



Australian Government
IP Australia

**SMART
START**



The New Business Owner's Guide to Understanding Your IP

PATENTS

TRADE MARKS

DESIGNS

PLANT BREEDER'S RIGHTS

P

TM

D

PBR

Robust intellectual property rights delivered efficiently

SMARTSTART SYMBOLS TO HELP YOU:



Indicates a helpful tip or important information.



Gives you details of where to go for more information.



Provides you with real-life case studies of small business owners dealing with IP issues and the day-to-day running of their business.

Important Note

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10 IP tips every business should know

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10 IP tips every business should know

All great business ventures start out with a great idea but it's not always clear what to do next. Here are 10 tips to help you protect your ideas.

1. Put a dollar value on your intellectual property (IP). Know its worth so that you can attract investors or get the true worth of your business in a sale.
2. Discover your protection options. IP protection can offer you legitimacy and help you build a strong reputation but you should find out whether you can rely on common law or whether you should register your IP.
3. Keep your ideas confidential. Until you have taken steps to protect your IP, someone could take advantage of your idea.
4. Seek professional advice before you start. Advice can be obtained from a range of IP professionals before you take the plunge.
5. If your idea is a physical object, make a model. Let prospective investors visualise the idea and its market potential, but have them sign confidentiality agreements beforehand.
6. Keep track of your expenses. IP can help you build real wealth, attract investment and grow your business but you need to know whether your potential profits will cover your costs.
7. Know the marketplace. Conduct research to ensure you know your consumers and your competition.
8. Educate yourself. Take business courses and seek advice on how best to commercialise your idea. IP units are also available at a range of TAFEs, universities and educational facilities.
9. Use your IP wisely. IP can be a valuable business asset that can be bought or sold and it might be more profitable if you license someone else to use it. You should always seek professional advice before making any major business decisions.
10. Keep an eye on your IP. Copycats are out there and your rights will not enforce themselves. IP can create security for your business and minimise the risk that others will profit from your ideas but you need to be vigilant and seek legal assistance if needed.



IP and starting a business

IP and starting a business

Most successful businesses, large and small, are built on intangible assets or IP. Boost Juice has used their IP to establish franchises across the globe and Coca Cola's secret recipe and trade mark logo have stood the test of time and kept their product on the shelves. For companies like these, their IP—whether it's a trade mark, patent, design or trade secret—far outweighs the value of their physical assets.

The New Business Owner's Guide to Understanding Your IP explains the different types of IP rights, where they fit in your business, how to protect them and the ways in which you can use IP to its full potential through licensing and franchising systems.



“By protecting my IP I could give confidence to other companies working with me that my brand was strong”

George Giavis, George Giavis Salon



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What is IP?

An important first step for any new business owner is to identify your assets and the steps you should take to protect them. A common mistake people make when starting out is to overlook their IP in this assessment.

IP can be an invention, brand, logo, original design or the practical application of a good idea. IP is a valuable asset that distinguishes your business from your competition and can be your main competitive advantage.

While property rights give you ownership of your physical assets, IP rights give you exclusive rights to use and exploit your ideas. For example—although a person may own a book, they don't own the copyright unless they are the author.

IP falls into two categories—registrable and non-registrable IP.

Registrable IP

Trade marks	A right granted for a word, slogan, logo, picture, shape, colour, sound, scent, aspect of packaging or any combination of these that distinguishes the goods and services of one trader from those of another.
Patents	A right granted for a device, substance, method or process which is new, inventive and useful. A patent is legally enforceable and gives the owner the exclusive right to commercially exploit the invention for the life of the patent.
Designs	A right granted for a new and distinctive shape, configuration, pattern or ornamentation of a product, but not for its feel, what it's made from or how it works.
Plant Breeder's Rights	A right granted for new varieties of plants that give the owner exclusive rights to produce, reproduce, sell, import, export, stock or market the variety.

Non-registrable IP

Copyright	An automatic right which protects the original expression of ideas rather than the ideas themselves; including original works of art, literature, music, films, broadcasts and computer programs.
Trade secrets and confidential information	Protects confidential information such as manufacturing specifications, business and marketing plans, client lists and product information that is not disclosed to the public or third parties. Although these are not registrable, they can be protected by confidentiality agreements.
Know-how	The application of tried and tested techniques or processes to new situations.

