



Several developments are likely to make 2005 a busy year for intellectual property (IP) audits.

From 1 January 2005, all Australian entities are required to comply with new accounting standards for the identification and valuation of intangible assets.

Australian Accounting Standards Board 138 introduces a comprehensive standard for accounting for intangible assets including brand names, mastheads, computer software, licences and franchises, copyrights, patents, recipes, formulae, models, designs, and research and development expenditure.

It will oblige many organisations to undertake IP audits and to establish or refine their IP management systems, to ensure compliance with the new requirements.

In the public sector, the release of *Auditor-General's Audit Report No. 25 2003-04 on Intellectual Property Policies and Practices in Commonwealth Agencies*, has also helped to focus attention on IP management.

The report found that only 30 per cent of the government agencies it surveyed had a policy of addressing the management of IP and, of these, 90 per cent rated IP as being of medium or high importance to their business. The Auditor-General's report included guidelines for the management of IP by Commonwealth entities.

State governments either have implemented an IP management policy or are in the process of doing so.

Corporate governance responsibilities also require company directors to ensure that IP audits are conducted by their companies.

In many respects, IP audits can only be conducted by experienced patent attorneys with specialist technical knowledge.

We have developed substantial expertise in this area and look forward to assisting our clients to meet these requirements.

David Griffith,
managing principal

Launch of IP Works

Spruson&Ferguson is pleased to announce the creation of IP Works, a new company dedicated to the successful management of IP.

IP Works is the joint initiative of Dr Dean Alle and Spruson&Ferguson.

IP Works, as an independent company, will offer services in all aspects of IP management, assisting clients in bringing their IP into alignment with their business strategies and improving their IP position.

IP Works will draw on the combined experience and expertise of Spruson&Ferguson and Dr Alle in the management of IP portfolios. IP Works services will include:

- IP management systems
- identification of IP
- IP searching
- IP audits
- strategic IP portfolio management
- interface with external parties.

Dr Alle has provided IP management services to a number of technology start-up companies based at the Australian Technology Park including Redfern Broadband Networks. He assists start-up companies, such as Intellection Pty Ltd, to identify and manage their IP.

Dr Alle specialises in managing the intellectual backbone of the commercialisation process including patents, inventions, trade secrets and know-how.



For more information on the services provided by IP Works, please contact Dr Dean Alle: dean@ipworks.com.au.

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World's leading IP Lawyer: Simon Williams



Simon Williams has again been ranked as one of the world's leading IP lawyers according to the independent publishing group, Chambers Global, in their 2004-2005 edition.

Simon's practice includes licensing, trademark, patent, copyright, design and breach of confidential information matters. Chambers Global noted that peers rate him for "his expertise in patent litigation" and has been "advising Doric Products in relation to an appeal brought in the High Court by Lockwood Security Products".

The rankings are assessed on technical legal ability, professional conduct, client service, commercial awareness/astuteness, diligence, commitment, and other qualities most valued by clients.

Spruson&Ferguson Lawyers is described as a Sydney-based boutique firm with expertise in "patents, registered designs, trademarks, copyright, confidential information, trade practices and passing off". The firm's clients include local, domestic and international companies in sectors such as mechanical, electrical and electronic engineering, IT, telecommunications, medical technology, pharmaceuticals and biotechnology.

2005, the year of the IP audit

New international accounting rules which take effect from the beginning of 2005 will provide added impetus for Australian companies to undertake comprehensive IP audits of their intangible assets.

From 1 January 2005, Australian companies will be forced to comply with new accounting standards that make the identification and valuation of intangible assets such as patents, trade marks, copyrights, and licences, a regular feature of company reporting.

The new standards are reflected in Australian Accounting Standards Board (AASB) 138 dealing with Intangible Assets and AASB 136 concerning the Impairment of Assets.

In effect, Australia will be adopting a comprehensive standard for intangible assets based on International Accounting Standard (IAS) 38. The impact on local companies is expected to be:

- immediate expensing of research costs
- more detailed recognition criteria for the capitalisation of development costs
- a prohibition on capitalising the costs of internally generated brands, mastheads and similar items
- revaluation to fair value of intangibles limited to those that have an 'active market' eg. taxi licences
- amortisation required for intangible assets with limited useful lives
- annual impairment testing required for intangible assets with unlimited useful lives.

