

LKC
K
1401
.P77
1994

IC

PROTECTING INTELLECTUAL PROPERTY

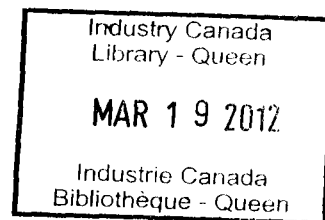
AN INTRODUCTION
TO JAPAN



Canada

***Protecting
Intellectual
Property***

***An Introduction
To Japan***



Foreign Affairs and International Trade Canada
Industry Canada
March 1994

© Minister of Supply and Services Canada 1994
Cat. No. C2-187/1994
ISBN 0-662-60237-4
IT PU 0025-93-03





Disclaimer

The information in this publication should be considered solely as a guide and should not be quoted as or considered to be a legal authority. Legal authority must be found in the relevant laws of Canada and of the countries under consideration, and in the decisions of the courts interpreting the laws. All readers of this publication are urged to seek the advice of legal counsel when they are assessing their own legal positions in the area of intellectual property.

The views expressed in this publication are those of the authors and are not necessarily those of Industry Canada or the Government of Canada.

Industry Canada disclaims any and all liability for the accuracy and completeness of the material set forth in this publication.



Contents

Introduction	1
Intellectual Property	
What Is Intellectual Property?	3
Why Protect It?	3
How Can Intellectual Property be Protected?	4
Patents	5
Plant Breeders' Rights	8
Industrial Design	8
Trademarks	8
Copyright	9
Trade Secrets and Confidential Information	9
International Treaties	10
Confidentiality Agreements and Project Agreements	11
Containment	11
The Japanese Experience	
Patents	13
Contracts	15
Case Studies	16
Making Agreements: A Checklist	
Confidentiality Agreements	21
General Considerations for Project Agreements or Contracts	22
Intellectual Property in a Contract	23
Information	
Japan	27
Statutes	28
Patents	29
Industrial Design	30
Trademarks	30
Copyright	30
Industry Canada Contacts	31

Introduction

This document has been produced under the auspices of the Government of Canada's Going Global Trade Development Strategy initiative, specifically the Japan Science and Technology Fund, a program that promotes Canada-Japan science and technology cooperation. It is intended to be an aid and a guide for researchers and enterprises who have recognized the benefits of collaborating with Japan. An increased awareness of the intellectual property regime and practices in Japan will help Canadians make knowledgeable decisions and will reduce the possibility of misunderstandings between Canadian and Japanese collaborators.

The world economy is changing. Globalization of markets, a shift toward trade in knowledge-intensive goods, and a decline in the value of commodity trade have made it more and more important to strengthen economic competitiveness through the application of science and technology.

In the past, Canada's rich endowment of natural resources provided a strong competitive advantage and a stimulus to economic growth. While resource industries will continue to be important to Canada's economy, the competitive edge in the future will depend much more on Canada's ability to harness science and technology for these traditional industries as well as for the high technology manufacturing sectors.

Canada's two-way trade with the Pacific Rim now exceeds its trade with Europe. More than half of Canada's two-way trade with Asia is with Japan, a country whose economic success stems directly from its exploitation of new industrial technology.

The level of Canada's research collaboration with Japan does not yet reflect either Japan's technological capabilities or its importance to Canada as a trade partner. The Japan Science and Technology Fund was created to enhance Canada's scientific and

technological base by expanding mutually beneficial collaboration with Japan. The fund was established to promote joint technological development and help create strategic partnerships in high-priority sectors of the Canadian economy.

For its part, Japan has established, or is establishing, a number of outward-looking programs such as the Human Frontier Science Program, the Intelligent Manufacturing Systems Program, the International Centre for High Temperature Superconductors, and a number of visiting researcher and exchange programs.

When collaborating with Japan or any competitor, domestic or international, Canadian companies must carefully select the skills and technologies they pass to their partners. They must develop safeguards against unintended, informal transfers of information. In other words, they must protect the value of their intellectual property while they develop and share it.

Section 1, **Intellectual Property**, describes some common situations in which the value of research information can be lost and some of the ways loss can be prevented. Section 2, **The Japanese Experience**, provides an introduction to the Japanese legal system and other special considerations that Canadian researchers and companies should be aware of when conducting joint business or research projects in Japan.

Intellectual property can take many forms and the legal methods for preventing loss of intellectual property are specific to the circumstances of each case. Section 3, **Making Agreements: A Checklist**, will help you to determine what approach to take and how to prepare for consultation with legal counsel. Section 4, **Information**, provides references for further information about doing business in Japan, patent and copyright regulations as well as legal and patent assistance.

Intellectual Property

WHAT IS INTELLECTUAL PROPERTY?

The World Intellectual Property Organization (WIPO) defines intellectual property as: **“the rights relating to literary, artistic and scientific works; performances of performing artists, phonograms, and broadcasts; inventions in all fields of human endeavour; scientific discoveries; industrial designs; trademarks, service marks and commercial names and designations; protection against unfair competition; and all other rights resulting from intellectual activity in the industrial, scientific, literary, or artistic fields.”** Canada is one of 137 member countries of the World Intellectual Property Organization, which is an agency of the United Nations.

The North American Free Trade Agreement, for its part, incorporates a narrower definition of intellectual property rights as “copyright and related rights, trademark rights, patent rights, rights in layout designs or semiconductor integrated circuits, trade secret rights, plant breeders’ rights, rights in geographical indications and industrial design rights.”

Although intellectual property arises out of many kinds of activities, it has two main branches: industrial property, which generally includes inventions, industrial designs and trademarks; and copyright, which includes literary, musical, artistic, dramatic, photographic and cinematographic or audiovisual works, and computer software.

It is not possible to give generally accepted definitions of the different forms of intellectual property since no international treaty defines these concepts, and the laws of the various countries differ from each other on several important points. The discussions that follow are general introductions to the more common characteristics of intellectual property.

WHY PROTECT IT?

Protection of intellectual property is not an end in itself. For Canada, or any country, protecting intellectual property is a way to encourage domestic creative activity, make it easier to acquire foreign technology, and provide access to the scientific and technological information contained in millions of patent documents.

Patents and other legal protection for intellectual property are a centuries-old way to allow innovators to hold property rights for their creations. As an incentive to create and invent, they promote dynamic change, development and economic progress.

Example: A small Canadian research company recently developed laser-based technology for encoding information on compact discs (CDs). Although it does not manufacture CDs, the company patented its technology and licensed it to manufacturers. The Canadian company is now being paid royalties on virtually all CDs sold in the world. Because they protected their innovation, they are able to control its use, and gain the financial rewards.

Example: Northern Telecom was the first company in the world to recognize the advantage to the customer of digital telephones and the first to place digital switching and transmission systems on the market. Identifying the need and making the technology available to customers several years ahead of its major global competition made Northern Telecom what it is today. By protecting their development, they gained the full advantage of their head start.

If it meets a current need and is widely adopted, an invention or idea or the results of research may yield great rewards. But if intellectual property becomes public without legal protection, it may quickly be imitated,

or become unpatentable. The value of the invention will be lost to the originator who may not even recover the cost of research.

By knowing their rights, all innovators — researchers, inventors, writers, designers, artisans and manufacturers — can protect their intellectual property at each stage of design, development and commercialization, as well as receive their fair share of the rewards.

HOW CAN INTELLECTUAL PROPERTY BE PROTECTED?

Generally, protection for intellectual property takes the form of **patents** for inventions, **registration** for trademarks and industrial designs, **copyright** for literary and artistic works, **integrated circuit topographies** for integrated circuits (chips) and **plant breeders' rights** for new varieties of plants created by cross-breeding.

Intellectual property that is not specifically protected by industrial property or copyright law, such as **trade secrets** and **confidential information**, can be protected by specific **confidentiality agreements** or **project agreements** between parties. Although the laws in some countries, including Canada, may recognize confidentiality rights outside formal agreements, trade secrets and confidential information can generally be best protected through agreements between collaborating parties. The agreements are subject to the laws of the country in which they are made.

Finally, intellectual property may be protected by **containment** — physical containment by restricted access to technology or containment of ideas by selective disclosure and publication. Containment is discussed in greater detail on page 11.

