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# INTELLECTUAL BUSINESSES THINK ABOUT INTELLECTUAL PROPERTY

Key intellectual property issues  
any new business should consider

## Why should your business care about intellectual property?

Intellectual property affords legal protection for a business's most valuable and often irreplaceable assets, including literary and dramatic works, art, music, symbols, names, designs, and pictures that form the core of any business. Starting a business is a long and onerous process. However, considering intellectual property issues is more than just an item to add to your to-do list. At the most basic level, understanding intellectual property should be viewed as a protective measure to protect your business from potential infringement and liability down the road. An effective intellectual property strategy is also fundamental for innovation and growth. Intellectual property is a valuable asset for businesses seeking to gain a competitive advantage and ensure long-term resiliency. Protecting intellectual property allows your business to strengthen its market position by advertising, selling more products and services, and establishing a reputation as a valuable and trustworthy business.



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Considering intellectual property issues is both necessary and advantageous for businesses. Your business's success and the value of your products, services, brand, and reputation must be well-protected and secure. This newsletter will introduce some key questions your business must ask when considering intellectual property issues to ensure that the time, money, and resources invested in critical early stages do not go to waste.

## Do you want to protect your business's brand and reputation?

### Consider trademark protection.

Reputation is everything. A successful and valuable business will have a brand and reputation that encourages customers to turn to your business for your products or services above anyone else. Registering trademarks such as brand logos, slogans, or jingles can help businesses utilize their intellectual property assets to gain this competitive advantage.

The specific products and services that a business provides can be distinguished and identified by the use of various signs, including words, designs, numbers, colors, shapes, images, packaging, taste, scent, or texture. The most common way that businesses engage with trademarks is through the use of words and/or signs that distinguish products or services from others in the marketplace.

Although registering trademarks is not required, it can be pivotal in ensuring the successful growth of your business. Trademark registration requires that your mark is used in association with goods, services, or exports and that the use of the mark is distinctive and distinguishing. As a result, your business's early stages are critical to secure a unique identity in the marketplace before other actors seek to take advantage of your hard work.

There are several benefits to trademark registration. Registration provides national protection through a presumption of ownership and the exclusive right to use in Canada. During this time, your business can develop a long-term brand that consumers grow to know and utilize. Registration also allows your business to license your trademark rights in Canada to others and generate alternative sources of revenue down the road. Registering your trademark also deters others from adopting similar trademarks that are confusing and may taint your brand's individuality in the marketplace.

Trademarks are not registrable if they are: (1) confusingly similar with existing registered trademarks; (2) refer to personal names; (3) are general descriptors of products or services that all competitors should have access to; (4) are deceptively misdescriptive; (5) refer to the geographic origin of products or services; (6) are descriptors of public authorities; or (7) if they fall within the category of official and prohibited marks.

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Early-stage businesses should conduct due diligence to search the Canadian Intellectual Property Office Register for existing trademarks and bear in mind the above restrictions on registration when deciding what signs will form the core of the business' identity and reputation. Early-stage businesses struggling to navigate the complexities of trademark registration should consider seeking the assistance of a trademark agent or legal professional.

## Is another business selling a similar product or service?

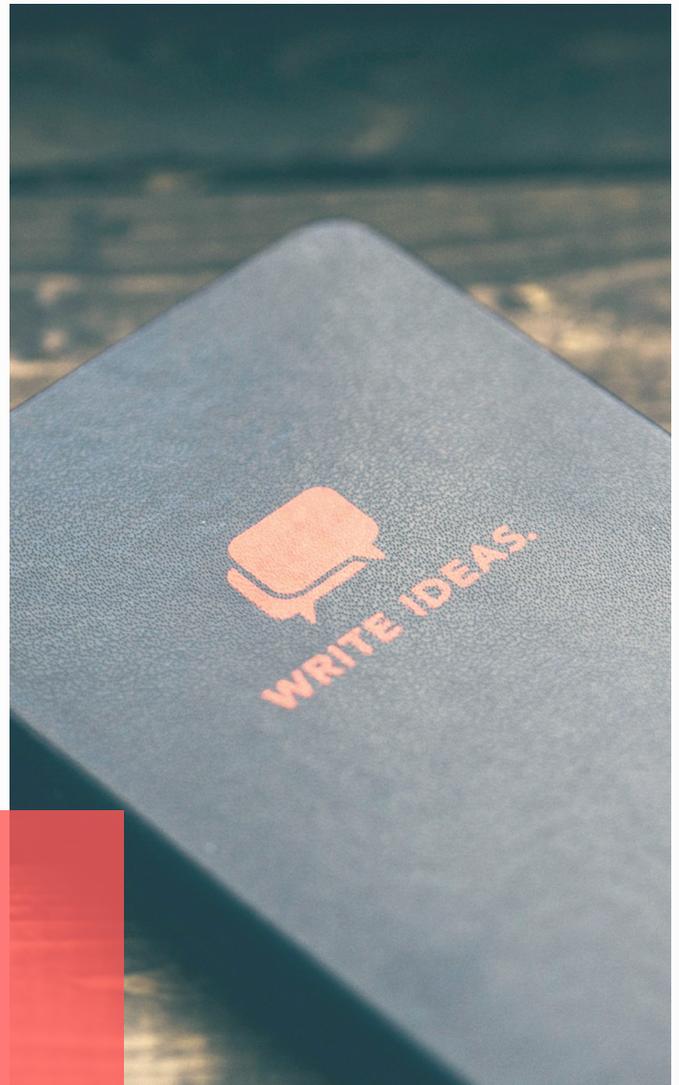
Ensure your business is not sued for passing off and protect your rights against competitor copycats.

