

BELL GULLY

MORGO August 2008

Intellectual Property Workshop

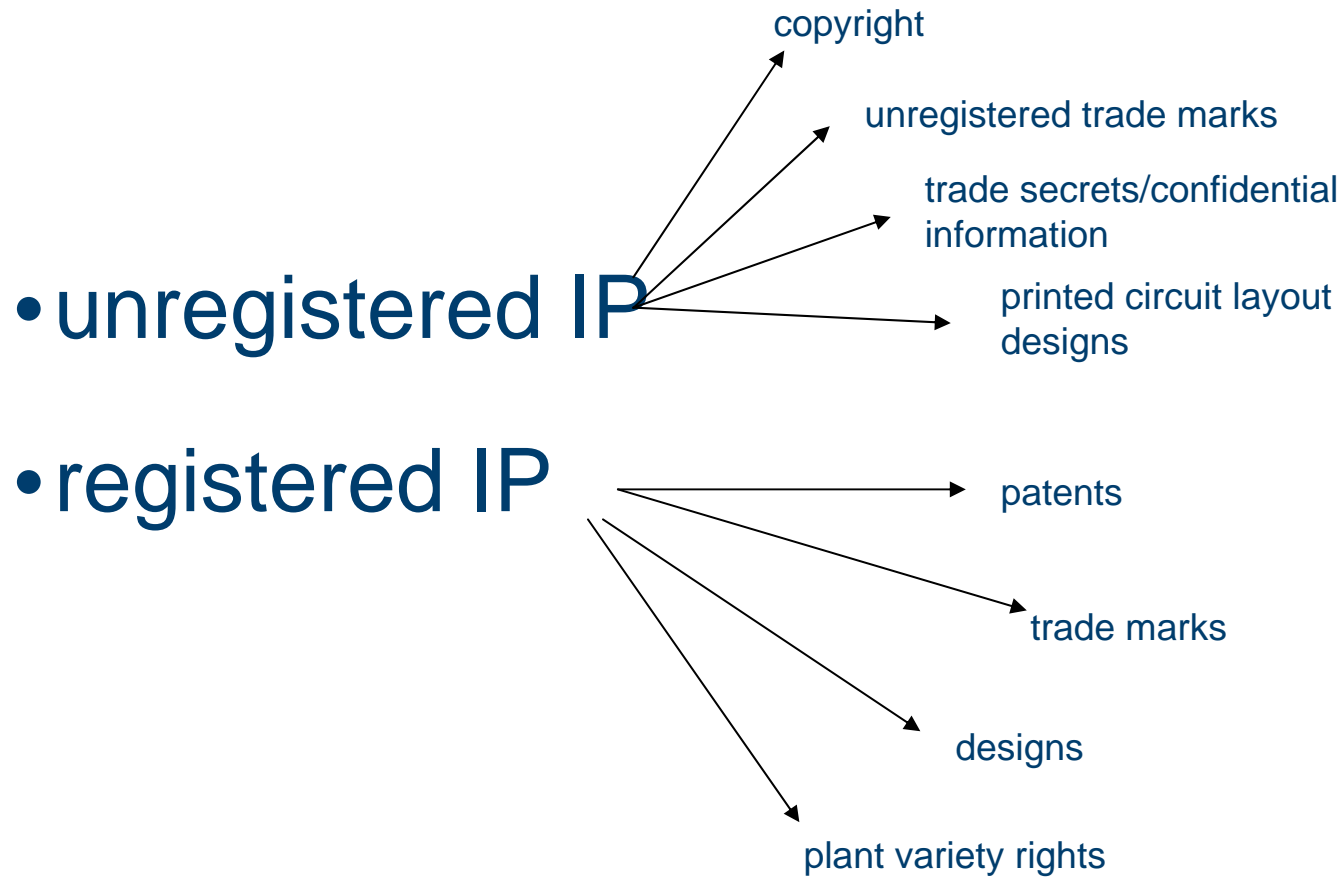
IP Management

- IP must be an integral part of business strategy

Topics

- what types of IP are there?
- what protection, if any, is relevant to your business?
- strategies for protecting rights
- IP issues in developing markets – China/India

Identification of IP



Copyright

- protects “works” –
 - artistic
 - literary
 - communication
 - dramatic
 - musical
- must be original
- lasts a long time
- generally owned by the author

Trade Secrets/Confidential Information

- good for protecting –
 - concepts
 - formulae
 - processes
 - marketing strategies
 - customer lists
- use confidentiality agreements

Trade Secrets/Confidential Information

- breach of confidence = remedy for misuse
- need to show
 - information of confidential nature
 - communicated with obligation of confidence
 - unauthorised use/disclosure

Patents

- protect “inventions”
 - new products
 - new processes of manufacture
 - new methods of testing
 - new methods of using existing products
 - new chemical compounds
 - biotechnological matter
 - computer technology

Patents

- Can't patent
 - anything contrary to law or morality
 - mere discoveries
 - obvious inventions

Patents

- invention must be new - not known/published before you file your application – this is crucial
- life = 20 years

Trade Marks

- a “sign” that is distinctive

-words
-logos
-slogans
-signatures
-shapes

-colours
-smells
-sounds
-labels

must be capable of
being represented
graphically

- best protection by registration
- life + 10 years +

Designs

- protect external appearance, i.e. shape, configuration, surface pattern of article
- must be applied to article by industrial process
- must have eye appeal
- must not be purely functional
- must be new
- last for up to 15 years

Is Protectionism Right for You?

