Intellectual Property and Intangible Assets:

A Legal Perspective

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INTELLECTUAL PROPERTY AND INTANGIBLE ASSETS: A LEGAL PERSPECTIVE

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Intellectual property could be called the Cinderella of the new economy. A drab but useful servant, consigned to the dusty and uneventful offices of corporate legal departments until the princes of globalisation and technological innovation – revealing her true value – swept her to prominence and gave her an enticing new allure.[1]

I) INTRODUCTION

This quote, taken from a World Intellectual Property Organisation (WIPO) publication, says much about the state of intellectual property today. After all, it has only been a couple of decades since intellectual property was generally regarded as a rather obscure, but necessary, field of

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[1] Idris, Kamal, *Intellectual Property: A Power Tool For Economic Growth* (2004) World Intellectual Property Organization <http://www.wipo.int/about-wipo/en/dgo/wipo_pub_888/index_wipo_pub_888.html> at 10 October 2004.

legal regulation. In the last few years, however, intellectual property has become recognised as the driving force of economic growth and cultural development. As a result, the law of intellectual property has entered the consciousness of an ever-widening part of the public, and is increasingly seen as a matter for public policy as well as for private exploitation.

Despite its growing importance, intellectual property remains a challenging area of law. This is because, unlike the laws of real property, the laws of intellectual property create rights between individuals that are vested in abstract objects – being objects that, inherently, are difficult to define. Furthermore, intellectual property is an ever-expanding field, and its role in society has become increasingly significant and complex. This is due in part at least to its cultural specificity, as a regime that is founded on the notion of both knowledge and art as commodities.[2] In that sense at least, 'intellectual property' can be considered to be just another, albeit a very special, type of intangible asset.

There is an unfortunate tension regarding modern intellectual property. On the one hand, intellectual property has never been of more

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[2] Van Caenegem, William, *Intellectual Property*, Butterworths, Australia, 2001, p4.

importance to a wide range of actors, both public and private, within society. On the other hand, intellectual property has become more, not less, complex in its substance and regulation by the law. As a result, there is a non-trivial 'knowledge gap' in significant sections of the community about intellectual property.

This chapter seeks to help bridge that gap, by explaining how intellectual property is seen by the law and by lawyers. To do so, the chapter focuses on the way in which the law defines these special types of intangible asset to which protection is given, and on the way in which the law allocates rights to them. The chapter begins by considering the different meanings given by lawyers to the term 'intellectual property'. Then follows a discussion of the fundamental concepts of intellectual property and intellectual property rights. The chapter ends by comparing and contrasting the basic features of the different types of intellectual property laws.

II) THE DIFFERENT MEANINGS OF 'INTELLECTUAL PROPERTY'

The term 'intellectual property' can be, and is, used to mean a number of different things. The different senses in which the term is used are not always explained, and indeed are not always recognised, by those using it. Perhaps surprisingly, given that they pride themselves on accurate usage of

language, lawyers are often the worse offenders in this respect. The very fact that lawyers are prone to using the term in multiple ways is a reflection of the complexity of the legal concepts concerning intellectual property.

As a general rule, lawyers use the term ‘intellectual property’ to mean three different, but related, things. First, they use it to mean a particular sub-group of a particular type of subject matter. The type of subject matter is intangible subject matter – that is, things which exist but which can’t be touched. The sub-group called ‘intellectual property’ consists of a number of intangible subject matters that the law recognises as sharing certain features that warrant particular treatment under the law. In this sense, ‘intellectual property’ is used to refer to a particular type of ‘stuff’. This is the sense in which the term ‘intellectual property’, or the acronym ‘IP’, is used in this chapter.

The second way in which the term ‘intellectual property’ is used by lawyers is to refer to certain legal entitlements that exist in relation to this stuff. These entitlements are ‘rights’ – that is, entitlements held by legal entities (individuals or companies) that are enforceable under law against other legal entities. In this chapter, the term ‘intellectual property rights’, or the acronym ‘IPRs’, is used to refer to these entitlements.

