

INTELLECTUAL PROPERTY OVERVIEW

ADRIAN D. BATTISON, ADE & COMPANY INC.

PATENTS

1) **Must be for functional invention**

The first requirement for obtaining a patent is that the invention must relate to a **functional invention**. Thus the invention must provide some improvement in function of a commercially usable product or process. Examples of items that are not patentable are: methods of treating human beings (except in USA); computer programs per se; methods of doing business; articles of manufacture that are improved solely in appearance (see Designs); works that consist generally of written documents (see Copyright).

2) **Novelty**

In order to obtain a patent the invention must be **new**. While standards differ to some extent in different countries, the general policy is that **any** public prior use or public document showing or describing the same invention will invalidate a later patent.

It is not necessary that the prior document is a patent or that the prior use be patented. It is however necessary that the prior invention has been made **public** or, if it has not yet been made public, then is itself the subject of a prior patent application. Any such prior use or prior document is known as the "prior art". This requirement that the invention be new in regard to prior art in any country and of any prior date is known as "**absolute novelty**" and is the standard in most countries.

In most countries even prior publication or prior use by or arising from **the inventor himself** constitutes prior art and will invalidate a later filed

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC. 1995, 1999, 2005, 2008

patent application. In such a case therefore the patent application must be filed before the invention is made public in any way. Disclosure under the terms of a confidentiality or non-disclosure agreement generally does not constitute "public" disclosure.

The **filing date** of a patent application is in most countries the key date to determine what is the prior art. Any publication before that date is prior art, anything afterwards is too late to constitute prior art.

In some countries, including Canada and USA, this use of the inventor's own work as prior art is considered to be too harsh and a **grace period** of up to one year is provided during which publication or use by the inventor or arising from the inventor is not used against the inventor's patent application. However if advantage is taken of this grace period in Canada or USA, it will probably then be too late to file patent applications in most other countries. It should be noted that the exclusion against prior art in Canada does not relate to publication which arises from another person and hence there is a risk that work done by others could invalidate a Canadian patent even if the invention by the other was made later than that of the first inventor.

3) **Obviousness**

In addition to the requirement that the invention is new, it is also necessary in order to obtain the **reward** of a patent that the invention **not be obvious**. The patent system appreciates that not all previous ideas are published or used in the prior art, and that a patent should not be granted if the new idea is simply a minor obvious modification of what exists already.

The test of what is "obvious" is a subjective test and differs slightly in approach in different countries. Most countries adopt a standard theoretical

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC. 1995, 1999, 2005, 2008

test in which a mythical "person skilled in the art" at the time of the invention and having full knowledge of all relevant prior art is examined and if the invention was merely "obvious" to that person then the patent is invalid.

In most countries the practical test applied particularly in the Patent Office is whether that new feature of the invention, which distinguishes it from other prior art, is itself merely a known idea from other similar products or fields. Thus for example the "invention" of providing a retractable extension cord on the front of a motor vehicle would likely be considered to be merely obvious in view of the fact that similar devices are well-known in vacuum cleaners and other electrical products. In another example, attaching an eraser to the rear end of a pencil was considered not to be patentable as merely obvious, since both were well known

4) **Structure of patent specification**

To obtain a patent, a draft of the patent is prepared and sent to the Patent Office as an application. This draft is called the patent specification.

The patent specification must include a full description of the invention and the best known techniques to the inventor of effecting the invention. Hiding information to confuse or mislead a reader if discovered will invalidate the patent. The patent document therefore includes a discussion of the prior art and a full description of the product or process generally including drawings.

The patent document includes **patent claims** which are generally listed at the end of the patent document in a series of numbered paragraphs. Each claim constitutes a different definition of the invention which sets out

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC. 1995, 1999, 2005, 2008

specifically in words those elements of an allegedly infringing device which must be included to constitute an infringement of the patent.

The document is prepared by the inventor and his patent agent and is submitted to the patent office. The main function of the patent office is to effect careful **searches** of the prior art and to compare the definition of the invention set out in the claims to **assess** whether the definition properly and clearly **distinguishes** the invention from the prior art.

