

SURVEY ON TRENDS FOR COMMERCIALISING IP

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PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

1 Joint IP - In Manitoba, the following rights are afforded to a joint owner of Intellectual Property Rights ('IPR'):

(a) each co-owner can use the jointly owned IPR for his own internal benefit without the consent of the other co-owner. Also, there is no duty to account to the other co-owner.

(b) each co-owner can assign his entire interest in the jointly owned IPR without the consent of the other co-owner. Also, there is no duty to account to the other co-owner.

With respect to restrictions, neither co-owner can partially assign his interest or grant a non-exclusive licence of his rights without the consent of the other co-owner.

2 Know how - In Manitoba, the provincial laws do not address the licensing of know how. Therefore, know how may be licensed and there are no restrictions which would affect such licences.

PAYMENT STRUCTURE

3 Royalty Payments - In Manitoba, there is no prescribed formula for royalty payments. Depending on the industry, you can have an up front fee, minimum payments, annual or quarterly royalties, royalties based on profits, gross sales or net sales and/or milestone payments.

4 Remittance of Licence Fees - The Income Tax Act (Canada) imposes a duty on a Licensee to withhold a portion of the payment made to a foreign Licensor. However, there may be an applicable treaty between Canada and the jurisdiction of the foreign Licensor (e.g. Income Tax Convention between Canada and United States of America).

APPROVALS/REGISTRATION

5 Government Approvals/ Registration - In Manitoba, a licence agreement relating to IPR is not subject

to any initial provincial government approvals or registration with the Government of Manitoba. However, the Competition Act (Canada) may declare void a licence agreement relating to IPR should the licence agreement violate the provisions of the Competition Act (Canada).

6 Registration - There are no limitation periods during which a new owner of registered IPR must register its ownership. However, it would be prudent for a new owner to register its ownership immediately following the transfer of IPR so that the applicable registry can be updated.

LICENCES

7 Registration of Licences - Trademarks: A trademark licence need not be registered pursuant to the Trade-marks Act (Canada). However, it would be prudent for a licensee to register notice of its license especially if it is an exclusive licence.

Patents: Pursuant to the Patent Act (Canada), every grant and conveyance of any exclusive right to make and use and to grant to others the right to make and use an invention patented, within and throughout Canada or any part thereof, must be registered with the Patent Office.

Copyright: While the Copyright Act (Canada) provides that a licence of an interest in a copyright may be registered, it is not necessary to register a licence of an interest in a copyright to obtain an interest in a copyright. However, this Act also states that any licence granting an interest in a copyright shall be adjudged void against any subsequent licensee for valuable consideration without actual notice, unless the prior licence is registered in the manner prescribed by this Act before the registering of the instrument under which the subsequent licensee claims.

8 Implied Terms - In Manitoba, there are no implied terms which would likely be imposed in an IPR licence. However, be aware of the warranty of merchantability and the warranty of fitness for a particular purpose. These warranties are implied warranties and may be implied into licence agreements.

Under Canadian law, if 'any work is, or has been, prepared or published by or under the direction or control of Her Majesty or any Government department, the copyright in the work shall, subject to any agreement with the author, belong to Her Majesty'. Her Majesty includes the federal and provincial governments and any of their agencies.

9 Prohibited Terms - Pursuant to the Competition Act (Canada), no person who has the exclusive right and privileges conferred by a patent, trade-mark, copyright, registered industrial design or registered integrated circuit topography, shall, directly or indirectly,

(a) by agreement, threat, promise or any like means, attempt to influence upward, or to discourage the reduction of, the price at which any other person engaged in business in Canada supplies; or

(b) refuse to supply a product to or otherwise discriminate against any other person engaged in business in Canada because of the low pricing policy of that other person.

ENFORCEMENT

10 Dispute Resolution - The most common approach to resolving IPR contractual disputes is to first proceed to mediation and then to arbitration; however, the exception to this approach is going to court to obtain an injunction. Alternative dispute resolution is becoming increasingly popular in Manitoba for resolving IPR contractual disputes.

11 Courts - A court of competent jurisdiction in Manitoba can enforce an IPR licence which is governed by the law of another jurisdiction.

12 Non Compete - Regarding post termination restrictions on a Licensee, the starting point is that a provision that provides for a restraint of trade is, prima facie, void. The two policy issues courts consider in reviewing a post termination restriction are the freedom of a person to contract, and the public interest in maintaining a free market and open trade.

Any post termination restriction on a Licensee's ability to compete will be viewed in light of the particular facts and the surrounding circumstances of the business. While a business is entitled to protect its legitimate business propriety interests, including the protection of trade secrets, any restriction to prevent competition must be reasonable, both in terms of geography and time.