

## **Intellectual Property – An Overview**

### **Introduction**

My own journey in Intellectual Property started back in the 70s when I was a young lawyer, numbering amongst my clients a struggling leatherwear manufacturer.

My client received a lengthy and detailed letter from one of the major Sydney law firms telling him all of the reasons why he shouldn't be using the trading name that he had and what would happen to him if didn't cease and desist immediately! The solicitor listed a series of registered trade marks which were owned by his client, an international designer, and pointed out that my client had none.

Being a commercial lawyer, I decided that the best approach would be to telephone the solicitor in question, which I did. I was quite taken-back when I realized that he was in no mood to compromise and his pomposity and self-importance overwhelmed me when he said words to the effect:

*“How big's your legal budget, because our's unlimited?”*

I determined at that point to learn as much as I could about trade marks, particularly, and intellectual property generally and, if necessary, to run the defence for my client, whether or not I was paid for it.

Many weeks later, and well before we actually got to court, the matter was resolved to the satisfaction of both parties. My client was actually allowed to trade under the name he was using, provided certain minor changes were made to his trade name.

Nothing happened for a number of months. I went back to my hum-drum commercial existence but then, out of the blue, I had a call from the Australian agent for the international designer who sued my client. He asked me whether I would be prepared to work for his principal. I was caught off guard, more then flattered, and asked him, why.

He said that his principal was concerned that the case had been settled on terms not particularly favourable to them and that he would prefer to have me as his Australian Solicitor! I think the marketing professionals call that “reverse marketing”! The designer in question has been a client of mine ever since – a period of more then 30 years!

### **Rights in Creations**

Intellectual property is only one of the rights that a person might have in something created. The first, and most obvious, right is the right of ownership and the ability to sell the physical product created. In most circumstances when, for example, an artist paints a picture, he or she owns that picture until it is sold to someone else. The buyer, however,

doesn't have the right to copy the picture unless agreed to by the artist. This is the intellectual property right in the picture.

Even if the artist sells both the picture and assigns (transfers) his intellectual property in it, he still retains to himself moral rights in the painting – that is, the right to insist that the painting be attributed to him and the right to prevent any derogatory treatment of his creation. These are some of the moral rights long-recognised overseas and recently enforced by statute in Australia. Moral rights are not an economic right and can't be sold, but consent can be given to their infringement. But that's a topic in itself, and tonight we're concentrating on the second right in things created, the intellectual property right.

### **“Why Intellectual Property?”**

The term “intellectual property” is used to cover the conglomeration of rights which the law protects in relation to the result of creative endeavour. It's called *intellectual* property, as opposed to *real* or *personal* property, because it is the product of the mind, so to speak, rather than anything physical, like land or a car.

The law of intellectual property is essentially about the **protection** and the **exploitation** of ideas. This occurs both through judge-made law and statutes. Today I'm going to deal, in some cases briefly, and in others at more length, with four of the statutory régimes, vis. patents, designs, copyright and trade marks, although not necessarily in that order, as we will see.

The statutory régimes are an often-uncomfortable compromise between protection and innovation, that is, between the right of the individual to exploit their ideas and the rights of the public to have access to those ideas. Towards the end of my talk, we'll have a look at how that balance pans out, after we've given some considerations to the various régimes.

### **The September 11 Syndrome**

Once the shock of the tragic events in the United States last September wore off, I have been busier dealing with intellectual property issues for clients than I have ever been in the past. My associates in the law who practice in the similar areas tell me the same thing. Is it mere coincidence, or is there some higher, deeper-rooted motivation in all this?

I have a theory (and it is just that – a theory) that when the captains of industry saw what was to them the destruction of an empire, they sat up and thought long and hard about their own empires.

How easy it would be to destroy the physical part of their business - their buildings, their personnel, their computers, databases, networks and telecommunications. If they were gone, what's left? What is it that terrorists can't reach and can never destroy?