IP and business planning

IP can be the foundation of a new business and should be included in your business plan, including how you plan to protect and manage it. As your business grows, your IP will increase in value. For example—when the Billabong clothing trade mark was first registered in 1979, it was a one man business in Queensland. Now it's a multi-billion dollar company with most of this value associated with the company's trade mark.

Day-to-day, businesses sell goods or services, but year-to-year they develop ideas and build goodwill and recognition linked to their brand, product or standard of service. This brand value builds up over time and is strongly linked to your business's IP assets, so it's important to clearly identify them in your plan.

Ultimately your commitment to your IP assets depends on how important they are to your business success. So don't forget, when planning for your business growth, what seems unimportant today might be worth millions of dollars in the future.

WHAT DO I NEED TO KNOW ABOUT IP WHEN I START MY BUSINESS?

From the outset it's essential that you keep an inventory of your IP assets. This is called an 'IP audit' and will help you when it comes to seeking protection for your intellectual property.

Intellectual Property Explorer is a free, fast and easy online business tool to help identify and protect your IP assets, visit www.intellectualpropertyexplorer.com

When conducting an IP audit, you should:

- identify the products or services that are key to your business
- identify your IP assets and the legal rights associated with them
- identify what market advantage these rights give you.

You should then value your IP assets as you would your physical assets. For example—your customer list or database can be a competitive intangible asset you should identify and protect. A secret recipe or a unique service technique also falls into this category. As a starting point you can try to calculate how much time would be required to develop these assets from scratch or estimate how much a competitor might pay for them. An accountant can help you to value these assets and place them in the context of your business.



Once you have identified these assets you can consider the types of protection available and take steps to seek appropriate protection with a patent or registered trade mark.

The audit process will help you determine:

- the best IP strategy for your business
- the likely costs, risks and benefits of that strategy
- the best way to maintain IP assets
- whether you are likely to infringe the IP rights of others.

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It's important to be aware of the IP rights of people or companies you are doing business with. For example—many software products are limited in the way they can be used by licensees. If your products or services rely on software, you may be breaching licence conditions and infringing on someone else's IP rights. Make sure you read any fine print before using the IP of others.



The different forms of IP protection

WHAT IS A TRADE MARK?

A trade mark distinguishes the goods and services of one trader from those of another. A trade mark is used commercially and can be a word like 'Vegemite', a phrase like 'Beautiful one day, perfect the next', a picture like the Qantas flying kangaroo, and can even be a shape, colour, sound, aspect of packaging or any combination of these.

But not everything can be registered as a trade mark. Trade marks which can be difficult to register include:

- descriptive terms, such as 'shoe' for shoe products
- common surnames and geographical place names
- words or phrases that favourably promote goods or services, such as 'best quality'
- words or phrases common to trade such as 'on sale'
- marks that are identical or very similar to earlier filed trade marks for similar goods or services
- marks that are scandalous or misleading
- marks such as 'ANZAC' that are protected by other Australian laws
- marks that are prohibited by international treaty obligations, such as national flags.

What do I need to research before I start?

Before you start using your trade mark on brochures and websites it's a good idea to search for any existing trade marks similar to yours. This will help ensure you don't inadvertently infringe on another and will identify any that might be an obstacle to yours being accepted for registration.

Your research strategy should include a search of the Australian Trade Marks Online Search System (ATMOSS), which contains records of every Australian trade mark that has been lodged for registration. It's free to search online at www.ipaustralia.gov.au

It's worth noting that you do not have to register a trade mark to use it. Common law does provide you with some protection, however, stopping infringers can be a much more difficult and costly exercise than it would be if your trade mark were registered.

But as these common law rights exist, you need to make sure you do not infringe on unregistered trade marks when developing yours. Searches of the internet will help you to seek out similar trade marks that are already in use. Registered trade marks can be identified by the ® symbol and unregistered trade marks are often accompanied by a small ™.

Because you are basing significant commercial decisions on the results of your searches, it's often a good idea to enlist the services of a professional to conduct more complex searches for you. There are many commercial search firms and trade mark attorneys that can conduct thorough searches and analysis for you, as well as helping you develop your own search strategies for the ongoing safeguard of your trade mark.

If you already have a trade mark in mind you may consider using IP Australia's **TM Headstart** service. This service provides a preliminary assessment of your trade mark which can help you determine its likelihood of registration. On submitting a request form and paying a fee, you will be contacted within five working days to discuss the results of the assessment and be assisted through the remainder of the process. The service may help you quickly identify any barriers that could prevent you from registering your trade mark.



