

INTELLECTUAL PROPERTY

INTRODUCTION

Intellectual property law protects “creations of the mind”. New Zealanders have been relatively slow to realise that intellectual property rights (IPRs) have become the most valuable of commercial property rights, at least for innovative businesses and people.

The main types of intellectual property rights for New Zealand purposes are:

- Copyright
- Trade marks
- Patent registrations
- Design registrations
- Plant variety rights
- Domain names
- Confidential information and trade secrets
- Unfair competition laws: the Fair Trading Act’s prohibition on misleading and deceptive conduct and false representations in trade, plus the tort of passing off.

Exclusive rights

At the root of the intellectual property rights is the notion of the *exclusive* right: the right to exclude others from using or exploiting the right, and accordingly the right to permit/licence the commercial exploitation of that right.

COPYRIGHT

- Copyright protection in New Zealand is under the Copyright Act 1994, which draws heavily on the 1988 UK copyright law.
- Copyright protects *original* (means not copied) literary, dramatic, musical or other artistic *works*. “Works” includes sound recordings, films, broadcasts and cable programmes (“communication works”), published editions/typographical arrangements, computer programmes.
- There is copyright-like protection against infringement of so-called technological protection measures (TPMs). TPMs include locking devices and passwords to restrict access to computer software, DVD region coding, and (eg) the Sky decoder. The New Zealand law effectively makes it copyright infringement to import, sell, deal in or advertise a device for circumventing a TPM, or a device that

enables people to access an encrypted transmission broadcast in or from New Zealand (eg a Sky signal) without permission. So called “copyright management information” (CMI) also gets protection.

- There is automatic, copyright-type protection for integrated circuits pursuant to the Layout Designs Act 1994, but the protection period and other aspects of the layout design right are different from those which apply to works under the Copyright Act.
- Copyright protection exists automatically once the work is expressed in some material/tangible form, or published.
- Copyright is not registered in New Zealand, in line with the Berne Convention’s prohibition on members requiring formalities for the enjoyment of copyright protection.
- First owner of copyright is the *author*, subject to 2 exceptions. The first is that if the work was made by an *employee* (means an employee proper, not an independent contractor/freelancer) during the course of employment, the employer is presumed to be first owner of copyright. The second exception concerns certain *commissioned* works: where a photograph, computer programme, painting, drawing, diagram, map, chart, plan, engraving, model, sculpture, film or sound recording is commissioned for payment, the person commissioning and agreeing to pay for it is presumed to be the first owner of copyright. These are presumptions which can be reversed by agreement (referred to as an *excluding agreement*), which can be written, verbal or even implied. This can easily lead to uncertainty, so the prudent course is to have a specific written agreement at the outset as to who will be first owner of copyright.
- Copyright is an *exclusive* property right, ie is the right to exclude/prevent others from reproducing the work (or any *substantial part* of it) without permission. As a property right, copyright can be bought and sold (*assigned*), leased (*licensed*) and divided up in any way (eg by territory or for different periods of time or different types of use). Of course it incorporates the commercially valuable right to exploit the work by licensing others to copy, perform, broadcast, publish and adapt the work. Beware that an *assignment* of copyright, and also an *exclusive* copyright licence must be in writing and signed.
- Although there is no New Zealand legal requirement to do so, owners should mark their copyright works with the internationally recognised claim, ie “©” plus name of owner plus year the work was created or first published, eg “© *John McBride 2013*”.
- Duration of copyright: in New Zealand law it generally lasts 50 years from end of the year of the author’s death (as opposed to 70 years under many of our major trading partners’ laws). However there are plenty of exceptions, eg for a computer generated work the 50 years runs from end of the year the work was made, and there are lesser periods of protection for certain types of works.
- Copyright protection for industrial designs: copyright exists in original works regardless of artistic merit. An astonishing number of the New Zealand cases are about copyright in plumbing connections. Many countries provide for industrial designs (ie the aesthetic aspects of an object, which make it attractive or appealing) to be registered, and limit industrial designs’ protection under copyright law. New Zealand has an industrial designs registration regime, in the form of the Designs Act 1953 (see below). This is relatively under utilised because New Zealand has a “dual protection” regime, in that industrial designs which have not been registered under the Designs Act still enjoy protection under the Copyright

Act. That protection is time limited: copyright protection for the design of a 3-d *industrialised* object (means more than 50 copies made) expires 16 years from the date the 50th copy was made. That is extended to 25 years if the work, although having a utilitarian function, is one of *artistic craftsmanship*.