The main process in obtaining a patent is therefore in effect a "negotiation" of the scope of protection as defined by the claims. In practice it is the intention of the patentee with his patent agent to obtain a scope of protection that is as broad as possible while being clearly distinguished from the prior art.

It is the intention of the patent examiner by searches and by argument to make the definition as narrow as possible. Generally the "negotiation" leads to an agreement as to the scope of protection which is reasonable in the circumstances following which the patent document is approved and granted.

In the absence of agreement, the examiner rejects the application and appeal can be made to a higher level in the patent office or to the Court.

In most countries, including USA and Canada, the application is published before grant, generally eighteen months after the filing date, so that the public can see that a patent is under way and can act with knowledge of the potential consequences.

5) **Infringement by manufacture, use or sale; the role of the claims;
potential damages**

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

In order to determine whether a device is an infringement of the patent, the scope of the claims must be assessed and a determination made as to whether the device falls within that scope.

Including further elements in a device in addition to those listed in the definition will not avoid infringement. Omitting an element will avoid infringement.

The analysis of the claims is generally simply a matter of applying careful attention to the wording and making a careful comparison with the device considered or alleged to be an infringement.

In many cases it will be found that the patent claims are relatively narrow so that infringement can be avoided by avoiding use of the particular defined construction. Patent infringement is not a common problem, but care must be taken since when it does occur the results can be very serious.

6) **Time limits to apply**

In order to obtain maximum protection it is highly desirable to file a patent application before the invention is made public (see 4.5a). In many countries it is essential to have a filing date **before publication** of the invention occurs in any way. In Canada and USA a grace period of one year is allowed in which publication by or arising from the inventor does not constitute prior art. In Canada, publications by other persons however are not excused and hence it is undesirable to rely upon this one year period.

Once the time limit has passed and prior art exists, it is simply too late to obtain patent protection and the invention is therefore released to the public domain and is free for everyone to copy. No one else can however obtain patent protection for the same invention.

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

In the event of two independent inventors attempting to patent the same invention, in most countries the decision is made solely on the basis of which of the two **filed his patent application first**. In such cases the question of who invented first is completely irrelevant except in the rare cases where derivation or stealing of the invention can be proved.

In USA, however, the decision is based on who can prove the earliest date of **invention**. It is highly desirable therefore to make and maintain detailed ongoing records of the dates of developments and disclosures to others.

7) **Overseas patents**

It is basically necessary, if patent protection is required in a particular country, to apply to that country.

Many countries may not be commercially worthwhile and hence the patentee must select, in accordance with his economic situation and the importance of his invention, those countries where protection is required.

The patent system appreciates that it is not possible at the time of filing of the **first application** to decide where protection is required. The patent system therefore has an International Agreement which allows the inventor one year after the date of the first patent application to decide whether and where he wishes to file other applications. The date of filing of the first application is known as the **priority date**.

Provided the applications in other countries are filed within one year of the priority date, each such application is backdated to the priority date. Once the first application has therefore been filed, the inventor is free to make the invention public since the publication occurs in effect after the priority date and therefore does not constitute prior art.

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC. 1995, 1999, 2005, 2008

Each country holds onto its own jurisdiction to decide whether and in what scope the patent should be granted. The process in each country therefore follows the process above concerning the negotiation of the patent scope so that patent as granted may be different in different countries.

There are international collaborations including the Patent Cooperation Treaty (PCT) which allow the initial filing of a single application designating over 120 Contracting States. This is normally filed at the end of the one year period rather than as the first application. The PCT process keeps the option of filing in these Contracting States open for over a year, in most cases up to 30 months. However at the end of the process it is still necessary to approach each Contracting State individually even though the process of doing so is now simplified.

Many countries in Europe have joined what is known as the European Patent System which has a single patent office dealing with examination for all the member countries. However after grant the patent must still be confirmed in each country with payment of a fee and submission of a translation where the language used differs from the language of the European Patent as issued.

8) **Term, maintenance fees**

The patent in each country is granted for a limited time period and the most widely accepted period internationally is now **twenty years** from the initial date of application in the country concerned.

