

Intellectual Property Litigation 101 - What You Need To Know In Plain English

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Why Protect Your Rights

There are many good reasons to protect your intellectual property rights. You may want to stop a competitor from selling a competing product or service. You may want to protect your company's hard earned reputation in the marketplace. You may want to prevent another party from misappropriating your valuable trade secrets. You may also want to enforce your rights in order to preserve their value. Here are a few specific examples:

Trade-Mark Disputes

Trade-marks are valuable business assets, often representing years of accumulated good will. It is not surprising, therefore, that many companies often end up in disputes concerning the ownership and use of trade-marks. Even if the party infringing your trade-mark is relatively small, it is often advisable to take steps to persuade the infringer to cease its actions. Failure to enforce your trade-mark rights against smaller competitors may weaken your trade-mark by rendering it non-distinctive - making it more difficult to enforce your trade-mark against more serious competitors. Also, smaller competitors can do considerable harm to the good will you accumulated in your trade-mark. This is a particular concern where the competitor sells cheaper, lower quality goods using a confusingly similar trade-mark. The consumer may become confused as to the source of the goods and your competitor's bad reputation for selling poorly made goods may rub off on you.

Patent Disputes

The principle reason people bring patent infringement lawsuits is to prevent competitors from selling competing goods or services. This may be a particularly advisable route to take if the competitor is selling an infringing product at a much lower price than you, thereby effectively locking you out of the market which you created. Patent infringement disputes may also arise where a company takes an over zealous view of their patents and tries to enforce it against innocent competitors. These innocent competitor's may not be infringing a patent, but unless they take appropriate steps to protect their interests, they may find themselves locked out of a lucrative market.

Failed Business Relationships

Many business relationships, such as joint ventures, distribution arrangements, supplier/customer relationships, and even employer/employee relationships lead to disputes over the ownership of key intellectual property assets when these relationships fail. Distributors often continue to sell products using similar trade-marks, suppliers continue to sell patented products to other customers and former employees sometimes exploit trade secrets or copyright rights belonging to the former employer. In

these circumstances, it is a good business practice to take pro-active steps to protect your rights before too much damage is done.

How to Protect Your Rights

There are three basic steps you can take to preserve your rights in an intellectual property dispute - register your rights (if you can), send a cease and desist letter and, if all else fails, commence a court action.

(1) Register Your Rights - If Possible

The first step is to take what ever pro-active steps you can to record or perfect your intellectual property interests. For example, if you are afraid a former supplier may start selling some of your valuable technology to your competitors, then you may want to speak to a patent lawyer about filing a patent application. Likewise, if you have not already done so, you may wish to file trade-mark applications, register copyright, or apply for industrial design protection. In many intellectual property disputes, you can gain a significant strategic advantage if you file an application before your opponent does.

(2) Cease-and-Desist Letter

In some cases, particularly where your opponent is a relatively small player, you can obtain a perfectly acceptable result simply by having a lawyer send a letter to your opponent stating your position and how you would like to resolve the dispute. Such letters are often referred to as "Cease-and-Desist" letters. The letter may include a specific demand - such as having your opponent deliver up all infringing copies of a particular thing (i.e. pirated CDs, or inventory which infringes one of your patents). The letter may also demand a monetary payment from your opponent. Many cease-and-desist letters give the opponent a relatively short time period to comply, failing which legal action will be commenced.

Cease-and-desist letters have the advantage of being relatively inexpensive and fast. However, cease-and-desist letters are not legal proceedings. At most, all a cease-and-desist letter can do is threaten your opponent with legal action if certain conditions are not met within a certain time period. In many cases, such a letter can cause considerable consternation for your opponent, particularly if your opponent is a small player relative to you. However, even if your opponent is a larger company, a cease-and-desist letter is not likely to be ignored. Indeed, large companies take the threat of legal action very seriously. If nothing else, a cease-and-desist letter is likely to get you noticed.

A cease-and-desist letter is not always required, and in some cases, it is not even advisable. You should speak with a lawyer concerning when/or if you should take this route.

(3) Court Action (law suit)

If the cease-and-desist letter is not effective in achieving the result you require, then you may wish to commence a court action to enforce your rights. The first thing to consider when commencing a court action is selecting the court in which to bring your action.

Which Court

In Canada, you have the choice of commencing an action in the Federal Court of Canada, or in a Provincial Court. The Federal Court of Canada has the power to issue orders which are enforceable throughout Canada, whereas provincial court orders are generally only enforceable within the province in which the order was granted. The particular facts of your case will dictate in which court the action ought to be commenced.

In some cases, it may be necessary to commence legal proceedings in another country (i.e. the United States). You may have to retain a lawyer in the country where the infringement occurred.

Monetary Damages

Courts have the authority to order your opponent to pay monetary damages to compensate you for the damage your opponent's activities have caused your business. In addition to awarding you the actual damages you suffered, it may be possible for the court to award you compensation for opportunities which you or your business may have lost as a result of your opponent's activities.

How Long do Court Actions Take?

It may take a couple of years before the action proceeds to trial. In the meantime, how do you prevent your rights from being infringed? How do you protect yourself from lost profits as a result of the counterfeit or infringing goods being on the market. How do you protect your reputation and goodwill in the marketplace from being damaged due to your opponents activities? There are three possible ways to limit your damages during the time it takes to get to trial - an interim injunction, an interlocutory injunction and an Anton Pillar Order.

Injunctions in General

An injunction is a Court order which stops your competitor from infringing your rights. If your opponent refuses to adhere to the terms of the injunction the court can issue sanctions against your opponent, including, in extreme cases, incarceration. Injunctions and Anton Piller Orders are very powerful tools to stop infringers dead in their tracks. An interim or interlocutory injunction or an Anton Piller Order can be obtained quickly and will effectively stop the infringing activities. It will also send a strong message to other potential infringers that you are committed and determined to protect your rights.

Interim Injunctions

An interim injunction is an injunction which can be obtained before the commencement

of a court action without your competitor's knowledge. These injunctions are granted where there is urgency and where giving notice to your competitor would defeat the purpose of the injunction. Interim injunctions are short in duration but can be extended and converted into interlocutory injunctions by an application to the court on notice to your competitor.

Interlocutory Injunction

An interlocutory injunction is an injunction which is granted after the commencement of a court proceeding and before the trial of the action. Your competitor is given notice and has an opportunity to oppose the injunction application. Once the interlocutory injunction is granted it will remain in force until the trial of the action. Generally, an interlocutory injunction will resolve the dispute since once your competitor is prevented from infringing your rights, chances are that your competitor will either go out of business or pursue another course of business. An interlocutory injunction generally results in a permanent injunction at trial. A permanent injunction will prohibit you competitor from infringing you intellectual property rights.

Anton Piller Orders

In certain cases, you may wish to attend at your opponent's place of business unannounced and, with the assistance of the local sheriff or police, seize infringing products. An Anton Piller order may allow you to do that. Anton Piller orders are obtained without notice to your opponent and may be obtained either before or after commencement of a court action. An Anton Piller order may be very effective in stopping pirates from infringing your intellectual property rights.

If you have any questions relating to intellectual property litigation, please feel free to call our office for a consultation. Our office is located in Etobicoke, Toronto, Ontario and is within a short drive of the cities of Mississauga, Brampton, North York, Vaughn, and the GTA. Our number is 416-622-8718.