Intellectual Property FOCUS

Proprietary IP and the future of electric vehicles

CURTIS BEHMANN

As electric vehicles (EVs) and plug-in hybrids come to market, their intellectual property protection has become increasingly important.

Income generation

For EVs, the landscape will likely be dominated by a few key technologies, with secrets being closely guarded (Renault recently fired three senior staff accused of selling corporate secrets about EVs). Suppliers with patent protection on critical underlying components may negotiate exclusive licenses for the use of their technology.

Income generation is of increasing strategic importance for IP portfolios. A strong patent portfolio can build the value of a particular business line, and can benefit the parent company directly, be used for cross-licensing purposes or even as a preparation for a spin-off or sale.

EV infrastructure

An entirely new EV infrastructure brings opportunities for differentiation in technology and branding. Battery cells and systems will need protection, as well as innovative solutions for battery disposal, service and maintenance.

Home charging systems, integration, power conditioning, safety and load balancing will need protection. For example, in the summer, it would be advantageous to use air conditioners, washing machines and car battery chargers all together, when time of use charges are the lowest.

PHOTO COURTESY OF NISSAN

The 2011 Nissan Leaf undergoes an inspection.

Market adoption will depend on public charging technology, which will present unique branding opportunities. Consider cross-industry partnerships, such as: a luxury car manufacturer having dedicated charging/parking spots at a prestigious golf course; a store in a shopping mall paying your car battery charging expenses if you make a minimum purchase; or a local garage or car dealership having courtesy cars charged and available for their customers at a transit station "park and ride."

Software patents

Software and controls represent a sizable portion of existing U.S. patent applications related to EVs and hybrids. (Toyota has more than 2,000 patents on its hybrid technology.) Companies should consider drafting separate patent claims for each element in a software system to catch the largest number of potential infringers.

Software can generally be patented in most countries, as can business methods in some key jurisdictions. A recent Federal Court decision, *Amazon.com Inc. v. Canada (Attorney General)*, [2010] F.C.J. No. 1209, confirmed that business methods are currently patentable in Canada. In *Amazon.com*, the Federal Court reversed the patent commissioner's decision to refuse patent protection for Amazon's 1-Click "business method," the refusal being based largely on policy motivations.

The Canadian Patent Office has appealed this decision; expect the decision on the appeal later in 2011.

Trade-marks

Drivers loyal to certain car companies will put great weight behind these brands as they make EV buying decisions. In addition to word marks, trade-marks should be filed for distinctive hood ornaments and symbols. If the Chevy Volt and Nissan Leaf are any indication, car model names with electrical and environmental meanings will become more common.

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Companies should consider registering in jurisdictions in which manufacturing is the only current activity. Contracts related to joint ventures, co-operation, licensing and commercialization should contain clauses to protect exclusive rights to trade-marks and other IP.

If GM is granted its trade-mark application for the term "range anxiety" (the fear that an electric vehicle has insufficient range to reach its destination — and GM's Volt includes a gas engine that can extend its range) either the issue will go away more quickly or the media will find another way to express such customer concerns.

Customer adoption

Solutions directly addressing customer adoption issues should be examined carefully for IP protection requirements. With current EV batteries needing replacement every five years at a cost of about $5,000 each, innovative customer service models may be as important as technical solutions. Some new EVs will generate noises to make them sound like ordinary vehicles, to increase pedestrian safety and customer acceptance. Look for the innovative use of social media to encourage EV adoption, in the way the Sienna Family's "swagger wagon" YouTube videos were used to increase mini-van acceptance.

Country-specific issues

In China, now the world's largest vehicle market, a recent 10-year plan proposed a US$15 billion infrastructure investment for EVs, with a target of five million EVs on the road, and three million hybrids manufactured in China, by 2020. To sell an electric vehicle in China, a Chinese company must be involved in one of the three "core technologies": motor, power electronics or battery. This means increasing the role of joint ventures and IP sharing for companies wanting to sell EVs in this market.

In India, the government is providing a 20 per cent subsidy for each new EV sold to an Indian customer by the end of 2011. Other countries are bound to implement similar incentives.

