

Guide to Intellectual Property

JAMES & WELLS

**CHAMPIONS
OF INNOVATION.**



**SPORT
NEW ZEALAND**

INTRODUCTION

This document has been prepared for Sport NZ by intellectual property law firm James & Wells as a basic guide for organisations in the sporting sector.

Disclaimer: The following is provided for general information purposes only and does not take the place of specific legal advice.

CONTENTS

| | |
|---|----|
| INTELLECTUAL PROPERTY DEFINED..... | 1 |
| WHY PROTECT IP? | 1 |
| TYPES OF INTELLECTUAL PROPERTY | 2 |
| GENERAL CONSIDERATIONS | 4 |
| COPYRIGHT..... | 5 |
| COPYRIGHT INFRINGEMENT – AN OVERVIEW | 8 |
| TRADE MARKS | 7 |
| WHY REGISTER A TRADE MARK? | 8 |
| WHAT CAN BE REGISTERED AS A TRADE MARK? | 10 |
| TRADE MARK REGISTRABILITY | 10 |
| LICENSING | 10 |
| DISPUTE RESOLUTION 101..... | 12 |
| MAJOR EVENTS | 13 |

INTELLECTUAL PROPERTY DEFINED

Intellectual property refers to the ownership of an intangible thing – the innovative idea behind new technology, products, processes, designs or plant varieties, and other intangible things such as trade secrets, goodwill and trade marks. Although intangible, the law recognises intellectual property as a form of property which can be sold, licensed, damaged or trespassed upon.

It is important that both the scope and ownership of intellectual property are clearly defined to enable the legal rights of the owner to be enforced. At the same time people need to know just how far they can go before they overstep the boundaries and infringe the intellectual property rights of others.

This is made possible through intellectual property rights in the form of patents, design registrations, trade mark registrations, plant variety rights, copyright – all of which have a definable scope and duration – and other forms of IP protection.

WHY PROTECT IP?

How IP can be leveraged in an organisation:

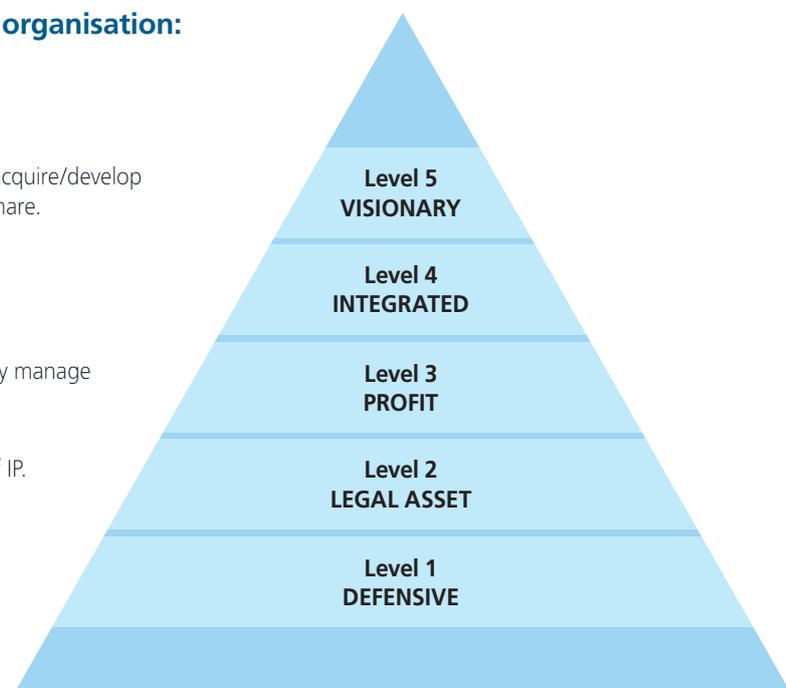
Anticipate technological revolutions and acquire/develop IP to protect future margins and market share.

IP embedded into operations and strategies across an organisation.

IP viewed as a business asset. Seek to actively manage returns from IP through selling/licensing.

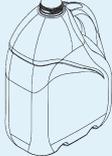
Most concerned about managing costs of IP. Defensive use of IP as a legal asset.

IP viewed as defensive legal asset managed only by legal counsel.



| | |
|------------------------------|--|
| Weapon | IP provides a legal right that can be used to prevent others from using what is protected. IP rights can also be used to recover damages or profits for breaches of rights. |
| Deterrent | IP deters others from a course of action because of the likelihood or a fear of the action breaching IP rights. |
| Value | IP rights have intrinsic value – they can be bought and sold for a price. They add value and prestige to a company, which can be used to attract investment, business partners, and buyers. Products protected by IP rights can demand higher profit margins than non-protected profits. |
| License Opportunities | IP rights can be licensed to others. This creates new revenue streams by opening up new geographical markets and new market sectors quickly and efficiently. Products protected by IP rights can demand higher profit margins than non-protected profits. |