9) **Assignment, License, Inventors**

The patent document must nominate the inventors of the idea even if those inventors are connected with a company. The initial ownership of the

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

invention arises with the inventors but is subject to any assignment which the inventors wish to make or which they are obligated to make in view of their employment situation. The patent document therefore generally identifies both the inventor(s) and the assignee, if any, of the invention.

10) **Searches**

Each patent is granted a **serial number** which is often listed in literature and on machines manufactured under the patent. Patents are also categorized and therefore searchable in **subject matter** and in relation to the names of the **inventors** and **assignees**.

When the patent number is known, obtaining a copy is of course very simple and inexpensive.

When the patent number is not known, searches to identify particular patents can be carried out relatively simply in names of the inventor/assignee if they are known and if the company is not large. Some difficulty arises if the patent is listed in the name of an associate company or Licensor.

Subject matter searches are much more difficult since they require analysis of the inventions involved. The initial step in any search, therefore, is an attempt to obtain as much information as possible from the industry of any patents which are of interest in the industry and names of companies involved in the industry.

Searches to investigate potential **infringement** can be very extensive and can never guarantee there is no patent infringement. Such searches are often best carried out by reviewing the patents of particular

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

competitors who may be interested in taking legal action to halt a new competitive product.

INDUSTRIAL DESIGN

1) Differences from Patents and from Copyright

The registered design is intended to protect only the aesthetic appearance so that features that are of a functional nature are generally not protected and only features that are judged solely by the eye are protected. It is however possible in many practical situations that the final appearance of a product is to some extent governed by functional aspects and also governed by appearance or aesthetic factors. In such a case it may be desirable to obtain grant of both a patent and a registered design and often these provide complimentary forms of protection. Each case must be judged on its merits and a decision made as to the form of protection to be selected. Industrial designs relate to commercial items as opposed to artistic works and hence there is generally a clear difference between designs and copyright. Design protection is a monopoly form of protection similar to that of patents in that it is not necessary to prove copying. Designs can protect concepts rather than the specifics of a design which might be protected by copyright.

2) Registration, time limits

In a similar form to patents, designs must be registered or the protection lost. For registration an application must be made to the Design office of each country where protection is required, the design office being generally a subsidiary of the patent office. The application in most countries is simply an

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

illustration of the features of appearance of the product. In Canada, in addition a brief description of the characteristic features of the design is required.

In many countries it is necessary to apply for registration prior to public release of the product. In Canada and U.S.A. a grace period of one year is allowed after first publication of the design before an application need be filed.

In order to obtain registration the design must be **novel** that is different from previous designs either registered or otherwise made public. In most countries designs published outside of the country are often not taken into account in destroying novelty. In addition to novelty, the design must also have some **originality**.

3) **Term**

As design protection is considered to be subsidiary to patent protection, the term of protection is shorter in most countries. Protection varies between 10 years and 15 years, and in Canada the 10 year term is divided into two terms of 5 years each with a renewal fee being payable to obtain the second period of 5 years.

TRADE MARKS

1) **Philosophy**

Trade marks are intended to allow the public to identify a particular product by providing on the product a name, logo or other identifying marks or appearance which are used to signify the manufacturer or originator of the product. The trade mark system is therefore set up in an attempt to avoid confusion arising in which the public is misled inadvertently or deliberately by an infringer into buying a product or service from the wrong supplier. The trade

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

mark does not in any way protect the product itself so that the product may (unless patented) be copied provided the identifying mark is not copied.

2) **Definition**

A trade mark is any name, word, combination of words, logo or appearance associated with the product which is used to identify the manufacturer or originator. The trade mark does not have to use the name of the manufacturer.

3) **Registration**

The system prefers that the trade marks be **registered** on a list of trade marks although this is not essential to obtain protection. The system therefore encourages registration by simplifying actions to prevent copying and by restricting the possibility of others to oppose the trade mark after a period of registration.

