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CANADA'S INTELLECTUAL PROPERTY AND TECHNOLOGY LAW FIRM

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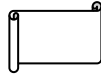
## **An Innovator's Guide to Intellectual Property**

**Harnessing patents, trademarks and other intellectual property to capture the full value of the Intellectual Capital of your business**



## Introduction

*In 2015, 87% of the market value of the S & P 500 companies was based on intangible assets, on average. (statistic from the Annual Study of Intangible Asset Market Value from Ocean Tomo, March 5, 2015)*



Consider two hypothetical companies, one located in Massachusetts and the other in China. They both make carbon fiber bicycle wheels. Superficially, their products are similar – they both consist of a smoothly running hub, spokes, and a lightweight and strong carbon fiber rim. The Massachusetts company employs several engineers whom it pays \$100,000 per year and its production workers are paid \$40,000 per year, including benefits. The Chinese company has only a single engineer (responsible for designing a wide range of products), whom it pays \$15,000 per year, and its production workers are paid about \$4,000 per year (no benefits). The Massachusetts company sells its wheels for \$3,000 per pair, while the Chinese company sells its products for about \$800 per pair. The Massachusetts company has captured a significant share of the market for high-end wheels and is highly successful. The Chinese company competes against a large number of other companies selling similar products at similar prices; they are making only a small profit. How can this be, given the similarities of the wheels made by the two companies?

It turns out that the products of the two companies are subtly different. The wheels made by the Chinese company are essentially the same as those made by many other manufacturers. However, the Massachusetts company makes wheels that are lighter and more have a more aerodynamic rim shape. The hubs also have a unique attachment for the spokes, and the company has developed a process that yields stronger and lighter rims. Cyclists are willing to pay a large premium for these benefits. These aspects are fully protected with patents and other forms of intellectual property, permitting the Massachusetts company to maintain a significant price differential. As well, the exclusivity and cachet of its product is maintained by worldwide trademark registrations and an aggressive enforcement policy.

In the example above, the Massachusetts company has managed to thrive in a high cost, high wage environment. It has done this by developing an innovative, high quality product, and taking advantage of intellectual property laws on a global scale.

Intellectual property (“IP”) represents the intangible products of the human mind. IP is an area of the law which protects a wide range of commercially valuable ideas, such as inventions, designs, trademarks, and others. IP serves several functions. It encourages innovation by offering protection for new inventions. It permits authors, musicians and other creators to be rewarded for their contributions. It protects traders and the public by preventing the unauthorized use of trademarks and other forms of branding. It permits business to thrive by protecting trade secrets and other confidential information.



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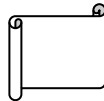
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IP is the primary vehicle for the “intellectual capital” of a business, namely the ideas, inventions, information and other non-tangible components that represent much of the value of modern businesses.

As the name implies, IP is a form of property; it can be acquired, bought, sold, licensed and otherwise dealt with in ways similar to tangible property. IP can be used by more than one person at the same time, permitting creators to leverage their ideas. While IP can usually be depicted on paper, the property itself is intangible.

IP can be legally protected if it fits within a recognized legal category. Some forms of IP such as patents and designs can be protected by registration in the patent offices maintained by virtually all national governments. In other cases, such as trademarks and copyright, a measure of protection is available without registration, although full protection requires registration.

The purpose of this booklet is to provide basic information relating to three of the common forms of IP protection: patents, trademarks and designs. We also discuss the benefits of these forms of protection, and how IP can be used as part of an overall business strategy.



**IMPORTANT NOTE:** *The information contained herein is NOT intended to constitute legal advice, nor is it intended to be relied on for any purpose. It is intended solely to provide general background information.*



## **PART 1: PATENTS**

### **1. What is a patent?**

A patent is a time-limited grant of a right to prevent others from making, selling, using or otherwise dealing with an invention. A patent normally lasts for 20 years (and sometimes longer), although different forms of patents can have different terms.

A patent is purely national in scope and has legal effect only in the country that has granted the patent. A separate patent is required for each country where an invention is to be protected. In some cases such as Europe, there exist hybrid systems of regional and national patents, in which a regional patent is obtained initially and is later converted into multiple national patents. A European patent can ultimately be converted into nearly 40 individual national patents.

Patents stem from an ancient legal tradition designed to encourage innovation and the open exchange of information, by providing a time-limited exclusive right in exchange for a full disclosure of the innovation. After the patent expires, the invention can then be used by others without restriction.

As with other forms of IP, a patent can be bought, sold, or licensed to others. A patent can be owned and used by one or more person. Patent rights can be divided and parceled in a wide variety of ways, which can greatly increase the value of an invention.

A patent is not the only way to protect an innovation, but it usually represents the most comprehensive and valuable tool for ensuring market exclusivity of a new product.



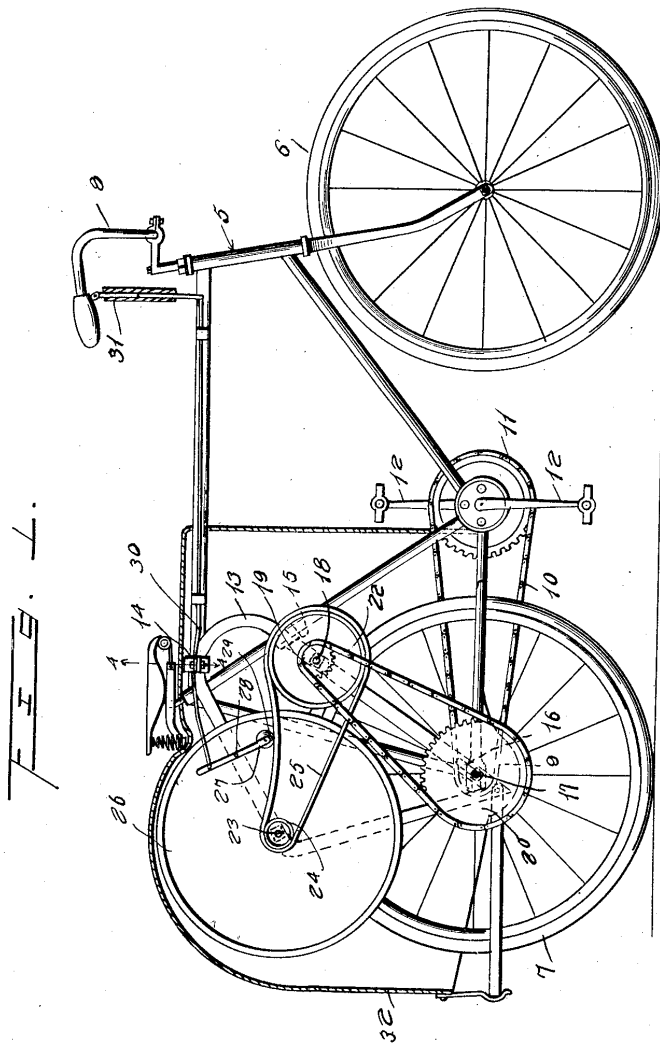
L. M. WALLACE.  
BICYCLE.