IAS 38 defines intangible assets as an identifiable, non-monetary asset without physical substance held for use in the

production or supply of goods or services, for rental to others or for administrative purposes.

To be identifiable, an intangible asset must be capable of being sold, transferred, rented or exchanged without otherwise disposing of the future economic benefits that flow from other assets in the same revenue earning activity.

To be an asset, the company (or entity) must have control over the future economic benefits that flow from it, which would usually stem from having enforceable legal rights.

The definition of intangible asset covers items such as brand names, mastheads and publishing titles, computer software, licences and franchises, copyrights, patents, other industrial property rights including service and operating agreements, recipes, formulae, models, designs and prototypes and research and development expenditure.

To prepare for the new standards, companies are advised to audit their IP assets and ensure that their IP valuations are compliant with the new standards.

Over the past few months, Spruson&Ferguson has also seen increased interest in this area having received a number of invitations from large State and Federal government entities for Spruson&Ferguson to scope IP audit and IP management systems services.



Further information on the new accounting rules can be downloaded from the AASB's website at www.aasb.com.au.

Information on Spruson&Ferguson's IP audit capabilities is available from Dr Andrew Blattman, principal, andrew.blattman@sprusons.com.au



and Philip Heuzenroeder, special counsel,

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NEW APPOINTMENT



Dr Vaughan Barlow

We are pleased to announce the appointment of Dr Vaughan Barlow as a technical assistant in the Chemicals/Life Sciences team. Vaughan has recently completed a PhD in molecular immunology at the John Curtin School of Medical Research, Australian National University, and adds to our substantial expertise in biotechnology. Vaughan completed a BSc(Hons) in biochemistry and molecular biology and an LLB from the

Australian National University in 1995. He has worked as a project manager in viral immunology with the pharmaceutical company Fort Dodge, then as a legal graduate with the Department of Defence, followed by several years as a technical assistant in our trade marks team. During this time Vaughan gained admission as a solicitor and also completed a Master of Laws with honours in IP at the University of Technology, Sydney. In 2000, he returned to full time study and completed his PhD. We are extremely pleased to welcome Vaughan back to Spruson&Ferguson.

Macquarie's Innovation Awards

Macquarie University celebrated forty years of innovation at an Innovation Awards dinner held on 1 December 2004. The program of speakers for the evening's celebrations included Professor Di Yerbury, Vice Chancellor of Macquarie University, Dr Craig Mudge, Director of Macquarie Institute for Innovation, and a keynote presentation from Dr Ian Lin, Managing Director of the Quo Vadis Group. Media personality Adam Spencer was the master of ceremonies.

The Innovators' Hall Of Fame Award went to Professors Neil Weste and David Skellern of Macquarie University's Department of Electronics, who led a joint Macquarie-CSIRO research project on Wireless Local Area Networks. In 1997, the pair founded Radiata Pty Ltd to commercialise their research. In 2000, the company was bought by Cisco Systems for \$US295 million, representing one of Australia's largest private IT transactions.

The Innovation in Research Award was won by Dr Helen Pask, Professor Jim Piper, Hamish Ogilvy and Dr Richard Mildren for the development of wavelength-versatile laser sources for the green-yellow-orange-red spectral regions. Dermatologists prefer solid-state lasers to the gas and dye-based lasers currently used to treat skin problems due to their lower cost, robustness, compactness and reliability.

The Innovation in Teaching and Learning Award went to Professor James Dalziel and team for the revolutionary e-learning tool, Learning Activity Management System (LAMS). LAMS has been trialled

extensively throughout Australia, the UK and Canada with much success.

The Innovative Partnership Award went to Professor Peter Eddey and Professor Ed Davis of Macquarie University in partnership with the International College of Tourism and Hotel Management (ICTHM) for internationalising teaching programs. In just a few years, approximately 1,000 students have enrolled in the Macquarie/ICTHM undergraduate and postgraduate programs.

The Commercial Innovation Award went to Professor Duncan Veal, Associate Professor Peter Karuso and team, founders of the University spin-off company FLUORotechnics Pty Ltd, for the development, manufacture and commercialisation of proprietary fluorophores. In less than two and a half years, FLUORotechnics has developed three products which are either on the market, or soon will be, through leading global distributors of biotechnology products.

