for the purpose of selling, renting, licensing or otherwise transferring the domain name to the complainant or the complainant’s licensor or licensee of the conflicting mark, or to a competitor of the complainant or its licensee or licensor for valuable consideration in excess of the registrant’s actual costs in registering or acquiring the domain name;
the registrant registered or acquired the domain name in order to prevent the complainant, or the complainant’s licensor or licensee of the conflicting mark, from registering the mark as a domain name, provided that the registrant, alone or in concert with one or more additional persons, has engaged in a pattern of registering domain names in order to prevent persons who have rights in marks from registering the marks as domain names; or

the registrant registered or acquired the domain name primarily for the purpose of disrupting the business of the complainant, or the complainant’s licensor or licensee of the mark, who is a competitor of the registrant.

**Does the UDRP or the CDRP prevent the parties from taking their dispute to court?**

No. Domain name registrants and complainants may submit their disputes to courts of competent jurisdiction for independent resolution at any time. UDRP panel orders are not implemented for 10 days so that the parties may pursue remedies in court. For the same reason, CDRP panel orders are not implemented for 60 days.

**What is the U.S. Anticybersquatting Consumer Protection Act?**

The U.S. *Anticybersquatting Consumer Protection Act* ("ACPA") was signed into law in November 1999. It protects owners of famous or distinctive trade-marks by providing a civil cause of action against any person who in bad faith registers, traffics in, or uses a domain name that is identical or confusingly similar to a distinctive mark or name, or is identical to, confusingly similar to, or dilutive of a famous mark.

The ACPA also protects individual rights of privacy and publicity by providing civil remedies against persons who register a domain name consisting of another living person’s name, or a substantially and confusingly similar name, with the specific intent to profit by selling the domain name to that person or any other person.
What are the remedies available under the ACPA?

The ACPA empowers U.S. courts to order the forfeiture, transfer or cancellation of a domain name, grant injunctions, and award statutory damages of between $1,000 to $100,000 per domain name.
THE PROTECTION OF PERSONAL INFORMATION

What is this all about?
All organizations in Canada that collect, use or disclose personal information in the course of commercial activities are required by Part 1 of the Personal Information Protection and Electronic Documents Act (Canada) ("PIPEDA") to comply with the obligations set out in the Model Code for the Protection of Personal Information (the “Code”), which is Schedule 1 to PIPEDA, unless they are exempt. An organization that is a “federal work, undertaking or business” must, in addition, do the same with personal information about its employees. Similar provincial laws in Quebec, British Columbia and Alberta are not limited to commercial activities, and also apply to employee information.

Who is exempt?
Part 1 does not apply to: (1) a government institution to which the Privacy Act (Canada) applies (i.e., which is listed in the Schedule to that Act); (2) an individual collecting, using or disclosing personal information solely for “personal or domestic purposes”; or (3) an organization collecting, using or disclosing personal information solely for “journalistic, artistic or literary purposes”.

I N T E L L E C T U A L  P R O P E R T Y  P R I M E R

For the purposes of Part 1 of PIPEDA, the term “organization” includes an association, a partnership, a person (which under the Interpretation Act includes a corporation) and a trade union. Even a single individual (such as a self-employed professional or consultant) can be an “organization”. A parent company and its subsidiary are separate organizations.

What is a “federal work, undertaking or business”?
The definition of this term in Part 1 of PIPEDA is virtually identical to the definition of the same term in the Canada Labour Code and in the Pension Benefits Standards Act, 1985: an organization now governed by the Canada Labour Code in its relations with its employees, or whose pension plan is subject to the PBSA because it falls within that definition will also be “federal” for purposes of Part 1. This is a relatively narrow class that includes banks and telecommunications, broadcasting and transportation companies.

What is “personal information”?
“Personal information” is information about an “identifiable individual”. The boundaries of what will or will not be personal information are not yet clear. In particular, it is not necessarily limited to information provided by the individual concerned or by someone on his or her behalf.

What information is excluded?
The definition of personal information excludes the name, title, business address and business phone number of an employee of an organization; this is sometimes called the “business card” information.

The consent requirements do not apply to information that is “publicly available”, but only if it falls into one of five categories specified by the regulations: (1) the name, address and telephone number in a telephone directory available to the public, if the subscriber can be unlisted; (2) information the individual has provided and that appears in a publication, including a magazine, book or newspaper (in printed or electronic form); (3) information including the name, title, address and telephone number of
an individual that appears in a professional or business directory, listing or notice available to the public; (4) information in a registry collected under a statutory authority and to which a right of public access is authorized by law; and (5) information in a record or document of a court or quasi-judicial body that is available to the public. The collection, use or disclosure of personal information in these categories, however, must relate directly to the purpose for which the information appears in the particular source.

