



Australian Government

IP Australia

**Review of penalties and additional
damages**

Trade Marks Act 1995

Options paper

November 2008

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Review of penalties and additional damages - Trade Marks Act 1995 (Cth)

1 Executive Summary

Background

Effective enforcement of intellectual property (IP) rights has become a significant issue due to concerns about the effects of IP infringement, including trade mark counterfeiting. It is an important issue for the Australian Government as IP rights underpin a strong, modern economy.

Criminal offences and civil remedies can be an important element of an enforcement regime. This review of penalties and additional damages in the *Trade Marks Act 1995* (Cth) (*Trade Marks Act*) has been prompted by a recommendation made by the Advisory Council on Intellectual Property (ACIP), recent changes to the *Copyright Act 1968* (Cth) (*Copyright Act*) and concerns raised by stakeholders.

The purpose of this paper is to elicit comments on options which IP Australia is considering recommending to Government. Comments should be sent to:

Review of Trade Mark Penalties and Additional Damages
Domestic Policy Section
IP Australia
PO Box 200
Woden ACT 2606

Or emailed to karen.tipler@ipaaustralia.gov.au

by 27 February 2009

Issues

A recurring problem for many of the issues relating to trade mark counterfeiting is that, while there are considerable concerns, there is a lack of available factual evidence of the impact or magnitude of the issue. For example, the number of trade mark offence prosecutions by the Commonwealth Director of Public Prosecutions per year in the past 8 years has ranged from 4 cases to 16 cases with no clearly increasing trend apparent. This lack of evidence may be caused by the inherent clandestine nature of counterfeiting activity and the difficulty in detecting counterfeit goods.

Level of counterfeiting in Australia

Trade mark owners are expressing concern about the level of counterfeiting in Australia. IP Australia has only limited factual evidence that there is a high level or increasing trend of counterfeiting activity in Australia. Further evidence in submissions would be useful in developing recommendations to Government.

Public health and safety issues

IP Australia is aware of several instances where Customs have seized counterfeit goods that could have impacted on the health and safety of the public in Australia. Instances known include the seizure of:

- counterfeit car spare parts; and
- counterfeit pharmaceuticals.

There are enforcement mechanisms for these issues outside of trade mark law, such as in the *Therapeutic Goods Act 1989* (Cth) and the *Trade Practices Act 1974* (Cth). However, there can still be a negative impact on the brand of the trade mark owner, providing support for raising penalties for current trade mark offences.

Involvement of organised crime

The Australian Federal Police have advised that there is evidence of involvement of organised crime in trade mark counterfeiting, both internationally and domestically. However, they have not been able to quantify the level of this involvement. This issue provides support for the need to raise penalties to act as an effective deterrent.

Penalty levels in other countries

Australia's maximum imprisonment period for trade mark offences was found to be low compared to the average of maximum imprisonment periods for trade mark offences of 24 countries with advanced or developed economies. IP Australia considers that this provides support for raising current penalties to avoid Australia being seen as a more attractive target for counterfeiters.

Economic impacts of counterfeiting

There is considerable concern amongst key stakeholders, in particular business, about the effects of this issue in Australia and overseas. However, the difficulty in determining levels of counterfeiting necessarily affects IP Australia's ability to make an accurate determination of the economic impact of counterfeiting.

Changes to the Copyright Act

Changes to the *Copyright Act* in 2006 included the introduction of a tiered regime of indictable, summary and strict liability offences as well as an infringement notice scheme. Maximum imprisonment periods for indictable trade mark offences are significantly lower than for copyright offences (2 years compared to 5 years). It would seem appropriate for maximum penalties for copyright and trade mark offences to be broadly in alignment.

Issues with civil remedies

Stakeholders have raised concerns that the remedies currently available for civil action under the *Trade Marks Act* are insufficient and have suggested that additional damages be added as an available remedy. Particular concerns raised include that

counterfeiters regard current damages awards as a cost of doing business and that the absence of additional damages in the *Trade Marks Act* is inconsistent with other Commonwealth IP legislation where additional damages are available.

