

THE MEDIUM

CURRENT INTELLECTUAL PROPERTY AND TECHNOLOGY LAW ISSUES

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INVENTION ASSIGNMENTS: A CAUTIONARY TALE



NEIL KATHOL

This is a review of a recent decision of the United States Court of Appeal for the Federal Circuit which has implications for business law practitioners, particularly those with a technology practice.

The case is *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.* A cite for the case can be obtained upon request.

The facts, briefly, are that an individual (Holodniy) joined Stanford as a "Research Fellow" and at that time signed a Copyright and Patent Agreement ("CPA") that obligated him to assign his inventions to Stanford.

Under the CPA, Holodniy agreed to, in the future, assign all right, title and interest in and to inventions within a certain scope, to Stanford. Soon after joining Stanford, he began to visit a pharmaceutical manufacturer to work on a certain method and signed a "Visitor Confidentiality Agreement" ("VCA"). The VCA stated that he would: "...assign and do[es] hereby assign to the manufacturer, my right, title and interest in each of the ideas, inventions and improvements..." that he might devise "as a consequence" of his work at this manufacturer.

Eventually his research with the manufacturer produced a successful procedure in his field for measuring the activity of a drug (an "assay"). He then tested the new assay at Stanford. This resulted in an invention and the basis for patent applications.

Then, Roche purchased the pharmaceutical manufacturer. In the meantime, Stanford filed and prosecuted three (3) patent applications for the assay inventions, naming itself as assignee. Roche used the same assay methods, when they incorporated them in HIV detection kits. Ultimately Stanford sued Roche for patent infringement and Roche counterclaimed to defeat Stanford's title and obtain a judgment

that it owned Holodniy's interest in the patents. The decision of the Courts was quite interesting and cautionary. The Court held that the wording contained in the CPA with Stanford, namely to "agree to assign" reflected a mere promise to assign rights in the future, not an immediate transfer of an interest. This may have provided Stanford with an equitable right that it could enforce against Holodniy, but the CPA did not grant Stanford an immediate title to his invention. However the VCA contained the different language as indicated above. It contained positive, immediately-effective language, and the Court found it caused an immediate assignment of any future invention of Holodniy to the manufacturer which Roche acquired. Thus the manufacturer gained title sufficient to defeat Stanford's interests. Stanford was found to have a defective title.

In November, 2010, the U.S. Supreme Court agreed to hear an appeal of this decision, and a decision is expected in 2011. The outcome in this case turns on U.S. law including unique legislation, both Federal and California State law, so the outcome in this decision should not be considered binding in Alberta or Canada. However, in our view this case serves as a reminder that the precise wording of assignments will have a significant effect on any ownership dispute. In our experience, ownership disputes arise regularly, and technology companies must consider very carefully the wording that they employ. ▲

PROTECTION IN A CHALLENGING AND CHANGING ERA

Our Field Law Intellectual Property (IP) Team provides proven strategies for protectively identifying, protecting and monitoring your IP and providing recommendations for leveraging maximum value from your important business assets.

TIPS FOR SOFTWARE LICENSING IN 2011

Software vendors and their customers are changing the traditional distribution models for software licensing in Canada. While this change is by no means new – IT outsourcing, ASPs (Application Service Providers), SaaS (Software as a Service) and “cloud computing” have been around for many years in different forms and by different names – the change has accelerated in the industry in recent years. It is becoming more common for software to be distributed online, via subscription-based services, that are often coupled with data-hosting services, mobile apps or other non-traditional modes of distribution.

We’ve compiled some practical pointers for software vendors and their licensees to consider in 2011:

1. **A license is still a license.** Even as models of distribution evolve, some dependable legal concepts – such as licensing – still apply to the methods of commercialization. A software vendor grants a license and a licensee accepts that license, subject to certain use restrictions and other contractual obligations. This is important to remember when reviewing “purchase terms” which can become clouded with terms such as “purchase”, “lease” or other terms which don’t properly document the licensor-licensee relationship.
2. **Unauthorized access.** Technical protection measures can prevent unauthorized use of the software. When a copy of the software does not actually reside on a customer’s system, then it’s almost impossible for unscrupulous customers to make pirated copies of the underlying code. However, advances in technology and ingenious coding have also enabled new ways of hacking, multiplexing and pooling to make use of the software. With some of these tools, 100 users could take advantage of a subscription-based software tool using a single account. To combat these efforts at unauthorized access, software vendors need to review and update their license

terms to guard against the latest devious methods, and employ effective enforcement remedies.