Is an organization required to identify the purposes for which it collects personal information?

Before an organization collects personal information, the organization must identify (to itself) the purposes for which the information is being collected, and in particular the purposes for which the organization will use the information, and to whom outside the organization the information will be disclosed.

The organization should then specify those purposes to the individual at or before the collection of the information; this means making a reasonable effort to ensure that the individual is advised of those purposes in a clear and understandable way.

An organization must collect, use or disclose personal information only for purposes that a reasonable person would consider appropriate in the circumstances. This limitation applies even if the individual from whom the information is being collected is willing to consent.

Is the consent of the individual required?

The single most important principle in the Code is that the individual’s knowledge and consent are required for the collection, use and disclosure of his or her personal information. This does not necessarily mean that the individual must sign a formal written consent. The kind of consent required will depend on the sensitivity of the information and on the reasonable expectations of the individual. In some cases, consent may be implied; in
others, it may take the form of a “negative option” (for example, “check this box if you do not want us to give your information to others”). In still other cases, an express “yes” may be needed, sometimes orally and sometimes in writing. Once given, consent may be withdrawn.

An organization cannot, as a condition of supplying a product or service, require an individual to consent to the collection, use, or disclosure of information beyond what is required to fulfil its explicitly specified and legitimate purposes.

**What obligations does an organization have regarding personal information in its possession?**

Personal information must be as accurate, complete and up-to-date as is necessary for the purposes for which it is going to be used. The degree of accuracy depends on the circumstances. The organization must minimize the possibility that inaccurate information is used to make a decision about an individual.

Information must be kept up-to-date if it is being used on an ongoing basis. On the other hand, information must not be routinely updated if updating is not necessary to fulfil the purposes for which the information is being used.

**What must an organization do to protect personal information in its possession?**

Personal information must be protected by safeguards against loss or theft and against unauthorized access, disclosure, copying, use or modification. Safeguards must be “appropriate to the sensitivity” of the information, and may include physical protection (such as locked cabinets and restricted access to offices), organizational measures (such as security clearances) and technological measures (such as passwords and encryption).

An organization’s responsibility to protect personal information extends to personal information that it transfers to third parties for processing. The
organization must, by contract or other means, ensure that those third parties use a comparable level of protection during such processing.

An organization must also take care in the disposal or destruction of personal information, to prevent access by unauthorized parties.

What rights of access do individuals have to their personal information?

Individuals have the right to be informed of the existence, use, and disclosure of their personal information, and they have the right to be given access to that information so that they can challenge its accuracy and completeness and have it amended. An organization must therefore be able to identify the information it has about a particular individual, so that it can make the information available to that individual upon his or her request, and must respond to requests for correction if satisfied that the information is incorrect or incomplete.

For how long can an organization retain personal information?

Personal information must be retained only as long as is necessary to fulfil the purposes for which it was collected. Again, this means that an organization must be able to identify the information it has about particular individuals, so that the information can be destroyed when it is no longer needed.

What rights do individuals have to challenge an organization’s compliance with PIPEDA?

Any individual can challenge any organization’s compliance with the requirements of PIPEDA and the Code; he or she does not have to have a personal interest (i.e., does not have to show that any of his or her own personal information has ever been held by that organization).

Each organization must designate a particular individual as being accountable for its compliance, and complaints and inquiries will be addressed to that person.
What is the role of the Privacy Commissioner?

PIPEDA is administered by the Privacy Commissioner of Canada. When disputes arise, individuals and organizations are encouraged to resolve them by negotiation, and if necessary mediation and arbitration. The Commissioner has broad powers to investigate complaints and to deliver a report on them, as well as to audit the information practices of organizations, but does not have the power to issue binding orders. Once a report of non-compliance has been issued, however, the individual may apply to the Federal Court, which has broad powers to make corrective orders and award damages (including punitive damages).

What about other provinces?

PIPEDA provides that the federal Cabinet, if satisfied that a province has legislation that is substantially similar to PIPEDA, may issue an exempting order in respect of that province.

Such an order has been issued in respect of organizations in Quebec that are subject to the Act respecting the protection of personal information in the private sector; this does not apply to an organization that is a “federal work, undertaking or business” (as discussed above). The order exempts only collection, use or disclosure that take place “within” Quebec; if information is transferred across the provincial border (even to another office within the same organization), PIPEDA would apply to that information.

Industry Canada has published drafts of similar orders in respect of organizations that are subject to the Personal Information Protection Act (British Columbia) and the Personal Information Protection Act (Alberta).

