

STRATEGIES FOR PROTECTING INTELLECTUAL PROPERTY

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Introduction

Any company not having a proper understanding of intellectual property and how to manage it will most likely make expensive errors or miss lucrative opportunities.

It is not sufficient to address intellectual property issues in an ad hoc manner. Intellectual property is the only source of sustainable competitive advantage and must be treated as such. Smart companies will treat intellectual property as a strategic issue requiring proactive management for performance optimisation.

The process of intellectual property management involves four steps: identification and capture of IP rights, protecting IP rights, and exploiting those rights. This article examines strategies for protecting IP rights.

Patent filing strategies

The first and most fundamental question is whether a particular innovation should be protected by a patent, retained as a trade secret or simply used and published to ensure no one else can patent it. The decision process will involve an assessment of each option against the company's business strategies. An innovation may not be in the core field of business for the company, yet there may be value in patenting it for the purpose of licensing it to another entity. A formula or recipe might be something that can be kept secret for a longer period than the 20 year patent term and accordingly a decision is made to retain it as a trade secret, rather than disclose it to the world in a patent.

Once the decision to patent is made, a filing strategy must be developed.

In a number of countries it is possible to file a provisional patent specification, which is essentially a description of the state of the art including disadvantages associated with it, statements of invention describing the innovation, and a discussion of the advantages of the invention.

From the filing date of the provisional specification, the applicant has 12 months (extendible to 15 months) within which to complete the application by filing a complete specification. A complete specification includes a set of claims that define the scope of the monopoly afforded by the patent. Within those 12 months the applicant must also decide whether to file applications in foreign countries.

It is possible to file a Patent Cooperation Treaty (PCT) application within 12 months from the filing date of the home application (“the priority date”). A PCT application is a single application that permits the applicant to nominate almost every significant country in the world. The PCT application provides a 30 or 31 month period (depending on the country) from the priority date of the home application before it is necessary to complete the application. However, it is necessary to complete the application in each separate country in which patent protection is desired.

The 12 and 30/31 month periods discussed above are extremely useful from a patentee’s perspective:

- it delays the cost of drafting and filing complete patent specifications, which is good cash flow management;
- it provides a period during which the invention can be tested and used, thereby determining whether it is technologically viable;
- it provides the applicant with the opportunity to gauge commercial interest in the invention; and
- it gives the applicant time to ascertain the primary markets of interest.

As the costs of patenting an invention depend to a significant extent on the countries for which protection is sought, selecting those countries is an important decision. The following filing strategy may be a useful starting point:

- protect your home market, to ensure you can actually make the product in New Zealand;
- protect the major economic markets for the product or process, to increase the chances of the invention delivering the desired level of return; and
- protect the markets in which your main competitors have manufacturing bases. For example, while Sweden is not a major market for rock crushing machinery, it is a major player in the manufacture of such machinery. Having a rock crushing patent in Sweden may make it difficult for Swedish manufacturers to compete.

Ring fencing technology is another strategy to consider. Ring fencing involves patenting not only the core technology, but also every improvement or piece of technology around the core technology. This strategy makes it very difficult for competitors to design around the invention, and should ensure some areas of competitive advantage remain in the event a competitor successfully attacks the core patent.

Trade mark selection and filing strategies

The primary driver in selection of an appropriate trade mark should be the target market and the differentiating characteristics of the product or service in question. However, given the enormous investment that will be made in the trade mark over time, it is highly advantageous to select a strong and distinctive trade mark that will be eligible for trade mark registration, and that will be readily enforceable.

For a trade mark to be registrable, it must not be directly descriptive or laudatory of the goods or services to which it relates. In assessing whether a trade mark is registrable for the goods and services in question, reference is made to whether the mark is

distinctive for those goods/services. The higher the level of distinctiveness, the easier it will be to register the mark. For example, invented words such as COKE, PEPSI or ZESPRI form the most distinctive marks. Ordinary words making no reference to any characteristic of the goods or services to which they relate are also high on the list of distinctive marks: for example BELL for tea, or TIGER for ointments.

