Navigating key legal risks

What should I be thinking about as I build my business?

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About us

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Wrays – helping innovators to protect, grow & defend their IP assets
What we will cover

- Intellectual property
- Confidentiality
- Contracts
- Privacy
What is intellectual property?
What’s this all about?

- What is intellectual property (IP)?
- Why is it important?
- How is it protected?
- How do I use it to help (and not hinder!) my business?
Why is IP important?

- Maintain a competitive/marketing advantage
- Secure investment from external sources
- Ensures products/services are authentic
- Rewards and incentivises innovators for their creativity
- Facilitates the free-flow of information and spurs further innovation
- Business valuation
IP rights – common attributes

- **Territorial** in nature
- Right to **exclude** others
- Scope of monopoly is determined by reference to “**prior art**”
- **Remedies** – injunction, account of profits, damages
- **Generally finite** term (exceptions: TM, confidential information/trade secrets)
# Types of IP rights

<table>
<thead>
<tr>
<th>IP right</th>
<th>Scope</th>
<th>Examples</th>
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</thead>
<tbody>
<tr>
<td>Patent</td>
<td>How it works</td>
<td>Devices, substances, methods, processes</td>
</tr>
<tr>
<td>Trade mark</td>
<td>How it is known</td>
<td>Word, phrase, logo, sound, scent</td>
</tr>
<tr>
<td>Design</td>
<td>How it looks</td>
<td>Container, pattern, user interfaces</td>
</tr>
<tr>
<td>Copyright</td>
<td>How it is expressed</td>
<td>Books, movies, songs</td>
</tr>
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<tr>
<td>Circuit layout rights</td>
<td>Electronic circuits and their layout</td>
<td>PCB layout, integrated circuit design</td>
</tr>
<tr>
<td>Plant breeders rights</td>
<td>Plant varieties</td>
<td>New grape variety</td>
</tr>
<tr>
<td>Confidential information / Trade secrets</td>
<td>Anything kept a secret</td>
<td>Client lists, formulae, recipes</td>
</tr>
</tbody>
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[WRAYS]
Trade marks
Trade marks - overview

- A “sign” used to distinguish goods or services provided in the course of trade by a person
- Includes: letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour, sound or scent
- Must be capable of distinguishing the goods or services from those dealt with or provided by competitors
- Every business has a trade mark – not every business has a registered trade mark
Trade marks - examples

BMW
Coca-Cola
Intel
Apple
Think different.
Woolmark

“Ah McCain (PING), you’ve done it again”
Trade marks - what

- Provides an **enforceable statutory right** that applies throughout Australia and is superior to common law rights
- Provides a **public record** of your rights and **deters**
- Raises **brand awareness** and enables brand extension
- **Income** source: franchise/licence (e.g. Jim’s Group)
- Gives **investors confidence** business is protected
Trade marks - what

- Indicates the **source** of your goods and/or services
- Protects the **reputation** you have established
- **Classified** into 45 different types of goods and services
Trade marks - registration

To be registrable, the trade mark must be:

1. **Capable of distinguishing** the goods or services from those of your competitors (i.e. must be distinctive, non-descriptive)

2. **Not similar** to the sign of another trader who may be using or have registered their sign for similar goods or services
Trade marks - distinctiveness

Distinctive

vs

Descriptive
Trade marks - misconception #1
Business names & company names

- “ASIC gave me a name, therefore I own it”
- Business name system is purely administrative – who’s trading behind the name?
- A business or company name is not intellectual property and provides no exclusivity in the name
Trade marks - misconception #2
International trade marks

- “I have a trade mark registration (in Australia), which I can enforce globally”
- You must file and register a trade mark in each country in which you wish to seek protection
- “Madrid System” allows you to use AU application/registration as basis for a registration in ~96 countries
Trade marks - misconception #3
Domain names

- “I own the domain name, therefore I own the trade mark”
- “I was able to buy the domain, therefore I’m not infringing”
- You can infringe a trade mark by registering an identical or similar sounding domain name
Key takeaways

- Always consider registration
- Unregistered (common law) rights are difficult to enforce
- A business name gives you no protection
- Search first then use/file
- File in the right name
- Registration relatively inexpensive compared to damages for infringement, rebranding, and costs of litigation
Copyright

©
Copyright - overview

- Copyright protects **expressions** of ideas
- **Expressions** are limited to those defined in the Copyright Act
- Includes:
  - Text (articles, website text, books, code, song lyrics)
  - Art (photographs, drawings, paintings)
  - Music (the music itself – i.e. notation)
  - Drama (choreography, screenplays, plays)
  - Sound recordings
  - Video recordings
Copyright - what

Copyright is a “bundle” of exclusive rights permitting owner to:

- **Reproduce** the work (photocopy, record)
- **Make** the work **public** for first time
- **Communicate** work to public (internet)
- **Perform** work in public
- Make an **adaptation**
Copyright - what

What copyright doesn’t protect

- Ideas generally
- Information, styles or techniques
- Names, titles or slogans
Copyright – how

When does copyright come into existence?