APPLICATION FILED OCT. 25, 1918.

1,329,940.

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2 SHEETS—SHEET 1.



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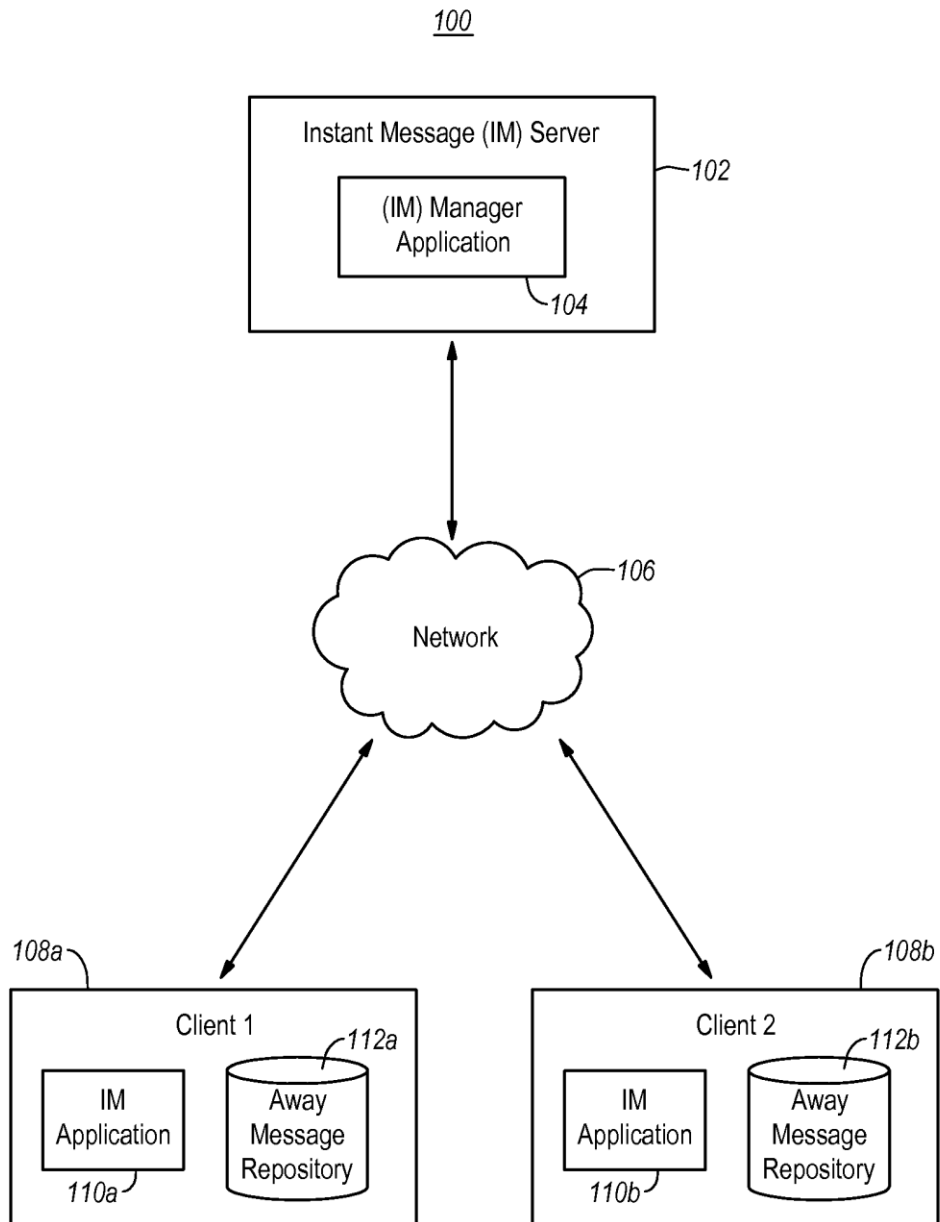


FIG. 1



## 2. Why patent an invention?

Some of the benefits and uses of a patent are:

### a) Permitting businesses to grow

The growth of an innovative business can be stymied by copiers and “me too” businesses. Strategic intellectual property protection provides an important defense against such limits to growth by maximizing the exclusive market space for an innovator.

### b) Dissuade competitors from copying your innovation

A patent effectively “fences off” a segment of the market for the exclusive use of the patent owner or licensee. The broader the patent, the larger the area of exclusive use. The mere existence of a patent is a strong disincentive to competitors wishing to sell a product within the fenced-off area. This can provide the patent owner with a powerful competitive advantage.

### c) Enforcement against infringers

A person who holds rights under a patent can take legal action to prevent others from making, selling or using the invention, as well as importing or exporting the patented invention. An infringer can be required to compensate the patent holder. Judicious enforcement strategies will maintain market exclusivity for a product and enhance the value of an innovation.

### d) Licensing

A patent can be licensed to others, whereby a licensor – usually the patent owner – enters into a contract with a licensee. The licensee is permitted to use the patent in defined respects, in exchange for a benefit to the licensor. Usually, the licensee is permitted to make and sell products that are within the scope of the patent, in exchange for a royalty based on the revenues generated by sales of the licensed products. Within this basic form, there is considerable room for variation. A license can be limited in scope to certain product types or geographic regions. The royalties can take different forms, including a fixed annual amount, or an amount which depends at least in part on the numbers of products sold. Licenses can vary in term but often last for the life of the licensed patent.

It can sometimes make commercial sense to license an invention to another business, even a competitor, who may be positioned to realize more commercial value from the invention, whether by virtue of a different distributor network or technical capabilities.

Licenses can cover any form of intellectual property such as patents and trademarks, as well as other forms of information and assistance, such as know-how and marketing concepts.

### e) Cross-licensing and patent pools

A “cross-license” is a specific type of license which is used when multiple patents overlap and interlock such that without a license, no single party can place a product on the market. In some cases, there can exist a virtual thicket of patents which effectively prevents anyone from marketing a product. Ownership of patents can also allow a business to participate in a “patent pool” in which



multiple patent owners give each other rights over their respective inventions, thereby providing a pathway through a patent thicket and excluding others who do not participate in the pool.

## **e) Adding value to a business; patents as an investment vehicle**

Patents and other forms of intellectual property add significant value to a business. Patents embody the “intellectual capital” of a business, which can have much greater value than physical assets such as a plant and equipment. As such, patents are often a key component in any valuation of a business. This is particularly important when seeking investment: a comprehensive patent portfolio can add greatly to the value of an enterprise.