Law enforcement mechanisms in other legislation

Depending on the level of any increase in penalties for trade mark offences, additional provisions under the *Proceeds of Crime Act 2002* (Cth) and the *Telecommunications (Interception and Access) Act 1979* (Cth) would become available to law enforcement bodies. These provisions are designed to assist in the investigation of crimes and penalising of offenders. The positive and negative impacts of raising penalties to a level that would make the provisions available must be considered.

Options

IP Australia has considered a number of options in relation to these issues and has identified the options that, based on the evidence of which it is aware at this stage, it considers could be adopted.

Raise maximum penalties for existing offences in ss145-148 of the Trade Marks Act

IP Australia considers that the maximum penalties for indictable offences should be raised to the same level as in the *Copyright Act*, primarily because of the Commonwealth policy of consistency of penalty levels between similar offences. Penalty levels internationally are also a significant consideration for this option.

Introduce summary offences with lower fault requirements

IP Australia considers that this option should be adopted primarily to give law enforcement agencies more flexibility to help deter trade mark counterfeiting activity. It would also increase consistency with offences in the *Copyright Act*.

Introduce additional damages as an available remedy for civil action

IP Australia considers that this option should be adopted primarily to allow for a punitive response where necessary in civil action for trade mark infringement. Consistency with other Commonwealth IP legislation is also relevant.

This table outlines the changes involved with these options:

Option	Current	Proposed
Increase maximum penalties for ss145-148 indictable offences	- Maximum fine of 500 penalty units. - Maximum imprisonment period of 2 years.	- Maximum fine of 550 penalty units. - Maximum imprisonment period of 5 years.
Introduce summary offence ‘versions’ of existing ss145-148 indictable offences with	- N/A	- Maximum penalties for the offence would be 120 penalty units and/or 12 months imprisonment.

lower fault requirements.		<ul style="list-style-type: none"> - Physical elements of the offences would be the same as for existing ss145-148 offences. - Fault elements for 'conduct' physical elements of the offence would be the same as for existing ss145-148 offences (i.e. 'intention'). - Fault elements for 'circumstance' physical elements would be reduced to 'negligence'.
Introduce provisions in s126 allowing courts to award additional damages for civil action.	- N/A	- The provision would be framed in similar terms to section 122(1A) of the <i>Patents Act 1990</i> (Cth).

Other options, which IP Australia considers should not be adopted at this stage, are:

- *introducing strict liability offences and an infringement notice scheme;*

IP Australia considers that this option should not be adopted, primarily, because it would be difficult for law enforcement officers to implement and would be inconsistent with other common law countries.

- *introducing escalating penalties for repeat offenders; and*
- *aligning fines with the retail value of the genuine goods.*

IP Australia considers that these two options should not be adopted, primarily, because of the negative impact they would have on the sentencing discretion of the courts.

IP Australia seeks submissions on the issues and options mentioned above. These submissions will be used to reconsider these options before making final recommendations to Government.

2 Background

In recent years, there has been considerable concern expressed, both in Australia and overseas, about the effects of IP infringement, particularly in relation to trade mark counterfeiting and copyright piracy. Effective enforcement of IP rights has, therefore, become a significant domestic and international issue. In relation to trade mark counterfeiting, commonly raised concerns include the economic impacts of this activity as well as public health and safety issues and the involvement of organised crime.

IP rights underpin a strong, knowledge-based, global economy. Critical to a successful IP regime is effective enforcement mechanisms. There are many areas that the Government is involved in to ensure that IP rights can be effectively protected within Australia. One of IP Australia's focuses is to ensure that the legislative mechanisms for protection are appropriate.

Criminal offences can play an important role in an enforcement regime by punishing infringers and deterring future infringements. Appropriate civil remedies are also an important mechanism to ensure civil action for infringement is viable for right holders. Civil remedies can also have a deterrent role.

In reviewing the effectiveness of an enforcement regime it is also important to maintain an appropriate balance between the interests of the right holders and the interests of the public including how the public may be impacted by enforcement mechanisms.

This paper will review penalties and available damages in the *Trade Marks Act*. The factors that have prompted this review include:

- A recommendation in the 2004 ACIP Review of Trade Mark Enforcement¹ (the *ACIP Review*) that:

The penalties for offences under sections 145, 146, 147 and 148 of the Trade Marks Act should be reviewed to ensure they are set at an appropriate level and operate as an effective deterrent.