The third way in which lawyers use the term 'intellectual property' is to refer to the particular laws that give rise to intellectual property rights in respect of particular intangible stuff. These laws are grouped under particular titles – for example, 'patent', 'copyright', etc – resulting in 'patent law', 'copyright law', etc. In this chapter, the laws that give rise to rights over intellectual property are referred to as 'intellectual property laws' or 'IP laws'.

There is, of course, a fourth way in which the term 'intellectual property' can be used. This is to refer to the entire field of discourse concerning all of the above. Put another way, it is valid to say that this chapter is about 'intellectual property' because it is about the subject matter that is known as IP, it is about the rights granted in relation to that subject matter, and it is about the legal regimes that grant and regulate rights in relation to that subject matter.

III) INTELLECTUAL PROPERTY

If a tangible asset is something that can be touched then an intangible asset is, by definition, a thing that can't be touched. What are the characteristics that make some types of intangible assets 'intellectual property' in the eyes of the law? A way to answer that question is to

consider the concepts behind the two words included in the phrase 'intellectual property'.

'Intellectual'

A common way of classifying those intangible assets that constitute IP is as 'all those things which emanate from the exercise of the human brain, such as ideas, inventions, poems, designs, microcomputers and Mickey Mouse'.[3] This classification is consistent with the notion that the subject matters constituting IP are primarily derived from human intellectual activity – hence the word 'intellectual' in the title. The particular human intellectual activities that commonly result in most IP are innovation and creativity.

Innovation and creativity result in doing something new or bringing into existence something new. An idea about how to do a thing differently is a subject matter that may be protected by patent law. A new piece of art or music is a subject matter that may be protected by copyright law. A new way of naming a product or service is a subject matter that may be protected by trade mark law. Thus, it can be seen that much of the assets

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[3] Phillips, Jeremy and Firth, Alison, *Introduction to Intellectual Property Law* (3rd ed.), Butterworths, London, 1995, p.3.

that are considered to be IP can be identified by the fact that they are an innovative or a creative product of the human intellect.

'Property'

To lawyers, the concept of 'property' is more one of *rights to* subject matter than of subject matter *per se*. That is to say, a lawyer is more likely to see 'property' as the entitlements to something exercisable against third parties, than as the thing in respect of which those entitlements exist. Put another way, land is property only if someone has rights exercisable against others in relation to that land. Absent such rights, there is no property in the land and hence it may be said that the land is not property.

The key entitlement one may have in relation to something is the right to possess it exclusively – the corollary of which is the right to exclude others from accessing it. This right of exclusivity is a hallmark of property.

'Intellectual Property'

The above descriptions of 'intellectual' and 'property' provide a basis for describing IP as an intangible subject matter emanating from the human intellect in respect of which a legal right of exclusivity may be granted.

The legal case of *Re Dickens*[4] presents a useful example when attempting to convey this concept of intellectual property. When the British author Charles Dickens died, he left an unpublished manuscript. Ownership of this manuscript passed to person X, as part of a bequest of Dickens 'private papers whatsoever and wheresoever' under his will. Dickens' will also provided for a bequest to Y of his residuary estate (ie. those assets not otherwise transferred under the will). When X sought to publish the manuscript some years later, the question arose as to whether he could do so. It was clear that X owned the manuscript (the tangible asset), but did he also own the literary work embodied in the manuscript (the intangible asset in which copyright subsisted)? To resolve that question it was necessary for the court to determine whether the copyright in the literary work formed an integral part of the manuscript itself and thus passed automatically to X under the will, or rather whether it was a separate asset forming part of the residuary of the estate which had passed to Y?

The Court ruled that, because Dickens's will had not referred to the copyright when bequeathing the manuscript, the copyright fell into the residue of the estate. As a result, the ownership of the copyright in the literary work embodied in the manuscript had become separated from the

[4] *Re Dickens* [1935] Ch 267.

ownership of the manuscript itself. The practical significance of this ruling was that X could not publish the manuscript without the consent of Y. This was because publication of the manuscript would amount to a reproduction of the literary work embodied in the manuscript, and the right to reproduce the literary work was held exclusively by the owner of copyright, Y.