TYPES OF INTELLECTUAL PROPERTY

| Registered rights | | |
|-----------------------------|--|--|
| Patents | A patent provides protection for the ideas embodied in novel technologies, products and processes. Patents cover a principle or idea and not just a single physical form of an invention. Therefore the monopoly granted can be wide in scope and cover many variations of a basic product or process. | Seawater desalination system, milk analysis process |
| Design registrations | A design registration provides protection for aspects of the appearance of an article, such as its shape, configuration, pattern or ornamentation. Unlike patents, a design registration does not protect functional aspects of an article unless these aspects also contribute to its appearance. As most manufactured articles involve an element of designer choice, design protection is generally available. Sometimes, for simple objects, both patent and design registration is recommended. | Milk bottle design:  |
| Trade marks | A trade mark may comprise any marking such as a word, phrase, symbol, picture or any combination of these. A trade mark can also be a colour, label, shape or even a sound or smell if capable of being represented graphically. The purpose of a trade mark is to indicate a connection between certain goods or services and the trade mark owner. |  |
| Plant variety rights | PVRs protect new plant varieties. This protection extends to virtually any kind of plant (except algae and bacteria) which is new, distinct, homogeneous and stable. The owner of a plant variety right has the exclusive right to produce propagating material of the protected variety (and in some cases the fruit, flowers or other products of the variety) for sale. | Kiwi fruit variety |

Non-registered rights

| | | |
|---------------------------------------|--|---|
| Copyright | Copyright is a property right which exists automatically on creation of certain works irrespective of artistic merit. There is no requirement to register copyright in New Zealand and therefore there is no cost. It can be used to prevent one party from copying the work of another. It applies to musical, dramatic, artistic and literary works (including models, sculptures, drawings, plans, songs, computer software and written material such as books, manuals and advertising brochures). It is not so well known that copyright also applies to the design of a product. | Instruction manuals, product design, TV broadcast of an event |
| Trade secrets | A trade secret is a formula, practice, process, design, instrument, pattern, commercial method, or compilation of information which is not generally known or reasonably ascertainable by others, and by which a business can obtain an economic advantage over competitors or customers. | Coca-Cola recipe, Algorithm |
| Know how | A term for practical knowledge on how to accomplish something, as opposed to "know-what" (facts), "know-why" (science), or "know-who" (communication). Know-how is often tacit knowledge, which means that it is difficult to transfer to another person by means of writing it down or verbalising it. The opposite of tacit knowledge is explicit knowledge. | Knowing who to talk to, knowing good sources of information |
| Data | Raw data has significant value in the modern world. It can require time, expense and opportunity to collate and can be used to generate marketing leads, valuable information on market trends and competitive intelligence. It will only be protected if it is confidential or a copyright work (such as a compilation). | Customer lists, chemical formulation test data, sales data |
| Relationships | <p>There is value in the relationships companies and individuals have with each other, especially relationships that make doing business efficient and profitable. Relationships can be:</p> <ol style="list-style-type: none"> 1. Informal, e.g. through loyalty, mutual understandings or friends; or 2. Formal, e.g. formalised in manufacturing, supply, franchise or license agreements. | Agreement to supply or distribute, licence to broadcast an event |
| Other Confidential Information | <ul style="list-style-type: none"> • Competitive Intelligence • Present & future markets • Potential competing products/services • Marketing intentions • What rights to avoid infringing • Newcomers in the industry • Inventors to headhunt • Who a suitable business partner could be • Alternative revenue streams | List of competitor's patent portfolio, expert engineer contact info |

GENERAL CONSIDERATIONS

| Registered rights | |
|---------------------------|--|
| Identification | <ul style="list-style-type: none"> • IP is difficult to take advantage of unless it is identified, recorded and captured • Understanding IP and how an organisation seeks to use it helps drive a culture in which IP is identified • Identifying and capturing IP should be done systematically, not ad hoc <p>What to do: Learn about IP and how your organisation uses it. Be vigilant to IP being created. Keep good records. Carry out an IP audit.</p> |
| Confidentiality | <ul style="list-style-type: none"> • Protection is based on information that can be difficult to keep secure. • Some forms of IP (e.g. patents) depend on avoiding disclosure out of confidence until a decision has been made on whether to pursue protection (e.g. whether to file a patent or not). • Confidentiality is paramount. <p>What to do: Use NDAs when communicating with third parties. Ensure access to confidential information is controlled and restricted.</p> |
| Cost of protection | <ul style="list-style-type: none"> • Some forms of IP protection are free and automatic (e.g. copyright), others are expensive and take time (e.g. patents). • It is important to conduct a cost-benefit analysis before deciding what approach to take. • The cost-benefit analysis should be repeated on a regular basis. <p>What to do: Understand commercial benefit of developments across different markets and sectors.</p> |
| Ownership | <ul style="list-style-type: none"> • Since IP rights are legal property rights, it is important to identify and document who owns those rights. • IP rights may not be able to be legally enforced or exploited if ownership is unclear or disputed. <p>What to do: Keep clear records of who contributes to what.</p> |
| Records | <ul style="list-style-type: none"> • Keeping track of new ideas and how they are generated is vital to IP protection. • Assets cannot be protected if they are not identified. • If assets are disputed, quality records could be the difference between maintaining an IP right or not. <p>What to do: keep clear records of your organisation's innovative and creative activities; e.g. log book, organised electronic document repository</p> |
| Marking | <p>Many countries have laws which mean IP rights are harder to enforce or limited where the infringement was done innocently or unknowingly.</p> <p>It is therefore important to signal that IP protection is in place, for example through appropriate marking, e.g</p> <p>® ©</p> <ul style="list-style-type: none"> • US Patent No. 8,000,000 • PCT Patent App. No. 2000/012345 <p>What to do: ensure appropriate marking is used on all products, systems and accompanying literature (e.g. website, technical specifications, brochures). Be careful not to use one of these markings without proper basis e.g. do not use ® if there is not in fact a registered right.</p> |

COPYRIGHT

What is copyright?