It is important for New Zealand businesses to know that in Australia the right to enforce copyright in a 3-d artistic design is lost once the owner applies it industrially, meaning it is necessary to register such designs under their Designs Act 2003. The special danger for New Zealand businesses operating in Australia is that they will assume there is dual Copyright - Designs Act protection as there is in New Zealand, when there is not.

- The New Zealand law protects *moral rights* of authors of literary, dramatic, musical and artistic works and directors of films. The moral rights are important for authors who do not retain ownership of copyright and are:
 - The right of *attribution*: the right to be identified (clearly and reasonably prominently) as the author/director of the work. The attribution right cannot be enforced unless it has been *asserted*.
 - The right to object to a *derogatory* treatment of the work.
 - The right not have a work *falsely attributed* to the author/director.
 - There is a fourth moral right: that a person who commissions a photograph or film for private or domestic purposes has certain rights of *privacy*, to stop that work being issued publicly.
- Infringement: main acts of infringement are copying, publishing, communicating the copyright work to the public (eg broadcasting or on-broadcasting it), giving a public performance of, or making an adaptation of the copyright work. Importing and dealing in copyright works is also prohibited, although New Zealand has a very liberal regime for parallel importing genuine (not pirated) goods, with the exception of films, software and music (because they can be so seamlessly pirated). To prove infringement, the copyright owner has to prove the infringing work was *derived* from the first work, but the Court accepts there will seldom be direct proof of copying so frequently relies on inference drawn from *object similarity* plus evidence the defendant had access to the first work.
- The most common defences to copyright infringement are:
 - That there is no valid copyright in the work that has been copied.
 - That the copyright work was not in fact copied.
 - That the work was copied but the defendant did not take a “substantial part”.
 - If the copyright holder has sat on its rights for a long time, there can be delay-based defences.
 - Plus there are numerous “permitted acts” under Part 3 of the Copyright Act. These include the “fair dealing” uses for purposes of criticism, review, news reporting, research and private study. Schools can perform plays and musical works in front of students and staff and people directly connected with the school’s activities, provided it is for purposes of instruction. The “transient copying” exception allows transient or incidental copying by computers or communication networks where the copying is just part of the technological process and there is no economic significance to it beyond that. Time-shifting

of communication works such as TV programmes (but not on-demand ones) is permitted provided the copy taken is for personal use only and is retained for no longer than necessary to access it at a more convenient time. There is a limited right to “format-shift” a sound recording, eg take one copy of a genuine CD you bought legitimately, to play it in your car for your personal use. There are limited rights to convert a computer programme into a higher level language, and to adapt a computer programme (eg correct an error in it), but strict conditions apply to these permissions.

- The Copyright Act 1994 is a long and complex statute which has been extensively interpreted by New Zealand Courts, so copyright is an area where it is most important to obtain specific legal advice.