This review also suggested that the availability of exemplary (or additional) damages should be considered;

- Extensive changes that were made to offences in the *Copyright Act* in 2006; and
- Submissions received by stakeholders about concerns they have with current penalties for criminal offences and available remedies for civil action in the *Trade Marks Act*.

¹ Available online at http://www.acip.gov.au/reviews_completed.html#review

This paper seeks views on the following issues:

1. Are the criminal penalties under the *Trade Marks Act* sufficient to deter and punish trade mark counterfeiting?
2. Are the current penalties consistent with the level of penalties applied for crimes of a corresponding gravity?
3. If there need to be changes to the trade marks penalties regime, what options identified in this paper will effectively address the above issues?
4. Should provisions for additional damages be introduced in the *Trade Marks Act*?

Discussion in this paper is set out as follows:

- Current civil and criminal action in the *Trade Marks Act*
- Relevant criminal law concepts and policy
- Issues that are relevant in deciding whether there is a need to change current penalties
- Law enforcement mechanisms in other legislation that would be affected by a change in penalties
- Consideration of options to address issues with current penalties
- Background to civil remedies and additional damages
- Issues with current civil remedies
- Consideration of the option of introducing additional damages provisions

Several documents referred to in discussions are attached at the end of the paper.

3 Submissions

Submissions should be sent to
Review of Trade Mark Penalties and Additional Damages
Domestic Policy Section
IP Australia
PO Box 200
Woden
ACT

Or emailed to karen.tipler@ipaaustralia.gov.au

Submissions close 27 February 2009

4 Current civil and criminal action under the Trade Marks Act

4.1 Civil action and trade mark infringement

Civil action for trade mark infringement can be taken by the trade mark owner under Part 12 of the *Trade Marks Act*.

The main elements of infringement as defined in Part 12 are as follows:

- use as a trade mark, a sign that is substantially identical or deceptively similar to a registered trade mark when used in relation to:
 - goods or services in respect of which the trade mark is registered; or
 - goods and/or services of the same description in respect of which the trade mark is registered; or
 - goods that are closely related to registered services; or
 - services that are closely related to registered goods.

Well known trade marks can also be infringed when applied to unrelated goods or services.

4.2 Criminal offences under ss145-148 of the Trade Marks Act

Sections 145-148 of the *Trade Marks Act* set out criminal offences for certain actions involving registered trade marks.

Unlike trade mark infringement, these offences only cover actions involving:

- use of a mark that is identical to a registered trade mark (or, for some offences, a substantially identical mark or part of an identical mark); and
- where such a mark is applied to goods or in relation to services for which the trade mark is registered.

Described generally, the actions covered by these offences involve:

- falsifying or removing registered trade marks on goods or in relation to services that are being, or are to be, dealt with or provided in the course of trade (s145);
- falsely applying registered trade marks to goods or services that are being, or are to be, dealt with or provided in the course of trade (s146);
- creating or possessing something that can be used in committing an offence under ss145-146 (s147); and
- possessing for the purpose of trade or manufacture, importing for the purpose of trade or manufacture, or selling or exposing for sale goods where a registered trade mark has been removed, falsified or falsely applied (s148).

It can be seen that several of these trade mark offence provisions criminalise the practice of trade mark counterfeiting, that is, where imitation goods are passed off as genuine.

Currently, the penalty for an offence under sections 145, 146, 147 and 148 (and s150) of the *Trade Marks Act*, as set out in section 149, is:

- (a) a fine not exceeding 500 penalty units²; or
- (b) imprisonment for a period not exceeding 2 years; or
- (c) both a fine and a term of imprisonment.

² A penalty unit is currently \$110. See section 4AA of the *Crimes Act*.

Under the *Crimes Act 1914* (Cth) (*Crimes Act*), if a body corporate is convicted of an offence, the court has discretion to impose a fine up to 5 times the maximum specified.³

5 Criminal Offences – Definitions and Policy

5.1 Elements of a criminal offence

Chapter 2 of the *Criminal Code Act 1995* (Cth) (*Criminal Code*) sets out fundamental principles of Commonwealth criminal law. It provides that a criminal offence is made up of a number of elements, which may be either physical elements or fault (mental) elements.