- **Automatically** upon creation in “material form”
- No registration required, but **no renewal**
- From 2005: **Life of creator + 70 years** or 70 years after first publication (Varies pre-2005 and varies by country)
- Must be **original**
Copyright - who

Who owns copyright?

General rule: first owner usually is the creator/author

Important exceptions

1. Employer – “during the course of employment”

2. Freelancers / contractors – own © they create unless otherwise agreed (but there are exceptions to the exceptions)
Copyright - infringement

How is copyright infringed?

– When you do (or authorise) any of the exclusive rights in the copyright owner’s bundle without the owner’s permission
– Includes sales and importation of copyrighted works
– No need to take the “whole”; a substantial part will suffice
– Substantial part = important, essential, distinctive
Copyright – moral rights

Don’t forget about moral rights

- Personal rights of the author to:
  - Be attributed as the creator
  - Take action if work is falsely attributed to someone else
  - Take action if work is modified in a way prejudicial to their honour or reputation
Copyright - misconceptions

- Downloading and sharing pictures/files from the internet is OK if it’s **personal use** or **research**
- Taking **10%** of anything is OK
- I can **email** an article to my colleague as long as it’s internal
- I made a copy, but I gave the author credit!
- I’m **not making money** from it, so it should be OK
- We **paid for it**, so we can reuse it
Copyright – Key takeaways

- “I paid for it, therefore I own it” – not always true
- Get ownership clarified in writing
- Obtain licences to “background” copyright you need to use the copyright you own
- Use a copyright notice (© 2018 Joe Bloggs)
- Seek permission or advice before using another’s copyright (e.g. online materials, music, etc.)
- Costs of permission/advice relatively inexpensive compared potential costs of infringement or litigation
Copyright - what to do
Copyright – what to do

- Keep records
- What do my employment and other contracts say about copyright ownership?
- Have I included copyright notices where relevant?
- Do I need to consider “registration” in the USA (and other countries with registration systems)?
Copyright

Why is establishing ownership important?

– Necessary to take enforcement proceedings
– Mitigate risk of unjustified threats
– Demonstrate ownership on sale of assets/business
– Licensing activity / collaboration activity
Patents

Give the patent owner:

– the exclusive right “to exploit the invention and to authorise another person to exploit the invention”

– “exploit” includes making, hiring, selling, using or importing the invention
Patent types

Australia

− **Standard Patent** gives long-term protection and control over an invention for up to 20 years

− **Innovation Patent** is a relatively fast, (can be) inexpensive, protection option. Protection lasts for a maximum of 8 years
Patents - how

- Applicant applies for patents with various government patent office around the world

- No worldwide patent: must file separate applications in each country in which you seek protection

- Conventions and treaties allow applicants to initially apply in Australia then file applications internationally within a set time period
Patents – do I have a patentable invention?

- Have I developed a **new product**?
- Have I found a **new solution** to an existing problem?
- Have I identified an **unknown or unexpected property** of a known product?
- Have I **improved** an existing product?
Patents - can I get a patent?

Must be a “Manner of manufacture”

- Not patentable
  - schemes/plans
  - mathematical models
  - artistic works
  - ideas
  - purely mental processes

- Patentable
  - tangible invention
  - human intervention
Patents - can I get a patent?

Must be novel

- **New** compared what was publicly known at the time the patent application was filed (priority date)
- Worldwide
- Includes books, journal articles, trade shows, demonstrations and
- Include use and/or disclosure by you
Patents - can I get a patent?

**Must be inventive / innovative**

- **Inventive**: “Not obvious” to someone with knowledge and experience in the technological field of the invention
- **Innovative**: Must be a difference between the invention and what is known about that technology, and this difference must make a substantial contribution to the working of the invention
Patents - can I get a patent?

You can’t have your cake ...  

– Trade off with the Government/public 

– Application must describe the invention fully, **including the best method known to the applicant** of performing the invention 

– **No secret use** of invention prior to priority date
Patents - can I get a patent?

