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A practical guide to intellectual property issues

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The modern business increasingly uses or creates intangible or intellectual property, such as software, websites, and promotional material. The legal rules that apply to intellectual property are somewhat different than those that apply to the tangible world. This article discusses some of the intellectual property issues faced by small and medium-sized enterprises.

Copyright

Copyright is the right of an author of a creative work to prevent others from copying that work. Creative works include computer code, brochures, manuals, web pages, books, songs, movies, etc.

Copyright is automatic. Registration is not required. Marking something as copyright is not required.

It is recommended; however, to mark works with ©, for example, "© David Canton 2003. All rights reserved". This creates an intimidation factor to help prevent copying. For items that may be on the Internet, it helps counter the myth that if it is on the Net it is available for any and all uses.

Copyright is a valuable tool to protect a business' interest in its creative works and products. It can also be a trap for the unwary.

The same controversial copyright issues surrounding file-sharing services like Napster and Grokster, which have the recording and movie industry so incensed, apply to other creative works as well.

Caution should be used, for example, when incorporating images or video within a website, brochure, or product. So-called "royalty free" images found on the Internet or on CD's may be free for personal purposes, but not for commercial use. Sometimes images are licensed for use on a print brochure but not on the Internet, for use on a time-limited basis or on a geographic basis.

Care should be taken to ensure that such material is properly used. If others are creating material for you, obtain assurances that they have acquired all appropriate rights to the material for the intended use. A business does not need the embarrassment, cost, or time required to deal with the implications of using other people's work improperly.

Businesses often overlook the need to document ownership and rights to its technology and creative works. In general, if an employee creates something the employer owns it. In today's world, materials are often created by independent contractors, or by the sharing of resources with other companies. The ownership and assignment of copyright in these materials should be documented at the time they are created. Badly done, it can ruin deals, lose financing, and cost money.

Imagine the difficulty of proving to a lender or a potential purchaser of your business that you actually own your core technology, when various people who may or may not have been employees created it. Further, imagine the difficulty of getting those individuals or companies to execute assignments or acknowledgements after the fact, when they are either nowhere to be found or not motivated to co-operate.

Moral rights

A moral right is the right of the author of a work to be identified as the author. It is also to ensure the author's reputation is not diminished by the use of the work. While copyright can be assigned, moral rights can only be waived. Moral right waivers should be included as a matter of course in all agreements with any person providing any creative work, whether it be images, text, or computer code.

Trademarks

Trademarks originated in marks put on ancient pottery to identify the artisan. They are used to indicate both the source and quality of the merchandise. Consider the image that comes to mind when seeing well-known trademarks such as Tim Horton's, Thermos, or Jaguar.

Some trademark protection is available as common law without registration. Greater protection is obtained by registering a trademark. Registration is obtained by country, so if a business' market includes the United States, trademark protection should be obtained there as well. International treaties now make it easier to obtain trademark regis-

tration in the United States if a trademark application has already been made in Canada.

Businesses should register a trademark to protect branding if they are planning to use that trademark for more than two years, investing significant effort and money in marketing or advertising, or attempting to increase credibility or market image that a registered mark attracts.

If a business wishes to adopt, and possibly register a new trademark, it is important to seek advice before investing in marketing.

One does not want to discover after using a trademark that it may not be used or registered due to prior use by another party, or because it is descriptive of the character or quality of the wares or services.

Most people think of weak marks first. A weak mark may be descriptive of the product, and does not distinguish it from others. In addition to not being "registerable", such marks are not effective for the very purpose for which they are created—to identify the source or quality of the merchandise.

For example, one could not trademark "Cold Ice Cream" or "London Legal Services".

Putting "TM" beside a mark can claim a common law trademark. While the symbol "®" can only be used for a registered trademark, "TM" can be used to identify a registered mark, a mark that has been applied for, or a common law mark.

Patents

A patent is the exclusive right to make or sell an invention. Patents apply to a new and useful art, process, machine, manufacture, or composition of matter. It must be novel, non-obvious, and have some real world value.

The United States is much more liberal than Canada in the availability of patents for things such as business methods and software.

If a business' market is based largely in the United States, it may be worthwhile to obtain a patent in the United States, even if it is not available in Canada.

Once the subject of the patent is disclosed to the public, it is not possible to obtain patent protection. In Canada and the US there is a one-year grace period which is not the case in other countries.

Disclosure includes a demonstration, a trade show, a published thesis, or marketing material. All too often a business decides it may have created something patentable, but discovers when discussing the creation with a patent lawyer that it is impossible to obtain the patent due to prior disclosure.

If a business believes that something may be worthwhile patenting; discussing it early, before publication, with a patent agent to determine whether it is indeed patentable and what options are available, is the best way to start.

Final thoughts

The digital economy requires that businesses consider intellectual property issues more than ever—whether for the protection of creations, or to avoid the improper use of intangible assets owned by others. Intellectual property issues can be complicated and often controversial as new technologies challenge business models and the ability of laws to deal with them. Recognizing when intellectual property issues arise, and obtaining proactive legal advice will go a long way to making a SMEs life easier. ■

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