The laws of a country relating to intellectual property are generally concerned only with what takes place in that country. A patent, trademark registration or the registration of an industrial design is effective only in the country where the government office made the grant or the registration. Protection must be obtained in each country separately. (The *Patent Cooperation Treaty* helps to expedite this process. See page 7.)

The copyright of a Canadian author is valid in foreign countries if the country in which protection is sought belongs to either the Berne Convention or the Universal Copyright Convention. These conventions include most of the countries in the world, although the nature of the protection varies from country to country. Copyright may be registered in Canada and in a number of other countries. Although copyright protection is usually extended in most countries without registration, registration confers certain benefits on the copyright owner in the country of registration, such as presumptions to the effect that copyright subsists in the work and that the registrant is the owner of such copyright. In addition, registration is of considerable assistance in establishing entitlement to damages for infringement.

The decision whether or not technology should be protected is often based on the value of the technology to the owner, and the cost of protecting and exploiting it. The means of protection chosen and how successful it is depends on the nature of the intellectual property, the financial means of the owner, and the diligence of the inventor in keeping the information confidential.

PATENTS

This section provides general information on patents and patenting procedures. It is not intended to be a substitute for the kind of detailed professional advice needed from a registered patent agent or patent lawyer on particular problems related to protecting an invention. More detailed information on patenting procedures and the services provided by the Intellectual Property Office,* the Patent Office, may be found on page 13.

A patent is a grant of a statutory right, issued by a government office, which describes an invention and creates a legal situation in which the patented invention can only be exploited (made, used, sold, imported, etc.) with the authorization of the patent owner. This protection is limited in time — generally to 15 to 20 years. However, the life of a patent varies between jurisdictions as do the rights granted by a patent. Patents are issued for inventions, that is, new and useful art, processes, machines, manufacture or composition of matter, or any new and useful improvements of these inventions.

In Canada, a patent provides the holder with the right to exclude others from making, using or selling an invention up to a maximum of 20 years after an application for the patent is filed, and is given in exchange for full and complete disclosure of the invention. After the 20-year term has expired, anyone may make, use or sell the invention.

The patent holder is thus the owner of an “intellectual property” conceived by intellectual creativity. The rights conferred by a Canadian patent extend throughout Canada, but not to foreign countries. Conversely, foreign patents do not protect an invention in Canada.

Although there are international treaties that deal with filing and processing patent applications, the applications themselves are

evaluated in accordance with each country's domestic standards. Essentially, however, a patent precludes the use of the patented invention by any other party in every country in which it has been granted or registered. If a patent has not been granted in a country, the invention is unprotected in that country, although it may be protected in another way — as a trade secret, for example.

The most significant commercial market for a Canadian invention may be in another country or countries. Canadian inventors should seriously consider filing corresponding foreign patent applications in these countries to preserve their rights as inventors and to ensure the value of the commercial exploitation of their inventions.

(For foreign protection, see *Patent Cooperation Treaty*, page 7.)

What Can be Patented?

Under most patent legislation, including Canada's, for an invention to be protected by law (patentable in other words) it must be new in the sense that there is no indication it has been published or publicly used. It also must not be obvious, in the sense that it would not have occurred to any specialist in that industrial field had such a specialist been asked to find a solution to the same problem. As well, it must be applicable to the industry in the sense that it can be industrially manufactured or used.

In other words, to be patentable, an invention must have novelty, utility and inventive ingenuity.

To satisfy the novelty requirement, the applicant for a patent must be the original inventor or a person to whom the inventor has assigned the rights to the invention. The applicant cannot obtain a valid patent if another inventor has previously disclosed the invention anywhere in the world. Furthermore, **disclosure of the invention by the**

* The Intellectual Property Office, hereafter called the Patent Office, is part of Industry Canada.

inventor more than one year before the patent application is filed, whether in patents, periodicals, technical articles or elsewhere, is an absolute bar to obtaining a valid patent in Canada.

The utility requirement means that a patent is granted only for a product or for a process that produces something operable or that has practical use. Scientific principles, abstract theorems, mere ideas or methods of doing business are not patentable. Registration of processes or inventions that have no immediate commercial use is not ruled out, however.

Finally, to be patentable, an invention must be a development or improvement that would not have been obvious beforehand to workers skilled in the technology involved. Routine workshop changes, normally expected from people skilled in the field, are not patentable.

Registered Patent Agents

Preparing and carrying through a patent application requires extensive knowledge of patent law and patent office practice. It is usually recommended that inventors hire a registered patent agent to do this work for them. Although inventors are allowed to prepare and prosecute their own patent applications, they may run into difficulties unless they are familiar with patent law and practice. Even if an inventor succeeds in having a patent issued, it may not provide adequate protection if it has not been drafted with skill and experience.

When to Apply for a Patent

In Canada, if a patent application is going to be filed, it must be filed before the invention has been published or used publicly unless the disclosure originated from the inventor, in which case it must be filed within one year. U.S. patent law requires filing in that country within one year of sale in the United States or publication anywhere. In some other countries, many countries in Europe, for example, there is no such one-year "grace period." The application must be filed before

use or written disclosure anywhere ("absolute novelty"). **For this reason, you must take care to keep your invention completely confidential until you have decided where you will file patent applications.**

On the other hand, if you file too soon when the invention is still being developed, the application may not include essential features which may be difficult to add to the application later. You may have to abandon the original application in favour of a new one, which will add to the expense of protecting your invention.

Canada's Patent Act

Major changes to the *Patent Act* came into effect in October 1989. The changes were designed to modernize Canadian patent law and make it more consistent with our European trading partners. Four key aspects of the recent changes are:

- a first-to-file system, which replaced the first-to-invent system
- patent applications are now made public as early as 18 months after they are filed ("early publication") rather than after a patent is issued
- patent applications will no longer go to the examination stage until or unless a request is made ("deferred examination")
- Canada has joined the *Patent Cooperation Treaty*.

First-to-File

Under the first-to-file system, when two or more applications for the same invention are pending at the same time, subject to any priority which may exist by virtue of the treaty, the patent is granted to the first applicant who files a patent application on the invention rather than to the applicant who invented it first. The earlier first-to-invent system was extremely cumbersome because the Patent Office had to determine which

invention was first, which often led to expensive and time-consuming litigation.

Nearly every country in the world is now on a first-to-file system. The only major exception is the United States.

Early Publication

Under the old system, the Patent Office published the contents of a patent or made it available to the public only after it was granted. The amended *Patent Act*, however, provides for a patent application to be open to inspection by the public as early as 18 months after its filing date.

With early opening of the patent application, the public and, in particular, small and medium-sized businesses have access to information about new technology much earlier. While Canadian patent law continues to protect the rights of the inventor, it now does more to fulfil the other primary function of the patent system, that is, to speed up the diffusion of new ideas to the public and to stimulate further innovation.

Deferred Examination

Before the *Patent Act* was amended, every patent application had to be examined. Since October 1989, the Patent Office does not proceed with the examination phase until requested to do so, up to a maximum of seven years after filing. If at the end of this time a request for examination has not been made, the application will be deemed abandoned although it may, on application, be re-instated. Re-instated applications retain their original filing dates.

The benefit of this feature is that it allows an applicant to preserve priorities and patent rights, and the right to obtain protection, while a market or business plan is being developed. The applicant can then decide whether the invention justifies the time and expense of patenting.

The Patent Cooperation Treaty

The *Patent Cooperation Treaty* (PCT), administered by the World Intellectual Property Organization in Geneva, Switzerland, came into effect in Canada on 2 January 1990. It regulates the formal requirements that any international application must comply with and provides Canadian inventors with a more practical and economical way of protecting their inventions.

Using a single international application filed in Canada, inventors can now initiate patent protection in some 50 member countries, including the United States, Japan and most of the European Community. The application may be filed by residents or nationals of any country that is a party to the treaty in the national patent office of that country.

The international application is then subjected to an **international search** carried out by one of the major patent offices. The applicant receives an **international search report** which lists the patent documents that might affect the patentability of the invention. At this point, the applicant may decide to withdraw the application if the report makes it clear that patents are unlikely to be granted in the countries desired.