The Invention Disclosure Award went to Associate Professor Karu Esselle and Mr Yuehe Ge of the Department of Electronics for the multi-band mobile antenna.



Emeritus Professor Dianne Yerbury AO, Vice Chancellor of Macquarie University, with The Innovators Hall of Fame Award winners, Professor Neil Weste and Professor David Skellern.

auDA Reviews Commercial Geographic Domain Names Policy

As a result of a recent review of its policy on commercial geographic domain names, .au Domain Administration Ltd (auDA) announced on 1 September 2004 that, in principle, it had agreed to lift the restriction on geographic names in relation to .com.au and .net.au domain names.

The existing policy applied over the last few years of rejecting commercial geographic domain names had caused considerable frustration for domain name applicants due to the adhoc and inconsistent manner with which it has been applied.

The welcomed decision by auDA to remove this restriction on geographic domain names finally brings the policy in relation to .com.au and .net.au domain names in line with most other comparable domain name spaces.

The auDA board is in the process of preparing an implementation plan with regard to the timing and method of releasing commercial geographic domain names, which are expected to become available in the second quarter of 2005.

auDA is the policy authority and industry self-regulatory body for the .au domain space. Its role in administering the .au domain space was formally endorsed by the Australian government in December 2000.



For additional information, email Khajaque Kortian, principal Spruson&Ferguson Lawyers:

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INSIDE VIEW

Professor Michael Vitale researches and consults in innovation and commercialisation ...

Professor Vitale researches and consults in innovation and commercialisation, IT governance and start up and early stage companies, particularly in the biotechnology sector. He also teaches the Managerial Biotechnology course and the IT and Organisational Performance course to MBA students at Australian Graduate School of Management (AGSM).

Since completing the *Commercialising Australian Biotechnology* report for the Australian Business Foundation and AGSM earlier this year, Professor Vitale has been busy on several research projects.

For the Australian Government Information Management Office, he has been helping to investigate the use of IT across the Australian economy. Through a large telephone survey involving more than 1,000 respondents and 50 face-to-face interviews, the project has been seeking to discover how organisations make IT decisions, what technology they have, how successful it has been and what factors led to that success.

Professor Vitale has also been gathering data on the use of partnering by Australian biotech companies and comparing that with the experience of biotech and pharmaceutical firms overseas. He is testing the hypothesis that Australia does not engage in as much partnering as the US.

Again in the biotechnology field, Professor Vitale has started a project which compares Australian biotech companies with Canadian biotech, to see what we can learn from an economy that has similarities with our own. This study includes comparing rates of company formation and the various sources of funding available to start-ups.

His advice to Australian innovators is to give careful thought to the market for your product or idea. Who are your customers, how many are there and why would they buy from you?

Once your market planning and sizing is done, it is important to think through how far you want to take the innovation. In Australia, you may want to take it to a certain stage only – perhaps to sale of concept, or in the case of a biotech innovation to Phase I or II trials. There are important decisions to make about whether to license the technology to someone else, even whether it is feasible to manufacture it your self.

There are no hard and fast rules. SIRTEx has shown that a world market for a special treatment for liver tumours (cancer) can be serviced particularly well from Australia.

Professor Vitale would then urge you to review your IP position. We have all heard horror stories about devoting lots of time and energy to a technology that falls completely within someone else's patent. Before you get too far down the track, check what is out there. A patent is all about somebody getting there first!



Professor Michael Vitale, AGSM, is author of the Commercialising Australian Biotechnology report for the Australian Business Foundation and AGSM.

Case snapshots

Who owns the trademark?

Crazy Ron's Communications Pty Limited v Mobileworld Communications Pty Limited [2004] FCAFC 196 – 6 August 2004

The importance of filing a trade mark application in the name of the person who owns that trade mark seems clear. What happens if a trade mark application is filed in the name of the wrong person? This was one of the issues the Full Federal Court of Australia had to consider in *Crazy Ron's Communications Pty Limited v Mobileworld Communications Pty Limited* [2004] FCAFC 196. That case concerned an appeal from a decision concerning infringement of two trade mark registrations for trade marks including or comprising the words CRAZY JOHN ostensibly in the name of Crazy John Pty Ltd. Of interest is the second of these registrations for CRAZY JOHN (stylised).