Although this ruling and its outcome was probably contrary to what Dickens had intended when making his will, it is a good illustration of the fundamental characteristics of IP. Intellectual property is an intangible subject matter (in this case, a literary work) emanating from the human intellect (in this case, the creative mind of Charles Dickens) in respect of which a legal right of exclusivity (in this case, copyright) may be granted. The case also illustrates the way in which the law treats an intangible asset (in this case, a literary work in copyright subsists) as separate from any tangible asset (in this case, a manuscript) to which the intangible asset may relate.

IV) INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights are rights to IP – that is, legal entitlements granted in respect of intangible subject matter emanating from the human

intellect. This section considers the primary nature of these entitlements, and some of their common characteristics.

a) The Right of Exclusivity

Most tangible assets can be possessed exclusively by virtue of the fact that they are tangible – and hence can be physically secured against access by third parties. Thus, a moveable tangible asset (such a TV) can be possessed exclusively by locking it within a house; and an immoveable tangible asset (such land) can be possessed exclusively by fencing it. It is, of course, the case that most, if not all, means of physical security can be overcome – that is, most tangible assets can be stolen. To counter this, the law imposes legal prohibitions on the overriding physical means of securitisation – for example, the law makes theft of another's goods a crime.

Exclusive possession of intangible assets is problematic, precisely because they are intangible. This means they usually cannot be *physically* secured against access by third parties; as an economist would put it, they are non-excludable. To remedy this defect, the law provides the means by which intangible assets can be legally secured against access by third parties. The particular means provided by the law is the grant of (intellectual) property rights, enforceable by the owner of the rights, with

the backing of the state, against third parties by way of legal action in the courts.

In the case of Charles Dickens and the unpublished manuscript, the means by which the beneficiary of the residuary of the estate, Y, obtained exclusivity to the literary work embodied in the manuscript was through the IPR of copyright. Under copyright law, the owner of copyright is granted, amongst other things, the exclusive right to reproduce the work. In the absence of such a right, X would in practice have had the exclusive entitlement to publish the manuscript by virtue of his physical (and legal) possession of it.

b) Common Characteristics of IPRs

In general terms, intellectual property rights have certain common characteristics. First, the rights apply only in relation to a sub-set of all innovative/creative emanations from the human intellect – this sub-set being specific types of IP subject matter defined in the IPR laws. Secondly, the rights apply only to those defined subject matters that satisfy a specific innovation/creativity threshold. Thirdly, the rights are not absolute; third parties remain free to engage in certain types of activity with the IP, even without the consent of the IP owner. Fourthly, the rights are generally of limited duration. Fifthly, the rights are generally freely transferable to other

parties. Sixthly, the rights are usually, but not always, created under statute. Each of these characteristics of IPRs is considered in some detail below.

Specific subject matters

Just as not all intangible assets are IP,[5] not all IP is protected by IPRs. Rather, only those IP subject matters for which there is a specific legal regime obtain the benefit of the grant of exclusive rights. The various IPR regimes specify the sub-set of IP to which they are applicable. For example, only 'inventions' may be granted a patent, and only 'signs' may be registered as trade marks.

Innovation/creation thresholds

The laws that create IPRs generally specify a threshold of innovativeness or creativity that must be satisfied for the subject matter to gain the benefit of the rights. Thus, it is only inventions that are both 'new' and 'non-obvious' which may be granted protection by a patent. Likewise, it is only a literary work that is 'original' which will be protected by copyright law.

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[5] Licences, leases and shares, for example, are intangible assets that are not considered to be IP.

Limitations on exclusivity of rights

The exclusivity provided by IPRs is not, as a rule, absolute. Rather, certain activities in relation to the IP remain free for all to undertake, even though the IPR owner does not consent. In patent law, for example, it is generally recognised that uses of an invention for 'experimental purposes' are not within the exclusive entitlements of the patent owner. Likewise, in copyright law, certain uses of a work are considered 'fair uses' or 'fair dealings' and thus permitted without the consent of the copyright owner.

Limitations on duration of rights

Most IPRs do not subsist indefinitely; rather, they last for set period of time. In the case of patents, for example, the duration of the patentee's exclusive rights is 20 years from the date of filing the application for the patent. Some IPRs, however, may last indefinitely. A good example is provided by trade mark registration, where the exclusivity continues so long as the registration is maintained – and there is no limit on how long that may be.