## **g) Selling off a product line**

The sale of an individual product line can be a key business decision, whether to raise capital or to effect a change of business strategy, or simply because a buyer is willing to pay a high price. A product line that is fully protected with patents and other intellectual property is easier to sell and is worth more than one which is poorly protected.

## **h) Marketing Tool**

The existence of a patent on a product can be an effective marketing tool, if properly used. The patent provides persuasive evidence that the patent holder is the only entity entitled to sell the product. A patent lends an aura of exclusivity to a product, thereby augmenting and underscoring the difference between one's product and those of others.

## **i) Spin-offs**

Innovative businesses often generate spin-off ventures based on non-core products that are developed from time to time. These can range from a single stand-alone product to an entire technology. Spin-offs are popular for many reasons, including the ability to establish a different business culture that matches a unique product type. A patent can provide the vehicle for transferring “intellectual capital” to the spin-off venture.

## **j) Employee incentives**

Innovative and creative employees are rare and highly valuable – and mobile. An effective patent policy can provide an excellent incentive to attract and retain such employees. Being named as an inventor on a patent is a point of pride for any inventor; patents provide a highly gratifying form of professional and personal recognition. When compared with the financial costs of retaining top innovators, a patent program can provide a cost-effective means to recognize the contributions of innovative employees.





### 3. What types of innovations can be patented?

A broad range of innovations can potentially be protected with a patent, including:

- mechanical devices and products
- manufacturing and chemical processes
- compositions of matter, such as a new blend of carbon fiber or a unique metal alloy
- chemical or biological products
- business methods (subject to certain limitations)
- computer-implemented products and processes (subject to certain limitations)
- improvements to existing products, processes, etc.
- new combinations of old elements or components

In general, one should consider patenting an invention that: a) appears to fit within one of the classes of patentable subject matter; b) meets the other criteria of patentability, which are discussed later; c) cannot be easily or effectively protected by another means, such as a trade secret or copyright protection; and d) has sufficient commercial importance (bearing in mind the benefits of patenting) to justify the expense.

In some cases, an inventor will patent an invention based purely on speculation that another person may license or purchase the invention, once it has been patented. Occasionally, such inventors achieve success.



## 4. What requirements must an invention meet to be patented?

An invention must meet four essential criteria to be patented:

i) It must constitute patentable subject matter. As discussed above, one can patent a wide range of subject matter, but this is not unlimited. For example, in some jurisdictions it is not possible to patent a method of medical treatment. It is usually not possible to patent an abstract idea such as mathematical formula or other "mental steps". Recently, the patentability of many so-called "business methods" has been called into question.

ii) The invention must be new. That is, it must not have been previously disclosed to the public, whether by the inventor or any other person. Different jurisdictions apply different rules as to the timing and specific nature of such prior disclosures. In some cases, a "grace period" applies to public disclosures made by the inventor before filing a patent application. However, most of the world does not offer any grace period and an inventor will lose the right to patent an invention if it has been disclosed to the public prior to filing a patent application.

A "public disclosure" of an invention can arise by any disclosure that even hypothetically permits another person to determine the invention, if that person was not bound by any obligation of confidentiality. For example, a public disclosure can arise by the existence of a publication in print or on-line, or through the sale or marketing of a product or even (in some cases) testing a product in a public space. In some cases, an invention can be disclosed by showing it in a trade show or other public exhibition, showing it to potential customers, or publishing or posting marketing literature which discloses even part of the invention. Any of these disclosures, if made prior to filing a patent application, can result in the invention not being patentable in some jurisdictions.

iii) The invention cannot be "obvious" in light of the prior art. An invention must meet a minimum standard of inventiveness, which varies somewhat between countries. An invention is generally considered to be obvious if a hypothetical un inventive person of ordinary skill in the relevant art, when made aware of prior art which is similar (but not identical) or related to the invention, would consider that the invention represents an obvious combination, modification or improvement of the prior art. This seemingly simple concept gives rise to complex legal tests. Since few inventions are ground-breaking, it is often difficult to determine in advance whether any given invention is non-obvious.

iv) The invention must be "useful". That is, it must relate to a product or process that has a practical utility. As well, it must actually perform this use; if the invention does not work, it cannot be patented. Most mechanical inventions meet this test, provided they can be made to work. However, some types of inventions have difficulty meeting this test. For example, an invention that is simply an aesthetic creation that does not perform any useful function cannot be patented. Although an inventor is usually not required to make a working example of the invention in order to obtain a patent, in some cases an invention that is entirely untested and unproven might not be patentable. Likewise, an invention that is entirely ineffective for its stated purpose might be denied a patent.



## 5. What steps are required to obtain a patent (and what are the costs)?

The steps involved in obtaining a patent are typically the following:

a) Conduct an initial patent search. This is not legally required, but usually constitutes an important first step.

b) Prepare a detailed patent application, consisting of general background information, a detailed description of the invention, and patent "claims." The claims define the scope of the patent monopoly, which in nearly all cases is broader than the specific example made by the inventor. The costs of this initial step are dominated by professional fees, which can vary widely.

c) File the patent application in a national patent office selected by the inventor. This may be the United States Patent and Trademark Office (USPTO), or the patent office in another country. A U.S. application may be a "provisional" application or "non-provisional". The nationality of the applicant and/or inventors can influence this decision.

At this stage, it is only necessary to file a single patent application. The Paris Convention, which is an international treaty to which most countries adhere, provides a right of priority for one year from the first filing date. This gives an inventor precedence over any subsequent patent applications or disclosures of the invention made by others. It also allows an inventor to publicly disclose an invention immediately after the initial filing date, if they choose to do so, without jeopardizing future patent rights. This effectively permits the inventor to retain the benefit of the initial filing date for one year in essentially all countries worldwide, provided that foreign patent applications are filed within the one year period.

The costs of this step are usually combined with steps a and b. The additional cost of filing the application, after the patent application has been prepared, usually consist of a government filing fee, which is normally relatively small for a provisional patent application, and professional fees for administrative steps.

d) Within one year of the initial patent filing, the inventors should file patent applications in other countries of interest. It is especially important to adhere to the one-year deadline if the invention has been publicly disclosed subsequent to the initial patent filing. At this stage, additional subject matter can be added to reflect improvements, changes, etc.

A cost-effective procedure for initiating patent applications in multiple countries is to file an "International" patent application at this stage under the terms of the Patent Cooperation Treaty ("PCT"). Most, but not all, countries are members of the PCT, including nearly all of the major industrial countries. The cost of the step involves a government fee of about \$4,000, plus professional fees.

e) If a PCT international application has been filed in step (d) above, it must be converted into a bundle of national or regional patent applications in the countries where it is desired to obtain patents. The deadline for this step is either 30 or 31 months from step c, depending on the country. The costs vary widely, depending on the countries selected, and include government and professional fees. This step is often relatively costly.



f) After an average delay of 12 to 40 months from the patent filings in each country, the application is "prosecuted" within each patent office where it has been filed. A patent examiner from the patent office is assigned to the application. Typically, the examiner commences with a detailed patent search to uncover prior art similar to the invention, and will then require the inventor to defend the invention. Typically, the patent application undergoes one or more amendments during this process. At this stage, a sizeable percentage of patent applications are rejected and do not proceed to a patent. Since each patent office conducts its own prosecution more or less independently of other offices, an invention can sometimes become patented in some countries but not in others.

