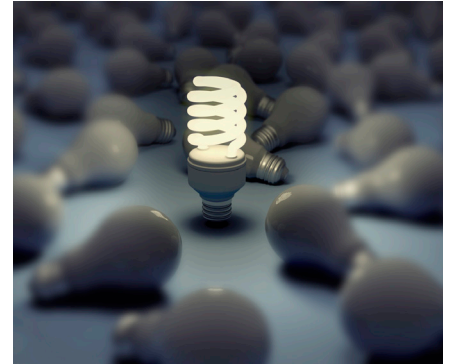


Intellectual Property

Audit Process

Intellectual Property... Don't give away your most valuable asset



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What is intellectual property?

Intellectual property (IP) represents the product of your mind or intellect. It can be an invention, trade mark, original design or the practical application of a good idea. In business terms, this means your proprietary knowledge - a key component of success in business today. It is often the competitive edge which sets successful companies apart and as world markets become increasingly competitive, protecting your intellectual property is essential.

Confidential information (sometimes referred to as trade secrets), patents, designs, trade marks, copyright, circuit layout rights and plant breeder's rights are all legally classified as IP rights.

Ownership

Ownership of IP rights is the legal recognition and reward you receive for your creative effort.

Intellectual property is a business asset, and an integral part of the business process. It is as important to commercial success as business strategies, marketing and financial planning. Many smart businesses identify and value their IP, listing it with other assets on their company balance sheet.

Copyright and circuit layout rights are automatic.

Patent, trade mark, design and plant breeder's rights, however, are not automatic. You must register your IP with the relevant government organisation.

Why use IP strategies?

Your IP is probably your most valuable asset and it's important to clearly identify it. It may be the name on your front door, your client list, a graphic design or an invention. Having identified your IP you can put strategies in place to safeguard it, and prevent others from exploiting your competitive advantage. Failure to protect it, and to do so early, may put your business at risk.

For instance, if you tell someone about your ideas or sell unpatented products your competitors may be able to copy them. You may not be able to protect your product from being copied or obtain a patent because your product may no longer be considered new.

You can protect your IP using one or a combination of strategies. Patents, designs, trade marks, plant breeder's rights, copyright, rapid production and/or trade secrets vary in the type of protection they provide and in the length of time for which protection is available. Often, more than one strategy may be necessary to maximise your protection and the potential commercial value of your business.

Intellectual property rights

Who grants intellectual property rights?

In Australia, patents, trade marks, designs and copyright have been Commonwealth functions since Federation. Some IP rights are automatic while others are granted only after application and examination against the relevant criteria by government agencies:

IP Australia administers patents, trade marks, design and plant breeder's rights with an examination and registration process

the Attorney-General's Department administers the legislation for automatic rights to copyright and circuit layout rights

Monitoring and defending your rights

Once you own IP, you are responsible for monitoring the way it is used and protecting it against infringement. This means you must be diligent in appropriately safeguarding and maintaining secrecy, communicating your legal rights and if necessary, defending your rights through legal action. This is to ensure that only you can turn your ideas into a commercial reality.

Strategies for protection and exploitation

You can protect your IP by using one or a combination of the following strategies:

Commercial strategies

- trade secrets to keep processes or formulae secret
- confidentiality agreements to protect proprietary knowledge
- rapid production and development for products with a short life span

Registered rights

- patents — for inventions for new or improved technology
- trade marks — for distinguishing your goods and services from other traders
- designs — for the appearance of products
- plant breeder's rights — for new plant varieties

Unregistered rights

- copyright — for works of art, literature, music, films, broadcasts and computer programs
- circuit layout rights — for integrated circuits & computer chips

Legal protection

You can take action under common law for infringement of trade secrets, passing off of trade marks and breach of confidentiality agreements.

Legal protection of IP is also covered under consumer protection (fair trading) legislation in the Trade Practices Act.

How to protect your rights

Trade secrets and confidentiality agreements

A trade secret can provide effective protection for some technologies, knowhow and other forms of IP. Ideally, however, you should back it up by signing confidentiality agreements with every person who has knowledge of your secret.