Transferability of rights

IPRs are assets like other property rights. Accordingly, they may be transferred to other parties at the will of the owner. The rights may assigned – that is, transferred absolutely from one person to another (the

equivalent of selling title to land). Alternatively, the rights may licensed – that is, granted for a limited duration but not absolutely transferred (the equivalent of leasing land).

Statutory basis of rights

The majority of IPRs are created by statute – that is, by legislation enacted by parliament. The statutes usually are titled by the name of the IPR – hence, the Copyright Act, the Patents Act, etc. In some cases, however, the IPRs arise not by statute but by the 'common law' or by 'equity'; that is, by the unwritten law recognised by judges. Examples of common law and equity IPRs are the entitlements protected by the actions for 'breach of confidence' and for 'passing off'.

V) INTELLECTUAL PROPERTY LAWS

Intellectual property laws derive from various sources: international treaties, legislation, and the common law and equity. In many cases, there is an international treaty for a particular IPR, which mandates the minimum degree of protection that a country must afford to that IP subject matter. Each country then implements that mandated protection through national legislation. In some cases, there is no international treaty on the IPR. In those cases, protection is often provided within a country by non-statutory means.

Below is an outline of the principal regimes that govern IP law. Copyright, designs, patents and trade marks represent the main statutory regimes, while the actions to restrain a breach of confidence and a passing off are the main regimes derived from the common law and equity. For each regime, there are several key features that are described – namely, the subject matter protected; the requirements for protection to arise (including the innovation/creation threshold and the formalities, if any, which must be complied with); and the rights that attach to the protected subject matter, and the limitations to those rights. Where there is an international treaty mandating protection for an IPR, the provisions of that treaty are used to describe the key features of the regime.

a) Copyright

Subject matter

The relevant international treaty, the *Berne Convention*,[6] mandates copyright protection for 'literary and artistic works'. This phrase is interpreted widely. According to Article 2 of the *Berne Convention*:

> The expression "literary and artistic works" shall include every production in the literary, scientific and artistic domain,

[6] *Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886*, Paris Act of July 24, 1971, as amended on September 28, 1979.

> whatever may be the mode or form of its expression, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science.

A later international treaty, the *TRIPS Agreement*,[7] has mandated that computer programs and compilations of data must be protected under copyright as literary and artistic works.

Literary and artistic works, widely defined, are considered to be the traditional subject matter of copyright. There are, however, other, non-

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[7] *Agreement on Trade-Related Aspects of Intellectual Property Rights*, being Annexe 1C to the *Agreement Establishing the World Trade Organization 1994*.

traditional, subject matters (sometimes called ‘neighbouring rights’ subject matters) that many countries protect under copyright law. The most prominent of these are performances, sound recordings, and sound and television broadcasts.[8]

Requirements for protection

The *Berne Convention* mandates protection for literary and artistic works that are ‘original’. The concept of originality varies considerably from country to country. Some countries, notably Continental European countries, adopt the concept of ‘the author’s intellectual creation’ as the test for originality. Other countries, notably the United Kingdom and Australia, adopt a somewhat lower standard. In these other countries, intellectual creativity is not required; it will usually be sufficient that the subject matter resulted from some ‘independent effort’ by the author – that is, it was not merely copied from someone else.

As a general rule, copyright arises automatically upon the creation of the work. Unlike patents and trade marks, therefore, it is not necessary for the work to be registered (indeed, it is usually not possible for the work to

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[8] See, eg, the *International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations*, done at Rome, on 26 October 1961.

be registered) with a state authority for protection to arise. Further,
it is not necessary for any notice to be affixed to a work for protection to arise.

Exclusive rights

The primary right granted by copyright is the exclusive right to 'reproduce' the work. The right includes both literal reproduction (copying of the exact words, images, sounds, etc) and non-literal reproduction (reproducing the essence of the work even though different words, images, sounds, etc are used). Other exclusive rights often provided by copyright law are the rights to adapt (eg. translate) the work, to perform the work in public, to distribute (such as by sale or rental) tangible copies of the work to the public, and to communicate intangible copies of the work to the public (such as by broadcasting or internet transmission).

