

## THE NATURE OF INTELLECTUAL PROPERTY RIGHTS

Before delving further into different IP rights, it is important to understand something about the nature of IP rights. Unlike physical property such as a house which has well-defined borders, some IP rights can have rather uncertain boundaries.

In a famous celebrity interview, Oprah Winfrey once asked designer Ralph Lauren, 'How do you keep reinventing?' to which he replied 'You copy ... Forty-five years of copying, that's why I'm here'.<sup>25</sup>

During his keynote speech at South by Southwest 2012, rock star Bruce Springsteen said '... "Badlands", "Prove It All Night", "Darkness On The Edge of Town" was filled with, with The Animals. Youngsters, watch this one. I'm gonna tell you how it's done, right now. I took "Don't Let Me Be Misunderstood"...' Springsteen then proceeded to grab a guitar and sing and to strum the beginning of the Animals' song "Don't Let Me Be Misunderstood", then sang the melody "Don't Let Me Be Misunderstood" while strumming chords from his song "Badlands". When he returned to the podium, he said 'It's the same \*\*\*\* riff, man. Listen up, listen up, youngsters, this is how successful theft is accomplished'.<sup>26</sup>

If major celebrities such as Ralph Lauren and Bruce Springsteen admit, whether jokingly or not, to copying, have they then infringed someone's IP rights? Probably not – and we shall see why later (although it should be noted that in 1994, the late designer Yves St Laurent once sued Ralph Lauren in a French court for allegedly copying a black tuxedo dress that Mr St Laurent had first created in 1966 and subsequently won a US\$395,000 judgment against Lauren for 'counterfeiting and disloyal competition'<sup>27</sup>).

One reason IP boundaries are sometimes vague is because the technology behind the object is often derived from earlier inventions and sometimes it is not easy to see where the older invention ends and the new one begins, or even how someone can manage to get an IP right when the law ostensibly says that he cannot.

Consider the seminal invention of Hedwig Eva Kiesler, who better known by her stage name Hedy Lamarr. She and George Antheil created and received a patent in 1942 for 'A Secret Communications System' (US Patent No 2,292,387).<sup>28</sup>

Her invention was a scheme to circumvent the jamming of control signals used to guide radio-controlled torpedoes. In World War 2, self-propelled torpedoes, although effective weapons, were often easily jammed because the torpedoes were guided by signals sent over a single frequency and all an enemy ship needed to do was to find the signal controlling the torpedo and drown it out with extra noise. Lamarr's idea was to spread the signal over multiple frequencies, with the

25 Eric Wilson, 'O and RL: Monograms meet', *New York Times*, October 25 2011.

26 'Exclusive: The Complete Text of Bruce Springsteen's SXSW Keynote Address', *Rolling Stone*, 28 March 2012.

27 Amy M Spindler, 'A Ruling by French Court Finds Copyright in a Design' *New York Times*, 19 May 1994.

28 See:

- Mark Blaxill and Ralph Eckardt, *The Invisible Edge: Taking Your Strategy to the Next Level Using Intellectual Property* New York: Portfolio, c2009, p 82–3
- 'Hedy Lamarr', *Wikipedia.org*

actual control signal hopping across the frequencies according to a pre-determined scheme. The torpedo and mother ship would have a copy of this scheme so that they could synchronise their signals as they accessed them on multiple channels.

The invention was classified a top secret and Lamarr did not receive any money from the patent.

In its original embodiment, the invention was cumbersome to implement and was never used during World War 2 but in 1962 it was resurrected for use during the Cuban Missile Crisis for the transmission of confidential communications.

This technology, originally devised to counter torpedoes, eventually found its way into commercial and consumer applications. Thanks to Lamarr and Antheil's invention of frequency hopping, we have spread spectrum technologies such as Bluetooth and Coded Orthogonal Frequency Division Multiplexing ('COFDM') which are used in wireless and digital television and radio networks or the Code Division Multiple Access ('CDMA') technology which is used in the modern third and fourth generation wireless networks that we have today.

