

# INTELLECTUAL PROPERTY AND TECHNOLOGY NEWS

Perspectives • Analysis • Visionary Ideas

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CHINESE TRADEMARK LAW

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DLA Piper awarded 'Global IP Firm of the year', by Managing IP.

# EDITORIAL

Welcome to the most recent Asia Pacific edition of *Intellectual Property and Technology News*, our biannual publication designed to report on worldwide developments in IP and technology law, offering perspectives, analysis and visionary ideas.

We are excited to begin our tenure as editors of *IPT News*. We are hopeful that while continuing to mirror our global focus in many ways, the Asia Pacific edition of this publication will also be able to highlight some of the activities in the local and global communities where we live and work.

Our spotlight piece examines the emergence of service integration in the technology space (page 4). Many customers are increasingly facing complex supplier ecosystems, which means the ability to internally manage outsourced solutions is critical to business. The question then becomes, does it benefit business to implement outsourced service integration solutions as a core part of vendor strategy?

In this issue, we also explore some of the issues facing businesses operating in China and, specifically, what steps should be taken to protect brands from trademark hijackers (page 11). We highlight the importance of recent changes to our privacy obligations following an incident where an online dating company was in breach of privacy laws after hackers accessed the personal information of about 245,000 of its users (page 8). Our popular IPT Insights feature continues of this edition (page 16) as well as highlighting strategies to help the mining sector identify and optimise intellectual property.

We are pleased to have the opportunity to introduce you to Peter Jones, who has recently joined our Intellectual Property & Technology team in Sydney, Australia from Gilbert + Tobin, and include a Q&A with Peter (page 3). We hope you enjoy this issue of *IPT News* and that you will take away something new and helpful from it. Please feel free to provide us with any suggestions or feedback that you may have so we can continue to make this a publication you look forward to reading.

Kind regards,



**Melinda Upton**  
Partner  
Intellectual Property & Technology  
Group Head – Australia



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## MEET PETER JONES



**Peter Jones**  
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We are delighted to announce that Peter Jones recently joined the IPT team as a partner based in Sydney.

Peter was a partner in the TMT and Project Services team at Gilbert + Tobin. He has a long standing reputation in the Technology and Sourcing market in Australia and the region and has strong relationships with key market participants including major financial institutions, technology companies, public sector organisations and telecoms companies. Technology and Sourcing is important for the firm globally and Peter will enhance Australia's capability to participate in that key market.

### **Peter you have now joined the firm and our great Sydney team. Can you tell us about your background and career to date?**

Originally from New Zealand, I moved to Australia and joined Gilbert + Tobin in 1999. I was appointed Partner 2006, initially acting in an HR partner role for the 35-40 lawyers in the TMT Group and then Group Leader. In my role there, my primary focus was on outsourcing and large-scale IT projects (particularly in the financial services and telecommunications sectors). I also spent time on overseas assignments in Asia – Hong Kong, Tokyo, Singapore, Kuala Lumpur and Jakarta (the last being the cause of my Nasi Goreng addiction). But really, I am just a contract hack.

### **Peter you are now embedded in our fast moving and dynamic tech and sourcing team! Can you tell us about any exciting key projects?**

At the moment, we are currently assisting a global service provider in a very interesting outsourcing opportunity. The customer is stressing a strong desire to move to a full “as a service” model for the provision of the outsourced services. This requires a pathway from current state, through a transition phase and ultimately to the desired end state. Of course this progression presents challenges in terms of providing assurance that both service provider and customer are jointly ready for the next stage of the journey. It is a great example of how certainty of contractual outcomes is challenged by the Rumsfeldian category of “known unknowns” and how contract provisions and the governance regime need to be designed and implemented to support the journey.

### **What excites you about the tech and sourcing environment?**

It is incredibly dynamic. Go back even two years and who would have thought Coles would be looking at providing financial products and services as a quasi-bank? The democratisation of IT and the lessening stigma of it being seen as a Geek Citadel (I stress “lessening”) is rapidly seeing the focus not on the specific technology but the fact that it is an enabler to a business outcome. On the sourcing side, the increasingly complex and integrated world of outsourced service models presents significant challenges to traditional contract and risk allocation models. There is a lot of scope for the “what about trying it this way” questions.

### **Finally, on a personal note can you tell us how you unwind for fun in Sydney?**

With 6 year old twins, there is not much time for unwinding. When I do, I don't mind a run around the eastern beaches or Centennial Park (based on my current waistline such runs have not been as regular as they ought to have been). Also, I've tried to re-create authentic Nasi Goreng, though thus far with only catastrophic results. I think it has something to do with needing to smoke the rice in two-stroke engine petrol fumes and clove-flavoured cigarette exhalation before frying.



# TECHNOLOGY

## WHAT IS SERVICE INTEGRATION?

**By Peter Jones, Partner, Australia**

In increasingly complex supplier ecosystems, the ability to manage cross-functional requirements and supplier outputs to ensure business benefits are realised is critical. Many customers faced with this challenge are progressively implementing outsourced service integration solutions as a core part of their vendor strategy. Australia's comparative maturity in the use of outsourced solutions makes it an obvious candidate for the provision of service integration solutions.