TRADE MARKS

- Trade mark protection in New Zealand is by registration under the Trade Marks Act 2002, which is largely drawn from the 1994 UK Act via the 1998 Singapore Trade Marks Act. Applications are filed at IPONZ (Intellectual Property Office of New Zealand): www.iponz.govt.nz.
- As well, unregistered trade marks and names/brands which have been used in trade can be protected by action for passing off and/or for breach of the misleading and deceptive conduct provisions of the Fair Trading Act 1986. However there are major advantages in obtaining a trade mark registration, which proves ownership of the mark. Some key advantages are listed in the *Who Cares About Trade Marks?* article on this site.
- A trade mark is an *exclusive* right: it confers the right to stop (*exclude*) others from using the mark or a confusingly similar mark in trade, and accordingly it confers the right to control and commercially exploit the use of the mark.
- It is important for traders to know that incorporation of a company (under the Companies Act 1993) gives virtually no protection for that company name. Hence the importance of registering the name as a trade mark.
- Conducting a search: this is not a legal requirement, but it is important to obtain a professional search to verify that you can use a proposed new mark, without infringing somebody else’s rights in the same or a confusingly similar mark.
- Pending registration: provided no-one has a better claim to the mark, it can be used, indeed it is to the advantage of the proprietor to use it as early and as extensively as possible. The “trade mark” claim or ™ symbol is generally used to claim ownership of an unregistered trade mark, or one which is pending registration. The “Registered”/“Regd” claim or ® symbol denotes a registered trade mark, so cannot be used until the mark is formally registered, but should be used once registration is granted, to put competitors and the public on notice of your rights.
- The registration process: is relatively straight forward. The application fee to IPONZ is NZ\$150 + GST per mark per class. Overseas applicants do not pay GST. New Zealand uses the 9th Edition of the Nice Agreement international classification of trade mark goods and services and the Vienna Classification of figurative elements. Multi-class applications can be made. Almost all applications are filed online. The application is examined for eligibility and any objections are raised in an IPONZ *Compliance Report*. If no objections are raised, or they are overcome, the mark is *Accepted* and advertised, and if there is no opposition the mark is *Registered*. Initial registration lasts 10 years from date of application, and

can be renewed indefinitely at modest cost. The application and renewals processes are described in more detail in the *Who Cares About Trade Marks?* article on this site.

- The signs that can be registered include names, signatures, designs, logos, letters, numbers, slogans, shapes, colours and sounds, even smells.
- Industry associations or groups of traders can register *certification marks* (which indicate certain characteristics or quality standards) or *collective marks*.
- What cannot be registered as a trade mark?:
 - It must have *distinctive character*: the ability to distinguish the owner's goods/services from those of other traders, to serve as a badge of origin.
 - A sign that is apt for normal description of the kinds of goods or services for which registration is sought will not be *distinctive* enough to be registered, unless it has by extensive use come to be seen as distinguishing the applicant's goods from those of other traders.
 - Geographic names and common surnames can be difficult to register.
 - A trade mark has to be original in the sense of not being identical or similar to a mark which another trader has registered (or has applied to register or is simply using) to refer to similar goods/services. As well, if another trader's mark is *well known* in New Zealand, you cannot register an identical or similar mark even for quite different goods or services, for example you could not register **CADBURY** for bicycles.
 - There is a prohibition on registering marks which would *offend* a significant section of the community (including those which would be offensive to Maori) and marks which would *mislead* people about the nature of those goods/services.
- Registered marks which have ceased to or never did comply with the above requirements may be vulnerable to be challenged off the register by *Removal* application or application for *Declaration of Invalidity*.
- Use it or lose it: registration is granted on the basis of *proposed use* in New Zealand, and our law does not require confirmation of use declarations to be filed. However a mark can be challenged off the register for *3 years non-use*, so it is necessary to commence and continue making bona fide use of your trade mark registration. A mark can be removed from the register for "*genericism*" if it has become a common name, based on the general public (not the trade)'s evidence, as a result of the proprietor's activity or (more likely) inactivity. A mark may become vulnerable to revocation if steps are not taken against infringers. Accordingly, it is a use it or lose it regime.
- Licensing: if your trade mark is being used by a licensee or even an associated company a written licence should be put in place, which incorporates provisions as to control of the mark by the proprietor.
- Trade marks are *territorial* rights: a New Zealand trade mark registration is only enforceable in New Zealand. New Zealand traders contemplating selling in overseas markets should obtain advice as to where and how to register their marks overseas. As well traders using the Internet to sell their trade marked/branded goods in the global marketplace need to be aware of the risk their New Zealand

trade mark/brand may inadvertently infringe a similar mark registered in an overseas country.

- Madrid Protocol: New Zealand has at last implemented the Madrid Protocol. IPONZ is open to accept International applications for filing in designated overseas countries via WIPO's International Bureau. Likewise, overseas applicants can file International applications in their country and designate New Zealand as a country in which they seek trade mark protection, and their application will be transmitted to IPONZ for examination here.
- The Trade Marks Act 2002 and its associated regulations are complex and have been extensively interpreted by New Zealand Courts and IPONZ itself, so it is important to obtain specific legal advice.