A confidentiality agreement is often used to stop employees from revealing your secret or proprietary knowledge during and after their employment or association with your business. This will give you evidence of your agreement and legal protection if it is breached.



Relying on trade secrets is useful when the IP is unlikely to result in registrable rights or you wish to retain exclusive use beyond the term of a patent. A trade secret strategy is appropriate when it's difficult to copy the construction, manufacturing process or formulation from the product itself — that is, when reverse engineering is difficult.

Secrecy, however, does not stop anyone else from inventing the same product or process independently and exploiting it commercially. It does not give you exclusive rights and you are vulnerable when employees with this knowledge leave your firm. As well, trade secrets are difficult to maintain over longer periods or when a larger number of people are made privy to the secret. Secrecy is harder to enforce and protecting it is potentially more costly than registered rights because it relies on the complexity of proving a breach of confidence under common law.

For this reason, contractors and employees are often asked to also provide written undertakings not to compete with your business after they leave. It is often much easier to prove this than to prove breach of confidentiality. These undertakings are difficult to enforce and need to be prepared by your legal adviser.

Rapid production and development

Reliance on trade secrets can be very useful when combined with rapid product change and development of products with a short life span. They may relate to new products or refinements of existing ones. Innovative companies and those operating in a fast moving industry often adopt this strategy. These companies keep ahead of their competitors with rolling plans for future innovation, enthusiastic and loyal workers, strong commercial

skills and a bit of luck. For them, secrecy is critical during the production stage but not later. It's a very effective strategy for products with a quick turnover and limited research and development requirements.

Building brand loyalty, usually with a trade mark, is a useful adjunct to a rapid production and development strategy because once your product is in the market you can do nothing to prevent others copying it.

For products with a longer development and production cycle and higher research and development costs, a patent may be more suitable.

Patents

Protect your invention

An Australian patent gives you the exclusive right to stop others from manufacturing, using and/or selling your invention in Australia. It may be used to license someone else to manufacture your invention on agreed terms, or to take legal action against unauthorised use. A patent is a legally enforceable right and if you've invented new technology with the potential for substantial commercial gain, it's a very effective protection strategy.

Patent protection is not automatic. You must file an application with IP Australia which will assess whether or not it is new and meets legislative requirements. Patents cover, generally, any device, substance, method or process which is new, inventive and useful. Artistic creations, mathematical models, plans, schemes, or other purely mental processes cannot be patented.

Do not publicly disclose your invention before you file a patent application. If you demonstrate, sell or discuss your invention in public before you file, you may not be able to get a patent. You may talk to employees, business partners or advisers about your invention but only on a confidential basis. Written confidentiality agreements with these people are advisable.

Your patent application must describe accurately and broadly the characteristics of your invention and state the scope of the patent rights sought. Thorough searching and careful drafting of your application is necessary and we recommend you consult a qualified patent attorney before you apply.

For those involved in research and development, or those who want to keep an eye on their competitors' activities, or are simply interested in the latest technological trends, the patents database is a unique resource.

Most countries have patent systems similar to the Australian system and obtaining patents overseas helps you protect your valuable export markets. Australia is party to a number of international agreements which can reduce the complexity of applying overseas. For example, the filing date of an Australian patent application can usually be used to establish priority for corresponding patent applications made overseas within the following 12 months.

You can find out more about patents, patent applications and searching patent information in The Patents Guide published by IP Australia.

TIME LIMIT: an Australian standard patent normally lasts for 20 years although annual maintenance fees are payable from its fifth year.

Trade marks

Protect the identity of your goods and services

The identity of your goods and services is a major business investment and it's worth protecting. Once you register a trade mark, you normally have the legal right to use, license or sell it within Australia for the goods and services for which it is registered.

A trade mark can be a letter, number, word, phrase, sound, smell, shape, logo, picture, aspect

of packaging or any combination of these. It is a sign which is used to distinguish goods and services of one trader from another and therefore must not be a sign that other traders may wish to use to promote or describe their goods and services. This means you can't register a trade mark that directly describes your goods (eg radios) and services (eg electrician). While it is very difficult to register a geographic name or surname, someone who has used one extensively for a considerable period of time may be able to achieve registration.