When a product or service becomes popular, it is common for other businesses to offer similar products or services to capitalize on increasing consumer demand. However, if your product or service is offered in such a way that causes consumers to become confused about where the product is coming from, you could be in legally dangerous territory. The same is true in reverse – if other businesses are offering products or services in such a way that makes consumers think that they are purchasing your product, you could be entitled to sue under passing-off.

The goal of passing-off is to protect the association between a product and its producer. It is important to note that passing-off only protects the association of a product or service with a business, and not the product or service itself. However, your trademark does not need to be registered to be protected by passing-off.

Goodwill is the key component of passing off. Goodwill exists when consumers associate the trademark or the whole external appearance of a product with a specific business. For example, the Tragically Hip are currently suing Mill Street Brewery over the brewery's use of "100th Meridian."

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Because passing off hinges on goodwill, it is inextricably attached to location and time. A product may have goodwill in one country or time, but not another. It is also possible to lose goodwill. This can occur in three ways: (1) acquiescence over time to competitors that have products with similar or identical appearances; (2) the business no longer exists; (3) the mark or brand becomes generic (e.g., Velcro has become synonymous with a way to fasten shoes, not the specific company). If goodwill is lost, you are unable to bring a passing-off action. Understanding when your own business, and competing businesses, do or not do have goodwill is important for protecting your products and capitalizing on other businesses' inability to bring a passing-off action.

## Will you hire employees or contractors?

**If so, it is important to ensure your business retains copyright ownership of all employee or contractor work.**

Regardless of what type of business you run, your business will inevitably produce important intellectual property. This is not confined to film, tech, or pharmaceutical companies. Almost any type of content that is created in association with running your business could qualify as intellectual property. This could include company templates, new design ideas, information brochures, and marketing campaigns. It is important to ensure your companies' intellectual property stays with the company as employees come and go.

Whether you choose to hire employees or contractors makes a difference in copyright law. Because most copyrightable works are created by employees and contractors, ensuring that your business retains ownership of new intellectual property is vital. By determining the best way to set up your workforce and entering into agreements at the outset that delineate the ownership rights of the company, your business will avoid potential problems in the future.



**Employees:** In Canada, the general rule of thumb is that the employer owns the copyright for any works produced by an employee or other person under a contract of service if the work was produced in the course of their employment. However, it is wise to include a specific provision to this effect in all employment contracts. This will protect your trade secrets by making your copyright ownership unambiguous. Agreements are also useful for employers wishing to avoid issues related to moral rights. Moral rights cannot be assigned, so they allow employees to retain a right to the integrity of the work, which may affect how the employer intends to use it. Employees can waive their moral rights by agreement, which ensures employers are not restricted in the future.

**Independent Contractors:** In the absence of an employment relationship, the default copyright owner of the work is the author. So, even if your business pays for the work to be completed,

the independent contractor retains the copyright – not the company. Therefore, it is very important to stipulate in the contract that your business will be the owner of the contractor’s work. Otherwise, you will only get a license to use the contractor’s work. To ensure your business gets the copyright, you should enter into a written assignment agreement that transfers the rights from the contractor to your company. Failing to obtain a properly worded agreement may leave your business with non-exclusive rights in the intellectual property.

**Confidentiality Agreements:** Finally, employees or contractors with previous work experience in the same field as your business may have signed confidentiality agreements with their old employers. The obligations in these agreements will likely extend beyond their previous employment. While employees will likely be prohibited from sharing confidential information or specific trade secrets, they can still fully utilize their skills, judgment, and expertise. Given these constraints, it is wise to familiarize yourself with potential employees’ previous contractual agreements to ensure they do not hinder their performance or prevent them from doing the specific job you hired them for.



# When should you seek legal advice?

As a new business owner, it is important to educate yourself on basic intellectual property laws that might affect your company. Knowing when to seek legal advice is key to avoiding common intellectual property pitfalls that can be costly to your business. Even if you don't plan on suing, it is wise to contact a lawyer to help you navigate the various complicated areas of intellectual property law. Although you are allowed to prepare and file your trademark and copyright registrations, intellectual property lawyers bring expertise that will maximize your intellectual property's value. Contacting a lawyer is essential if you are ever accused of infringing someone else's intellectual property rights, as they can guide you through the complex process of refuting a claim. Each area of intellectual property law contains a uniquely complicated web of laws, rights, and remedies. Some infringement may even be criminal. The assistance of an experienced lawyer can help you navigate the complex procedural aspects of a claim and determine your best course of action. Finally, if you believe that your intellectual property rights have been infringed upon, reaching out to a lawyer will help you better understand your options and how to proceed. Intellectual property law is complex and changes frequently. Utilizing an experienced lawyer will save you significant time and money, while helping you avoid common mistakes that could damage your business.

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