

INTELLECTUAL PROPERTY

There are essentially 4 areas of intellectual property which are important in business. These are:

1. Copyright
2. Trademarks
3. Confidentiality and Trade Secrets
4. Patents

There are a number of other areas such as registered designs and plant varieties but these are not often encountered in business.

Copyright

Copyright is a property right that exists in original literary, dramatic, artistic and musical works. You get copyright protection automatically as you create the work. Copyright laws protect you against unauthorised copying of your work. It not only protects books, plays, paintings or songs but also more mundane works such as an original building plan. It is important to understand that copyright does not protect the idea embodied in the work, only the expression of that idea.

Under New Zealand law, in order to be protected, the work needs to be original – this means it cannot be copied from anything else. It needs to be the product of the persons own time, labour, skill and judgement.

Normally, the creator of a work would be the first owner of copyright in that work. However, there are a number of exceptions to this:

1. Works which have been made on commission are normally owned by the commissioning party.
2. Works which have been created by an employee may be owned by the employer.
3. Where the parties have reached agreement as to who owns the copyright.

In New Zealand you do not have to register your copyright. There is no system of registration and no registration fees.

Generally, copyright will last for 16 years for works that have been put into production and 50 years from the death of the author of any other work.

Copyright can exist in a product (New Zealand is unique in this respect). It would normally exist in the original design drawing and the prototype for a product as well. It will not exist in any mass produced product as that would be only a copy. You should therefore keep copies of any design drawings, patterns and prototypes and record on them the author and date of creation. In many cases, it is useful to include a copyright notice on plans or literary works.

Copyright is enforceable in New Zealand through the Courts and will be recognised in most overseas countries. New Zealand's major trading partners are all members of international copyright conventions which allow New Zealand copyrights to be enforced overseas. There are exceptions to this and specific advice should be taken. However, as New Zealand's concept of copyright in a three dimensional product is unique, this is not enforceable overseas.

There is a myth which is quite commonly heard that if a work is changed by more than 10% or 20%, then this does not infringe any copyright. This is not true. In New Zealand, the test for infringement of copyright has basically three parts:

1. Does the alleged copy look objectively similar to the copyright work?
2. Is there a connection or link between the infringement and the copyright work, i.e. was it copied?
3. Does the alleged infringement take a substantial or essential part of the copyright work?

The third item is a question of quality rather than quantity. For example, taking a small but important portion of a musical work has been held to infringe copyright.

Copyright is best used to protect books, photographs and art works, it is of limited use with products and inventions.

Trademarks

A trademark is a mark which is applied to certain goods and services which identifies them with a particular trademark owner, i.e. the golden arches for McDonalds or the apple for Apple Computers.

A trademark can be a word, phrase, number, symbol, logo, colour, label, shape and even a sound or smell or any combination of these.

It is not compulsory to register your trademark but registration does give a number of benefits, including details of the trademark being publicly available on the trademarks register which means that competitors that may be considering a similar mark receive notice of your existing registered mark. This has a deterrent effect.

It also gives you the exclusive right to use the mark throughout New Zealand in relation to the goods and services which are covered by your registration.

If you are considering adopting a trademark, then it is useful to conduct a search of the trademarks registry to make sure that you are not infringing any registered mark. We can assist you here.

A trademark registration is the easiest and most effective method of stopping anyone else from using your trademark or one that is similar to it in relation to goods and services, similar to those in which you trade. With a registered trademark you only need to show that a competitor is using a mark which is confusingly similar to your mark.

In relation to an unregistered trademark, you will need to prove that you have a reputation in your mark in the area where the unauthorised use has occurred and that the public is likely to be confused as a result of the unauthorised use of your mark. This can be a time consuming and expensive exercise unless you are a nationwide organisation. Registration of your trademark is the only way you can ensure that you have protection across New Zealand.

A registered trademark can be readily assigned or licensed which is important on the sale of your business and is also useful if you wish to franchise your business at a later date. Again, we can assist you in this regard.

Not all marks are able to be registered as a trademark. A trademark, in order to be registered, must be capable of indicating, in the course of trade, a connection between you and your goods and services. Trademarks which consist solely of descriptive or laudatory words, common surnames or geographical names may not be registrable. For example, "McDonalds" is not descriptive of hamburgers and is obviously registrable whereas the "Great Hamburger Co" would not be registrable as a trademark. The trademark cannot directly describe your goods or services or some characteristic of them and cannot be words which other people would wish to use in connection with their goods or services, e.g. Fresh n Fruity for fruit sales.