Finally, IP can protect certain things that may not seem at face value to have IP rights. For instance, patents for software, games and presentations of information are theoretically not allowed in Hong Kong<sup>29</sup> – yet software games developer Zynga Game Network Inc obtained a patent for 'A Social Supply Harvest Mechanic for Interactive Social Games' thus raising the question: if it is not possible to get patents on computer programs, presentations of information or games, how did Zynga manage to get a patent that clearly involves software, presentation of information and a game? In this case, it was because the Zynga patent is an American one.<sup>30</sup>

These examples not only illustrate the seemingly ambiguous boundaries of IP rights but also the often unpredictable nature of creative innovation. The Zynga example further illustrates that many IP rights are jurisdictional and that IP laws vary from place to place.

As we shall later see, it may be legal to make what appears to be a copy of something, or in some cases, even an outright copy. It may be possible to get a patent for something that the patent laws say cannot be patented. If someone produces something that appears to perform the same thing as a product, has its IP rights been infringed? Perhaps yes – but perhaps not. Finally, if someone copies a product, does it matter to the owner? There may be situations where an owner allows people to copy their product, but that is a business decision which is where the issue of strategy comes in.

## WHAT IS STRATEGY?

According to Professor Henry Mintzberg, strategy is:

1. A plan, a 'trick', a means of getting from here to there.
  2. A pattern in actions over time, for example, a company that regularly...
- 29 E.g. according to section 93(2) of Hong Kong's Patent Ordinance (Cap 514), discoveries, scientific theories, mathematical methods, aesthetic creations, a scheme, rule or method for performing a mental act, playing a game or doing business, or a program for a computer as well as presentation of information are not patentable.
- 30 US Patent No 20120122587 A1 'Social Supply Harvest Mechanic for Interactive Social Games'.

- b) Preclude competition
- c) Gain a better bargaining position (for instance in negotiations with a potential acquirer or rival).

## IP IS AN ASSET

Your IP is an asset<sup>9</sup> that you can:

1. Hold on to;
2. Use (e.g. to protect your position or license to generate revenue);
3. Sell or abandon;
4. Invest further in.

You can use your IP assets to achieve your objectives but you must be aware of various constraints such as:

1. The time, resource and money it takes to obtain certain IP rights
2. Limitations imposed by:
  - a) The business environment
    - for example in fast moving markets you may not have enough time to acquire certain IP rights
    - your position in the market
    - if you are a small player, you are potentially vulnerable to larger competitors
  - b) Competition
    - are competitors aggressively using their IP rights to, for example, prevent rivals from entering certain markets or forcing companies into licensing deals (rather than risk costly litigation)?
  - c) The technological environment: for instance, are there many potential technological substitutes (to your technology)?
3. Legal constraints imposed by, among other things:
  - a) The underlying product – the IP rights that you can use to protect will depend on the product, process or invention in question
  - b) The IP right itself including:
    - The extent of protection it offers
    - Its enforceability
    - Jurisdictional limitations
    - Legal validity (for example, has its term expired?)

In formulating your IP strategy, you therefore must look at legal, business and, in some cases, technological considerations (to echo a previous point) if for no other reason than that the value of your IP rights will depend on these three aspects (a theme we will return to later in this book).

<sup>9</sup> According to Dictionary.com, an asset is:

- a useful and desirable thing or quality: *Organisational ability is an asset.*
- a single item of ownership having exchange value.
- items of ownership convertible into cash; total resources of a person or business, as cash, notes and accounts receivable, securities, inventories, goodwill, fixtures, machinery, or real estate (opposed to liabilities).

## IP STRATEGIC MANAGEMENT

### Step 1: Assess your aims and objectives

Before formulating a strategy for your IP rights, you must first consider your company's overall business strategy. If your company does not have such a strategy, formulate one. This requires that you look at how your organisation can best use its assets to compete in the market, i.e. formulate an overall business strategy (starting with the question: How should we compete to create a competitive advantage?)

#### Starting point

This is strategic management – the analyses, decisions (such as where your company wants to compete) and actions undertaken to create and sustain competitive advantage.

In ascertaining the markets and industries you want to compete in, you need to identify your organisation's strategic goals while analysing its internal and external environments. You must also consider how your organisation will create competitive advantages that are unique and valuable which are difficult for competitors to copy or substitute.