The application for CRAZY JOHN (stylised) had been lodged in the name of Mobileworld Communications (Aust) Pty Ltd. However, as at the filing date a related company called Crazy John Pty Ltd was the owner of that trade mark. The attorneys for Mobileworld sought to rectify this problem by applying to change the name of the applicant from Mobileworld Communications (Aust) Pty Ltd to Crazy John Pty Ltd. The Registrar of Trade Marks recorded the change of name and the mark duly proceeded to registration in the name of Crazy John Pty Ltd.

The court pointed out that Crazy John Pty Ltd was a different company from Mobileworld Communications (Aust) Pty Ltd. It was

not possible to effect by a mere change of name the substitution of one person for another person as applicant of a trade mark. Since it would have been possible to oppose registration of the trade mark on the basis that the application had been amended contrary to the Trade Marks Act 1995, a ground existed to cancel the subsequent registration. The court did not regard the amendment as a mere technicality. It pointed out that if the amendment were allowed to stand Crazy John Pty Ltd would effectively be given rights in the CRAZY JOHN (stylised) trade mark from the filing date of that registration. Had the proper course been adopted of withdrawing the application and filing a new application, a later filing date would have resulted. The public was entitled to rely upon the state of the register.

The court ordered rectification of the register by cancelling that registration which meant that an action for infringement based upon that registration failed.

Would assignment of the trade mark application have cured the defect? The answer, of course, must be no, as at the filing date Mobileworld Communications (Aust) Pty Ltd was not the true owner of the trade mark.

For more information e-mail Deborah Jackson, legal practitioner: deborah.jackson@sprusons.com.au.

Copyright and designs... not all plane sailing

Swarbrick v Burge [2004] FCA 813 – 24 June 2004

This case concerns the overlap between Australia's copyright and industrial designs laws in relation to a yacht crafted by the Applicant, Swarbrick.

The Applicant sued the Respondents for breach of copyright in respect of a plug model, moulds, a hull and a deck moulding, a yacht and drawings. In producing the yacht, the Applicant first prepared drawings which were digitised into a computer. He then built a plug (a life-sized model) of the yacht. Subsequent to this the Applicant created moulds (inverted copies) of various parts of the plug. From the moulds, the Applicant then made mouldings (parts of the yacht itself). The Respondents obtained hull and deck mouldings which they used as a plug for further moulds.

The Applicant claimed that the plug, drawings, mould and mouldings were all "artistic works" under the Copyright Act, and further, the mouldings and plug were also "works of artistic craftsmanship".

The Respondents relied in part on the defence of section 77 of the Copyright Act which states that it is not an infringement of the copyright in an artistic work to reproduce the work after a corresponding design has been industrially applied.

The Applicant conceded that if the items were found to be corresponding designs within the meaning of section 77, they had been applied industrially.

This defence does not apply where the copyright subsists in a "work of artistic craftsmanship". Therefore, the case largely turned on the definition of a "work of artistic craftsmanship", and whether the plug and mouldings could be defined as such.

Carr J referred to the case of *Coogi Australia Pty Ltd v Hysport International Pty Ltd & Ors* (1998) 86 FCR 15 and recited the tests

for a work of artistic craftsmanship contained therein. He highlighted the necessary element of aesthetic quality (but not so much as to make it a work of fine art). He endorsed the approach of Drummond J in *Coogi* that the question was one of fact to be determined objectively. Emphasis was placed on the evidence that the creator of the article could give, particularly whether he/she intended to make an aesthetically appealing work. Carr J also acknowledged that there was judicial conflict as to whether a mass-produced article could be a work of artistic craftsmanship.

It was held by Carr J that the plug, the hull and deck moulds, the mouldings and the yacht were sculptures within the definition of the Act. The Respondents argued that, if so, they could not also be works of artistic craftsmanship. The Respondents referred to the statutory definition of 'artistic work' which includes:

- (a) a painting, sculpture, drawing, engraving or photograph, whether the work is of artistic quality or not;
- (b) a building, or a model of a building, whether the building or model is of artistic quality or not; or
- (c) a work of artistic craftsmanship to which neither of the last two preceding paragraphs applies (emphasis added).