- Do you have something which can be protected?
- Has someone else got there first?
- Can you keep your IP secret?
- Can your invention be easily invented around?
- Is copying common in your industry?

Is Protectionism Right for You?

- Is technological change too fast to justify protection?
- Do the laws and culture in your markets demand that you protect?
- Do you need protection for credibility?
- Will copyright suffice?
- Do you have the resources to file/maintain/enforce the IP?

Filing strategies

- Search before filing to -
 - determine if you can operate legally
 - obtain useful information
 - identify opportunities
 - monitor competitors

Filing strategies

- IP rights generally territorial
- consider filing in NZ first
- use Paris Convention to buy time/spread costs of filing offshore
 - 6 months for trade marks and designs
 - 12 months for patents
- decide on offshore markets

Trade Mark Filing Issues

- consider what are you going to protect
- what are you going to protect it for? – goods/services
- where will you protect it?

What to protect in Trade Mark Applications

- word)
- logo) combination
- plain font = broadest protection
- black and white = broadest protection
- series?
- shape?
- consider product life cycle/changing consumer trends/distinctiveness of material



1.

PLOUGHMANS

2.



3.

4.



Trade Mark Application – classification of goods and services

- 45 classes
 - 1-34 goods
 - 35-45 services
- multi class possible in many countries
- cover everything of interest now and in future

Community Trade Mark

- single registration enforceable throughout EU
- national systems still operate
- can be less expensive than individual filings
- drawback if opposition
- can use in conjunction with Paris Convention

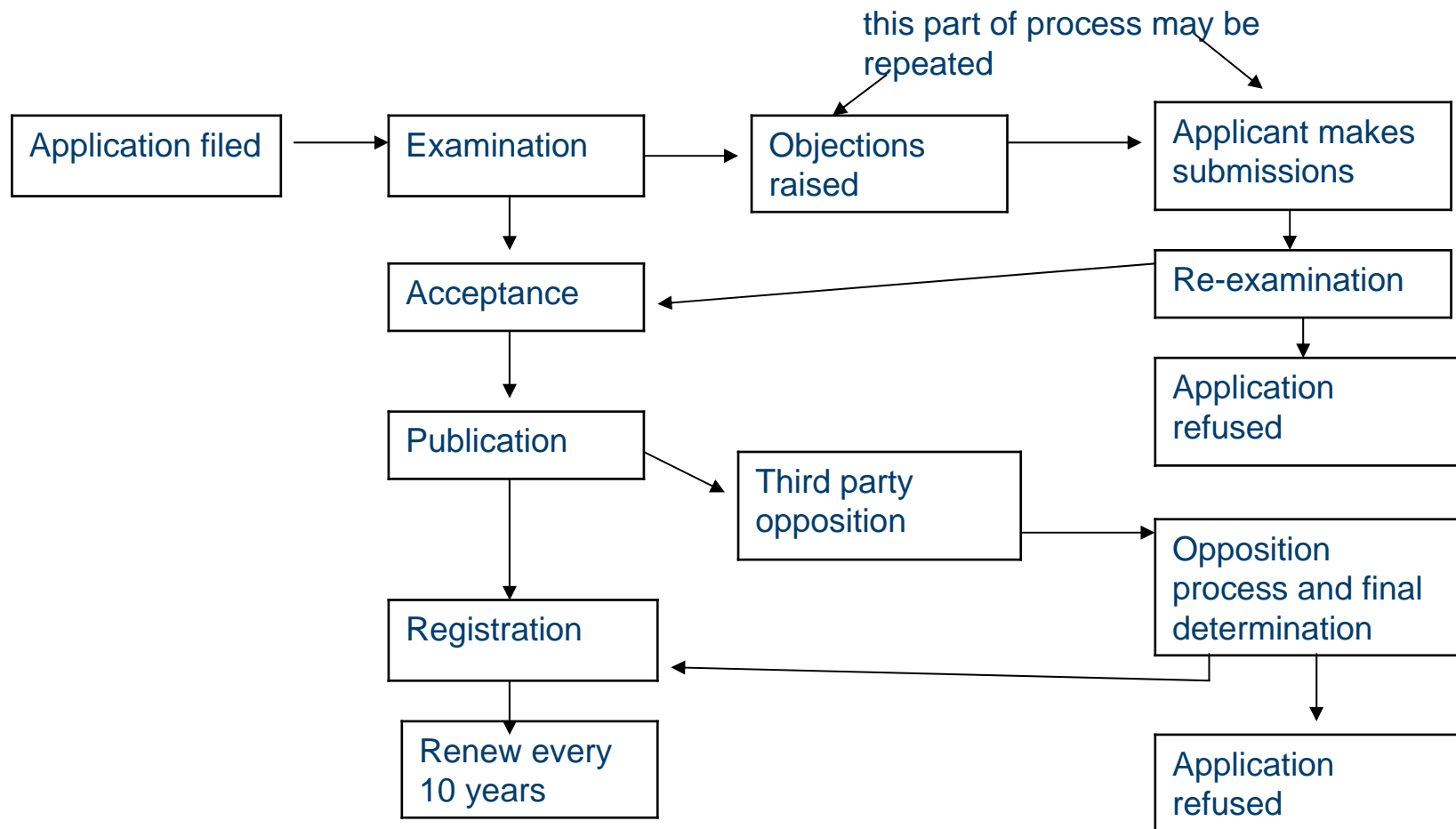
Madrid Protocol

- single international trade mark application
- nominate countries of interest
- examination in each country in accordance with national laws
- NZ not yet a signatory