3. **APIs, SDKs and ISVs.** No-one does alphabet soup like the IT world. Non-traditional ways of distributing software have enabled software vendors to engage and empower their customers to build their own modules to interact with the core software. Think of Apple’s phenomenally popular iPod, iPhone and iPad apps. The company enabled independent software vendors (ISVs) to use a Software Developer Kit (SDK) to build little applications that run on top of the iOS platform, and use Application Programming Interfaces (APIs) to interact with the other core applications. The result is that a simple software platform becomes a tool with seemingly infinite possibilities. What Apple did is not new – but they made it simple and popular. Other software and hardware vendors are employing the same model, to enable their ISVs and customers to build unique custom modules. This can be implemented with carefully drafted SDKs and licenses.
4. **Revenue models change.** As distribution changes, revenue models also evolve, and this should be properly reflected in the license agreement and invoicing terms: Subscription or service models may reflect time-based fees, licensing based on different categories of users, different numbers of users, subscription to different modules, features and functions, fees based on a per-transaction model, a database access model, advertising funded revenue models, or other types of licensing fees. This requires flexibility to permit software vendors the ability to charge different licensees in different ways for use of the same product.
5. **Laws change.** New court decisions and copyright laws will impact this evolving area of business. Canada may see sweeping reforms to the *Copyright Act* in 2011. ▲



RICHARD STOBBE

YOU BE THE JUDGE: CANADIAN TRADE-MARK BATTLES



LISA STATT-FOY

One of the most important steps in the trade-mark registration process is “Opposition”. Anyone who opposes registration of a trade-mark may file a Statement of Opposition based on one of the following grounds:

1. the application does not conform to the requirements of the *Trade-marks Act*
2. the trade-mark is not registrable;
3. the applicant is not the person entitled to registration of the trade-mark; or
4. the trade-mark is not distinctive.

If a trade-mark is opposed, the Trade-mark Opposition Board (TMOB) will either allow the trade-mark to be registered, or refuse registration, based upon submissions and evidence from both the applicant and the opponent. A simple task? You be the judge.

MIND TO MUSCLE VS. MIND TO MUSCLE

Trainer’s Choice Inc. v. Vision Tek Inc.

Vision Tek Inc. applied to register the mark MIND TO MUSCLE based on its use since June 1, 1999, in association with athletic clothing and exercise equipment as well as services such as sports injury assessment, massage, acupuncture and fitness instruction. Trainer’s Choice Inc. filed an opposition on the grounds that Vision Tek knew it was not entitled to use the mark, since Trainer’s Choice had offered identical wares and services in association with the mark MIND TO MUSCLE since 2001. Identical mark, identical products, with two different owners.

Years before Vision Tek filed the application for registration, the owners of the competing companies were friends and jointly operated a business using the mark MIND TO MUSCLE. There was no formal agreement as to which party owned the trade-mark, and both had subsequently used the trade-mark in association with separate, competing entities. When Trainer’s Choice saw that Vision Tek had applied for the mark, Trainer’s Choice opposed registration of the mark. The TMOB decided that the interests of Trainer’s Choice prevailed,

as the trade-mark was not distinctive of Vision Tek’s products as it had become known for the products of Trainer’s Choice. The opposition was successful and the application for registration in the name of Vision Tek was refused.

CENTRAL CITY U-LOCK VS. U LOCK **JCM Professional Mini-Storage Management Ltd. v. Central City U-Lock Ltd.**

This dispute pits two competing self-storage companies against each other. Both marks featured the term U-LOCK, but with different designs, and both companies opposed the application of the other. The TMOB decided that the term U-LOCK (the phonetic equivalent of “you lock”) is simply not a trade-mark that can be given a broad scope of protection given its ordinary meaning in association with self-storage facilities. In this case, the CENTRAL CITY U-LOCK design was permitted, since it contained other distinctive design elements, particularly the dominant positioning of the words CENTRAL CITY. JCM’s U-LOCK design mark was refused, as it was found to be clearly descriptive of self-storage services.