From a marketing perspective, it can be desirable to have some element of descriptiveness in the mark. The mere fact the mark may allude to the nature or purpose of the goods or services will not necessarily disqualify it from registration. For example, UPPERCUT alludes to potato chips without being directly descriptive. Having said that, the more descriptive the mark, the harder (and more expensive) it will be to register. A balance needs to be struck between marketing and registrability considerations when settling on an appropriate mark for the goods or services in question.

Not only will a descriptive mark be difficult to register, it will prove difficult and expensive to successfully enforce. The rationale behind prohibiting the registration of descriptive marks is that other businesses in the same field should be permitted to use ordinary descriptive words to describe their products in the ordinary course of trade. If one business is permitted to register such descriptive words, it could unfairly prevent others from using them.

The more descriptive the registered trade mark is, the closer a potential infringer can legitimately get without actually infringing the registration. For example ACTIFAST and ACTIFED, both in relation to pharmaceuticals, were not considered sufficiently similar, because although they shared the ACTI element, that element was in common use in the pharmaceutical trade. Likewise, RAIN KING and RAIN MASTER in relation to water spraying equipment were not sufficiently similar even though they shared the (descriptive) word "rain" and the words "king" and "master" were similar conceptually.

Assuming a trade mark has been selected and perhaps developed into a stylised logo, a filing strategy must be determined. There are essentially four parts to any trade mark filing strategy, namely determining:

- exactly what mark(s) will be registered;
- the goods and services for which registration will be sought;
- countries in which registration will be sought; and
- the timing of any filings.

The primary determination in any successful trade mark filing strategy is to precisely identify the appropriate trade mark(s) to protect.

Generally, the trade mark will be a word or a group of words used in relation to a particular set of goods, or range of services, or both. However, as the trade mark in question may be used in many forms (for example in the form of a logo, in colour, with various pictorial elements, etc), careful thought must be given as to which form of the trade mark should be registered. Product lifecycle, changing consumer trends and costs are some of the factors which need to be considered when determining a filing strategy.

In the case of a word mark, the broadest protection will be achieved by registering the mark in capitals, in plain font and without any stylisation. A registration for a word mark

in this format will provide protection for both uppercase and lowercase versions of the mark, and stylised and unstylised versions.

In the case of a logo mark, consideration needs to be given to whether the best protection will result from registering the logo as a whole, or whether it would be better to register the individual elements which make up the logo (for example, word(s), images, etc). If, for example, the logo contains a stylised word element together with certain pictorial device elements, and both elements are registrable in their own right, then the broadest protection will be obtained by registering the word in plain script and the pictorial device elements separately. A registration for each of the elements will, in combination, provide protection for the logo as a whole. For example, the Coca-Cola Company has registered the word COKE in plain script and in its distinctive stylised script, the sash device on its own and the shape of its waisted bottle (among other things).

For colour marks (that is, a logo or stylised word mark shown in colour), it is also worthwhile considering whether it is absolutely necessary to register the mark in colour. The rights in a trade mark registered in colour will be limited by the colours which make up the mark. If an alleged infringing mark utilises quite different colours, then that is a factor the court will consider in determining whether the mark is confusingly similar to the registered mark. A mark registered in black and white is not limited to colour, and therefore offers broader protection. Wherever possible, the mark should be registered in black and white, although certain circumstances may warrant applying to register the mark in colour (for example, where the mark would not be considered eligible for registration if the mark was shown in black and white).

Under New Zealand practice (as in a number of other countries), the applicant may elect to include more than one version of his/her mark in the application for registration. This is called a "series" application. In order to do this, the marks must not differ from one another in any material way. If there are material differences between the marks (and this is something which will need to be decided on a case-by-case basis), then the marks will not constitute a valid series.

Generally, the series provisions are most often used for filing colour and black and white versions of a mark in the same application. However, the ability to file series applications is extremely useful where an applicant wishes to protect a number of variants of a mark, which differ from one another in immaterial ways.

