

Stop thief

A handshake and a 'she'll be right' attitude has no place in the intellectual property world if you plan to be in control of your invention, brand or creative work.

By Kevin Kevany.

New Zealand has a culture that very much relies on the handshake and 'she'll be right' approach that has historically seen too many companies and individuals get burned by multi-national manufacturers and competitors when it comes to protecting their intellectual property (IP) rights.

The new web-based commercial world has also added to the challenges for Kiwi entrepreneurs.

These are the views of a number of leading practitioners in the arcane IP world, and

especially of Robert Loughnan, director of Christchurch-based patent protection insurers, SMEi New Zealand.

"New Zealand entrepreneurs, innovators and SMEs are largely naïve about the need to fully safeguard their intellectual property rights. IP which cannot be defended through the courts is property without value. In most instances insurance provides a credible 'deterrent' to discourage infringement," he says.

SMEi also provides "muscle and bargaining power" through a policy which indemnifies the patent holder for legal costs and expenses that would be incurred in suing an infringer.

Loughnan's first personal experience with IP theft came in the 1970s when he travelled to Europe to a trade show for the building and construction industry. Ready to begin promoting the innovative equipment his boss had developed, he found to his horror that an

Italian manufacturer had already gone into the production and distribution of a copycat product.

And the source of their information? A group of visiting Italians had "happened upon" the equipment being used on a riverbed in the South Island some time before; expressed great fascination with the technology; taken plenty of photographs; obtained the publicly-available patent details from the NZ Patents Office; gone home and set the manufacturing process in motion.

Unfortunately, without the financial resources to enforce his patents internationally, the New Zealand inventor was unable to compete and had to walk away from his invention and his investment.

There is also a cautionary word upfront from one of the big hitters in the New Zealand IP legal world – from John Hackett

of AJ Park, the major law practice in this field.

"Fewer than ten percent of new trademark





David Marriott: "Registered IP is a whole lot better than unregistered IP."



Robert Loughnan (left) evaluating the IP processes involved in protecting Robert O'Neill's new timber powder coating technology.

registrations by SMEs turn into fliers. Of course that number is virtually reversed when you talk about the large corporates like Fisher & Paykel and Fonterra, who simply keep building on their success."

Registered is better

David Marriott, a partner and litigator at James & Wells – and a self-described "ambulance at the bottom of the cliff" – believes the strongest message coming out of the last few years is very basic: registered IP is a whole lot better than unregistered IP. Simple, yes; simplistic, certainly not. "Perhaps in the past, having unregistered rights, such as trademarks, parcelled off using the Fair Trading Act to protect your brand or your trademark, gave you pretty good protection. Copyright can also give you pretty good protection, as opposed to something like registering as a 'design', and you can use 'confidential information' to give you some protection on something which could be the subject of a patent," says Marriott. "But it's the unregistered cases that most often end up in court. Litigation in New

Zealand is becoming more and more expensive, as experts become more expensive, as the demands of getting something to court get more expensive and, I suppose, as the specialist litigators become more expensive."

Marriott says that 'unregistered' means trying to fit into other categories, so as to take action. Two of his recent cases ended up going to the Appeal Court (one being settled just before). In both cases, the IP should have been a patent. (One was for an apparently world-first, lie-flat crane for container trucks.) "For whatever reason – mostly financial – the client didn't secure a patent and found that a competitor had essentially copied their idea. In that situation, we can only look at limited aspects of the idea that might be the subject of copyright. "Copyright doesn't protect ideas, but it does protect the way you expressed it. The problem is that your protection is getting pretty narrow and you have to try and peg that competitor down in a very limited scope," adds Marriott. If you have a patent, it is a simple question: Did they infringe, or didn't they? Should

the answer be in the affirmative, off goes a lawyer's letter and it is usually 'game-over' at that point. The upfront investment has paid off. Affordability when it comes to filing the patent is one aspect of the equation, but having the wherewithal to defend your rights against large, greedy and usually in-a-far-away-land infringers often proves to be the last straw. How many times have you heard: "We just simply had to walk away; they had deeper pockets than we did"? The good news is that those days might be over.