These steps are dominated by professional fees and can be relatively costly.

g) If the application is allowed in a country, an issue fee is paid and the patent issues. This typically occurs between 2 and 5 years after the initial application, although if necessary the time can be reduced. This step is dominated by government fees and varies with the countries selected.

h) The issued patent (and in many countries, also the pending patent application) is subject to periodic "maintenance" fees. Typically, this is an annual fee charged by the government to maintain the application or patent in force.

i) The patent remains in force for 20 years, commencing on the initial patent application date. In some cases, the patent term can be extended if there have been delays in prosecution and/or the invention relates to a pharmaceutical.



## 6. When should you patent an invention?

A patent application should be filed before any public disclosure is made of the invention, anywhere in the world. Although a patent application may be filed in the United States, Canada and several other countries up to one year after the invention has been publicly disclosed, it can be risky to rely on a "grace period" of this type.

In addition, since patents in most countries are granted to the first person to apply for the patent, it is important to file the patent application at the earliest date after the invention is made. It is usually not necessary to wait until the invention reaches a market-ready stage to file a patent application. The precise stage at which an invention should be patented is a complex question that should be discussed with an experienced patent professional.



## 7. Inventorship and ownership of patents

An “inventor” is generally considered to be an individual who has made an inventive contribution to any single aspect of the invention that is claimed in the patent. This can include the conception or reduction to practice of the invention. An invention can have multiple inventors, including persons from different organizations or companies who have worked together to develop a new product, even if such entities were specifically engaged and paid to carry out research and development. An inventor may have contributed only a relatively small amount to the overall invention. It can be difficult to determine whether a particular person is an inventor, especially if the contribution was modest. Sometimes this determination cannot be made until the patent application is prepared, and it becomes clear what aspects of the invention are being claimed as new.

All inventors must be identified in the patent application. A failure to do this can invalidate the patent. However, the inventors do not necessarily have any ownership rights to the patent. If the inventors have assigned their rights to another person, called the “assignee”, that person owns the invention and the resulting patents. If an invention is made by an employee of a business, the employer may in some cases automatically own the invention, depending on the nature of the employment, the laws where the employer has its business, and any contract between the employer and employee. In many jurisdictions, an employer automatically owns an invention if the inventor was an employee whose job was the creation of inventions, and the invention was made in the course of the employment. In some cases, this ownership of employee inventions is clearly defined, while in other cases, less so. The situation may also differ if the inventor was an independent contractor rather than an employee.

If an inventor has agreed by contract to assign inventions to the employer, this contract would normally be determinative of ownership. The precise wording of the contract and the nature or circumstances of the invention are important.

Unless the ownership rights are transferred to another person by reason of an assignment, employment or other specific reason, the inventor will remain the owner of the invention. If there are multiple inventors, there can exist multiple owners. Since this situation can present a difficult problem for a business, it is important to identify the inventors and resolve ownership issues, preferably as early as possible in the development process.

A patent or pending application can be assigned to multiple owners, for example if the invention is the product of a joint venture. An assignment must be in writing, and should be recorded in the patent office for each country where the patent is in force.



## **8. Be aware of the risk of infringing patents owned by others**

A patent owned by another person can be enforced against you when you make or sell a product. For this reason, when developing a new product or before launching the product in the marketplace, it is good strategy to ensure that you do not potentially infringe another person's patent. At an early stage in the development of a new product, one can determine the "patent landscape" in the field. This is particularly relevant in fields where there is active innovation and patents are held by one's competitors. Since patents are national, you should check for the existence of relevant patents in every country where you intend to sell your product. Only an in-force patent can be infringed. Once the patent has expired (which may occur due to non-payment of maintenance fees) the patent can no longer be infringed. On the other hand, if the patent has simply been abandoned (which can occur in many ways prior to the patent being issued) when infringement occurs, the infringing party may be protected only in certain circumstances.

Even if your product appears to infringe another person's patent, this does not necessarily prevent you from making your product. In many cases, patent owners are willing to license their patents, in exchange for a royalty or a cross-license of one of your patents.

Even if you hold a patent yourself, your product may still infringe another person's patent. A patent does not provide a legal right to produce a product, but only the right to prevent others from infringing the patent. For example, one may patent an improvement on an existing patented product, but this does not permit one to make the improved product until the original patent expires, or one is operating under a license from the patent holder.

The legal issues involved in assessing the risk of patent infringement are highly complex and should be discussed with a professional advisor.



## 9. Reasons NOT to patent an invention

It is not always the best business strategy to patent an invention. Some reasons NOT to patent an invention, or to seek alternative protection, include the following:

- The invention may not be patentable, in that it does not meet all of the criteria for patenting
- The cost of patenting may be too high in relation to the value of the invention
- The commercial life of the invention may be too short in comparison with the lengthy time required to obtain a patent
- The invention may be better protected as a trade secret or other type of protection (although in some cases a patent can be combined with other forms of protection)
- In some cases, your competitive advantage may be primarily achieved by other means, such as high quality workmanship or contractual arrangements with customers, and a patent may not contribute sufficiently to your competitive position to justify the expense.

It is important to carefully develop a patent strategy for each new product before the product is launched. Typically, an invention that relates to "core technology" will be broadly patented in many countries, while patents of potentially lesser value may be patented only in a few key countries.

Even if you believe that one or more of the above factors exists, you should always give serious consideration to filing a patent application before disclosing an invention and thereby forever losing the right to obtain a patent for the invention.





## 10. Labeling patented products

Once a patent application has been filed for a product, the product may be labeled as being "patent pending" or "patent applied for." It is not required to label products in this fashion, nor is any special wording required at this stage. Once a patent has been granted, the product should be labeled, such as by direct marking on the product, a label attached to the product or other means. The label should provide the patent number, and may state "patent no. XXX" or similar wording. Proper labeling of patented processes and methods may also be required, and should be discussed with a professional. While in most countries it is not mandatory to label the product, a failure to do so can result in a reduction in the damages that might be otherwise available in the event of an infringement.

In some countries, notably the United States, it is an offence to falsely label a product as being patented, when the patent has expired or the product is otherwise not covered by a patent. A fine can be levied for this offence. For this reason, it is important to change the labeling when a patent has expired, to avoid contravening these rules.



