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# INTELLECTUAL PROPERTY AND TECHNOLOGY MATTERS

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**What Investors Want:**

*by Robert B. Low*

## The Intellectual Property Wishlist

### INTRODUCTION

**N**o doubt, Venture Capitalists and Angel Investors investing in high tech start-up companies are hopeful the perfect investment candidate walks through their doors. The perfect candidate will emulate the typical desired traits of skilled experienced management and a well thought out business plan, and in particular, will fulfill the VC/Angels wish list for Intellectual Property management and protection, which likely includes the following:

#### 1. A RELIABLE LIST OF ALL INTELLECTUAL PROPERTY

The investor will want to see a complete list of all of your company's patents, trademarks, copyrights, trade secrets, confidential information, proprietary information know-how and any other intellectual property, including associated rights in domain names, trade names, corporate names, etc. An investor's patience is tested when it

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receives list after updated list of a Company's Intellectual Property because somebody forgot to list the trade-mark application in Europe or the U.S. provisional patent or company domain names only known to a few employees.

## 2. SECURED OWNERSHIP OF ALL INTELLECTUAL PROPERTY

An investor will want to see employment, contractor, developer and inventor agreements that contain an enforceable present assignment of future Intellectual Property rights, a covenant to co-operate with the company with respect to future registration and prosecution of such Intellectual Property and covenants not to disclose or use Intellectual Property. In short, investors want to see a clear reliable chain of title from the developer/inventor/author/creator individual to your company. If you cannot prove the chain of title, you cannot prove you own it. If you cannot prove you own it you may not be financed.

Remember that investors will want warranties and representations that the company properly owns the Intellectual Property or has the right to use and exploit the Intellectual Property and that it does not infringe or misappropriate the rights of third parties. Moral rights must be waived, as they cannot be assigned. Many times the moral rights of developers are not waived, which can cause problems later in the commercialization of the Intellectual Property.

## 3. PROPER REGISTRATION/ PROTECTION OF INTELLECTUAL PROPERTY

An investor wants to know that you have taken efforts to register your Intellectual Property, where it makes sense to do so, in the territories and jurisdictions in which you plan to do business. Intellectual Property that has been registered will provide wider protections and remedies to your company than unregistered Intellectual Property.

With respect to patents, investors will look at the technical evaluations, the registration, the opinions of your patent counsel or their own counsel, their own investigations and the timing of your applications. Investors will want to know that there has been no disclosure to invalidate the patent. Don't confuse an investor by saying you have a patent when in fact all you have is an application for a patent. Patent rights do not solidify until a certificate for patent registration has actually been issued. Companies must also be aware of yearly patent maintenance fees that must be paid or else the patent application will be rejected or abandoned.

With respect to trade-marks, the investors will want to search and review your registrations, ask for information and representations on the history and use of the trade-mark and will want to know that you have not missed any filing deadlines.

Numerous times an investor will do its own WHOIS searches for the domain names that you say you own and find out that one of your employees or ISP is the registrant of your company's domain name. In such a case, your company does not own the domain name and it can be an annoying process to assign those domain names over to your company when the employee who registered them under his name has left the organization and cannot be tracked down.

Investors will also want to see the Non-Disclosure Agreements that you use to protect your technology to see if the terms and conditions provide adequate protection and remedies with respect to your valuable Intellectual Property.