Trade Mark Costs

- initial search costs
- application costs – legal advisers and official application fees
- examination/compliance costs
- publication and registration – legal advisers and official registration fees
- additional costs if third party opposition

Trade Mark Application Process



Patent Filing Strategy

- file in NZ to provide protection here and a priority date
- protect in major markets for product/process
- consider protection in competitors markets
- consider ring fencing by protecting around core technology

Patent Filing

File with

- provisional specification with broad description of invention and possible future developments
- complete specification with claims which define scope of monopoly

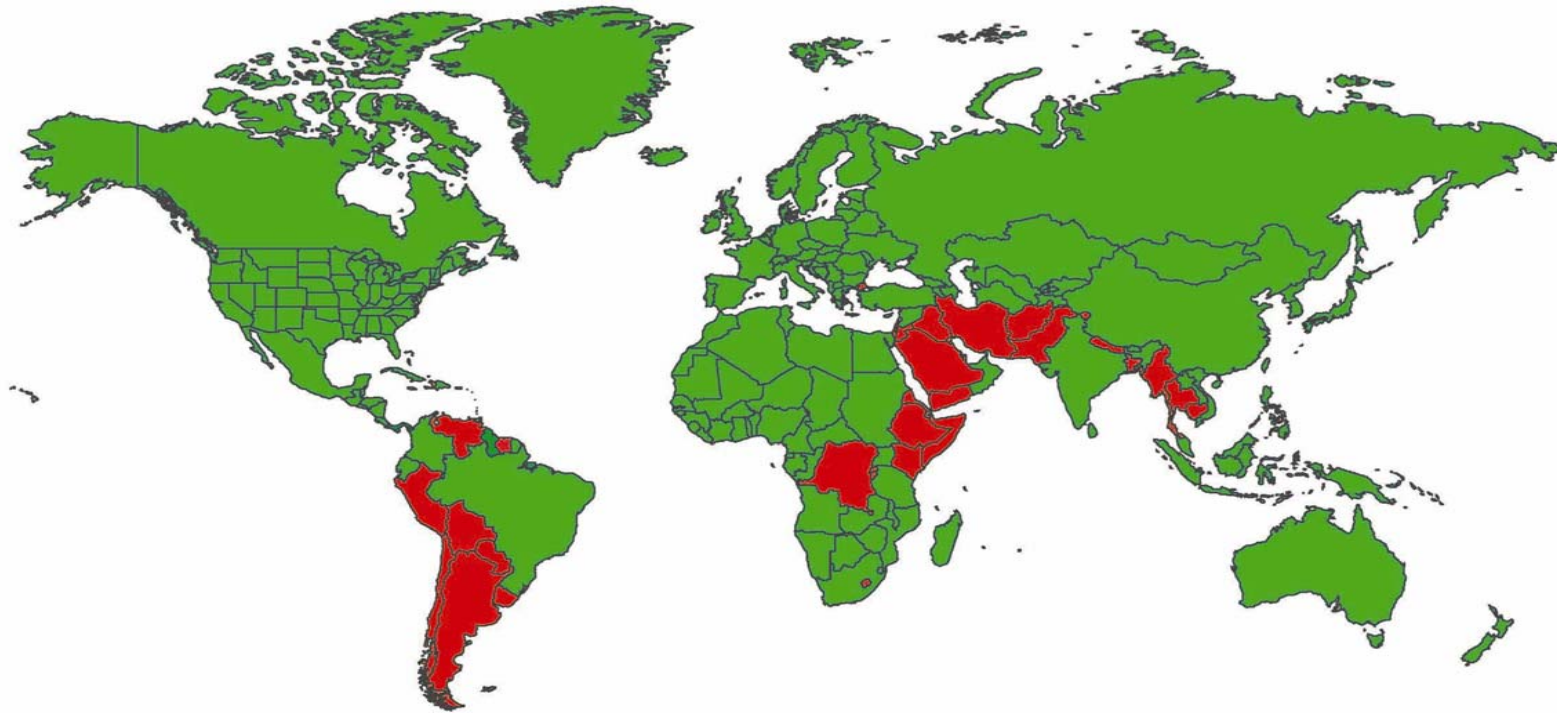
Patent Filing

- protection territorial
- 12 months to file offshore after filing in New Zealand using Paris Convention
- file in each country or
- file a PCT application

Patent Co-operation Treaty (PCT)

- single application covering large number of countries which are treaty members
- as of 3 July 2008 – 139 contracting states