Copyright is a property right that exists in original literary, dramatic, artistic and musical works. Like the name suggests, copyright laws protect against unauthorised copying of a copyright work. Copyright does not protect the idea embodied in a copyright work, only the way in which that idea has been expressed.

Does original mean unique?

No. Under NZ copyright law “original” means not copied from anything else. Another way of expressing this is that the work must be the product of the author’s own time, labour, skill and judgment.

Is there copyright in my product?

Maybe. Because “original” means not copied, copyright will exist in an original design drawing or prototype of a product. However, it will not normally exist in the mass produced product itself as that mass produced product will be a copy of the design drawing or prototype and therefore not original. For this reason it is important to keep copies of design drawings, patterns, templates and prototypes and to record the author, date of creation.

Are there any other conditions for protection?

Yes. The author of the work must be a citizen or resident of New Zealand or a country which is a signatory to a copyright convention (in practice this includes most of our major trading partners), or the work must have been first published or broadcast in New Zealand (or a convention country).

Who owns copyright?

Generally speaking the creator of a copyright work is the first owner of the copyright rights.

However exceptions apply to (1) works which have been made on commission, (2) works which have been created by an employee and (3) where the parties agree who owns copyright (for example in an employment agreement or contract).

Do I have to register my copyright?

No. In New Zealand there is no system of registering copyright works and hence no cost. In some circumstances it may be possible to register the shape of an article as a registered design (refer to the “Registered Designs FAQ”).

How long does copyright last for?

It depends on the type of copyright work, but generally speaking 16 years for works that have been put into production, and 50 years from the death of the author for other works.

What rights do I have?

The owner of copyright has a number of rights including the right to copy a work, to issue copies of a work to the public (i.e. sell), to make an adaptation of a work, and to authorise another person to do any of these things.

Will my copyright be recognised overseas?

In most cases yes, as New Zealand’s major trading partners are members of a number of international copyright conventions. However care needs to be taken where a product depicted in a copyright work has been put into production, as some countries limit the term of protection or require the copyright work to be formally registered as a design for protection.

Can I sell my copyright?

Yes. As copyright is a property right it can be sold or licensed like other forms of property.

Is it true that I can copy anything I want as long as I change 20%?

No. The test for infringement in New Zealand involves asking whether the alleged copy looks objectively similar to the copyright work, showing that there is a connection or link between the alleged infringement and the copyright work (in the sense that the copyright work is the source of the alleged infringement) and showing that the alleged infringement takes a substantial part of the copyright work. This last enquiry looks at the quality of the part taken not the quantity.

For example, copying one line from a short story or poem might amount to infringement if that line is the essence or most memorable part of the story or poem. Therefore the idea that changing a set percentage of a work will avoid infringement is misleading and largely irrelevant.

Where can I find out more information on copyright?

You can find out more by reading our Copyright information section on our website, or by contacting our Copyright experts.

COPYRIGHT INFRINGEMENT – AN OVERVIEW

Under the Copyright Act 1994, a copyright owner must establish four elements in order to succeed in an infringement action. These are:

- There is a work in which copyright can subsist;
- Copyright does subsist in the work;
- The party seeking to enforce copyright in fact owns the copyright in the work; and
- Copyright in the work has been infringed.

Copyright infringement

Copyright may be infringed by any person who does something that only the copyright owner (or its licensee) has the exclusive right to do. This includes making copies of the copyright work, offering or distributing copies to the public, importing copies, possessing copies and making of an adaptation of the copyright work.

Infringement of copyright falls under one of two headings – primary infringement or secondary infringement. Secondary infringement differs primarily from primary infringement because it requires the defendant to have knowledge that his or her acts infringe a plaintiff's copyright works. Knowledge is not a requirement of primary infringement.

To establish primary infringement of copyright under the Act, three elements must be proved:

- A substantial part of the copyright work must be present in the alleged infringing copy;
- There must be objective similarity between the copyright work and the alleged infringing copy. Whether there is objective similarity is largely a matter of impression for the Court; and
- There must be some causal connection between the original work and the alleged infringing copy in the sense that it is clear that the alleged copy came from, or is substantially based on, the copyright work.

Substantial part

One of the indicators of infringement is the degree of similarity between the copyright work and the alleged infringing work.

- Infringement of a copyright work does not necessarily require that there be a copy of the entire work. It is sufficient that a substantial part of the copyright work has been taken;
- There is no definition of what is meant by a "substantial part". Infringement is often determined by the quality of what is taken rather than the quantity, and must be judged on a case by case basis. Some judges have asked whether the "essence" of the copyright work has been taken;
- The Court's assessment will usually focus on the similarities, not the differences; and
- In making the assessment, the Court will also examine the degree of originality in the copyright work.

In a recent case before the Supreme Court the Court commented *"that the greater the originality, the wider the scope of the protection which copyright affords and vice versa."*

Objective similarity

Even if the alleged copy takes a substantial part of the copyright work, it is still necessary that the copy looks objectively similar to the original in order to establish that copyright in the work has been infringed.