Registration is obtained by applying to the trade mark registry identifying the mark and the particular product or services involved following which registration will be granted, provided the trade mark satisfies the requirements set out hereinafter. The register has two sections identified as Section A and Section B. **Section A** is limited to trade marks which are by themselves inherently **distinctive**. **Section B** is provided for trade marks which are themselves not inherently distinctive but have become distinctive due to extended **use**. The registrations for "McDonald's", for example, fall in this category where extended use and extensive advertising have led to a clear connection in the public mind between the name and the particular supplier. Evidence of the public perception is necessary.

4) **Distinctiveness, Descriptive, Mis-descriptive**

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC. 1995, 1999, 2005, 2008

Trade marks will not be accepted for registration if they are not distinctive of the product. Words that are merely commonly used words may not be sufficiently distinctive to allow registration and thus be limited for use by one manufacturer to identify his goods. Words which are merely **descriptive** or **mis-descriptive** of the product will not be accepted for registration as they will cause confusion or should not be limited to one manufacturer. Marks that are primarily surnames are not registrable. Marks that are or become the only name for a particular product are **generic** and hence not registrable.

5) **Confusion**

Confusion can occur when a mark proposed for registration or use, either visually or orally, could lead to the public mistaking the products of the infringer for those of the owner of a registered trade mark. Differences in spelling do not generally avoid confusion.

6) **Goods**

The trade mark register is divided into different **classes** of goods so a single mark can be registered to different owners in different classifications provided there is no likelihood of confusion to the public due to the sale of the different goods in different outlets. Infringement of a trade mark generally occurs when the infringing goods fall within the classification for which the trade mark is registered. More than one registration in different classifications may therefore be necessary to obtain the required protection.

7) **Non-registered trademarks, passing off**

Registration is not **essential** for protection since non registered trade marks can be protected against infringers. A non-registered trade mark can be protected by later registration, with a **priority date** of the registration

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

(which is used to antedate a competitor using the same or similar mark) going back to the first date of **use** of the trade mark in trade.

Legal action can be commenced against an infringer even when the trade mark is not registered but the onus of proof on the owner is greater requiring evidence of the infringer "**passing off**" the goods as those of the trade mark owner. Simple confusion is therefore not sufficient.

Registration is much preferred since this will assist in deterring competitors from mistakenly using a similar mark, as any search carried out by that competitor will reveal the existence of the registered mark. Searches will not of course reveal unregistered marks in use.

8) **Application, term, renewal**

Trade mark registration is obtained by submission of an application to the trade mark registry in the country concerned. Trade marks are, when approved, granted for an initial period and are **renewable** repeatedly **ad infinitum**. A trade mark registration can however be renewed only if the trade mark remains in use. The register is therefore intended to contain only trade marks which are actually **in use** and can not be used to prevent copying of a trade mark which the owner has no intention of using.

9) **Overseas**

Each country retains its own jurisdiction for trade marks and registration in each country where protection is required will be necessary.

10) **Franchising**

Trade marks are particularly important in franchising. The trade mark can be **licensed** to a number of separate **franchisees** provided the trade mark is registered. The franchisees therefore are generally willing to pay

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC. 1995, 1999, 2005, 2008

franchise fees, often a percentage of turnover, based upon the advantages they obtain from the common use of the well-advertised trade mark and in some cases for know-how, business information, common purchasing and the like which form part of the franchise process.

COPYRIGHT

1) Philosophy

Copyright is a significantly different form of protection from patents and designs which are considered to relate to commercial matter and copyright is intended for protection of artistic works. Patents and designs are therefore required to be registered and if not protection is lost. As an artistic matter, it is believed that the artist is **inherently** entitled to the **rights** to his work and this leads to some significant differences from patent or design protection.

2) Differences from Patents

Firstly the term of protection is significantly **longer** so that instead of the limited term of the order of twenty years, copyright extends for a very much longer period of time.

Secondly copyright is obtained **automatically** without any necessity for registration. Therefore International protection is available automatically without the necessity for action in each of the countries concerned.

Thirdly the protection is much more narrow in that copyright is not intended to protect **concepts** but is intended instead to protect the actual work itself. Thus if one were the first to paint a picture of a particular subject, copyright would give no protection for the concept of painting that subject, merely for the detail of the particular work done.

