

Protecting your ideas

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ABSTRACT

The creation of new ideas is the essence of profitability of most businesses. Hence protection of these ideas from unwanted use by others is an important consideration. A wide variety of types of protection are available including Patents, Registered Designs, Registered Trade Marks, Plant Breeders Rights and Copyright plus various common law rights and secret working.

There is no simple formula for determining which of these means of protection is the most appropriate. This paper discusses the merits of the various types of protection and the factors which might lead to one type of protection in preference to others. It is shown that the correct choice may depend on the business plans and financial state of the organisation.

It is also noted that just as important as the selection of the correct mode of protection is the identification of the ideas of the business which should be protected.

INTRODUCTION

Commercially useful ideas are the ultimate source of wealth creation to businesses. Therefore it is wise to seek appropriate protection of such ideas from unwarranted use by others.

The term “intellectual property” and its acronym “IP” is commonly used to cover both property emanating from the mind such as know-how and copyright (this is the original meaning of the term “intellectual property”) and what was previously referred to as industrial property which includes such things as patents, trade marks and registered designs. There is a wide range of types of material which falls under the category of IP and similarly there is a range of types of protection available.

- Inventions (how things work) Statutory protection is provided by patents and innovation patents; there is also some common law protection provided for confidential information.

- How things look. Statutory protection is provided in the form of registered designs.
- Brand identification Statutory protection is provided by the *Trade Marks Act* and the *Trade Practices Act* and there is also common law protection available under ‘passing-off’.
- Plant varieties. Statutory protection is provided under both the *Patents Act* and the *Plant Breeders Rights Act*.

In addition to the forms of protection mentioned above, the *Copyright Act* also provides protection in a number of areas particularly registered designs and to a substantial extent, trade marks. However, in general the copyright laws fall outside the scope of this paper.

The exact scope of the protection afforded by these various means varies somewhat from country to country but the general nature of the protection offered has substantial similarities. It is important to note that the protection rights including those obtained by registration and various acts are purely of a national (or in some cases regional) nature and, for example, there is no such thing as an international patent (there are means of making international applications for protection, such methods have a number of cost and administrative advantages, but they still ultimately become a bundle of individual, national or regional applications). Although registration only gives protection in one country, it does give quite broad protection over commercial transactions in that country. For example, it will prevent the importation of an equivalent article made elsewhere and will also prevent local manufacture for export (sometimes even by means of an infringing trade mark applied to the article for export).

It is important to note that statutory protection is relatively expensive, with much of the costs going in Government fees. Therefore it is desirable to only seek protection in countries where there is a real commercial advantage for doing so, and to rely on the breadth of commercial protection offered in these countries. For example, there would be little point in seeking patent protection for an improved wheat harvester in Monaco. Such a device would not be used there, nor is it likely that it would be manufactured there. Similarly, there would only be limited value in patenting an improved concrete mixer truck in Monaco. Although it might be widely used in the country it would almost certainly be manufactured elsewhere and it may be sufficient to rely on patent protection in the countries in which it is likely to be manufactured. Conversely a combined champagne bottle opener and caviar scoop probably should be patented in Monaco as this is likely to be an area where it is used extensively and such a device can probably be

manufactured in many countries including those where consumption of caviar and champagne is quite small.

TYPES OF PROTECTION

Patents are the form of IP protection with which most scientists and engineers are familiar. They provide protection for inventions, that is new products, processes or other methods of achieving a commercially beneficial, artificial alteration in a state of affairs. The most important point about patentability is that the idea must be a new one, it must have some sort of inventive merit and the patent can only be granted to the actual inventor or to someone who derives title to it from him (so it is not possible to seek an Australian or New Zealand patent on an idea that you saw in a shop somewhere or on an overseas visit). It would usually take at least 2 years from the date of filing a complete specification to the actual grant of patent and although actions by others may constitute infringement any time after the date for the publication of the application (which will occur 18 months after the filing of either the provisional or full specification) no legal action for infringement can be taken until the patent is actually granted. The term of a "standard patent" in Australia and New Zealand is 20 years from the date of application.

A new form of protection available in Australia (but not in New Zealand) is the innovation patent. This is intended to be a cheaper and simpler form of protection particularly for less significant inventions. Against this, it has a maximum life of only 8 years. In principle, an application for an innovation patent may be much simpler than for a standard patent (it need only have one of a description, a drawing or a claim(s)). However it would be advisable to draft to a similar detail as for a standard patent in order to ensure that adequate protection is gained. An innovation patent will be granted rapidly as there is no pre-grant examination process. However, no infringement action may be taken under an innovation patent until it has been certified (this is the equivalent of a post-grant examination). This type of protection is new and so far untested. The advantages are rapid protection of new ideas as copying of these constitute infringement from the date of grant, even though no infringement action can be taken until the patent has been certified. Therefore, it is particularly suited for products which have a comparatively short life cycle and which may be copied comparatively readily by competitors. The certification process does create something of a "Mexican stand off situation" because the infringer may be aware that an uncertified patent may well be invalid. However proceeding to produce infringing articles with the expectation that the patentee will not take the risk of attempting to certify what he knows to be a weak patent is still a potentially expensive exercise. The stand-off can be

broken because a party other than the patentee can also force the certification process to occur.