Twenty months after the international application is filed (or, if an earlier application in another country has priority, 20 months after the filing date of the earlier application), the applicant must furnish a translation of the application to each designated national office in its official language and pay the usual fees to that office. This period is extended by a further 10 months if the applicant asks for an **international preliminary report**. This report, prepared by one of the major patent offices, gives a preliminary, non-binding opinion on the patentability of the claimed invention.

The procedure under the *Patent Cooperation Treaty* has great advantages for the applicant, the patent offices and the general public:

- The applicant has more time to decide whether to apply for protection in foreign countries, appoint local patent agents in each country, prepare translations and pay national fees. If the international application is in the prescribed form, it cannot be rejected on formal grounds by any of the designated offices. On the basis of the international search report, the applicant can evaluate the chances of the invention being patented.
- The search and examination work of the national patent offices is greatly reduced thanks to the international search report and the international preliminary examination report, which accompany each international application. In Canada, as in many other countries, the delay in reaching the examination stage of a patent application is what slows down the process. The patent is often issued shortly after that hurdle is surmounted.
- Since each international application is published along with its international search report, any member of the public can formulate a well-founded opinion about the patentability of the invention described.

PLANT BREEDERS' RIGHTS

An ambiguity exists in Canadian patent law with respect to the ability of plant breeders to obtain patent protection for new varieties of plants created by cross-breeding. However, under the *Plant Breeders' Rights Act*, the grant of plant breeders' rights in respect of a new variety of plant gives to the holder of the rights the exclusive right to sell and produce for sale any propagating material of the new plant variety for a period of up to 18 years.

INDUSTRIAL DESIGN

In Canada, an **industrial design** that can be registered is any original shape, pattern, configuration or ornamentation applied to an article of manufacture that appeals to and is judged solely by the eye, such as the shape of a table or the ornamentation on the handle of a spoon. Functional or utilitarian features may not be the subject of an industrial design but may be the subject of a patent application.

The term of an industrial design is 10 years. If the design has been published in Canada, it must be applied for within 12 months of the publication date.

Most applications for industrial design registration are done through registered patent agents.

TRADEMARKS

A **trademark** is a word, symbol or picture, or a combination of these, used to distinguish the wares or services of a person or organization from those of others in the marketplace.

A registered trademark gives its owner the exclusive rights to its use in Canada for 15 years from the date of registration. It may be renewed every 15 years without limitation.

Although it is not mandatory to register a trademark, it is advisable to do so. A registered trademark is prima facie evidence of ownership of the mark and extends national protection. Unregistered trademarks provide only local protection. If your products or services are sold in other countries, you should consider registration of your trademark in those countries as well.

Applications for registration of trademarks in Canada are filed with the Registrar of Trade-marks. Anyone may file an application for registration of a trademark. However, since preparing a trademark application may be complex and involves the granting of a

legal right, applicants should consult a trademark agent trained in this specialized practice and registered to practise before the Canadian Trade-Marks Office. If you intend to register marks in other countries, the use of a trademark agent is strongly recommended.

COPYRIGHT

Copyright — the right to produce or reproduce a work — means that an owner is the only person who may produce or reproduce his or her work or permit someone else to do so. It generally includes the sole right to publish, produce, translate, reproduce and perform a work in public and to communicate the work to the public by telecommunication. If you are employed by someone to create a work for them, and there is no agreement to the contrary, the employer is automatically the owner of the copyright.

The laws of almost all countries provide that protection is independent of any formalities, that is, copyright protection starts as soon as the work is created. However, it is often advisable to register your copyright. A registration certificate provides evidence that the person registered is the copyright owner. It can be used in court to establish ownership.

In Canada, the term of a copyright is generally for the life of the author plus 50 years, with some exceptions. Copyright applies to works of authorship including books, other writings, musical works, sculptures, paintings, photographs, motion picture films and other dramatic works, videos, dictionaries and encyclopedias. With research materials, copyrights are granted primarily for drawings, formulae, and written works such as books, notebooks, lab books, notations and technical data that are the author's original work.

Computer programs, regardless of the format in which they are stored, are protected by Canadian copyright as literary works as are data compilations and databases. Copyright

also applies to mechanical contrivances such as records, compact discs, cassettes and tapes.

While copyright law is intended to protect a work from unauthorized copying or reproduction, it does not prevent simultaneous generation of exactly the same material or prevent the use of the ideas in a work copyrighted earlier. For example, Andrew Lloyd Webber's musical production *Phantom of the Opera* is protected by copyright, although, like the 1925 silent film starring Lon Chaney, it is based on Gaston Leroux's novel of the Paris opera. For a work to be protected by copyright, originality is not required of the ideas embodied in the work, but in the manner of expression of the idea or thought.

Although computer programs are protected as works of copyright, layout designs in semiconductor chips or "integrated circuit topographies" as they are called in Canada, are protected under the provisions of the *Integrated Circuit Topography Act*. Under the act, registration of an original topography gives the creator of the topography the exclusive right to reproduce, manufacture, import or commercially exploit the topography or any substantial part of the topography for a period of up to 10 years. If a topography is commercially exploited prior to registration, it must be registered within two years of the date of exploitation or the right to registration will lapse.

TRADE SECRETS AND CONFIDENTIAL INFORMATION

Without a written agreement, the owner of confidential information or trade secrets in one jurisdiction may have difficulty preventing misuse of that information in another jurisdiction. The use of that information will be subject to the national or state laws of the jurisdiction where the misuse occurs. What is considered confidential information, and the protection to which it is entitled, varies dramatically from country to country.

In some jurisdictions, confidential information may be considered property in its own right, provided the information is specific, is not in the public domain, and benefits its owner. The owner may be asked to prove that he or she has taken care to keep the information confidential by marking documents as confidential or keeping them under lock and key, for example.

There is no generally agreed-upon definition of confidential information. The North American Free Trade Agreement, which came into force on 1 January 1994, however, requires that protectable trade secrets or confidential information must have the following characteristics: the information must be secret in the sense of not being generally known among or readily accessible to persons that normally deal with the type of information in question; the information has actual or potential commercial value because it is secret; and the person lawfully in control of the information has taken reasonable steps to keep it secret. These characteristics are similar to those which the common law of Canada has developed with respect to describing trade secrets or confidential information. However, since there are no well-established rules or legislation which permit the enforcement of trade secret rights, written contracts are particularly important in any collaboration to define what will constitute confidential information and to govern the relationship between the parties where such information is concerned.

INTERNATIONAL TREATIES

Canada has signed a number of international treaties relating to intellectual property; these treaties extend national rights to international situations. Two examples are the area of copyright and the rights under the *Patent Cooperation Treaty* to initiate patent applications in multiple countries. International treaties generally allow a resident of one country to apply for a patent or for registration of a copyright, trademark, industrial design or topography in another country on the

same terms and conditions as a resident of that country. In the patent field, the Paris Convention for the Protection of Industrial Property extends priority rights to foreign applicants.

Although the concept of patenting is almost universally recognized, the nature of patents, filing procedures and rights granted by patents vary drastically from country to country. Also, all the claims in an application may not be allowed in all countries. Finally, application of the laws governing joint ownership and joint exploitation of an invention and their enforcement are not identical in all countries. The situation is even less certain with respect to confidential information. Other than the North American Free Trade Agreement, no international treaty specifically addresses the question of obtaining protection for information in jurisdictions other than the one in which the inventor or researcher resides. The World Intellectual Property Organization's definition of intellectual property is often used in bilateral agreements.

It is important for the parties in any international collaboration to deal with basic intellectual property issues in written agreements. For example, what kind of intellectual property is covered by the agreement? Who owns it? What are the terms for licensing or cross-licensing the property? Without such an agreement, everyone involved is left at the mercy of the various national legal systems represented by the collaborators and the countries in which they are working or conducting business, or with no protection at all.

CONFIDENTIALITY AGREEMENTS AND PROJECT AGREEMENTS

Intellectual property can be created, and exclusive intellectual property rights lost, in a number of different scenarios, including joint research projects, exchange programs and workshops or seminars. Whatever the situation, it is best to address intellectual property issues and enter into the necessary agreements at the outset.