## 11. Alternatives to patenting an invention

Depending on the nature of the innovation, there may exist other forms of protection that can bolster a patent or provide alternative protection for the product. These alternatives include:

- Trademark protection: this protects brand names, words, designs, configuration of objects or packaging, (or combinations of these) intended to distinguish your product or service from those of others.
- Design protection: a registered design ("design patent" or "industrial design") protects features of shape or ornamentation of an object intended to appeal to the eye, as distinct from being purely utilitarian or functional. This form of protection is particularly important for a product whose innovative value at least partially resides in its aesthetic appeal rather than its function.
- Trade secrets: this protects aspects of a business that can be protected by maintaining secrecy, such as industrial processes and product formulations that cannot be "reverse engineered." The law will protect such secrets, so long as they are not publicly disclosed.
- Copyright: this protects many forms of expression, including literary works, music, software, and pictures or designs. It can last for 50-75 years past the life of the author.



## 12. Practical Steps

If you think that obtaining a patent may be right for your business, you should contact a registered patent agent or patent attorney. Law firms that specialize in patents and other intellectual property are located in most major cities. Of course, we at Ridout & Maybee LLP would be delighted to assist you in evaluating your invention and advising you as to the best course of action to protect your intellectual property.

There are several steps that a layperson can take to facilitate the patenting process:

- During the R&D process, carefully maintain all records and documents relating to the project. This includes informal notes, sketches, emails, and other information. This could be valuable at a later stage, especially if the patent is ever challenged.
- Conduct an initial search for similar inventions. A simple keyword search on Google and other search engines can readily reveal similar products. Several patent offices have user-friendly online searching functions. The websites maintained by the USPTO, European Patent Office (in particular its "esp@cenet" site), Google Patents and the World Intellectual Property Organization (WIPO) are good places to commence such a search. A cautionary note is that any such search should be conducted only to obtain an overview of the prior art, and should not be considered a substitute for a thorough search conducted by a skilled professional patent searcher.
- Maintain a file of all "prior art" that is relevant to the invention. While there is no legal requirement in any jurisdiction to conduct any literature or patent searches, some jurisdictions (notably the United States) require complete disclosure of any relevant prior art known to the inventors and the patent applicant.
- Prepare a detailed description of your invention. This should include a variety of drawings, if appropriate to the invention. The description need not be in any special form, but should be as detailed as reasonably possible. The more detail that can be provided to the patent professional, the better the resulting patent.
- Consider alternative embodiments and variations on your invention, in order to potentially broaden the scope of your invention.

A cautionary note is to be wary of commercial entities other than established IP law firms that purport to assist inventors in obtaining a patent and commercializing the invention. In some cases, such entities have been the subject of government investigations for fraud, and have been required to pay substantial penalties. It is highly recommended to seek professional assistance only from registered patent agents and patent attorneys. Most patent offices, including the USPTO, maintain lists of registered agents and attorneys.



## **PART II: TRADEMARKS**

### **1. What is a trademark?**

Trademarks are intended to indicate a source of goods or services and to distinguish one's own goods and services from those of other businesses. A trademark - or mark - can constitute essentially anything that serves these purposes. The usual form of trademark consists of one or more words or designs, or combinations of these two, but a trademark can also consist of the physical shaping of an article, its color, or other aspects. A trademark can consist of a brand name, a logo, a phrase or expression, words written in a stylized form or any combination of letters, numbers and colors. A trademark can also consist of non-traditional signs such as sounds, scent, taste, texture, but these marks require additional information to be provided during the examination procedure compared to other forms of trademark. Essentially, the universe of trademarks is as expansive as the human imagination.

A trademark can be associated with one or more business entities or it can be associated with only a single product or a line of products. A well-organized business usually has an array of trademarks, which are vigorously protected. Trademarks serve a crucial, central function in any branding strategy, since they constitute the public face of a business and its products or services.

A trademark serves a different function than a trade name, which is the name given to the business itself rather than to its products or services. These are often the same, but not always. Protecting one's trade name, for example by registering a business name, provides little if any protection of one trademark.

Unlike other forms of intellectual property, a trademark is created and sustained by the manner in which it is used, rather than anything which is intrinsic to the trademark itself. A trademark exists because it is adopted and used so as to distinguish the owner's goods or services from those of others. If it is not used in this fashion, but is simply used to describe the type of product or service, or if use of the mark is halted entirely, rights in the mark may be lost. Thus, the ways in which a mark is depicted and used must be carefully controlled and monitored.



## 2. Trademarks and business strategies

A well-run business requires a well-designed trademark strategy, which should include at least the following elements:

- Selecting strong trademarks: these can include one or more marks that define an overall company identity as well as branding of specific products and product lines. The trademark strategy can include the adoption of special designs, colors, words and phrases, for the purpose of distinguishing your business from those of others.
- Avoiding infringement of the rights of others: careful searching before adopting a mark is essential to avoid the legal entanglements that can ensue when one's trademark is too close to another's.
- Protecting trademarks with the appropriate registrations, and keeping these up to date. Regular consultation with a professional advisor is critical to ensure that legal protection for your trademark portfolio is maintained.
- Ensuring consistent and proper usage of all trademarks. This includes educating one's employees in the proper use of trademarks, and closely monitoring one's trademark usage.
- Policing the marketplace for infringement or improper usage of your trademarks by others. This task has been made considerably easier by the Internet, which allows you to quickly and inexpensively check for third party uses of your trademark, on a worldwide basis. It is also important to instruct your representatives, sales force and employees to be on the lookout for infringement. Your professional advisor can also monitor newly-filed trademark applications in order that these applications can be opposed while they are still in the application stage.



### 3. Selection of a trademark

The selection of a trademark is a crucial business decision that usually occurs early in the life of a business and or new product. Selection of a mark involves business, marketing and legal considerations. A strong trademark, from a legal perspective, is one which is defensible against attacks from others and provides a broad ambit of protection that prevents others from using similar marks for the same or related products or services. The primary legal requirements of a mark are as follows:

a) A mark should not be clearly descriptive of the associated goods or services, nor deceptively misdescriptive. One should resist the temptation to select a mark that essentially describes the product, since one cannot prevent other persons from describing their own goods in similar terms. An improperly descriptive mark is one that describes the product itself or an essential feature or aspect of the product, or is a strictly laudatory term ("The Best" or "Superb"). A trademark cannot normally be the name of the product or the place where the product is made or could have been made ("Seville Boots," "California Wine"). In some cases, an otherwise descriptive mark can be protected if it has been used to such an extent so as to acquire "secondary meaning" in that the public perceives the mark to be associated with a particular company rather than being simply descriptive. However, secondary meaning is achieved only after considerable use and effort; when initially selecting a mark, it is best to avoid a mark that can only be protected after it has acquired secondary meaning.