Section 4.1 of the *Criminal Code* provides that a physical element is:

- conduct;
- a result of conduct; or
- a circumstance in which conduct or a result of conduct occurs.

A fault element refers to the state of mind of the defendant. Section 5.1 of the *Criminal Code* provides that the fault elements are:

- intention;
- knowledge;
- recklessness; or
- negligence.⁴

These fault elements are defined in ss5.2-5.5 of the *Criminal Code* and are reproduced at Section 13.3. It can be seen that the level of culpability associated with each element decreases from intention down to negligence.

There is normally at least one corresponding fault element for each physical element of an offence. Where no fault element is specified for a particular physical element in an offence, default fault rules apply.⁵ In order for a person to be found guilty of committing an offence, each of the physical elements and a corresponding fault element for each of the physical elements must be proved.

5.2 Strict Liability

The concept of strict liability means that the prosecution does not have to prove any particular state of mind of the defendant. It is an exception to the rule that each physical element of an offence has a corresponding fault element.

³ See subsection 4B(3) of the *Crimes Act*.

⁴ Commonwealth Director of Public Prosecutions (2003), Trade Mark Prosecutions Outline (unpublished).

⁵ See section 5.6 of the *Criminal Code*.

Strict liability can apply to an entire offence or to a particular physical element of an offence.⁶

5.3 Summary and Indictable Offences

Most criminal offences are classified as either summary or indictable offences. The main difference between the two is that an indictable offence requires a trial by a judge and jury, whereas a summary offence is tried by a judge alone.

Indictable offences are normally serious offences as they justify the increased resource implications associated with a jury trial.

The seriousness of an offence is indicated in legislation by the maximum penalty that can be applied to the offence. The maximum penalty for an offence generally indicates whether it is an indictable or summary offence.

Section 4G of the *Crimes Act* states that:

Offences against a law of the Commonwealth punishable by imprisonment for a period exceeding 12 months are indictable offences, unless the contrary intention appears.

Section 4H of the *Crimes Act* states that:

Offences against a law of the Commonwealth, being offences which:

- (a) are punishable by imprisonment for a period not exceeding 12 months;
- or
- (b) are not punishable by imprisonment;

are summary offences, unless the contrary intention appears.

6 Criminal Offence Issues

6.1 Level of counterfeiting in Australia

A recent study by the OECD noted the difficulty the study encountered in obtaining factual evidence of the level of counterfeiting occurring in countries around the world.⁷

“With respect to scope and magnitude, available information provides only a crude indication of how widespread counterfeiting and piracy might be. What is not known overwhelms what is known. ...For the most part, neither governments nor industry were in a position to provide solid assessments of their respective situations. One of the key problems is that data have not been systematically collected and evaluated by either of the stakeholders. In many instances, the assessments that parties have made

⁶ See section 6.1 of the *Criminal Code*.

⁷ OECD (2008), *The Economic Impact of Counterfeiting and Piracy*, page 15.

rely excessively on fragmentary and anecdotal information; where data are lacking, unsubstantiated opinions are often treated as facts.

...

Little is known about the overall magnitude of the problem as activities are clandestine and fake/pirated products are increasingly difficult to detect.”⁸

In Australia, available factual evidence on this issue is also limited. The number of IP crime investigations undertaken by the Australian Federal Police (AFP) and prosecutions undertaken by the Commonwealth Director of Public Prosecutions (CDPP) under the *Trade Marks Act* in recent years does not provide sufficient evidence to indicate a trend of increasing counterfeiting activity.⁹

The amount of IP crime referrals to the AFP has tripled in number during the past year, and, at the time of writing, there were 24 ongoing investigations at various stages of completion. The AFP are in the process of establishing a range of initiatives both within government and with industry to gather intelligence to better understand the nature and extent of the counterfeiting and piracy in Australia.