Confidentiality Agreements

A confidentiality agreement, or non-disclosure agreement, should facilitate the free exchange of information, so that collaborators on a proposed research project, for example, can decide whether the project is feasible, or hire a consultant to carry out a market study, or make a presentation to a potential financial backer without jeopardizing confidentiality and risking loss of patentability.

The confidentiality agreement should identify the kind of confidential information to be exchanged, establish the length of time confidentiality is required, specify the exclusions or limits of confidentiality, and confirm that the exchange of information is not a licence to use the information.

Project Agreements

The project agreement should include similar terms about confidentiality and deal with the issue of ownership of intellectual property. Should ownership be sole or joint? If joint, what will be the rights of each of the owners and their ability to license or use the technology, or to enforce rights against third parties? What is the term of the project? What obligation does each owner have to disclose any filing of patent applications to other project members?

A detailed checklist of subjects to be considered for confidentiality agreements and project agreements or contracts is provided in Section 3, Making Agreements: A Checklist.

CONTAINMENT

Another way to protect intellectual property is through containment — physical containment of technology by restricted access and containment of ideas by selective publication. The purpose of containment is not to prevent dissemination of knowledge but to avoid disclosure that may make it impossible to protect intellectual property, either as confidential information or as patentable subject matter.

The simplest way to preserve rights in intellectual property, especially before filing a patent application, is to disclose such information only on a “need to know” basis. While the free exchange of ideas with colleagues is often to everyone’s advantage, such exchanges can result in the loss of rights to intellectual property and, in some instances, its outright misappropriation by colleagues.

The commercial value of any technology may depend directly on the inventor’s or research team’s ability to protect it from indiscriminate disclosure and use by third parties. Colleagues and employees should be educated about these issues and sensitized to them. Confidentiality or non-disclosure agreements should be considered for the members of a research team as well as for third parties.

Articles that describe research, planned discussions at seminars and the like should be reviewed with colleagues who know the technology (perhaps a committee composed of management and co-workers) in advance, and then with a patent agent or with legal counsel, in order to avoid premature disclosure of research. There may be legal as well as commercial reasons for holding back. In many cases, disclosure could make it impossible for the owner to obtain patent protection, or to protect the information as valuable know-how to be licensed.

In addition to applying the “need to know” principle, all materials such as lab notes, drawings, reports, research materials and computer software should be clearly marked as confidential. A rubber stamp that states something like “Confidential, proprietary information of XYZ Research Ltd., not to be reproduced or used for any purpose without the prior written consent of XYZ Research Ltd.” could be used for this purpose. This and all other recommendations for protecting confidentiality should be reviewed with a patent agent or legal counsel for suitability to your circumstances.

When confidential information must be disclosed and there is no written contract between the parties, the recipient should be clearly informed of the confidential nature of the information, preferably in writing, at the time of disclosure or before. When you disclose information, be sure to track confidential documents, keep a record of who has received copies, and request the return of all copies.

The Japanese Experience

The differences between the legal systems of Canada and Japan can cause difficulties for Canada-Japan collaborations. The areas discussed here — early publication of patent applications, delays in patent examination, and “patenting around” or “patent flooding” — have been the subject of comment and concern by many countries in connection with their dealings with Japan.

Japan has recently begun to make efforts to reduce concerns over its patent system. As a result of the U.S.-Japan trade negotiations, for example, Japan has undertaken the Structural Impediments Initiative, which is dealing with fundamental issues affecting the trade relationship. It is too early to tell whether the changes that result will improve the protection for foreign intellectual property within Japan.

While the laws of Canada and Japan may be similar on paper, in application they are strikingly different. Canadian researchers and entrepreneurs do not have the same protection in Japan that they would have under similar regulations in Canada. It is important for Canadian researchers and Canadian organizations to look at the Japanese patent system not only at face value, but also in its realistic application.

Anyone who requires protection of intellectual property rights in Japan, from researchers getting together and signing a confidentiality agreement to more structured business negotiations where profit and loss motives are strong, should have on their side a lawyer who is licensed to practice in Japan and who understands both the Japanese and Western systems.

Throughout this guide, it has been pointed out that intellectual property issues are best addressed in contracts negotiated at the outset. Written contracts are particularly appropriate in the international context, and even more so in the case of Canada and Japan because of the differences in the law — and more importantly, in the application of the law — in the two countries.

This brief introduction to the Japanese legal system will highlight aspects that can lead to misunderstanding and conflict if not dealt with at the earliest stage of collaboration. The key is to take stock of your situation before you enter into collaboration — in other words, to understand the Japanese system and then use it to your best advantage.

PATENTS

While the Canadian and Japanese patent systems are growing closer together, as indicated by Canada’s adoption of a first-to-file system and full disclosure of patent application information as early as 18 months after filing, there is a fundamental difference in the underlying objectives of the two systems.

The Japanese patent system continues to have the rapid and efficient dissemination and diffusion of technology as its primary objective, with protection of individual intellectual property rights secondary.

Early Publication of Patent Applications

As in many countries, including Canada since changes to the *Patent Act* came into effect in October 1989, Japanese patent law requires public disclosure of all patent applications within 18 months of filing, which gives competitors access to the subject matter of the patent. However, while a patent application is also open to public disclosure in Canada as early as 18 months after the date of filing (or after any foreign priority date under the Paris

Convention), so far the information is available only in the Canadian Patent Office.

“There are profound differences between the Japanese patent-law system and [Western] systems. The goal of Western systems is to protect and reward individual entrepreneurs and innovative businesses, to encourage invention and the advancement of practical knowledge. The intent of the Japanese system is to share technology, not to protect it. In fact, it serves a larger, national goal: the rapid spread of technological know-how among competitors in a manner that avoids litigation, encourages broad-scale cooperation, and promotes Japanese industry as a whole.

This approach is entirely consistent with the broader characteristics of Japanese culture, which emphasizes harmony, cooperation, and hierarchy.”

Donald M. Spero, *Harvard Business Review*, September-October 1990.

In Japan, the information in a patent application is published in a journal, which allows wide dissemination of the information and makes it easier for a competitor to use, improve or “patent around” the invention. Japanese companies studiously examine these published applications for patents to see what other companies are doing and to make use of all available information as soon as possible.

Delays in Patent Examination

Both Canadian and Japanese systems disclose patent applications as early as 18 months after filing.

In Japan, however, most patent applications are not granted within the 18-month period because of a shortage of patent examiners. Until a patent is actually granted in Japan, it can be very difficult to

enforce the theoretical rights provided for by statute, and in particular, to restrain others from misusing an invention. Since a patent in Japan may not extend for more than 20 years from the date of the original application, delays in granting the patent also shorten its effective life.

The Japanese have recognized this as a shortcoming of their system. Under the Structural Impediments Initiative, they have agreed to try to increase the number of patent examiners to shorten the delay in issuing patents.

“Patenting Around” or “Patent Flooding”

In general, Japanese patents are far more narrowly defined than Canadian patents. Patents are often issued for modifications to an existing patent which would not normally be permitted under Canadian or other Western patent practices. This paves the way for the practice of “patenting around” or “patent flooding.”

With the early publication of patent applications, the subject matter of patents is disclosed to competitors who often make enough minor changes in the subject matter to file a variety of improvement patents around the basic patent. Once the basic patent has been “surrounded” or “flooded” in this way, it is almost impossible for anyone who wishes to use the basic patent to license it without licensing the surrounding patents.

Related to this practice is a fundamental difference in the value placed on a patent. To the Japanese way of thinking, the number of patents may be as important as the subject matter. While Westerners may value a patent primarily for the knowledge embodied in it, the Japanese place a far higher symbolic value on the certificate itself. They will not feel comfortable, for example, if you approach them with an idea for which you do not have a patent.

From the Japanese point of view, subject matter that is not protected by a patent is

ambiguous, since neither the invention nor the protection to which it is entitled has been clearly defined. In Japan, a greater degree of certainty is associated with patent protection, for example, than with a confidentiality agreement.

If you are negotiating at the end of a joint venture and you are sitting down to decide who will have what rights to the jointly developed property, your Japanese partners may suggest that because they have more patents, they also have more rights, and should be appropriately compensated, either in the way world markets are divided or in the proportion of shared royalties they receive.

