Discussion after the Speeches of Tim Cook and Ivan Feltham

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**QUESTION, Professor King:** We have talked extensively about intellectual property rights and the relationship between intellectual property rights and competition laws. How about know-how? In other words, what about differences in that area? You have commented extensively on patents and trademarks. Would you comment on the relationship of know-how to competition laws?

**ANSWER, Mr. Cook:** Now that we have departed from these prepared notes, what you get is one of the world’s four billion opinions. Know-how, if it is going to be afforded some protection, should fall within a trade secret area. A trade secret is really going to be handled within a different jurisdiction. If that is the only issue at question, more likely than not, it will be brought in a state court.

Do you want to address that from a specific Canadian point of view? If that is the only issue involved?

**ANSWER, Professor King:** Yes.

**COMMENT, Mr. Feltham:** I agree. It seems to me that, as Mr. Cook correctly pointed out, one of the differences between Canada and the United States in this area is that issues deriving from a contract would ordinarily be litigated as contract matters in a provincial court; and while the antitrust defense is always available to a person engaged in infringement or in any other violation of a contract, I think that it is simply a question of whether the rule of reason, when applied to a contract involving know-how, trade secrets, alone or in combination with other intellectual property, is strictly a question of what results one gets from the application of the rule of reason. Is it or is it not in violation of a body of common law dealing with restraints in trade? Is it or is it not a violation of the restraints of trade set forth in various statutes?

**COMMENT, Mr. Cook:** I want to make one other quick point to distinguish U.S. and Canadian practice in this particular area. It has to do with know-how and it draws from what we call the Bluelont (sic) rule. You really cannot extend the royalty payments that are based strictly on the patent grant beyond the date of expiration of the patent. It is a home kind of patent misuse. That appears, however, to be in some circumstances, if there are no other sorts of offenses involved, permitted in Canada.

It only makes sense if they are following a common law contract that the two consenting parties can contract to extend the duration of the payments for the use of the patent right for whatever period of time for which they contract. That is consistent with the common law. In the
United States, however, if it is viewed as strictly a payment for the use of the patent beyond the expiration of the patent, then that is patent misuse.

This also applies to negotiations in anticipation of the application for a patent in the United States.

**QUESTION, Mr. Knopf:** Just at the very end of his speech, Mr. Feltham mentioned the subject of the import controls and I was actually a little surprised that it hadn’t come up earlier in the day. This is, however, probably the logical place for it, and I wondered if Mr. Feltham or Mr. Cook would expand their thoughts on the question of import controls, particularly as they may or may not affect resale price maintenance.

The other thing, before I let you get to that, is also a question and partly an observation about Mr. Feltham’s remarks about section 29. I would like Mr. Feltham to address whether or not he, in the course of his experience with this, has any thoughts about why copyright is not referred to in section 29? By way of a little digression, I can state that the subject has come up recently in the context of copyright revision. People have asked, especially in view of the specific addition of section 515, to which Mr. Feltham referred, why there is no reference to copyright in section 29, along with patents and trademarks. There is certainly some thought being given to correcting what appears to be an oversight.

**ANSWER, Mr. Feltham:** Taking the latter question first, because I think it is simpler, I don’t know the answer precisely with regard to that question. I can only surmise that since section 29, in its substance, was put in the Act in 1906 or thereabouts—at that time, and much later—copyright was not thought to give rise to that kind of problem. At that time it wasn’t at the heart of technology exploitation. As you well know, from what you have just said, obviously it has been the subject of recommendations in several bills. Yet for reasons best known to you and your colleagues in the department, it hasn’t yet been pushed through Parliament and presumably that issue is not going to go away.

Let me just start on the question of import controls. By import controls, I mean border devices for protection to keep out a foreign product that is deemed in some way to be thrust on the market unfairly in relation to the patentee or the other intellectual property trademark owner’s rights. I think it is a very complicated issue. In Canada there is no border protection, as there is under some of the U.S. provisions.

If I am threatened, I have to exercise whatever rights I have under trademark law or patent law. If a patent is involved, it can be quite broad. I must attempt to enjoin the use of the patent or recovery of damages with respect to the use in Canada, for the exploitation of a product and/or sale of a product that incorporates my invention, that I own, either by reason of having a license or by reason of being the patentee.

In my representative role as counsel for one of the owners of the world’s largest patent portfolios, I would be delighted to have a lot more
protection. Also in my representative role, I would be delighted to be able to cut off the gray marketers right at the border. However, I don't have that pleasure in Canada because we don't have any such protection there. But on the Canada/U.S. Free Trade front, I think a serious technical problem potentially exists there. If Canada does not address the gray market problem in the same way as the United States, there is obviously a possibility for material and merchandise coming into the United States, through what would be perceived by the United States as a Canadian loophole.

COMMENT, Mr. Cook: I'm not very well versed in many of the issues that have been discussed today regarding the trade issues and so it would be really inappropriate for me to address that. Instead, I'll answer a different question that you did not ask. It's been very encouraging to those of us in private practice who feel very strongly about protecting intellectual property rights that Paula Stern is commissioner of the ITC, particularly with her views and some of the scathing dissents that she has written. Maybe they will be majority opinions. The direction and guidance that she offers the intellectual property community is definitely welcomed.