The *ACIP Review* received “only anecdotal evidence to support that [current] penalties are too low. However, it is a claim that was made in the Workshops and repeatedly made in the submissions received on this issue.”¹⁰

One submission to Government by a prominent law firm representing a number of brand owners listed the marked increase year over year of the number of matters involving counterfeit goods the firm acted in. The figures indicated there had been an increase of 650 percent from 2000 to 2004. This number of matters being prosecuted would have some level of correlation to the level of counterfeiting in Australia and also, therefore, to the deterrent effect of current penalties.

Similar to the OECD report mentioned above, a difficulty in drafting this paper was the lack of available factual evidence on whether there is a high level of counterfeiting or an increasing trend of counterfeiting in Australia. However, the absence of this evidence does not necessarily mean that such a problem does not exist. Some of the evidence in this section provides limited support for the position that current penalties are too low to have a deterrent effect and should be raised.¹¹ Submissions providing objective evidence regarding trends in counterfeiting would be particularly useful to this review process.

6.2 Public health and safety issues

Health and safety issues caused by counterfeit goods are frequently raised, both domestically and internationally, in work done on the effects of trade mark counterfeiting. Examples include instances overseas where counterfeit drugs and

⁸ Ibid, pages 65 and 66.

⁹ Tables detailing these investigations and prosecutions can be found at Attachment 13.4

¹⁰ Above n1, page 24.

¹¹ See page 35 of *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* reproduced at Attachment 13.1

counterfeit helicopter parts caused death or serious accidents.¹² IP Australia does not have information that indicates this is currently a widespread problem in Australia. However, we are aware of seizures by Customs of the following counterfeit goods:

- car spare parts including brake pads and timing belts;
- personal cleaning products that had high pH levels;
- sunglasses;
- cosmetics;
- washing powder that contained high levels of salt; and
- pharmaceuticals.

The AFP are also aware of instances involving counterfeit toothpastes that could be damaging as well as sub-standard counterfeit personal razors and shampoos.

This issue could support an argument that current penalties are not adequate to punish a worst case offence.¹³ However, a counterpoint to this argument is that public health and safety issues associated with counterfeit goods have implications and mechanisms for enforcement outside of trade mark law. For example, persons importing, supplying or exporting counterfeit drugs that can cause harm to the public can be prosecuted under the *Therapeutic Goods Act 1989* (Cth) with penalties as high as 5 years imprisonment and 4,000 penalty units. Also, the *Trade Practices Act 1974* (Cth) contains offences for the supply of unsafe goods with maximum penalties set at 10,000 penalty units for corporations and 2,000 penalty units for individuals.

Nevertheless, counterfeit goods that are a threat to public health and safety may have a significant negative impact on the brand of the right holder. This factor increases the seriousness of such an offence and could be seen as an argument that penalties should be raised to allow for adequate punishment of such worst case instances.

6.3 Counterfeiting and organised crime

Submissions received for the *ACIP Review*, the law firm submission referred to above and sessions at the Trading Ideas Conference (Sydney, March 2007) discussed the links between counterfeiting and organised crime. The issue of organised crime and counterfeiting has also been discussed in work done in other international forums.¹⁴

The OECD study mentioned above states that:

“There is clear evidence that criminal networks are playing a significant role in counterfeiting and piracy, and that organised crime figures prominently in this regard. The high profitability of many counterfeiting and piracy operations and low risk of detection and prosecution have provided an attractive environment for the illegal activities.”¹⁵

¹² See e.g. Stern (2007), *Trade Mark Counterfeiting- the Australian Problem*, Intellectual Property Forum Issue 71

¹³ See page 35 of *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* reproduced at Attachment 13.1

¹⁴ See e.g. Harms (2007), *The Enforcement of Intellectual Property Rights By Means of Criminal Sanctions: An Assessment*, (WIPO Advisory Committee on Enforcement), paragraph 8, available online at: http://www.wipo.int/edocs/mdocs/enforcement/en/wipo_ace_4/wipo_ace_4_3.pdf

¹⁵ Above n7, page 66.

Intelligence gathered by the AFP concurs with this statement from the OECD. The AFP have found that:

- nationally, criminal groups active within Australia are distributors, while fewer groups are involved in the manufacture or importation of counterfeit goods;
- counterfeit goods infiltrate the legitimate supply chain often without the awareness of either the supplier or consumer;
- obtaining precise data and information on the problem is extremely difficult; and
- counterfeiting is linked to illegal and black markets that makes it difficult to quantify counterfeiting figures.

