

# MANAGING YOUR VR/AR IP PORTFOLIO DURING THE COVID-19 CRISIS: STRATEGIES AND BEST PRACTICES

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For VR/AR companies in Vancouver, spending money on intellectual property is often an investment for the future. In contrast, during the current COVID-19 public health crisis, our attention naturally turns to the present. In the face of uneven and uncertain cash flow, and a pandemic with an indeterminate end, you may have no choice but to divert money you would otherwise spend on generating and maintaining a valuable IP portfolio to other business expenses, such as payroll, or for liquidity. As we explore in the following article, however, by managing your IP portfolio intelligently, you can defer IP-related costs without sacrificing your portfolio's value so that you will be ready to capitalize when this crisis, like all others, passes.

VR/AR companies, in particular, are often SMEs that will need to raise one or more rounds of financing, and for which an exit option is acquisition by a large and sophisticated company with significant VR/AR interests. The due diligence that a potential investor or acquirer performs in the course of such a transaction will involve investigating your IP assets to ensure you own and have the right to use the IP required for your business, and to determine whether your IP portfolio justifies your valuation. An investor/acquirer will examine the actions you took during this crisis to defer costs to assess whether they have resulted in a hangover that could prejudice your valuation; they are likely to have impressive IP portfolios themselves, and accordingly will focus their attention on the value your portfolio may have in complementing theirs.

The IP rights we discuss in this article are patents, industrial designs, trade secrets, trademarks, and copyright. These are the primary rights from which technology companies typically derive the most value. This article presumes a basic familiarity with the nature and scope of these rights. For a primer on these rights, we refer you to the [Canadian Intellectual Property Office \("CIPO"\) website](#).

Another important feature of IP rights is the ability to use them to exclude others from using your patented technology, misappropriating your copyright, displaying your trademarks, etc. The enforcement of these rights is primarily through the courts and certain strategies may be deployed to defer the timing and costs of these steps. This paper briefly discusses those strategies.

Before you undertake any of these time and cost-saving strategies, we strongly recommend you obtain legal advice. The IP landscape is developing rapidly in response to COVID-19, with governments and regulatory bodies releasing updates weekly, and sometimes daily, as they adapt to the uncertain times.

## Patents

Patents protect new and inventive functional improvements in many forms. For example, in the VR/AR space, patents can protect improvements made to hardware (e.g., improvements made to AR goggles to customize them for a particular application, such as swimming); integrated devices (e.g., firmware that improves real-time motion sensing of a handset or headset); and software, such as a 3D rendering engine (e.g., an improvement that quickens computation time). Patents can also protect functionality made possible by a third party's piece of hardware. For example, if a new LiDAR sensor is made commercially available by a vendor, software you design to implement new and inventive functionality using that sensor may be patentable, even though you won't be able to patent the sensor itself.

The best practice when protecting a product or service using patents is to apply to protect the invention(s) that are incorporated into that product or service prior to any public disclosure, sale, offer for sale, or commercial use of that product or service. This reduces the risk that the invention(s) will be publicly disclosed prior to a patent application being filed, which helps ensure compliance with worldwide patent requirements. A failure to file a patent application before you disclose your invention publicly can have negative consequences on your IP asset.

However, depending on your risk tolerance, you may be able to trade off risk for cost by being cognizant of and relying on various legal tools and strategies:

- **Grace periods** - Certain countries, such as Canada and the United States, offer inventors a grace period that permits them to patent an invention even after publicly disclosing or commercializing it. This may allow you to begin commercializing a product without incurring the upfront patenting costs, so long as you proceed with patenting

before the expiry of any applicable grace period. Keep in mind that many countries do not offer grace periods; some countries that do offer grace periods offer them only under extenuating circumstances (e.g., in Europe, for breach of trust); that grace periods can vary in length, but generally are never longer than a year; and that in some countries you must tell the patent office you are invoking the grace period and provide details of any prior disclosure in order to benefit from it (e.g., Mexico). The World Intellectual Property Organization publishes a list of various grace periods available worldwide [here](#).

