



# Intellectual Property Strategies for Canadian SMEs

Andrew Currier, October 7, 2015

(This presentation is not formal professional advice. The views herein are those of the author)

- What is Intellectual Property (“IP”)
- How does IP fit in with a Free-market economy
- 1980-2008: Why IP became more Important to Business
- 2008-Present: How the Great Disruption(s) are Changing the Relationship between IP and Business
- Canada’s Unique Challenges
- Surgical IP Strategies

# What is Intellectual Property?



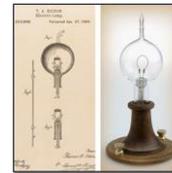
- A set of legal rights created to protect intangible creations of the mind
- Trade Secrets/Confidential Information
- Patents
- Industrial Designs
- Copyright
- Trademarks

- Trade Secrets / Confidential Information
  - Judge made law
  - To enforce you must demonstrate:
    - Confidential Relationship
    - Confidential Information was conveyed to the Recipient under the terms of the Confidential Relationship
    - A violation of the terms of the Confidential Relationship by the Recipient
  - Term can be perpetual
- EXAMPLE: Coke Formula; Google Page Rank Algorithm

# What is Intellectual Property?



- Patents
  - Statutory Law
  - Protects technological innovations
  - A time-limited exception to the prohibition against monopolies
    - “Anti-trust law” has always been the rule; patents a limited exception to that rule.
  - Must be New, Non-obviousness, Useful, and Statutory Subject matter (“the-kind-of-thing-we-let-you-patent”)
  - ~ 20 years from first application date
- EXAMPLE: Light Bulb; “Bounce” function on the iOs



# What is Intellectual Property?



- Industrial Design (aka Design Patent)
  - Statutory Law
  - Protects the ornamental appearance of an article
  - Does not protect function
  - Relatively Inexpensive
  - Has become very popular
  - ~ 15 years from registration
- **EXAMPLES:** iPhone “rectangle”; Garments; Icons; Tire Treads; Charger tips; Toner cartridges



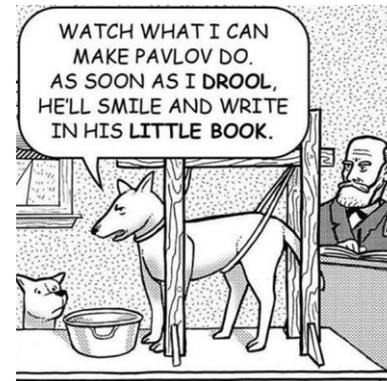
# What is Intellectual Property?



- Copyright
  - Statutory Law
  - Protects the expression of an idea, not the idea itself
  - Literature (including source code), painting, sculpture, music, choreography, photographs, drawings, blueprints
  - Cannot be innocently infringed
  - Registration not required
  - ~ Life plus 50 years from the author
- **EXAMPLES:** Mona Lisa, Lady Gaga's "Monster", Software code



- Trademarks
  - Judge Made & Statutory Law
  - Protects any Indicia (Word, logo, sound, smell, article) that creates an association in the mind of the consumers with the source of goods or services
  - Term can be perpetual as long as the association exists in the minds of the consumer
- **EXAMPLES: Coca-Cola; Google; Apple; McDonalds**



# How Does IP Fit within a Free Market Economy



IP rights and Free Market principles reflect a constant tension between the rights of the individual and the rights of the collective.

This tension will always be there.



# How Does IP Fit within a Free Market Economy



- When the IP system functions well:
- Patents, Designs and Copyrights incentivize innovation by rewarding the creator with a time limited monopoly, after which the creation falls into the public domain. (The “bargain”)
- Trademarks reduce consumer confusion in the market place while improving consumer trust



# How Does IP Fit within a Free Market Economy



- When the IP system functions **badly**:
- Patents, Designs and Copyrights
  - Granted too readily will result in harmful monopolistic behaviour
  - Granted too stingily demotivates innovation
- Trademark
  - Overly aggressive enforcement reduces ability to fairly comment on others in the market place and may restrict ability to re-sell a good on the secondary market
  - Poor enforcement creates market place confusion and loss of confidence in the free market; you cannot make an adequate comparison unless you can trust identity

# 1980-2000: Why IP Became More Important to Business



- Economic Activity:
  - Shifts Away from Bricks and Mortar manufacturing
  - Shifts towards Knowledge as Personal Computer Revolution leads to widespread availability and use of computing power to record and disseminate innovation and know-how
  - Deregulation of financial markets leads to greater flow of capital, with IP being one tool to abstractly represent the value of that capital

# 2000-2008: Why IP Became EVEN More Important to Business



- North American manufacturing continues to decline while increasing in Asia and elsewhere
- Tech sector is hot
- IP is the primary means to crystalize a property right for technological innovations
- Financial Markets are hot and are increasingly deregulated