Though all this does beg the obvious question: “What is service integration”?

The reality is that it can mean different things to different organisations. A working definition could be:

*A standardised model for the management of multiple vendors providing portfolio goods and services, focusing on consistency and efficiency and performance measured from the end user’s perspective.*

In other words, engaging a third party provider to undertake as an effective agent of the customer the management of upstream service arrangements. The challenge in any definition though is that the scope of service integration, as a solution, can range from strategic management to operational augmentation. Ultimately, clarity as to purpose is critical in designing and implementing any service integration solution. Further, clarity as to the customer’s own on-going role in supplier management is an essential component.

The above definitional challenge is part of the fuel to the current debate as to whether service integration is a solution searching for a problem. In other words, does the implementation of such services act merely as a mask for poor contracting, poor management and poor governance models? Further fuel load is provided by other questions. In a world where efficiency gains are expected, how can the introduction of a further management layer without resulting reduction in internal capacity be reconciled? Having been involved in projects where service integration models have been considered and rejected, the questions such as “why can’t we do this ourselves?” and “aren’t the benefits outweighed by the costs?” will often be sufficient cold water to suppress the initiative.

However, some of the criticisms and challenges are perhaps more apparent in smaller organisations or those with a more narrow spread of vendor solutions (where economies of scale are unlikely to support implementation of service integration), where the benefits of service integration – and the specific outcomes – have not been clearly defined or where the impact on the retained organisation has not been clearly identified.

Where a broader spread of vendors and/or functional portfolios is present, where expected value is not being delivered – or is not perceived as having been delivered – and supplier cooperation is not optimised, the case for service integration can be more compelling. This is particularly if the longer term strategy points to increased service delivery options and evolving commoditisation.

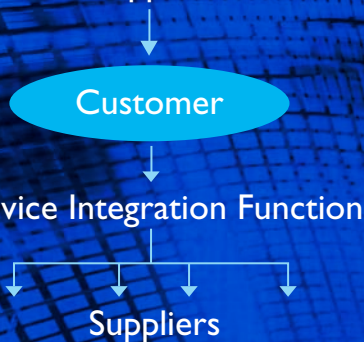
What, then, are some of the critical success factors? Minimum requirements include:

- Clear understanding of component services and demarcation of responsibility.
- Delineation of service requirements, for example base load versus mission critical.
- Commercial and contract frameworks that mandate supplier interoperability (and provide for the transition to such interoperability – this should not be underestimated where a service integration solution is being retrofitted into existing supplier arrangements).
- The provider of the solution must have the requisite skills and capability. Effective due diligence and reference site checking must be undertaken.

Further, depending on the relevant industry, the impact of the regulatory environment will impact on the scope of any service integration solution. For example, financial institutions may not be able to abrogate entirely roles with respect to supervision, governance and vendor assurance. Where regulatory impacts arise, additional challenges around the commercial and contract frameworks need to be considered as part of solution design.

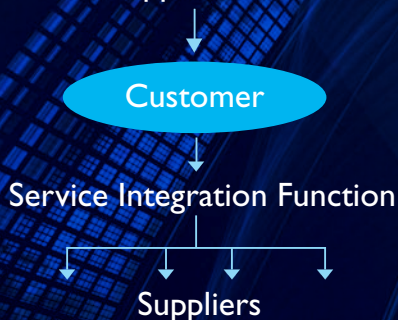
High level design options can be either through using an incumbent provider and increasing the scope of services or introducing a third party “best of breed” provider.

### Outsourced supplier; incumbent



- ✓ Strong knowledge of supplier eco-system and relevant relationships
- ✓ Ability for customer to leverage expected benefits in favour of the service integration provider (e.g. ability to generate greater internal efficiencies, potential share in customer cost savings)
- ✓ Existing relationship should minimise implementation and run cost
- ✗ But concerns from other suppliers re independence and IP/confidentiality protection

### Outsourced supplier; non-incumbent



- ✓ Advantage of “perceived independence” through external change agent
- ✓ As a result, less resistance to implementation of interoperability requirements
- ✓ But limited service delivery context, institutional history and nuances of existing supplier relationships?
- ✗ Also, potential deadweight cost to the SI business case (e.g. no existing relationship to leverage); greater need to find efficiency offsets

Other general considerations include a realistic assessment of the capability of the retained organisation – the balancing act between effective supplier relationship governance and escalated issue management on the one hand with, on the other, allowing the service integration provider to perform its role without undue interference is a fine one – both in terms of contracting language and post-execution management.

Of course, the valid criticism of the above is that it considers service integration in isolation. Other than in greenfields opportunities (comparatively rare in Australia, but perhaps more relevant in the broader region), any service integration solution must, as its name demands, integrate with existing third party suppliers. For an optimal outcome, existing third party supply arrangements will require amending to reflect the requirements of the service integration model, for example:

- Provisions where the third party provider explicitly acknowledges the multi-vendor ecosystem in which it operates.
- Cooperation and interoperability requirements (including open standards, where relevant).
- A “fix first, determine costs later” principled-based approach to issue resolution.
- Inter-vendor operating level arrangements (importantly, being very clear as to the extent to which such arrangements constitute binding obligations).
- Consistency of service level requirements as between the metrics the third party is required to meet and those being measured/managed by the service integration provider.
- Appropriate IP/confidentiality protections.