Example: A group of Canadian researchers comes to the bargaining table to negotiate a joint venture with a Japanese group. Although the Canadians have filed no patents, they have scientific information they have been developing for 10 years. The Japanese group comes to the table with 125 patents filed. Despite the fact that three quarters of these patents are for information the Canadians, and the Canadian patent system, would consider common knowledge, and therefore not patentable, the Canadians find themselves in an unequal bargaining position simply because of the differences in what the two sides value.

Through negotiation and contract, however, practices like “patenting around” and the Japanese propensity for prolific patent filing can be turned to the benefit of a foreign researcher. A Canadian researcher with limited resources who is cooperating with a Japanese entity can be reasonably sure the Japanese entity will file a large number of patent applications for the subject matter of the collaboration both at home and abroad — far more than one could expect a Canadian researcher to file. If the project agreement requires that each party disclose any patent applications it files in the subject area, and addresses the question of ownership and commercial exploitation of such patents, the Canadian researcher may actually reap benefits from the multiple patent filings.

CONTRACTS

In North America, the terms of a contract are generally understood to be entirely contained within the written document. A typical Canadian contract will enumerate all possible eventualities and the responsibilities of the parties when such eventualities occur.

When two Japanese companies enter into a contract, however, the contract is likely to be short and flexible. It simply commits both sides to achieving mutual success and satisfaction regardless of changing circumstances during the life of the contract.

In Japan, the contract itself is viewed more as a symbolic document. The parties have reached an agreement with respect to particular subject matter, but the exact terms of the agreement may be decided later and, more importantly, may be changed as circumstances require. This can be both to a North American’s advantage and disadvantage.

To the North American and European way of thinking, a contract is a contract. If you sign a contract stating that you will deliver 20 000 parts at \$2.95 per part, you are bound to deliver those parts at that price, even if the price of the steel in the parts quadruples between the time the contract is signed and the parts delivered. You either honour the contract or expect to be sued for breach of contract. In Western law, only extraordinary circumstances will allow you to be released from contracts. And although Canadians might not consider asking a partner to renegotiate a contract under the same circumstances at home, they should be aware that a Japanese partner might be open to this kind of renegotiation.

If the same situation occurs in Japan, where the supplier’s raw materials become more expensive, the two sides would be likely to get together and agree that the terms of the contract are no longer mutually beneficial since the realities of the contract and the circumstances surrounding it have completely changed. They would try to work out new

terms so that although both sides might lose, they would each lose a little rather than one side losing a lot. “Share the pain, share the gain,” in other words.

In Japan, very few contract disputes result in legal action. In most cases, disputes are resolved under the broad guideline of “sharing the pain.” Often, outside parties such as parent companies, suppliers, banks or other companies within the same family of companies will intervene or provide guidance toward a resolution of the situation. In the Japanese culture, it is viewed as a personal failure when someone is forced to take legal action, unlike the North American context where the legal route is the norm. A legal dispute between business partners in Japan is viewed as a sign that the relationship was not established properly to begin with, or that one partner is being too stubborn or uncompromising.

Finally, if you negotiate a confidentiality agreement with a Japanese company, it is important to understand that there is a difference between the Western and the Japanese sense of confidentiality. Generally, the Western concept is much tighter than the Japanese concept. Information disclosed in confidence to one Japanese company may be shared far more freely than a Westerner would expect with other linked companies. To the Japanese, there is no breach of confidentiality in sharing information with these sister companies. This again highlights the fact that Westerners working in Japan must have people on their side who understand the Japanese culture and the Japanese approach to doing business.

The following case studies illustrate some of the risks to intellectual property that can occur in Canada-Japan collaborations, and some of the ways intellectual property can be protected. Although the case studies suggest actual situations, the people and circumstances described are fictitious.

CASE STUDIES

I *Joint Ownership of Patents*

Canadian researcher Mr. MacDonald enters into a collaborative research agreement with Japanese researcher Mr. Sato in the field of monoclonal antibody research. They agree in writing that they will advise each other of any patent applications they file in this field during the term of their collaboration and for a specified number of years after the term has expired. They further agree that all such patents filed by either of them during the term of their agreement will be jointly owned and exploited for commercial purposes only with the consent of both parties.

During the term of the collaboration, Mr. Sato files a large number of patent applications in Japan and elsewhere in the world. Taking the typical North American approach, Mr. MacDonald files patent applications only in Canada and the United States. However, because of the long regulatory approval procedure in both Canada and the United States, the patented product is not likely to be marketed within the lifetime of the Canadian and American patents.

Mr. Sato and Mr. MacDonald have to agree on the terms of any licence granted because all of the patents — Japanese, North American, European, etc. — are jointly owned. Therefore, in spite of licensing delays in North America, Mr. MacDonald is in a position to be compensated for the fruits of his collaboration with Mr. Sato. And he is in a much better position than he would have been had he relied solely on his ownership of patents in Canada and the United States.

Conclusion

Because of the Japanese propensity for filing multiple patent applications, it is important to ensure that your Japanese partner is bound under the terms of the contract to disclose these applications. A written agreement should deal with the question of ownership or co-ownership of such patents and spell out what the concept of co-ownership will mean under the terms of the contract.

II Confidentiality Agreements

Mr. MacDonald and Mr. Sato discuss the possibility of research in the field of monoclonal antibodies. Mr. MacDonald describes to Mr. Sato the three areas he has pursued unsuccessfully and they discuss possible collaboration in a fourth area.

Mr. Sato is being funded by a private company. He discusses his work and possible future projects, including the nature of his proposed collaboration with Mr. MacDonald, with his own company's researchers. From this information, his company is able to modify its own research efforts in the direction suggested by Mr. MacDonald, thereby saving on research costs and possibly achieving its research objectives (and Mr. MacDonald's!) much sooner.

Since Mr. MacDonald had no written agreement with Mr. Sato about the confidentiality of his research, the private company can probably not be prevented from using Mr. MacDonald's information. Even more significantly, Mr. Sato did not feel constrained to treat his discussions with Mr. MacDonald as confidential because Mr. MacDonald asked for no commitment — no written document or confidentiality agreement — that Mr. Sato treat the information as confidential and proprietary.

Conclusion

To avoid misunderstandings about the way confidential information should be handled, it is essential to have a written confidentiality agreement before any confidential or proprietary information is disclosed.

III Joint Ownership of Patents: Conflicting Laws

Mr. MacDonald, who is a researcher at a Canadian university, enters into a research agreement with Sato Company in Japan. Under the terms of the agreement, all patents filed during the term of the agreement will be co-owned by Sato Company and Mr. MacDonald. The last page of the agreement includes a clause stating that the agreement will be governed by Japanese law. Because the clause seems routine, it does not occur to Mr. MacDonald to review the whole agreement in the light of this clause.

Under Japanese law, the co-owners of a patent cannot grant licences or sell their share in the patent without the consent of the other owner. In other words, if two parties co-own a patent, each party can treat it as their own in terms of being able to exploit it. But they cannot give it away to someone else and they cannot license it to somebody else without the consent of the other owner.

Although Sato Company can commercially exploit the subject matter of the patent, as a researcher affiliated with a university, Mr. MacDonald cannot easily exploit it. And because the contract terms prevent him from assigning or licensing his rights to a third party or company, it will be difficult for him to benefit from any commercial exploitation of the invention.

Further, there are peculiarities under Japanese law relating to intellectual property rights created by Japanese national laboratories or public

universities or which involve the use of publicly funded monies, which peculiarities have dramatic effects in situations involving joint ownership.

Where public monies are disbursed in Japan, as described in the three previous situations, and a jointly owned invention results, Japanese national law provides that all of the owners have the right to consent to the co-owners' exploitation of the patent and further requires that the Japanese owner be compensated in accordance with a formula prescribed by Japanese regulations. The requirement for the consent of the co-owners and for payment of compensation cannot be waived by agreement, nor can the amount of compensation be specified at the outset since at least one of the factors used to determine compensation depends upon the level of commercial exploitation which will, of course, only occur at some later date.