The answer's obvious: What their business represents in the mind's eye of the consumer, their brand and image, their trade dress and get-up, their trade marks, their logos, their trade secrets and processes, then patents and designs – simply put, their intellectual property. **Long-ignored or under-valued, IP has now come to the fore in business planning.**

### **Our Journey Tonight**

As I've said, intellectual property is all about the protection and exploitation of ideas. In discussing their protection, I will cover both judge-made law and the more-important (from your point of view) statutory régimes.

Once we have dealt that diverse area, we'll then look at how you can exploit your intellectual property rights – how you value them and how to trade in them.

On our journey, I'm going to approach things a little differently. Most text books and commentators tend to start at the top, with a subject like patent law and then work down from there, to areas in which there is a lesser form of protection.

I think it is more logical to start where IP itself starts i.e., with ideas and how in their basic concept, they can be protected.

We'll then move on to higher levels of protection gained through the statutory régimes and we'll end where most commentators start, with the monopoly protection afforded by the *Patents Act*.

### **A Legal Overview**

At the outset, I have to warn you that the topic is vast and all I can hope to do is flag some of the issues which you will need to know about in your day-to-day affairs as creators of works.

What we now call the law of intellectual property came from very disparate roots, and the fact that each item of law grew up independently of the others is quiet obvious when you examine the way in which the various régimes work and the protection they afford. There is a complete lack of any unifying principle in any of the régimes. Indeed, it was only in the late 19<sup>th</sup> century or early 20<sup>th</sup> century that the various régimes were bundled together and called intellectual property.

However, there is a common motivation behind all the statutes and that is that creative effort should be protected. You might think that this is a truism, but debate has raged for more then a century over whether the law should, indeed, afford the protection it does for creative endeavour. At the end of the day, the real issue is dollars and cents: to bring new

ideas to fruition generally requires large investment of capital. No one is going to invest unless some protection is afforded to the investment, to allow the investor to make a profit over a period of time, during which he has exclusive rights to exploit the idea.

What is happening now at the legislative level is being driven by Australia's treaty obligations under the Uruguay Round of negotiations of the World Trade Organisation (WTO). For example, much of the innovation now contained in our 1995 *Trade Marks Act* was as a result of Australia's obligations under the Trade Related Intellectual Property Rights Agreement (or TRIPS), to which Australia is a signatory.

Beyond the mainstream intellectual property legislation is a body of law which will also protect intellectual property rights, provided the owner of those rights has a *reputation*. The tort (or civil wrong) of passing off will protect a party against deceptive conduct by competitors which is calculated to injure that party's reputation. Similar (but not the same) protection is afforded by the *Trade Marks Act* and the various states' fair trading legislation but, as I said, one needs a reputation in the first place and many of my clients have not yet got that reputation that they so earnestly strive for.

In that situation, let's look at just at what the law does protect:

### **Rights in Information**

As I said before, we're going to start our journey with intellectual property in its most essential form. Everything which is protected by IP laws starts in somebody's head and, contrary to popular belief, an idea which has never been reduced to writing or drawing is still protectable, albeit with difficulty, as we shall see.

There are three broad categories of information which might demand protection:

1. Business information or trade secrets
2. Personal information, and
3. Government information.

In our discussion tonight we're going to concentrate on the first and, under the heading of trade secrets there is a vast array of information which demands protection: ideas in the formative state, inventions which can't be patented, technical know-how, organisational information and details of customers – the latter a much-abused product!

The two most obvious ways of protecting such information are to physically secure it (by making sure it's only available to those who have a right to see it) or, when an outsider has a need-to-know, to bind that person to a confidentially agreement.

There are obvious limitations to both forms of protection. Physical security is only as good as the method employed and industrial espionage is rampant, particularly in hi-tech industries.

Confidentially agreements might bind the party who signs them, but what if that party inadvertently imparts information to a third party? Confidentially agreements don't cover outright theft, nor do they deal with the situation where the information was available elsewhere in the marketplace.