## 4. DOCUMENTATION OF ALL THIRD PARTY INTELLECTUAL PROPERTY RIGHTS

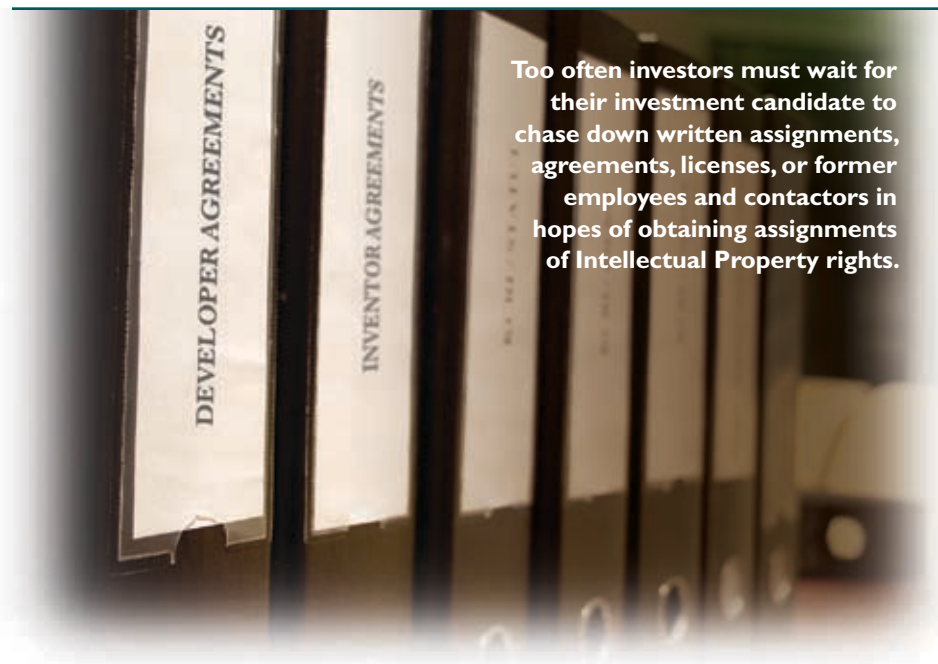
Investors will want to know what Intellectual Property rights your company has received from others such as assignments of Intellectual Property from third parties, licenses and waivers and whether they are available, valid and sufficient. The investors will want to know what obligations third parties have imposed upon you in these agreements and whether you have sufficient rights as a licensee or an assignee to enforce and stop infringement with respect to these third party Intellectual Property rights. In particular, investors will want to see all of the Non-Disclosure Agreements you have signed with third parties over the years to see if they are too restrictive on your operations, whether you are in breach and when they expire.

## 5. INTELLECTUAL PROPERTY ASSIGNMENTS

Too often investors must wait for their investment candidate to chase down written assignments, agreements, licenses, or former employees and contractors in hopes of obtaining assignments of Intellectual Property rights. This is an arduous task and can take many hours, money and luck.

## CONCLUSION

The old cliché is still true: VC's and Angels want to maximize returns and minimize risks. Ensuring proper management and security of your Intellectual Property exists before you hand over the business plan to the VC/Angel will greatly increase your chances that the VC/Angel will see your corporation as an attractive investment vehicle worth the investment risk.



**Too often investors must wait for their investment candidate to chase down written assignments, agreements, licenses, or former employees and contractors in hopes of obtaining assignments of Intellectual Property rights.**

# Special Protection for Famous Trademarks?

by Josh Almario, Student-at-Law

**D**o “famous” trademarks deserve special protection under Canadian law? Not according to the Supreme Court of Canada (the “SCC”). On June 2, 2006, the SCC released its judgements on two related cases where the issue essentially was whether or not “famous” trademarks are entitled to wider protection than “less-famous” marks.

## BARBIE DOLL VS. BARBIE-Q

In *Mattel USA Inc. v. 3894207 Canada Inc.* 2006 SCC 22, multi-billion dollar Mattel Inc. (“Mattel”), the owner of the “Barbie” doll trademark, challenged a small local Montreal restaurant chain named “Barbie’s”. Mattel argued that the “Barbie” name or mark had become such a cultural icon that any other use of a similar mark would create “confusion in the marketplace,” regardless of whether or not the owner of a similar mark offered an entirely different product or service. “Confusion in the marketplace” refers to the likelihood that the ordinary consumer might, upon noting the restaurant’s similar mark, incorrectly associate the restaurant as an extension of Mattel’s Barbie empire. Under Canadian law, a mark that creates such confusion constitutes infringement. The restaurant, for its part, claimed that the name “Barbie’s” was chosen not to capitalize on the Barbie doll appeal, but rather to emphasize the restaurant’s signature BBQ menu, or in other words, its “Barbie-Q” menu.

The SCC unanimously held in favour of the restaurant, stating that in determining whether or not another merchant’s mark adds confusion to the marketplace, one must consider all the “surrounding circumstances.” These surrounding circumstances were held to include the distinctiveness of each of the marks, the length of time each has been used, the nature of the products or services and the segments of the population to whom the marks are geared. The “famousness” of the mark is but another factor to consider. No one factor is decisive. In this case, because the restaurant’s products and services did not have anything to do with toy dolls and because the restaurant chain geared itself to adult patrons and not young children, there was no likelihood of confusing ordinary consumers. Therefore, the restaurant was free to continue using its “Barbie’s” mark.

## CLICQUOT CONFUSION?

The second case, *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltee.* 2006 SCC 23, pitted a highly prestigious French champagne-making company against a small Montreal-based women’s clothing boutique. Veuve Clicquot Ponsardin, whose roots dated back to the days of the French Revolution, first registered its trademark in 1899. Boutiques Cliquot, on the other hand, was a small retail store catering to young career-minded women, which registered its trademark in 1997. The

champagne maker put two arguments to the SCC: (1) that the retailer’s mark was infringing because it added confusion to the marketplace, or to put it in another way, your average consumer would see the retailer’s similar mark and mistakenly infer that the retailer’s dresses and fashion apparel were linked to the champagne maker’s business; and (2) that the use of the retailer’s mark “depreciated” the goodwill flowing from the champagne maker’s trademark.