Must be inventor or otherwise “entitled” to the patent

- Employee v contractor
- Employment contract?
- What are you engaged to do?
- Where was the work conducted?
- Who’s equipment?
- Invented prior to employment?
Patents – can I get a patent?

Self publication & the grace period

- Allows publication of the invention without losing potential rights
- Benefits
  - Accidental disclosure will not necessarily invalidate the patent
  - Allows sharing of research and publication
- Limitations
  - Not in Europe
  - Third party disclosure
  - Third party use
Patents – should I get a patent?

– The potential **commercial returns** outweigh costs of obtaining patent (incl. licensing)

– The **scope of the monopoly** helps mitigate risk of IP theft and/or competitor copy-catting

– You have the **resources** to manage it

– **Searches** reveal no other similar technology

– **You own** the patent and have kept it **secret**
Patents – filing strategy

**Where to file**

- Identify if the invention is commercially relevant
- Possible market
- Size of the market
- Potential income to be gained
Designs
Designs

Brief overview

- Protects overall appearance of product resulting from its visual features
- Shape, configuration, ornamentation and pattern
- Must be “new” (novelty)
- Must be “distinctive” (not substantially similar to other designs)
- Term of protection in Australia: 5 + 5 years
Designs

- Can often only provide fairly narrow protection (depending on the product)
- Not everything is patentable
- Possible to have both patent and design protection
- Disclosure / use can destroy novelty
Patents & design – best practice

- Ensure **agreements** state that company owns inventions and designs
- Invention **disclosure forms** for all employees
- Keep **thorough records** of invention (people involved, experiments, refinements, conditions, etc)
- Keep results **confidential** until at least filing
- Conduct clearance/freedom to operate **searches**
Confidentiality
Confidentiality

- The information must ‘have the necessary quality of confidence about it’
- Obligation arises when information is imparted in circumstances where the other party knows or ought reasonably to have known that the information was confidential
- Breach occurs when there is an unauthorised use to the detriment of the party disclosing the information
Confidentiality - tips for maintaining confidentiality

– No need for a written agreement (eg. NDA) but best to have one
– Keep records of who the information is disclosed to
– Clearly label all confidential information “confidential”
– Restrict access - physically (locked premises and cabinets) and electronically (passwords, encryption and firewalls)
– Shred confidential documents
– Train your employees
Contract fundamentals
Contract fundamentals

- Offer and acceptance
- Consideration
- Capacity
- Intention
- Certainty
- Written versus oral
Contract fundamentals

– What is my exposure?
– What can I get if the other side breaches?
– How can I get out of this agreement if it all goes wrong?
– It doesn’t get any better after you do the deal
Privacy law fundamentals
Australian privacy law

- The key legislation is the *Privacy Act 1988*
- It regulates the handling of particular kinds of information by Commonwealth agencies and private sector organisations
- The Act is administered by the Office of the Australian Information Commissioner (OAIC)
Who must comply?

- Commonwealth government agencies
- Businesses and not-for-profits with an annual turnover of $3 million or more
- Others (regardless of turnover) including health service providers, credit reporting bodies and credit providers, anyone who trades in personal information, anyone who handles tax file numbers
What kinds of information are covered?

‘Personal information’:
Information or an opinion about an identifiable individual, or an individual who is reasonably identifiable, whether the information or opinion is true or not, or recorded in a material form or not

Sensitive information
(subset of personal information)

Credit reporting and credit eligibility information

Tax file number information
Personal information

- The types of information that can fall within the definition are unlimited
- Captures information about a person’s private life
  - name, home address, email address, phone number, date of birth, medical records, bank account details
- Extends to information about a person’s work life too
  - work address, salary, job title, work practices
- Also covers commentary or opinions about a person
- Does not need to be confidential
- Does not need to be true
How does the Privacy Act work?

– The Act contains 13 Australian Privacy Principles (APPs)

– The APPs:
  – establish standards, rights and obligations in relation to personal information
  – are structured to reflect the information life cycle – collection, use and disclosure, quality and security, access and correction
  – are not prescriptive – each organisation must consider how the principles apply to its own situation
  – A breach of an APP is “an interference with the privacy of an individual”
Why does compliance matter?

– OAIC has various enforcement powers, including:
  – handling and investigating privacy complaints
  – initiating investigations of its own accord
  – taking court action against APP entities where there is a serious or repeated interference with the privacy of one or more individuals

– Maximum penalties that can be ordered by a court:
  – $1.8 million for companies
  – $360,000 for individuals

– Reputational damage, loss of clients, loss of profits, and civil lawsuits can dwarf these penalties
Thank you!