Coming back to Australia's international obligations, the TRIPS agreement requires signatories to protect undisclosed information. In many countries, indeed, the misappropriation of information is a statutory wrong. It is not so in Australia.

However, all is not lost, because for a long time our courts have recognised **breach of confidence** as a remedy. The breach does not have to rely on any contractual obligation, but most of the cases in this area concern former employees or competitors of an aggrieved party.

Certainly, there are some statutory bars to the unauthorised use of information. For example, our Commonwealth *Crimes Act* has similar provisions to the UK *Official Secrets Act*. Our *Corporations Act* severely limits what information officers of companies can disseminate to outsiders.

The difficulty of preserving rights in information beyond the protection of any statutory regime is substantial and it is therefore better to reduce the information to a material form such that, at least, it has the additional benefit of copyright protection.

## Copyright

Copyright plays a crucial role in the work of everyone in the creative industries. A designer, be they graphic, industrial, architectural or fashion, or photographers, can only sell their talent and skill, and copyright protects those vital assets. It is imperative that you understand how you can use that protection for the works you create.

Copyright in Australia is governed by the Commonwealth *Copyright Act 1968*, which gives specific protection for certain original works. At times, copyright overlaps with other kinds of protection, such as designs and trade marks, as we shall see later.

### *What is Copyright?*

Copyright is the *exclusive* right to reproduce an original work, to authorise other persons to do so and to prevent unauthorised reproduction of it.

However, one can't have copyright in mere *ideas*. The idea itself must be reduced to a material form - a painting, prose, a photograph or musical score, for example - for the law to protect it.

#### *What Works are Protected by Copyright?*

Copyright subsist in certain types of works by force of the statute, namely:

- literary works;
- dramatic works;
- musical works;
- artistic works;
- compilations and collective works;
- films; and
- sound recordings.

If a work falls within any of these categories, which aren't particularly well-defined in the statute, copyright will automatically subsist in it. Most likely, a graphic designer's work will be either a literary or artistic work, or both. "Literary work" is not defined, except to say that it includes a table or compilation expressed in words, figures or symbols. "Artistic works" include a painting, sculpture, drawing, engraving, photograph, a building or a "work of artistic craftsmanship", whatever that means, because the term is not defined.

#### *Who Owns Copyright?*

Generally, the *author* of a work is the first owner of copyright in it. Subject to the exceptions below, if you create an advertisement, design a logo, produce an annual report, catalogue, brochure or company profile, or take a photograph in commercial circumstances, you are the author of that work and *automatically* become the owner of any copyright in it.

However, the author is *not* the copyright owner where:

1. the work is made for the purpose of inclusion in a newspaper, magazine or similar periodical and is made under terms of employment;
2. a photographer is commissioned to take photographs for a private or domestic purpose;
3. the work is made pursuant to terms of employment;

4. future copyright is assigned; or
5. the work is undertaken on behalf of the Crown.

In each of the above cases, copyright is owned by the employer, the person commissioning the work, the assignee or the Crown. There are certain qualifications to these exceptions, but they are beyond the scope of this paper.

#### *How is Copyright Protection Obtained?*

Contrary to popular belief, and unlike the other forms of statutory IP protection, there are no formal steps that need to be taken to protect copyright. From the moment of its creation, copyright automatically subsists in a work. Because there is no system of formal registration of copyright in Australia, the corollary is that there is **no** monopoly protection of it. This being the case, all in the creative industries must be ever-vigilant in protecting this valuable economic right, by ensuring their terms of business with their clients reflect precisely what they want to do with copyright (but more of this later).

There is also no harm in using the © symbol, but this is not always feasible. Although there is no requirement in Australia for an author to include this symbol to claim copyright, use of it can only assist in identifying the author and the author's rights. However, the symbol doesn't itself create copyright in a work where none subsists. If you want to use the symbol, it should be used in conjunction with the owner's name and the year of creation, as I have done at the end of this paper.

#### *How Long Does Copyright Last?*

Generally, copyright lasts for 50 years after the year in which the author dies. However, the legislation does provide for a number of exceptions, including unpublished works, photographs, engravings, works of joint authorship and anonymous or pseudonymous works.