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

Fourthly copyright protection requires evidence of **actual copying** so that if a person can prove that they have not copied the original work but instead have created a work by themselves from their own efforts even though the second work is identical to the original work, then there is no infringement since there has been no copying.

Finally copyright is not intended for protection of machines or processes but is instead intended to protect artistic work, paintings, drawings, photographs, writings of all kinds, music and theater.

3) Differences from Designs

There is some overlap between copyright and designs since a drawing of an article could be protected by copyright or instead could be protected by a registered design. In both cases the drawing shows some features of an aesthetic nature. In Canada the distinction depends on whether the drawing is of a commercial item which can be registered as a design. A commercial item is one which is manufactured in numbers of more than 50 and must be protected by a design registration as set out above.

4) Computer Programs

One area of significant overlap between patents and copyright relates to computer programs. Basically computer program is a written document and as such is protected by copyright. In addition computer programs themselves are not patentable. However, as stated above, copyright protection is not intended to protect concepts and instead protects very much more closely the actual finished layout of the computer program. In many cases this protection for the actual detail is sufficient since the copier will want simply to directly copy the program without any modification. Any such direct copying

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC. 1995, 1999, 2005, 2008

would be an infringement of the copyright. However if it is required to protect a concept involved in a computer program then this cannot be done by copyright but is instead possible by patent protection if the computer program is used in relation to a useful product or in relation to a process. In many cases, therefore, the inventor of the computer program will want to patent certain aspects of the concepts behind the program and in addition will hold copyright protection for specific details of the program.

5) **Registration not necessary**

Most countries have established that it is not necessary for registration to be effected for protection to be obtained under copyright laws. U.S.A. has retained a system of registration which is used extensively and is desirable to be effected in order to establish effective protection.

6) **Term**

As it is believed to be an inherent right for the artist to have copyright, the term of protection is very long and lasts for the lifetime of the author plus 50 years. In a situation where there is no specific author such as in a movie, the copyright protection lasts for fifty years from the first public display.

7) **Marking**

The International agreements require that a copyright work be marked so the public is informed of the claim to copyright. The markings required include ©, the year of public release and the name of the owner of the copyright. If these markings are not included, protection can be lost. These markings do not preclude the possibility of further markings which are used generally to deter any potential infringer such as the extensive threatening markings found at the beginning of video tapes or computer programs.

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

8) **Enforcement - evidence - criminal penalties**

Enforcement of copyright protection is effected through the courts, requiring a civil action between the copyright owner and the infringer. The copyright owner can claim damages for the improper copying including loss of monetary income or licensing fees.

In order to prove copyright infringement, it is necessary to have evidence of the work which has been created by the owner. The owner must therefore establish what is the work about which the complaint is made, roughly when the work was made and also must establish how the ownership of that work stands with the owner. It is important therefore in copyright matters to maintain records of the creation of the work such as various working drafts showing the work in creation. If such drafts are not available such as in a painting, then the original should be available including some corroboration as to the creation of that work.

Secondly it is necessary to prove in any copyright action that the infringer has had the opportunity to copy the work. If the work has been generally kept secret then there must be some route of communication from the owner to the infringer since without the opportunity to inspect and copy the work, there can not be infringement. Even though alleged infringement is identical to the original work, there is no infringement unless that identical work has been effected by copying. Independent creation of identical work is not infringement.

Thirdly it is necessary to prove that the infringement takes some substantial part of the original work. Direct and exact copying is not necessary in many cases since minor modifications can often be easily made and would thus obviate effective protection for valuable works. It is often a subjective decision

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC. 1995, 1999, 2005, 2008

as to whether the alleged infringement is indeed a copy of a substantial part of the original work. This is particularly subjective in matters of song writing and movie script writing where many infringement actions go to court due to difficulty in deciding exactly what is a copy.

In some cases copyright infringement can involve criminal penalties and hence it is possible for the copyright owner to complain to the RCMP concerning copyright infringement. Such criminal penalties generally relate to a fine of the infringer but may not lead to recompense to the copyright owner and therefor a civil action may also be necessary even after the criminal proceedings have been decided.