This consideration should also flow back into the terms required from the service integration provider, in particular with respect to protection of sensitive information and personnel/systems ring-fencing provisions as between the service integration team and other bid or service delivery teams of that same service integration provider which may be competing against the third party providers for contestable services offered by the customer.

Further, there are a number of useful frameworks and methodologies specific to service integration which can assist in the design, and on-going management, of service integration initiatives. For example, SIAM (Service Integration And Management, initially developed by UK Government in response to service integration initiatives being undertaken in various government agencies) and SIMM (Service Integration

Maturity Model, developed by IBM, and used by the Open Group for the development of OSIMM, the Open Group Service Integration Maturity Model). ITIL, while not specific to service integration, imposes a number of useful disciplines and can operate as a background platform on which service integration processes can be overlaid.

Even so, the implementation of service integration models in Australia (and also regionally) lacks the maturity of other commonly-outsourced service lines. While evolution in terms

of scope, survive assurance and pricing will continue, the short term will likely provide opportunities for both customers and suppliers to mould service integration to their specific requirements and capabilities. However, as in many other service-based initiatives, without a clear view as to required benefits and cost/resource impacts, and without appropriate commercial and contract frameworks to support these, the promise of service integration will not likely materialise.

## ROLE OF TECHNOLOGY IN THE AUSTRALIAN FINANCIAL SYSTEM

One of the key areas for examination for the Murray Inquiry, which is conducting a broad review into the Australian Financial System, is the role of technology. The interim report, which was recently released, does not make any specific recommendations but does provide guidance on the panel's current way of thinking. In relation to the technology sector, these are the key identifiable issues:

### ■ **Balancing innovation and risk:**

There is a lot of wanting to have the cake and to eat it too, recognising that the adoption of technology is generally positive for consumers yet can also introduce enhanced risks.

### ■ **The role of regulation:**

Submissions unsurprisingly stressed that regulation should help not hinder digital adoption. There is also a call for technical neutrality as an aim for regulations. Future regulation should, however, adopt a technology neutral approach at a frameworks level.

### ■ **Regulatory perimeter:**

The scope of the regulatory perimeter is considered in light of the non-traditional players providing financial-type functions. This advance is generally recognised as a positive change in terms of competition for consumers.

### ■ **The role of Government in innovation:**

Certain submissions suggested the role of Government could be increased in terms of either a strategic body to oversee technology policy and promote innovation and/or the development of a comprehensive Government strategy. The concern is that the inherent centralised control (and potential bureaucracy and diplomacy) involved in any overall body or strategic reset is anathema to innovation.

### ■ **Privacy/Data Protection:**

Unsurprisingly, both privacy and data protection are key areas of examination. More concerning perhaps is that views are sought on whether there should be **mandatory notifications of data breach** to impacted individuals and Government agencies. While notification may itself already form part of other privacy obligations, imposing a mandatory regime would result in increased compliance cost and, potentially, adverse customer reaction (depending on timeframes within which notification is required).

### ■ **Cyber Security:**

No surprises that the section on cyber-security is one of the more detailed subsections given the increasing awareness of the extent of, and risks caused by, cyber-attacks, at least in terms of outlining the current cyber security landscape.

### ■ **Digital Identity:**

With the impacts of identity crime, the need for trusted identification in the digital world is critical. Certain global initiatives highlight the growing role of FS institutions in providing identity solutions (not Government), while other nations have introduced government supported initiatives. The upshot of the discussion is the option of developing a national strategy for promoting trusted digital identities. In fact, Estonia has had a government supported digital ID programme in place for around a decade.

# PRIVACY PRINCIPLES: LOVE IN THE TIME OF NPPS

The Privacy Commissioner's report indicates that in January 2013 Cupid identified a rogue file on its servers. Cupid's investigations into the rogue file found that hackers had exploited a vulnerability in the application server platform which allowed them to access Cupid's databases. A patch for the vulnerability had been released days before the attack, however Cupid had not received notice from the developer that the patch was available (despite this being the usual practice). Cupid promptly applied the patch after becoming aware of its existence which prevented the hackers from obtaining further data.

At the time of the data security breach, the Australian Privacy Principles (**APPs**) were not yet in force. Accordingly, the Privacy Commissioner considered whether Cupid had complied with the following National Privacy Principles which required organisations:

- to take reasonable steps to protect the personal information they hold from misuse and loss and from unauthorised access, modification or disclosure (now covered by APP 11.1);
- to take reasonable steps to destroy or permanently de-identify personal information that they no longer need for any purpose for which the information was collected (now covered by APP 11.2); and
- to use or disclose personal information only for the purposes identified at the time of collection, unless an exception applies (now covered by APP 6.1).

