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COMMERCIAL & TAXATION

Five tips to protect your Intellectual Property

Protecting your Intellectual Property (IP) is an important consideration for people who have taken the time, energy and effort to create something of value. Typically, IP covers works created by authors, artists, musicians and inventors. We list below five things you should consider if you have a product of human intelligence or creation which requires legal protection.

1 Confidentiality agreements

Before disclosing any confidential information concerning your business affairs it is preferable to have a confidentiality agreement prepared and signed. If a person breaches confidentiality, the breach will be much easier to enforce if there is an agreement in place.

If it is not possible to get an agreement prepared and signed there may be other ways to protect the confidentiality of your information. If information is made available electronically it may be made subject to appropriate terms and conditions concerning its confidentiality. If the information is to be produced to a third party, a confidential watermark or other designation should be incorporated to show that it is intended to be confidential. If the information is to be disclosed verbally, then the confidentiality should be made known and a note made that such a warning was given at a particular time.

It is critical that the recipient of any confidential information is aware that the information is confidential and that a duty not to disclose the information is made clear.

2 Patents are often difficult to register

To register a patent an idea must be new and involve an inventive device, substance, method or process. Satisfying the requirement for an inventive step is often difficult. For example, software codes may not meet the minimum requirements for registration of a patent. If registration can be achieved, a patent provides a powerful right to enforce IP for up to twenty years. The registration process should be commenced early to enhance the prospect of registration and protection.

3 Trademarks are commercially valuable

Registration of a trademark provides an exclusive right to use a brand name or logo in respect of nominated goods or services. A trademark can be registered relatively inexpensively. The registration helps protect the goodwill and reputation of a business, which may become more valuable as the business grows in the future. The best trademarks are memorable and include either catchy phrases or distinctive logos.

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4 Copyright can provide protection

Copyright can be claimed in any creative works. This will include computer software codes. There is no need to register copyright interests in Australia. Copyright does not subsist in an idea. The rights are enforceable when the idea is reduced into a material form. The document should be dated and the reservation of copyright noted on the document.

5 Who owns the intellectual property?

In most cases copyright will belong to the author of the work, irrespective of whether they were paid to prepare the work. If you engage someone to produce material, it is critical that you own all the rights associated with that work. If you intend licensing IP to third parties, you should review the terms of the licence carefully. It is critical that you have the right to allow someone else to use that IP.

Protecting your IP is an important part of any creative process. Enlist our advice at an early stage to ensure that your interests are protected.

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McKEANPARK LAWYERS

Buying goods from overseas – what are your rights?

Buying goods from overseas and online can often be cheaper and more convenient. However, once it arrives, the item that looked perfect on the website might not be of great quality or work as well as you thought.

What recourse do you have under Australian law?

The Australian Consumer Law (ACL) provides consumers with implied guarantees when purchasing goods in Australia for under $40,000 which are used for personal, domestic or household use or consumption. These include a guarantee that the goods are of an acceptable quality, correspond with the description and are fit for any specified purpose.

Does the ACL apply to goods purchased from overseas?

In the case of *Australian Competition and Consumer Commission v Valve Corporation (No 3)* [2016] FCA 196 the Federal Court earlier this year, held that the ACL applies to the supply of goods to Australian consumers from an overseas online platform, even if the contract and goods supplied are governed by a foreign law. The Court said that a foreign company operating outside Australia will be regarded as carrying on a business in Australia if the company makes repeated sales, generates revenue and has business relationships in Australia.

Therefore, the implication is that a local consumer of overseas goods may commence proceedings in Australian courts should the goods breach the ACL and the consumer guarantees.

What about importers of goods?

The definition of a consumer does not extend to an individual or business who acquires goods for the purpose of resupply. The ACL will not apply to dealings between a foreign producer and an Australian importer, who buys with the intention of resupplying goods to the market.

Ideally, relationships between Australian importers and foreign producers should be governed by a contract. This contract should specify terms relating to warranties regarding the quality and condition of the goods, what happens if goods are defective and a dispute resolution process specifying which country's laws are to apply.

Is there any recourse under international law?

If there is no contract, the *United Nations Convention on Contracts for International Sale of Goods* 1980 (the CISG) may apply. The CISG applies to the sale of goods where the parties have their places of business in different countries which have signed the CISG.

Similarly, to the ACL, the CISG includes warranties as to quality and fitness for purpose. The foreign producer is liable for defects, in existence at the time of sale, even if the defect becomes apparent after that time. Importantly, the CISG has a two year limitation period from the time of supply on claims in relation to warranties.

The CISG has seventy signatories including Australia, China, Germany, Korea, the Russian Federation, New Zealand and the USA. Victorian law says that the CISG prevails over local laws to the extent of any inconsistencies.

If the CISG does not apply, under the rules of private international law, the law of the place where the contract was made should govern the contract. If the contract was made in Victoria, local laws will apply including warranty as to quality and fitness for purpose. If the contract was made overseas, the respective foreign law would apply.

Claims and judgments against overseas suppliers

If proceedings are commenced in local courts against an overseas supplier/producer of goods, that overseas party would need to be served in accordance with their respective foreign laws.