Many other well known copyright cases relate to characters on T shirts and such cases often lead to seizure of the inventory of retailers carrying the infringing copy. The retailer may therefore be innocently carrying the illegal copies but is still responsible for the copies and may therefore lose monetarily from the loss of the inventory.

TRADE SECRETS

1) Philosophy

One simple way to protect inventions is simply to keep the invention **secret**. If no one knows or can find out about your invention, they can not copy the invention. At the outset of any invention, therefore, it is most important to ensure that the invention is, as long as possible, maintained secret not only for reasons of patent filing dates but also to delay competitors' developement of competitive products. It is possible to extend a secret to include others who must know of the invention. This is effected by way of a

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

contract between the person holding the secret and the person needing to know the secret.

2) **Definition of secret or public**

It follows therefore that a secret has been made **public** if it is disclosed to a person who has no **contract** with the holder of the secret. Any such person is a member of the public and is free to disclose the invention to other persons. It does not matter if such disclosure to other persons has or has not occurred. An invention is thus made public if any such person who has no contract with the inventor (or his representative) has access to see the invention and to obtain information about it. Use of the invention therefore in a public place even for experiment may therefore constitute publication.

3) **Confidentiality agreement, contract**

The contract between the person holding the secret and the person needing to know the secret is basically a confidentiality agreement in which the person needing to know the secret agrees to maintain the information secret and not to disclose to other unauthorized persons. A contract must have a reasonable consideration that is the person agreeing to hold the information secret must receive something valuable in return, either a payment or some other consideration such as the opportunity to invest, to quote for manufacture or to assist in development. The contract is enforceable through the courts against any person who breaches the contract and releases the information. However once released, the information can not of course be recovered and there is no possibility of taking action against a third party who receives the information and is not part of the contract. If the person receiving the information is there unable to pay the damages then no damages can be recovered.

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

Professionals such as lawyers, patent agents, accountants and the like are automatically bound by confidentiality agreements in view of the ethics of their profession. Other persons are not necessarily bound and if there is any doubt should be obliged to sign a confidentiality agreement.

The contract does not have to be written and may be implied rather than expressly defined based upon other aspects of the relationship between the parties.

4) **License, assignment**

A trade secret can be sold or licensed to another party by an agreement between the parties. For example a manufacturer having knowledge of a process which is secret but which is valuable to other manufacturers can licence those manufacturers to use the process and to pay royalties for each use. Alternatively the holder of the secret may choose to sell the secret for a cash sum with no right to use the secret remaining with the original holder. In most cases the agreement will require that the user of the secret keep the information secret.

5) **Employees**

If a business wishes to maintain information as a trade secret, it is essential to set up procedures within the business that the information is kept secret. It is necessary therefore that employees be **obligated** to maintain the information confidential and preferably only those employees needing to know will be informed of the secret information. In addition the business must include security arrangements so that the secret is not available to visitors or unauthorized persons.

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008

Employee contracts should require the employee to keep the information confidential and in addition not to take the information with them when leaving the employment.

6) **Business information**

Trade secrets do not necessarily simply relate to secret processes but also can relate to general business information. All businesses have knowledge about price lists, customer lists, techniques for managing the business, suppliers and the like which, while they can be found out by public investigation, in total constitute business information or trade secrets. Employees are obligated by their relationship with the employer not to utilize such business information to their own advantage for example by setting up in competition with the original employer.

7) **Trade secret or patent**

In some cases a choice must be made as to whether it is desirable to patent a new invention or to maintain that invention as a trade secret. These are mutually exclusive since the patent requires the disclosure of the information thus losing the trade secret. In many countries once a process has been used on an ongoing basis as a trade secret it is difficult or impossible to later patent that process even if it is not yet been made public.

ADE & COMPANY INC.

2157 Henderson Highway
Winnipeg, Manitoba R2G 1P9
Canada

Telephone (204) 947-1429
Fax (204) 942-5723
e-mail info@adeco.com

Web site: www.adeco.com

© ADE & COMPANY INC.1995, 1999, 2005, 2008