Making insurance compulsory

Worldwide, the issue of IP rights insurance has become a high priority, with the publication of a recent report, prepared by CJA Consultants, suggesting that it could be made compulsory for all those seeking patents in the European Union. And as we know; what happens in Europe soon finds its way to Australasia. There is another aspect too, and a caution from Loughnan, that SMEs who 'take a chance', and the massive potential costs of ▶

➤ **SUPPORTING INVESTMENT IN IDEAS**

For information about registering a trade mark or design, or applying for a patent in New Zealand, call our free phone number or visit our website.

Free phone : 0508 447 669
Website : www.iponz.govt.nz

patent enforcement litigation, are causing international investors (who are in a position to put venture capital into New Zealand companies) to often not invest in any idea that does not have comprehensive IP protection. "What it comes down to is that anybody who holds uninsured IP will find that it has little commercial value for an investor," Loughnan believes.

SMEi New Zealand offers enforcement insurance to all New Zealand companies holding intellectual property rights, underwritten by Lloyds of London. Another case of: 'Big is Good'.

Hackett, who specialises in the SME market for AJ Park, says he works on the principle that if he does his job properly his clients never get to meet their litigation partners. But his greatest triumph he believes is instilling an 'IP culture' in small companies (like Les Mills) and watch them 'go global' very successfully.

He sees his role as providing strategic advice, rather than simply being a process officer for registering IP.

"People do take on the job themselves to save on costs, and often get it largely right. What they don't get is our experience, expertise and strategic input. That difference could be very important immediately and later."

A clearance search of what is out there in the marketplace, followed by scrutiny of public and proprietary databases precedes what Hackett believes is the most important service an IP lawyer can provide: an expert opinion.

"The first two actions will give you about a 90 percent view of what is out there in the public domain, and then we give you an opinion – which we have to stand behind – advising you that a particular trademark does not infringe and is therefore available to use and to register."

Once a trademark is registered it remains in



Registering a brand for a start-up can add huge value, says AJ Park's John Hackett.

Intellectual property and business plans

The Intellectual Property Office of New Zealand (IPONZ) believes that because IP gives a company competitive advantages, it is important that these assets are integrated into any business plans – at the outset when you are approaching financiers; then with the launch or acquisition of new products and services; and annually.

Key points when preparing a business plan include:

- What IP assets do you own? (include registered and unregistered rights, IP agreements, and IP-related resources like marketing profiles, customer databases and distribution networks.
- How is your IP portfolio managed?
- What measures have you taken to protect your IP?
- Which of these assets are registerable?
- Should they be registered locally or overseas for export business?
- Has a time-critical reminder system been created for filing, application deadlines, and renewals?
- Do you conduct or plan to conduct IP audits? (If so, at what periods and by whom?)
- What measures do you take to protect IP assets from new projects?
- Do you have contracts in place to secure or clarify ownership or co-ownership of IP assets?
- How do you control or authorise use of your IP assets?
- If the IP asset is registered, has the licensing agreement been recorded at the relevant intellectual property office?
- Have you included confidentiality and non-compete clauses in the employment contracts?
- How easy would it be for others to acquire or duplicate your know-how and trade secrets?
- Do you have an integrated security policy and plan for your physical and electronic assets?
- Have you ensured that confidential business information/trade secrets are not available or lost by display on or through your website?
- What competitive advantage do your IP assets, whether owned or licensed, provide to your business? Assess and explain how IP provides or adds value to you customers and contributes to developing a sustainable competitive edge
- Do you have any employees who recently worked for a competitor? If yes, are they bound by any non-compete or non-disclosure/confidentiality agreement?
- How could you prove that you own or are free to use the IP assets? (Do you have records, registrations, agreements, or other proof an investor, business partner or a court of law may require?)
- Do you search the IP registers for detailed legal, technical and business information about a competitor's or potential business partner's operations, company structure, products or services?
- Do you plan to export? If so, have you used or plan to use a regional or international filing or registration system?
- Has the IP portfolio ever been independently valued or audited?
- Do you plan to use your IP assets as security for a loan or as leverage in new venture negotiations?

For information about patents, trade marks and designs in New Zealand visit the Information Library on the IPONZ website: www.iponz.govt.nz, call Information Line 0508 4 IPONZ (0508 447 669) or email info@iponz.govt.nz. You can subscribe to a free e-newsletter at <http://news.business.govt.nz/subscribe>.

force for 10 years and rights accrue.

If you infringe someone else's trademark in certain countries, like the US, you could be up for triple damages, in addition to having to take the product off the shelves.