# 2008-Present: How the Great Disruption(s) are Changing the Relationship between IP & Business



- Economic downturn is a milestone as North American Manufacturing might all but collapse while it rises in Asia, Mexico, etc.
- In addition: four global disruptions are now in play
  - Aging Populations
  - Massive Global Flows of Capital and People
  - Shift of economic power towards China/Asia
  - Technological Revolution Continues apace
    - *No Ordinary Disruption: The Four Global Forces Breaking All the Trends; Richard Dobbs et al. 2015*



# 2008-Present: How the Great Disruption(s) are Changing the Relationship between IP & Business



- A disconnect emerges between IP and the underlying economic activity it represents.
- Serious strains on the IP system emerge:
  - IP Legal Services are now relatively expensive compared to the economic activities they represent
  - IP System remains relatively national (i.e. slow, bureaucratic) while the economic system it represents has become global (i.e. fast, agile)
  - Non-practicing entities are engaging in a frenzy of patent litigation, leading to reputational harm of the patent system
  - Expectation that patents will make everyone rich, quick (e.g. Rockstar portfolio; Google purchase of Motorola Patents)
  - Poor understanding of what IP can, cannot, should, and should not do.
  - Widespread perception that patent system is “broken” leads to shunning of patents
    - “Time to fix patents” *The Economist*, August 2015
    - <http://www.economist.com/news/leaders/21660522-ideas-fuel-economy-todays-patent-systems-are-rotten-way-rewarding-them-time-fix>

- Collapse of manufacturing sector coupled with Rise of Petro-dollar
- Canada's global percentage of GDP generation drops
  - 2000: Canada had 8th largest global economy
    - With greater emphasis on manufacturing
  - 2015: Canada has 10th largest global economy
    - With greater emphasis on resource extraction
      - *Source: IMF*

- Weak innovation policy with overly-heavy reliance on SRED to stimulate innovation. (e.g. No “Patent Box”)
- “Our comparative studies of countries who improved their economic performance most dramatically on the innovation front suggest that this has been achieved through smart strategic innovation policies, including direct investments in key technologies and firms. Let us be clear in our argument, countries such as Israel, Finland and Taiwan – which successfully spurred high-tech growth miracles – did it by spending much less than Canada currently does, but in a more strategic way. We outspent them, they outsmarted us.”
  - “Canada’s R&D tax breaks can’t replace strategic innovation policy”, Dan Breznitz and David Wolfe, Globe and Mail, Sept 13, 2015
  - <http://www.theglobeandmail.com/news/national/canadas-rd-tax-breaks-cant-replace-strategic-innovation-policy/article26349428/?service=mobile>

- Lack of Global Vision; Poor Understanding of IP Rights
  - “Domestic and international judicial strategies, IPR [international property rights] strategies in treaties and trade agreements, technology standard forum strategies and private-public sector co-operation strategies are just some of the examples in which Canada lacks capacity...
  - It’s time we stop celebrating our startups selling for pennies on the dollar to U.S. companies and start building capacity to compete and scale up globally, where real money is made.”
    - Jim Balsillie, former CEO of Blackberry, Sept 17, 2015
    - <http://www.theglobeandmail.com/news/we-asked-10-canadian-economics-experts-onequestion/article26384723/>

- Lack of Global Vision; Poor Understanding of IP Rights
  - At a patent conference with some of the world's foremost innovation experts and practitioners, the lead strategist from one of the world's most valuable technology companies announced: "We don't sue Canadian companies until they start to matter to us. The money is not worth it when they're small and we don't want to look like a bully. We wait until they get big enough, then we go after them. And we kill them."
    - Jim Balsillie, former CEO of Blackberry, May 8 2015
    - <http://www.theglobeandmail.com/report-on-business/rob-commentary/balsillie-learns-canadian-innovators-not-equipped-for-global-competition/article24346408/>

# “Surgical” IP Strategies: Branding and Trademarks



- Branding: The end-to-end experience of a customer with your enterprise
- Trademark: A word that is used to uniquely identify your brand
- Trademark Registration: Ensures that you control how your Trademark is used
- Global registration is complex and expensive, so do it surgically



# “Surgical” IP Strategies: Branding and Trademarks



## Tips for “Surgical” Trademark Registrations:

- Registering your word-mark is usually more important than registering your logo or your tagline, both of which are likely to change over time
- Put your word-mark directly into your logo and (maybe) you can avoid registering your logo
- Keep the word mark simple to pronounce across a variety of languages
- A word mark registration can protect against traditional trademark infringements, but also against domain name squatters, App store squatters, Social Media squatters
- Many authorities, including the App store, will remove an infringing App without any questions, provided you have a trademark registration
- Register your trademarks ONLY in jurisdictions where you have (or plan to have) annual revenue 10x more than the cost of filing those trademarks
- Importance of trademark registration skyrockets if you are B2C, but its still important for B2B
- Consider International Treaties to streamline. (Good news, Canada is soon to join an international trademark filing system)
- Careful, consistent use of your trademark is necessary to preserve rights, but its also cheaper and easier to register and enforce
- Build all products/services off a core, anchor brand so you don't have to register trademarks for every single product or service
- Oppose infringers quickly; a quickly issued letter or a trademark opposition is far less expensive than winding up in Court

# “Surgical” IP Strategies: Patents



- Any company with technology development should be live to moments when they may be developing a patentable idea.
- There is often a disconnect between overall business strategy and patent strategy, potentially leading to a bloated and worthless patent portfolio.
- Global patent filing costs are coming down, but it is still a very expensive process.
- The trick is to figure out what technology development should be patented, if at all, and to regularly manage the asset. (Don't just leave it to the lawyers).