b) Avoid the use of personal family names. While many well-known marks consist of personal names (Ralph Lauren; McDonalds; Ford), it can be difficult to protect such marks since they conflict with the legal principle that no business should be able to prevent others from using their personal names. In general, one can only protect a personal name if it has acquired secondary meaning, such that in the mind of the public it is associated with a particular business rather than being merely a name. For example, if "Ford" is mentioned in association with vehicles, the average consumer will doubtless associate this with Ford brand cars, and not simply a family name. While it is possible to use a personal name for a business, one does so with the risk that it may not be possible to protect it as a trademark. For these reasons, when initially selecting the mark, it is usually best to avoid the use of a personal name.

c) Avoid marks that are confusing with other marks or business names. A basic requirement of a trademark is that it should distinguish one's wares or services from those of others. For this reason, a mark must not be confusing with a mark or business name previously used by another business. The legal tests for determining confusion are complex. Confusion can arise if similar marks are used for similar wares or services, or are likely to be used in the same channels of trade (such as products that might be sold in a supermarket). Well-known or famous marks are usually given a broader ambit of protection, such that one can be prohibited from using the same or similar mark even if the respective products are quite different.

The best way to avoid the risk of adopting a confusing mark is to conduct a thorough search before adopting the trademark. The search should cover all countries where you reasonably expect to use the mark.

d) Many countries impose specific requirements for trademarks. For example, in Canada one must avoid the use of a class of marks known as "prohibited marks." These include various official indicia, as well as marks used by public bodies such as governments, universities and sports authorities. In the United States and other countries, the various Olympic authorities have



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the right to prevent others from using a range of trademarks. Some countries prohibit the registration of obscene or scandalous marks. It is important to consult with legal counsel to ensure that one's selected mark does not encounter any special prohibitions of this nature.



## 4. Protecting a trademark

The rights to a trademark arise primarily from one's use of the mark in association with particular products or services. The rights are tied to these products or services, and do not exist in isolation from them. Over time, as a mark becomes well known, the ambit of protection can increase such that one can prevent unauthorized use of the mark in association with a broader class of products or services.

There are two ways to protect a trademark. The first, which is more difficult, is purely through use of the mark. A mark can be enforced against others based solely on one's prior use of the mark. However, in order to enforce such a mark, one must prove one's prior use of the mark, which can be a difficult and costly task. Moreover, rights based on use can be limited geographically to the locations in which the mark is used.

The easier way to protect a trademark is through registration. Registration is not legally required, but it has several significant benefits. The primary benefit is that a registered mark may be enforced against any other person who is using a confusing mark, anywhere in the country. It is not necessary to prove that one's own mark has been used in a widespread fashion.

A registration can cover essentially a multiplicity of goods and services. Registration of a mark requires filing a detailed application and payment of a government fee. This fee varies widely depending on the country involved and – in most cases – the number of goods and services listed in the registration. In Canada and the U.S., each classification of goods and services under the registration will require an additional fee to be paid. The application process has several stages and typically requires 1 to 2 years to complete. The application can potentially encounter difficulties if the examiner objects to the mark on the basis of descriptiveness or confusion with another mark. As well, at a late stage of the application process, the application is subject to opposition by any interested member of the public.

Due to the relatively lengthy time required for the application process, it is good practice to take great care when selecting a mark, so as to avoid investing in a mark that is unregistrable or having to change one's mark after a product has been launched.

The application can be filed before use of the mark has commenced, and it can also be registered before the use of the mark has commenced upon payment of the registration fee. A trademark application may also be filed at any time after use of the mark has commenced. Even if a mark has been used for a considerable time, one can – and should – still register it.

The mark should be registered in each country where one plans to actively pursue business. Various options exist to simplify and reduce the cost of multinational protection. For example, European-wide protection can be achieved through a "Community Registration." As well, nationals of many countries including Canada and the United States, can take advantage of the "Madrid Treaty," which streamlines the process of obtaining registrations in a large number of countries. Under this Treaty, an applicant can obtain trademark protection in over 100 countries through filing a single trademark application.

In some cases, a trademark should be registered in certain other key countries such as China, to reduce the risk of "trademark squatting" by unauthorized persons. Registration in China can be obtained easily under the Madrid Treaty as they are one of the parties in the agreement.





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A trademark registration can exist indefinitely, provided the periodic renewal fees are paid and no third party succeeds in cancelling the registration. This renewal period is 10 years in Canada. Some trademark registrations are exceedingly old, and represent the oldest forms of active intellectual property rights. As such, a trademark registration is in a real sense an investment in the long term future of one's business.



## 5. Ownership and licensing

Although a trademark must be commercially used in order to remain viable, the owner need not itself actively carry on the business. Instead, the trademark may be legitimately used by an authorized licensee of the owner. A license should be in writing and include certain minimum terms including quality control provisions. In some jurisdictions, the licensee is required to provide public notice of the license, for example by stating on labels that the trademark is used under license.

Licensing of a trademark permits the mark to be owned by a separate entity from the active business unit. As well, licensing can effectively leverage the value of a brand, by permitting others to make use of a mark in a fashion which complements the core business. This practice is particularly visible in the licensing of high-profile marks to others engaged in seemingly unrelated business, such as a sports car manufacturer licensing its marks to a clothing manufacturer.

Licensing of a mark requires numerous safeguards in order to prevent inadvertent weakening of the mark. It is important to consult with a professional adviser before engaging in any licensing of a mark.

The ownership of a trademark can also be transferred to another person. This is normally done by a written assignment, which should be recorded in the trademarks office of each country where the mark is registered.

A trademark can be owned by multiple owners, or it can be licensed to multiple users. Trademarks can serve as the basis for a franchising program in which franchisees are permitted to use a mark, subject to a variety of requirements. Trademark ownership is a key consideration when one's business consists of multiple related companies. In all cases where ownership is a potential consideration, legal counsel should be consulted at an early stage.