For more information about TM Headstart phone 1300 651 010 or visit www.ipaustralia.gov.au

How do I apply for a trade mark?

Anyone can apply to register a trade mark, but the application must be made in the name of the person or company who owns the trade mark, not a business or trading name. The application is examined to ensure it meets legislative requirements and is not similar to pre-existing trade marks on the register. Providing your trade mark meets the requirements of the *Trade Marks Act 1995*, there are no objections to your trade mark by third parties and all fees are paid, your trade mark will be registered. Registration lasts for 10 years and can be renewed indefinitely.

You can apply online or by post. For more information about the application process phone IP Australia's Customer Service Centre on 1300 651 010 or visit www.ipaustralia.gov.au

What are the costs of trade mark registration?

The cost of registering a trade mark depends on how many different goods and/or services you wish to use your trade mark with. There are 45 goods and services classes in which a trade mark can be registered. Application fees start from \$120 per class if the application is filed online and if the application proceeds to registration, the 10 year registration fee is \$250 per class. Fees are subject to change so visit www.ipaustralia.gov.au for the most up-to-date fee information.

What are the benefits of registration?

If you have a registered trade mark, you are entitled to:

- the statutory right in Australia to use it as a brand on the goods or services specified in your registration
- the right to use the ® symbol next to your trade mark as a warning to potential infringers
- the right to authorise or license other people to use your registered trade mark on the goods or services specified in your registration
- the right to sell or deal with the trade mark as personal property
- a registration covering the entire Commonwealth of Australia
- the option to file a notice with the Australian Customs Service objecting to the importation of goods that infringe your registered trade mark
- the right to take court action to stop others using your trade mark inappropriately
- the option to file international applications, based on their Australian application/registration, through the international trade marks system (the Madrid Protocol).

How do I protect my trade mark overseas?

If you are considering expanding your business overseas now or in the future, you should consider trade mark protection overseas. Australia belongs to a treaty for the international registration of trade marks called the Madrid Protocol, which provides Australians with a simpler and in many cases less expensive way of seeking trade mark protection overseas.

The advantages of applying via the Madrid Protocol system include:

- only a single international application is required
- it's in one language (English, French or Spanish)
- it's filed through the Trade Marks Office of the home country
- protection can be sought in over 65 countries.

IP Australia has developed a series of exporting fact sheets called IP Passport. The series includes a general fact sheet on exporting and importing and several country specific fact sheets.



For more information on the Madrid Protocol or to download the fact sheets visit www.ipaustralia.gov.au

WHAT IS AN UNREGISTERED TRADE MARK?

Unregistered trade marks are often identified by the ™ symbol which indicates that the word/s or image is being used as a trade mark but has not been registered. Trade mark registration is not compulsory and may not be a priority for some businesses. However, if your trade mark is not registered and another person uses it you may have to take 'passing off' action under common law to stop them. Passing off action requires the owner of a trade mark to prove that another trader is using their trade mark without permission and with the intention to deceive consumers. This can be a lengthy and costly process and in most cases far more so than taking infringement action for a registered trade mark.

What are business, company and domain names?

There is a common misconception that owning a business name, company name or domain name gives you rights to common law trade mark use. Registering a company, business or domain name does not make you immune to the possibility of infringing another person's registered trade mark.



The following table clarifies the differences between these terms:

Function	What registration provides	Where to register
<p>Company name</p> <p>Identifies a legally incorporated entity in the Commonwealth of Australia.</p>	<p>It's compulsory to register your company with the Australian Securities & Investments Commission in order to be recognised as an Australian company under the <i>Corporations Act 2001</i>.</p> <p>No proprietary rights in the name are gained through registration.</p>	<p>Company names are registered with the Australian Securities & Investments Commission, visit www.asic.gov.au</p>
<p>Business name</p> <p>Enables consumers to identify the owners of a business and is the name that a person or a company trades with.</p>	<p>It's compulsory to register your business name in each state and territory that you trade in if you are using a name other than your personal name or company name.</p> <p>Business name registration records the contact names and details of the owners of your business. Business name registers are state based so there could be businesses with the same name in different states.</p> <p>No proprietary rights over the name are gained through registration.</p>	<p>Business names are registered in each state—see your local telephone directory for contact details or visit www.business.gov.au</p>
<p>Domain name</p> <p>Identifies your address on the internet.</p>	<p>It's compulsory to register a domain name if you want to use an address on the internet.</p> <p>Domain name registration gives you exclusive use of an internet address for an agreed period of time and variations include .com, .com.au, .biz.au and .net.au</p> <p>No proprietary rights in the name are gained through registration.</p>	<p>Domain names are registered through various resellers or registers who are given authority by .au Domain Administration Ltd (auDA), visit www.ada.org.au</p>

If you are still unsure if your desired business, company or domain name may infringe on a registered trade mark, you should seek the advice of a professional searching company, lawyer or trade mark attorney.