In the event the Australian consumer or importer is successful in the proceedings and obtains judgment against the foreign party, steps may be required to register and enforce the judgment in the respective overseas jurisdiction.

Be aware of your rights

When purchasing goods from overseas, it is important to consider in what capacity you are buying the goods and therefore what protection may be available to you and your business.

Importers who regularly purchase goods from overseas for resupply, need to give careful consideration to their contractual arrangements and what recourse is available in the event of defective goods. Ignoring or failing to mitigate these risks can have serious consequences resulting in liability, litigation, expensive recalls and serious damage to a company's reputation and brand.

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Statutory demands – What are they?

When a company owes money to a creditor, the creditor has the option, under the provisions of section 459E of the Corporations Act, to serve what is known as a statutory demand.

If the debt is a judgment debt (i.e. the creditor has a court order for it), the company will only receive a demand. If it is not a judgment debt, the company will also receive an affidavit saying that the debt is owed, with no real dispute about it.

What to do if you receive a demand

You have a choice of three options:

- Pay the debt referred to in the demand within 21 days.
- Enter into an agreement to pay the debt, either at a particular time or by instalments. (The creditor cannot be compelled to enter into such an agreement – it must be an agreement between both of you); or
- Apply to the court within 21 days to have the demand set aside. This can be on the grounds that there is a genuine dispute about whether the debt is owed, or because the company claims that the creditor owes the company more than the company owes the creditor.

What if you don't do anything?

If the company does not take any of the above steps, under section 459C of the Corporations Act, the company is deemed to be insolvent.

What does being insolvent mean?

If a company is insolvent:

- The creditor can apply to have the company placed into liquidation. Other creditors can join that application, even if the company pays the first creditor.
- The directors may be personally liable for debts incurred by the company from the date of insolvency.
- Payments made to other creditors may, if the company is placed into

liquidation, be recovered from those creditors, on the basis that they are "preferential payments." In other words, they have a got a benefit (payment) that other creditors have not.

Points to ponder

There are several issues to be aware of:

- An application to set aside the demand must be issued and served within 21 days of service of the demand.
- The date of service may be earlier than the date the director receives the demand. This can occur if the registered office is an accountant or other than the company premises.
- The 21 days cannot be extended by agreement of the parties. Even if you are negotiating with the other side, and they agree that you do not have to file the application unless talks break down, once you miss the 21 day timeframe it is then too late.
- If you dispute the amount of the debt (e.g. you admit that $50,000 is owed, but not $100,000), the demand will not be set aside in respect of the undisputed amount. The demand would be set aside as to $50,000, and if you do not pay the remaining $50,000 within the time ordered by the court, the company will be deemed to be insolvent.

Lessons to Learn

- Make sure you receive all correspondence addressed to your registered office promptly.
- Act quickly.
- Issue and serve any application within 21 days.
- Seek our legal advice.

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Leasing - traps for the unwary!

Protecting the rights and reducing the potential pitfalls of landlords and tenants involved in commercial leasing agreements is increasingly complex. It is not uncommon for issues to arise between tenants and landlords, necessitating careful drafting of leasing documentation. In this article we examine four of the most common leasing pitfalls.

1 Reinstatement obligations

Office fitouts are part and parcel of most commercial leasing arrangements, costing tenants significant amounts of money. But what happens to fitouts at the end of the lease term?

In most cases, tenants are obliged to reinstate premises to their original condition upon vacating the property. For landlords, renovations to commercial properties usually have little value, as they will be unsuitable for future tenants. Whilst renovating premises is expensive for tenants, so too are the costs of reinstatement.

Therefore, leases must be drafted for tenants to lessen or negate their exposure to reinstatement costs. When acting for landlords, it is important to ensure that the responsibility and financial burden of reinstatement is held by the tenant.

2 Recovery of outgoings

Under a lease, there are a range of costs called outgoings. Outgoings include levies, insurance and rates, often totalling significant sums each year. If a landlord wishes to recover outgoings from their tenant these must be specified within the lease contract. To avoid argument, close attention to the drafting of lease documentation is paramount.

Under the Retail Leases Act, landlords must specify at the commencement of the lease, and at the start of each year thereafter, an estimate of any outgoings to be paid by the tenant.

3 Redevelopment claims

Melbourne is currently in the throes of a redevelopment boom. In light of this, landlords are keen to ensure that their ability to take advantage of any redevelopment opportunities is protected – even whilst their property is commercially leased. When assisting landlords, we ensure that a clause allowing for a six month redevelopment notice is included. Conversely, tenants want to ensure that their right of occupation is protected. In this case, we seek to postpone any right of the landlord to exercise their redevelopment rights to give the tenant a reasonable period of occupancy.

4 Serving of notices

The serving of formal notices can trip up the unwary. Lease contracts often dictate that notices must be served within specific timeframes or adopting prescribed methods. With reduced Australia Post deliveries, we do not always advise clients to serve a notice through the post, even via registered mail, as this can leave you exposed if you need to prove service.