The Privacy Commissioner found that Cupid had taken a number of reasonable steps to protect the personal information (which included sensitive information such as racial/ethnic origin, religious beliefs or affiliations and sexual orientation) of its users. These steps included:

- applying patches and security updates as they became available from suppliers;
- utilising malware and antivirus software;
- utilising database segmentation techniques;
- conducting daily vulnerability scans; and
- operating an intrusion prevention and intrusion detection firewall.





However, Cupid stored user passwords in an insecure manner in plain text. The failure to apply encryption techniques such as hashing or salting to these passwords was enough for the Privacy Commissioner to find that Cupid had breached its first obligation.

The media allegations of the Cupid data breach reported that the personal information of 42 million users had been compromised. However, Cupid advised that there were a number of junk and duplicate accounts, meaning this figure was not accurate. Cupid had no process in place to identify unused accounts and subsequently destroy or de-identify the personal information contained in those accounts. Therefore, Cupid was also found to have breached its second obligation.

The final issue was whether Cupid had “disclosed” the personal information of its users through the cyber-attack. Importantly, the Privacy Commissioner noted that the concept of “disclosure” requires an entity to have “released the information by its own action, intentionally or otherwise”. Therefore, an entity will not be considered to have disclosed personal information where a hacker accesses the personal information by penetrating security features.

Fortunately for Cupid, no financial penalty was imposed for these breaches. However this is most likely because of the rapid action taken to apply the patch and notify users of the breach as well as the level of cooperation provided to the Privacy Commissioner during the investigation.

## ARE YOU SAFE?

The report is a timely reminder for businesses to ensure that they have implemented appropriate levels of security in relation to the personal information they have collected – particularly if that information is sensitive in nature. Furthermore, it is a reminder to schedule a “spring clean” and ensure that data that is no longer required is destroyed or permanently de-identified.

For more guidance about how to comply with your obligations to keep personal information secure and to destroy or de-identify personal information that is no longer required, please refer to our previous updates:

- *Information security obligations for Australian business under the Privacy Act, and*
- *What do death, taxes and deactivated online accounts have in common?*

# EU RULING COULD SEE MORE RETAILERS REGISTER PREMISES AS A TRADEMARK

By Rohan Singh, Special Counsel, Australia

Retailers are increasingly investing more time and money on ensuring their physical premises attract and retain customers. But while investing in a retail concepts that work increases sales and patronage for a retailer, it can be difficult to protect those concepts that work well from competitors.

To date, no Australian retailer has successfully protected their concept by registering a store layout as a trademark. However, this may be about to change. The Court of Justice of the European Union recently held that store layouts are registrable as trademarks if they are “capable of distinguishing” the retailer’s goods and services from those of its competitors.

The most difficult hurdle for Australian businesses will be demonstrating to the Trademarks Office that their store layout trademark is distinctive. This requires significant evidence demonstrating customer recognition of the layout as an indication of trade origin.

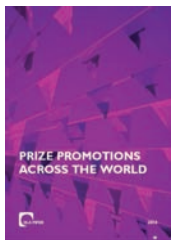
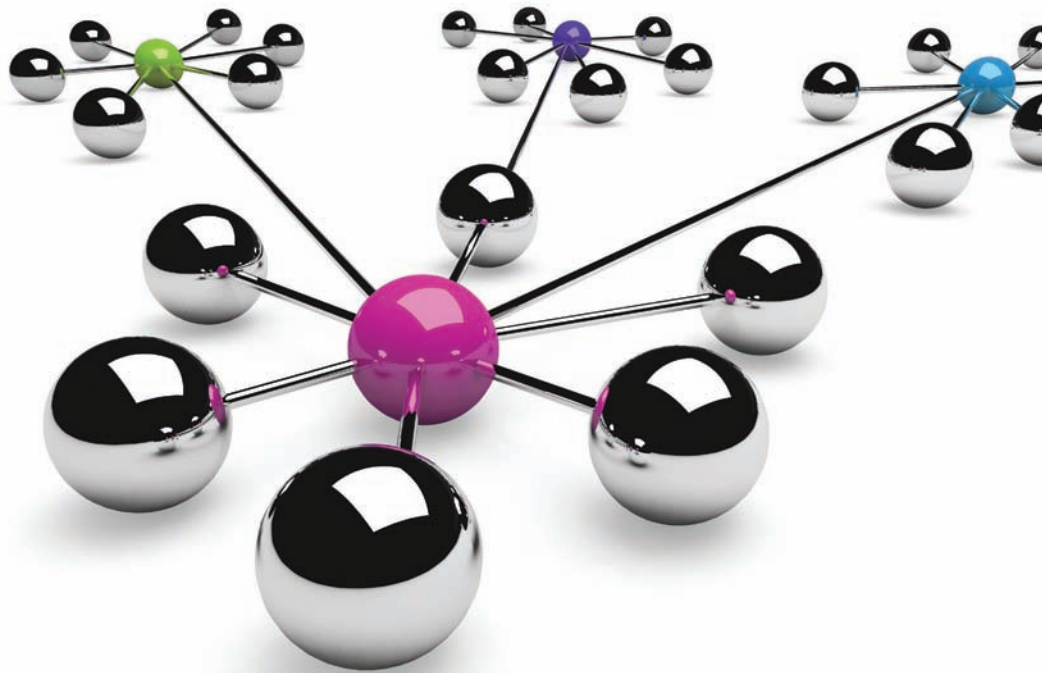
The elements of the store layout must also be clearly described and represented in the trademark application. For example, colours of the store would be included, but it must be conveyed in by more than a two dimensional plan drawing. However, a balance should be struck; include too few elements and it would be practically impossible to convince the Trademarks Office that the layout is distinctive. However, if

Retailers include too many elements, competitors may be able to avoid infringement by using some, but not all, of the elements of the layout trademark. Retailers will need to keep in mind that a competitor would only infringe if it uses a similar layout as a trademark.