WHAT IS A PATENT?

A patent can be granted to someone who has created something that is inventive, new and useful.

Essentially, a patent is an exchange where the patent holder is granted a monopoly which allows them to stop others from making, using or selling their invention. In return for this monopoly, their innovation and how to create or replicate it is then published in publicly available patent databases that others can use after the patent expires. This trade-off strikes a balance between private interest to make money from an invention and the public interest for innovation in society.

A patent can protect inventions and innovations such as machines, industrial processes, pharmaceuticals and their productive methods, computer hardware and software, toys, electrical appliances, plants and other biological/biotech products and processes, even some business methods. Some great Australian innovations that were patented include the black box flight recorder, polymer banknotes and the HPV vaccine 'Gardasil'.

Patents can give you protection for either eight or 20 years, depending on the type of patent granted. You cannot patent artistic creations, principles, theories, mathematical models or any purely mental processes that have no tangible commercial application.

It's crucial to remember that an invention must not be disclosed to the public before you apply for a patent because it will then not be considered 'new'. However, in some countries including Australia, there is a grace period so that in certain circumstances accidental public disclosure of an invention will not affect the validity of an application. In Australia a complete application must be filed within 12 months of the disclosure but the conditions vary

in other countries. The grace period represents a safety net but it should not be relied upon.

The cost of patenting depends on the type of patent being granted and the number of countries you intend to register in. Contact IP Australia, a patent attorney or an IP lawyer to get a better idea of the costs involved.

How can I protect my innovation overseas?

You should be aware that there is no such thing as a worldwide patent. Patents must be obtained in each country you intend to trade in to achieve protection in those markets.

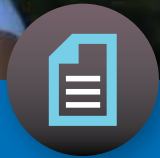
There are two ways of seeking international protection. Individual applications can be lodged in each country, or an application can be made through the Patent Cooperation Treaty (PCT). The PCT allows for a single international application to be filed in any number of the member countries.

IP Australia has developed a series of fact sheets for exporting to Canada, China, the European Union, India, Indonesia, Japan, South Korea, New Zealand, Singapore, Thailand, United States of America, and general fact sheets on importing and exporting.



For more information on patent fees, the PCT or to download the fact sheets visit

www.ipaustralia.gov.au



Case Study

Comfort and convenience at the coast

NAME

Katherine Drayton

BUSINESS

Sand Wedge

INDUSTRY

Manufacturing

IP SMART SINCE

2007

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Living in the Gold Coast hinterlands, mother of three and working nurse Katherine Drayton relished any opportunity to go to the beach.

Hitting the surf was a fun family activity but Katherine felt more like a pack-horse than a parent as she lugged beach chairs, an umbrella and a bag overflowing with beach towels out of the car and down to the sand.

Katherine began to wonder how she could improve the experience, without miraculously growing an extra pair of hands. “I thought, what could I design that would hold most of the things I need for the beach, that I can sit on and carry as a back pack?” said Katherine.

“When I made my first Sand Wedge, it was really just for me.” Katherine’s spinal condition meant that lying in the sand, no matter how sculpted to fit her body, was an uncomfortable and awkward experience. Finding little comfort in beach chairs, Katherine began to explore other options.

“I’m a real fan of bean bags. I find they give my back good support, allowing me to mould it into the shape and position that suits me best.” Katherine’s Sand Wedge Outdoor Bean Bag is a beach chair with a difference. Unlike a traditional folding chair that is heavy and can only be used as a seat, the compact and lightweight Sand Wedge is a back pack, beach bag, seat and sun lounge all in one washable and refillable unit.

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As Katherine further developed the concept, she began to research the possibility of getting a patent. “I thought, to make sure no one copied my idea, I need to own the IP rights for my invention.”

Katherine began to investigate whether anyone had invented something similar to her concept. “My advice to anyone with a new idea is to do as much research yourself as you can. Patent attorneys and paid searches can be expensive and if you haven’t worked out for yourself whether it’s likely to be patentable, it’s money down the drain.”