ESURANCE VS. ESURANCE

Lofaro v. Esurance Inc.

A well-established U.S. online insurance company (Esurance Inc.) applied to register its U.S. trade-mark ESURANCE in Canada. A Canadian insurance consultant (Ms. Lofaro) opposed the application based on her own use of the mark ESURANCE for similar services, and her ownership of the domain name ESURANCE.CA. Identical mark, similar services, and a well-funded U.S. company against a lone Canadian insurance professional.

Despite Ms. Lofaro’s best attempts to persuade the TMOB that her use of the mark should prevent the U.S. competitor from registering its mark in Canada, the TMOB remained unconvinced that Ms. Lofaro had used the mark ESURANCE as a trade-mark such that it was distinctive of her services. The opposition failed and the application for registration in the name of Esurance Inc. was allowed. ▲

BUSINESS METHOD PATENTS IN CANADA

In a groundbreaking decision last year, the Federal Court upheld Amazon's famous 1-click patent, and established that business methods are patentable in Canada. The Commissioner of Patents decided to appeal that decision. Businesses will have to wait until the outcome of this appeal to determine the scope of patentability of business methods in Canada. To follow this story, subscribe to the RSS feed at Field's Intellectual Property blog: ipblog.ca.

COPYRIGHT REFORM IN CANADA

Parliament's reform of the Canadian *Copyright Act* has been long in coming. We've seen several false starts that were either pulled due to public backlash, or fell victim to one of the many recent federal elections in recent years. At present, Bill C-32 is still being debated. The digital lock provisions are still among the Bill's most contentious issues. We may see copyright reform in Canada sometime in 2011, unless the proposed law is derailed by a spring federal election. Watch for updates in the coming months.

CLEANTECH PRACTICE AREA

Field Law is proud to introduce its CleanTech practice area, which provides advice in the areas of intellectual property review, cleantech licensing, patent protection and analysis and corporate finance.

WHAT'S BEEN HAPPENING:

- January 21, 2011 – Richard Stobbe's article on trade-marks was published in the edition of *The Lawyers Weekly*: "Trade-mark owners must use it or lose it"
- January to March, 2011 - Neil Kathol is participating in the IPIC Patent Agent Training Course
- February 2011 - BioBusiness Magazine interviewed Richard Stobbe on the topic of patenting of DNA : The Myriad Decision: What does the patent dispute mean to Canadian biotech?
- March 2, 2011 - Richard Stobbe presents on the topic of "Introduction to Intellectual Property and Licensing" to the University of Calgary MDSC 677 Masters of Biotechnology, Biotechnology Commercialization

- March 17, 2011 - Field Law is proud to host a meeting of the Calgary Chapter of the Licensing Executives Society on the topic of "IP Valuation in 2011" Presented by Robert Doran, KPMG. For registration, contact Richard at rstobbe@fieldlaw.com
- March 23, 2011 - Richard Stobbe is guest lecturer on the topic of "The Law of Mobile Apps" to the University of British Columbia Faculty of Law, 422.002 Intellectual Property
- May 13 - 18, 2011 - Neil Kathol is attending the INTA's Annual General Meeting in San Francisco

FIELD LAW INTELLECTUAL PROPERTY GROUP

Our IP and technology group brings comprehensive knowledge and extensive experience to matters dealing with patent, trade-mark, copyright, industrial design, trade secrets, IT and other IP issues. We endeavour to provide services that are strategic, timely, and efficient and effect optimal results. Our group seeks to protect your technology in a challenging and changing era. We would be pleased to be of service to you.

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DISCLAIMER

The Medium is a commentary on current legal issues in the intellectual property and technology area and should not be interpreted as providing legal advice. Consult your legal advisor before acting on any of the information contained in it. Questions, comments, suggestions and address updates are most appreciated and should be directed to:

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