PATENT REGISTRATIONS

- Patent protection in New Zealand is under the Patents Act 1953.
- New Zealand patent applications are filed at IPONZ: www.iponz.govt.nz, Patent Co-operation Treaty (PCT) applications (seeking patent protection in a number of selected overseas countries) can also be filed at IPONZ.
- The patent is perhaps the most valuable of intellectual property rights, if you can get one registered: it confers the *exclusive* right to commercially exploit the invention for the patent period. In New Zealand that is 20 years, subject to payment of renewal fees. Unlike copyright, which protects the tangible *expression* of an idea but not the underlying idea, a patent can protect the very *idea* that is the core of the invention.
- To achieve registration, the invention must be novel (under the somewhat antiquated law this is still a *local novelty* requirement, ie means novel in New Zealand) inventive, useful, and not obvious. That can include new products and processes, improvements to existing products/processes, and even new business methods.
- A critical aspect of the novelty requirement is that the invention must not previously have been disclosed publicly. It is vital for inventors to appreciate that publication or use of the invention before at least the provisional patent application is filed would likely invalidate the patent. It is therefore imperative that inventors obtain advice from a qualified patent attorney at the earliest stage, meaning even *before* disclosing (under strict written confidentiality agreements) to employees, business partners or advisers.
- A patent is granted to the *owner*, but that person must show he/she/it obtained the rights from the inventor, which would usually be in the form of an employment agreement with, or a sale (*assignment*) of those rights by the inventor.
- Like trade mark registrations, patents are *territorial*, so it is vital for inventors and their commercial partners to get specific advice as to filing not only in New Zealand but in the identified overseas markets for the invention.
- New Zealand's Patent law has been under review since August 2000. The process has been slow (agonisingly slow). A new Patents Bill was introduced to Parliament in 2008 and given a first reading in 2009. It then spent 3 years in the Select Committee stage before emerging in the form of the Commerce Select Committee's report in March 2012, with the controversial recommendation to provide that computer programmes are not patentable. The Minister is now

proposing a backtrack to the extent of saying that embedded computer programmes would be patentable but “a computer programme as such” would not. The result is that the long-awaited Patent reform in New Zealand remains a “watch-this-space” zone.

DESIGN REGISTRATIONS

- New Zealand’s dedicated industrial designs registration system is under the Designs Act 1953 and associated regulations. Registered design applications are processed by IPONZ: www.iponz.govt.nz.
- *Industrial design* in this context means the aesthetic aspects of shape, configuration, pattern or ornament applied to a manufactured article, which make it appealing or attractive, as opposed to factors dictated solely by function.
- The design must also be *novel* (“*new or original*”), meaning it must not have already been *registered* or *published* in New Zealand, so (similar to a patent) it must be applied for before it is used or disclosed to others. It must not be substantially similar to the “*prior art*”. That is taken to be a *local novelty* requirement (ie means not similar to the prior art in New Zealand) although there is scope based on the wording of the (antiquated) Designs Act to argue that the enquiry should go wider.
- Many countries which have industrial design registration systems limit or exclude *copyright* protection for the industrial design. New Zealand has a “dual protection” regime, in that industrial designs which have not been registered under the Designs Act still enjoy protection under the Copyright Act 1994. That copyright protection is time limited: for the design of a 3-d *industrialised* object (means more than 50 copies made) it expires 16 years from the date the 50th copy was made. That is extended to 25 years if the work, although having a utilitarian function, is one of *artistic craftsmanship*. It may also be possible to obtain a *shape* trade mark, or even a patent, for an article capable of being registered under the Designs Act.

It is important for New Zealand businesses to know that under Australian law the right to enforce *copyright* in a 3-d artistic design is lost once the owner applies it industrially, meaning it is necessary to register such designs under their Designs Act 2003. The special danger for New Zealand businesses operating in Australia is that they will assume there is dual Copyright - Designs Act protection as there is in New Zealand, when there is not.