Following its line of analysis in the Barbie case, the SCC unanimously held that the retailer’s use of the similar mark did not add confusion to the marketplace. The two parties offered vastly different products and offered them to vastly different markets, one to the luxury segment, the other to the middle-class women’s market.

The SCC commented on the second argument, whether or not the use of the retailer’s mark depreciated the goodwill flowing from the champagne maker’s mark. Conceptually, this “depreciation” of goodwill simply refers to the idea that by allowing another merchant to use a similar mark or name, it effectively tarnishes the brand and reputation that the other trademark owner has spent years, if not decades, cultivating, whether or not the harm is intended. The SCC acknowledged that under Canadian law, this cause of action is available, however, ruled against the champagne maker because it felt that the champagne maker lacked sufficiently strong evidence.

## NOT FAMOUS ENOUGH

What can we glean from these Canadian cases? Well, for one, owning a famous trademark does not necessarily entitle you to wider protection of the mark, including all its variations. Second, whether or not you can successfully fend off the use of a similar mark by another party will be based entirely on the facts of each case. Third, the SCC left open the remote possibility of giving wider protection to truly “famous” marks, those that transcend all walks of life. What then constitutes a truly “famous” mark? The SCC did not give any specifics nor did it put forth a test, but it seems safe to say, neither the names “Barbie” nor “Clicquot” were famous enough.

## U.S. STRENGTHENS POSITION OF FAMOUS TRADE-MARKS

In the meantime, the United States took steps to strengthen the position of famous trade-marks by enacting the *Trademark Dilution Revision Act* in October, 2006. As a result of this legislation, famous trade-mark owners in the U.S. no longer have to prove actual dilution of their trade-mark, rather simply that the offending mark “is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.”

## INTRODUCTION

A recent decision from the United States Trademark Trial and Appeal Board has changed the landscape of trademark registration by lowering the threshold for fraudulent conduct to a frightening level. Even more frightening; however, is that this decision is virtually unknown among practitioners and agents.

Prior to the recent case of *Medinol Ltd. v. Neuro Vasx Inc.*, 67 U.S.P.Q.2d. 1205 (Trademark Trial and Appeal Board, 2003) (“*Medinol*”), companies followed the custom of including lengthy lists of goods or services they actually used, or might use in future, when applying to register a trademark.

## FACTS IN MEDINOL

In *Medinol*, Neuro Vasx Inc. (“Neuro”) registered a trademark for “medical devices, namely, neurological stents and catheters.” The company’s President and CEO signed the Statement of Use for the United States Patent and Trademark Office which included the following declaration:

The undersigned being hereby warned that willful false statements and the like so made are punishable by fine or imprisonment, or both... and that such willful false statements might jeopardize the validity of the application or any resulting registration, declares that... the mark is now in use in commerce; and all statements made of his own knowledge are true and all statements made on information and belief are believed to be true.

Medinol Ltd. the Petitioner, filed a petition to cancel the registration alleging that Neuro had not used the mark on stents at the time of registration and argued that the statements contained in the registration were “knowingly false or fraudulent.” In fact, at the time of the registration and up to the point of time of the Board decision, Neuro had not used its mark on stents, but only on catheters.

Neuro agreed that it was not entitled to continued registration for the “stents” and applied to: (1) amend its registration deleting “stents” from the identification of goods; and (2) for summary judgment disposing of all other issues claimed by Medinol. This would have been the normal procedure in the face of a complaint up to this point in time.

# Registering a Trademark Surprising Risk of Fraud in US

by Kerry Lynn Okita, Student-at-Law



**An applicant for registration is presumed guilty of fraud for the inclusion of goods on which the mark is not actually used, and this finding results in the entire registration being cancelled.**

## BOARD’S SURPRISING DECISION

The Board noted that they did have the power under the *Trademark Act* to amend the registration deleting the word “stents,” and that such an amendment would be appropriate both legally and factually. However, the Board decided that it would not amend the registration nor would they grant a summary judgment.

The Board instead analyzed the fraud claim and held that the appropriate test for fraud was “objective manifestations of intent” rather than “subjective intent.” The Board decided that Neuro either had knowledge that the mark was not

used on stents or “had reckless disregard for the truth” at the time it submitted the application for registration. Therefore, a summary judgment on the issue of fraud was entered against Neuro.