The Australian Crime Commission (ACC) stated in a submission to Government that:

“While continuing to maintain a strong presence in traditional illicit markets, organised criminal groups will remain significant facilitators of a broad range of criminal activities in Australia. These include crime types as diverse as high-tech/computer crime, intellectual property crime and environmental crime. Organised criminal groups will expand their influence by increasingly exploiting opportunities and vulnerabilities presenting in the mainstream economy.”¹⁶

This issue is relevant to the level of penalties for trade mark offences because penalties should act as an effective deterrent. Given the financial rewards involved, a heavier penalty may be appropriate where there are strong incentives to commit the offence.¹⁷

6.4 Penalty levels in other countries

Information on maximum imprisonment periods for trade mark offences was able to be obtained for 24 of the countries classified as having advanced or developed economies.¹⁸ A table of these countries and their maximum imprisonment periods is at Section 13.3. Sixteen of these 24 countries had maximum periods greater than 2 years. Ten countries (Germany, Ireland, Japan, Liechtenstein, New Zealand, Singapore, South Korea Switzerland, the UK and the USA) had maximum periods of 5 years or more. The average maximum period for these countries is 4.4 years.

This suggests that, in relation to countries with similar levels of development, Australia is currently on the lower end of the scale of maximum imprisonment terms for trade mark offences. Given the global nature of counterfeiting, a country that has

¹⁶ See the ACC submission to the Parliamentary Joint Committee on the Australian Crime Commission’s inquiry into *The future impact of serious and organised crime on Australian society*, at page 7, available online at

http://www.apf.gov.au/Senate/committee/acc_ctte/organised_crime/submissions/sub17.pdf

¹⁷ See page 35 of *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* reproduced at Attachment 13.1

¹⁸ Advanced economies as listed on the International Monetary Fund website:

<http://www.imf.org/external/pubs/ft/weo/2007/01/data/groups.htm#ae> and developed economies as listed on the USA CIA website: <https://www.cia.gov/library/publications/the-world-factbook/appendix/appendix-b.html>

lower penalties than most countries may arguably be a more attractive target to counterfeiters.

6.5 Economic impacts

The seriousness of an offence can be measured in part by the harm it causes in terms of loss or damage.

The most obvious element of harm associated with trade mark offences is the economic loss suffered by the trade mark owner due to lost sales. The trade mark owner can also suffer economic harm due to the negative impact on the brand itself. This damage can result in ongoing losses to a brand and may result in the brand becoming irreparably damaged vis a vis its target market. Another cost to the trade mark owner by high levels of counterfeiting is the expenses incurred in investigating and litigating infringements of their trade mark rights.

The creation and sale of counterfeit goods can also have impacts for the wider economy, amplifying the amount of loss or damage this activity causes. For example, the inability of legitimate businesses to operate would impact on employment while people employed in making counterfeit goods may be forced to work in substandard conditions and likely not be paid at the same rates as those working in the legitimate market. Also, it is generally assumed that counterfeiters, being involved in criminal activity, do not pay taxes, and this has implications for the revenue base of the Government.

The OECD report mentioned above states that:

“Quantification of the effects of counterfeiting and piracy using economic models is a complex exercise. Not only does it rely heavily on accurate indications of the phenomenon’s magnitude, but the effects may also take many different forms, some of which have very complex causation mechanisms. Generally, the more complex the effects are, the larger is the need for a strong data foundation in order to quantify the effects.”¹⁹

An analysis undertaken in the study suggested that “up to USD 200 billion of internationally traded products could have been counterfeit or pirated in 2005... The figure does not, however, include counterfeit and pirated products that are produced and consumed domestically...”²⁰

Accurate estimates of the overall economic impact of counterfeiting in Australia are not available. A 2003 study by the Allen Consulting Group discussed the “methodological problems associated with the development of credible estimates for the impact of counterfeiting.”²¹ The authors of this study attempted to address these problems in arriving at its conclusions. The study estimates that:

¹⁹ Above n7, page 178.