Ideally, this is an issue that retailers should consider when developing their layouts and retail concepts, with the plan in mind that the layout itself can quickly gain an exclusive reputation as indicating the goods or services of that retailer. Additionally, a design registration may be available for new and distinctive elements of shop fit-outs, and this protection must be sought before the design is disclosed to the public.



# GLOBAL RESOURCES TO HELP MANAGE YOUR GLOBAL BUSINESS



## PRIZE PROMOTIONS ACROSS THE WORLD HANDBOOK 2014

DLA Piper's complimentary global handbook introduces you to basic requirements for the operation of prize promotions, from management of the first steps to potential local pitfalls, in 20 key jurisdictions around the globe.

Download the handbook on this page:

<http://www.dlapiper.com/en/australia/insights/publications/2014/03/prize-promotions-across-the-world-handbook/>



## SOURCING REFERENCE GUIDE 2014

DLA Piper's complimentary Sourcing Reference Guide helps you tackle the key issues in your sourcing transactions as you strive to achieve commercially robust and successful longterm partnerships.

The guide combines best practices from our leading global team, covering a range of sourcing transactions – ITO, AD/AM, BPO, F&A, HRO, FM, infrastructure, networks and more.

Download the guide on this page:

<http://www.dlapiperoutsourcing.com/tools/sourcing-reference-guide.html>

*The information contained in these guides is for informational purposes only and should not be construed as legal advice on any matter.*



# CHINESE TRADEMARK LAW

## FIVE KEY STEPS TO PROTECTING YOUR MARKS

By Horace Lam, Partner, China

China's eagerly anticipated amendments to its trademark law came into force on 1 May 2014. This new legislation aims to modernize and streamline the trademark process, strengthen trademark enforcement and make trademark squatting and counterfeiting more difficult. But it can also yield opportunities for trademark hijackers.

**Here are the top five steps to take now to protect your trademarks.**

### 1. Do a trademark audit

The new law makes opposition difficult. One of the most important changes in the new trademark law is the removal of the opponent's right to file a review against the Trademark Office's decision in an opposition if the initial opposition does not prevail. In such a circumstance, the only option remaining would be to file for cancellation. Judging from the China Trade Mark Office (CTMO)'s prior track record, the chance of success in an opposition is not high. This means that you should conduct a timely audit to identify the gaps in their portfolios and then try to fill these gaps. Unlike in the US, in China there is no use or intention-to-use requirement to file

(it is purely a first-to-file system). Any gaps in a portfolio could allow hijackers to acquire your marks.

### 2. Tighten up the portfolio

Once any gaps are identified in the audit, you should file applications to address any identified issues and close the gap. The new law provides for multi-class applications, allowing companies to file a greater number of applications (even for defensive purposes) that will tighten up their portfolios in a more streamlined way. This process should include Chinese trademarks, which are hugely important for the Chinese market, considering the complexity involved in choosing and protecting Chinese

trademarks. Sound marks are allowed – important for technology companies. Note that the multi-class application process essentially makes filings cheaper. But added to China's lack of use or intention-to-use requirements, this also means lower cost for hijackers.

### 3. Start compiling good records

The Implementing Regulations section of the new law is still under discussion, but according to the latest draft, the time limit to file supplemental submissions and evidence has been substantially reduced – from three months to 30 days. Often, materials obtained outside of China need to be notarized and legalized, so a 30-day deadline is going to be

tight. We don't know if this draft will ultimately be approved, but you should start collecting and putting together folders of good records (to illustrate such things as use, registration, fame and reputation) so materials are at hand when needed.

#### **4. Record all trademark license agreements as appropriate**

Under current practice, a trademark license has to be recorded with CTMO within three months upon signing. However, neither the law nor the rules set out the consequence for failing to do so (and because of that, many companies chose not to record their licenses, or at least some of them). In practice, CTMO still processes the

license recordal applications, as long as they are filed within a reasonable time (such as a year upon signing). The new version of Implementing Regulations expressly provides that CTMO will not process late-filed license recorded applications – and although failure to record a trademark license does not affect its validity, the license then cannot be enforced against a third party acting in good faith. You should review your trademark licenses and take the appropriate actions.

#### **5. Plan ahead for your enforcement campaign**

Strategy is the key word for managing a company's trademark portfolio. When it comes to enforcement, the

new law has substantially increased compensation for damages as well as penalties. For example, the concept of additional damages has effectively been introduced: statutory damages (for which most cases in China are based upon) have been increased sixfold (from RMB500K to RMB3 million); administrative penalties can now be up to five times the illegal revenues. The government has shown a clear desire to clamp down on infringements. You should take advantage of this and act assertively against infringers. There are many enforcement options available in China (civil, criminal, administrative, Customs). This is the time to utilize these options and formulate an effective enforcement strategy.

