Protecting your Intellectual Property
A Guide for Employers

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The Basics

What is intellectual property?
Intellectual property refers to a bundle of statutory rights that a creator may hold in relation to an original work. Intellectual property rights reward creativity and innovation, and give rights holders an important commercial advantage over competitors in the industry. They are the cornerstone of the commercial success of many entrepreneurs and start-ups. In this respect, it is important that all employers take steps to protect their intellectual property from misuse by employees and third parties.

For example
A band may have all sorts of intellectual property rights. They might hold copyright in their songs and song lyrics. They might hold a trademark over their logo. The individual members of the band may have moral rights that ensure that they will be credited with authorship of the songs.

What is copyright?
Copyright refers to a set of exclusive rights held by creators of original literary, dramatic, artistic or musical works and films, sound recordings, broadcasts and performances. Copyright arises when an original idea is expressed in a material or tangible form. Copyright lasts for the life of the creator plus 70 years.

Broadly speaking, the person who holds the copyright has exclusive rights to reproduce, publish, and communicate the original work to the public. If a person other than the copyright holder does any of these things, he or she will have infringed copyright. In such circumstances, the copyright holder has a right to commence proceedings against the infringing party in order to obtain a remedy.

For example
An author who writes picture books for children will have copyright in the books that he or she creates. If a media production company wished to make a television show based on the characters in those books, they would have to ask for the author’s permission.
How to deal with infringements of copyright

Copyright holders must take a proactive approach to dealing with suspected infringements of copyright. Rather than resorting to litigation straight away, it is best to send a letter of demand to the infringing party. The letter should:

(a) Identify the copyright holder as the holder of copyright in a specified original work.
(b) Briefly outline any relevant rights enjoyed by the copyright holder.
(c) Explain how the infringing party has breached copyright in detail, attaching all relevant evidence.
(d) Demand that the infringing party immediately cease infringing copyright in the specified work.
(e) Demand that the infringing party sign a written undertaking that it will not infringe copyright in the specified work in the future.

It may sometimes be appropriate for a copyright holder to demand compensation or the payment of royalties from the infringing party, or an account of any profits that have been made by the infringing party as a result of the copyright infringement.

An idea
It is a good idea to develop a pro forma or skeleton letter that can be used and adapted to provide a quick response to any suspected infringement.

What are moral rights?
Moral rights are a set of personal rights held by the individual who create a work in which copyright subsists. Such individuals are entitled to:

(a) Be credited as the author or creator of the work.
(b) Prevent any other person from being credited as the author or creator of the work.
(c) Prevent any derogatory treatment of the work, which includes any act in relation to the work that prejudices the individual's honour or reputation.

It is important not to discount the importance of moral rights. The right to be credited as the creator of the work can help get your name out into the market.

For example
An architect who designs houses may have moral rights in the final designs. The architect may be able to use those moral rights to require real estate agents to acknowledge that he or she created the design for the house when conducting advertisements for a sale.
What is a trademark?
A trademark is an original sign or symbol that is used by a trading entity to distinguish its own goods and services from those of other entities. Trademarks can include original logos, packaging, trading names and sounds. The owner of the trademark is entitled to its exclusive use. Unlike copyright and moral rights, which come into existence automatically when the relevant original work is created, trademarks must be registered with IP Australia before they are enforceable. For example, merely having a business name that is associated with an Australian Business Number does not provide you with a trademark over the business name.

For example
If you have a look on the IP Australia website, you will see that Cadbury have a number of trademarks. These include the word ‘Cadbury’ in cursive font, an image of two milk glasses being poured onto a block of chocolate, and various types of packaging.

What is a patent?
A patent is an intellectual property right that allows a patent holder to exclusive commercial exploitation of an invention for a specified period of time. There are a number of legal prerequisites which determine whether an invention is patentable. If an invention is patentable, the owner of the invention can make an application for a patent to IP Australia. The IP Australia website provides a comprehensive outline of the registration process.

For example
Patents are often used for complex products like pharmaceuticals and components of computers.

What is a design?
A design refers to the overall appearance of a product. The owner of a design that is new and distinctive can register it at IP Australia. Once the registration process has been completed, the registered owner will have an exclusive right to manufacture, import, sell and make commercial use of products that embody the design. The IP Australia website provides a comprehensive outline of the registration process.

For example
Apple has a registered design for iPhone and iPod headphones. Bic has various registered designs for ballpoint pens. Dyson have a variety of registered designs for vacuum cleaners.
Licensing others to use your intellectual property

Intellectual property rights holders are entitled to license others to make use of original works in a way which might otherwise breach their intellectual property rights. When doing so, it is important that the rights holder precisely specifies in writing the scope of the licence in order to protect against any unintended use of the original works by the licence holder.