- **Provisional applications** - You may wish to start the patent process with a provisional patent application to secure a filing date, instead of proceeding straight to a non-provisional application, which secures a filing date and serves as the basis for examination. This defers several thousand dollars in upfront filing fees at the cost of patent examination and grant. Additionally, a provisional application may be drafted to be less detailed than a non-provisional application, thereby saving drafting costs in addition to filing costs. This introduces additional risks, which can be mitigated if you will only be pursuing patent protection in grace period countries and/or will be keeping your invention confidential until a non-provisional filing.
- **Commercialization without publication** - You may be able to change or implement a commercialization strategy in which you commercialize without publishing your invention. For example, instead of shipping software to end users, you may keep your software a trade secret and allow users to access its functionality by offering it as a service (e.g., you may commercialize rendering software by offering it as a cloud-based service). In some jurisdictions, this may allow you to commercialize your invention without prejudicing your patent rights. It is best to revisit patenting prior to the end of any grace periods for countries in which you wish to pursue patent protection.
- **Extensions of time** - Many jurisdictions offer extensions of time during patent prosecution that allow you to spend hundreds of dollars to defer, by at least a few months, costs that may be an order of magnitude more. Careful consideration of these options may enable you to defer significant costs until later. Furthermore, in response to the ongoing COVID-19 crisis, many patent offices worldwide are offering deadline extensions. For example, CIPO has automatically extended patent prosecution deadlines falling between March 16, 2020 and April 30, 2020, to May 1, 2020, and has indicated it may further extend this period. CIPO took this action in coordination with intellectual property offices internationally, and similar extensions are in place in other jurisdictions as well. As the relief period that CIPO and other intellectual property offices currently provide may be extended, and as the requirements to qualify for relief may

vary with office, you should seek legal advice before deciding whether to take advantage of the extensions or whether to continue to meet the existing deadlines regardless.

- **Culling** - A crisis can serve as a good opportunity to review your patent and invention portfolio to determine whether drafting and filing applications for those inventions, and spending money on maintaining patents and patent applications, continue to make sense in a cost-benefit analysis. In the event you decide to cull applications from your portfolio, certain jurisdictions may allow you to reinstate your rights with a certain period of time from abandonment (e.g., one year).

## Designs

The comments above for patents apply to designs as well, except for the sections on commercialization without publication and provisional applications.

## Trade Secrets

In contrast to patents and designs, which are publicly available and registered rights, trade secrets are unregistered rights that, by their very nature, are confidential. A classic example is the Coca Cola recipe; VR/AR examples include source code, computer algorithms, and business opportunities. The value in the asset is preserved because the information is kept confidential. Steps must be taken to keep it confidential otherwise the right will be lost into the public domain forever. If you are commercializing an invention such that it can be reverse engineered by one of your competitors, then you are not protecting it as a trade secret and should focus instead on patenting your technology.

As mentioned above, you may be able to commercialize an invention while keeping it secret, thereby deferring or eliminating the requirement to patent that invention to protect it. With trade secrets, however, it is not possible to put smoke back in the bottle: if secrecy over an invention is lost, it is generally lost forever. Consequently, it is critical, even during a crisis, to ensure that proper legal agreements (e.g., confidentiality agreements and confidentiality language in employment and contractor agreements), policies (e.g., a confidentiality policy that all employees are required to review and comply with) and practices (e.g. keeping the recipe in a safe) are in place to protect your confidential information. Once you have a framework in place that protects your confidential information, the incremental cost of protecting additional information as confidential is generally low. You may then be able to rely on trade secret protection to

complement or replace patent protection. For example, you may be able to delay applying to patent an invention, and during any delay period keep the invention a trade secret.

## Trademarks

In contrast to patents for which public use can destroy rights, trademarks grow in strength as they are used. The best practice is to apply to register a trademark prior to using it. However, as with patents, depending on your risk tolerance you may be able to trade off risk for cost:

- **Delaying applying for registration** - You may wish to use a mark prior to applying to register it. Unlike with patents, using the mark in and of itself will not make it harder for you to obtain a trademark registration. However, delaying filing does mean that a third party may apply to register the same or a similar mark before you, perhaps spurred on by your own use. In most jurisdictions where marks are granted on a first-to-file basis, this may eliminate your ability to obtain a registration you would otherwise have been entitled to. Even in first-to-use jurisdictions such as Canada and the United States, you may need to go through expensive and time-consuming opposition or court proceedings in order to obtain a registration for a mark that someone else applied for after you started using it.
- **Common Law Rights** - In certain jurisdictions, such as Canada and the United States, you get a limited form of trademark protection through using the trademarks in commerce in a manner that generates a reputation or goodwill without having to apply to register the mark. This form of protection, known as common law rights, is more difficult to enforce and more limited in scope than registered rights. It nonetheless represents a fallback that is automatically and inexpensively obtained.
- **Extensions of time** - As with patents, even before COVID-19, one could in certain circumstances apply for extensions of time during trademark prosecution. Now, in response to the ongoing COVID-19 crisis, CIPO has automatically extended deadlines falling between March 16, 2020 and April 30, 2020, to May 1, 2020, to give businesses an opportunity to decide how to proceed and also to delay costs. As mentioned above for patents, many international offices are offering similar extensions. As the extension period keeps changing, and as requirements for qualifying for any extension may vary with jurisdiction, you should seek legal advice before deciding whether to take advantage of the extensions or whether to continue to meet the existing deadlines regardless.
- **Culling** - As with patents, you could also reduce costs by culling certain marks from