## **HAVE YOU APPOINTED YOUR SINGAPORE DATA PRIVACY OFFICER YET.....?**



As of 2 July 2014, organisations collecting and handling personal data in Singapore will come under a legal obligation to appoint a data protection officer to ensure that their operations are compliant with the Personal Data Protection Act. Requirements under the Act include being responsive to enquiries and complaints relating to the organisation's personal data handling practices and answering to individual's requests to access and/or amend their personal data held by the organisation.

A data protection officer can assist you in meeting your legal obligations and be the key contact point for your customers, employees, suppliers or other persons whose personal data is held by your organisation.

For many organisations, the data protection officer will be a relatively passive role in the absence of personal data requests, enquiries or complaints. Many organisations therefore have reservations about budgeting for such an ad-hoc position or burdening an existing staff member with a task that is not within their core competency.

DLA Piper's tailor-made COMPLY service can help you kill two birds with one stone. Drawing on our experience of working on data privacy related matters and working with Singapore counsel, we can help you save costs by acting as your data protection officer, so you do not need to budget for a permanent position within your own organisation or worry about breaching your statutory obligations by missing a personal data related complaint in your inbox.

Contact [comply@dlapiper.com](mailto:comply@dlapiper.com) or **Scott Thiel** for further details.



# THE HIDDEN VALUE OF INTELLECTUAL PROPERTY OPTIMISING MINING OPERATIONS

By Robynne Sanders, Partner, Australia

As the mining boom softens, mine operators and suppliers are focussing on optimising products and processes to maximise returns and reduce costs.

Optimisation creates intellectual property. Depending on the nature of the optimisation, the intellectual property derived can be a valuable asset capable of creating its own income stream or monopoly position. But beware – while you are creating your own intellectual property your competitors are doing the same, and this could give them a competitive advantage.



## THE GOOD

Intellectual Property can be a valuable asset, adding to the financial position of the company and creating a unique market position.

### Creating a Monopoly

Optimisations that improve yield, speed or value can be protected by patents or can be maintained as valuable confidential information. Either way, the patent or confidential information creates a monopoly for the owner.

Once a monopoly has been achieved, it can be exploited to prevent competitors from using the same optimisation on other projects. Exclusive optimisation will increase the potential income from a mine operation and enables, at a minimum, a more attractive position to be negotiated, and at best will prevent competitors from competing for that project.

It is a misconception among many in the mining sector that an optimisation for one project is specific to the conditions at that site and cannot be extended to other projects. Some process optimisations will be unique to the composition of a particular ore body, but most optimisations can be replicated or modified for wider application.

### Optimisation creating Licensing Income

An alternative to using intellectual property to create an absolute monopoly is to license the intellectual property to others, creating an income stream from the licence fee (either up front or royalties).

Where the owner of intellectual property created from optimising a product, system or process has no interest in a country, application or project the owner can licence its intellectual property to an interested party. That generates, for the owner, an alternate income stream from mine operation that it cannot, or does wish to, be involved in. Clearly this has the potential to multiply the return on investment.

## THE BAD

The majority of mine operators and suppliers are also optimising their products and systems and creating their own monopoly IP rights.

### Competitor Owned Intellectual Property

Where a competitor owns intellectual property relating to an optimised product or process it will enable them to make a more attractive proposal for a project – lower cost, higher returns, or improved performance. This will put others at a significant disadvantage.

In some circumstances the existence of the intellectual property rights will prevent any person other than the rights owner from offering a competing product or performing a similar process. This will prevent others from approaching certain projects, effectively avoiding any competition and allowing the owner to set its price.

### Supplier owned Intellectual Property

For mine operators, their suppliers are developing exclusive rights to aspects of the supplied products (freight wagons, generators, maps) and processes (refining processes, tracking and control software). Optimised products and processes will provide the mine operator with the best outcome – getting the maximum yield and revenue from any project.

However, these optimisations will likely come with an increased price. Mine operators should also be wary that they acquire the intellectual property rights from the supplier for the entire life of the project. Where a supplier provides a product or process and the mine operator only has a licence to the intellectual property for a fixed period they will have to negotiate a new or extended licence in circumstances where it will be very difficult to cease using the product or process. The operator is thus in a very difficult negotiating position.

## THE UGLY

The worst case is where a product or process is implemented which breaches another's intellectual property rights. The resulting litigation will be lengthy and costly to all parties.

While the financial damages could be considerable a greater risk for the mining industry is that an injunction is ordered, preventing the ongoing use of the product or process. Injunctions can be ordered with little warning, and may impact the extraction, refining or transportation of resources. Obviously if resources are not leaving the site this will adversely affect cash flow and can quickly cripple a project.

This creates a powerful incentive to enter into a commercial arrangement, and will be used as leverage by the rights owner.