## SIGNIFICANCE OF DECISION

An applicant for registration is presumed guilty of fraud for the inclusion of goods on which the mark is not actually used, and this finding results in the entire registration being cancelled.

This holding has been followed in several subsequent Board decisions. However, as most of the Board’s decisions are unreported, very few U.S. lawyers are aware of this decision or its consequences and thus are not advising their clients accordingly. Even as U.S. lawyers become more aware of these circumstances, the fact that under the Madrid Protocol, more international lawyers and agents are registering from abroad without consultations with U.S. lawyers, the danger of failing to guard against invalidation for fraud are high.

# Canadian Court Addresses Reverse Confusion In The Clash of the Chicken Sandwiches

by Candice J. Jones



## BACKGROUND

**A**&W Food Services of Canada Inc. (“A & W”) began selling its “*Chicken Grill*”, a grilled chicken sandwich, in 1987 and registered the trade mark (“TM”) in 1988. An extensive promotional campaign was kicked off in 1989 in conjunction with the official launch of the *Chicken Grill*. At the time of trial, the *Chicken Grill* accounted for approximately 2% of A&W’s total sales of \$500 million annually.

McDonald’s Restaurants of Canada Limited (“McDonald’s”) began selling its “*Chicken McGrill*” in Canada in 2001, one year after it was originally launched in the US market. At the time of trial, the *Chicken McGrill* accounted for approximately 1% of McDonald’s total sales of \$2.4 billion annually.

## ARGUMENTS

A&W brought an action against McDonald’s, *A & W Food Services of Canada Inc. v. McDonald’s Restaurants of Canada Ltd.*, [2005] FC 406, claiming that the action of McDonald’s in naming its sandwich

the *Chicken McGrill*: (i) infringed A&W’s TM, (ii) depreciated the goodwill associated with A&W’s TM, and (iii) caused confusion with A&W’s TM.

McDonald’s counterclaimed that A&W’s TM was invalid because it lacked distinctiveness.

## COURT’S ANALYSIS

The Federal Court (“the Court”) analysed the 3 arguments of A & W as follows:

**Infringement** – Section 19 of the Trade-marks Act (the “Act”) entitles the TM owner to exclusive use of the TM. However, this exclusivity only applies to that particular TM and not for any similar TMs. Here, “*Grill*” and “*McGrill*” are not identical; consequently there was no infringement of A&W’s TM.

**Goodwill** – To establish loss of goodwill, there must be a connection between the TMs and the probability of creating a negative impression such to impair the goodwill associated with the TM. The Federal Court

("Court") found that there was no connection by the public between A&W's TM and McDonald's TM and that there was no evidence of damage to A&W's reputation.

Further, depreciation of goodwill can occur where there is a loss of control over the TM or where the strength of the TM is diluted. The Court held there was no loss of goodwill because McDonald's was using its own TM, not A&W's, and A&W was not restricted from using its own TM.

**Confusion** – The use of a confusingly similar mark is an infringement under s. 20 of the Act. "Direct Confusion" (also known as forward confusion) involves the use of a defendant's TM, which causes customers to believe that the *defendant's* products originate with the *plaintiff*. The test or factors that must be taken into account in determining whether Direct Confusion exists are set out in s. 6(5) of the Act:

- the inherent distinctiveness of the TM and the extent to which they have become known;
- the length of time the TM has been in use;
- the nature of the wares, services or business;
- the nature of the trade; and
- the degree of resemblance between the TM in appearance or sound or the ideas suggested by them.

A&W argued that McDonald's TM caused reverse confusion, which involves the use of the defendant's TM, which causes customers to believe the plaintiff's products originate with the defendant. The standard case of reverse confusion arises when a knowing new user with significant economic clout saturates the market with advertising of a very similar trademark, adversely affecting the value of the trade mark for the original user. The result is that the original or senior user loses the value of its TM and has less ability to move into new markets. While widely accepted in the US, the concept of reverse confusion had not yet been applied in Canada. The Court held that, similar to the US, the test for reverse confusion is the same as for direct confusion.