Where the packaging of a particular product, or the product itself, has a distinctive shape, it may be possible to obtain a registration for the shape as a three-dimensional trade mark. However, for the shape of the goods to be registrable, the shape must function as a trade mark. That is, the shape must be able to indicate that the goods in question originate from a particular source. Most shape marks will not meet this test without first being used in the public domain for some time, and as a result the public have learnt to associate the shape in question with a particular trader. Also, where the shape results from the nature of the goods themselves, the shape is unlikely to have distinctive character, as the public are unlikely to see the shape as indicating that the goods come from one source only. For example, Nestle were unsuccessful in trying to register the shape of its KIT KAT bar in New Zealand because it was a shape not dissimilar to many other bars that had been marketed for some time.

Trade mark applications are filed covering goods and services. These are classified in 45 classes, and each class represents a particular category of goods or services. For example foodstuffs fall primarily within classes 29 to 31, dietary supplements are found

in class 5 and beverages fall in classes 32 and 33 (depending on whether they are alcoholic or non-alcoholic). The main purpose of the class system is to facilitate easy searching of the trade mark register.

New Zealand, like a number of other countries, allows the filing of “multi-class” trade mark applications. That is, applications which cover more than one class of goods and/or services. Therefore, if there are, say, three classes of interest, then rather than file a separate application for each class, a single application can be filed covering all three classes.

Any trade mark application should list all of the goods and/or services of interest under the mark. If details are available, the application should also cover any goods and/or services in relation to which the mark is likely to be used in future. The list of goods/services should be as accurate and as complete as possible, as it is not possible to broaden the list of the goods/services once the application has been filed. However, a pragmatic approach should be taken when choosing the goods/services to be covered, particularly as the number of classes claimed will have an impact on the cost of filing and processing the application. Therefore, identification of the goods and services in question, which in turn will determine the number of classes required, should go hand in hand with your overall branding strategy.

Like patent protection, trade mark protection is territorial. Therefore, in general, a trade mark application will need to be filed in each country/territory of interest, although there are a few exceptions to this rule. For example, it is possible to file a Community Trade Mark (“CTM”) application, which will protect a mark in all EU-member countries via a single application.

There is also an international agreement known as the Madrid Protocol, which allows an applicant to file a single “international” application designating (subject to certain conditions) a number of countries in which protection for the mark is sought. The details of the international application are then transmitted to the national trade mark offices of each designated country, and each application is then examined according to each country’s trade mark laws. New Zealand has not ratified the Madrid Protocol, and as such the international application is not available to New Zealand businesses. Australia is a member of the Madrid Protocol, and accordingly a New Zealand company should consider whether it would be more economical for its Australian subsidiary or parent company to seek international trade mark protection for the New Zealand company’s marks.

In determining the relevant countries or regions in which trade mark registration should be sought, a number of considerations need to be taken into account. Like all registered intellectual property, the important economic markets for the product or service should be considered. However, as a trade mark registration can be invalidated if the subject mark is not used in the particular country for a continuous period (usually three years), consideration must also be given to when the mark will be used in each country of interest.

This last consideration ties in with the final element of a trade mark filing strategy, namely the timing of any filing. After an application is filed in New Zealand, by virtue of an international convention, the applicant will have a six month period during which it can file foreign trade mark applications and claim the New Zealand filing date as the priority date for the foreign applications. Immediately before this convention period expires, the applicant should ideally conduct a search of the primary economic markets of interest (in which it has yet to file applications) to determine whether any potentially

infringing trade marks have been adopted and used in those markets in the period since filing the New Zealand application. This search will highlight any pressing need to take advantage of the early convention priority date, and applications can be filed in the appropriate countries before the convention deadline.

Design filing strategies

Due to the strength of copyright protection for industrial articles in New Zealand, some companies question the need for registered design protection. Registered designs have two primary advantages over copyright protection for industrial articles.

