SESSION 4C: THE IP RISKS YOU DON'T KNOW YOU HAVE (AND WHAT YOU CAN DO ABOUT THEM)

WIN In-House Counsel Day Melbourne 2017
Thursday, 23 February 2017
Agenda

The IP risks we are currently seeing that are catching clients out

- Does the right entity own the IP?
- IP in mundane or practical items
- Modifying IP
- Insurance
- Internet trawling software
- Globalisation of IP

And now for some good news…

- Stopping goods at the source – not your customer
- Taking back your trademarks
The IP risks we are currently seeing that are catching clients out
Does the right entity own the IP?
Identifying the right owner at the start

- Often IP is being registered quickly, and there is little time to think about who should own the IP, and the wrong owner can be identified
- If IP is in the name of the wrong owner:-
  - Licencing/transfer is often not done properly
  - A trade mark can be invalidated (as not used by, or with the authorisation of, the owner)
  - Copyright and patents can be invalid, as there corporate 'owner' has no entitlement.
- To avoid these risks we recommend
  - Single entity owns IP
  - Entity is a non-trading entity to insulate IP assets from liability
  - Correct intercompany licences
Correcting a problem – the right way

- If IP is not in the name of the right entity you need to carefully consider how it is corrected
  - Was it filed in the wrong name in error
  - Was it the correct owner initially, but not any more
- If an error occurred:
  - DO NOT assign, it needs to be corrected
  - Correction is a simple process
- If ownership was initially correct:
  - Assignment or other transfer
  - But BEWARE the tax liability
IP in mundane or practical Items
IP in mundane or practical products

- Increasingly clients are being caught by IP in commonplace items
  - Nothing is safe from IP
  - The business will very quickly say the protection is invalid
  - Invalidation is expensive and difficult for such items
- Standards requirements do not mean that IP rights do not apply
- Check assertions in contracts and documents as well as on the product
Modifying IP

- Three ways:
  - A supplier creates something for you that is not up to standard, so you ask another supplier to revise
  - You are asked by a customer to modify someone else's product
  - You ask a supplier to modify a product for you
- Both the Customer and the Supplier can be liable
A supplier creates something for you that is not up to standard, so you ask another supplier to revise

- If the product incorporates IP of the first supplier you are at risk of being sued for infringement
  - Manuals, advertising, instructions – copyright, trade marks
  - Software – copyright, patents, confidential information
  - Products – patents, designs
- The second supplier may be sued as well, and they will
  - Argue their action was innocent because you asked them to undertake the work, which if successful leaves you as the sole party paying damages
  - Cross claim for ACL breach
- Mitigation
  - Do not give them the first suppliers work product
  - Check the contract with the first supplier re ownership of IP
You are asked by a customer to modify someone else's product

- You are at risk of being sued by the rights holder for infringement
- The customer may try and claim innocence and blame you for copying rather than original creation
- It is very difficult to make out a defence of innocent infringement
- Mitigation
  - Contract out of the risk where possible
  - Keep records of anything the customer is asking you to do
  - If you knew or ought to have known that it was owned by a third party (e.g. their name is on it) address this expressly with the customer and get a written response
You ask a supplier to modify a third party product for you

- You are at risk of being sued by the rights holder for infringement
- The supplier may try and claim innocence and blame you for directing the infringement
- **Mitigation**
  - Do not give them the work product
  - Check re any IP
  - Make clear in documentation that they are being asked to create a new product (not copy)
Insurance: a blessing or a curse
Insurers are increasingly covering IP and IP disputes

- If an issue arises check your insurance to see if you are covered!
  - Plaintiff's see insurers as deep pockets, so it may be better not to disclose insurer involvement

- Insurers are new to IP
  - Not totally aware of the costs of Federal Court litigation
  - Not clear how/where the exit points are
  - Non-financial remedies
  - Use of existing panel firms
Internet Trawling Software
Copyright and the Internet

- Collection companies for copyright (print, video, audio)
- Software that trawls the internet for copyright works

- Mitigation
  - Review online content
  - If you receive a letter, check whether you can purchase
Globalisation of IP risks
Playing the IP game on a global scale

- Do you have IP rights everywhere you need them?
  - Foreign manufacturing
  - Selling to/in other countries
  - JV's with foreign entities
- Do your competitors have IP rights where you are going?
- Global IP surveillance as a business tool
- Global IP disputes
And now for some good news
Stopping goods at the source, not your customer

- A common scenario
  - You become aware that one of your major customers, or potential customers, is stocking product that infringes your rights
  - You don't want to take action against your customer
  - The products are being supplied by a foreign manufacturer
Playgro Pty Ltd v Playgo Art Craft & Manufactory

Playgo (CN company)

Playgo (HK company)

Orders placed by Hong Kong entities

Woolworths (HK) Sales Limited (HK company)

Myer Sourcing Asia Limited (HK company)

Stockists in Australia

Woolworths

Big W

Myer

Goods manufactured in China and sold FOB – title to goods passed at Chinese port
Playgro Pty Ltd v Playgo Art Craft & Manufactory

- The Court found:
  - That Playgo knew that its goods were bound for the Australian market
  - That trade marks on goods still in trade channels in Australia constituted use by the manufacturer

- Result:
  - Playgo infringing trade marks in Australia
  - Injunction to prevent selling for re-sale in Australia

- Decision gives right holders a mechanism to combat infringing goods without suing major customers
Taking back your Trade Marks

Another common scenario

- Company A creates and adopts a trade mark in 2008
- Company B adopts a similar mark in 2012
- Company A does not become aware of Company B until 2015, and then sends Company B a letter of demand for trade mark infringement
- In response, Company B changes its name to match the trade mark and denies infringement on the basis of:
  - Use of own name defence
  - Prior use of the trade mark
Insight Clinical Imaging v Insight Radiology

- Use of own name as a defence to trade mark infringement:
  - Trade mark was transferred to company after receipt of letter of demand
  - Found not to be use of own name 'in good faith' – defence did not apply

- Use of trade mark by infringer prior to letter of demand giving rise to defence:
  - Found that Insight Radiology had not taken reasonable steps prior to adopting the trade mark
  - Found that use of the trade mark was in bad faith, and not honest
  - Use based defence did not apply

- Decision gives rights holders hope that they can still take back their trade marks even where the infringer has been using them for some years
Panellists

Jane Baddeley, partner – real estate

Mark Burger, partner - corporate

Rick Catanzariti, partner – employment

John Gallagher, partner - projects
Goals
- Commercial & sustainable outcomes
- Meet time and budget constraints
- Protect interests of organisation
- Minimise stress on negotiating team

Planning
- Managing expectations
- Understand stakeholder drivers
- The need (or not) to maintain goodwill and future working relationships
- Catering for delegated authority

Dynamics
- Cultural and jurisdictional issues
- The people present and backgrounds
- Internal or external negotiations?
- Physical environment / break out areas
- Develop own style

What works / doesn’t work?
- Playbooks
- Reasoned versus reasonable position
- The value of silence

Form
- Written v face to face negotiations
- Strategies for dealing with poor behaviour