

Past Issues

July 2020

How to Structure Your Business for Sale or Transition to the Next Generation

June 2020

Not all CFOs can Handle M&A

May 2020

Post Covid-19 Business Planning You Need To Develop Now

April 2020

How Business Leaders Can Reduce Uncertainty with Scenario Thinking

March 2020

Earnings Don't Deserve a Bad Reputation

February 2020

Our Bank Said No. Now, What?

January 2020

Is Your Business Focused on Business?

Intellectual Property - Assets that Should not be Neglected

By: Philip C. Mendes da Costa & Jane Sarjeant

Intellectual property rights are intangible assets that include trademarks, patents and industrial designs. Just like real estate or any other tangible asset, intellectual property may be sold, licensed and/or used as a security interest to secure a business loan. It is also critical that these assets are identified and acquired when the assets of a business are acquired.

Trademarks

A trademark is any name, logo or expression that is used by a business to identify or distinguish its goods and/or services. Clients will frequently buy a product or service since they have heard of the company or brand, or recognize a company logo, and have confidence in the quality of the product or service they will receive. The value of a trademark is represented in the value of the goodwill of a business. As such, trademarks can be among the most valuable assets of a business.

Trademark rights may be acquired through use or by registering a trademark. Accordingly, if a business has been operating for a while, the business may well have used one or more trademarks that are important to drive customers to the business. Therefore, it is important to identify the trademarks of a business that you own or may acquire and to ensure that the key trademarks are protected.

Registering a trademark has several advantages. However, applications may only be filed on a country by country bases (with a few exceptions such as Europe). Therefore, a key trademark should be registered in each country in which you currently carry on business or may carry on business in the future.

A first advantage is that, by filing a trademark application, national rights can be secured while business and marketing plans are being finalized and before the business/products are available to the public. Therefore, the right to use a trademark may be secured to protect future expansion of a business into other countries. In many countries, the company that is entitled to use a trademark is the first to file for the trademark. Accordingly early filing can be important to ensure a copycat does not file for your trademark.

A second advantage is that, in Canada and the US, registered trademark owners enjoy exclusive rights to use the mark for the registered wares and services across the entire country. An unregistered mark will only have rights in the local geographical region where reputation in the mark can be proven.

A third advantage is that owning a trademark registration provides an automatic defense to an attack by a third party challenging your use of that trademark. In other words, owning a registration acts as a shield against an infringement action by other trademark owners.

The Charter of the French Language generally requires that all printed material used in commerce in Quebec, such as packaging, labels, advertising materials and signage be in French. However, there is an exception to these translation requirements for "recognized", or registered trademarks. This means that a registered trademark in a language other than French does not need to be translated to French or removed from the company's signs or other materials.

Patents

A patent may protect a product that you sell or a method to make the product. Any improvement to an existing process or product may be patentable.

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From a business perspective, the importance of a patent is to protect your uniqueness in the market place. Without a patent, a third party may copy your product and offer it to you customers at a cheaper price. Obtaining a patent may therefore protect your margin to ensure it is not eroded by competition.

A patent is valid for 20 years from the date that a patent application is filed. Therefore, in determining whether to seek patent protection, it is important to consider the revenue stream that the product or process may produce over a 20 year period and then determine the profit derived from those sales should be protected.

In Canada and the US, an application for a patent must be filed within one year of the date that the product or method is first publically available. Therefore, it is important early in the development process to identify an advance that you may want to protect.

Industrial Design

An industrial design registration (in the US a design patent) protects the look of an article. An industrial design cannot be used to protect the functional aspects of a product. Therefore, if a product with a new look is created, industrial design protection should be considered.

As with a patent, an industrial design registration prevents a third party making a product that looks the same as yours. The term of a Canadian industrial design registration is 15 years from the date of application whereas a US design patent is valid for 14 years from the date of grant. Therefore, if the unique design of a product is expected to help generate sales of that product for several years, consideration should be given to seeking design protection.

In addition, as with a patent, an application must be filed within one year of the date that the design is first publically available.

Bottom Line

Intellectual properties are valuable assets that should not be neglected.

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Philip advises clients on the development and implementation of strategic IP portfolio creation and management. His experience includes obtaining patent, industrial design and trademark rights for clients around the world. He has in-depth knowledge in a variety of areas including consumer products, oil and gas extraction and petroleum refining, mining including extraction and ore processing, water treatment and purification, petrochemicals, syngas production, seismic exploration, and gas scrubbing.

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