You don't have to register your trade mark in order to use it. There is protection against misrepresentation under the trade practices or fair trading legislation and it is possible to take action under common law. Registration is advisable, because it can be an expensive and time consuming exercise to take action under common law. To register your trade mark, you need to apply to IP Australia. IP Australia will examine your application to see if your trade mark meets legislative requirements. Trade marks rights are legally enforceable and a letter from your lawyer or patent attorney is usually all that's needed to deter infringers.

It's a good idea to search the trade marks database before using a mark or applying for registration. You may find yourself the subject of legal action if your mark is already registered or in use by someone else. IP Australia officers can show you how to do a search of the trade marks database or you can get a patent attorney, trade mark attorney, trade mark agent or professional search firm to search for you. You can access the trade marks database via IP Australia's website www.ipaustralia.gov.au.

Trade mark registration differs from registration of a company or business name which does not in itself give you the right to use that name as a trade mark. Check the trade marks database before registering a business name, company name or domain name to avoid infringing someone's trade mark.



IP Australia also offers a TM Headstart service which provides an early assessment of the suitability of your proposed trade mark. It is simple, fast and offers you the opportunity to speak with an IP Australia staff member about the registrability of your proposed trade mark with minimum delay. Using TM Headstart may help you to overcome difficulties associated with meeting the requirements for registration of your trade mark.

TIME LIMIT: initial registration of a trade mark lasts for 10 years. After that time you can continue to renew your registration for successive periods of ten years on payment of the appropriate fee. A trade mark can therefore have an infinite life representing significant business value. You must, however, use your mark in a bona fide way to avoid it becoming vulnerable to removal on the grounds of non-use.

Registered designs

Protect the visual appearance of your product

Registered designs are used to protect the visual appearance of manufactured products. A registered design which has been examined and certified gives you a legally enforceable right to use your product's design to gain a marketing edge. It also prevents others from using the design without your agreement. To be registered, your design must be new and distinctive. 'New' means that the design (or one very similar) has not been publicly used in Australia and has not

been published anywhere in the world. A design is 'distinctive' if it is substantially different in overall appearance to other designs in the public domain.

When seeking design registration you need to be aware that:

- it is intended to protect designs which are applied industrially rather than a single artistic work (in the latter case, copyright protection would apply)
- the protection you receive is only for the appearance of the product and not how it works.

An alternate option to design registration is publication, however, you should be aware that publication does not give any rights. Publication can be used to prevent others from obtaining registration for the same design as it would no longer be considered 'new'. To seek registration you must apply to IP Australia which can provide more detailed information. A patent attorney or IP professional can also give you advice about protecting your industrial design. Time limit: initially for a period of five years from the filing date, and can be extended to a total period of ten years.

Domain names

Protect your internet site address

All computers on the Internet have a unique identifying number called an Internet Protocol address. The Internet Protocol address is what a computer uses to find an Internet site. Unfortunately it is not intuitive or easy for people to remember. A domain name, on the other hand, is the unique name that corresponds with an Internet Protocol address, and is both easy and intuitive to remember. The management and oversight of .com.au domain names including .com.au .inet is undertaken by .au Domain Administration (auDA). Day to day operations such as registering and delegating domain names are carried out by the .com.au registrar Melbourne IT.

Under current auDA policy, the registrant of a

.com.au or .net .au domain name must meet certain eligibility criteria to demonstrate that they are registered to trade commercially in Australia. Acceptable eligibility criteria includes an Australian company name, business name or trade mark. Information about registering domain names may be viewed at www.auda.org.au. You can register a domain name as a trade mark, provided that it meets the requirements of the Trade Marks Act. It is the unique identifier part of the domain, eg 'Ford', that is considered for trade mark registrability, rather than the standard address material such as 'http://', 'www' or '.com'. Visit the World Intellectual Property Organization site at www.wipo.int/ to find out more about trade marks and domain names.