Whether there is objective similarity is largely a matter of impression for the Court. As one Judge phrased it, "a copy is a copy if it looks like a copy".

When determining whether there is sufficient objective similarity the Court's assessment will also focus on the similarities between the works.

Causal connection

In order to succeed in a copyright infringement action, the copyright owner must also prove that there has been unlawful use, either directly or indirectly, of its copyright works.

In other words, the starting point for the defendant's work must have been that of the plaintiff.

It is not necessary to show that the defendant has copied directly from the plaintiff's work. What must be shown, however, is that either directly or indirectly the alleged defendant has, in making his or her copies, appropriated the labours of the plaintiff.

That copying has taken place is for the plaintiff to establish and prove as a matter of fact. The beginning of the necessary proof normally lies in the establishment of similarity combined with proof of access to the plaintiff's productions.

Defences to copyright infringement

It is possible to defend a claim of infringement. Some of the more common defences include:

- Copyright is not valid and subsisting in the work and therefore the plaintiff does not meet two of the criteria needed to establish copyright infringement.
- There is no infringement. For example, the copyright work and alleged infringing work are not objectively similar, the defendant has copied the work but has not taken a substantial part or there is no causal connection (ie the defendant didn't copy); and
- The act complained of is permitted under the Copyright Act 1994. Examples of acts set out in the Act which may be permitted subject to certain conditions are:
 - Incidental copying of a sound recording, a film or communication work;
 - Fair dealing (or reasonable use) of a work for the purposes of criticism, review and news reporting or for the purposes of research or private study;
 - Transient or incidental reproduction of a work; and
 - Performing, playing, or showing a work in the course of the activities of an educational establishment.

TRADE MARKS

A trade mark is a sign (such as a word or symbol) which indicates a connection between certain goods and services and the trade mark owner. As such, a trade mark functions as a “badge of origin”, identifying the source of branded goods and/or services.

Are trade marks limited to words or logos?

No. A trade mark can be a word, phrase, number, symbol, logo, colour, label, shape, or even a sound or smell, or any combination of these, provided the mark can be represented graphically.

I already have a trade mark in mind. Can I start using it now?

You can, but before you start using your proposed trade mark, a clearance search should be conducted to ensure your trade mark can be used without infringing anyone else’s rights.

What does a trade mark search cover?

A trade mark clearance search will disclose any confusingly similar trade marks which have been registered or which are in use, and which relate to the goods and/or services you are interested in.

The search will enable us to tell you whether use of your proposed trade mark is likely to infringe any registered or unregistered rights for the same or similar marks. A trade mark search will also tell us whether an application to register your mark is likely to be successful (see below).

If the search is clear, can’t I just use the mark?

It is not mandatory to register your trade mark. However, registering your trade mark gives you a number of benefits including the exclusive right to use the mark throughout New Zealand in relation to the goods and/or services covered by the registration. In addition you cannot be accused of trade mark infringement by using your registered trade mark.

What other benefits does registration give me?

Details of trade mark registrations are publicly available on a searchable database. As a consequence, competitors who may be considering adopting a mark which is the same or similar to yours will be deterred from doing so when they find your registration on the Trade Mark Register.

A trade mark registration also provides the easiest and most effective means of stopping others from using your trade mark (or one similar to it) in relation to goods and services similar to those in which you trade. You need only show that the competitor is using a mark which is confusingly similar to your registered trade mark.

By comparison, trying to prevent others using your unregistered trade mark involves the expense and difficulty of proving that you have reputation in your mark in the area where the unauthorised use occurred, and that the public is likely to be confused as a result of the unauthorised use of your mark.

Unless your organisation has a nationwide reputation, registration is the only way to guarantee blanket protection across the whole country.

Are registered trade marks more valuable than unregistered trade marks?

Yes, generally they are, because they convert the goodwill of your organisation into a nationwide property right which is protectable, and thereby increases the value of the goodwill of your organisation. And of course, registered trade marks can be readily assigned or licensed – which is very important if your organisation grows and you want to franchise it or license others to use your trade mark.

I have a company name and a domain name which incorporate my trade mark. Doesn’t this give me the same protection?

No. Incorporating a company under a name which includes your trade mark will only prevent others from incorporating a company under exactly the same name. Registering a domain name may stop others from registering or using a similar domain name but it will not stop them using that name for other aspects of their business or on products/services. Therefore the protection offered by company and domain name registrations is very limited.

Only a trade mark registration creates a clear property right which, with use, will become an increasingly valuable asset of your organisation.

Can all trade marks be registered?

No. To be registerable, a trade mark must be capable of indicating, in the course of trade, a connection between you and your goods and/or services. As a consequence, it cannot directly describe your goods/services, or a characteristic of them, and it cannot be a word other people would ordinarily want to use in connection with those goods/service to promote them. As such, trade marks which consist solely of descriptive or laudatory (praiseworthy) words, common surnames, or certain geographical names, may not be registrable.

A good trade mark is a distinctive trade mark that stands out in the market, and is easily remembered by consumers.

What information is required to file an application to register my trade mark?

To prepare an application to register your trade mark we require the following information:

- The full name and address of the person or company who will own the application, and their nationality or country of incorporation;
- A list of all of the goods and/or services you plan to use the mark in relation to; and
- If the trade mark is a logo or is stylised in some way, a high quality image of the mark.