Firstly, a registered design will stop someone from independently creating the same design. For example, adopting a “clean room” design process will avoid copyright in a product. This is essentially contracting an independent designer, giving them design instructions regarding the function and characteristics required from the design, but refraining from giving them any pictures of the copyright design or any description relating to it, and instructing the designer to strictly refrain from viewing any existing designs in the process. Utilising this process, the “causal connection” between the new design and the copyright work is removed. Unlike copyright infringement, a causal connection is not a necessary element in an action for infringement of a registered design, and therefore using a clean room design process will not save an infringer.

Secondly, copyright cannot be used to prevent parallel imports. Parallel imports are essentially legitimate product (not counterfeits) purchased from a legitimate trade channel overseas and imported into New Zealand. A New Zealand registered design can (in some circumstances) be infringed if the owner of that design is a different entity from the entity that applied the design to the product in the overseas country.

If a major market of interest is the European Community, it is possible to cover the entire community with a single design registration. Further, the Community Design regime provides a grace period of up to one year for public disclosures by the design owner. Accordingly, a design will be considered to have the requisite novelty for up to one year after it is first used or published in Europe by the owner of the design.

If the design of a company’s product is very important strategically, but design protection was not sought before making the design public, the company should consider filing a trade mark application for the three dimensional shape of the product.

Border protection strategies

The Trade Marks Act 2002 and the Copyright Act 1994 both provide a mechanism for a rights holder (that is, the owner of copyright or a registered trade mark) to lodge a notice with the New Zealand Customs Service, which authorises Customs to seize and detain goods which infringe the copyright or trade mark registration the subject of the notice. It is important to note that the notices cannot be used to prevent parallel imports.

The rights holder must lodge a notice with Customs, together with a security bond (presently \$5000) and an indemnity in favour of Customs. Once Customs has accepted the notice, security and indemnity, it will begin its surveillance of goods entering New Zealand on the basis of the import documents (bills of lading) accompanying those goods.

If Customs believes certain goods may be counterfeit (or otherwise infringe the rights the subject of the notice), Customs may contact the rights holder to obtain an opinion as to whether the goods are infringing goods.

Once Customs has all the information it requires, it will make a determination as to whether the goods are infringing goods, and if so, will seize and detain the goods. The rights holder then has ten days to initiate proceedings against the importer (and serve a notice of proceeding on Customs). If proceedings are not initiated within ten days Customs will release the goods to the importer.

In practice, the rights holder will usually negotiate with the importer for the infringing goods to be forfeited to Customs for destruction.

It should be noted that the security bond of \$5000 can be used to cover a number of different notices for the same rights holder.

It is a good tactic in respect of logo trade marks to lodge a copyright notice in respect of the copyright in the logo (in addition to or instead of a trade mark notice relating to the logo), because the copyright notice will stop all goods featuring the logo, whereas the trade mark notice will only stop those goods that are the same as or similar to goods set out in the relevant trade mark registration.

A New Zealand distributor can potentially prevent parallel imported products that feature a trade mark registered in New Zealand, if the New Zealand registration is owned by the New Zealand distributor and an unrelated entity (the manufacturer) is the owner of the mark in the foreign country from which the goods originated.

Litigation strategies

The subject of strategies and tactics in litigation is topic in its own right. For the purposes of this paper, we will look at only one overarching strategy, which we have found works well for certain clients.

The strategy is to aggressively defend your intellectual property rights at every opportunity. Clients that adopt this strategy will quickly get a reputation for being litigious, and as a result will deter potential infringers from “having a crack”. The fact that a certain company aggressively defends its intellectual property gets known in New Zealand’s relatively small intellectual property law circles. As a result, the company’s

intellectual property is often given a wider berth by intellectual property attorneys or lawyers advising on search results and letters of demand are also taken more seriously.

Conclusion

Intellectual property is an extremely important and valuable business asset. To ensure the asset generates an appropriate return on investment to your company, an intellectual property management programme should be implemented.

The programme should include criteria to determine if and when intellectual property should be the subject of registered protection. The criteria must relate back to the business strategies of the organization, to ensure intellectual property protection decisions support the strategic objectives of the company.