your portfolio.

## Copyright

By virtue of an international convention, copyright is created automatically and internationally in any original works that require skill and judgment to create. These include software (source and object code), website copy, graphics, pictures, user documentation, customers lists, operating manuals, etc. The copyright in works created by employees in the course of their employment is automatically employer owned, while the copyright in works created by a contractor is owned by that contractor absent contractual language specifying otherwise. Even during a crisis, you will want to ensure that you have contracts in place properly assigning ownership in copyright (and, indeed, all IP rights).

Copyright registration, however, is not automatic and must be done on a jurisdiction-by-jurisdiction basis. For example, in Canada, registration is not required to commence a legal proceeding but may result in an increased award of damages after trial. Registration may be a prerequisite to commencing a suit in other jurisdictions such as the United States and you should ask your legal advisors what is required if you are considering litigation, particular as a copyright registration in the United States can take more than two years. There is, however, generally no positive requirement to register copyright in most countries in order to enforce copyright. This may make deferring copyright registration attractive during a crisis.

## Enforcement

Most, if not all, of the Provincial Courts and the Federal Court of Canada have implemented a near complete shut down of non-urgent court hearings until sometime in May 2020. For example, the British Columbia Supreme Court has suspended all non-urgent hearings until the end of May 2020. The Federal Court has suspended most hearings until May 15, 2020. There may be further extensions as knowledge of COVID-19 increases, but there is no guarantee and you should contact your legal counsel to determine when you might have to take steps to enforce your IP rights. If you are interested in seeking a preliminary injunction prohibiting a competitor from infringing your IP rights before trial, it is probably considered urgent and therefore capable of being heard before the suspension periods are lifted. If that is part of your strategy, you should not rely on the suspension period and follow common practice, which is to go to court without any unreasonable delays.

In addition, limitation periods, which require legal claims to be commenced in courts within a given period of time have also been suspended across Canada. As each province or territory has its own rules and each has approached the suspension of limitation periods separately, you should obtain legal advice on whether you can delay starting a claim for trademark infringement, for example, until a certain point in time. It is vitally important that you seek legal advice on this issue because if you miss a limitation period deadline, your legal claim could be barred forever.

Finally, some deadline relief has also been granted in trademark opposition proceedings and trademark cancellation proceedings. As set out above in regard to trademark and patent prosecution, CIPO has automatically extended all deadlines that fall between March 16, 2020, and April 30, 2020, to May 1, 2020, and this includes deadlines in trademark opposition proceedings and trademark cancellation proceedings. These deadline extensions permit companies to defer those costs. This automatic extension period may be extended in due course providing further respite. However, until it is extended, be prepared to take all necessary steps by May 1, 2020. CIPO has also said that if any formal requests for additional extensions of time are made within 2 months of the end of the deadline relief period, it considers that a "three-month extension of time will usually be appropriate".

## Conclusion

Deferring fees usually involves incurring some risk. After all, a best practice is a best practice for a reason. However, the perfect should not be the enemy of the possible. It is critical, particularly when deciding to assume some risk and when different requirements in different jurisdictions are in play, to retain experienced counsel and receive business-oriented advice. This will allow you to balance the immediate need of managing the COVID-19 crisis with the requirement to, when life eventually returns to normal, continue to raise funds and remain attractive to those in the VR/AR space who will have dollars to invest and renewed interest in an industry even more relevant in a post-COVID world.

For more information, join Roch Ripley and Scott Foster for an informative [webinar on Managing your VR/AR IP Portfolio](#) at 12:00 p.m. (PT) on Thursday, May 14.

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