An exercise in strategic management needs to:

1. Direct the organisation towards overall goals and objectives
2. Consider:
  - a) Short term and long term perspectives
  - b) Tradeoffs between effectiveness and efficiency
  - c) The interests of multiple stakeholders (e.g. financiers etc)

Some critical questions must be posed and answered; these include:

1. How do you create value?
2. How do you differentiate yourself from your competition?
3. Which markets do you want to be in?
4. What opportunities are you targeting?
5. Who are your competitors?
6. What are your capabilities?

Having done that, you can spell out your objectives – what do you want your organisation to achieve?

Does your organisation aim to:

1. Maximise revenues?
2. Maximise market share?
3. Maximise adoption (e.g. of your product or process?)
4. Maximise profitability

After you have analysed your organisation's goals and objectives, the external environment and internal environment (which includes your organisation's IP assets), then you can formulate and implement strategies.

*An example*

Let us say you have decided on this IP strategy, and these are your goals:

1. Lock competitors out from the next generation of product;
2. Avoid and design around an aggressive competitor; or
3. Maintain market lead by keeping new key technologies and products hidden from view (i.e. secret) until the moment of launch.

Operating under the assumption that you cannot do all things, you will need to do some prioritisation and identify the areas where you wish to invest – as well as those you may want to drop.

**Step 2: Identify your assets**

Identify your assets including:

1. Products
2. Channels
3. Buildings, factories, personnel, financial resources
4. Expertise
5. Other intangibles e.g. reputation, goodwill

*Then bring IP into the fold*

To bring IP into the fold, you need to look at what are your IP assets. These may be more than you think, because in addition to IP rights, such as:

1. Copyrights;
2. Domain names;
3. Trademarks;
4. Trade secrets;
5. Patents;
6. Registered design rights;

there also is human capital, relationships with partners and customers, as well as technological or other know-how.

**Step 3: Assess your assets**

Then, attempt to evaluate the value of these assets. You do not need to provide a valuation, i.e. to come up with a number for the value of the assets. Rather, identify which are valuable, which assets are not and their relative ranking.

Look at the market environment and assess, among other factors:

1. The market's growth prospects;
2. The competition;
3. The nature of demand;
4. Whether you wish to remain in the market;
5. Barriers to entry – is it easy to enter the market?

- a) In assessing barriers to entry, consider technological, market (e.g. is it expensive to enter this market?) and regulatory constraints.

**Step 4: Assess your position**

Then, take a look at your position in the market.

1. Are you a:
  - a) Market leader?
  - b) Follower?
  - c) Innovator?
  - d) 'Me-too' producer?
2. What is your relative size and position in the market?
3. What is the state of your finances?
4. How do your product and service offerings compare to what is already out in the market?

How are my products and services doing? Borrowing from the BCG Matrix<sup>10</sup>:

10 The BCG Matrix was created in 1970 by Boston Consulting Group as a system of classifying business enterprises based on their potential for profits and growth.

There are four classifications:

- (1) Stars are business units with large market shares in a fast growing industry. They generate cash but because of the fast growing markets they are in, they tend to require large investments to maintain their lead. If successful, stars become cash cows when the industry matures.
- (2) Cash cows are business units with large market shares in mature, slow growing industries. They require little investment and generate cash that can be used to invest in other business units.
- (3) Dogs are businesses with weak market shares in low-growth markets. They neither generate cash nor require huge amount of cash but because of low market shares, these business units frequently face cost disadvantages.
- (4) Question marks are business units with low relative market shares and are located in high growth industries. They require huge amounts of cash to maintain or gain market shares as well as attention to determine whether they can be viable. In many cases, question marks are new goods and services, which have a good commercial prospective. If ignored, then question marks may become dogs, but if a huge investment is made, then they have potential of becoming stars.

It should be noted that the model has been criticised for being, among other things, too simplistic, that it fails to:

- a) Reflect the true nature of a market or define 'market' with sufficient precision
- b) Consider that high market share does not necessarily equate to profitability
- c) Only looks at growth rate and market share in assessing profitability and fails to consider other drivers of profit
- d) Consider that 'dogs' may sometimes earn more money than cash cows and may help other business units achieve competitive advantage.

See:

- 'BCG growth share matrix', *investorwords.com*
- Anne Hirsh, 'What Is the BCG Model in Marketing?', *Houston Chronicle*.
- 'BCG Matrix', *Management Study Guide*.