For example

A software company that holds intellectual property in a particular program may enter into a licensing agreement with a university to allow its students to use the program.
Intellectual Property and Employment Contracts

Who owns the intellectual property in work done by employees and contractors?

It is often simply assumed that any intellectual property created by an employee or an independent contractor will be owned by an employer. In many cases, this is true.

For example, s 25 of the Copyright Act 1968 broadly provides that the copyright in a literary, dramatic, artistic or musical work made by an employee or independent contractor pursuant to an employment contract or contract for service will be owned by the employer.

Similarly, s 13 of the Designs Act 2003 provides that a design created by an employee during the course of his or her employment, or an independent contractor pursuant to a contract of service, will be owned by the employer.

There are, however, no such provisions under the Trade Marks Act 1995, the Patents Act 1990 or the Copyright Amendment (Moral Rights) Act 2000. Equally, the provisions of the Copyright Act 1968 and the Designs Act 2003 can be excluded by a contrary provision in a contract. On this basis, it is important to have strong intellectual property clauses in employment contracts and contracts for service in order to guarantee ownership of any intellectual property that employees and contractors create.

Intellectual property assignment clauses

Perhaps the most important thing that an employer can do to protect its intellectual property is to include an assignment clause in all contracts with employees and independent contractors. Such clauses should automatically assign all intellectual property rights created by the employee or contractors during the course of their employment or contract of service to the employer. It is also a good idea to include a clause that obliges employees and contractors to cooperate with the employer to effect the perfection of intellectual property rights through registration wherever it is necessary for the employer to do so.

Remember

Make sure that all contractual provisions relating to intellectual property are in writing and signed.
Use of moral rights clauses

Employees and contractors cannot waive or assign their moral rights. However, the Copyright Amendment (Moral Rights) Act 2000 permits employees and contractors to consent in advance to their employers doing acts or things, or omitting to do acts or things, which have the effect of infringing moral rights that they may have in connection with any original works that they create in the course of their employment.

To this end, it is a good idea to include a clause in all contracts by which employees and contractors consent in advance to employers:

(a) Not recognising the employee or contractor as the author or creator of any works created by the employee or contractor in the course of his or her employment or in connection with his or her contract for service in which moral rights subsist.
(b) Crediting itself as the author or creator of such original works.
(c) Altering such original works in any way, including in breach of any moral right to integrity of authorship.

An idea

You may want to look at giving employees alternative incentives and rewards for preparing creative works that do not involve the recognition of their moral right to attribution.

Restraint clauses

It is also important for all contracts with employees and independent contractors to include clauses which restrain employees and independent contractors from:

(a) Disclosing an employer’s confidential information without the employer’s written consent either during or after the term of the contract, except as required by law.
(b) Using an employer’s confidential information either during or after the term of the contract, except as is required in the performance of the employee or contractor’s duties or as required by law.

Be as specific as possible when defining confidential information, extending it to trade secrets, technical knowledge, any know-how that is specific to the employer, plans, processes, procedures, methodologies, financial data, client lists, employee lists and marketing and business plans.

Remember

You may want to look at giving employees alternative incentives and rewards for preparing creative works that do not involve the recognition of their moral right to attribution.
Strategic Use of Intellectual Property

How can intellectual property benefit a small business?

The protection of intellectual property rights should be an important component of every business plan. Intellectual property rights can:

(a) Provide a small business with long-lasting monopoly rights over certain products that are enforceable against everybody. This can be an important commercial advantage over competitors.

(b) Assist in the marketing of small businesses by protecting unique logos or other advertising materials and ensuring that the people behind small businesses are recognised by others as the authors or creators of intellectual works.

(c) Provide a commercial opportunity for small businesses to make profits through licensing agreements.

(d) Provide an income stream through royalties.

For example
A fashion designer can use intellectual property to benefit his or her business in a number of ways. It can be used to prevent other people from copying his or her designs. It can ensure that the name of the designer is included in any publications in which photographs of the design appear. It can provide a way for the designer to be paid royalties by licensing others to use components of the design.

Creating an intellectual property register

The first thing that all small business and not for profit organisations should do in order to manage their intellectual property is to develop an intellectual property register. Such a register is one of the most important assets that a small business or not for profit organisation can have. The intellectual property register should do the following:

(a) Identify the original works in which the business holds intellectual property rights.

(b) Specify the locations at which documents relating to the original work are held.

(c) Identify who created those original works. This is particularly important for works which are subject to copyright, as copyright lasts for the life of the creator plus 70 years.

(d) Record any registration details for trademarks, patents and designs.

The intellectual property register should be updated regularly in order to ensure that all new original works are recorded.
An idea
We have drafted a pro forma intellectual property register at the end of this guide. You may want to use this as a starting point for developing your own intellectual property register.