### **Designs**

As with patents, the *Designs Act 1906* provides monopoly protection in a registered design.

A design for the purpose of the Act must comprise:

*“Features of shape, configuration, pattern or ornamentation applicable to an article, being features that, in the finished article, can be judged by the eye, but does not include a method or principle of construction.”*

It is not possible to utilise this legislation to protect things such as logos and designs comprising brand imaging, which are more suited to the trade mark régime.

The controlling Act is almost a hundred year's old and the piecemeal approach by legislators to update it has left the design régime, in the view of many commentators, with serious shortcomings. In particular, the emphasis in the current definition on ornamentation and visual judgment is regarded as old-fashioned and inappropriate for contemporary design practice. Further, unlike the patents régime, registration under the *Designs Act* does not protect the **manner** in which things work yet, a design may be registrable even though its visual features serve only a **functional** purpose!

The Australian Law Reform Commission will have much more to say on reform in this area as time goes on.

## **Patents**

This is a vast subject and I intend only to touch upon it.

Under the *Patents Act 1990*, a registered patent provides the owner with the exclusive right to exploit an invention for a limited period, in return for which the applicant must publish details of the invention. A patentable invention is one which comprises a manner of manufacturer, which is novel and useful, and involves an inventive step. Hence, it must be a product or process which has a useful commercial application, there must be no (what is called) "prior art" - its creation must not have been anticipated by others - and it can't be just an obvious progression from that which is already known.

## **Trade Marks**

*What is a Trade Mark?*

In the parlance of the *Trade Marks Act 1995*, a trade mark is a sign used to distinguish one's goods or services from those of a competitor.

In previous Acts they were referred to as "marks", rather than "signs", and the current definition of sign repeats much of the previous definitions of mark.

A sign or mark includes (among other things):

*any letter, word, name, signature, numeral, device, brand, heading, label and/or ticket.*

Every item in the above list, I would have thought, is something that most designers would have to deal with on a day-to-day basis for their clients, but I wonder how many of

**their clients** realise the importance of registering the fruits of your hard-earned labours as trade marks!

Why is trade mark registration important anyhow? Can't a name or a logo or some other corporate or product image be protected in other ways?

The short answer is, yes, but this would require, firstly, the owner having a **reputation** in the name and thus being able to take action for passing off or for misleading or deceptive conduct under the *Trade Practices Act*. The latter courses of action are far less straightforward than being able to attack an opponent for trade mark infringement.

### *Company And Business Names*

Certainly, company and business names afford little protection in this regard. One of the greatest misconceptions of all is that business names or company names give some sort of proprietorial interest in the name itself.

It was only a few years ago that the various States handed over their power in relation to the administration of companies to the Commonwealth, at which time a new Corporations Law (now the *Corporations Act*) came into force. Up until that time, each State conducted its own Companies régime and it was more than likely that most companies using relatively popular names would have a namesake in some other States.

It was not the Government's intent to ask everyone to change their corporate name. Rather, it is now the Australian Company Number (ACN) which distinguishes one company from another, and no-one has any rights to any particular name.

The same applies to the various State-based business names régimes. Business Name Registers have been set up to allow the public to identify the owners of a particular business name, but grant no ownership rights whatsoever.

### *The Protection of A Trade Mark*

All businesses, be they your own or your clients, use one or more signs to signify your or their products or services and, if you actually want to **own** those signs, you must register a trade mark.

Once registered, not only do you have ownership of the sign, but, just as importantly, you also have a **monopoly** to use it and to prevent all others from doing so in the class of goods or services in which you have achieved registration. There are forty-two such classes and care should be taken to ensure that, when applying for a trade mark, the correct class has been chosen.

## Copyright, Trade Marks & Designs

It is often the case that a design in which copyright resides is also registrable under the *Trade Marks Act* or the *Designs Act* and the different sorts of intellectual property in that design can subsist at the same time by virtue of the different statutory régimes.