Patent Co-operation Treaty World Map

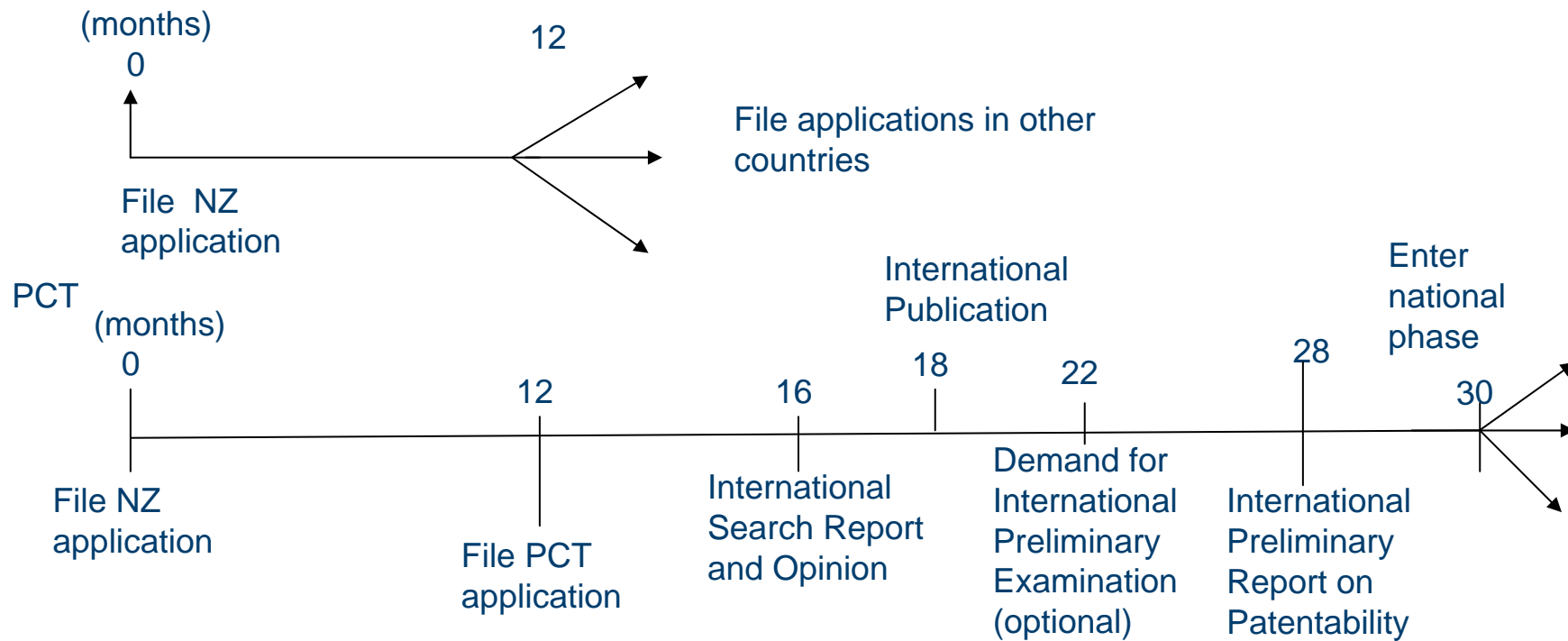


Benefits of PCT

- can use in conjunction with Paris convention to buy time
- defers deadline for filing in each country
- defers costs and decision making
- good source of information

Patent Application Processes

Traditional



Costs

- Application fees to national/regional patent offices
- Patent attorney fees
- Translation costs
- Maintenance fees

China and India

Minimise the impact of piracy by

- being aware
- committing to protection and enforcement
- budgeting for protection and enforcement
- doing your homework
 - check out partners
 - sign up confidentiality agreements
 - have contracts governing ownership of IP etc.
- track counterfeits and strike at the best time.

China

- 2008 – only 16% patent applications by foreigners
- 2006 – copyright piracy 85+%
- 2006 – China responsible for 69+% of counterfeits seized at US border

China – IP Laws and Agencies

- China's IP laws are TRIPS compliant – good legislative framework for IP protection but poor enforcement track record
- Patents/Utility models and designs administered by SIPO
- Trade marks administered by SAIC
- Copyright administered by NCAC
- Unfair competition laws

China

- Registering IP important to:
 - provide legal basis for proceeding against counterfeiters
 - prevent pirates registering your IP

China

- register patents (unless secrecy is a better option)
- registration of trade marks is essential – no registration – no rights
- no need to register copyright but can do so
- don't forget domain names but watch for scams

Enforcement Options in China

- Civil
- Administrative
- Criminal

Enforcement of Judgments

- 2003-2006 – 90% for Beijing Courts
- 40% nationally for High Peoples Courts
- 50% nationally for Intermediate Courts
- 60% nationally for Primary Courts

China

- Civil enforcement
 - for complex matters
 - for large scale infringement
 - can result in award of damages
 - costly and time consuming
 - need to select right forum

China

- Administrative enforcement
 - easier and more cost efficient
 - no damages
 - confiscation of infringing goods
 - fines for infringers
 - infringer may simply start up again

China

- Criminal enforcement
 - lock them up!
 - serious fines
 - but high evidentiary thresholds

India

- TPIPS compliant laws
- Patents now allowed for end product
- Trade marks – rights to register extended to services – protection of well known marks
- Copyright for literary, artistic, dramatic, musical works, film and sound recordings.
- Design protection for up to 15 years

India - Enforcement

- Poor track record on enforcement
- Recent revamping of administration and infrastructure of IP offices
- New customs measures in place to curb counterfeits
- Courts adopting international principles

India - Enforcement

- Civil enforcement for patents/trade marks/copyright
 - injunctions
 - damages
- Criminal enforcement for copyright and trade mark infringement
 - heavy fines
 - imprisonment

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Partnering for Success, 29 August 2008, Waitangi
Protecting and Managing IP Case Study

Questions and answers

- What are the questions?
- What are the answers?