What happens after the application is filed?

Your trade mark application will be examined by the Intellectual Property Office of New Zealand (IPONZ) within two to three weeks of filing.

If no objections are raised, your application will be accepted.

If IPONZ has concerns about the registrability of your trade mark, it details them in a "compliance report". The objections must be overcome before the application can proceed. We will consider the objections, and will provide you with our advice on the likelihood of overcoming the objections and how this can be achieved. On your behalf we will prepare and file submissions arguing against the objections raised in the compliance report.

Assuming all of the objections raised can be overcome, the application will then be accepted.

If the trade mark is accepted does that mean it is registered?

No. If and when the application is accepted, details of the application will be advertised. Following advertisement there is a three-month opposition period, during which third parties can oppose your application, provided they have grounds to do so.

If no opposition is lodged, a certificate of registration for your trade mark will issue (see our "Trade Mark Oppositions FAQ").

How long will it take for me to have my trade mark registered?

Assuming no major objections are raised and the application is not opposed, the process should take about six months from start to finish.

WHY REGISTER A TRADE MARK?



The goodwill of a particular product or service is often integrally associated with a trade mark. Marketing strategies rely on consumers purchasing items by reference to a well known mark, despite the availability of equivalent or better products. It is the ability of a reputable trade mark to give a product immediate market acceptance that tempts unscrupulous competitors to use the same mark or confusingly similar marks.

Registration of a trade mark confers on the registered owner the exclusive right to use that mark throughout New Zealand in relation to specified goods or services. The registration can also be used to restrict the use of the same mark or confusingly similar marks by others.

The penalties for infringement of a registered trade mark are substantial and may include damages, an account of profits earned by the infringer, litigation costs and surrender of all material carrying the infringing trade mark, as well as corrective advertising.

Trade mark registration protects the time and money spent promoting goods or services and any associated reputation and goodwill. As the goodwill of a business is often realised in its trade marks, registration of these marks provides a means by which the goodwill may be defined, and thereby more readily sold or licensed.

Once registered, how long will my registration last?

Provided you renew your registration every ten years, it will last indefinitely.

However, a trade mark registration can be cancelled if it has not been used in New Zealand for three years, or if it becomes a generic term. Therefore, in order to keep your registration safe from cancellation, you will need to make sure that you use your trade mark properly.

We can provide you with advice regarding the proper use of your trade mark.

When can I use the symbols ™ and ®?

You can use the ™ symbol at any time to show that a word, logo, symbol or device you are using is a trade mark, though not yet registered. You should only use the ® symbol once your trade mark has been registered.

Will my trade mark registration in New Zealand protect my rights overseas?

No. Your registration only gives exclusive rights to your trade mark in New Zealand.

Therefore, just because you have a registered trade mark in New Zealand it does not mean you can sell your products overseas using your trade mark - your trade mark might be owned by someone else in another country. If you want to use or register your trade mark in other countries, we will need to conduct a trade mark clearance search for you and file an application to register the mark in each country of interest. We can assist you with this process, using our worldwide network of associates.

In the majority of cases, legal action is not necessary to stop infringement of a registered trade mark. Registration provides clear evidence of ownership and the right to exclusive use of the mark, irrespective of where in New Zealand the trade mark is used.

Usually the mere existence of a trade mark registration is sufficient to deter competitors from adopting the same mark or a similar mark.

Some trade marks are difficult to register (typically because they are too descriptive), but it can still be worthwhile applying for their registration for the following reasons:

1. Proprietary rights to a mark are substantiated. Both the application date and application number can be referred to in letters to unauthorised users of the trade mark;
2. The existence of the application on the Trade Mark Register may act as a deterrent to others wanting to use the same mark or a similar mark. It is common for people to search the Trade Mark Register before using or deciding upon a suitable trade mark. Furthermore, the Trade Mark Register is often searched prior to selecting a name for a new company; and
3. A trade mark application is a readily identifiable form of property which can be used as the basis of licences or assignments with other parties.

WHAT CAN BE REGISTERED AS A TRADE MARK?