Many auto companies, and their suppliers, are banking on proprietary IP as a key to their market success in the new arena of EVs. ■

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Software licensing in the cloud

RICHARD STOBBE

Cloud computing is one more variation of information technology service, continuing a process that has been underway for some time in the IT industry. You may also have heard of ASPs (Application Service Providers), SaaS (Software as a Service), PaaS (Platform as a Service) or a number of other variations that describe ways of providing these services, including development, management and hosting of software and data off-premises to end-users through the Internet. A convergence of technologies — including low-cost data hosting, broadband access and the proliferation of mobile devices — is accelerating the adoption of cloud computing services.

Here are some legal risks and issues that arise with this slate of services:

1. Data handling

The security and privacy of data is one of the most critical issues in the use of cloud computing services. Both vendors and end-users need to assess where the data is stored (often in data centres located somewhere outside Canada). What laws apply in that country? Does the physical and technical security match the sensitivity of the information? For example, personal financial or health data should be handled differently than public "white-pages" information or anonymized data.

Other issues include whether it makes sense for a particular customer to have his or her data stored on a separate server; what disaster-recovery or back-up services are available from the service provider; and what happens to the data when the relationship ends and whether it can be accessed by the end-user in a useable format. All of these concerns should be considered in the case of significant data-outsourcing contracts.

2. Jurisdictional issues

As mentioned above, data is often hosted outside Canada — and a software provider's customers may be located around the world. A

See **Cloud** Page 13

FOCUS *Intellectual Property*

Format owners face uphill battle to protect rights

TV

Continued From Page 9

called "Phat Farm." The only similarities between the two works were the generic idea of a weight loss show and the scenes a faire (expressions that are standard or common to a particular topic) that flowed from that idea, none of which were protectable.

In another U.S. decision, *CBS Broadcasting, Inc. v. ABC, Inc.* 02 CIV 8813 (SDNY, Jan. 13, 2003) the court rejected CBS's claim that the ABC show "I'm A Celebrity Get Me Out Of Here" infringed CBS's copyright in its "Survivor" format.

"Big Brother" has also been the subject of copyright disputes. In *Castaway Television Productions Ltd. and Planet Productions Ltd. v. Endemol* (unreported, Dutch Supreme Court, April 16, 2004), the producers of "Survivor" claimed that its format was entitled to copyright protection as a result of its unique combination of elements and alleged that "Big Brother" infringed the copyright in "Survivor." The Dutch Supreme Court held that the "Survivor" format was protectable as a copyrighted work, but denied there was substantial similarity between the two shows.

In a Brazilian decision, *Endemol v. TV SBT* (unreported, 2004, Brazil) the court held that "Big Brother" was protected under Brazilian copyright law and found there was substantial similarity between "Big Brother" and the Brazilian copycat show "Casa Dos Artistas."

In Canada, there is no copyright in ideas per se, only in the tangible expression of those ideas. Section 5(1) of the *Copyright Act* states that copyright subsists in every original literary, dramatic, musical and artistic work. Section 3(1) of the Act provides that copyright in relation to a work "means the sole right to produce or reproduce a work or any substantial part thereof in any material form whatever…" Section 27(1) of the Act states "it is an infringement of copyright for any person to do, without the consent of the owner of the copyright, anything by this Act only the owner of the copyright has the right to do."

In *Hutton v. Canadian Broadcasting Corp.* [1989] A.J. No. 1193 (Alta. Q.B.), the plaintiff, Douglas Hutton, created and co-produced a video countdown show with the CBC called "Star Chart." Three years after the show's cancellation, the CBC produced "Good Rockin' Tonight" (GRT), another video countdown show featuring Terry David Mulligan, the host of "Star Chart."

Hutton commenced an action for copyright infringement. The court found that, unlike GRT, "Star Chart" satisfied the definition of a dramatic work and had sufficient originality to be protected as a copyrighted work. The court noted a number of similarities and dissimilarities between the two programs and stated "although the evidence demonstrated similarities between the shows, they have also revealed some important dissimilarities which, in my view, outweigh the similarities (qualitatively speaking) and demonstrated the programs were dissimilar." The plaintiff's copyright infringement claim was dismissed.

In *Cummings v. Global Television Network Quebec, Limited Partnership* [2005] Q.J. No. 6707 (Que. S.C.), the plaintiff alleged that the defendant copied his concept for a television show centred around a musical performance competition. The plaintiff had submitted to the defendants an outline for a show entitled "Dreams Come True" prior to the defendant's production of a show called "Popstars." The court found that the plaintiff's concept, which had never been produced, possessed insufficient details to be an original work and was therefore not entitled to copyright protection.