Carr J referred to the ALRC Report on Designs which recommended that the Copyright Act should make it clear that a work can be both a work of 'artistic craftsmanship' and an artistic work as outlined in (a) and (b) above. Carr J found that this recommendation was given effect in section 77 and concluded that the plug, the mouldings and the yacht were both artistic works (sculptures) and "works of artistic craftsmanship".

Carr J accepted the Applicant's evidence that in creating the yacht he intended to design and build a yacht that had great aesthetic appeal. He held that creating the plug involved skill in planning and construction, ingenuity and dexterity. Further, he found that the mouldings and yacht were substantially identical manifestations of the plug and therefore also qualified as works of artistic craftsmanship. The section 77 defence was thus not available to the Respondents.

The Respondents pointed to the number of boat and motor car design registrations which would cease to be registered as designs if copyright could be relied upon for protection. To this argument Carr J stated "... the authorities show that the level of aesthetic appeal required for a work of artistic craftsmanship is higher than mere visual appeal... Whether any particular mode of motor car or boat is a work of artistic craftsmanship will depend very much on the manner of its creation and the level of its aesthetic appeal".

Carr J found copyright subsisted in the drawings (as artistic works), the plug, moulds, mouldings and the yacht itself. Infringement was found in respect of all these items.

An appeal is currently pending.

The decision seems at odds with the intent of the overlap provisions of the design and copyright laws. The laws are designed to encourage manufacturers to register a design to protect manufactured products rather than relying on the copyright which is generally artistic rather than industrial, and which requires copying for infringement. Design registration is meant to be a broader form of protection. The "work of artistic craftsmanship" exception to the section 77 defence, in light of Carr J's interpretation, may now discourage manufacturers from seeking design registration. This judgment may open the gates for car and boat manufacturers, for example, whose designs have the requisite aesthetic appeal, to rely on copyright protection thus circumventing not only the intention of the overlap provisions, but also the "spare-parts" defence to design infringement under the Designs Act 2003. It will be interesting to see how the appellate court decides this issue.

For more information contact Lee Pippard, principal: lee.pippard@sprusons.com.au, or Caroline Smith.

Our recent activities

Spruson&Ferguson was one of the sponsors of the inaugural Macquarie University Innovation Awards held at the University on 1 December 2004 (see separate story). The awards ceremony was attended by more than 200 people from the University's research community. Spruson&Ferguson was represented by Dr John McCann and Nico Van Niekerk from our Chemical/Life Sciences team and Philip Heuzenroeder of Spruson&Ferguson Lawyers.

Also on 1 December 2004, principal Martin O'Brien presented the inaugural Spruson & Ferguson Award for the Best IP Plan at the NSW Enterprise Workshop 2004 Awards Presentation Dinner at the Royal Sydney Yacht Squadron. Martin was on the judging panel for the Winter program. Spruson&Ferguson was also represented on the night by Martin Pollock, a judge for the Autumn program, and Rob McInnes who was a speaker in both programs on how to develop and manage an IP portfolio that will protect the commercialisation of ideas.

Our professional staff are frequently invited to speak at industry and academic seminars, contributing to professional development across many industries. Recent engagements have included:



Michael Quinn, NSW Enterprise Workshop Chairman, presents a Certificate of Appreciation to Dr Martin O'Brien.

- Dr Richard Grant, Chemical/Life Sciences team, gave a presentation on 'Getting the best from your patent attorney at the inaugural Innovation Series held in association with the 27th Australasian Polymer Symposium in Adelaide.
- Legal principal, Rob McInnes, was a Keynote Speaker at the Knowledge Commercialisation Australasia annual conference on 'Building Our Ability - Skills in Technology Transfer', held in Sydney.

- Chemical/Life Sciences principal, Shahnaz Irani, presented on 'The US/Australia Free Trade Agreement (FTA) implications for the Therapeutic Goods Act and the Patents Act' for the CMS Intellectual Property Conference 2004, held in Melbourne and Sydney.
- Chemical/Life Sciences principal, Dr Andrew Blattman, spoke to students at the Australian Graduate School of Management, Sydney, on 'Biotechnology IP'.
- Electrical/ICT principal, Robert Miller, gave a seminar on 'Designs and Patents' for The Continuing Legal Education Centre in association with the Faculty of Law, University of Technology, Sydney.

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