- Tips for “Surgical” Patent Registrations:
  - Educate your development team as to how the system works
  - Teach an in-house resource to draft “provisional” patent applications. These can be filed inexpensively and defer costs until a business case can be fleshed out
  - Focus primarily on patenting innovations that demonstrably provide barriers to entry for your revenue producing products

- Tips for “Surgical” Patent Registrations:
  - Understand your Point of Difference in the market place. (Sales and Marketing Team)
  - Identify what Technological Innovations you are making that map to the Point of Difference (Technology Team)
  - Understand the value of the addressable market
  - Ask yourself: If a barrier to entry (a patent) over the point of difference would maximize your access to the addressable market, you have justified at least a patent filing
  - Follow the 10x rule: The annual legal costs of acquiring the patent should be  $\ll$  1/10 the annual value of the addressable market
  - Keep a database that tracks product SKUs to your patent applications / issued patents so you can periodically track

- Tips for “Surgical” Trade Secret Management:
  - A patent is not necessary if your technological innovation can be kept secret. But you will need to actively police the trade secret
  - Sometimes you can actually design a product to be protectable under a trade secret
  - E.g. can you design your product as a software as a service? If so, it may be possible to fully control the software without ever giving a customer access to it, and therefore keep it a trade secret

*A trade secret a day keeps the lawyers away 😊*

# “Surgical” IP Strategies: Copyright & Industrial Design

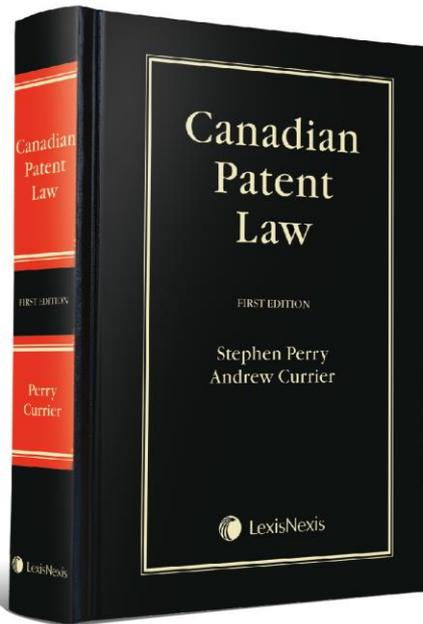


## Copyright

- Copyright is “free”, you don’t have to register it
- Put clear notices
- Keep records; proving copyright infringement is all about evidence

## Industrial Design

- The poor-person’s patent, they can be very powerful. They are inexpensive to obtain and a global registration scheme is coming soon for Canadians. (And already available to Americans.)
- If you design any product with consumables, consider making a unique shape. (Razors that attach to razor blades; toner cartridges that fit uniquely into printers)



## Patent Law in Canada?

# We Wrote the Book!

Cited by the Supreme Court of Canada. See *Teva Canada Ltd. v. Pfizer Canada Inc*  
<http://bit.ly/1gUGgsg>

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# Our Expertise



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Andrew is a recognized leader in the Canadian intellectual property field. Andrew is co-author (with Stephen Perry) of *Canadian Patent Law* (LexisNexis 2012, 2<sup>nd</sup> Edition, 2014), the first comprehensive text on the subject by a practitioner in over 30 years. Justice Roger Hughes, in his introduction to the book describes it as, "...a thoroughly scholastic work dealing with many areas of patent law and prosecution in Canada" which is "useful, indeed essential, reading for anyone involved in or interested in any aspect of Canadian patent law and prosecution."

Andrew's contribution to the practice includes his experience as a lawyer at one of Canada's most respected law firms, practical business experience gained as general counsel and vice-president of a TSX-listed company, and as a lecturer and adjunct profession in intellectual property law at the University of Western Ontario and guest lecturer in trademarks at the University of Toronto. Andrew has also been actively involved in several trademark enforcement proceedings.

Over the past several years, Andrew spearheaded the transition of PCK from a paper-driven practice to its current status as a largely paperless, database driven practice that enjoys huge efficiencies and service quality improvements derived from automated processes and workflows.

## EDUCATION

Bachelor of Laws, University of Western Ontario  
Bachelor of Science, Electrical Engineering, Kettering University

## MEMBER

Barrister and Solicitor, Law Society of Upper Canada  
Professional Engineer, Professional Engineers of Ontario  
Intellectual Property Institute of Canada (IPIC)  
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Intellectual Property Owner's Association  
Fédération Internationale des Conseils en Propriété Industrielle (FICPI)





**Greater than  
the sum of its parts...**