## SUMMARY

Optimisation creates considerable advantages both for instant application but also other later projects. Owners should look to maximise the opportunities to extend the optimisation to other projects or create revenue from licencing – increasing financial return. Watch with caution your competitors as they will also be looking to maximise the value of their optimisation, and may do so to your detriment.



# WHAT IS WORTH COPYING IS WORTH PROTECTING

By Ian Jebbit, Hong Kong

## PROTECTING YOUR BRAND THROUGH COPYRIGHT....

Despite recent advances in the trademark system in China, the problem of trademark piracy in China continues to plague brand owners. The causes of this are many but include China's rigid adherence to a first-to-file trademark system, its adoption of a unique system of trademark classification and the absence of a clear and unambiguous requirement on trademark applicants to act in good faith.

Most brand owners are aware of the need to register their core brands in China at the earliest possible opportunity and also to claim for protection as widely as possible. Yet many brand owners still fail to do this or, where they have had the foresight to register, are often constrained from filing as widely as they would like by the costs associated with obtaining trademark protection.

China is a signatory to the Berne Convention meaning that copyright works created in other signatory states are afforded protection in China. This creates valuable opportunities for Western brand owners as copyright can often be used as a basis to take action against brand pirates and infringers where it is not possible to enforce trademark rights. Yet our experience is that brand owners rarely look beyond the registration of trademarks when considering how to develop a strong and defensible brand in China.

Few, if any, brand owners are aware of how copyright, and China's system of copyright registration, can be used to strengthen a brand owner's protection of its logos or trade dress in China by acting as both a sword against infringements and as a shield against brand pirates.





## COPYRIGHT AS A SWORD

Examples of Western brands' logos being copied in China are so commonplace as to be a popular truism. The most obvious are copies of a brand's logos being applied to fake goods, fake services and even fake retail stores.

Less obvious, but just as insidious, are the examples of brand free-riding where a similar logo is adopted in order either to actively confuse consumers or to attract some of the "aura" of the Western brand. Yet when combating this kind of copying, Western brand owners frequently find their trademark portfolios are found wanting. Either they have never registered their logos as trademarks in China or their trademarks are not widely enough protected to be able to stop fake products, particularly in respect of non-core products or where the logos used are imitative but not identical. In this situation, copyright can frequently come to the aid of the brand owner because it can be used to protect against many forms of copying, not just copying which causes confusion amongst consumers.

Unlike trademarks, copyright is also unconstrained by the need to show that the goods or services to which the fake logo are applied are identical or similar. It can therefore be used by brand owners to obtain "cross class" protection for their brands. However, in order to take full advantage of the latent power of the copyright in their logos, it is vital for the brand to register its ownership of copyright in its logo with the China Copyright Protection Centre.

## COPYRIGHT AS A SHIELD

Copyright can be a hugely powerful tool when a brand owner is faced with the common problem of having to oppose a pirate application which is a copy of the client's logo or some other aspect of the client's trade dress. Typically, problems occur for the brand owner where either it has no registered trademark or where the pirate application covers different, but often closely related, goods or services. In this situation, the brand owner has to rely on claiming that its trademark is well-known in China, that it has a prior use and reputation in China or that there was a prior agency or business relationship between the brand owner and the pirate applicant. Yet, in practice, providing sufficient evidence to establish one of these grounds to the satisfaction of the Chinese authorities can be hugely challenging for a brand owner. Frequently, where the brand owner only manufactures but does not sell in China, sales records to support a prior use and reputation are unavailable or there is no written contract to prove the prior business relationship.

Yet all is not lost. Article 31 of the Chinese Trademark Law requires that an application must not prejudice the prior rights of another person and recognises that copyright is one of the prior rights which can be protected under Chinese law.

Copyright can therefore step in where the brand owner's marks have not been used, or are not well known, in China and where there is no prior agency or business relationship with the pirate applicant.

Crucially, copyright can also afford the brand owner "cross class" protection against copy marks which are in applied for in respect of goods and services which are non-core to the brand owner. Again, this is good news for the brand owner but, as outlined above, registration with the China Copyright Protection Centre is key to the brand owner being able to rely on the copyright in its logo as a means for opposing pirate applications.

## REGISTRATION IS KEY

As we have seen, copyright can be a powerful weapon in the brand owner's armoury in China. Yet this weapon can be blunted if not deployed properly. When enforcing copyright in logos, many brand owners have found to their cost that failing to register their copyright can result in the Chinese courts and administrative authorities failing to recognise the subsistence of copyright. This is particularly the case with administrative authorities who are notoriously reluctant to take action without first seeing a copyright registration certificate. Similarly, a lack of recognition is also frequently seen in opposition proceedings before the Chinese Trademark Office and the Trademark Review & Adjudication Board. We have seen first-hand numerous clients' claims to copyright in a logo being rejected for lack of registration. We also frequently see the failure to register copyright negatively impacting a brand owner's ability to take prompt enforcement action or to oppose pirate registrations.

## WHAT DLA PIPER CAN OFFER YOU

Our specialist team of lawyers can help you by:

- Reviewing your brand portfolio against the logos used in your business to identify priority logos for protection;
- Advising you on the evidential requirements for copyright registration in China;
- Protecting your logos through filing copyright registration applications.

