

Back to business with BLG: Maximizing intellectual property

June 19, 2020

A robust intellectual property (IP) strategy is crucial, particularly in the current business climate. We invited members of BLG's multidisciplinary [Intellectual Property Group](#) to share their expertise on maximizing IP in a COVID-19 economy, prioritizing your most valuable IP, important changes to the Patent Act and future directions in IP litigation.

From an IP perspective, how can business owners and entrepreneurs pivot out of COVID-19?

Brandon Evenson:

We're seeing an increase in the number of research and development collaborations between companies, and we suspect this is to help offset some of the risk and uncertainty from COVID-19. This could be a great approach to pivoting out of the pandemic, with benefits such as cost sharing, managing shared resources and access to the collaborators' specialized expertise.

Before starting to work together, companies need to come to some sort of an agreement **on the terms of their collaboration, and it's critical that they address intellectual property issues.** Viable IP rights from a collaboration continue to exist long after the collaboration has stopped. Before drafting a definitive agreement, parties should start with a simple term sheet that addresses key points. This can include:

- How will the parties divide the ownership of the new IP?
- Do non-owners get a licence, and what are those restrictions?
- **What if a party has pre-existing IP covering the collaboration's field of technology?** How is that licensed in?
- Who is responsible for seeking patents for the new IP?

Other terms will need to be considered for the definitive agreement, including:

- branding rights and restrictions
- contractual non-competes
- royalties

- audit rights
- restrictions on defining IP for third parties
- enforcing a new IP against third parties
- further development of new IP post-collaboration
- termination, including what happens to the new IP upon termination

Curtis Behmann:

Companies should also develop a solid, well-defined strategy for IP protection, though some are not able to devote resources to developing an intentional strategy that defines the role or importance of IP in their organization.

If that's the case, consider leveraging one or two key individuals who have a good grasp of the company strategy, business goals, and visibility into product and go-to-market roadmaps. Have those people work with an IP strategist to help your company find the right role for IP right now, and how that will evolve as your company grows. If you take the time to build a strategic foundation and get buy-in from senior management, you will be much further along from an IP perspective.

How can businesses divert more funds to valuable IP and away from non-core IP?

Curtis Behmann:

Base IP decisions or budget allocations on a deliberate IP strategy. Part of that IP strategy should map the company's current and future IP assets to the company's business strategy going forward. Review your IP assets regularly and compare them to the changing priorities of your business strategy—this ensures that IP investments are driving current and future priorities.

You may even find that you're underinvesting in important IP areas and overinvesting in areas that are no longer strategic to your business. Non-core IP can either be dropped or leveraged as a tool for potential revenue by licensing or sale.

What should Canadian business owners and entrepreneurs know about the recent changes to the Patent Act ?

Curtis Behmann:

Recent changes to patent practice in Canada make some things easier and better for companies, and others a bit more restrictive. The protection that a company gets from a patent is defined by the wording of the claims. Under recent changes to the Patent Act, companies can now more easily withdraw a case from allowance just before it issues to adjust the wording of the claims to provide better protection. For example, this can be helpful when a corresponding patent is issued in the U.S. and the company wants to adjust the claims in Canada to get the same benefit.

On the flipside, there are a number of deadlines that are shorter and more restrictive. For example, when a company files an international placeholder application or a PCT application, you used to be able to extend the deadline for filing in Canada by paying a fee and it would be extended by 12 months. Under the new Patent Rules, you have to pay the fee and show that the delay was unintentional. This can make it more difficult to take advantage of this extension, and could result in not being able to file or get protection in Canada if you were relying on that extension.

Brandon Evenson:

To keep a Canadian patent or patent application active, owners must pay a government fee each year by a specific date, and the consequences of missing the annual fee are now much more severe.

Previously, if a deadline was missed, an owner could reinstate an application or patent as an absolute right any time within 12 months after the deadline. This is no longer the case. **If you miss the annual fee deadline, the patent office will send a notice—the annual fee and a late fee must be paid within two months of that notice.** If that two-month deadline is missed, the application or patent will be deemed abandoned or expired. The owner then has 12 months to request reinstatement of the abandoned application or patent, but reinstatement is not a right at that point.

The owner must prove to the patent office that they took all reasonable and prudent measures, but still missed the deadline. Also, third-party rights to use the subject or matter of the patent or application arises within that time period.

How has the COVID-19 pandemic impacted IP litigation in the courts?

Chantal Saunders:

When this situation first unfolded, the Federal Courts—where IP litigation commonly proceeds—reacted quickly by issuing Orders and Practice Notices suspending deadlines for ongoing litigation so that further steps were not taken. As time progressed—and parties and the Courts became more comfortable with the technology options available—the Courts have allowed for exceptions to the suspension Orders in place, and re-started some IP litigation. For example, case management conferences by telephone or videoconferencing in certain cases have taken place, motions and appeals have been argued and decided, and even a trial is proceeding completely remotely.

The Federal Courts have issued updated Orders and Practice Notices to provide further information about how and what cases are moving forward, and the Federal Court has hosted a number of information sessions in this regard. There appears to be a recognition that these types of measures will be in place for at least the near future, and parties and the Court will have to adjust accordingly moving forward.

Should business owners take advantage of available extensions if their trademark comes up for renewal during the COVID-19 pandemic?

LuAnne Morrow:

All businesses are focusing on expenses right now. When costs related to trademarks and renewal arise, there is a tendency to ask if we should take advantage of the available extensions to deadlines that the CIPO has provided to delay incurring costs.

The intellectual property office has extended deadlines falling between March 16, 2020 and July 3, 2020 to July 6th, and there may be further extensions as the situation evolves. If the renewal for your trademark falls within this period, you may be tempted to take advantage of these extended deadlines to delay the costs of renewal. This approach has risks because of the uncertainty of the extensions, how they may be applied, slow processing times in the future and the risk of losing your trademark.

Key trademarks are an important asset and should be prioritized accordingly in your cost-cutting measures. Rather than relying on an extension, you may consider other ways to manage the costs without taking the risk of losing the trademark registration. For example, the cost of renewal, which includes the initial fee and now new classification fees related to the requirement to classify the goods and services in trademarks, can be spread out by paying the minimum fee first to renew the trademark and later filing the new classification fees. These types of fees may be spread out over six months or more; this is an option that all trademark owners should consider when they are looking at their renewal strategy. Responding by the deadline is the best practice, and an extension should only be sought when necessary.

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