## 6. Care, maintenance and proper use of trademarks

Trademark rights can be diminished or lost in a variety of ways unless proper care is taken. A common source of lost rights arises from a loss of the “distinctiveness” of a mark. If the mark becomes widely used by others, it may no longer serve to distinguish one’s product or service from those of others. At that point, it may no longer be possible to enforce the mark, and the mark can be freely used by others. As well, trademark rights can be lost by other means. If the mark is registered, the registration can be cancelled when the rights to the mark are lost. Some of the steps one can take to guard against this are:

1. Police the marketplace. It is important to be aware of any unauthorized use of your mark or similar marks. Take action if your mark is being used by others, in particular by competitors using your mark or a similar mark in association with competitive goods or services.
2. Generic use of your mark by the public and other parties presents a difficult problem, since such use can be diffuse and widespread. If the improper usage arises in a journal, website, blog or other public forum, sometimes a friendly letter to the author can suffice to ensure proper usage in the future. In serious cases of widespread misuse, a marketing campaign can be carried out to educate consumers. However, this is a relatively rare and extreme step.
3. Ensure that you are using your mark in the proper fashion, as an indicia of distinctiveness rather than to describe your product. This is particularly important if the product is new and unique; the temptation can be strong to identify a product purely by reference to the mark. However, this will lead to the mark taking on a generic quality, especially as other businesses develop similar products. One should always adopt both a descriptive term for a product as well as a trademark, and use both in their respective contexts.
4. Use the mark in a consistent fashion, and in the same form in which it is registered. One should beware of “usage creep”, in which trademarks evolve over time. For example, a mark consisting of a word in the singular can evolve into the plural. If the mark consists of a logo or design, this should remain consistent. If the mark changes, the new form or version of the mark should be registered.
5. If the mark consists of a word or words, at least the initial letter of each word or words should normally be capitalized, unless the mark consists of words used in a special, stylized form.
6. Identify the mark as a trademark with the <sup>TM</sup> symbol or, if the mark is registered, with the ® symbol.
7. Use the mark on a continuous basis. One cannot maintain exclusive rights to an abandoned mark; the registration can be cancelled if the mark is abandoned. Even a small amount of commercial use, if legitimate, can preserve trademark rights.
8. Register all marks used in association with your product and business. If you commence use of a new mark — be it a new slogan, design or logo — be sure to register the mark in all countries where you actively carry on business.



## 7. Trademark infringement and enforcement

A trademark is infringed when it is used by an unauthorized person in a fashion that is likely to lead to confusion in the mind of the purchaser or consumer. In general, this test requires both a similarity of the respective marks as well as a similarity in the respective products or services. However, trademarks vary in their ambit or scope of protection, depending on their inherent distinctiveness, the extent to which they have become known in the marketplace and the extent to which they differ from the marks and brands used by others. Infringement can arise if the ordinary consumer would believe that the respective products or services originate from or are authorized by the same source.

Infringement can arise in a variety of ways, including the unauthorized use in association with products or services, use in advertising or (to some extent) on the Internet and certain types of comparative advertising. As well, a trademark can sometimes be enforced against others who are disparaging one's product or diluting one's trademark rights.

As with other property rights, trademark rights are not self-enforcing. One must take active steps to prevent others from using the mark, and to preserve one's exclusive rights to the mark. Indeed, a failure to enforce one's trademark can lead to a loss of exclusive rights to the mark, and can make it difficult to stop others from using the mark in the future.

Once an infringement is discovered, the first step is to gather facts to determine the nature and extent of the infringing use. It is particularly important to determine the products or services that are being offered in association with the infringing mark. If the mark has been registered, the registration serves as the legal basis for enforcement against infringers. If the mark is not registered, one must rely on what are sometimes referred to as "common law" rights. This is a more difficult procedure; it is always preferable to obtain a registration before enforcing the mark.

There exist a variety of enforcement tools and techniques, ranging from an informal request to court proceedings. In some cases, one may enlist the police or other government agencies to initiate criminal or other proceedings against "counterfeit" goods. In many cases, an aggrieved trademark owner will retain legal counsel to send the infringer a letter describing the infringed trademark rights and demanding that the unauthorized use cease.



## PART III: DESIGNS

### 1. Legally protectable designs

Industrial design represents an important aspect of many products, especially those marketed to consumers. In many cases, good product design is what distinguishes a product from its competitors and forms an important component of the business strategy for a new product. From store displays, to components of equipment, to boat hulls, to furniture, the design element of a product can be a core aspect of its appeal.

A design registration – sometimes called a “design patent” or “registered industrial design” – is a form of legal protection that protects the elements of configuration, shape, pattern or ornament of a product that are intended to appeal to the eye. A design can include functional aspects, but it cannot be registered if it is purely functional in nature. A design registration constitutes an important legal tool to protect a product’s physical appearance. For many classes of products, this form of protection is of critical importance, especially if the product is not fully protected by a patent or other means. Design registrations form an integral component of an overall IP strategy.

Design protection prevents others from reproducing a product in the same or similar form, but it usually does not prevent others from making a product that is functionally identical to a protected product, if it differs in appearance.

A design registration can protect a wide array of products. Some of these are:

- Screen icons, graphic user interfaces and other computer screen displays
- Product packaging and displays
- Parts and components of articles
- Food items
- Equipment and tools
- Clothing and textile designs
- Furniture
- Manufactured or hand-made articles





US00D501977S

(12) **United States Design Patent** (10) **Patent No.:** **US D501,977 S**  
**Carbone** (45) **Date of Patent:** **\*\* Feb. 22, 2005**

(54) **ICE CREAM CONE**  
 (75) Inventor: **Arnold James Carbone**, Burlington, VT (US)  
 (73) Assignee: **B & J Homemade, Inc.**, South Burlington, VT (US)  
 (\*\*) Term: **14 Years**  
 (21) Appl. No.: **29/188,466**  
 (22) Filed: **Aug. 19, 2003**

**Related U.S. Application Data**

(62) Division of application No. 29/150,635, filed on Nov. 27, 2001, now Pat. No. Des. 482,181.  
 (51) **LOC (7) Cl.** ..... **01-01**  
 (52) **U.S. Cl.** ..... **D1/118**  
 (58) **Field of Search** ..... D1/101-106, 116-130, D1/199; 99/383; 426/94, 95, 100, 101, 104, 138, 139, 144, 289, 290-292, 295, 549, 439, 496

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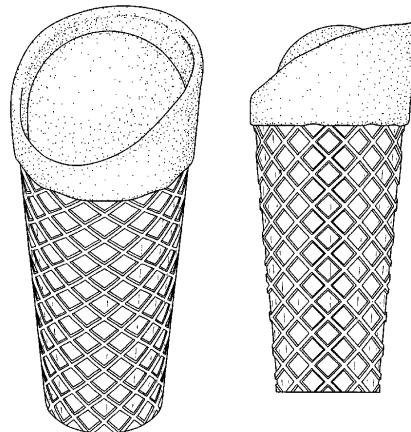
(57) **CLAIM**

The ornamental design for an ice cream cone, as shown and described.

**DESCRIPTION**

FIG. 1 is a perspective view of our new invention;  
 FIG. 2 is a rear elevational view of our invention;  
 FIG. 3 is a front elevational view of our invention;  
 FIG. 4 is a side elevational view of our invention;  
 FIG. 5 is a side elevational view of our invention taken from the opposite side;  
 FIG. 6 is a top plan view of our invention;  
 FIG. 7 is a bottom plan view of our invention;  
 FIG. 8 is a perspective view of a first alternate embodiment of our invention;  
 FIG. 9 is a front view of a first alternate embodiment of our invention;  
 FIG. 10 is a front view of a first alternate embodiment of our invention;  
 FIG. 11 is a first side view of a first alternate embodiment of our invention;  
 FIG. 12 is a second side view of our invention taken from the opposite side, of the first alternate embodiment of our invention;  
 FIG. 13 is a top view of the first alternate embodiment of our invention; and,  
 FIG. 14 is a bottom view of the first alternate embodiment of our invention.