Copyright

Protect your original work

Copyright exists in particular kinds of material by virtue of the Copyright Act 1968. It protects the original expression of ideas, not the ideas themselves. Copyright doesn't protect you against independent creation of a similar work.

Copyright protects original works of art, literature, music, films, sound recordings, broadcasts and computer programs from unauthorised copying and certain other uses. There is no registration system for copyright in Australia. However a copyright notice — with the owner's name and the date of first publication — can be useful to indicate ownership of copyright to others (though the notice is not required for protection).

Copyright material is automatically protected from the time it is first written down, painted or drawn, filmed or taped. Copyright material from most other countries is also protected in Australia.

Copyright material will also enjoy protection under the laws of other countries who are signatories to international treaties on copyright to which IP Australia is a signatory.

Copyright protection gives the owner exclusive

rights to license others in regard to, for example, copying the work, performing it in public, broadcasting it, publishing it and adapting it. Rights may vary according to the nature of the work. Also, a number of different copyrights may exist in the same material — particularly films and multimedia products.

It is important to note that the Copyright Act provides for a number of exceptions to the exclusive rights of copyright owners. For example, copies of material can be made for particular uses under the fair dealing provisions of the Act.

It is also worthwhile to note that copyright is lost if the owner industrially applies a three dimensional artistic work. In such a case, it may be necessary to register the design if protection is required.

TIME LIMIT: varies according to the nature of the work and whether or not it has been published. Depending on the material, copyright for literary, dramatic, musical and artistic works generally lasts 70 years from the year of the author's death or from the year of first publication after the author's death. Copyright for films and sound recordings lasts 70 years from their publication and for broadcasts, 70 years from the year in which they were made.

Circuit layout rights

Protect your original designs

Circuit layouts are usually highly complex and the intellectual effort in creating an original layout may be considerable and of great value. An integrated circuit or chip made from the plans is key to the operation of all kinds of electronic devices, from heart pacemakers to personal computers.

Circuit layout rights automatically protect original layout designs for integrated circuits and computer chips. While these rights are based on copyright law principles they are a separate, unique form of protection.



There is no requirement for registration for the granting of rights to the owner of a layout design. The owner of an original circuit layout has exclusive right to:

- copy the layout in a material form
- make integrated circuits from the layout
- exploit it commercially in Australia.

Commercial exploitation may occur by importation, sale, hire or distribution of a layout or an integrated circuit made according to the layout.

TIME LIMIT: the maximum possible protection period is 20 years.

Plant breeder's rights

Protect your new varieties of plants

Protection of plant breeder's rights is obtained from IP Australia. It is legally enforceable and gives exclusive commercial rights to a new plant variety.

To be eligible for protection you must show that the new variety is distinct, as well as being uniform and stable. You must be able to demonstrate, by a comparative trial, that your variety is clearly distinguishable from any other variety, the existence of which is a matter of common knowledge.

Plant breeder's rights are used to protect new varieties of plants by giving exclusive commercial rights to market a new variety or its reproductive material. You can direct the production, sale and distribution of the new variety, including export

and import, or sell your rights. Under eligibility provisions a new variety may be sold for up to 12 months in Australia, and four years overseas (six years for trees and vines) and still remain eligible for plant breeder's rights.

Plant breeder's rights do not extend to the use of a grower's crop (that is, the grower does not have to pay a royalty on the crop produced) nor does it extend to the use of the variety in plant breeding or retention by growers of seed for the production of another crop on their land.

TIME LIMIT: up to 25 years for trees or vines and 20 years for other species.

International protection

Registering your application for patents, trade marks, designs or plant breeder's rights in Australia does not give you international protection.

International agreements are in place which make it easier to obtain rights in other countries, but you need to seek protection in each country according to the laws and conventions of that country. This is a costly process, particularly when it involves the translation of applications into other languages.

It is particularly important to ensure that, when disclosing or marketing your invention or design in Australia, you do not invalidate a future patent or design in another country.