# IPT INSIGHTS

## IPR CUSTOMS RECORDATION IN CHINA GOES PAPERLESS

The China General Administration of Customs (**GAC**) has launched its new online recordation system. The new online system allows the entire application for intellectual property right (**IPR**) recordation with the GAC as well as any subsequent updates to go paperless, which is expected to significantly improve the efficiency, accuracy and reliability of the recordation. IPR owners not only need to complete an online application form, but also need to submit the form in hard copy together with other supporting documents to the GAC for process of the recordation. The new system is expected to increase the efficiency of the Customs, and also brings convenience to the IPR owner to monitor the status, maintain and renew its recordation by clicking a few buttons.

## LEGAL PITFALLS OF SEARCH ENGINE OPTIMISATION

Growth in the search engine optimisation market has made a new set of tools readily available that traders can utilise to attract customers. However, the legitimacy of some traders use of these new tools has been called into question. While the case law in Australia is less than settled, recent decisions have indicated that use of a competitors trademark in the ad text of a Google Adword may amount to trademark infringement and misleading and deceptive conduct depending on the nature and circumstance of use. However use of a competitors trademark in meta-tags, where the trademark is never projected to the public, is unlikely to be considered trademark infringement but may still be considered misleading and deceptive conduct subject to the entirety of the conduct and surrounding circumstances.

## WE LOVE A SPORTING COUNTRY...

Sport (and sports spectating) is part of the Australian zeitgeist and there is nothing the Australian Government loves more than hosting a major sporting event.

In the coming years, Australia will play host to the Asian Football Confederation Asian Cup 2015, the International Cricket Council Cricket World Cup 2015 (co-host with New Zealand) and the Gold Coast 2018 Commonwealth Games.

In order to protect the value of indicia and images associated with these events, the Federal Government recently introduced the Major Sporting Events (Indicia and Images) Protection Bill 2014. The Bill (if passed) will introduce a number of measures which will give official sponsors of these events some comfort that they will be getting value for money and will not lose their merchandise market or promotional opportunities to brands that engage in ambush marketing (where a business infers an association between their brand and the event although no such association exists).

The Bill provides for a number of potential remedies including injunctions, damages, corrective advertising or the seizure of goods if there is unauthorised commercial use of protected indicia, images or particular protected words/phrases which are set out in the Schedules to the Bill. The Bill is important as it provides protection to event indicia that may not otherwise have been protected under the *Trademark Act 1995* (Cth) or *Copyright Act 1968* (Cth). The Government also hopes that the Bill itself will deter ambush marketers and provide greater clarity about the existence and scope of intellectual property rights associated with these events.

## WHO IS LIABLE FOR THE INTERNET OF THINGS?

The Internet of Things (**IoT**), which is sensors, actuators, and data communications technology built into physical objects that enable those objects to communicate intelligently across a network or the internet, has attracted significant attention. As objects themselves are brought online, a number of legal issues will arise. Aside from privacy and data security, liability for personal injury and property damage may be a significant area of concern for stakeholders. If someone is injured when roads and traffic lights communicate with cars to organise peak-hour traffic more efficiently, the current legal principles regarding causation and product liability may not provide a clear answer on where liability should fall. If the code in the traffic light made by one manufacture fails to properly communicate with the code in the cars or the roads made by different manufactures, which programmer is to blame? One thing is for sure – IoT is certainly creating much legal food for thought.

## DLA PIPER ADVISES ON AU\$264 MILLION IT CONTRACT

DLA Piper has recently advised the Australian Government's Department of Defence on the completion of a AU\$264 million contract for hardware and software services with IBM. DLA Piper partner Caroline Atkins, senior associate Chris Headon and solicitor Daniella Gennari, have been working with the department on its major information technology vendor program since 2008. Under the terms of the contract, IBM will provide support and services for existing IBM hardware and software, technical support for the department's mainframe environment, and support for its fleet of IBM servers. IBM was advised by in-house counsel.

## PATENT LITIGATION CONTINUING GROWTH

There seems to be no upper limit to the amount of patent litigation in Australia. Fuelled internally by a softening in the resources sector, leading to large litigations in the mining and engineering sectors, and internationally by proximity to Asia and large market shares enjoyed by global innovators, leading to large litigations in all sectors.

The Australian innovation patent continues to create additional litigation. Easier, quicker and cheaper to get than a standard patent and almost impossible to invalidate due to its lower standard of patentability, the innovation patent provides an additional level of protection for critical inventions (and is used for this purpose by companies in the life sciences and technology sectors). An innovation patent can also be used to obtain early patent protection to sue a competitor while the standard patent remains pending, allowing the patentee to secure an injunction early, and enforce its patent rights with minimal risk to the International portfolio, while the infringer is still faced with the uncertainty of the pending standard patent.



## DLA PIPER NAMED GLOBAL IP FIRM OF THE YEAR 2014

When it comes to managing global IP, DLA Piper has players positioned in markets that matter around the world. We are pleased to be named Global IP Firm of the year 2014 by *Managing IP*, and we look forward to showing you what our team can offer.