Finding there was nothing like the Sand Wedge protected in Australia or the US, Katherine decided to go ahead with securing IP protection. She enlisted the services of a patent attorney who filed a provisional patent application on her behalf. This type of application gave her 12 months to research if the product would be viable in the market.

Katherine warns, “As much as possible, keep your idea to yourself while you are deciding what to do. It’s hard but it’s really important.”

Within the 12 months, Katherine also secured a design registration which protected the way the Sand Wedge looked and registered her trade mark.

“Having secured an Innovation Patent I had eight years to commercialise my product while preventing competitors from entering the market with the same idea. My design registration and my registered trade mark prevent others from pretending they’re me or making inferior versions of my product.”

Getting IP protection was important for Katherine, to ensure she owned all of the rights to her invention and to allow her to commercially exploit those rights with confidence.

“My plan initially was to get proof of marketability and sell the rights to my idea to someone else. But as my business has grown, I’ve become quite attached to my product. I’ve found a real niche in the market and have the adequate protection for my IP to prevent anyone muscling in and benefiting from my hard work.”

WHAT IS A DESIGN?

Design registration protects the appearance or 'look' of manufactured products. Providing the design has a new and distinctive appearance—a special shape, configuration, pattern or ornamentation—then it can be registered. A design which has been examined and certified gives you a legally enforceable right to use your design to gain a marketing edge and prevent others from using it without your permission.

You should not publicly disclose your design before seeking registration. If you are considering applying for a trade mark that features your design you should consider applying for the design before making a trade mark application.

An alternate option to design registration is to publish your design. Publication will fully disclose the design to the public and consequently prohibit someone else registering your design. However, you should be aware that publication will not give any rights to stop others from imitating or copying your design.

Fees for applying for a design are \$200 per design, with further fees payable on examination and renewal of registration. Be aware fees are subject to change, visit www.ipaustralia.gov.au for more information.

WHAT IS COPYRIGHT?

Copyright gives the owner of a creative work the right to exclusively control and exploit its use. It covers books, art, music and sound recordings, photographs, software, databases, films and print, radio and television ads and other promotional materials. Copyright protects the expression of but not the substance of a work. For example—the text in a manual is covered, but not the ideas conveyed in it. Copyright does not protect manufactured articles.

In Australia, copyright exists automatically when something is written down or recorded and there is no formal registration. It's a good idea to put the letter 'c' in a circle at the end of the work, followed by the year, for example—© John Smith 2010—to ensure that others know that copyright in the work is claimed by the author.

The term of protection for most copyright material is 70 years from the date of the author's death. For more information about copyright in Australia, visit the Attorney-General's Department website at www.ag.gov.au or the Copyright Council website at www.copyright.org.au

Although unregistered IP can be protected against copying under common law and the *Trade Practices Act 1974*, your own vigilance is the best defence. If you are able to seek registration for your IP then it's advisable to do so but remember the onus is on you to keep an eye out for copycats.



Case Study

Styling the industry

NAME

George Giavis

BUSINESS

George Giavis Salon

INDUSTRY

Hairdressing

IP SMART SINCE

1996

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With over 20 years experience as a hairdresser and colourist, George Giavis has worked for some of the world’s most renowned salons in New York and London. In 1996 George decided to establish his own salon in Woollahra, a prestigious suburb in Sydney’s East. Word of George’s expertise spread rapidly amongst Australia’s who’s who and clients began to flock to the discreet black door that fronts the George Giavis Salon.

Set amongst the antique stores that Woollahra is known for, George combined his experience as hairstylist to the stars and the influence of the area to design the décor and ambience that would treat his local clientele to the same luxury and glamour that his celebrity clients enjoyed.

George created a VIP room unlike any other. The Blonde Room is the pinnacle of indulgence—swathed in lush fabrics and antique furniture, the fair-haired are treated to a salon experience like no other. Brunettes and redheads are not neglected either with The Beauty Palace and The Green Room catering to their needs.

“The Blonde Room really captured the imagination of fashion and beauty writers,” said George. “It received a lot of press—the name just seemed to strike a chord with everyone and has become synonymous with my business.”

When George launched his website of the same name, he realised it was time to investigate intellectual property (IP) protection. “Some of my clients—well known business identities—warned me about people stealing my IP. After all my hard work building up the business and my reputation, I wasn’t going to stand by and let that happen,” he said.