In applying the test, the Court noted that although A&W presented a variety of evidence (including actual evidence of confusion, survey evidence, linguistic evidence and marketing evidence), the evidence was nonetheless weak. Specifically, the Court found that:

- the Chicken Grill lacked distinctiveness since it had poor brand awareness whereas the Chicken McGrill was readily identifiable as a McDonald's product;
- the length of use of the TM was not a significant factor here since there was very little evidence that consumers confused the two marks;
- the nature of the wares of A&W and McDonald's were virtually identical (grilled chicken sandwiches);
- the nature of the trade was that the two conducted the same business but that business was aimed at different target markets (A&W targets mainly adults; McDonald's focuses more on children), however the consumers know the difference between A&W and McDonald's and are unlikely to assume a connection between them;
- although the product names are similar, suggesting similar characteristics and qualities, the "Mc" prefix minimizes the likelihood of direct confusion, and reverse confusion is unlikely because there is nothing inherent in the words "chicken" and "grill" that points to McDonald's.

Additionally, the Court also considered the intent of McDonald's and noted that although McDonald's knew of A&W's objections, they proceeded anyway. However, the Court found that this had no bearing on whether there was any actual confusion.

## COUNTERCLAIM

In terms of McDonald's counterclaim, although there was evidence that the Chicken Grill was not widely known, McDonald's was unable to demonstrate that A&W's TM was so devoid of distinctiveness so as to fail to distinguish it from other similar products.

## DECISION

In the end, the Court dismissed both claims.

## SIGNIFICANCE

The case is significant because *reverse confusion* is now a legitimate cause of action in Canada. Consequently, this allows the "first" TM owner to protect its TM from a "second" TM owner who attempts to saturate the marketplace and overwhelm the first TM, thereby significantly diminishing the value of the first TM. However, as seen in this case, the success of a claim of reverse confusion is entirely dependent on the specific factual circumstances.

## What We've Been Up To

BD&P hosted a pre-conference Bootcamp for Banff Venture Forum, an annual forum for emerging Information Technology and Energy Technology companies, on June 15, 2006, which included speakers on Intellectual Property issues, Sources & Methods of Financing in Funding a Business and Alternative Sources of Financing.

James T. Swanson spoke to the Privacy and Access to Information Subsection of the Canadian Bar Association ("CBA") on the topic of "Privacy and RFID Devices" on September 25, 2006.

James T. Swanson spoke to the Litigation Subsection of the CBA on the topic of "E-Discovery" on October 31, 2006.

James T. Swanson both chaired the Legal Education Society of Alberta seminar on E-Discovery and gave a presentation on "Introduction to Terminology, Data and Information Structures", in Edmonton on Nov. 21, 2006 and Calgary on Nov. 22, 2006. Shannon L. Wray of BD&P co-led a panel discussion on "You've Been Sued – Now What?" at the same seminar.



# Protection of Your Personal Information: What the Cases are Saying

by Catherine B. Reyes, Student-at-Law

## HAVE YOU WONDERED?

**D**o you know whether a company can record a conversation you have with one of their employees on the phone? Do you ever wonder what happens to the merchant's copy of your credit card receipt when you make a purchase? How about what a former employer can do with the information they obtained about you when you were an employee?

These and many other privacy dilemmas have recently been considered by the Privacy Commissioner (the "Commissioner") at the Alberta Office of the Information and Privacy

Commissioner, established pursuant to the *Personal Information Protection Act*<sup>1</sup>, ("PIPA").

## COLLECTION OF PERSONAL INFORMATION

For various reasons, organizations gather information about people. Often, the intent of such collection is to build customer databases either for their own use or to sell to other organizations. At times, an organization may be unintentionally collecting personal information. For example, an organization may record conversations for training employees and may inadvertently amass a large amount of data on the callers including names, ages, gender, ethnic origins, etc.

*PIPA* provides protection to individuals in Alberta against the collection of personal information. The general rule under *PIPA* is that organizations cannot collect personal information about an individual unless the individual is notified of the purposes for the collection and consents to the collection. Fundamentally, *PIPA* prevents collection for unreasonable purposes.

## CIR Realtors case – recording conversations

The Commissioner addressed the issue of collection of personal information in an investigation of the practices of CIR Realtors and PDL Mobility<sup>2</sup>. In this case, CIR Realtors had engaged PDL as their call answering service. One of CIR's agents had called PDL on numerous occasions to enquire as to why he was not receiving any calls. PDL had recorded these conversations without informing the agent. The agent was called into his manager's office and made to listen to his recorded phone conversations. He was then told that his employment was being terminated as a result of his conversations with PDL. He proceeded to file a complaint with the Office of the Commissioner alleging that he had not consented to having the phone conversations recorded and doing so violated *PIPA*'s prohibitions on collection and use of personal information without consent.

The Commissioner held that telephone calls can disclose personal information, and as such fall within the purview of *PIPA*. Since the agent was not told that his conversations were being recorded, he was not given the opportunity to consent to the collection of personal information, as was required by *PIPA*.