Is there a problem?

- 2007 OECD report
- Estimated annual value of international physical trade in counterfeited goods was U.S.\$200 billion
- This is 2% of world trade
- This is greater than GDP of 150 countries

Is there a problem?

- IP infringement in emerging countries is big business
- India and China are key centres for mass production of counterfeit goods
- Vast amount of unregulated manufacturing in China (and Asia generally) because it's difficult for authorities to regulate it
- As countries develop their own IP, they want to protect it – games software piracy in Japan is 28%; in United Kingdom, it is 27%

IP must be integral part of business strategy

- Focus on protection and management of IP strategies
- Value of IP often not understood
- Value of protecting and managing IP is also often not understood

No bespoke solution

- No one size fits all solution exists
- IP protection and management depends on many factors
- Firms must be market led and take long-term pragmatic view

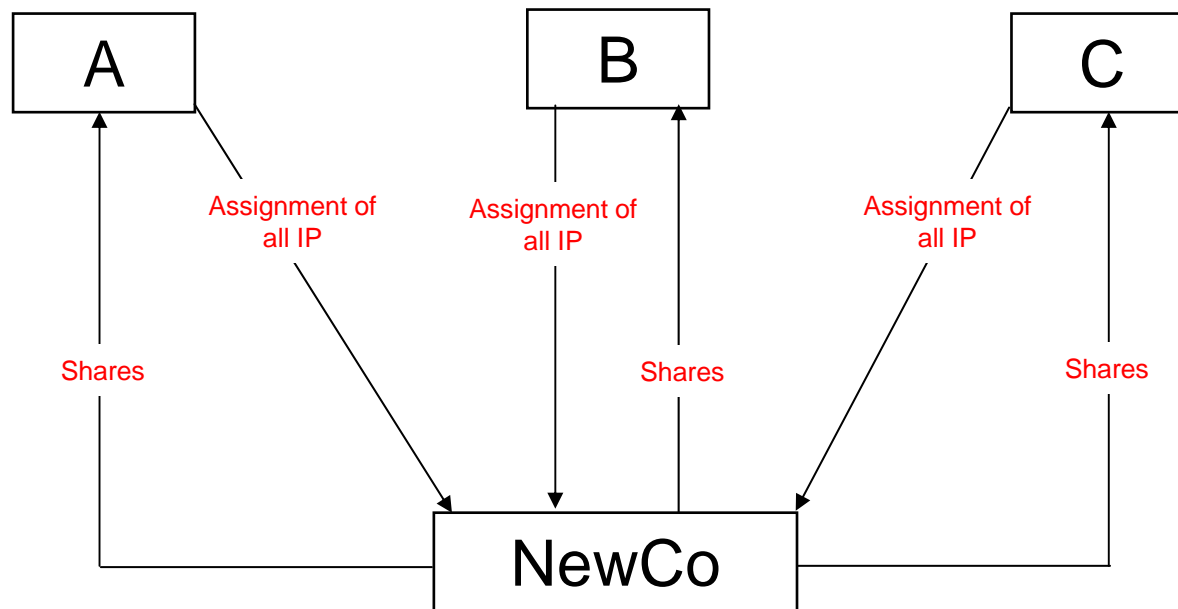
Ownership and structuring of IP

- Key issue is to ensure your IP is owned in “right” place
- Earlier this is done the better
- Who owns IP can dictate who licenses it, who receives royalties, who appoints distributors, who sells it, who has security over it, etc.
- Acquirers of businesses always look closely at the ownership and structuring of IP