In addition to these 'economic' rights, copyright laws usually provide the subject matter creator (who may or may not be the copyright owner) with non-economic, or 'moral', rights. These rights include the right to be identified as the author of a work, and the right to prevent an alteration to the work that is prejudicial to the honour of the author.

Most copyright laws provide limitations on the exclusive economic rights of the copyright owner. These limitations vary from country to

country, but they usually include exceptions for acts done that are considered to be a 'fair use' or 'fair dealing' with the work – such as copying for research, study, criticism, review or news reporting. Other limitations commonly found are exceptions for private copying of works, and exceptions for copying by libraries and archive.

The exclusive rights of copyright are limited temporally. The *Berne Convention* mandates that copyright last for a *minimum* period of fifty years after the death of the author ('life plus 50'). The United States, the countries of the European Union, and Australia, amongst others, in fact provide for a longer period of protection: life plus 70 years. Once copyright has expired, the work is said to have passed into the 'public domain', and may be reproduced, performed, etc, without the copyright owner's consent.

b) Designs

Subject matter

Most countries have legislation providing IPRs for the visual appearance of products – including for their shape, configuration, pattern or ornamentation. The products for which design protection may be sought include almost all consumer items, both hand-made and manufactured – including cars, furniture, toys and clothing. Some countries limit the

protection to those aspects of appearance that have no impact on the functionality of the product.

Requirements for protection

In general terms, for a design to be protected it must be new. This means that it must not already exist – that is, there must not already be the same product that has the same or very similar design.

Design protection usually arises upon registration. To obtain registration, an application is made to a state registration authority, specifying the design and the product to which the design applies. The application is examined by the authority, to determine if the design is new. Details of registered designs are published by the state registration authority.

Some countries provide, in addition to design registration, a system of protection for designs that does not involve registration. Such unregistered design protection usually arises by virtue of the copyright legislation. It is possible, for example, for a designed product to be protected under copyright as a ‘work of artistic craftsmanship’. It is also possible, in certain circumstances, for design drawings of a product to be protected under copyright as an ‘artistic work’.

Exclusive rights

Upon registration, the owner of a design registration is granted the exclusive right to make, use and sell a product in respect of which the design has been registered and to which the design has been applied. The limitations to these exclusive rights commonly except from infringement acts done for private and non-commercial purposes, acts done for experimental purposes, and acts done for teaching purposes.

The maximum duration of registered design protection varies from country to country, but is commonly shorter than the maximum period of protection provided by copyright law. In Australia, for example, protection lasts for a maximum of 10 years from application for registration; whereas in the United Kingdom it lasts for a maximum of 25 years from registration.

c) Patents

Subject matter

The *TRIPS Agreement* mandates that countries provide patent protection for 'inventions … in all fields of technology'.[9] In general terms,

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[9] *TRIPS Agreement*, article 27(1).

an 'invention' is a new and innovative product or process, and a 'field of technology' is a field concerning the mechanical and industrial arts, as contrasted with the fine arts. Some countries, notably the United States and Australia, apply a very broad definition of 'technology', so as to include all artificially created states of affairs. In those countries, non-technical inventions such as new and innovative ways of doing business are patentable, along with more traditional, technical inventions.

The *TRIPS Agreement* permits, but doesn't require, countries to exclude from patentability inventions the commercial exploitation of which would be contrary to *ordre public* (loosely interpretable as 'public policy') or morality. The *TRIPS Agreement* also permits, but doesn't require, countries to exclude from patent protection diagnostic, therapeutic and surgical methods for the treatment of humans or animals, and plants and animals and essentially biological processes for their production.

Requirements for protection

To be entitled to protection by a patent, an invention must satisfy the three requirements of novelty, inventive step (non-obviousness) and utility (industrial applicability). The characteristics of novelty and inventive step are judged against the 'prior art' – which is all information publicly available anywhere in the world, at the time of filing the application for a patent. An invention is new if it does not exist in the prior art. An invention

has an inventive step if it is not obvious to a person skilled in that art. An invention has utility if it has at least one specific, substantial and credible use.