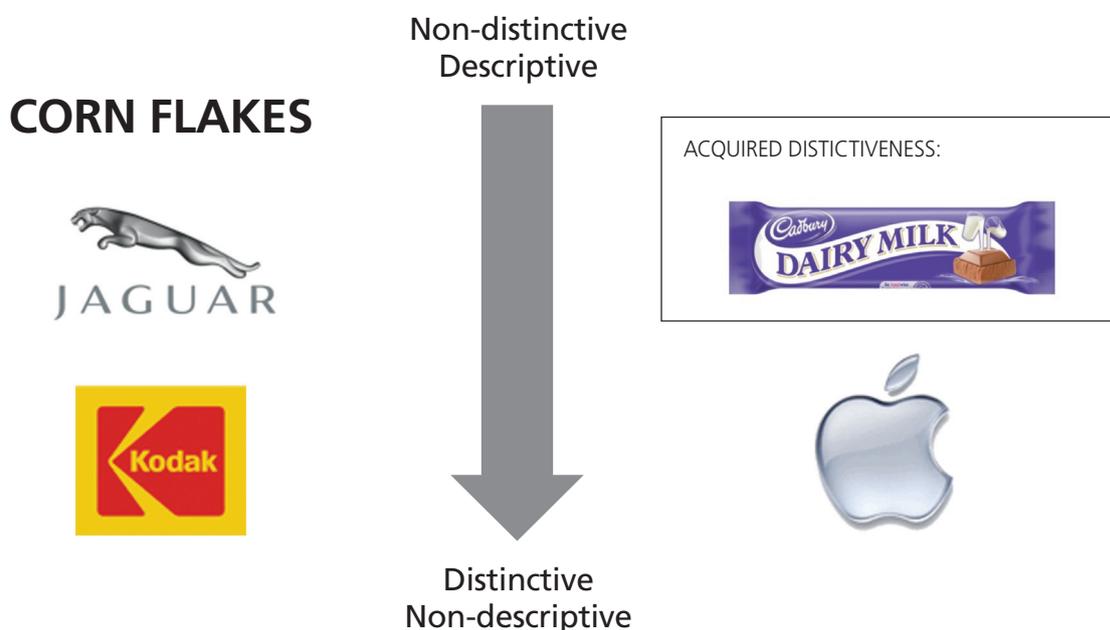
A trade mark must be capable of indicating, in the course of trade, a connection between the trade mark owner and its goods or services. A trade mark can be any distinctive marking such as a word, phrase, symbol, or any combination of these. It can even include the shape and colour of goods. It should not be descriptive, deceptive or praising of the goods or services. Trade marks which are descriptive of the character or quality of the goods or services for which they are used are difficult to register. The same applies to marks which are surnames or refer to geographical areas.

| Types of trade marks | | |
|---|---|---|
| Word MICROSOFT | Logo  | Colour  |
| Shape  | Sound  | Smell  |

The best trade marks are a non-descriptive (and are often made up words); examples include KODAK®, AJAX® and XEROX®. Not only are such marks more easily registered, but their distinctive nature also makes it easier to prevent others from using similar marks. In the case of a distinctive trade mark, it is easier to show that the use of a similar trade mark by a competitor was calculated to take advantage of that trade mark's reputation. On the other hand, if the mark is descriptive, a competitor can argue that it was not using a trade mark, but was merely describing its goods or services.

Distinctive trade marks stand out in the market and are more readily remembered by consumers. Having regard to this, and to their ease of registration. We recommend that when devising a trade mark, care is taken to ensure it is highly distinctive in relation the goods/services to which it will be applied.

TRADE MARK REGISTRABILITY



COMPANY NAMES

Incorporation of a company or charity or association under a particular name does not prevent others from selling goods or providing services under the same (or a similar) name. A company name serves only to identify a legal entity. It does not confer a proprietary right in that name. A trade mark registration creates a legal right which may be relied on to prevent another party using a name the same as or similar to that registered as a trade mark.

A registered trade mark is something separate from a company name. If a company is incorporated under a name which includes a registered trade mark and that company provides similar goods or services, the owner of the registered trade mark may compel that company to change its name. Moreover, if a company uses any part of its name as a trade mark on or in relation to certain products or services, and another party has registered the same mark or a similar mark in relation to those products or services, then such use by the first company of its name may constitute trade mark infringement.

LICENSING

What is a licence?

A licence is permission to do something that would, in the absence of permission, infringe intellectual property rights. It is different to an assignment, which is a transfer of ownership of the intellectual property.

Using a house as an analogy for the intellectual property, renting the house is like granting an exclusive licence, while selling the house would be an assignment.

A licence does not have to cover all the rights enjoyed by the IP owner. The owner may licence the right to market products but not manufacture them for example, or market products in a particular country or for particular uses but not others. In this way, each exclusive right of the IP owner (for example, if we are talking about patent rights relating to a new vaccine, to make, use, exercise and vend) can be sliced and diced according to field of use (eg animal not human), region (Europe not the rest of the world), vertical markets (to wholesalers not retailers) and horizontal markets (over the counter not prescription).

All forms of IP can be licensed, including patents, trade secrets (know-how), copyright, trade marks, designs and plant variety rights.

The rewards obtained by the licensor for the grant of rights can include an upfront payment, ongoing royalties, milestone payments, equity, services, R&D funding and access to improvements.

Licenses are often confused with other forms of commercial agreements, such as distribution agreements, agency agreements and franchise agreements which in some cases, do involve certain elements of licensing.

A distribution agreement is essentially an agreement by a manufacturer to supply product to a distributor, who will add a margin and resell the product and generally represent and support the product in the market. The product is sold to the distributor's own account. The distributor will usually warehouse the product, and sell directly to the public or engage with retailers. The agreement could be exclusive or non-exclusive. No licence is required in this arrangement because the distributor is simply reselling product purchased from the IP owner. In some cases, a trade mark licence may be entered into with the distributor as part of the distributorship, for example, if the distributor is producing its own advertising material and such like, to ensure control is retained over use of the trade mark.

An agency agreement is like a distribution agreement, except the agent sells on behalf of the manufacturer, not on its own account, and usually for a commission. The agent is essentially a contracted sales representative for the manufacturer. The agent can bind the manufacturer to contracts if authorised to do so.

A franchise agreement is a very specialised form of a licence agreement, involving a trade mark licence combined with at least a know-how licence and sometimes a copyright licence.