Conclusion

Joint ownership of patents means different things in different countries; the rights of a joint owner in Canada are not the same as those of a joint owner in Japan. It is better for the parties in an agreement like this to enumerate the rights they will have to jointly owned patents, rather than rely on the national law of the country in which a patent is jointly held. They should not allow themselves under the terms of a contract to be governed solely by the law of one country without fully understanding the nature of joint ownership rights under that country's laws.

IV International Practice in Intellectual Property

Mr. MacDonald and Mr. Sato have discussed the possibility of collaborating in a particular field. Mr. Sato is keenly interested in the results of Mr. MacDonald's research in the field, and Mr. MacDonald is aware of this interest. Mr. MacDonald wants to enter into a confidentiality agreement

with Mr. Sato to protect his efforts to date during the free exchange of information they will need to decide whether or not they will collaborate.

Although it is not customary to do so, Mr. MacDonald proposes to charge Mr. Sato a fee for entering into a confidentiality agreement. Mr. Sato feels that Mr. MacDonald's attitude is unfair, and because he is reluctant to enter into a long-term relationship with someone who is unreasonable, he does not pursue the matter further.

Conclusion

A good understanding of international practice concerning intellectual property rights and confidentiality arrangements would have helped Mr. MacDonald avoid making unreasonable demands and jeopardizing a potentially productive working relationship.

V Benefits Assigned and Lost, and Commercial Exploitation of Inventions

Mr. MacDonald and Mr. Sato enter into a collaborative arrangement for monoclonal antibody research. Under the terms of the agreement, Mr. MacDonald grants Mr. Sato the right to use his patents. However, the agreement does not provide for reciprocal rights for Mr. MacDonald.

Mr. Sato files a number of patent applications during the collaboration. After the joint research is completed, Mr. Sato sells the benefit of the agreement, along with a patent licence under Mr. MacDonald's own patents, to a Japanese company which is going to exploit the research commercially. Because there is no provision stating that Mr. Sato will license Mr. MacDonald to use any patents Mr. Sato may file in the area of their joint research, Mr. MacDonald is not in a position to receive any of the benefits of this commercial exploitation.

If Mr. MacDonald had ensured that the rights granted under the agreement were non-assignable, and if he had required a reciprocal licence from Mr. Sato, this situation could have been prevented. Mr. MacDonald would not have lost the valuable benefits of the collaboration.

Conclusion

When preparing agreements, it is important to consider the commercialization of inventions which may come out of your collaborative efforts. In many cases, Japanese researchers enjoy closer and more positive relations with commercial enterprises than Canadian researchers do, and this factor should be taken into account when agreements are being prepared.

Making Agreements: A Checklist

The suggestions here are not intended to be a substitute for legal advice. The checklist should be used as a reference for consideration before meeting with legal counsel and should greatly expedite the legal consultation process. It is recommended that legal counsel be consulted at the earliest opportunity before any agreements are negotiated or any documents are prepared.

Preparing an agreement to protect intellectual property may often be approached as a two-step process. The first step may be to execute a **confidentiality agreement** to allow the parties to exchange information without fear of losing rights so they can determine whether the proposed project is feasible.

If they decide to proceed, the second stage can then be preparation of a **project agreement** to govern the creation, existence and termination of the project itself. A fresh confidentiality agreement, which supersedes the original document, may also be necessary and may be incorporated into the project agreement for convenience.

Before drawing up either agreement, it is important to define what will constitute **intellectual property** in a contract.

The checklist provided here suggests some of the major issues that should be addressed in such agreements. The list should not be considered exhaustive. Other issues for consideration could include security measures to be taken to preserve confidentiality, agreement on the surrender of materials at the termination of the agreement, reference to what will happen in respect of improvements, and what remedies may exist in the event of breach of the confidentiality agreement.

CONFIDENTIALITY AGREEMENTS

Objective

The objective is to preserve intellectual property rights during the preliminary stages of a research project when information must be exchanged to determine whether a joint project is feasible.

Typical contents of a confidentiality agreement include:

- 1) Statement of the purpose of the exchange of information.
- 2) Description of the materials and information to be designated confidential, including future information.
- 3) The term or duration of the obligation for confidentiality.
- 4) Exceptions to the confidentiality obligation.
- 5) Confirmation that the agreement does not convey a licence to the use of any intellectual property beyond the limited purpose of the confidentiality agreement.
- 6) Standard of confidentiality required.
For example:
 - “Reasonable man.” You will do what is reasonable to preserve confidentiality. Whatever you do to preserve your own confidential information, you will also do for the confidential information you receive. Whatever that is, it will be no less than what is reasonable.
 - “Existing standard.” The recipient’s existing standard for his or her own confidential information.

- Specific security measures to be taken to preserve confidentiality.
- 7) Surrender of materials at the termination of the agreement.
 - 8) Remedies in the event of breach of the confidentiality agreement.

GENERAL CONSIDERATIONS FOR PROJECT AGREEMENTS OR CONTRACTS

Statement of Objectives

- 1) Is the project designed to accomplish a particular purpose?
- 2) What is the anticipated relationship between the parties; for example, will it be a joint research project or an exchange?
- 3) What are the respective contributions of the parties to the project and how is performance to be guaranteed?
- 4) Does the project rely on teams of researchers who are not specifically identified, or on one or several persons?

Duration

- 1) What will be the starting date?
- 2) When will the contract end?
- 3) Will the contract be for a fixed term? Will the contract's duration be made conditional on a specific event or events occurring or not occurring?

Renewal

- 1) Will the agreement provide explicitly for renewal?
- 2) Will the renewal be unconditional, automatic, optional or conditional based on performance?
- 3) Will notice be required for the renewal to take effect?

- 4) What will be the term or duration of the renewal period or periods?

Termination

- 1) On what terms may either party terminate the agreement before its natural expiration, for example, in the event of a breach of the terms of the contract, bankruptcy of one of the parties, or other specified events?
- 2) How much notice of termination must be given?
- 3) What will be the technical and financial consequences of termination of the contract?

Legal Form

- 1) Does the contract come within the scope of a known legal framework such as a cooperation agreement or a joint venture agreement?
 - 2) Will a separate legal entity be created that is different from the entity constituted by its members? If so, the following issues must also be considered:
 - How will the management and administrative organization be established?
 - What will be the decision-making process? Will it be by consent or joint? Will any of the parties have a right of veto?
 - How will the entity be financed?
 - How will intellectual property be licensed to the entity and by it?
 - What controls will be placed on who is involved in the entity, particularly transfer to other parties, and encumbrance of interests?

- 3) If the parties do not create a separate entity, the following issues must also be considered:

- How will the management or administrative duties be shared or concentrated?
- What will be the decision-making process?

Financing

- 1) Will the contract be supported by grants or mainly by the parties?
- 2) If supported by grants, what will happen when the grants, even minor ones, are cancelled, or when funds run out?
- 3) Does the financing period coincide with the duration of the contract?
- 4) What are the tax implications of the financing scheme?

Resolution of Conflicts

- 1) How will disputes be resolved?
- 2) If conflicts will be resolved by arbitration, where and how will arbitration take place?
- 3) What will be the venue or venues for legal proceedings and what will be the courts' jurisdiction with respect to the agreement?
- 4) Which country's laws will govern the agreement?

Representations and Warranties

- 1) What statements of fact are important enough to be stated as representations or warranties by the parties?
- 2) What remedies will be available if a representation or warranty should be discovered to be false?

Miscellaneous Provisions

- 1) Is the contract open to other participants? If so, under what terms and conditions?
- 2) What specific rights and duties must be performed by the parties to the agreement, failing which the agreement may or must be terminated?
- 3) Is the relationship between the parties to be exclusive, or will the parties be free to enter into the same or similar agreements with third parties?
- 4) Have each of the parties to the agreement been made responsible for adhering to the laws of their own and other relevant jurisdictions?
- 5) Have the parties to the contract ensured that it does not contravene national and international anti-trust and competition laws, wherever they may apply?
- 6) Have the parties ensured that the contract does not contravene any of the laws of the jurisdiction that governs it? Many contracts state that any provision that contravenes such laws may be severed without the severance affecting the validity of the rest of the contract.