Authorship is also relevant to determining the duration of the copyright<sup>32</sup> and the author may have rights to the work that could affect what one can later do with the work (these are known as 'moral rights').

Scenario:

- Barry has worked very hard to create a great new online game.
- Because of her expertise, Barry has hired his good friend Mavis to help him design the graphics. Mavis did a lot of work for Barry.
- After some time, the game is completed and ready to be introduced to the public.
- How can Barry generate revenues for (i.e. exploit) this game?

Before answering this, Barry should ascertain whether he has the proper legal rights to this work, i.e. that he is the author and owns the copyright. This requires that he consider Mavis' role of the creation in the work and her potential rights in the work.

Let's start with authorship.

- 32 The length of copyright protection depends on the jurisdiction involved. In Hong Kong:

	Duration
For literary, dramatic, artistic, musical works:	
• If the author is known	Life of author + 50 years (expiring on 31 December of the relevant year)
• If the author is not known	50 years from the end of the year the work first made
• If the author is not known and the work made available to public during that period	50 years from the year the work first made available
• Computer generated works	The end of 50 years from the end of the calendar year the work made
For a sound recording:	50 years from year it was made or released, whichever is longer
For a film:	50 years from the year the last of the following persons dies: Principal director, Screenplay's author, Dialogue's author, Composer of music specially created for and used in the film
• Where the identities are unknown	50 years from the end of the year the film was made or if film made available to public during that period, 50 years from the year the work first made available
For broadcasts / cable programmes	50 years from year broadcast was made or when the programme was included in the cable programme service
For published editions	Copyright in the typographical arrangement lasts 25 years from year of first publication

See: ss 17–21 Copyright Ordinance.

## Authorship

An 'author' in relation to a work means the person who created it.<sup>33</sup>

In the case of a:

1. Sound recording: the producer is the 'author'
2. Film: the producer and the principal director are 'authors'
3. Broadcast: the person making the broadcast is the 'author'
  - a) Where a broadcast is relayed by reception and immediate re-transmission: the person making that other broadcast is the 'author'
4. Cable programme: the 'author' is the person providing the cable programme service
5. Typographical arrangement of a published edition: the publisher is the 'author.'
6. As alluded to earlier, for computer-generated literary, dramatic, musical or artistic works: the person by whom the necessary arrangements for the creation of the work is undertaken is the 'author'.

Authorship (and ownership) is proved by affidavit.<sup>34</sup>

## Collaborations

What happens when two or more persons are involved in the creation of a work?

This depends on whether they were:

1. Distinct authors where each has authored his or her own part of the work (e.g. If two persons were involved in the creation of an air application to control the air conditioning in the building and one person created the monitoring module while the other, the reporting functions, then they would be distinct authors) and each owns his/her own part (in the absence of a contract to the contrary);
2. Joint authors where the collaboration of each author are not distinct from the others.<sup>35</sup>

Some works are presumed to be works of joint authorship – for example a film is presumed to be a work of joint authorship unless the producer and the principal director are the same person and a broadcast is also a work of joint ownership where more than one person is involved in making the broadcast.<sup>36</sup>

Where there are joint authors, a reference to the 'author' is a reference to all the authors<sup>37</sup> and all joint authors own copyright in the whole work in equal shares as 'tenants in common,'<sup>38</sup> which means that each joint author holds an individual, undivided ownership interest in the property. However, any act requiring a license requires the license of all joint owners.<sup>39</sup>

33 Section 11 Copyright Ordinance.

34 Section 12 Copyright Ordinance.

35 Section 12(1) Copyright Ordinance.

36 Section 12(2), (3) Copyright Ordinance.

37 Section 12(4) Copyright Ordinance.

38 *Lauri v Renad* [1892] 3 Ch 402, *Stuart v Barrett* [1994] EMLR 448.

39 Section 194(2) Copyright Ordinance.

One more important point regarding joint authors – as long as one joint author is a qualified person<sup>40</sup>, the work is protected; however, non-qualified joint authors will not be the first owners of copyright.<sup>41</sup>

#### What makes a person a joint author?

In order for two or more authors to be considered joint authors, there needs to be collaboration (where the authors work to a common degree, even if there was no intent to create a work of joint authorship) and although the contributions of the joint authors need not be equal, they must not be trivial and must go to the expression of the work. In this connection, if one person has carried out testing on a copyrighted work, that may not qualify for joint authorship.<sup>42</sup> However, playing a small but key musical bit in a song might be.<sup>43</sup>

Joint ownership has two important implications. In terms of the duration of the copyright, the duration is dependent on the death of the last remaining author (so in the case of a literary work in Hong Kong, that would be 50 years after the death of the last remaining author)<sup>44</sup> and, if one needed to negotiate with the authors (e.g. for ownership in a work) one would need to know whom to deal with.