To obtain a patent, an inventor must make application to a state registration authority. The state authority examines the application to determine if the requirements of novelty, inventive step and utility (and others) are satisfied. If the requirements are satisfied, a patent for the invention will be granted. Applications for patents, as well as granted patents, are published by the state registration authority, and thus become part of the prior art against which later applications are examined.

A patent is only valid in the country in which it was granted. Patents are granted by individual countries (or, in limited instances, by groups of individual countries). There is no such thing as a 'world patent'. However, by virtue of international agreements there exist mechanisms by which an applicant for a patent can apply to numerous countries in one application. These applications, if successful, result in individual patents in the countries to which application was deemed to be made.

Exclusive rights

Where the patented invention is a product, the exclusive rights of the patentee are to make, use and sell that product. Where the patented

invention is a process, the exclusive rights of the patentee are to use the process and to use and sell a product obtained directly by that process. Unlike copyright law, there are few limitations on the exclusive rights of the patentee. A number of countries do, however, recognise, that an act done for experimental purposes does not constitute an infringement of the patent. In addition, a number of countries have legislation imposing compulsory licences. These licences entitle third parties (including the state itself), upon payment of compensation to the patentee, to make use of a patented invention in limited circumstances – such as to provide relief in the case of national emergency or to remedy an anti-competitive practice.

Patents are of limited duration. Pursuant to the *TRIPS Agreement*, countries must provide a minimum patent term of 20 years from the date of filing of the patent application.

d) Trade Marks

Subject matter

Any 'sign' capable of distinguishing the goods or services of one undertaking from those of other undertakings shall be capable of constituting a trade mark.[10] Indicia within the concept of a 'sign' include names, letters,

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[10] *TRIPS Agreement*, article 15(1).

numbers, figurative elements, colours, shapes, sounds and smells, and combinations thereof. Thus trade mark registration may be obtained for names such as 'Levis Strauss', letters such as 'IBM', numbers such as '4711', a figurative element such as the Nike 'swoosh', a shape such as the curved Coca-Cola bottle, a colour such as the green used at petrol stations by BP, a sound such as the roar of a Harley-Davidson motorcycle, and a smell such as beer (in respect of non-beer products).

Requirements for protection

To be capable of registration, a trade mark must be new. This means it must not be substantially identical or deceptively similar to another trade mark that has been registered previously in relation to the same or similar goods or services. In addition, the trade mark must be capable of distinguishing the goods or services of the applicant from the goods or services of other traders. This means the trade mark must not be a sign which other traders could, in good faith, wish to use. By way of example, a sign that is laudatory (eg. 'perfection') or descriptive (eg. 'British', in relation to goods from Britain) is one which all traders, in good faith, may wish to use – and so is not registrable as a trade mark by anyone. Finally, to be registrable a trade mark must be capable of being represented graphically, and must not consist of material that is likely to deceive or confuse, is scandalous or is contrary to law.

To obtain registered trade mark protection, a trade mark owner must apply to a state registration authority, specifying the sign and the goods and/or services in respect of which exclusive entitlement to the sign is sought. The authority will examine the application and, if the requirements are satisfied, will enter the trade mark, and the goods/services in respect of which it is registered, on a public register.

Exclusive rights

The owner of a registered trade mark has the exclusive right to use in the course of trade an identical or similar sign for goods or services which are identical or similar to those in respect of which the trade mark is registered. The justification for the exclusive right of trade mark registration is to prevent confusion arising in the market place. The right provided by registration is not absolute – there is no infringement if the sign (including an identical sign) is used in respect of respect of goods or services that are unrelated to the goods or services in respect of which the trade mark is registered. Further, there is no infringement if the sign is used other than in the course of trade. Thus, use of a sign in a work of parody is not an act of trade mark infringement.