So, why if you already have copyright in a particular design, would you want to have it registered as a design or trade mark? Leaving designs aside (as they are the least likely to impact upon the endeavour of my audience today), it is only a trade mark which can give the owner **monopoly** protection against all comers. The exclusive, rather than monopoly, right of a copyright owner can't stop the publication of an identical work by another author, if the latter can prove that their work was created totally independently, and they didn't know about the original work.

To overcome this defence of "independent creation", consideration should always be given by designers and their clients to the higher level of protection afforded by the trade marks or design régimes.

## Copyright and the Digital Age

The greatest challenge to the law of copyright has been the advent of the computer age. Copyright only protects works **in a material form**, yet much of what is created in a digital context may never be copied. Perhaps it is time for a total reconceptualisation of what copyright is. Perhaps we should abandon the concept of copyright as properly and deal with the major issues of today which involve **access** and **use** of information, not its copying.

Although far more mundane, clients of mine have had a spate of problems with their digital files, with clients making claim to them when an association ends.

I have seen many cases where a designer or photographer has lost a major client through no fault of their own and the client is demanding all artwork digital files. Once they have them, the client can do what they will with your hard-won designs.

*So, who owns the digital files?*

Unfortunately, in an exercise such as this, I can't give you any hard and fast answer. In a (sadly) very small number of cases, the designer or photographer has actually dealt with the issue of digital files in their terms of business. If they are not dealt with in the contract with the client, the matter will have to be determined by such things as the intent to the parties, industry practice, the scope and nature of the work involved and the fee paid for that work.

Many in the creative industries tend not to do one-off jobs for clients; rather, they work on a long-term basis and, in the expectation of future income from the particular client, charge a lesser amount than they would have had the job been one-off.

### **Other Statutory Régimes**

There are other statutory régimes for the protection of intellectual property, such as the *Circuit Layouts Act* and the *Plant Breeder's Rights Act*, but they are beyond the scope of this paper today.

### **Consumer Protection Legislation**

I have already made mention of possible alternatives courses of action than relying upon statutory IP protection. Both the Commonwealth, in the *Trade Practices Act*, and the States in their fair trading legislation, have implemented statutes which impact heavily upon intellectual property and the way it is used or abused. A key element in invoking such legislation is the establishment of a **reputation** in the design/brand/product, if statutory protection had not been sought.

### **Exploiting Intellectual Property**

There is an array of methods of exploiting IP, from its outright sale, to mere licensing or, indeed, through joint ventures or franchising.

In the professional/client relationship, it is the sale or assignment of those rights which is normally required by the client. But we are all in the business seeking just recompense for what we produce. Most of my audience today create something for their clients and the only right you really can sell is your intellectual property rights (or some of them), and it up to you to decide what you want to sell and how much you should charge for it.

The client usually starts at the top and says, "I want the lot", but consider what "the lot" entails. If you're doing a series of photo-shots for a particular publication, or designing a logo for a company's letterheads/business cards/publicity brochures, consider **limiting** any intellectual property rights the client might receive to the stated media.

Copyright *in toto* doesn't have to be assigned for the client to use the product of your endeavour. Copyright is ever-divisible in time of use, geographic area of use and media.

If the client wants "the lot", they should have to pay for it. The story about the designer who did a new letterhead design for a client and, within a year, saw his design on the side of a building in New York, is not apocryphal! Consider what you have to sell and what part of it you want to sell, and make sure you are paid adequately for it.

### **Terms of Business**

How you do this is to properly formulate your terms of business with your client **before** you start work! Many of my clients have expressed reluctance to present written terms to new clients, their hesitancy based upon a fear of losing the client. To the contrary, I explain that any client worth having will expect a designer or photographer to present them with proper terms of business, because that is what is **done** in business and commerce.

Apart from dealing with some of the minutiae of the business relationship, most importantly, those terms should deal with the issue of intellectual property, and particularly copyright in its ever-faceted aspects.