#### Moral Rights

Determining authorship is also important because authors in some places have what are known as 'moral rights'. This means that:

1. Authors of original copyright works and directors of films have the right to be identified;<sup>45</sup>
2. Each joint author has a right to be identified as a joint author;<sup>46</sup> and
3. Authors have the right to object to what they judge to be a derogatory treatment of their work.<sup>47</sup>

Moral rights endure as long as the copyright does and although they may not be assigned, they can pass under the author's/director's will. Copyright protected databases, literary, dramatic, musical, artistic works and films made available for online transmission or media may be subject to moral rights.

40 Refer to Footnotes 3, 4 for more information on qualification requirements and denial of qualification.

41 Section 178(2) Copyright Ordinance.

42 *Flyde Microsystems v Key Radio Systems* [1998] FSR 449.

43 In *Beckingham v Hodgens* [2003] EMLR 376, a violin part was held to be a key part of a song and that the musician was a joint author and therefore entitled to a share in the music copyrights.

44 Section 17(7) Copyright Ordinance.

45 Section 89 Copyright Ordinance subject to conditions in s 89(2) Copyright Ordinance.

46 Section 89 Copyright Ordinance.

47 Under s 92 Copyright Ordinance, treatment (adaptation, alteration, deletion or addition) of a work is derogatory if it amounts to distortion or mutilation of the work or is otherwise prejudicial to the honour or reputation of the author or director (with exceptions).

Moral rights, obviously, could affect how a copyright owner (who is not the author) can exploit a work although there are limitations. The right to be identified as an author does not apply to the design of a typeface<sup>48</sup>; while moral rights do not apply to computer programs or any computer-generated work.<sup>49</sup>

#### Employees and commissioned works

##### Commissioned work

When one asks or commissions another person to create a copyright work, the ownership is governed by contract between the author and the person who commissioned the work i.e. the commissioner.<sup>50</sup>

Otherwise, without an agreement, then the first legal owner of copyright may not be the commissioner but rather the author, which in this case would be the person that created the work.

So if the contract provides that the commissioner owns the copyright in the commissioned work, then he/she is the owner and consequently would have an exclusive license to exploit the work for all purposes that could reasonably have been contemplated by the parties when the work was commissioned. The owner would also have the power to restrain the exploitation of the work for any purpose to which he/she could reasonably object.<sup>51</sup>

##### Employees

If an employee creates a work during this course of his/her employment, copyright in the work belongs to the employer unless there is a contract to the contrary.<sup>52</sup>

Returning to the case of Barry and Mavis, a critical question is whether Mavis is considered an employee or an independent contractor and the answer to this will depend on the facts and circumstances, including considerations such as:

1. How was Mavis paid? Was she paid in a single lump sum or through periodic payments?
2. What degree of control did Barry have over Mavis?
3. Who provided the equipment?
4. Did Mavis hire her own helpers?
5. Who took the financial risk?
6. Who paid insurance, made contributions to retirement funds etc.?

Assuming there is no contract that says otherwise, the employer is the first owner of the copyright; but if the employer exploits the work in a such a way that could not have been reasonably contemplated by the employer or employee when the

48 Section 91(2) Copyright Ordinance.

49 Sections 91(2), 93(2) Copyright Ordinance.

50 Section 15(1) Copyright Ordinance.

51 Section 15(2) Copyright Ordinance.

52 Section 14(1) Copyright Ordinance – it should be noted that s 14(1) covers literary, dramatic, musical or artistic works or film.