Essentially, the franchisor gives the franchisee the right to use a particular reputable brand name and a business system (set out in a manual). A franchise usually involves a greater degree of involvement by the franchisor in the franchisee's business and reliance by the franchisee on that assistance, than in the case of a licensor/licensee relationship. The agreement is founded upon the principle of mutual good faith.

Why enter into a licence?

The desirability of a licence arrangement has to be considered from two perspectives, that of the potential licensee (“licensing-in”) and of the potential licensor (“licensing-out”).

Licensing-in is appropriate when a protected technology could provide a significant competitive advantage, and it is either impossible to design around the protection, and/or it is more cost effective to pay a royalty for use of the technology than to create it from scratch or design around the protection.

Licensing-out is an effective strategy in circumstances where giving third parties access to the technology in return for a fee will generate greater revenue for the same or less risk as not granting access. For example, granting rights in foreign territories or in relation to non-core applications for the technology.

The licensing process

The first step is to assess the opportunity presented, that is whether to grant a licence to a particular licensee, or to accept a licence for a product or process. Usually, the initial approach will be by way of a letter outlining the opportunity, together with a brief synopsis of the technology and a process for advancing the discussions.

The person receiving the letter seeking an expression of interest will then engage in a fact finding exercise, using any available external resources. These may include accessing annual reports, conducting searches of:

- Companies office records on the company;
- Its directors and shareholders;
- Personal property register searches;
- Intellectual property register searches; and;
- The internet. Once this initial review is complete the decision is made whether to progress further with the opportunity.

Usually, a confidentiality agreement will be signed, which will permit full disclosure of the innovation, unpublished patent applications, business plans and other commercial information. At this stage, each party may conduct its own preliminary opportunity assessment and due diligence investigation. The preliminary due diligence is likely to cover the technology, reputation, market share information, sales force and processes, financial information and culture of the other party.

At this point the negotiation is under way. The parties may reach agreement upon the key terms and conditions of their licence, and record these in a memorandum of understanding or heads of agreement. This may or may not be a legally binding agreement, so it is important to address this issue specifically. Usually the intention is to record the essentials of the deal, to provide a degree of certainty to each side while the final formal agreement is drafted and executed.

In some cases, due diligence will not occur until after the parties have signed a memorandum or heads of agreement.

Once the formal licence agreement has been signed, the physical process of technology transfer commences. This may involve a period of training by representatives of the licensor, delivery of prototypes, manufacturing drawings, software, operations manuals and such like.

Once the technology transfer has been completed, there may be ongoing involvement and interaction in the form of audits, performance monitoring and strategic reviews of the relationship.

Joint ownership issues

In the absence of an agreement to the contrary, each co-owner of a patent can make, use, exercise and vend the patented invention without accounting to the other co-owners. However, again subject to an agreement to the contrary, a co-owner of a patent cannot licence or sell the patent rights without the consent of all other co-owners.

A joint owner of copyright can do any of the restricted acts without consent from the other co-owners, can grant non-exclusive licenses, but cannot grant exclusive licenses.

Wherever possible, joint ownership should be avoided. Instead of sharing ownership, the parties should consider sharing the benefits of ownership (such as sharing in revenues generated from the product/process). The lines of accountability and control are clear, which leads to less confusion and fewer disputes.

Balancing risk and reward

The negotiation of a licence is essentially the allocation of risk and reward between the licensee and licensor. The more risk taken on by the licensee, the greater its portion of the reward from the innovation should be. This fundamental tenet should be remembered when a licensor is first seeking a licensee. The more risk the licensee can take out of the equation, the easier it will be to find a licensee and the better the licence terms will be for the licensor.

Accordingly, if the innovation is a mere idea without proof of principle, then the licence is a very risky proposition for the licensee. With proof of principle, there is less risk, and a working prototype will remove even further risk. If the licensor can demonstrate sales in another market, then again, it has reduced the risk from the licensee’s perspective.

With this in mind, the licensor must make a decision as to when it will be best to try to licence the IP. Simple net present value calculations based on revenue forecasts for each scenario can be conducted to determine the optimum point at which to begin licensing.

DISPUTE RESOLUTION

In New Zealand, there are a number of civil enforcement procedures to combat infringement. In most cases these are similar to the procedures carried out in overseas countries.

Cease and desist letters

The vast majority of infringement cases in New Zealand are dealt with and settled by sending a cease and desist letter from the rights holder's legal representative.

These letters generally advise the infringer of the rights holder's rights and seek undertakings for sales to stop, delivery of any counterfeit goods, disclosure of the source of the counterfeits, and a contribution towards legal costs.

Legal proceedings

Where a cease and desist letter does not produce a resolution, the rights of copyright and trade mark owners have primarily been enforced through civil litigation, at the rights holder's expense.

Actions for trade mark and copyright infringement are often pursued in conjunction with actions for passing off and/or misleading and deceptive conduct in trade in breach of the Fair Trading Act.

Most proceedings involving sales of infringing product settle quickly with the importer consenting to the destruction of the goods, and providing the right holder with information regarding their supplier, undertakings not to deal with the goods again and, in some cases, a contribution to their legal costs.

Summary judgment

In the case of counterfeit goods, there is very little middle ground – they are either genuine or they are not. Accordingly, cases relating to the manufacture and sale of counterfeit goods are suited to the summary judgment procedure.