Under international conventions, once you apply for protection in one country you may apply for protection in other member countries, providing it is within the following time limits:

- patents and plant breeder's rights — 12 months from the date of the first application in a member country
- designs and trade marks — six months from the date of the first application in a member country.

This gives you the opportunity to obtain exclusive rights to your IP in overseas markets. Your applications in those countries will have a 'priority date' which is the filing date of your original application. While you can apply outside these time limits, you cannot obtain the benefit of the international convention and any earlier disclosure of your invention or design may invalidate your rights in those countries.

Please note that some countries are not members of the convention and any publication or use can prevent you obtaining protection in those countries. It is best to seek advice from an IP professional before you publish or use your invention.

Strategies for using intellectual property

When people think of IP, they often think mainly of protection through patents, trade marks and copyright. But the real value of IP is the way in which you can use it as an integral part of your business strategies — marketing, capital raising, research and development or business development. A clever business uses IP to market itself and its products and services.

IP rights such as — designs, plant breeders and copyright — protect you against much more than copying. By giving you an exclusive right, they provide a competitive advantage you can build on while maintaining your price. Protecting your IP prevents others from trading on your hard work and allows you to fully capture the return on your investment.

Don't miss any opportunity to protect and exploit your IP. It's a valuable business asset and you should treat it in much the same way as you would a physical asset. You can use it as you see fit and prevent others using it without your permission. You can sell or license it, letting others take the risk and expense of producing and marketing the product or service.

Developing effective strategies around your

IP will give your business a major, sustainable competitive advantage.

Take stock

In an innovative, dynamic business the value of IP can be much greater than the value of its physical assets. As a result, an inventory maintenance should include IP.

Know what IP you own.

If your business has grown rapidly, you may be unsure of the IP assets you own. Experts in IP management can help you compile a register by undertaking an IP audit.

If you employ consultants or outside suppliers, make sure you own, or are legally entitled to use, any IP you need for the operation of your business. This should be explicit in any contract or agreement you sign for these services.

Unlike many physical assets which depreciate, IP may appreciate quickly in the market place and this should be reflected in your IP asset register.

Think about what IP you have already accounted for, such as formally registered rights or trade secrets. Seek advice on how to value those rights and secrets. Consider other aspects of your business such as client lists and staff know-how which are also worth protecting — usually through confidentiality agreements. Add these to your IP asset register. Your business adviser or an expert in IP management can help you.

Action check list

- identify all IP associated with your business
- check whether you own all IP used in your business or that you have the right to use it
- list registered IP and place a dollar value on identified assets
- list unregistered IP and give it a dollar value
- list other valuable assets such as client lists and corporate knowledge



- identify key staff involved in developing, maintaining and protecting your IP and get them to sign agreements relating to confidentiality and competition
- educate staff on the nature of IP, how to protect it and their responsibilities
- consider insuring your IP against others infringing and against you infringing others.

Smart IP protection can help preserve the success of your business, even when staff move on.

Planning

You may be surprised just how much of an asset IP can be. It can add up to a substantial percentage of your company's total value and it's essential you account for it.

If you manage your IP and ascribe a value to it on your balance sheet, your business is more attractive to potential investors. Think of some of the world's most recognised brands — the dollar value placed on these brands adds substantially to the company's overall worth.

You may also find that once valued in your business plan, IP can help you to gain access to more finance to help expand your business. Also, the more you exploit and position your IP in the market place, the more value that property will have when it comes to licensing it or selling your business.

Increasing the value of your IP will usually require ongoing investment — in marketing and promotion, for instance — to develop and maintain the reputation and recognition of your business.

You may also need to invest time and money in ensuring others are not using your IP.

Protection and licensing

Protection

Developing effective IP protection strategies will depend on your particular business. An effective protection strategy may involve a range of IP protection options — trade secrets and confidentiality agreements, trade marks, patents, designs, plant breeder's and copyright. For instance, you may take out a patent on your product, register its design and develop a branding strategy based on a registered trade mark which will position your product so it retains market strength when your patent expires or you decide the patent is no longer worth maintaining.