Although this disposed of the copyright claim, the plaintiff also alleged delictual (extra-contractual) infringement of his rights in the "Dreams Come True" concept. The court undertook a substantial similarity analysis and found that the similarities between the two shows were generic and unimportant in nature, and the differences between the two concepts were more important than the similarities. In particular, the court agreed with the defendants that a key element of the "Popstars" program was the "behind the scenes" elements which made the show more of a docudrama or docusoap than a singing competition. The trial decision was upheld by the Quebec Court of Appeal ([2007] J.Q no. 1730 (C.A.)).

Certain jurisdictions are reluctant to grant copyright protection to television formats and those that have recognized television formats as copyrighted works have been reluctant to allow format owners to successfully assert their rights in copyright infringement proceedings against third parties. This, in part, has led to the establishment of the Format Recognition And Protection Association, an international association dedicated to the protection of formats and lobbying for statutory recognition of format rights.

Protecting the brand of the format and being first to market with that brand can be more important than fighting an uncertain battle to protect and enforce copyright in the format. ■

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Software providers often outsource data hosting

Cloud

Continued From Page 10

services agreement should address jurisdictional issues through well-drafted choice-of-law and dispute resolution clauses. This issue will be handled differently if the agreement is a standard form for individual end-users, or a customized agreement for a large-scale corporate IT outsourcing transaction.

3. Warranties & service levels

What warranties are being provided by the service provider? A distinction needs to be made between the product warranties (for the software applications that are being accessed and used), and the service warranties (for the online services that are provided). Database warranties may also be applicable.

Consider whether the warranties will be based on certain standards and how to define those standards — will it be tied to certain functionality, documentation or "industry standards," or will it be efforts-based? Up-time guarantees, service levels and technical support can also be handled in the scope of warranties. Also consider what implied warranties will be disclaimed.

4. Customization

One of the growing trends within the "cloud" is the ability of customers or independent developers to use software developer kits (SDKs) to add functionality to a software platform. This permits customers to build unique modules that satisfy their own specific needs. This can be implemented with carefully drafted SDKs and software license agreements.

5. Subcontracting

Is the software service provider using its own subcontractors to provide mission-critical services? For example, software providers often outsource data hosting to low-cost hosting companies, who may use subcontractors themselves. This means that, from a contractual perspective, the data is two or three steps removed from the end-user.

Consider how the risk should be allocated and whether such subcontracting should be permitted or disclosed in significant transactions.

6. Licensing models

Consider flexible subscription-based software agreements which may reflect different revenue streams based on:

- time-based fees;
- different types of users;
- different numbers of users;
- online storage capacity;
- subscription to different modules and functionality,;
- per-transaction models; and
- database access models.

Flexible licensing allows both the vendor and the end-user to customize the pricing to their specific needs.

7. Unauthorized access

A hosted software service is still susceptible to ingenious methods of hacking or unauthorized access by users. Besides technical protection measures, software vendors also need to ensure their legal protection is up to industry standards. Online agreements should permit monitoring to detect unauthorized usage. License terms should prohibit multiplexing and pooling so users cannot avoid paying for user access licenses. The terms should also contain effective remedies including account suspension and damages.

Cloud computing raises a host of complex issues. For both software service vendors and end users, it pays to get advice on negotiating and drafting agreements in the cloud computing sector. ■

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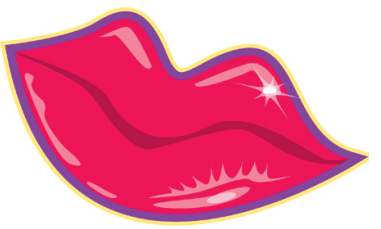
Lawddities



An oddity in ***Intellectual Property Law***

Harlequin tries to patent the kiss

Romance publisher Harlequin Enterprises has filed a patent application in the U.S. for the "essential romantic kiss."

Harlequin's application, recently submitted to the U.S. Patent and Trademark Office, provides a summary of the kiss, as well as six diagrams demonstrating how to perform it, according to AOLnews.com.

If the application succeeds, will we have to begin paying every time we pucker up? Fortunately not — Harlequin won't charge for use of the kiss, but will make it available to everyone in the interests of promoting romantic love. —*Natalie Fraser*

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