The exclusive rights subsist so long as the trade mark remains registered. To remain registered, the trade mark owner must pay renewal fees, must use the trade mark,[11] and must ensure that the trade mark does not become 'generic'. A trade mark is said to have become 'generic' when it has become so well known that it is used by many members of the public as *the* name for the goods (or services) of the type to which the trade mark owner has applied the mark. A good example is 'heroin', which was a trade mark registered by the German chemical company Bayer in the late 19th century, but which is now used generically to describe 'diacetylmorphine'. Other former trade marks that are now generic names are 'pogo stick', 'escalator', and 'zipper'.

There is no set limit on how long a trade mark may remain registered. Thus, so long as the registration renewal fees are paid, the trade mark is used and the trade mark does not become generic, a trade mark may be protected in perpetuity.

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[11] This is because a trade mark that is not used is liable to be removed from the register, upon the application of a competitor.

e) Other Statutory Regimes

Integrated Circuit Layouts

The three-dimensional arrangement of the components of an integrated circuit (IC) is a form of IP protected by the law. The *Washington Treaty on Integrated Circuits*[12] established a regime for the protection of IC layouts. This regime, in slightly modified form, is mandated by the *TRIPS Agreement*.[13]

Protection of an IC design is conditional upon the design being 'original', in the sense that it is the result of the creator's own intellectual effort and is not commonplace among creators of layout designs at the time of creation. A few countries, notably the United States, have a registration system whereby protection is obtained by way of an application that is examined by a state authority. Most countries, however, do not have a registration system. In those countries, protection arises automatically upon creation of an IC design that satisfies the conditions for protection.

The owner of IPRs in an IC design has the exclusive rights to make an IC to the design and to sell an IC made to the design. The regime expressly

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[12] *Treaty on the Protection of Intellectual Property in Respect of Integrated Circuits*, done at Washington on May 26, 1989.

[13] *TRIPS Agreement*, article 35.

provides that the act of reverse engineering an IC design is not an infringement. The duration of protection is limited. Most countries provide for a period of protection of 10 years.

Plant Breeders' Rights

A 'plant variety' may be the subject of intellectual property rights, known as plant breeders' rights, by virtue of the regime provided by the *UPOV Convention*.[14] To be capable of receiving plant breeders' rights protection, a variety must be new, distinct, uniform and stable, as judged at the time of filing of an application for protection. A variety is new if propagating or harvested material of the variety has not been sold or otherwise disposed of to others. A variety is distinct if it is clearly distinguishable from any other variety whose existence is a matter of common knowledge. A variety is uniform if, subject to the variation that may be expected from the particular features of its propagation, it is sufficiently uniform in its relevant characteristics. A variety is stable if its relevant characteristics remain unchanged after repeated propagation.

To obtain plant breeders' rights protection, a plant breeder must make application to a state registration authority, describing the variety. The

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[14] *International Convention for the Protection of New Varieties of Plants* of December 2, 1961, as Revised at Geneva on November 10, 1972, on October 23, 1978, and on March 19, 1991.

authority may require the carrying out of a test growing of the variety, to determine if the requirements of distinctness, uniformity and stability are satisfied. If the application is accepted, the new variety is entered in a public register.

The registered owner of plant breeders' rights has the exclusive rights to produce, reproduce (multiply) and sell the propagating material of the registered variety. As a general rule, these exclusive rights also extend to a variety that is essentially derived from the registered variety, to a variety that is not clearly distinguishable from the registered variety, and to a variety whose production requires repeated use of the registered variety. These exclusive rights are subject to a number of express limitations, which exempt from infringement acts done privately and for non-commercial purposes, acts done for experimental purposes, and acts done for the purpose of breeding other varieties.

The exclusive rights of the registered plant variety owner are of limited duration. For trees and vines, the rights last for 25 years from the date of grant. For plants other than trees and vines, the rights last for 20 years from the date of grant.

f) Non-statutory Regimes

Trade secrets protection: breach of confidence

Confidential information is a form of IP recognised by the law as worthy of protection. Generally, this protection is provided by way of the equitable action to obtain a court order to restrain a breach of confidence. The action allows a holder of confidential information to prevent another person, to whom the information has been disclosed, from making use of the information beyond the purposes for which it was disclosed.