- Duration of the exclusive design right: 15 years, subject to 5 yearly renewal fees being paid.
- The design registration confers the *exclusive* right to make/import/distribute in trade the article covered by the registration.
- Despite the dual protection regime, there are significant advantages in obtaining a design registration. Although it is akin to a copyright, there is no requirement to prove that an infringer *copied* the registered design. As well, unlike the Copyright Act, the Designs Act has not been amended to allow the importation of genuine parallel imported articles incorporating the registered design, so it can be an effective tool for stopping parallel imports.

PLANT VARIETY RIGHTS

- Are granted under the Plant Varieties Act 1987, with applications being processed by the IPONZ/PVR office: www.pvr.govt.nz.

- The PVR gives the breeder of a novel plant variety the *exclusive* right in New Zealand to control the sale of reproductive material or plants of that variety.
- The right lasts 20 years from date of the grant, or 23 years for woody plant varieties, and is subject to payment of annual fees.

DOMAIN NAMES

- The domain name quickly became an intellectual property right akin to a trade mark. New Zealand Courts have protected domain names using the law of passing off, the closely related remedy under the misleading and deceptive conduct provisions of the Fair Trading Act, and in some cases trade mark infringement.
- Those remedies can be used to deal with practices like cyber squatting or using a misleading domain name for a selling site, but are not very helpful for resolving disputes between legitimate users of a contested domain name. Hence the importance of being first to register, and of the internet registries' dispute resolution services.
- For disputes about top level domains (eg *.com*, *.biz*, *.net*) the ICANN Uniform Dispute Resolution Policy ("UDRP") is available: www.icann.org/udrp.
- For disputed *.nz* names, we have the Internet Society of New Zealand's Domain Name Commission's Dispute Resolution Service (DRS): www.dnc.org.nz/drs. Complainants must demonstrate they have rights (eg a trade mark, registered or unregistered) to a name that is identical or similar to the one they dispute, and that registration of the name to the current registrant is unfair (eg was made in bad faith or took unfair advantage of the complainant's rights). Complaints go to informal mediation and if that fails an expert decides, with a right of appeal to a panel of 3 experts. The experts can cancel, transfer, suspend or amend the domain name.

CONFIDENTIAL INFORMATION AND TRADE SECRETS

- Lawyers debate whether confidential information and trade secrets are a form of "*property*", but it scarcely matters: confidential information and trade secrets can be protected by legal action for breach of confidence.
- If information is disclosed in circumstances where the recipient knew (or ought to have known) it was *confidential*, the confidEE can be restrained by court order from using or disclosing that information. As well the Court can order damages or an account (and payment over) of profit made by wrongful use and/or disclosure of the confidential information.
- The obligation of confidence is based on the confidential nature of the *information*, rather than on any agreement or contract. However it is highly advisable to obtain the confidEE's written acknowledgement that confidential information to be imparted is in fact confidential in nature.
- Regardless of how information is described in a "*confidentiality agreement/acknowledgement*", it ceases to be confidential once it is in the *public domain*. However, if the confidEE obtained the information when it was confidential and it then falls into the public domain, he/she may have an advantage in being able to more easily assemble it from the public sources. The law recognises this as a "*springboard advantage*" and may grant an injunction to stop the confidEE using that information for the period it would take to assemble the information from the public domain sources, without the benefit of having originally obtained it in confidence.

- In the commercial context, the most common breach of confidence actions are in employment cases, where an employee with confidential information has departed and is using/disclosing that information for the benefit of the new employer, or perhaps for a new business the (former) employee has established. The other common context is where a developed business idea is pitched to a potential investor or participant in the new venture, and the confidant uses/discloses the information for their own benefit. As well there are the industrial espionage situations, attempts by governments to protect military secrets and the like, and attempts by well known people to protect their privacy.