What should an organization do to plan for compliance with PIPEDA?

In summary, an organization should prepare for compliance by taking the following steps:
organize internally (working group, privacy compliance officer, budget);
make a plan;
compile an inventory of:
  - what personal information the organization now collects, uses and discloses;
  - why that personal information is collected;
  - how the organization handles that personal information; and
  - how the organization monitors and controls what it now does;
evaluate the deficiencies:
  - does what is now being done comply with the law?
  - if not, in what ways does it not comply?
develop policies and procedures (including controls and systems) to ensure compliance; and
implement those policies and procedures.
PROTECTING YOUR INTELLECTUAL PROPERTY

Introduction

For many businesses, the importance and value of their intellectual property assets far surpasses the importance and value of their physical assets. Failure to protect intellectual property assets can result in substantial harm and significant competitive disadvantage. Despite this risk, many businesses fail to take reasonable measures to protect their intellectual property assets.

An intellectual property audit (“IP audit”) is an essential first step to establishing a comprehensive, cost effective intellectual property management program. An IP audit enables a business to identify its intellectual property assets, determine the rights inherent in those assets, and determine the measures necessary to secure and protect them. In addition, an IP audit lays the foundation for the due diligence disclosures that are essential to a major financing, sale, or similar business event.
What is an IP Audit?
An IP audit includes:

- identifying intellectual property assets;
- determining the ownership of the assets and any other legal rights or interests in the assets; and
- recommending measures to perfect and protect the assets and minimize the risk of conflicting claims by others.

An IP audit should encompass the following categories of important intellectual property assets:

**Patents**

Patents can be an effective means of protecting a business’ right to use its own technology, to prevent competitors from copying the technology, and to provide income through technology licensing.

The holder of a patent has a time-limited, exclusive right to make, use and sell the patented invention. As a general rule, the rights to an invention are owned by the inventor. This rule may be altered by an express or implied agreement. For example, there may be an implied agreement that the employer owns all inventions created by employees during the course of their employment, particularly if product development or invention is part of the employee’s job description. Courts will consider all of the circumstances to determine whether such an implied agreement exists.

To obtain and protect patent rights, a business should:

- ensure that employment, independent contractor, consultant and partnership agreements include invention rights assignments;
- ensure that agreements do not create encumbrances, security interests, assignments or exclusive licences regarding patents or inventions;
enable systems to identify inventions in a timely way and assess their patentability;

file or register, within applicable time limits, patent applications, assignments and security interests against patents in appropriate jurisdictions;

review relevant third party patents and patent applications in order to avoid infringing third party patents; and

regularly review competitors’ business activities to determine whether any competitors have infringed the business’ patents.

Trade-marks

Trade-marks, which may be a word, design, slogan, number, initial, acronym, mnemonic, colour, sound, scent, or a combination of those elements, distinguish the wares and services of one trader from those of another trader. Trade-mark rights generally arise through use of the mark in Canada in association with particular wares or services. Under the Canadian Trade-marks Act, trade-marks are protected against imitation, confusion, depreciation of goodwill, and misrepresentations.

To obtain and protect trade-mark rights, a business should:

create a complete inventory of all of its trade-marks;

use the trade-marks only in the form in which they are registered;

ensure that trade-marks are used in the specific, technical manner required by the Trade-marks Act and are designated in the appropriate manner;

ensure that trade-marks are registered in Canada and in appropriate foreign jurisdictions;

ensure that trade-marks are only used by others pursuant to licence agreements that comply with the requirements of applicable Canadian and foreign trade-mark laws; and
regularly review competitors’ business activities to determine whether any competitors have infringed the business’ trade-mark rights.

Copyright and Moral Rights

Copyright is the time-limited, exclusive right to almost all commercially valuable uses of a work, including the right to reproduce the work or any substantial part of it, to modify it, to distribute it, to create derivative works, and to publicly display or perform it. Engaging in any of those uses, or authorizing such conduct, without the copyright owner’s permission constitutes copyright infringement, unless certain limited statutory exceptions apply. Copyright protects various kinds of works – primarily literary (which includes computer software), dramatic, artistic, and musical works. To be protected by copyright, a work must be original (in the sense that it originated from its author without having been copied from a third party), but it need not be novel or have artistic merit.

Generally, the creator of a work is considered to be the owner of the copyright in the work. However, there are different rules for ownership of copyright in works created by employees and independent contractors. If a work is created by an employee in the course of his or her employment, then copyright in the work is owned by the employer unless there is an agreement to the contrary. With the exception of the special rules for photographs, portraits, engravings and prints, if a work is created by an independent contractor, then copyright in the work is owned by the contractor and not the person who engaged and paid the contractor to create the work.