A common misunderstanding about trademarks is the belief that incorporating a company with the same name or having a domain name which incorporates your trademark gives you some protection. This is not the case. Incorporating a company under a particular name will only prevent others from incorporating a company under exactly the same name. Similarly, registering a domain name will only stop others from registering or using a similar domain name. It will not stop them using that name in their business or for their products and services.

Registration of a trademark takes approximately six months. Once the application is made, it will be examined by the Intellectual Property Office of New Zealand. If it is accepted as registrable, it will be advertised and there is a three month opposition period during which third parties can oppose your application, if they have grounds. If no opposition is lodged then a certificate of registration will issue. If the Intellectual Property Office of New Zealand has any objections they will raise a compliance report with you and you will need to consider these objections and answer them to the satisfaction of the office before registration can proceed.

Provided you renew your registration every two years, a trademark registration will last indefinitely.

With any trademark, you can utilise the symbol TM to show that you are claiming or using the mark as a trademark. You can use this even though it is not registered. You can only use the ® once your trademark has been registered. It is important that you use your mark only as a trademark and not as the name of your product, otherwise you are liable to lose it.

A trademark registration is valid only for New Zealand, it does not give you any right in any overseas jurisdiction. In many jurisdictions using the name is not important and it is merely the first to register that wins. Stealing names and then offering them back to the legitimate owner is a real issue in overseas jurisdictions.

Confidentiality and Trade Secrets

There are many situations in which actively seeking intellectual property protection can be detrimental to you. In some cases, you are better off simply manufacturing the product and securing the market and reputation first.

In certain circumstances, it is better not to seek patent protection but to keep the method of manufacturing the product or knowledge of how the process works, secret. A great example of this is Coca Cola who are very protective of the secret formula for making Coke. Rather than seek patent protection, which would expire after 20 years, and result in disclosure of the formula, they have kept this secret to great effect.

In certain circumstances however, disclosure of confidential information is unavoidable, for example where information has to be disclosed to a potential financier, developer, contractor, financial partner, employee or licensee.

Before disclosing your invention or other confidential information to any of these parties, you should use a confidentiality agreement. The confidentiality agreement can be a separate document or combined with a joint venture agreement or licence agreement.

A confidentiality agreement will set out the nature of the information and reason for disclosure of it. It is evidence that information has been disclosed and is a deterrent to misuse of that confidential information. Large organisations or those in a monopoly situation will often refuse to sign them. Sometimes that is a policy but just as often it is because signing these agreements may prevent them from using information they already hold or processes which they have already developed. Drafting of the confidentiality agreement can alleviate these concerns.

Another issue is enforcement of a confidentiality agreement, particularly against an overseas company. Enforcing these agreements overseas can be problematic and is often extremely expensive. Even if New Zealand law is specified in the agreement and a judgment is obtained in New Zealand, there could still be significant issues with enforcing those judgments.

Regardless of the above difficulties, our recommendation would be always to have a confidentiality agreement. With regard to patents, any disclosure of an invention which has

not been made under a confidentiality agreement has the potential to destroy the patentability of the invention.

Patents

A patent provides legal protection for a principle or idea and not just the physical form of an invention. It provides protection for the ideas which are embodied in a novel technology product or process. The protection can extend to variations of a basic product or process.

The term of the patent is 20 years. The owner has a monopoly to manufacture, sell, licence, import and use the patented product or process in that time.

If time and money have been expended in developing the invention it is sensible to protect that invention against competitors who may wish to take advantage of those efforts.

The cost of securing the patent can be a significant concern to some inventors. Because of the nature of the patent, the costs are incurred prior to it being marketed and showing a return. The cost of obtaining a patent needs to be balanced against the value of obtaining a monopoly in that idea. Sometimes it is better to simply get out and sell the product rather than patenting it.

If you hold a patent, competitors are less likely to try to misappropriate an invention. It is prudent therefore to have the application filed before approaching potential manufacturers or investors. The penalties for patent infringement can be substantial. Not only can you obtain an injunction against any future infringement but damages can be obtained and possibly payment to you of any profits earned by the infringer.

If you do not wish to manufacture the product yourself, a patent can be licensed or sold to third parties. The existence of a registered patent gives any potential manufacturer comfort that their investment will not be diminished by competition.

In order for something to be patentable, it must novel and have an invented feature. Something is often considered invented if it provides advantages over similar technology. In order for something to be novel, it must contain something which has not been publicly disclosed. It is important therefore that any disclosure is made only on a confidential basis before the patent application is filed. It is important therefore that the product is not offered for sale, advertised, used in public or displayed before the application is filed.

Patenting of a product is a specialist skill and we would normally instruct a patent attorney to complete this process. We can however assist with confidentiality agreements, licensing and transfer of existing patents.