It is intended that a lower standard of creativity (or invention) is required for an innovation patent however the wording of the legislation requires a *real contribution to the working of the article* for an innovation patent versus a *non-obvious improvement* for a standard patent. Some commentators have suggested that this may be interpreted to require a higher standard of invention than for a standard patent, but this is clearly not the intent of the legislation and no firm conclusions can be drawn until a case goes to Court.

Registered Designs provide protection for the appearance for a commercial product. Originally the protection was only available for non-functional features of the design but nowadays it can also extend to functional features. The protection is essentially related to patterns and shapes. It gives no protection against functional equivalents for different design. A Registered Design is a useful form of protection for many types of consumer product of a distinctive nature and is also applicable to such things as the design of cartons and components eg pump impellers, spare parts, safety clothing, tread pattern on flooring.

The test as to registrability is on the difference in appearance from previous products whether registered or not. As already noted, no protection is given against a functional equivalent which differs in appearance. For example a pump impeller which looks different but achieves the same result as a registered design of an impeller would not infringe, however the form of protection is often adequate for such things as spare parts for machines. In practice, in Australia and New Zealand a very limited range of protection has been given to registered designs in recent years. The Courts would find that direct copies would infringe but that quite small changes would be sufficient to avoid infringement. New legislation is under consideration in Australia which if enacted would significantly strengthen the protection available. The draft bill specifically notes that when considering infringement, the emphasis is to be placed on similarities between items rather than on differences.

Registered Trade Marks (and the common law equivalent known as passing off) differ in their nature somewhat from the other forms of IP being considered here. Firstly, there is no objection to registering a trade mark which is already being used, in fact evidence of use will probably make registration easier. Secondly, trade marks can be renewed indefinitely so that there is no limit in principle on the time for which a trade mark may be registered. Thirdly a trade mark is only enforceable if it is put to a real use by the owner. It is not permissible to file a mark to prevent others from using it.

It is important to note that with rare exceptions the shape of the goods themselves can not form a trade mark and certainly the functional shape of goods can never form a trade mark. However the non-functional shape and packaging can be used as a trade mark in special cases (one example is the shape of the "Coke" bottle which has been permitted registration as a trade mark in some countries). This is usually only of value to the company making the contents of such packaging, but it might sometimes be useful to the maker of the package. For example, a carton manufacturer might design an innovative carton; register it as a trade mark and license its use to a limited number of non-competing customers to use it. This would enable him to have an indefinite period of protection for his new design of carton, but it would generally not prevent others from using a similar shaped carton for totally unrelated goods.

SECRET WORKING AS AN ALTERNATIVE TO PROTECTION

Coca-Cola and Plasticine are 2 products which had monopolistic economic lives of well over 100 years without any statutory protection. Their manufacturers relied on keeping the formula and the manufacturing method secret to prevent others from imitating. Against this the Kambrook power-board and Aeroguard are two examples of products which were not patented by the original inventors who then had no recourse when others copied their products. If one patents a product then the patent application must disclose in sufficient detail the nature of the product and/or the method by which it is made, and this method is then available for anyone else to use it once the patent expires twenty years after filing. However, during this 20 years there is broad protection for the idea which prevents others from copying it or otherwise exploiting it, even if they invent it independently. Despite the protection offered by a patent, there is always the danger that the invention will be found to be unpatentable and yet the application itself will then become a public document and material which would otherwise remain a trade secret will be disclosed.

On the other hand, secret working gives protection for an indefinite period of time, but only until others are able to reproduce the results (knowing that the result can be achieved is often enough to enable others to reproduce it). If the process is complex, and even if some portions of it are discovered by rivals they will not have enough to reproduce your product but in any case the only way of maintaining the trade secret is by vigilance. The larger and more complex the process and the more people involved in the manufacturing process, the less likely it is that secrecy can be maintained for a long period. Australia, New Zealand and many other countries also have provisions that once you have secretly worked a process for commercial purposes you can not then apply

for patent protection. Therefore the decision as to whether to seek statutory protection for a product, to rely on secrecy, or simply to build a sufficiently large market share to discourage others from competing as a means to protect the product will depend upon the circumstances of the case.

One of the factors to be considered is the purpose for which protection is sought.

If the intent is to manufacture and sell some equipment or another product which could be copied by a competitor who purchases it then statutory protection is probably the only realistic option.

If it is a product which can not be readily copied (eg Coca-Cola) or a new process is used to make a known product, then either patenting or secret operation may be appropriate. If the intention is to licence others to exploit the invention then either a patent or a suitable secrecy agreement may be used.