Summary judgment is a fast tracking procedure reserved for cases in which there is no valid defence. The usual defences in proceedings for breaches of registered trade mark or copyright are:

- That the mark is not identical to the registered trade mark and/or its use is unlikely to deceive or confuse; and
- That the copyright work, or a substantial part of it, has not been copied.

These defences will not normally be available to a retailer or distributor of counterfeit goods.

Interim injunction

An interim injunction is a temporary order stopping someone from doing something (such as importing and selling counterfeit goods) pending consideration of the claim at full trial. It can be taken on notice to the defendant or without notice ("ex parte").

To be successful in applying for an interim injunction the party seeking the orders must be able to establish that it is suffering unquantifiable and irreparable harm as a consequence of the actions of the infringer.

If damages would be an adequate remedy, and the infringer is in a position to pay them, an application for interim injunction will ordinarily be refused.

It is also necessary to convince the Court that there is a "serious question to be tried" (also known as an "arguable case") and that the "balance of convenience" favours granting an interim injunction.

To be successful in applying for an ex parte interim injunction the party applying must meet a very high threshold. The Court must be satisfied that their case is so strong and so urgent that it warrants orders being made without the defendant having the opportunity to file evidence or be heard. For this reason there is a duty of disclosure on the applicant to put all relevant information before the Court including information which may be harmful to the application.

Although it is technically a preliminary step in substantive proceedings, most intellectual property cases will settle very quickly after the granting of an interim injunction.

However, as interim injunctions are expensive to obtain, they are usually only economic when taken against multiple defendants or in a case involving a very large volume of infringing goods. It is also necessary to know the identity of the person selling the goods – something which is not always possible.

Search and Seizure Order

A civil search and seizure order requires the infringer to allow a rights holder to enter premises and seize relevant products and documents. The Court makes such an order without giving notice to the infringer (i.e. it is "ex parte").

Such orders are not granted lightly and protections are built in to the formal orders by the courts. The service and execution of the order must be carried out in the presence of an independent solicitor and strict undertakings are required for the rights holder to pay compensation to the infringer if the order is not properly executed or was granted inappropriately.

Remedies

The usual remedies available to rights holders in civil actions include:

- An interlocutory or permanent injunction;
- An enquiry as to the damages suffered by the rights holder or an accounting of profits earned by the infringer as a result of their infringing conduct;
- An order requiring erasure, removal or obliteration of the counterfeit mark from products, or the delivery up of counterfeit articles where the infringing sign cannot be removed;
- Corrective advertising; and
- Legal costs.

While the plaintiff will usually be entitled to recover a proportion of its costs if the application or proceeding is successful, due to the financial or social circumstances of those committing the infringement, orders for costs can often be ineffectual

MAJOR EVENTS

The Major Events Management Act 2007 (MEMA) provides protection against “ambush marketing” for planned major events in New Zealand.

Major events covered to date included the 2011 Rugby World Cup in 2011, the 2010 World Rowing Championships in 2010 and the 2015 Cricket World Cup. These kinds of major events attract large audiences and are therefore attractive to both sponsors and unauthorised businesses who want to exploit these events for themselves.

“Ambush marketing” – what you should not do

“Ambush marketing” describes the actions of those who seek to capture the benefits enjoyed by sponsors without the authorisation of the event organiser. In other words, “ambush marketing” involves commercial activity that “free rides” on the publicity surrounding a major event and therefore undermines the value of official sponsorship and the viability of obtaining sponsorship for future events.

MEMA seeks to address two types of ambush marketing:

By association – where an advertiser misleads the public into thinking that the ambush marketer is an authorised partner or somehow associated with the event. The association will often be subtle and may not involve actual use of the event name or associated logo. Included in this type of ambush marketing is offering, giving away, or selling a ticket to a major event activity in connection with the promotion of goods or services

By intrusion – which occurs when an event is used to draw attention to the ambush marketer’s brand from an audience gathered solely for the major event. This will usually occur in close proximity to the physical location of the event and/or major transportation routes leading into and out of that location – hence MEMA provides for “clean zones” around major event venues in which only authorised marketing activities can take place.

Protection of words and emblems

MEMA provides for protection of words and emblems that could denote a connection with a major event whether or not they are eligible for registration under the Trade Marks Act 2002 and/or actually registered. For example, in relation to the Rugby World Cup the words ‘Rugby World Cup’, ‘World Cup 2011’, ‘World in Union’, ‘Rugby New Zealand 2011’ and ‘Webb Ellis Cup’ are protected, as are the associated Rugby World Cup and IRB logos.

However, simply avoiding these designated words and emblems is not sufficient. Any representation likely to lead a reasonable person to believe there is an association with the event will breach MEMA and is an offence.

Protected major event words or emblems will also be automatically covered by border protection measures which allow the event organiser to intercept and prevent distribution of infringing materials.



**SPORT
NEW ZEALAND**

Ground Floor, 86 Customhouse Quay
Wellington 6011, New Zealand
PO Box 2251, Wellington 6140
Phone: +64 4 472 8058
Fax: +64 4 471 0813

ISBN: 978-0-947502-63-8

New Zealand Government

www.sportnz.org.nz

JAMES & WELLS

Level 2, 123 Carlton Gore Road
Newmarket 1023
Phone: +64 9 914 6740

For any enquiry contact:

Sebastien Aymeric
Email: seb@jaws.co.nz

Gus Hazel
Email: gus.hazel@jaws.co.nz