



IAM: more than patents, beyond trade marks, way past IP. Fresh thinking from Watermark.

Does Your Patent Attorney Speak Your Language?



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INTA 2015 San Diego

Watermark's Paul Fong will be attending INTA 2015 in San Diego. If you would like to arrange a meeting with Paul, please email: events@watermark.com.au

Key Points -

- **Ensure your Patent Attorney has deep technical expertise and a good knowledge of the competitive landscape relevant to your business**

The creation of valuable patents and the measurement of patent value are both hot topics in current intellectual asset management thinking. In recent years there has been a shift in focus from valuing large defensive patent portfolios to considering the value of patents on an individual basis. Although patent valuation can be a complex exercise and often market dependent, many patents can be driven up the quality ladder through excellence in drafting. A primary role of a patent attorney is to translate an invention into a legal document that potentially maximises value to the inventor. While that takes legal skill and experience, as technology becomes ever more intricate and specialised future attributes of an effective patent attorney will include deep technical expertise and an understanding of the technological

and commercial landscapes relevant to a client's business. After all, how can complex inventions be translated into valuable patents if an attorney has only a peripheral understanding and appreciation of these factors?

While high value patents are founded on great inventions, they also depend on high quality drafting. Deep technical expertise coupled with knowledge of the competitive landscape can bring an extra dimension to the drafting exercise, which is difficult for the generalist patent attorney to address. A deep technical expertise can assist the attorney to take a holistic view of the invention and its translation into a solid description and patent claims to strategically position the patent application and help define its future development direction.

For a patent attorney, being a deep technical expert, or perhaps a 'geek',

can be a highly advantageous characteristic. Originally a slang term, current usage of 'geek' implies an expert or a person fanatical about an intellectual pursuit or interest. In the past, geeks were primarily confined to research labs, for example the archetypal boffin in a white coat; however, technologically slanted geeks are now globally influential. Today they occupy senior positions in the corporate world, and exert substantial commercial power.

When considering patent drafting, think carefully about whether your patent attorney has the level of 'geekiness' you need to elevate your invention up the value chain because, in the long term, this may benefit your business.

By Grant Jacobsen

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Utility Models: another arrow in the strategic IP quiver?

Key Points -

- **Utility models are a short term, second tier patent species available in many countries**
- **They can be useful and cost effective particularly for fast moving industries and short shelf-life technologies**
- **Evidence suggests that utility models in China may suite Australian companies**

Utility models are a so-called 'second tier patent' generally having a lower threshold of patentability, balanced with a shorter term of protection, than standard patents. Typically the term is between 7-10 years. Protectable subject matter varies across jurisdictions. Notably, processes, chemical and pharmaceutical products are excluded. Examination is generally fast and cheap, and so it can be a cost effective mechanism in rapidly developing industries such as FMCG, certain types of software such as apps and for novelty consumer goods.

Utility models, akin to innovation patents in Australia, are available in Argentina, Brazil, China, France, Germany, Italy, Japan, Mexico,

Republic of Korea, Russian Federation and Spain. Countries including Canada, the UK and the US do not offer an equivalent.

A common complaint of those who manufacture in low cost jurisdictions is their worry about IP loss to the local manufacturer or to counterfeiters. With this in mind, following upon the recently signed Free Trade Agreement between China and Australia, we pose the question:

Is a utility model a useful arrow in your IP quiver in China?

In recent times, Chinese utility model applications have predominantly been filed by locals. In 2010, only 0.6% of utility model applications were filed by

foreign applicants. However, the recent establishment of specialised IP courts in Beijing, Shanghai and Guangzhou has not only increased confidence in the Chinese legal system, but also demonstrates China's commitment to compliance and enforcement of IP rights. In combination with China's National IP Plan, and the rise of a hugely populous middle class we anticipate a steady increase in filings into China in the near future.

A comparison of the Chinese utility model versus an Australian innovation patent is presented.

By Dr Renee White

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	China: Utility Model	Australia: Innovation Patent
Patentable subject matter	Any new technical solution relating to the shape, the structure, or their combination, of a product which is fit for practical use	No restrictions
Term	10 years	8 years
Examination	Preliminary only – formalities (expect notice of allowance within 3 months)	Preliminary only – formalities (typically granted in 4 weeks)
Cost	Very low (no prosecution)	Low
Claims	No restriction	Maximum 5 claims for certification
Novelty	Absolute novelty assumed – only checked by Patent Re-examination Board or courts	Absolute novelty assumed
Inventive/Innovative Step	Inventive step, but lower than that of a standard patent. The invention must demonstrate substantive features and represent progress	Innovative step
Enforcement	Evaluation report made by SIPO may be required by a court before the patent owner enforces patent	To enforce, you must request certification, which requires substantial examination. Time to grant typically within 6 months
Conversion between utility model and invention application	No	Yes – innovation patent can be converted into a standard patent application in the period before registration
Remedies compared with invention patent in infringement litigation	Same	Same



What's in a name?

Key Points -

- **Using your personal name in your business may ultimately put you at risk of losing control of the use of the name if you sell or exit the business.**
- **Ensure valuable names are registered as trade marks to protect them from future misuse.**

Using your personal name in your business may be a great marketing tool, but what happens when you are ready to sell or exit your business? You may be prevented from using your personal name in association with another business, while at the same time, the new business owners may be permitted to continue to use your name.



A recent example of the complex issues that arise when a personal name is used is the BOB JANE T-MARTS tyre and auto parts

business. Bob Jane commenced the business in 1965, using his own name in the business name. Over the ensuing decades, Mr Jane built up a valuable reputation in the business. The name BOB JANE became synonymous with the business and various trade marks that included 'BOB JANE' were registered at IP Australia.