More recently, registered design rights have been used by information technology companies not only to protect their products (such as smartphones, tablet computers, etc) but also images produced by computer software including:

1. Icons
2. Screen displays
3. Webpage designs
4. GUIs (Graphical User Interfaces)
5. Mobile phone graphics

In common law jurisdictions, these rights came about after courts in cases such as *Apple Computer Inc's Design Application* [2002] FSR 602 (Registered Design Appeal Tribunal) held that icons appearing on or capable of appearing on computer screens are features of a pattern applied to an article (i.e. a computer) by an industrial process i.e. by being built into the operating system because its inclusion in the computer was part of an industrial process.

#### WHAT IS A REGISTERED DESIGN RIGHT/DESIGN PATENT?

A registered design right (called 'design patent' in countries such as the US and China) protects the overall visual appearance of a product or part of a product i.e. its design.

This raises the question – what is a design?

A design is 'the appearance of the whole or part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture or materials of the product or ornament'.<sup>5</sup> Design is also defined in section 2(1) of the Hong Kong Registered Designs Ordinance (Cap 522) as 'features of shape, configuration, pattern or ornament applied to an article by any industrial process, being features which in the finished article appeal to and are judged by the eye....'. Note the stress in the legislation on 'appealing to' and being 'judged by the eye'.

However, a 'design' for the purposes of a design right, does not include:

1. Methods or principles of construction; or
2. The features of shape or configuration of an article which are:
  - a) dictated solely by the function that the article has to perform; or
  - b) dependent upon the appearance of another article or which article is intended by the designer to form an integral part.

Thus while registered design rights protect the aesthetically appealing aspects of a design, it does not protect the product's functional ones. To protect functional elements, other forms of protection are available, for example, the utility patent.

#### GETTING A REGISTERED DESIGN RIGHT

As is the case with utility/invention patents, it is necessary to register or to 'prosecute' a registered design right.

<sup>5</sup> 'What is a Registered Design?', Intellectual Property Office UK, available at [www.ipo.gov.uk](http://www.ipo.gov.uk)

There are prerequisites to registration which are not unlike those of the utility patent. Section 5(2) of the Registered Designs Ordinance states that the design must be applied to an 'article' that has independent character and is new (that is, novel).

'Independent character' means that the design must be able to stand on its own and that the design must not depend on something else. This was considered in a case involving the parts of a car<sup>6</sup> where the court had to consider which of the multitude of components that made up a car could have an independent design existence on their own. In this case, the court determined that items such as fenders, trunk lids, windshields (windcreens) or doors were not 'articles' because they depended on the rest of the car. For example, it would be absurd to place the front left fender of a panel van onto a sports car, as not only would it look strange, it also would not fit. However, steering wheels and seats could qualify as articles because they could have independent design existences; for instance, people often fit the steering wheels or seats of one car into another.

The design must be 'new'<sup>7</sup> meaning that (as is the case in Hong Kong), the design had not been registered or published in Hong Kong before<sup>8</sup> and that it must be materially different from other designs.<sup>9</sup>

There may be other restrictions to registration, such as refusing the registration of designs that contravene public order or morality.<sup>10</sup> Further, although computer icons may be registered, computer programs or protected layout designs (topographies) or designs for articles of a primarily literary or artistic character (e.g. sculptures, wall plaques, medals, medallions, printed matter of an artistic character) cannot enjoy registered design rights protection.<sup>11</sup>

<sup>6</sup> *Ford Motor Co Ltd's Design Application* [1994] RPC 545.

<sup>7</sup> In some jurisdictions, this is referred to as 'novelty'. What is 'new' or 'novel' depends on the jurisdiction you are dealing with, for example under UK law, a design is considered to be 'new' if no identical (or very similar) design has been published or publicly disclosed in the UK or the European Economic Area (EEA). For example, a design would not be considered new if it had been 'published' on an Internet website viewable in the EEA before the date it was filed. However, you can apply to register a design in the UK up to 12 months after the designer first discloses it.

<sup>8</sup> Section 5(2) of the Registered Designs Ordinance (Cap 522) states:

A design for which an application for registration is made shall not be regarded as new if it is the same as—

- (a) a design that has been registered in pursuance of a prior application, whether or not that design has been registered in respect of the same article for which the application is made or in respect of any other article; or
- (b) a design that has been published in Hong Kong or elsewhere before the filing date of the application, whether or not that design has been published in respect of the same article for which the application is made or in respect of any other article, ...