In addition, the Commissioner looked at the alleged purpose for recording the conversations. PDL claimed that they recorded calls for quality control purposes and to allow call center agents to replay conversations to confirm details such as telephone numbers. The Commissioner held that this was not a legitimate business purpose for recording the calls.

The lesson from the PDL/CIR case is that if an organization seeks to record phone conversations, they must first obtain informed consent from the callers. In light of their multiple breaches of *PIPA*, the Commissioner made several suggestions to PDL/CIR as follows:

- inform callers that the conversation is being recorded;
- identify the purpose for which the information is being collected;
- implement procedures for responding to callers who refuse to consent to the recording; and
- develop a protocol for dealing with collected personal information.

## PROTECTION OF PERSONAL INFORMATION

When an organization obtains personal information, they have a duty to protect this information against risks such as unauthorized access, collection, use, disclosure, copying, modification, disposal or destruction (*PIPA*, s. 34). For example, when you provide your credit card or debit number to a merchant to make a purchase,

the merchant must be careful with what transpires with that number and associated information.

### Monarch Beauty Supply case – protection of credit card information

Recently, the Commissioner scrutinized the practices of Monarch Beauty Supply Company<sup>3</sup> (“Monarch”), a retailer of hair care products and cosmetics with an Edmonton location. The Commissioner was concerned with Monarch’s treatment of customers’ personal information, in particular, their credit card information. The problems were brought to the attention of the Commissioner when the Edmonton Police came into possession of several bundles of receipts containing confidential information about Monarch customers. The Police handed these documents over to the Office of the Commissioner. At approximately the same time, the Commissioner received a complaint

from a customer of Monarch that her credit card information has been disseminated without her consent and the recipient of the information had fraudulently purchased a laptop computer.


The Office of the Commissioner initiated an investigation into Monarch’s practices to determine whether Monarch failed to make reasonable security arrangements to protect its customers’ personal information.

The Commissioner found that although Monarch had policies in place and offered seminars on protection of confidential customer information; these policies were not properly communicated to employees. In addition, the Commissioner found that Monarch had inconsistent practices with respect to long-term storage of logs of transactions and receipts. In at least one instance receipts containing customers’ credit card and debit information were left in a garbage bin behind the store. Although aware of this incident, the territorial manager of Monarch failed to report it to the company’s privacy officer and did not undertake any remedial action until the investigation by the Commissioner was instigated.

Based on these findings, the Commissioner ruled that Monarch had failed to comply with *PIPA* requirements and made several recommendations. Monarch was advised to contact all customers to inform them that their personal information had been or may have been compromised. The Commissioner suggested that clients should be informed of the steps to take to protect themselves. Further, Monarch was advised to initiate comprehensive training in privacy-related issues to all employees with follow-up reminders at regular intervals.

Therefore, merchants have a duty to ensure that their customers’ personal information does not end up in the wrong hands. What safeguards can be taken to ensure that this will not occur? In Monarch, the Commissioner noted with approval several procedures the merchant had put in place since the initiation of the investigation, including:

- obtaining software to truncate credit and debit card numbers;
- placing all confidential documents in locked cabinets or having them shredded;



**When an organization obtains personal information, they have a duty to protect this information against risks such as unauthorized access, collection, use, disclosure, copying, modification, disposal or destruction.**

- conducting on site privacy audits;
- eliminating store copies of most credit and debit receipts; and
- requiring that all privacy breaches be reported to Monarch's privacy officer.

## COLLECTION OF PERSONAL INFORMATION BY EMPLOYERS

PIPA recognizes that employers may need to collect personal information about employees for various reasons. One such reason is to permit contacting an employee for business purposes. PIPA exempts from application of the Act the collection, use or disclosure of business contact information if done for the purposes of contacting an individual in that individual's capacity as an employee of an organization. "Business contact information" is defined as an individual's name, position name or title, business telephone number, business address, business e-mail, business fax number and other similar business information.

Apart from collecting information to assist in maintaining contact with an employee, PIPA recognizes that there may be instances in which an employer may need to collect, use or disclose personal information for the purposes of hiring a prospective employee or managing or dismissing a current employee. PIPA provides that collection and use of personal employee information, which is defined as information required to establish, manage or terminate an employment relationship, is permitted without obtaining the consent of the individual if the individual is an employee of the organization or the collection or use is for the purpose of recruiting a potential employee. The Act goes on to restrict the application of these provisions to cases in which the collection or use is reasonable for the purposes for which it is being collected or used and the information is related to the employment relationship. For current employees (rather than prospective employees), there is a further requirement that they be given notice before the information is collected that it is going to be collected for a certain purpose. In other words, current employees need not consent to the collection or use of the information (or, in fact, disclosure) but they must receive reasonable advance notification. Prospective employees need not consent nor be notified of the collection and use.