INTELLECTUAL PROPERTY IN A CONTRACT

The World Intellectual Property Organization definition is often used in bilateral agreements. For example: "For the purposes of this agreement, intellectual property will be as defined by the World Intellectual Property Organization."

Inventory of Contributions

Before entering into a contract, the parties should prepare and agree to an inventory of their respective contributions to the project.

Definition of Terms

All key terms in the contract should be defined, including the following:

- 1) The domain or field of use of the technology, or background technology.
- 2) The leader of the project, if necessary.
- 3) The project or projects to be undertaken.
- 4) The parties to the contract, particularly affiliated parties.
- 5) The information that is to be designated confidential.
- 6) Improvements to the technology.
- 7) Intellectual property rights arising under the contract, such as patents, copyrights, know-how and trade secrets.
- 8) Term or duration of the contract.

Intellectual Property Rights Created by the Collaboration

- 1) With respect to the results of research carried out jointly, will there be a distinction in the contract for:
 - Results of research achieved after the contract has expired?
 - Inventions that relate exclusively to the prescribed domain or field of use in the contract and those that go beyond the prescribed domain?
- 2) Who will decide whether to have the invention results protected? Who will be required to pay the application and maintenance fees relating to protected inventions?

- 3) Will the parties be obliged to disclose details of inventions and patent applications to each other? If so, what notice or timing will be required?
- 4) What will be the status of know-how developed under the contract, for example, will it be considered a trade secret or confidential information?
- 5) What provision will be made with respect to the ownership of the intellectual property?
 - Will one party have exclusive ownership, and if so, will the other party be entitled to licence rights?
 - Will the party creating the intellectual property be entitled to exclusive ownership except where the intellectual property was created jointly, in which case the intellectual property shall be jointly owned?
 - If joint ownership will exist, or may exist, what rights and obligations will arise? For example, will both joint owners have to consent to all matters relating to the disposition of the intellectual property or legal proceedings in connection with the intellectual property, or will only one owner's consent be sufficient in all or only certain instances? What restrictions, if any, will be imposed on the right of a joint owner to transfer his or her rights to the intellectual property?
 - What rights will be owned by each party?
 - Will the parties be free to enter into similar contracts with other parties?
 - Who will have the rights to improvements to the intellectual property?

Licensing

- 1) With respect to intellectual property owned by the parties before the agreement:
 - Will each party cross-license the other with respect to necessary or useful intellectual property?
 - Will there be a “field of use” restriction on the licence, for example, research only?
 - Will there be a right to sub-license or assign any of the licence rights?
- 2) With respect to enhancements, improvements, or new developments of intellectual property during the term of the contract:
 - Will they be included as part of the cross-licence between the parties?
 - Who will be entitled to assign or license the rights to intellectual property or protected inventions?
 - What restrictions, if any, will be imposed on the right to license the intellectual property and on the terms on which a licence may be granted?
 - Who will be entitled to a share in the licence fees or royalties, if any?
 - Who will be responsible for collecting the licence fees or royalties?
 - Who will be entitled to or responsible for the enforcement of the terms of the licence or assignment?

Miscellaneous

- 1) Will the licensee acknowledge the licensor’s ownership of rights, title and interest in intellectual property?
- 2) If there is commercialization, what will be the provisions for royalties, in terms of:
 - advances
 - guarantees
 - royalty percentage or fixed amount per item
 - method and timing of payment of advances, guarantees and royalties
 - accounting and records.



Information

JAPAN

For Canadian companies that would like to do business with Japan, the Japan External Trade Organization (JETRO) is a good starting point. JETRO promotes two-way trade, technical and personnel exchanges, joint ventures, licensing agreements and investments in both countries.

As the foreign trade arm of Japan's Ministry of International Trade and Industry, it focuses on helping foreign companies to identify and exploit market opportunities in Japan. Contact:

JETRO

Suite 700
151 Bloor Street West
TORONTO, Ont.
M5S 1T7
Tel.: (416) 962-5050
Fax: (416) 962-1124

Japan Patent Office

Attention: Director, International Affairs
Division
1-1, 2-Chome, Kasumigaseki
Chiyoda-ku
Tokyo 100, JAPAN
Tel.: (81) (3) 3581-1101
Fax: (81) (3) 3581-0762

Canadian companies conducting business in Japan may obtain general information and assistance from the Canadian Embassy and provincial offices in Japan as well as Chambers of Commerce offices.

Embassy of Canada

7-3-38 Akasaka
Minato-ku
Tokyo 107, JAPAN
Tel.: (81) (3) 3408-2101
Fax: (81) (3) 3470-7280

Government of British Columbia

Place Canada 3F
7-3-37 Akasaka
Minato-ku
Tokyo 107, JAPAN
Tel.: (81) (3) 3408-6171
Fax: (81) (3) 3408-6340

Government of Alberta

Place Canada 3F
7-3-37 Akasaka
Minato-ku
Tokyo 107, JAPAN
Tel.: (81) (3) 3475-1171/3
Fax: (81) (3) 3470-3939

Government of Quebec

Kojimachi Hiraoka Building 5F
1-3 Kojimachi
Chiyoda-ku
Tokyo 102, JAPAN
Tel.: (81) (3) 3239-5137
Fax: (81) (3) 3239-5140

The Canadian Chamber of Commerce in Japan

P.O. Box 79, Akasaka Post Office
Minato-ku
Tokyo 107, JAPAN
Tel.: (81) (3) 3408-4311
Fax: (81) (3) 3408-4190

The American Chamber of Commerce in Japan

No. Fukide Building 7F
4-1-21 Toranomom
Minato-ku
Tokyo 105, JAPAN
Tel.: (81) (3) 3433-5381
Fax: (81) (3) 3436-1446

Lawyers in Japan

Canadian researchers working in Japan can be greatly helped by working with Japanese patent attorneys and other experts in Japan who are familiar with Japanese law and its application. A number of Japanese law firms also employ foreign nationals who are familiar with the international laws applying to licensing and joint venture arrangements.

To obtain more information, contact the Patent Attorneys' Association at the following address:

Patent Attorneys' Association

Attention: President
4-2, 3-Chome, Kasumigaseki
Chiyoda-ku
Tokyo 100, JAPAN
Tel.: (81) (3) 3581-1212
Fax: (81) (3) 3581-9189

Two classes of lawyers practise law in Japan: those admitted to practise in Japan and appear before Japanese courts, and the *gaikokuho-jimu-bengoshi-jimusho*, or foreign legal consultants resident in Japan. The foreign legal consultants are a relatively recent phenomenon. Although they are not authorized to appear before Japanese courts or to act as Japanese attorneys, they can act on behalf of foreign nationals in connection with licensing and joint venture matters in Japan. Their familiarity with Japanese practice, combined with their Western training, can be very helpful to other Westerners working in Japan.

To find the names of foreign lawyers in Japan, or Japanese law firms that employ foreign nationals, you may want to consult the *Martindale-Hubbell Law Directory*, Volume VI, international lawyers, and *Martindale-Hubbell Prestigious Lawyers*, a one-volume work which lists U.S. and foreign lawyers by country, naming the top law firms practising in those countries, their areas of practice, clients, and the names and qualifications of the partners. Most law associations have these directories, as would any university with a law faculty.

STATUTES

The Canadian statutes relating to intellectual property are the *Patent Act*, the *Copyright Act*, the *Trade Marks Act*, the *Industrial Design Act*, the *Integrated Circuit Topography Act* and the *Plant Breeders' Rights Act*. Copies are available from any bookstore that sells federal government publications or from the address listed below.

Canada Communication Group —
Publishing
Government Services Canada
45 Sacré-Coeur Boulevard
HULL, Que.
K1A 0S9
Tel.: (819) 956-4800
Fax: (819) 994-1498

For legal background on protection of intellectual property in Canada, you may wish to consult the following, all by Harold G. Fox: *The Canadian Law of Copyright and Industrial Designs*, 2nd edition, Toronto: Carswell Thomson Professional Publishing, 1967; *The Canadian Law of Trade Marks and Unfair Competition*, 3rd edition, Toronto: Carswell, 1972; and *Fox's Patent Cases*, Toronto: Carswell, 1940–1971.