See: 'What is a Registered Design?', Intellectual Property Office UK, available at [www.ipo.gov.uk](http://www.ipo.gov.uk)

<sup>9</sup> Section 5(2) of the Registered Designs Ordinance states that a design must not be different from another design 'only in immaterial details or in features which are variants commonly used in the trade.'

<sup>10</sup> Section 7 Registered Designs Ordinance.

<sup>11</sup> Section 8 Registered Designs Ordinance.

### Why some people do not get design rights

The process of registration may be a deterrent to some. People in fast-moving industries often do not bother with such rights. For example, the nature of the fashion industry makes it difficult to get a registered design right for say, dresses, not only because it is difficult to prove novelty (how many times, for example, do fashion critics and others mention that a garment from Designer A looks just like a garment from Designer B?<sup>12</sup>) but also because it takes time to register a design. By the time the design registration is granted, the industry has moved on.<sup>13</sup>

As with a patent, a registered design right is personal property that the owner may transfer, assign, mortgage, or license.<sup>14</sup> Where there are multiple owners, each co-owner is entitled to equal, undivided share subject to any agreement to the contrary.<sup>15</sup>

### Why people get registered design rights

There are, however, good reasons why a company should register their designs. A registered design right holder can stop others from making, offering, putting on the market, importing, exporting, using or stocking for those purposes, products to which their designs are applied in the same way a holder of a utility patent has the right to exclude others from, among other things, offering for sale the patented products protected by his/her patent.

For illustration, we contrast copyright with a registered design right. The main criterion in establishing copyright is 'originality' which means that a person can come up with a design exactly like another's existing design, provided only that the later design has not been copied. By contrast, originality is not an issue in establishing infringement of a registered design right. If the other design looks like a registered one even though it had not been copied, infringement of the registered design has been established.

What if a design is not registered? In some places, such as the UK, there exist unregistered design rights (called 'design rights'). Like copyright, these automatically come into existence when a design is created. These unregistered design rights allow the rights holder to stop anyone from copying the shape or configuration of the article i.e. its three-dimensional shape. However, they do not provide protection for any two-dimensional aspects, for example surface patterns. The holder of the design right has the exclusive right to reproduce his design for commercial gains but in proving infringement the holder must prove that it was

12 Designer Yves St Laurent successfully sued designer Ralph Lauren for 'counterfeiting and disloyal competition' over the design of a black tuxedo.

See: Amy M Spindler, 'A Ruling by French Court Finds Copyright in a Design' *New York Times*, 19 May 1994.

13 It should be noted that companies will get design rights for other items, such as accessories, whose designs do not change as frequently as dresses.

See: Laura Nelby, 'Will Spanx Case Make Design Patents a Fashion Trend?', *Legal Blog Watch*, 11 April 2013.

14 See ss 32, 33 Registered Designs Ordinance.

15 Section 33 Registered Designs Ordinance.

copied or that the potential for copying existed. This is harder to prove in court than showing that a registered right was infringed.

### TRADEMARKS AND DESIGN PATENTS

Where a product qualifies for protection under both trademark and registered design rights<sup>16</sup> and as long as the particular design does not have a utilitarian function<sup>17</sup>, a company may register both design patent and trademark as they complement each other to provide added protection – trademarks protect against confusion while registered design rights protect against copying. However, the rights holder must remember that while trademark protection can last indefinitely, registered design rights have a limited lifespan.

The benefit of the dual filing is simple, after the registered design right is obtained the holder enjoys strong exclusionary rights for a limited time and if the design is popular enough to acquire distinctiveness, a process that can take some time, then trademark protection (for its three-dimensional shape, i.e. its 'trade dress') would come into play (as trademark rights are all about protecting distinctiveness). Dual filings are not unknown – for example, Apple Inc first obtained a design patent for its iPod<sup>®</sup> media device, and then obtained a trademark registration for the same device.<sup>18</sup>

16 An example of a trademark is Coca-Cola<sup>®</sup> and an example of trade dress is the shape of the Coca-Cola bottle. The shape of a Coca-Cola bottle also could have been protected under a design patent. See eg US Trademark Registration No 3,252,896.

17 *Topps Co v Gerrit Verburg Co*, 41 U.S.P.Q.2d 1412 (S.D.N.Y. 13 December 1996).

18 See US Patent No D580,953 and US Trademark Registration No 3,365,816.