Moral rights give the author of a work the right not to have the work distorted, mutilated or otherwise modified in a way that is prejudicial to the author’s reputation. Also, where reasonable, the author has the right to be acknowledged by name (or pseudonym) as the author of the work. Moral rights cannot be assigned, but they can be waived, either in whole or in part. Employees and contractors do not automatically waive moral rights in works
they create for others, even if they assign their copyright in such works.

To obtain and protect copyright in its works, a business should:

- obtain written copyright assignments and moral rights waivers from all employees and independent contractors regarding all copyright-protected works;
- register its copyrights in Canada and appropriate foreign jurisdictions, and ensure that copyright notices are used;
- ensure that its agreements do not inadvertently transfer or encumber its copyrights;
- regularly review its competitors’ business activities to determine whether any competitors have infringed the business’ copyrights; and
- ensure that its employees do not inadvertently infringe third party copyrights, particularly regarding software and information available over the Internet.

Confidential Information and Trade Secrets

In general terms, confidential information is commercially valuable information that is not publicly disclosed and is treated as confidential by its possessor and those to whom it is disclosed. Examples of confidential information include customer lists, private financial information, secret processes and formulae, customer information, and other trade secrets. Canadian law protects confidential information through the duty of confidence - an implied obligation to respect the secrecy of information disclosed in confidence and to not use or disclose it for any unauthorized purpose. A duty of confidence may also be established by agreement.

To preserve and protect confidential information, a business should:

- identify all confidential information and determine how it was acquired and to whom it has been disclosed;
ensure that all documents containing confidential information are marked appropriately;

ensure that confidential information is disclosed only on a need-to-know basis, and only pursuant to appropriate written confidentiality agreements;

ensure that standard business agreements with employees, contractors and business partners contain appropriate confidentiality provisions;

establish internal policies regarding the use and disclosure of confidential information; and

ensure that all confidential information provided to public bodies is disclosed in such a manner that further public disclosure may be resisted successfully under the freedom of information, privacy or other access to information laws.

Domain Names

Domain names allow Internet users to locate Web sites on the Internet. Although each Web page has a numeric Internet address, each is also given a unique domain name for the convenience of users. Domain names are easier to remember than numeric addresses. Domain names may incorporate key trade-marks and may themselves be valuable corporate assets bearing considerable goodwill.

To obtain and protect domain names, a business should:

register domain names incorporating the business’ important trade-marks and business names in the generic top level domains (such as .com and .biz) and the country specific top level domains that are applicable to its business;

record and monitor the scope and size of its domain name portfolio;

ensure that employees, franchisees, licensees, and other third parties directly or indirectly related to the company have not registered domain
names without approval, or where they have done so, obtain a transfer of those domain names;

- rationalize the domain name portfolio as appropriate from time to time, including:
  - making an ongoing determination as to which domain names are worth the cost of renewal and which domain names should actually resolve to the business’ web site(s) instead of remaining inactive; and
  - comparing the list of domain names against the business’ trade-mark portfolio, to determine whether some domain name registrations are no longer required (if, for example, the trade-mark used in the domain name has been abandoned) or whether additional domain names should be registered (if, for example, the business owns a particular trade-mark, but the corresponding domain name has not been registered);

- update domain name registration information, including registrant information such as the owner’s name and address, and the Administrative and Technical Contact information (the Administrative Contact information is particularly important as it is the Administrative Contact’s e-mail address which Registrars use for the purposes of corresponding with the domain name registrant);

- diarize all renewal dates, to ensure that all domain names are renewed in advance of the expiry date of the registration to avoid potential interruption to an active web site and loss of the domain name if it is registered by another party after the owner’s registration has lapsed; and

- implement practices to facilitate the above, such as ensuring that all domain name management is centralized in the same manner as trade-marks - either within the organization or with the assistance of an outside firm.
Licences and Other Agreements

Many businesses enter into licensing arrangements with third parties to share their intellectual property assets. An IP audit should include a review of all existing licence agreements to determine whether they provide required rights and remedies, and that they do not impose undesirable burdens and obligations.

Many other kinds of agreements (such as contractor, co-ownership, distributor, employee, franchise, joint venture, research and development, distribution, service or reseller, and security agreements) also have implications for intellectual property rights. An IP audit may include a review of those agreements to determine their effect on intellectual property rights.

1 Note that Canada, the United States and certain other countries afford inventors a one year grace period with respect to their own disclosures, though there are risks associated with relying on that grace period. See "Is disclosure of the invention before filing the patent application permitted?" below.