

Loss Control

Bulletin

Information Technology Professionals

Liability Insurance

Intellectual Property

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Introduction

In today's economy, a company's brand name, client lists, business plans or e-commerce strategy – in effect its intellectual property – may be considered its most important assets, surpassing in value all of its tangible bricks and mortar type assets.

Protecting your own intellectual property rights, as well as ensuring you don't infringe on the intellectual property rights of others, has become an increasingly difficult and complex task.

With the introduction of the Internet, companies today have vast amounts of information at their fingertips that they can modify and distribute around the world. This information may originate from others whose exclusive rights to benefit from its use are protected by applicable laws. Most jurisdictions have enacted legislation to protect owners of copyrights, patents and other intellectual property against unauthorized use of their property by others.

Companies across all industry sectors are presented with the changing landscape that comes with emergence of e-commerce – exciting new opportunities accompanied by new and different risk factors.

The purpose of this document is to draw your attention to some of the risks to which your firm may be exposed as a result of its use of intellectual property and to offer suggestions as to how you can mitigate your exposure to these risks.

Intellectual Property Definitions

In simple terms, intellectual property is property of the mind. It is created by mental activity and is protected by various laws for patents, copyrights, trademarks, trade secrets and unfair competition. Such laws give legal recognition and ownership rights to the creators of intellectual property. Although intellectual property is intangible in nature, it can be sold, appraised or used as collateral for a loan, in much the same way as personal property or land.

Before we can develop a risk management strategy for intellectual property, it is important to understand the different types of intellectual property and the protection rights that are associated with each. Some of the terms that you need to be familiar with are outlined below.

What Is Copyright?

Copyright is a series of rights protecting a "work." Works may be literary, artistic, dramatic or musical and include books, business plans, maps, music, photographs, software programs, films and databases. Copyright protects these works and prevents others from reproducing, displaying or distributing them without the owner's authorization. Copyright does not protect the idea within the work; it only protects the expression of the idea. For example, copyright would protect the text of a book but would not protect the idea behind the story. Copyright infringement is the unauthorized use of any copyright material.

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What Is a Patent?

A patent provides protection to an inventor of new, useful and non-obvious inventions. A patent is the strongest form of protection for technology since it protects the invention as well as the underlying idea behind the invention. Infringement of a patent is the unauthorized use, manufacture or sale of an invention without the authorization of the patent owner.

What Is a Trademark?

A trademark is a word, logo, symbol, design or slogan used to distinguish the goods and services of a person or business from those of others. Trademarks may be registered with the Trademarks Office or trademark rights may be created just by using them. Trademark rights may be used to prevent others from using a confusingly similar trademark on similar wares but does not prevent others from manufacturing or selling the same goods or services under a different trademark.

Trademark rights may also extend to trade dress and distinguishing guise (unique features) of products. These include distinctive packaging or the shape of a product that may be used to distinguish a particular product from a product of others in the industry.

What Is a Trade Name?

A trade name is similar to a trademark but it identifies and distinguishes a corporation rather than a product or service. A trade name may be used as a trademark.

What Is a Trade Secret?

A trade secret is confidential information held by a company and which has an economic value. The information must not be known generally to the public or other persons and steps must be taken to maintain it as confidential. Trade secrets may include business plans, formulas, and research and development documents.

The value of a company is often measured by the value of its intellectual property as opposed to more traditional methods of valuation. The value of intellectual property can easily surpass the total value of all tangible assets and yet few businesses have any measures in place to safeguard their intellectual property. Most companies insure their buildings

and equipment, and have a security system to protect their premises, but they do little to protect some of their most important assets. The following are some suggested methods to protect your intellectual property and your balance sheet by avoiding costly infringement claims.

Suggested methods for protecting your intellectual property:

- Register your trademarks, trade names, patents and copyrights.
- Register your trademarks and trade names as domain names.
- Identify your trademarks by symbol ® or ™ on your products, web page and brochures, and include a footnote identifying your company as the owner.
- Attach copyright notices to all copyrightable material.
- Preserve the confidentiality of all important information.
- Avoid placing source code in escrow for the benefit of third parties.
- Have employees and sub-contractors sign non-disclosure agreements.
- Have employees sign employment contracts assigning all intellectual property rights to the employer.
- Have independent contractors and sub-contractors sign contracts assigning all intellectual property rights to the company.

Suggested methods for avoiding infringement of the intellectual property rights of others:

- Conduct simple Internet searches for potential trade name, trademark, patent and copyright infringement.
- Hire legal counsel to do a thorough search for potential patent, copyright and trademark infringement.
- Have new employees sign agreements stating that they are not bringing with them any trade secrets, documents or any other materials from previous employers.
- Clearly define ownership of intellectual property rights in all contractual agreements, including licensing agreements, employment contracts, distribution agreements and product development agreements.
- Supplement your risk management program by purchasing insurance coverage for intellectual property infringement.



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