“I’d managed to secure the exclusive distribution rights to some of the world’s hottest cult brands,” said George. “By registering my business name, domain names and securing trade mark registrations, I could give the confidence to other companies working with me that my brand was strong.”



“By using the Madrid Protocol system, I only had to lodge one application through IP Australia, nominate the countries in which I wanted trade mark protection and pay one set of fees.”

Even with a strong suite of IP protection, George has had to keep an eye out for infringers.

“I’m fortunate that my clients are so loyal—normally it’s they who find out about it and bring it to my attention. It’s happened on a couple occasions and I’ve found that it’s really important to act quickly before things get out of hand. Usually it takes a few stern legal letters to do the trick and the infringer sees the error of their ways. In one case it was a home-based business that hadn’t realised they were infringing. A polite letter from me worked a treat.”

George realised it was hard to police the market, but that if he wanted to maintain a strong brand and confidence with his partners, then vigilance was key. “I do a search on Google whenever I can, just to check for infringers. My lawyer also conducts more complex overseas searches periodically to make sure my IP is secure internationally.”

During his earlier travels, George was able to source hair accessories for his clients and his private collection grew both in size and reputation.

Word of his collection grew and he was soon being approached by leading fashion and beauty magazines to supply accessories for shoots and articles. When supply could not keep up with demand, George decided to launch his own range of hair accessories which are now stocked in David Jones and Charlie Brown and he is now receiving positive interest from international markets too.

“I currently have six employees and I guess it’s a bit of a fine line to walk to make sure we don’t grow too fast. Our priority has always been to give the personal service and attention to detail that my clients have come to expect,” George said. “Staff is where you can make the greatest gains or losses—you need to be loyal to them to ensure loyalty to you and that’s another important part of strengthening your brand and your image.”

With increasing interest in both his salon services and accessories range, George is glad that he put in the effort to protect his IP from the very start. “I’ve made sure my IP strategy includes my future goals. I’ve registered my trade mark in the US as well as the UK because I hope they will be my key markets in the long-term. Without strong IP and protection in place, breaking into those markets would be difficult. But I’ve done the ground work so I can plan from there with confidence.”

WHAT IS A TRADE SECRET?

Trade secrets are particularly important IP assets and exist for as long as the information remains confidential, whereas patents and designs have a limited term. Even if the subject matter of a trade secret is patentable, simply keeping a trade secret confidential can sometimes be a better strategy.

The owners of the Coca-Cola soft drink formula certainly think so. Had they patented their mixture, the whole world would know the process and be able to manufacture the same substance. This type of strategy is only worthwhile if the product is difficult to reverse engineer, meaning it's difficult to discover how exactly it is manufactured and hence to copy it. The terms of employment for your employees will need to cover trade secrets if you rely on this protection strategy.

WHAT ARE CONFIDENTIALITY AGREEMENTS?

When employees or contactors leave your business, it's assumed that they leave with what they have learned in terms of their general skill set. But they are also leaving with a great deal of knowledge about your business—knowledge that they could use to start their own rival business or to assist an existing rival business. This could significantly affect your competitive edge.

Use confidentiality agreements where confidential information represents a risk for your business. These are agreements between the person who owns confidential information and a person to whom that information will be disclosed. The agreement outlines the conditions of the disclosure. If the information at stake is of substantial value to your business it may be best to work with a lawyer to draw up the agreement.

How do you ensure confidentiality?

You can take steps to make sure your confidential information stays confidential by:

- identifying what information you need to protect
- restricting disclosure of confidential information to certain people only
- clearly marking material with the words CONFIDENTIAL or COMMERCIAL-IN-CONFIDENCE
- restricting employee access to critically sensitive information
- using document shredders or locked bins for disposal
- insisting that employees sign confidentiality agreements
- insisting that all third party service providers or contractors sign confidentiality agreements.

What is infringement?

Infringement is the unauthorised use of another person's IP rights. To take action against an infringer is called 'enforcement'.

In your business, you want to avoid infringement on two levels:

- To protect your IP against infringement.
- To ensure you don't infringe on others' IP.

Where IP assets are critically important for your business income and success, develop a method for detecting infringements. Know what your rights are and be prepared to enforce them if they are violated. When you detect infringement of your IP rights, it's a good idea to seek legal assistance. The law is complex and you can be sued for unjustified threats so make sure you can prove that infringement has occurred.