Mr Jane departed the business nearly 50 years later. His son, Mr Jane Jnr, was able to continue to use the name BOB JANE T-MARTS in the business name and trade marks, and Mr Jane Jnr's (much younger) face image, much to the dismay of Mr Jane Snr. Mr Jane Snr ignored court orders and continued to use his personal name in association

with his new business, resulting in heavy fines for contempt in breaching those court orders.

The problem was that the name BOB JANE T-MARTS had become a trade mark owned by the business, but 50 years on was being used in relation to a new, unrelated, business.



Another example in Western Australia is the building company formerly known as Scott Park

Homes (now Home Group WA). Mr Park left the company in 2006 and set up a competing business called Red Ink Homes. But Mr Park's former business continued to use the Scott Park name until 2015, despite Mr Park playing no part in the business, and despite Mr Park's best efforts to stop that useⁱ. In 2015, Mr Park re-acquired his name and now uses it in connection with the newly formed Scott Park Group.

The Trade Marks Act 1995 (Cth) affords a defence to trade mark infringement to a person who uses his/her own nameⁱⁱ; however, the defence is limited and only extends to use of the name in good faith. If use of the name may injure the former business, is in competition with the former business, or may result in consumers being misled or deceived about the origins of the new business,

then use is unlikely be held to be in good faith.

While it may be desirable to use your personal name in connection with a business, as part of the business name, trade mark, or in association with advertising, bear in mind the consequences if you ever leave the business. Even though the business has been built up through your own hard work, if your name becomes an asset of the business then you may lose the ability to control the use of that name, despite you having no further association with the business. If you are a business owner, ensure any valuable names are registered as trade marks to best protect the name from future misuse. Terms in sale of business contracts and exit agreements need to be carefully considered from both sides when a personal name is at stake.

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ⁱ Bob Jane Corporation v ACN 149 801 141 Pty Ltd [2013] FCA 1255; Bob Jane Corporation v ACN 149 801 141 Pty Ltd [2014] FCA 637

ⁱⁱ Scott Park Homes Pty Ltd v Scott James Park [2009] ATMO 34

ⁱⁱⁱ Section 122(1)(a) Trade Marks Act 1995 (Cth)

Design Registration System under review

Key Points -

- **The Australian Designs Act 2003 is under review**
- **Options for change are aimed at stimulating growth in the use of the designs registration system by Australian design innovators**

In December 2014, the Government's Advisory Council on Intellectual Property (ACIP), released an 'options paper' arising from its 2013 review of the Designs Act 2003 (2003 Act). The 2003 Act had not provided a user friendly, streamlined or cost effective design registration and renewal regime, as was intended. The options paper proposed three escalating options for improvement of the designs registration system.

Option 1 proposed:

- aligning entitlement rules with the Patents Act 1990;
- removing the option to publish a design without registration;
- expanding the prior art base, not limiting it to the product underlying the design;

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Design Registration System under review

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- clarifying that a registered design does not confer enforceable rights until certified; and
- reducing official fees for multiple designs included in a single application.

Option 2 proposed adding further to Option 1 by allowing access to the 'international design' system through accession to the Hague Agreement including:

- extending the term of protection from 10 years to 15;
- allowing third party opposition following certification; and
- introducing a 6 month grace period.

Option 3 suggested a major revision of Australia's designs system, including:

- providing a formal unregistered design protection system (though not a preferred ACIP option);
- extending protection to partial designs, virtual or non-physical designs (so called 'transient' designs such as GUI on-screen displays and icons); and
- allowing copyright enforcement of 2D and 3D designs regardless of industrial application.

Option 3 would only be appropriate if the policies reflected in the 2003 Act no longer make sense or had been superseded.

Although overseas originating design applications have increased since 2003 and, design filings have remained steady, Australian originating design applications have remained disappointingly static.

It is to be hoped that by further amending areas of the designs protection system, including potentially adjusting broader policy settings, the present issues will be addressed and there will be a much greater use of the designs registration system by Australian designers/ companies.

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AusIndustry issues Feedstock guidance

AusIndustry has issued specific guidance for companies not claiming any feedstock input expenditure in order to avoid the need for a feedstock adjustment.

'Feedstock input' expenditure relates to the costs of purchasing goods and materials which are transformed during the R&D process into marketable products.

In short, the guidelines confirm that it is well within an R&D entities' rights not to register certain R&D activities that may result in the need for a feedstock adjustment.

Nature of feedstock adjustments

If a tangible asset has been created as a result of the R&D activities the feedstock rules apply to reduce the amount of the tax incentive by 10%, and will apply at the time the asset is sold to a third party or applied for the benefit of the company.

Input costs ("feedstock inputs") claimed as R&D expenditure are reduced when the end-product ("feedstock output") is

sold on to a third party or used internally within the organisation. This reduction is achieved by including an additional amount of income in the year in which the asset is sold or applied for own use. This is referred to as an 'adjustment amount'.

The process of identifying, recording, tracking and calculating adjustment amounts may cause considerable complexity for taxpayers, particularly where the R&D process spans a number of years or R&D outputs are difficult to identify as part of the finished product.

There are a large range of circumstances where these provisions do not deliver a real benefit to the taxpayer as they substantially reduce the R&D tax offset available, or in some cases eliminate it altogether.

If 'feedstock inputs' are not claimed to avoid the 'feedstock adjustment' a statement must be made within the relevant project registration that the acquisition or production of feedstock inputs is not included in that activity.



In deciding whether or not to register an R&D activity, an R&D entity should consider the consequences of doing so. If an entity chooses not to register part of a core R&D activity, they may not be able to register a supporting activity that is directly related to the unregistered R&D activity.

It is recommended that systems should be put in place to identify, retain and manage R&D-related documentation.

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