

Michael Paphazy

Does intellectual property form part of your business succession plan?

IP or intellectual property is a valuable intangible asset. By looking after your IP you will leave your business in good shape and maximise the potential price for your business. Conversely, by failing to take care of your valuable IP, you expose yourself to two risks:

1. not obtaining the best value for your business when you sell business; and
2. potentially infringing someone else's IP.

The benefits of registering your IP are significant. Owners of registered IP enjoy exclusive rights to use their IP and can prevent others from using their IP. Failing to register your IP can mean that you lose the ability to prevent others from copying your brand or invention.

Registered IP is an asset that can be purchased, sold or licensed to third parties. If you purchase a business with registered IP, then it is crucial that the change of ownership is recorded, as only the registered owner has the right to enforce its rights against infringing third parties. From an IP licensee's perspective, it is good practice to have your rights recorded on the official IP register, particularly if you are the exclusive licensee.

When exiting your business you should ... have kept track of your IP so that potential buyers can easily perform their due diligence. There is nothing worse than having a promising deal scuppered by the purchaser raising question marks about whether the business IP has been protected properly. At the worst, it could cost you the deal or lead to the business being sold for less than you think it is worth.

What is IP?

IP has a very definite legal meaning and includes copyright, designs, patents, trade marks, plant breeders rights and rights granted in respect of circuit layouts.

Designs, patents, plant breeders rights and trade marks are all rights that should be registered with IP Australia, the government body responsible for maintaining official IP databases.

Copyright is different because it does not need to be registered to be protected. This is because copyright is a right that arises automatically upon creation of the creative work which is the subject of copyright protection.

IP also refers to unregistered trade marks which can only be protected through the tort of passing off or via the misleading and deceptive conduct provisions of the *Trade Practices Act 1974* (Cth). A significant disadvantage of relying upon these rights is that it is very costly to establish that the unregistered trade marks have a reputation, when compared with registering a trade mark.

What is not IP?

Confidential information is often lumped together as IP, but it is not IP. Rather, confidential information is a right to bring an action to protect the unauthorised use and disclosure of information. Confidential information is not property and once it is in the public domain, ceases to be confidential. An example of confidential information that is famous is the recipe for Coca Cola.

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A common misconception is that a business name gives you IP rights. This is wrong. Business names are simply a right to carry on a business under a trading name in a particular state. They help the public to know who the identity is of the person or company behind the business. Unlike trade marks, which are personal property and an asset, a business name is not an asset and no exclusive rights are granted by registering a business name.

Although domain names are not IP but simply a contractual right to use a particular domain name for a certain period of time, trade marks can form a critical part of enforcing and maintaining your domain names should you end up in a dispute over domain names.

Five IP Tips

- Make sure that you own IP that your contractors have created. What most people don't realise is that just because you have paid for something doesn't mean that you own the IP. Unless you have a written agreement transferring ownership of the IP to you, the contractor will retain ownership of the IP.
- Before using a new brand or re-branding make sure that you have had the brand legally cleared so that you avoid infringing someone else's trade mark.
- Register your brand as a trade mark. The case of MacPro and Apple shows how a small computer company's failure to register its name as a trade mark led to it becoming involved in costly trade mark dispute with Apple.
- Don't import a product from an supplier unless you have confirmed that the product does not infringe someone else's IP.
- If you come up with something new, keep it confidential and don't disclose your invention before you apply for patent protection or you could risk losing the opportunity to obtain a patent.

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