Exit strategies

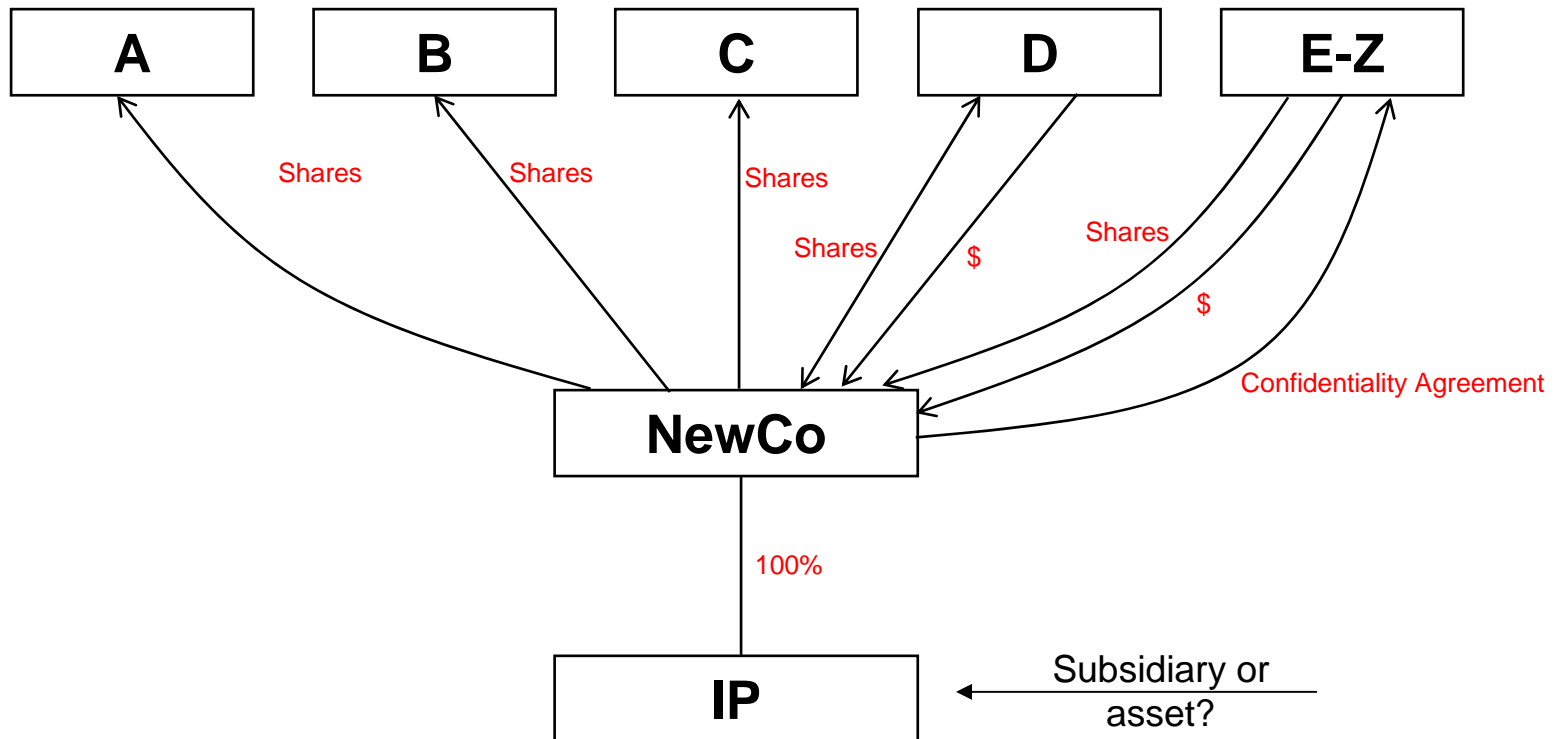
- Assets sale/share sale
- Due diligence issues on trade sale/IPO
- Representations, warranties and indemnities
- Third party interests
- Always have exit strategies in mind

