Intellectual Property Protection - Industrial Designs

Intellectual Property Bulletin

Authors

Ling F. Wong
Vancouver

Susan Ben-Oliel
Vancouver

Practice Areas

Intellectual Property

Importance of Intellectual Property

Nowadays, companies large and small are generally aware of the potential importance of intellectual property ("IP") as key business assets; IP can include patents, trade-marks, copyrights, know-how, trade secrets, etc. Increasingly, a significant portion of the value of a business can be attributed to such intangible assets (some of which require registration in order to be enforceable), as opposed to physical ("bricks-&-mortar") assets. Just as an example, in a study conducted by Interbrand back in 2002 (PDF), it was estimated that more than 70% of McDonalds' market capitalization and more than 50% of Coca-Cola's market capitalization could be attributed to those respective brands (encompassing intangible property such as trade-marks, goodwill, etc.). For a company that is less mature, it is generally speaking even more likely that intangible assets will be of relatively significant importance.

Indeed, for a promising start-up company seeking funding or investors, commonly one of the first questions it is asked will be what IP protection it has. From a potential investor's perspective, a company with a strong IP position can represent less risk. IP protection can provide a company with a significant competitive advantage. If IP protection is secured, this typically affords the company some form of exclusivity, which potentially could be used to block competitors. For example, if a company has patented its key technology, this can make it more challenging for a competitor to enter the same market and disrupt that business. IP can also be treated as a commercial asset, with an inherent value and which, as such, will be attractive to potential acquirers or investors; besides using it for the business, the IP can also be sold, licensed and even used as security for financing. Furthermore, IP can form part of a company's litigation "war-chest" - e.g. if a company owns a significant patent portfolio, this may make a competitor that operates in the same space think twice about initiating a patent infringement action against that company, since the competitor knows that company could retaliate against it with a patent infringement action of its own. Moreover, in the event that a competitor brings a well-founded patent infringement action against the company, such an IP portfolio may facilitate settlement of the dispute, e.g. the company could offer to settle the litigation in exchange for entering mutual cross-licenses.

On the other hand, if IP protection was available, but the company elected not to pursue it, this can sometimes reflect badly on the company's management, leading potential investors to question the company's strategy and whether it has all its affairs in order.

Registration of Industrial Designs in Canada

Many companies will, as a matter of regular course, consider the availability of and merits of seeking patent and/or trade-mark registration. However, one form of IP protection that is often overlooked, but which can nevertheless be quite significant, is an industrial design registration (industrial designs, as they are called in Canada, are referred to in the U.S. as design patents). Industrial designs are distinct from patents (more specifically, "utility" patents). It is important to note that industrial designs (as described further below) protect the shape, configuration, pattern or ornamentation that give manufactured articles *visual appeal* but they do not protect any aspect of functionality of the article or how it works. Utility patents, in contrast, actually protect the "functionality" of an invention.

In the much publicised "smartphone patent wars" between Apple and Samsung Electronics, and more specifically in the initial patent infringement action brought by Apple in the U.S., where it alleged that several of Samsung's smartphones infringed Apple's intellectual property rights, it should be noted that several industrial designs (design patents) were a key focus of the dispute. Although in that case, Apple's IP claims included those based on infringement of various design patents, utility patents, trade dress rights and registered trade-marks, it was the design patents covering the shape of the smartphone and covering the graphical user interface that were clearly central to the case. At that first trial in the U.S., Apple was largely successful and was awarded damages of ~$1 billion, although in a subsequent retrial concerning the damages, this award was somewhat reduced.

In Canada, an Industrial Design is defined in the *Industrial Design Act* (the "Act") as: "*features of shape, configuration, pattern or ornamentation and any combination of those features that, in a finished article, appeal to and are judged solely by eye*". The design must be original in order to qualify for registration. In other words, any esthetic features of a finished article that are original may be the subject of an industrial design. For example, this might apply to the shape of a sports water bottle, the shape of a chair, or the ornamental features on the handle of a fork.

However, there is a limitation in that industrial design protection is not extended to: "*features applied to a useful article that are dictated solely by a utilitarian function of the article"*. What this means is that one cannot register a feature of an article where that feature is dictated by the function of the article. For example, one would not be able to register as an industrial design the round-bottomed shape of a cup-holder for attaching to a child seat, because its function as a holder of round-bottomed cups, etc. dictates that its shape be round; however, if a cup-holder for a child seat had a rim with an undulating, wavy configuration, this feature may registrable as an industrial design.

Advantages

The main advantages of registering an industrial design are that the process is relatively straightforward, fast, and hence, generally inexpensive.

In order to prepare an industrial design application, we require formal drawings depicting the design as applied to a finished article. Typically, several views are presented (e.g. a perspective view, a plan view, a front view, and one or more side views). The application needs to set out the prescribed information (of the proprietor/owner of the subject industrial design), the drawings and a simple written description of each view. This is considerably less involved than what is required to draft and file a typical patent application. The examination process for industrial designs is also relatively quick. If no prior art is located by the examiner (whose search is limited only to prior industrial design registrations), an industrial design registration can issue ~9-12 months after the

application is filed.

An industrial design registration gives the owner the exclusive right to "*make, import for the purpose of trade or business, or sell, rent, or offer or expose for sale or rent, any article in respect of which the design is registered and to which the design or a design not differing substantially therefrom has been applied*" (subsection 11(2) of the Act). The term of an industrial design registration is up to 10 years from the date of registration, although a modest maintenance fee must be paid on or before the 5 year anniversary in order to maintain the registration. The term of a design patent registration in the U.S. is 14 years from the date of registration.

It can be argued that a patent is potentially more powerful than an industrial design registration - since a patent protects the functional aspects of an invention, while an industrial design registration only protects esthetic features (it tends to be more difficult to come up with a work-around for the former). However, the potential value of registered industrial designs should not be disregarded. They can be very important and valuable, in their own right, as evidenced by the Apple/Samsung case discussed above and others. Further, as mentioned above, industrial design registrations offer a number of advantages. The takeaway message is that one should not forget to consider whether industrial design protection may be available for one's innovations. They should at the very least be thought of as something that can supplement a company's other, more commonly sought IP rights - and provide another key weapon in the IP arsenal.