All notices must be served in a manner to ensure that proof of service has been obtained. We often advise that notices be personally served or delivered and accepted with a signed and dated receipt.

Entering into a commercial lease arrangement armed with expert legal advice and a professionally drafted lease agreement is imperative. Never sign a lease, either as landlord or tenant, without first having your contract checked by our lawyers.

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Statutory warranties in mixed use developments

In Victoria, home owners have extensive legal protection against home construction defects. However, what is the case for purchasers of mixed use developments?

Warranties for residential construction

Warranties for residential construction are detailed in Section 8 of the Domestic Building Contracts Act 1995 (DBCA). This includes that the work will be carried out in a proper and workmanlike manner, that it will comply with all relevant laws, that the home will be suitable for occupation; etc, etc. These are part and parcel of every domestic building contract.

The current owner, whether they contracted with the builder or bought the property subsequently, can take legal proceedings against the builder on the warranties for up to ten years after the occupancy permit was granted.

Warranties for non-residential construction

The DBCA does not extend to non-residential construction. The developer of an office building, a retail development or an industrial site will ensure that under the construction contract, the builder gives detailed warranties as to quality and performance. These warranties do not protect subsequent owners. The purchaser of non- residential real estate normally takes "as is", defects included.

Warranties for mixed-use developments

What about mixed use developments? It is now normal for developments to have both residential and retail

components. How do the statutory warranties operate where only part of the building is residential?

Section 6 of the DBCA exempts "any work in relation to a building intended to be used only for business purposes". This could be interpreted as meaning that a building used solely for business purposes is outside the DBCA, while a building used for a mixture of business and residential purposes comes within the DBCA.

Recent cases suggest (without finally deciding the point) that in a mixed use development the statutory warranties will cover the residential parts of the building, but will not cover the non-residential parts. This suggests that for this analysis, the building is divided between residential and non-residential parts.

The consequences for mixed use developments

This seems straightforward enough. However, where residential and non-residential lots are part of the same structure things become more complex. Structural elements are often common property, owned by the owners corporation. The owners corporation may affect both residential and non-residential lots.

In that case, would the statutory warranties apply to the whole common property, or only parts of it? There may be endemic cracking right throughout concrete slabs, which are part of common property. In this case, can the owners corporation seek redress only for cracking near the residences?

Buyer beware!

Where is the dividing line between the residential and non-residential parts of the common property? In some cases, this may be simple to determine. In others there may be no ready answer - even after a thorough analysis of the building, the defects and the plan of subdivision.

In any event, owners, owners corporations and their managers should be aware that while the statutory warranties in relation to building defects apply to residential properties, they may not apply to non-residential properties, even if they are part of a mixed use development.

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Welcome to Angelo Germano

In January we welcomed Angelo Germano to our Commercial Litigation and Insolvency Teams.

Angelo acts for individuals, businesses, companies, administrators and liquidators in a broad range of commercial disputes. With a practical and commercial focus, he assists clients to achieve successful results. Where possible, he resolves disputes ensuring that costs are contained and outcomes are certain.

After graduating with a Bachelor of Arts/Bachelor of Laws from Monash University, Angelo completed an internship in Italy with Mercedes Benz. Completing his Articles in his home town of Gippsland, Angelo was admitted to practice in 2012. Since joining McKean Park, Angelo is enjoying the quality and diversity of matters in his new role.

Retirement of Geoff Park

At the end of June, McKean Park bade a fond farewell to Geoff Park after forty-eight years of service.

Geoff graduated with a Bachelor of Laws from The University of Melbourne in 1966. He completed his Articles prior to joining his father, Les and brother, Richard at McKean Park in 1968. Geoff served with distinction as a partner of the firm for thirty-nine years, until his retirement from the partnership to a consultancy role in 2007.

Geoff has dedicated his career to the pursuit of legal excellence, principally in the area of Wills and Estates, but has also assisted his clients with Commercial and Property law matters.

Geoff was in the first intake of Accredited Wills and Estates Specialists in 1999. His commitment to legal excellence continued with his active involvement in the Wills and Estates Specialisation Committee, for over ten years. Geoff also served on the Law Institute of Victoria Succession Law Committee for over thirty-five years. In 2006, Geoff was honoured with a Law Institute of Victoria Certificate of Service for his outstanding contribution to the legal profession.

Geoff has gained a sense of satisfaction and pride from being a trusted legal advisor to his clients – in some cases assisting families across several generations and often during times of great family difficulty. He also assisted and guided clients involved in litigated matters to achieve satisfactory legal outcomes. Geoff is pleased to leave his clients in the capable hands of Ines Kallweit, an Accredited Specialist in Wills & Estates and a Partner of our firm.

As a son of the founding partner, Geoff proudly ends the seventy-seven year association of the Park family with the firm. It is interesting to note that since James McKean commenced practice in Melbourne in 1863, there have been two generations of McKeans and two generations of Parks involved, spanning the whole one hundred and fifty-three years of practice. We sincerely thank Geoff for his decades of service and wish him and his wife, Joyce a long and happy retirement together.

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