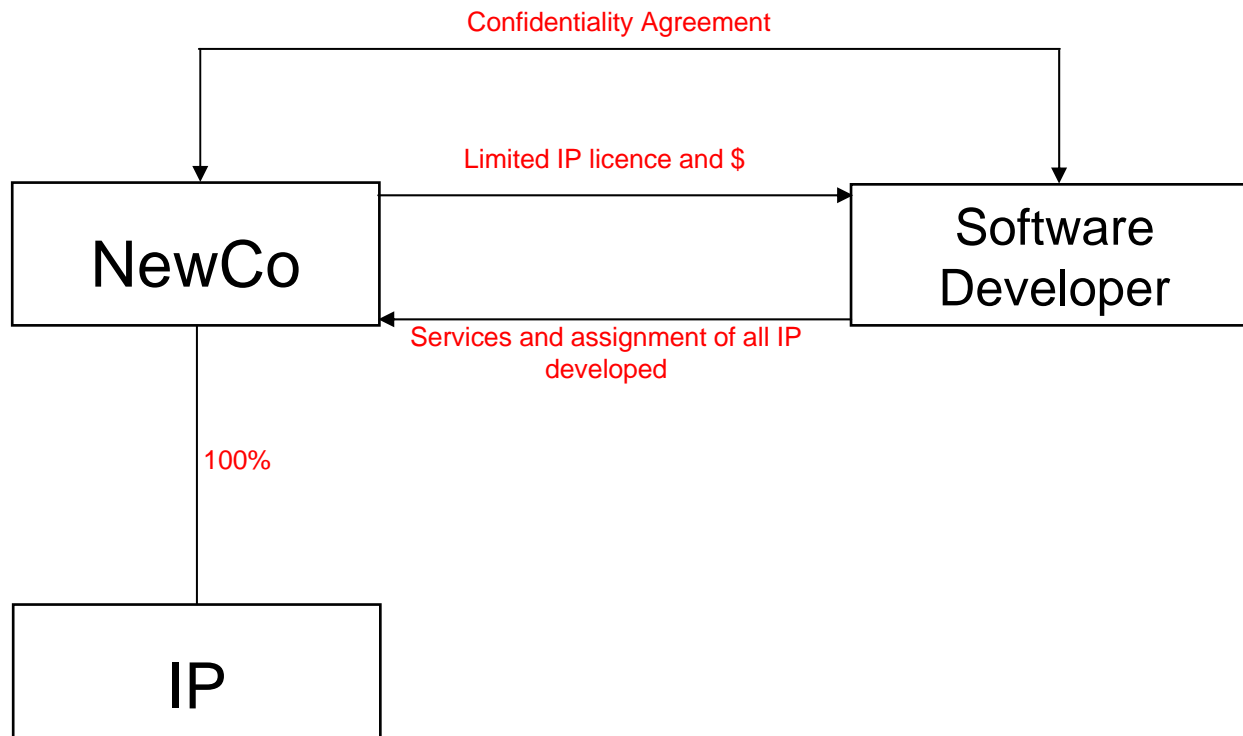
Assignment of IP

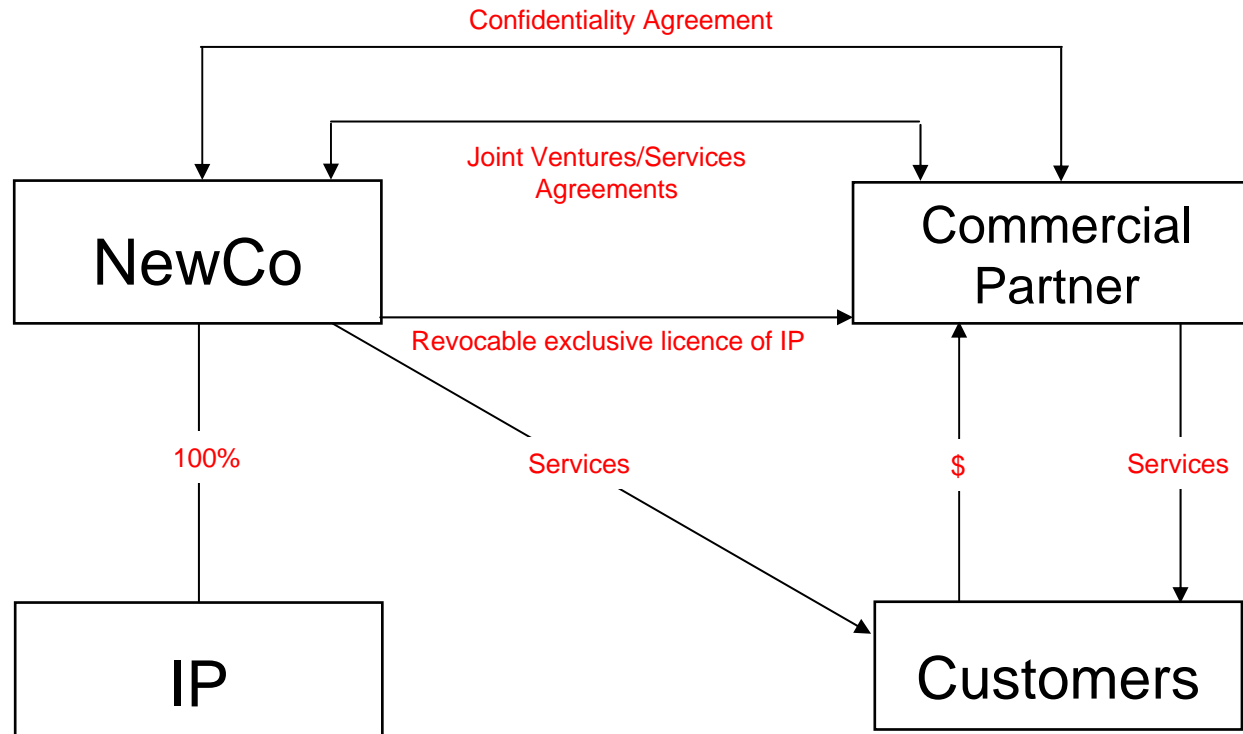


Shareholders' Agreement

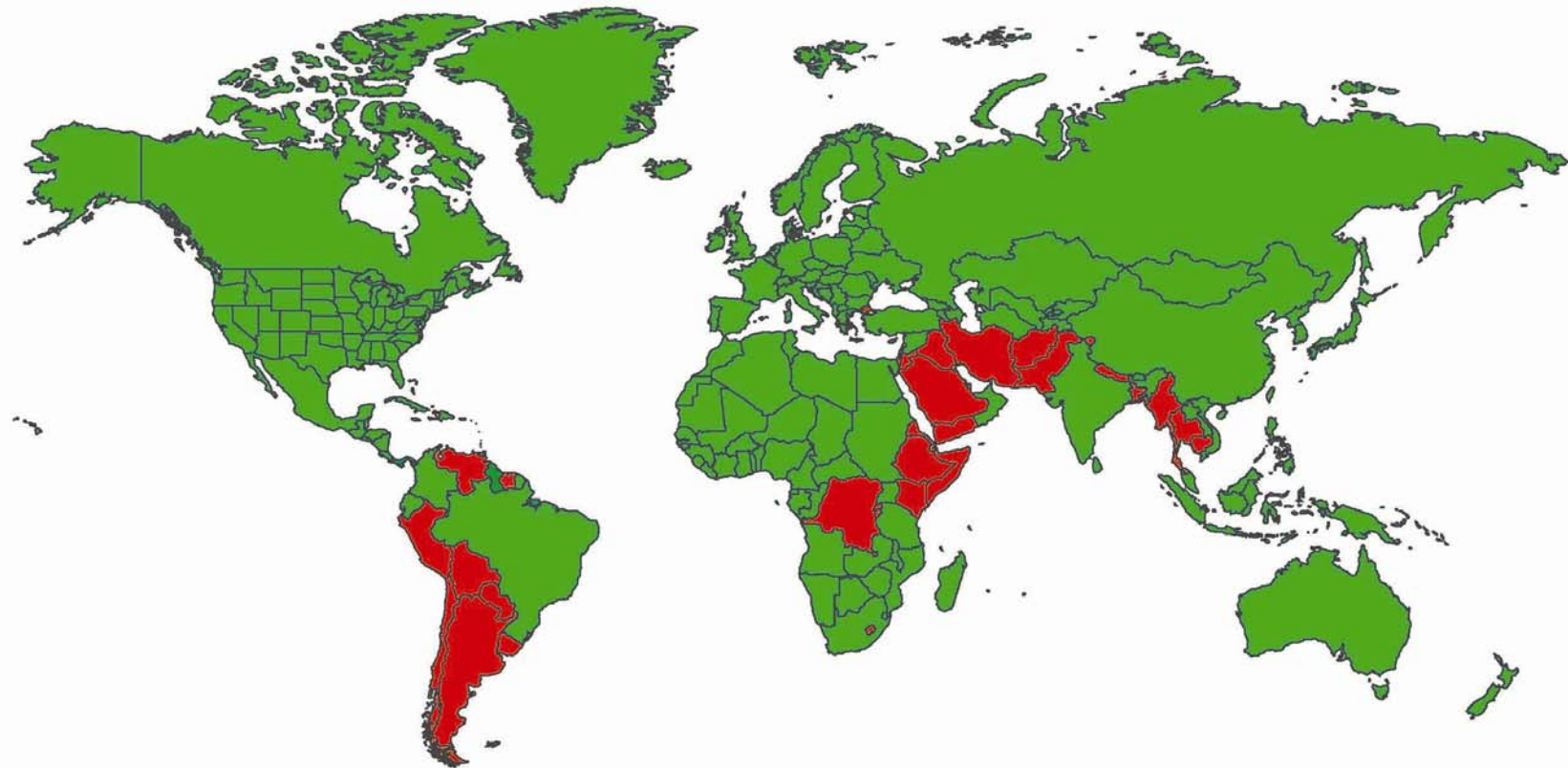
Accession to Shareholders' Agreement







Patent Co-operation Treaty world map



Patents – initial steps

- Must be an “invention” that is novel (method and system for betting or wagering on sporting event)
- In some countries, “business methods” are excluded (e.g., U.K. and E.U.)
- Provisional application filed in Australia (July 2006)
- Priority period runs from filing date
- First in time rule of international patents for countries party to Patent Co-operation Treaty
- Search to gauge novelty of invention (\$2,000-\$3,000)

Patents – next options

•Next options:

- File an Australian complete specification (i.e., continue in Australia only and file by July 2007 to avoid lapse of provisional patent application) (\$4,000-\$6,000 + official fees)
- File PCT (Patent Co-operation Treaty) international application with World International Patent Office in Geneva covering about 130 countries (\$8,000-\$10,000 + official fees)
- File corresponding applications in individual countries
- Conduct patent searches
- Let patent application lapse

Option 1 – file PCT (Patent Co-operation Treaty) international application

- **File PCT (Patent Co-operation Treaty) international application covering about 130 countries (\$15,000-\$20,000)**

- compulsory search is made of prior patents and published applications in major countries
- official opinion on patentability is prepared (takes 4-6 months and costs \$1,500)
- costs of responding to international examination report can arise
- individual national patent applications must be separately filed in each country of interest (within 30 months of filing date of provisional PCT international application in July 2006 – i.e., by January 2009)

Option 1 – file PCT (Patent Co-operation Treaty) international application (cont.)

- PCT international application defers costs of national patent applications in countries of interest
- if PCT international application is examined successfully, then greater confidence that national patent applications will also be successful
- not all countries belong to PCT system (China and India are covered; so need to know countries of interest)
- International examiner did consider patent application is novel and has an inventive step (may still be subject matter problems in U.K./E.U. because of exclusion of business methods)