You may decide a patent is not worthwhile and that maintaining secrecy and using confidentiality agreements will provide enough time in which to develop brand recognition and loyalty or develop new products and services. Or you may focus on a trade mark to develop your position in the market.

Using a range of protective measures gives you layers of protection and strengthens your position in the market. Whatever strategy you adopt to protect your IP, it should ideally be integrated into your overall business plan. Explore all the options available and seek professional advice.

Assignments and licences

Assignment is the term used when a patent, design, trade mark, copyright, plant breeder's right or trade secret is sold. Licensing arrangements are a fairly common method of exploiting copyright, patents, design, plant breeder's rights and trade marks and can be exclusive or nonexclusive. They give the licensee the right to use (but not own) the copyright, patent, trade mark, design or plant breeder's right.

The owner of the rights will usually get payments

(in the form of royalties) in return for its use. The value of these rights is a commercial agreement based largely on the IP of the creation or invention.

Licensing your IP to another party can be an effective way to exploit IP, particularly if you don't have the resources or experience to develop and market your product or service. As with all other aspects of commercialising your IP, licensing needs to fit in with your business strategy and practices.

Another approach is to take out a license on someone else's IP. You may have a good idea but find someone else has already thought of it. Taking out a licence is a cost effective alternative to investing in development which has already been done.

If you think licensing is for you, we recommend you seek the advice of a licensing expert to help you negotiate a good deal.

Searching

Reviewing relevant literature can save a lot of time, money and effort. A patent, for instance, will not be granted unless your idea is novel and a search of the patent database will give you a very good indication of whether or not your idea is new.

If your invention is described in a patent which is no longer in force, you cannot get a patent yourself and it's likely other firms will already know about the technology. Also, if the owners have allowed the patent to lapse, there may be doubts about the invention's commercial viability.

At the very least, a thorough search can help you evaluate your own ideas and provide you with a more advanced starting point for research.

It is also a good idea to search the trade mark database if you are looking to register a business name, company name, Internet domain name, or develop a logo or image. IP Australia offers a search service to check whether your proposed business, company or domain name is similar to a

registered trade mark. This can save you time and reduce the likelihood of infringing someone else's trade mark.

To find out more about IP Australia's trade mark database search service call 1300 651 010.

Searching for business opportunities

Searching is an invaluable tool for finding out what your competitors are doing. Remember: if the information identified in a patent search comes from a patent that is not in force, generally it can be used freely.

During your patent search you may find a number of patents which have been granted but not commercialised. These patents may suit your business activities and you could successfully purchase or license the use of the patent after negotiations with their owner(s).

Infringement

Don't wait for someone to infringe your IP. Putting a strategy in place to deal with infringement, before it happens, should be part of your overall protection and commercialisation strategy.

If you find your IP is being copied or used by someone else without your permission, there are a number of actions you can take. These range from a letter of warning from your attorney, negotiations to settle out of court and, if this fails, court action. Whatever action you do take, pursue it vigorously and make sure any infringer knows you are serious about protecting your IP. Delay could also jeopardise your legal rights to obtain an injunction.

Putting it all together

When developing an IP strategy keep in mind that the purpose of developing and protecting that property is to help you meet your business objectives.



For this reason, it is essential you integrate your IP strategy with your business strategy.

The following summarises the key elements in developing an IP strategy:

- search the patent, trade mark and design databases as well as other literature and the Internet to ensure your ideas are new and to avoid infringing the rights of others. You can also search for new business opportunities and keep a tab on what your competition is doing
- maintain secrecy and be first to market
- develop an infringement strategy
- educate your staff as to their obligations and, where necessary, have key staff sign confidentiality agreements
- be sure about whether or not you actually own the IP you think you do
- consider ways you can use the IP system in your overall business strategy
- make effective trade marks the core of your brand and image building strategy
- identify and value your IP assets and ensure they are itemised in your business plan.

For further information

Please contact us

If you need assistance with your Intellectual Property or any other legal issues please contact us on 1300 625 297.