A listed New Zealand company has found itself in breach for using its own (unregistered) trademark in Korea and Taiwan by a company based there, which had gone out and registered the 'first rights'. Hackett uses AJ Park's extensive global network both to check and protect; travelling extensively to keep abreast of changes in the key US, Asian, European and Middle East markets; and to hold a tight rein on client budgets.

He agrees there are daunting upfront costs in registering a brand for a start-up, but points out that they can also add huge value.

"In the case of winemaker Kim Crawford, we went through the whole exercise and two years later he was offered \$17 million for his trademarks. He was able to continue as a winemaker, subject to a brief constraint, but not under 'his name', the 'Kim Crawford' label, which had been acquired by a Canadian company."

It's better than Lotto when you get it all right, rather than just hoping 'she'll be right'.

IP and e-commerce

How then do you go about protecting your intellectual property and, at the same time, not infringe the rights of others in an e-commerce environment? Surely trademark law was never designed and scoped for dealing in cyberspace?

Shelley McDonald, a senior solicitor in Gibson Sheat's Wellington office specialises in this field.

"The Internet provides opportunities for intellectual property to be used and abused in ways that are unique to e-commerce. Two areas in particular, which are peculiar to this environment and create dilemmas for traditional trademark law, are domain names and meta tags."

Domain name registration operates on a "first-come, first-served" basis. Given that a domain name can only be registered once, a trademark owner can end up being unable to register a domain containing the trademarked product simply because someone else was more fleet-footed. Where the law might allow the same trademark in different business environments, the Internet can only have one of a kind. Hackett is more comfortable with 'a domain name being seen for what it is; an address'.

"For heaven's sake don't go out there and buy it. Get yourself another one. The Government went out and bought www.newzealand.com for a million dollars off somebody in the US. That was, in my view, excessive spending, because it wasn't really necessary. They could have stuck with 'dot co dot NZ'.

"You cannot register every domain. You just want one you can build equity into as your main address and then perhaps link others into it. Too many people spend far too much on domain names instead of their real business."

Shelley McDonald points to another anomaly: meta tags – those portions of a website's source code which are invisible to users, but detectable by search engines (as to what the site is about). They are another distinctive e-commerce feature that does not fit comfortably into current IP law.

"A form of abuse of this system involves the manipulation of unauthorised trademarks in the meta tags of a website. What they hope to achieve with this practice is a higher ranking by search engines, thereby attracting traffic that might not have gone to that site."

McDonald believes that copyright law can offer some protection in this instance. But the threat of the meta tag to IP rights might end up being reduced by commercial rather than legal means. Some high-profile search engines have proactively diminished their reliance on meta tags in their search criteria for that reason. One of Loughnan's greatest concerns is for New Zealanders who take new products offshore via trade shows, looking to generate enquiries from potential joint venture partners, licensees or distributors.

"The deterrent power of having insurance with Lloyds should not be underestimated; Lloyds have a publicly available register of all IP and the funds to underwrite any IP insurance claim," adds Loughnan. One last piece of advice from Hackett: make sure you own the copyright on any design you purchase as your logo, or you could be like one of his clients – an Eastern Bays electrician – who found there was not only another sparkie on Auckland's North Shore using the identical logo, but one in Whangerei too.

None had acquired the rights from the designer. **NZB**

Kevin Kevany is an Auckland-based contributor.

Email kevwrite@xtra.co.nz



Shelley McDonald:
"The Internet provides opportunities for IP to be used and abused in ways that are unique to e-commerce."

GIBSON SHEAT LAWYERS

At GIBSON SHEAT LAWYERS we:

- Specialise in the SME sector
- Have access to a range of specialist legal skills to assist business clients and business owners, including:
 - Terms of Trade
 - Employment
 - Franchising
 - Mergers
 - Exporting
 - Litigation Support
 - Intellectual Property
- From start-up through to exit issues we have the **LEGAL KNOW HOW** to assist you

Call us to discuss your business requirements

UNITED BUILDING	GIBSON SHEAT CENTRE
107 CUSTOMHOUSE QUAY	1 MARGARET STREET
WELLINGTON	LOWER HUTT
PH: 04 496 9990	PH: 04 569 4873

www.gibsonsheat.com

LEGAL KNOW HOW