Option 2 – conduct patent searches

• Conduct searches

- U.S. patent database search (\$1,200-\$2,000) – covers keyword searching of one or more U.S. patent databases
- Database patent search (\$2,500-\$4,000) – covers keyword searching of database of patent records from over 30 countries
- Search can indicate likely prospects of success for patent application
- Search can indicate, for countries covered, likely success of commercialisation of invention without infringing existing patent that is already in force

Option 3 – patent applications in individual overseas

- Known as entering national phase
- Costs for preparing and filing patent applications in individual overseas countries (New Zealand - \$2,000; U.S. - \$6,000-\$10,000; U.K. - \$3,500; E.U. (U.K. and 27 other countries) - \$12,000-\$16,000; China - \$6,000-\$10,000; Taiwan - \$6,000-\$10,000; Singapore - \$3,500; Malaysia - \$3,000)
- Overseas patent application costs depend on factors such as length of patent specification (must be translated for non-English language countries)
- Costs/fees additional to application costs:
 - annual fees to maintain patent pending in some countries
 - examination fees
 - dealing with patent office examination reports
 - final fees payable in some countries to have patent issued

Trade mark – initial steps

- Common law countries have first to use right
- Civil law countries generally have first to register right
- Searches of official databases in certain countries for use of brand/logo name (up to \$2,500 per country)
- Searches in China can be out of date

Trade mark – next steps (1)

- File Australian trade mark application for logo and word in two classes (\$2,800, of which \$600 is official fees)
- New Zealand trade mark application for logo and word in two classes (\$2,900, of which \$400 is official fees)
- These filings established six month priority date for filing in other jurisdictions
- Applications examined in Australia (AIPO) and New Zealand (IPONZ) and advertised

Trade mark – next steps (2)

- Trade mark knock-out searches in U.K.; E.U.; U.S.; Canada; India (no knock-out searches in India) (\$2,000, about half is Indian associate's fees)
- Priority markets are India and England – trade mark applications filed in those countries (\$6,000)
- Changed logo/branding (so search and registration process repeated, in some countries only)