PASSING OFF AND THE FAIR TRADING ACT

- The Fair Trading Act 1986 is consumer legislation that prohibits conduct in trade that is likely to mislead or deceive the public¹. However civil actions can be taken by “any person” so it is frequently used by traders against competitors who are misleading the public.
- The tort of passing off comes from a different source. It is common (ie case made) law that evolved to protect traders’ goodwill: it prohibits one trader’s goods and services from being deceptively passed off as another’s, typically by imitation of a competitor’s distinctive name, brand, trade mark or product appearance (“*get up*”). The gist of passing off is a misrepresentation as to the *origin* or *characteristics* of goods/services.
- In practice the Fair Trading Act and passing off are often used in parallel to protect exclusivity in a trader’s unregistered trade marks, names, brands and product get up. In this sense, they become a form of intellectual property right. Used in this way they have also been described as a law against “*unfair competition*”. This is not quite accurate: they protect against unfair and *deceptive* use of a trader’s *goodwill/reputation*, but they do not add up to some wider requirement for competition to be conducted fairly or in good faith, nor to a prohibition on unconscionable conduct.
- A passing off claim by Trader A against Trader B requires proof of:
 - *Goodwill*: that Trader A’s goods/services have a reputation (*goodwill*) with the public because they have some distinctive name, brand, trade mark or get up.
 - *Deception*: that Trader B has used a name/brand/trade mark/get up that is similar enough as to likely *confuse/deceive* the public into thinking its goods/services are Trader A’s, or vice versa. If Trader B has clearly added its own brand name to the product/ service, Trader A could still get home on passing off if there is a misrepresentation as to the *characteristics* of Trader B’s goods/ services. An example is the so called Champagne cases, in which the French Champagne region’s controlling body successfully restrained New Zealand (and Australian) growers from calling their product champagne, on grounds there was a misrepresentation as to the particular quality and geographical origin of the Australasian growers’ bubbly.
 - *Damage*: that as a result Trader A has suffered damage to its goodwill/reputation or is likely to do so. The damage must be proved even if Trader A is only seeking an injunction to stop Trader B. The damage is typically a loss of sales, but may also be by way of poisoning (“*dilution*”) of Trader A’s goodwill/reputation.
- A Fair Trading Act claim is somewhat different but in practical terms is very similar:

¹ See Consumer and Competition Law in New Zealand (Fair Trading Act section) on this site

- The Fair Trading Act does not actually require proof of Trader A's *reputation/goodwill*.
- But it does require proof that Trader B's conduct is likely to *mislead/deceive the public*, and without evidence that the public associate the name/brand/trade mark/get up with Trader A, it would not be possible to show that Trader B's use of the same/ similar name/brand/trade mark/get up was likely to deceive. For example, if Trader A's product name is largely descriptive, Trader B's use of the same name would not amount to a misrepresentation that its goods come from Trader A. Thus Monteith's "*Summer Ale*" failed to get an interim injunction in passing off and under the Fair Trading Act to restrain Mac's from launching a competing brand called *Mac's Sundance Summer Ale*, because the Judge ruled that "*Summer Ale*" was a descriptive phrase.
- The Fair Trading Act, being consumer legislation, does not require proof of damage to Trader A, which may obtain an injunction against Trader B on proof that the public are likely to be misled or deceived. However if Trader A seeks damages it would have to prove its loss.
- Passing off and the Fair Trading Act therefore confer valuable rights akin to an intellectual property right, which can be used by traders to maintain *exclusive* use of their names/brands/trade marks and product get up, even when these are not registered as trade marks. However there are important advantages to obtaining trade mark registrations, a key one being that the registration certificate proves ownership of that mark, without need to go through the expensive exercise of producing evidence of that reputation for purposes of a passing off/Fair Trading Act claim. Passing off and the Fair Trading Act should therefore be seen as back-stop intellectual property rights and not as substitutes for obtaining trade mark (and where possible Designs Act) registrations.

IS THERE A HIERARCHY OF INTELLECTUAL PROPERTY RIGHTS?

In terms of ability to confer the exclusive right to control the commercial exploitation of a bright idea the hierarchy would be:

- At the top of the list: the patent, as it can protect the very idea underpinning an invention.
- If it is not patentable, or if patenting in the identified markets would be financially crippling, copyright may provide a high level of protection of the way the product expresses the underlying idea. Don't forget design registrations for industrial designs.
- Create a brand, obtain trade mark and domain name registrations, keep the idea confidential until the launch, and launch hard so as to get maximum public association of the idea with the brand.
- Use confidentiality agreements until you are ready to hit the market.
- Use passing off and the Fair Trading Act as the back-stop rights.

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Important note: This paper contains general information and opinions, and should not be used or relied on in the absence of specific legal advice.