**1 Claim, 4 Drawing Sheets**



## 2. Benefits of a design registration

A design registration provides significant benefits to a manufacturer, especially for consumer products. Some of these benefits are:

- It prevents others from making exact copies or variations of your product.
- Enforcement can be relatively simple if a competitor is making a “knock-off” of your product.
- It can prevent others from producing articles that differ in function —thereby avoiding patent infringement — but which have a similar visual appearance.
- A design registration complements patent and trademark protection in that it protects otherwise unprotected design aspects of a product.
- A design registration can provide “fallback” protection in the event a patent is unavailable, too costly or is refused.
- A design can be registered — often for relatively low cost — in countries where no patent has been filed, thereby forming a web of protection in a large number of countries.
- A design can effectively extend a product’s exclusivity after a patent has expired, if the visual appearance is updated towards the end of the patent term. As well, design protection can extend for as long as 25 years in some jurisdictions (e.g. Europe).



### 3. Protection of a design – registered and unregistered designs

In most jurisdictions, a design can be protected only if it is registered. An unregistered design can be freely copied, subject to possible alternative forms of protection such as copyright or trademark protection (which are of limited scope).

The basic requirements for a design registration are:

1. The design must be novel. That is, it must not have been previously disclosed or published. A disclosure can arise if a product or publication which embodies the design is made available to the public anywhere in the world. As well, the applicant for the design registration must not have disclosed the design to the public more than one year prior to filing the design application. This provides a one-year “grace period” for any disclosure made by the applicant itself before the design application is filed.
2. The design must not be an obvious variant of a prior design.
3. The design must relate to features of an article that appeal to the eye and are not strictly functional in nature. For example, a car muffler may not be registerable as a design if its shape is solely dictated by functional requirements. However, a valid design may be obtained for a shape that has functional elements or serves a functional purpose, if it can be shown that the shape is not dictated solely by function. Typically, this arises if the same function could potentially be served by a different configuration of the article.

When compared with a patent, the complexity, cost and time required to obtain a design registration is substantially less. An application for registration must be filed within each jurisdiction where protection is sought. Generally, the application consists of a series of drawings and a brief description of the design. An application can cover a single design, or a series of variants of a design. The application is filed by the owner of the design, who can be the employer of the design’s creator, or an entity to which the design has been assigned by its creator. It can be worthwhile to consult with legal counsel to ensure that all issues of ownership are resolved.

In some cases, a single application can cover a number of countries. For example, most of Europe can be covered with a single application, thereby reducing costs. Canada is a participant in the Hague System for International Registration of Industrial Designs, which provides a relatively easy and low cost mechanism to register designs in multiple countries through filing one single international application.

The term of the registration of a design differs between jurisdictions. In the United States, a “design patent” has a term of 14 years. A European design registration has a term of 25 years. In Canada, the term is the longer time frame between either (a) 10 years from registration of the design, or (b) 15 years from the filing date of the design.

In some jurisdictions, a novel design can be protected without registration, in a fashion similar to an unregistered trademark or unregistered copyright. Notably, Europe permits an owner of design to take steps against unauthorized copiers, even without a design registration. However, it can be more difficult to enforce an unregistered design, and in general it is recommended to register one’s designs. This is particularly the case given the relatively low cost of registering a design.





## 4. Product marking

Once a design has been registered, the product covered by the design should be marked. A failure to mark can result in a loss of the right to collect damages from infringers. However, as is the case with patents, one must not falsely mark a product as being covered by a design registration. For example, one should not mark a product if the design has not yet been registered, or if the registration has expired. The marking can be directly on the product, or on a tag or label attached to the product. The labeling may take the form of a statement such as "Design patent no. XXX."



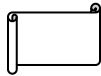
## 5. Enforcement of a design registration

A design registration prevents others from making, importing and selling any of the following:

- An exact copy of your product.
- A variation of your design, provided certain legal tests are met.
- A reproduction of your design in a different color or with other minor modifications.
- A larger or smaller version of your design (design registrations are “scalable”).

Enforcement of a design registration is similar to enforcement of a patent, trademark or other intellectual property right. If it appears that infringement has occurred, the infringer can be sent a warning letter. The owner (or licensee) of the registration can commence a legal action claiming an injunction against future infringement and recovery of damages.

As with patents and trademarks, the tests for infringement of a registered design differ depending on the jurisdiction involved. In general, infringement can arise even if there are differences between the registered design and the infringing design. In general, one can view the design from the perspective of the ordinary observer. The state of the art is usually relevant; if the registered design is similar to prior art designs, relatively small differences with the infringing design may take on increased significance and result in an absence of infringement. While exact copying generally results in infringement of the design registration, it can be difficult to determine whether inexact copying amounts to infringement.



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## About Ridout & Maybee LLP

As a leading protector of intellectual property in Canada since 1893, our firm files an average of 3,000 patent and 1,000 trademark applications per year. We are one of Canada's longest successfully operating IP firms with offices in Toronto, Ottawa, and Burlington.

Our co-founder, John G. Ridout, was author of the first Canadian textbooks on patents, *Ridout on Patents*, published in 1894. J. Edward Maybee was the first President of what is today the Intellectual Property Institute of Canada; six Ridout & Maybee LLP partners have held this title, including most recently current partner, Janet M. Fuhrer, who was also recently the President of the Canadian Bar Association.

Today, our position at the forefront of IP law is evidenced by our editorial role in the *Canadian Patent Reporter*, the country's authoritative journal on IP case law, with Marcus Gallie serving as editor.

We are consistently ranked as a Top Ten Intellectual Property Boutique by *Canadian Lawyer Magazine*. Our practitioners, many of whom hold advanced degrees and have in-depth industry experience in many scientific and technical fields, have been recognized as leaders in our industry and recommended in prestigious sources including *Corporate INTL*, *IAM Patent 1000*, *World Trademark Review 1000*, *Canadian Legal Lexpert® Directory*, and *Chambers Global Guide*, among others.

Our clients further benefit from our affiliations with the world's prominent IP organizations, including the American Intellectual Property Law Association (AIPLA), the International Federation of Industrial Property Attorneys (FICPI), the International Association for the Protection of Industrial Property (AIPPI), the International Trademark Association (INTA), and the Licensing Executives Society (LES). Our barometer of success is the results we achieve for our clients, reflected in their ongoing confidence in us, as well as extensive new business through referrals.

**Contact us today to see how Ridout & Maybee LLP can help you protect your intellectual property:**

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