Understand the costs, benefits and the risks of infringement action as the process can be costly and drawn out. There are a range of options you may be able to use before taking the infringer to court—from a letter of warning from your attorney to an out of court settlement. Whatever action you do take, make sure any infringer knows you are serious about protecting your IP and do so quickly. Delay could jeopardise your rights to court action or an injunction. Acting swiftly and strongly sends a message to the market that you are serious about protection.

HOW CAN I AVOID INFRINGING OTHERS' IP?

There are simple ways to make sure your business is less prone to infringing others' IP rights:

- Conduct searches of relevant databases of 'prior art' to see if anyone has already protected your idea or name. Prior art is the term for information that has been disclosed to the public.
- Don't use other people's IP unless you have permission and don't assume that because it's published, that it's in the public domain.
- Maintain a record of permissions granted to use others' IP.
- Investigate both the domain, business, and company name registries to make sure that your trade mark can be incorporated in your website. This is important and should be done early in the planning process.



HOW CAN I PREVENT INFRINGEMENT ON THE INTERNET?

When you trade on the internet, you effectively have a global business because anyone can access your website. The global nature of the internet makes IP rights protection and enforcement difficult, but you can take steps to minimise your exposure.

Protect your IP by taking active measures to discourage misuse. Include a section on your website which specifically states the terms and conditions for use of your material. For example—include a clearly visible notice at the beginning or end of a page, which states that information can only be used if proper acknowledgment is given. IP protection for images can include using a 'watermark', identifying the copyright owner, its country of origin and the permitted uses of the image. You should also acknowledge the IP of others by including appropriate copyright ownership notices.

When enforcing your IP rights on the internet it can be difficult to identify infringement outside of Australia. Different countries have different legal systems, which further complicates enforcement. The most useful approach is to be proactive—do keyword searches using your trade mark, visit related websites and maintain vigilance about the way others use your material.

Remember that if you are selling your products overseas without patent, design or trade mark protection in those markets, you are leaving yourself vulnerable to copycats.

WHAT CAN I DO IF AN IP HOLDER ALLEGES I HAVE INFRINGED THEIR RIGHTS?

Seek legal advice on any notices of infringement you receive. Don't make admissions until legal advice has been secured.

The law does not support unwarranted threats of infringement and you can take legal action against those who threaten you frivolously or without legal foundation.

HOW DO I SEARCH THE 'PRIOR ART'?

Searching IP registers, databases and relevant publications, also known as searching the 'prior art', is an extremely useful and important step in developing your IP strategy. Prior art includes all publicly available information in the form of patent, trade mark and design records, industry magazines, journals, the internet and relevant published papers. If your invention is already described in a document published anywhere in the world you cannot get a valid patent.

The internet is a great starting point to find out whether others have thought of the same idea you have. Search for keywords related to your idea and the goods and services they relate to, for example—'Qantas AND transport' would show that someone is already using the word Qantas as a trade mark in relation to transport.

Searching can be complex and it's likely you will be basing significant commercial decisions on the results so it's a good idea to consider using a commercial search company, or patent and trade mark attorney to conduct a thorough search and analysis for you. Records of all registered Australian patents, trade marks, designs and plant breeder's rights are kept on free searchable databases on IP Australia's website, which contain a wealth of information to help you and your advisors make informed decisions about your IP.



Search databases are available on the IP Australia website
www.ipaustralia.gov.au

Where can I go for more information?

Who else can help you work through IP and other business issues?

- IP Australia – the government agency responsible for patents, trade marks, designs and plant breeder's rights. It's the ideal information source for finding out more about these rights and is a great first step to inform yourself about IP before talking to other professionals, visit www.ipaustralia.gov.au
- Institute of Patent and Trade Mark Attorneys – the representative body for Australian patent and trade mark attorneys and can provide contact details for members in your state, visit www.ipta.com.au
- The Professional Standards Board – administers the regulatory and disciplinary regimes for patent and trademark attorneys in Australia, visit www.psb.gov.au
- Attorney-General's Department – the entry point for all Australian Government legal resources relating to copyright, visit www.ag.gov.au
- Australian Copyright Council – provides clear information about copyright matters and also has a free legal advice service for those in the arts sector, visit www.copyright.org.au





IP and buying a business

IP and buying a business

Rather than starting a business from scratch, you may be buying a business that's already established. When you buy a business you buy more than the stock or the right to sell products from an existing shop. You're also buying the IP and other intangible assets of the business. Whether it's the logo, an invention or client list, you are buying the IP and the exclusive right to its use. This makes it crucial to be conscious of its value during the sale negotiations.