Developing an original document database
A small business or not for profit organisation will not be able to protect its intellectual property unless it has sufficient evidence of its ownership of the intellectual property. In this regard, it is important to develop an original document database which includes the following:

(a) Any original documents or materials relating to original works in which intellectual property rights are held. These documents will help to establish that the original work was created by the small business or not for profit organisation, or by one of its employees or contractors.

(b) The employment contracts and deeds of release of all relevant employees, and the contracts of all relevant independent contractors. These documents will provide an employer with evidence of any intellectual property assignment clauses that establish the employer’s ownership of the intellectual property.

(c) A copy of all details concerning the registration of trademarks, designs and patents with IP Australia.

Many small businesses and not for profit organisations destroy original documents after 7 years. Documents in the intellectual property database should be retained for longer. Intellectual property rights last longer than 7 years, and it is important that the business or organisation is able to prove their ownership of the relevant intellectual property for the entirety of the time that the rights are enforceable.

An idea
It is a good idea to store the intellectual property database in a secure document storage facility offsite, and to develop an electronic copy of the database as a backup.

Draft a workplace policy on intellectual property
Some employees may lack an understanding of intellectual property rights. This is particularly the case if they have no previous experience in creative industries. In this regard,
it is a good idea to develop a workplace policy on intellectual property. It should aim to educate your employees about the following:

(a) The nature of intellectual property rights and the sorts of original works in which intellectual property rights may subsist.
(b) Their obligations to you as an employer in relation to intellectual property.
(c) The importance of not infringing the intellectual property rights of other businesses.
(d) Relevant resources in the workplace and online that can assist them if they need clarification on intellectual property law.

An idea
JFMLAW has developed a pro forma intellectual property policy which is available upon request. We are also able to run an in-house seminar for your employees.

How can a small business make the most of its intellectual property?
It is important that all small businesses put in place a comprehensive plan for protecting your intellectual property and using it to assist in the growth of your business. The following checklist provides a good starting point.
## Checklist

<table>
<thead>
<tr>
<th>ITEM</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create an intellectual property register</td>
<td>Make sure you have a comprehensive register for all of your intellectual property.</td>
</tr>
<tr>
<td>Create an original document database</td>
<td>Make sure you have a physical and electronic copy of all documents which could assist in establishing your ownership of the intellectual property.</td>
</tr>
<tr>
<td>Register your intellectual property</td>
<td>Trademarks, designs and patents must be registered before intellectual property rights come into existence.</td>
</tr>
<tr>
<td>Draft intellectual property clauses for all contracts with employees and independent contractors</td>
<td>Make sure that you have clear clauses relating to the business’ ownership of intellectual property rights in all such contracts.</td>
</tr>
<tr>
<td>Draft a workplace intellectual property policy</td>
<td>Provide all employees and contractors with a workplace intellectual property policy. Each employee and contractor should sign a copy.</td>
</tr>
<tr>
<td>Draft intellectual property infringement response policy</td>
<td>Draft a policy that outlines how the business will respond to suspected breaches of intellectual property rights. This policy could include a pro forma letter of demand.</td>
</tr>
</tbody>
</table>
## Checklist (cont'd)

<table>
<thead>
<tr>
<th>Draft an intellectual property infringement monitoring plan</th>
<th>It is a good idea to have a plan that assigns to a senior employee the responsibility of monitoring employees and other businesses in the industry to ensure that your intellectual property rights are not being breached.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Devise a plan for the use of intellectual property</td>
<td>Put in place a business plan that identifies commercial opportunities relating to the use and licensing of intellectual property.</td>
</tr>
<tr>
<td>Engage a trusted solicitor</td>
<td>It is a good idea to have an ongoing relationship with a solicitor who understands your business and the nature of your intellectual property. The solicitors at JFMLAW have extensive experience in assisting small businesses in protecting their intellectual property.</td>
</tr>
<tr>
<td>Description of the original work</td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>Date of creation of the original work</td>
<td></td>
</tr>
<tr>
<td>Identity of creator of the original work</td>
<td></td>
</tr>
<tr>
<td>Types of intellectual property rights claimed in the original work</td>
<td></td>
</tr>
<tr>
<td>Period for which such intellectual property rights will be enforceable</td>
<td></td>
</tr>
</tbody>
</table>
| Registration details  
(if original work is a patent, trademark or design) |  |
| List of original documents relating to the individual work  
(e.g. employment contract of creator, drafts of any plans for the original work, final copy of original work, copies of any publications of original work, etc.) |  |
| **Location of original documents relating to the original work**  
  *(e.g. a reference number for a bundle of documents at an offsite storage facility)* |   |   |
|---|---|---|
| **Details of any infringements of intellectual property rights**  
  *(including a reference to the nature of the infringement, the identity of the infringing party, and the outcome of any dispute with the infringing party)* |   |   |