The requirements to disclose personal employee information are the same as those for collection and use except that it has been determined that the rules relating to disclosure also cover information collected about past employees of an organization.

### Dr. Dave case – employer disclosing personal information

The Commissioner considered the issue of the disclosure of information of a past employee by an employer in an investigation involving a company called Doctor Dave Computer Remedies Incorporated<sup>1</sup> ("Doctor Dave"). In this investigation, two former employees of Doctor Dave filed a complaint with the Commissioner regarding the collection, use and disclosure by their past-employer of personal information. The complainants alleged that Doctor Dave had collected, used and disclosed their names, home phone numbers and home e-mail addresses without consent. This information, they claimed, was distributed to their former co-workers, customer and via websites. They provided documentary and electronic evidence that this information was used by Doctor Dave to encourage current employees to initiate legal action against them and to make unwanted contact with them.

**...an organization which records phone conversations must ensure that informed consent is obtained prior to the recording. In order to provide informed consent, the caller must be told the purpose for recording the conversation.**

Among other arguments, the Commissioner considered whether the information collected qualified as "personal employee information". The Commissioner found that since s. 21(2) of PIPA, which addresses disclosure of personal employee information, applies to an individual who is *or was* an employee of the organization, the legislature clearly intended this provision to apply to former employees. Turning to the facts of the Complainants' case, the Commissioner found that the purpose for the disclosure of the personal employee information was not related to the employment relationship and was improper.

## CONCLUSION

There are several lessons that can be learned from the Commissioner's orders examined in this article.

- an organization which records phone conversations must ensure that informed consent is obtained prior to the recording. In order to provide informed consent, the caller must be told the purpose for recording the conversation. Since the recording will necessarily involve the collection of personal information, the purpose for the recording must be legitimate and reasonable.
- a merchant must insure that the personal information it obtains from customers is kept secure. If it records information such as credit card or debit numbers, it should ensure that this information does not end up in the wrong hands. This could involve the use of software to truncate numbers, keeping files in locked cabinets and eliminating merchant copies. In addition, it would behoove merchants to have policies in place regarding confidentiality and train employees accordingly.
- an employer can collect, use and disclose personal employee information for the purposes of establishing, maintaining or terminating an employment relationship without consent after providing reasonable notification. However, this collection, use and disclosure must be reasonable and related to the employment relationship. In addition, employers should be cautious since all information about an employee will not fall within the definition of employee personal information. If the information is not employee personal information, but other personal information, both notification and consent will be required for collection, use and disclosure.

### Footnotes

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- <sup>1</sup> R.S.A. 2003, c. P-6.5
  - <sup>2</sup> CIR Realtors and PDL Mobility, Investigation Report P2006-IR-002
  - <sup>3</sup> Monarch Beauty Supply, Investigation P2006-IR-003
  - <sup>4</sup> Order P2005-001

# E-Business and the Internet

BD&P's Intellectual Property & Technology Team counsels clients on a host of issues concerning the development and implementation of on-line business, the protection of intellectual property over the Internet and the inherent risks of privacy and security.

This Team has substantial experience and knowledge in Internet related matters, whether local, national or cross-border, and counsels several industry leading companies that conduct their business on-line.

## SIGNIFICANT AREAS OF SERVICE:

- Advice on all areas of online business and e-commerce, including:
  - Agreements with respect to website and software development, linking and collaborative relationships, ISP, hosting, cohosting, co-location, subscriber and members, and distribution arrangements
  - Online contracting and sales, publication and distribution of content, privacy, legal risk management, and copyright issues
  - Advice with respect to legislation such as the Electronic Transactions Act (Alberta)
  - Domain name and trade-mark protection and infringement
  - Licensing of software and digital content
  - Advice on online contests and promotions
  - Website terms of use and acceptable use policies
  - Tax issues with regard to online business
  - Website and e-commerce security legal issues
- Advice on all aspects of software development and licensing
- IT outsourcing
- Advice on legal issues arising out of the virtualization of business processes
- Advice with respect to document and record retention policies and regulatory compliance regarding electronic records
- Advice with respect to electronic records in litigation and e-discovery
- Litigation related to online and e-business matters and online intellectual property issues



# Intellectual Property

BD&P's Intellectual Property & Technology Team has a wealth of knowledge and extensive experience in advising clients on trade-mark, copyright, patent, industrial design and trade secrets law. Our clients range from individuals to large multi-national corporations and emerging technology companies.