In simple accounting terms, identifiable intangible assets such as trade marks, patents or licences will be recorded at their fair values on the acquisition date of a business. In some cases, amortisation (similar to depreciation) can apply to IP assets. This implies that their overall value can fall each year, just as the value of office assets does, for example—computer equipment. On the other hand, successful sales of products and services may mean that the value of this IP increases. In a sale you must ensure ownership of any registered IP is transferred to you as part of the deal.

HOW DO YOU CHECK WHO OWNS THE IP BEFORE YOU BUY IT?

It is vital to check the ownership of the IP you are buying. For example—when buying a business and its associated trade mark, it's wise to search the trade mark register to see who owns the trade mark. You should also find out whether a third party may have an interest in this asset or whether there is a loan held over it. It's a good idea to seek expert advice—a lawyer, or a patent or trade mark attorney can help you.

BE CLEAR ON IP FOR TAX PURPOSES

Be aware that tax and IP have two points of contact:

1. Tax applies to any gains made from commercialising your IP such as sales, franchising and/or licensing your IP to others. It could also apply if you sold your patent or trade mark and its value has since increased.
2. There are transaction taxes such as stamp duty, GST and withholding tax that could apply. Given this potentially costly issue, it's wise to seek accounting advice about the structure you should use in running your business.

IP and franchising

When a successful business wants to expand its operation without borrowing capital to develop, one option is to license IP to franchisees. In addition to the actual product or service of the franchisor, the various forms of IP such as trade marks, promotional material, business and marketing systems, shop fit-outs and confidential information is licensed to the franchisee to use.

THE FRANCHISEE

Franchising is a way of systematically sharing IP with others to distribute goods or services. The franchisor owns the IP rights and the franchisee pays a fee or regular royalties to use them. Franchisees can benefit from the coordinated marketing efforts made by the franchisor.

A major benefit of the franchise system is the ability to trade under a well-known trade mark. Typically, the franchisor grants a trade mark license to the franchisee in return for a percentage of the gross turnover. In addition to this, the franchisee may pay a fee to contribute to the franchisor's marketing budget.

The franchisee is usually expected to use the IP within the conditions set out in the franchising agreement. This can be limiting to the franchisee's business creativity, however, it's generally done to protect the value of the IP and deliver expected business outcomes.

This may be too restrictive for some prospective franchisees so it's wise to know what the franchisor's expectations are and what your rights will be. These conditions should be clearly set out in the franchisor's disclosure documents and should comply with the *Franchising Code of Conduct*. Like any complex legal document, it's advisable to have your legal or business adviser look over the agreement before you sign.

To view the *Franchising Code of Conduct* or for useful franchising information, visit the

Australian Competition and Consumer Commission website www.accc.gov.au

THE FRANCHISOR

Before turning your business into a franchise system, you should consider the specific IP issues involved. Your most powerful tools for success are your trade marks and your unique business operation. Before embarking on this type of expansion, you should ensure these are adequately protected—in the form of registered rights if possible. This is not only effective business insurance for you as a franchisor but will also provide potential franchisees with confidence that the IP they are licensing from you is secure and will restrict competitors' entry into the market.

You may also wish to explore expanding your franchise into international markets. In this case the protection of your trade marks overseas will be critical to your success, and you should investigate the costs and processes involved in achieving this.

A registrable IP right will not always protect the business know-how connected to your franchise licence. While many of the processes and operations of a franchise may end up in the public domain, for example—your shop fit-out will be seen by everyone, you will need to place confidentiality obligations on your franchisees, particularly where there is valuable operational know-how or confidential information. In this situation, the use of confidentiality agreements will help to protect your assets.

When you enter into a franchising agreement, the franchisee usually secures the rights to operate the business or use the IP for a set period. You as the franchisor, in turn, train and support the franchisee and market the business. Usually you receive an ongoing levy or fee for this service.

Where to get help

- The Franchise Council of Australia – provides comprehensive information about franchising, visit **www.franchise.org.au**
- The Australian Competition and Consumer Commission an independent statutory authority that promotes competition and fair trade in the marketplace and regulates industry, visit **www.accc.gov.au**
- You can also get assistance from:
 - your accountant or legal adviser
 - other franchisors and franchisees—ask lots of questions and find out whether this kind of business operation is suitable for you
 - many tertiary institutions provide courses on franchising—contact these providers in your state.





ipaustralia.gov.au

For other business
information go to
business.gov.au

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