Another objective is to prevent others from using the invention. For example, an organisation may be already manufacturing a product and want to prevent others from using the second best method of manufacture. Alternatively, it may have discovered an improved method of manufacture but does not wish to exploit it itself because it has too great a capital investment in an existing plant, but nor does it want its competitors to use it. In such cases it may seek patent protection to prevent others from using it.

However, most countries have provisions requiring granted patents to be exploited and if they have not been exploited within a certain time there are means for would-be competitors to obtain compulsory licenses or even to have the patent revoked. These provisions have rarely been used in Australia because competitors will often decide to simply infringe in the knowledge that the patentee is unlikely to sue for infringement (at a probable cost of at least \$100 000) when the outcome will almost certainly include the grant of a compulsory licence.

In cases of wanting to block the use of technology, secrecy concerning the alternative technology will often be the better consideration. An alternative would be to patent and be prepared, if necessary, to grant licences at royalties which are high (but not prohibitive or a compulsory licence may again be sought).

A major consideration in patent matters is the cost of litigation. Although the cost of obtaining a patent in 1 to 2 countries is not that high, infringement or validity actions are very expensive, unlikely to cost less than \$100,000 for each party in each country in which action is taken.

Therefore, it is desirable to resolve patent disputes by other means rather than by taking legal action

MATCHING PROTECTION TO THE INVENTION

As should be apparent, the type of protection which would be most appropriate will depend on the circumstances. Brief consideration will now be given to the types of protection which might be appropriate for particular types of invention.

Consumer Products

For products sold in large quantities at a consumer level trade marks can be very important. Registered designs may also be very appropriate if the attraction of the product lies largely in its appearance rather than its functional performance. Depending on the nature of the product, patents or innovation patents (particularly for short commercial life, easy to copy products) may be very appropriate. In some cases patents for the method of manufacture may also give effective protection. This will be particularly true if the product itself is not new, as a manufacture method patent will protect against imports of products manufactured by using the same method. Secret working is not often an appropriate means of protection for consumer products unless the product is hard to copy or is made by an improbable process.

Industrial And Commodity Products

Considerations for protection will be similar for those for consumer products except that trade mark protection will probably be less effective and methods of manufacture will often be more important.

Equipment And Apparatus

Equipment and apparatus used for manufacturing products have slightly different requirements for protection. Trade marks may be useful, but generally less so than for consumer products as there will now be a much smaller number of purchasers and they will generally be more aware of the alternative products available to them. However, sometimes promotional activities along the lines of “buy only widgets made by **Our Wonderful** equipment” can be of help.

Registered Designs are usually less appropriate for equipment as changes in the physical appearance of the equipment can be made which do not affect its functionality but avoid infringement.

Patents and innovation patents are usually the most effective form of protection.

Secret working is not appropriate if the apparatus is to be sold (other than to a limited number of clients under conditions of a secrecy agreement). However if the patentee’s intention is to only use it himself it may be effective because it is easier to keep the internals of one piece of equipment secret than it is to keep an entire process secret.

Copyright protection may be useful to varying degrees for consumer, industrial and commodity products and for equipment and apparatus in some circumstances, however, copyright protection will rarely be useful for processes

Manufacturing Processes

Trade marks, registered designs and copyright are rarely helpful here. Secrecy may be appropriate if it is enforceable but this requires a high level of vigilance and, as noted above, there is no possibility of subsequently seeking patent protection in Australia or New Zealand if the process has previously been worked on a commercial or non-confidential basis.

Patents are usually by far the most effective way of protecting a process. It is possible to patent the whole process, but the danger of relying solely on such a patent is that a competitor may find an alternative way of undertaking 1 or 2 stages of the process in which case he will avoid infringement. It is better to also patent specific stages of the process and/or particular pieces of equipment used in it if they individually have sufficient merit. This makes it harder for a competitor to avoid the patent and it will sometimes give additional benefits by being useful in other industries or in other processes thus giving rise to a source of royalties. Again, it is always desirable to patent the product made by the process as well as the process itself.

Innovation patents are rarely appropriate for processes because of their short life relative to the lead time of building the process.

Business Schemes, Computer Software etc.

Until recently there was little scope for protecting such ideas. Copyright was available for forms and limited copyright protection was available for software.

However in the last few years business methods and computer related inventions have become fairly freely patentable in USA, Australia and some other jurisdictions, and with some constraints in New Zealand, Europe and other countries. It should be noted that although such ideas are patentable in principle, it is still necessary to demonstrate inventive merit – and this may be difficult for something which is merely the transfer of a known process

to a computer. Patents in this area are still quite new and it will be interesting to see how many of them are held to be valid in the courts.

CONCLUSION

There is a wide variety of means by which ideas and hence competitive advantage may be protected. The most appropriate means or combination of means will depend on the facts of the case. Consideration must always be given to whether statutory protection, common law protection or secrecy will be most beneficial in both the short and long terms.

Equally important is identifying what intellectual property your organisation has which warrants protection. Patenting can be expensive, but failure to patent can be ruinous.