PATENTS

The Canadian Patent Office is part of Industry Canada. Its publication, *A Guide to Patents*, provides general information on patents, including instructions on how to prepare a patent application. For up-to-date information on the Canadian *Patent Act* and the international *Patent Cooperation Treaty*, contact:

Enquiries Group
Canadian Intellectual Property Office
Industry Canada
Place du Portage
Phase I
50 Victoria Street
HULL, Que.
K1A 0C9
Tel.: (819) 997-1936
Fax: (819) 953-7620

For detailed information on the *Patent Cooperation Treaty*, consult the *PCT Applicant's Guide*, available from:

World Intellectual Property Organization
Headquarters
34, chemin des Colombettes
1211 Geneva 20
SWITZERLAND

The guide is available in English, French, Japanese and a number of other languages.

Legal Advice

The value of a patent depends to a great extent upon the skill with which the application papers have been prepared. For this reason, it is advisable to obtain the services of a registered patent agent. For a current list of *Patent Agent Firms and Sole Practitioner in Private Practice*, write to the Canadian Intellectual Property Office at the address given above. The *Canada Legal Directory* and *Canadian Law List*, published by Canada Law Book Ltd., also list patent and trademark lawyers.

Patent Information Exploitation Program

It is estimated that 10 percent of research and development in Canada leads to a duplication of already patented technology; and 70 percent of new patented technology is not described in any trade journal for at least five years after those patents are issued. The Patent Information Exploitation Program, administered by the Canadian Intellectual Property Office of Industry Canada, is designed to make the technological information within the patent system more accessible to the public.

Small and medium-sized Canadian manufacturers may wish to take advantage of the program. If you request information in a specific field of technology, the Patent Office will provide a selection of the most relevant patents. Requests must be made through an intermediary organization that deals primarily with small businesses. To obtain a list of these organizations, contact the Canadian Intellectual Property Office at the address given above, or any of the Regional Offices of Industry Canada (See pages 31–32).

Patent Search Tools in Public Libraries

Some information about existing patents may be obtained by consulting the Patent Office's weekly publication, *The Patent Office Record*, which is on file in the libraries of a number of cities throughout the country. Some public libraries have the subject matter index, class schedules and class listings of patents on microfilm. The class listings may be used in conjunction with *The Patent Office Record* to do a preliminary patent search. A list of these libraries is available from the Enquiries Group of the Patent Office at the address on this page.

Micromedia Limited's Technical Information Centre

This centre is the Canadian Patent Office's official agent for sales of paper and microform copies of Canadian patents and patent applications. Copies of any Canadian patents are available, as well as copies of patent applications with priority filing dates later than 1 October 1988. **Basic patent**

search services are available for a fee. Copies of any American and most other foreign patents, and intellectual property search services are also available. For a catalogue of products and services, contact:

Technical Information Centre
Micromedia Limited
Suite 305, 240 Catherine Street
OTTAWA, Ont.
K2P 2G8
Tel.: 1-800-567-1914
Fax: (613) 237-4251

INDUSTRIAL DESIGN

The Canadian Copyright and Industrial Design Office is part of an agency within Industry Canada responsible for all intellectual property rights, including patents, copyrights and trademarks as well as industrial designs.

Search facilities at the Industrial Design Office are open to the general public. Copies of designs already registered are supplied at a nominal copying fee.

Canadian Intellectual Property Office
Copyright and Industrial Design Office
Industry Canada
Place du Portage
Phase I
50 Victoria Street
HULL, Que.
K1A 0C9
Tel.: (819) 997-1725
Fax: (819) 953-6977

General information relating to industrial design is available from all offices of Industry Canada. Two booklets are *Industrial Designs: An Introduction* and *Industrial Design: Questions and Answers*. *Industrial Designs: An Introduction* summarizes the legal procedures for registering industrial designs and provides addresses of departmental offices throughout Canada. *Industrial Design: Questions and*

Answers includes a sample application form for registering a design.

TRADEMARKS

For general information on trademarks, or to apply for registration of a trademark, contact:

Canadian Intellectual Property Office
The Registrar of Trademarks
Industry Canada
Place du Portage
Phase I
50 Victoria Street
HULL, Que.
K1A 0C9
Tel.: (819) 997-1420
Fax: (819) 953-7620

Information on filing an application will be forwarded on request or may be obtained by visiting the Trademarks Office. Addresses of foreign trademarks offices may be obtained from the Canadian representatives of those countries, or from the Canadian Trademarks Office.

COPYRIGHT

Copyright: Questions and Answers prepared by the former Consumer and Corporate Affairs Canada (now Industry Canada), provides a good introduction to copyright information, including sample application forms for registration of copyright. For more information, contact:

Canadian Intellectual Property Office
Copyright and Industrial Design Office
Industry Canada
Place du Portage
Phase I
50 Victoria Street
HULL, Que.
K1A 0C9
Tel.: (819) 997-1725
Fax: (819) 953-6977

INDUSTRY CANADA CONTACTS

Headquarters

Industry Canada
C.D. Howe Building
East Tower
1st Floor, 235 Queen Street
OTTAWA, Ont.
K1A 0H5
Tel.: (613) 952-4782
Fax: (613) 957-7942

Regional Offices

Newfoundland
Industry Canada
Atlantic Place
Suite 504, 215 Water Street
P.O. Box 8950
ST. JOHN'S, Nfld.
A1B 3R9
Tel.: (709) 772-4782
Fax: (709) 772-5093

Prince Edward Island
Industry Canada
National Bank Tower
Confederation Court Mall
Suite 400, 134 Kent Street
P.O. Box 1115
CHARLOTTETOWN, P.E.I.
C1A 7M8
Tel.: (902) 566-7400
Fax: (902) 566-7450

Nova Scotia
Industry Canada
Central Guaranty Trust Tower
5th Floor, 1801 Hollis Street
P.O. Box 940, Station M
HALIFAX, N.S.
B3J 2V9
Tel.: (902) 426-4782
Fax: (902) 426-2624

New Brunswick
Industry Canada
Assumption Place
12th Floor, 770 Main Street
P.O. Box 1210
MONCTON, N.B.
E1C 8P9
Tel.: (506) 857-4782
Fax: (506) 851-2384

Quebec
Industry Canada
Tour de la Bourse
Suite 3800, 800 Victoria Place
P.O. Box 247
MONTREAL, Que.
H4Z 1E8
Tel.: (514) 283-8185
or 1-800-361-5367
Fax: (514) 283-3302

Ontario
Industry Canada
Dominion Public Building
4th Floor, 1 Front Street West
TORONTO, Ont.
M5J 1A4
Tel.: (416) 973-4782
Fax: (416) 954-1385

Manitoba
Industry Canada
Newport Centre
8th Floor, 330 Portage Avenue
P.O. Box 981
WINNIPEG, Man.
R3C 2V2
Tel.: (204) 983-4782
Fax: (204) 983-2187

Saskatchewan

Industry Canada
S. J. Cohen Building
Suite 401, 119 - 4th Avenue South
SASKATOON, Sask.
S7K 5X2
Tel.: (306) 975-4682
Fax: (306) 975-5334

Alberta

Industry Canada
Canada Place
Room 540, 9700 Jasper Avenue
EDMONTON, Alta.
T5J 4C3
Tel.: (403) 495-4782
Fax: (403) 495-4507

Industry Canada
Suite 1100, 510 - 5th Street S.W.
CALGARY, Alta.
T2P 3S2
Tel.: (403) 292-4575
Fax: (403) 292-4578

British Columbia

Industry Canada
Scotia Tower
Suite 900, 650 West Georgia Street
P.O. Box 11610
VANCOUVER, B.C.
V6B 5H8
Tel.: (604) 666-0266
Fax: (604) 666-0277

PUBLICATION INQUIRIES

For copies of Industry Canada publications,
please contact:

Distribution Services
Communications Branch
Industry Canada
C.D. Howe Building
West Tower
Room 216E, 235 Queen Street
OTTAWA, Ont.
K1A 0H5
Tel.: (613) 954-5716
Fax: (613) 952-9620

Publications Centre
Industry Canada
165 Hôtel de Ville Street
HULL, Que.
K1A 0C9
Tel.: (819) 953-1072
Fax: (819) 953-8061