Whether it is the re-branding of a key product, the licensing of critical intellectual property overseas, or the commercialization of cutting edge new technology, this Team will ensure that the intellectual property issues arising from such endeavours are identified and solved expertly and efficiently.

## SIGNIFICANT AREAS OF SERVICE:

- Registrability and availability of trade-mark searches for Canada and abroad
- Preparation, filing and prosecution of trade-mark applications for Canada and abroad
- Trade-mark registration, opposition, and expungement proceedings including proceedings before the Trade-marks Opposition Board
- Trade-mark litigation, including infringement, passing-off, cyber-squatting
- Branding and brand management
- Franchise agreements, disclosure documents and advising on franchise legislation compliance
- Copyright infringement proceedings
- Advising on, and drafting of trade-mark, copyright and patent licenses
- Preparation, filing and prosecution of copyright application
- Domain name registrations and disputes
- Advising on general patent matters
- Patent and trade-mark litigation, including infringement and passing-off actions
- Confidentiality and non-disclosure agreements
- Advising on employee and contractor intellectual property issues and assignments
- Publishing, licensing, and distribution contracts with respect to book and other publications, music, television and cinema
- Patent licensing and transfers
- Trade secret protection and licensing
- Technology transfer agreements
- Employment agreements for software developers, content developers and scientists

# Privacy & Data Collection

BD&P's Intellectual Property & Technology Team has experience in all matters related to privacy and data collection and the collection, use and disclosure of personal information.

The practitioners on this Team work regularly with other lawyers at BD&P with respect to privacy issues that arise in employment and commercial relationships, e-commerce, mergers and acquisitions, litigation and other situations involving the collection, use and disclosure of personal information. We also provide advice related to access to information, complaints from individuals, investigations by regulatory authorities and in litigious situations.

## SIGNIFICANT AREAS OF SERVICE:

- Advice on all aspects of privacy and personal information, applicable legislation and compliance with such legislation
- Advice on privacy impact assessments and privacy audits
- Preparation of privacy policies and related documentation
- Advice with respect to appointment of officers with privacy responsibilities
- Advice with respect to requests for access to information, compliance challenges and related inquiries
- Advice with respect to legal issues arising out of the design and use of computer systems and networks, including security and data flows
- Advice with respect to data flows across provincial and international borders and with respect to the World Wide Web and Internet-specific issues regarding privacy
- Advice on matters arising out of the *Personal Information Protection and Electronic Documents Act* (Canada, "PIPEDA"), the *Personal Information Protection Act* (Alberta, "PIPA"), the *Freedom of Information and Protection of Privacy Act* (Alberta, "FOIP"), the *Health Information Act* (Alberta), and related matters
- Advice on records and document retention and destruction policies, including advice on policies related to personal information
- Advice with respect to complaints from individual data donors
- Advice with respect to the transfer or sale of personal information (e.g. customer lists, mailing lists, donor lists)
- Advice with respect to matters before the Information and Privacy Commission of Alberta and the Privacy Commissioner of Canada
- Advice with respect to privacy issues arising in administrative proceedings and litigation

# Technology Transfer & Licensing

BD&P's Intellectual Property & Technology team has extensive experience in all commercial aspects of technology development, protection, marketing and transfer. Our Team is knowledgeable in both the legal and technical aspects of technology transfer and licensing and has the skills to handle wide-ranging transactions.

Our practitioners represent large and small corporate developers, acquirors and end users of technology in a wide variety of industries including the oil & gas and service sector, oil sands, wireless, GPS, biotechnology, financial institutions and software.

## SIGNIFICANT AREAS OF SERVICE:

- Mergers and acquisitions of technology companies
- Acquisition of intellectual property and technology company assets
- Sales, marketing, re-seller and sales agency arrangements
- Software, copyright, trade-mark, patent and other intellectual property licensing
- Internet based licensing and product distribution
- Application service provider, hosting and other software and service delivery structures
- Co-development and joint development agreements
- Confidentiality, non-disclosure and technology ownership and assignment agreements



# Meet Our Intellectual Property & Technology Team



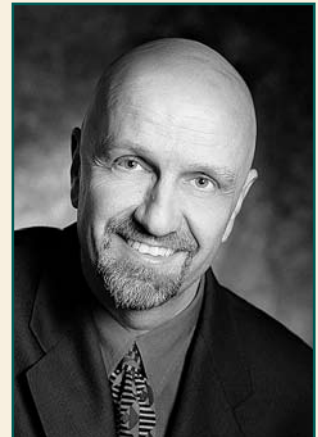
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