Unlike in other IP regimes, the subject matter concerned does not need to be of any particular type: it need only be confidential, and thus not in the public domain. To succeed in the action, the plaintiff must prove that the information is confidential, that the information was confided in a manner that implied an obligation for the confidee to keep the information secret, and that there has been or will be unauthorised disclosure or use of the information. If these three matters are proved, the court will restrain the confidee from disclosing or using the information beyond the purposes for which it was disclosed to the confidee – that is, the court will restrain the confidee from breaching the confidence.

Although originally developed to restrain unauthorised uses of personal information, the action for breach of confidence has been

extended to apply to commercial information such as trade secrets.

In the course of employment, an employee may come to know information that is considered as belonging to the employer, such as information about customers or information about innovative ways of operating machinery. So long as this information is confidential, in the sense that it is not in the public domain, courts generally regard the employee as having received the information for the purposes only of their employment. Should an employee subsequently leave that employment and seek to use that information in competition with the employer, a court is likely to restrain that use as being in breach of the confidence owed by the employee to the employer.

The employer's entitlement to prevent a breach of confidence by an employee is subject to the limitation that the action must not constitute an unreasonable restraint of trade. Thus, an employer generally is not able to prevent an employee from subsequently using in competition background knowledge and skill acquired during the employment. Rather, it is only specific information that might be considered to be 'owned' by the employer that an employee should be restrained from using following the cessation of that employment.

The duration of protection provided by the action for breach of confidence is not limited. Thus, an employer is entitled to restrain breaches

of confidence regarding trade secret information for so long as the information remains confidential – which might be in perpetuity.

Unfair competition protection: passing off

One form of unfair competition that the law generally prevents is the use in trade of a mark that deceives or confuses customers as to the source of goods or services. The law recognises a right of a trader who has generated a reputation through the use of a particular mark to prevent another trader from using the same or a similar mark so as to 'pass off' that other trader's goods or services as being those of the first trader.

The equitable action to restrain a passing off provides a form of IP protection to trade marks that is similar to the protection provided by the registration of a trade mark under the statutory trade mark protection legislation. The main difference is that, unlike with statutory trade mark protection, there is no requirement that the trader's mark be registered or even be capable of registration. Thus, a laudatory or descriptive trade mark is capable of protection by action an for passing off, even though it is not capable of trade mark registration.

It might be thought that the availability of an action preventing passing off would make the statutory trade mark registration redundant, since the former does not require registration, which carries with it various

transaction costs. This is not, however, the case. In an action for passing off, the plaintiff must prove that its mark has a reputation in the market place that will be damaged by virtue of the defendant's mark causing deception or confusion. The need to prove reputation requires evidence that a significant portion of consumers do in fact associate the plaintiff's mark with the plaintiff. While this may not be problematic for large traders, it is likely to be so for small traders. Indeed, it was because of the very difficulty of small traders proving reputation that the statutory trade mark regime was introduced. Where a trade mark is registered, its reputation is, in effect, assumed; and thus an action to prevent an infringement of the trade mark is more straightforward.

As with the registered trade mark regime, there is no limit on the period of protection provided to a mark by the action to prevent a passing off. So long as the mark is one in which the trader can prove a reputation, the trader may prevent others from using in trade the same or a similar mark in a manner that deceives or confuses customers.

VI) CONCLUSION

This chapter has attempted to explain the legal understanding of that special class of intangible asset called 'intellectual property'. It has shown that IP is an innovative or creative emanation of the human intellect, in

respect of which legal rights of exclusivity may be granted. Not all such emanations are granted exclusive rights, however. Rather, it is only those intangible subject matters specifically defined in IP laws, and which satisfy specified thresholds of innovation/creativity, that benefit from the grant of exclusive rights.

The exclusive rights granted by IP laws are not absolute. Not all acts done in relation to protected IP are an infringement. Also, most IP rights last only for a limited period of time. Like most other assets recognised by the law, IP rights are generally freely transferable.

The constantly changing nature of the IP landscape, due to various economic, cultural and technological forces, has presented many new opportunities and challenges for creators, owners and users of IP. A good understanding of the fundamentals of IP law, both conceptually and operationally, is critical for those who need to manage this most important of intangible assets.

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