²⁰ Above n7, page 13.

²¹ Allen Consulting Group (2003), *Counterfeiting of Toys, Business Software, and Computer and Video Games*, Report to the Australian Toy Association, the Business Software Association of Australia and the Interactive Entertainment Association of Australia, Sydney - available online at <http://download.microsoft.com/documents/australia/about/counterfeiting.pdf> - page 23.

“In 2002 counterfeiting resulted in \$677 million of lost sales in the Australian toy, software and video game industries... Conservatively, these lost sales represent \$200 million in lost profits.”²²

The above factors are relevant in determining the seriousness of the offence and hence the appropriate penalty level to punish a worst case offence.

6.6 Changes to the Copyright Act

In 2006, amendments were made to the *Copyright Act* that included the introduction of a tiered regime of indictable, summary and strict liability offences for copyright piracy. These offences have different maximum penalties and different fault elements based on their different levels of seriousness. Indictable offences have maximum penalties of 5 years imprisonment and/or 550 penalty units, summary offences have maximum penalties of 2 years imprisonment and/or 120 penalty units and strict liability offences have maximum penalties of 60 penalty units.

The amendments also allowed for ‘infringement notices to be issued to persons alleged to have committed certain strict liability offences. This allows police to deal with suspected minor offenders without the need to summons a person to appear in court.’ It is intended that ‘[i]nfringement notices should also be effective in shutting down low level offenders selling infringing goods at street markets.’²³ Infringement notices impose a fine of 12 penalty units.

The report of the Standing Committee on Legal and Constitutional Affairs on the *Copyright Amendments Bill 2006* stated that:

“The Commonwealth Director of Public Prosecutions (DPP) submitted that the approach of providing for a range of offences with varying penalty levels provides ‘considerable flexibility and enables charges to be selected based on the particular conduct that is being assessed’. The DPP noted that the choice of charge is a matter that is addressed in the Commonwealth’s Prosecution Policy: if, after assessing the evidence, the DPP considers that there is sufficient evidence to lay charges, the DPP will choose the most appropriate charge or charges in accordance with that policy.”²⁴

These changes to the *Copyright Act* are relevant in the context of this paper in that penalties should be framed to maximise consistency with penalties for existing offences of a similar kind or of similar seriousness.²⁵

²² Ibid at page v. This study used a broad definition of ‘counterfeiting’ to include other types of IP infringements. Given the industries examined, copyright infringement would be a significant factor. However, in cases of commercial copying, it is likely that trade mark rights would also be infringed.

²³ For more information see the following fact sheet published by the Attorney General’s Department, available online at [http://www.ag.gov.au/www/agd/rwpattach.nsf/VAP/\(CFD7369FCAE9B8F32F341DBE097801FF\)~Copyright+Fact+Sheet+-+Criminal+Offence+provisions.pdf/\\$file/Copyright+Fact+Sheet+-+Criminal+Offence+provisions.pdf](http://www.ag.gov.au/www/agd/rwpattach.nsf/VAP/(CFD7369FCAE9B8F32F341DBE097801FF)~Copyright+Fact+Sheet+-+Criminal+Offence+provisions.pdf/$file/Copyright+Fact+Sheet+-+Criminal+Offence+provisions.pdf)

²⁴ See page 17 of the report, available online at http://www.aph.gov.au/senate/Committee/legcon_ctte/copyright06/report/index.htm

²⁵ See page 35 of *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* reproduced at Attachment 13.1

- Copyright and trade mark offences are clearly of a similar kind, both involving infringement of intellectual property which are intangible and easily copied;
- In terms of their similar seriousness, both can have significant economic impact on right holders and the economy more generally.

7 Availability of provisions of other legislation

The *Proceeds of Crime Act 2002* (Cth) (the *POCA*) and the *Telecommunications (Interception and Access) Act 1979* (Cth) (the *TIA*) are designed to assist law enforcement bodies to investigate crimes and penalise offenders. Where certain thresholds of penalties are met the provisions are automatically triggered and enforcement agencies can opt to use them to augment their investigations.

7.1 Proceeds of Crime Act

The *POCA* aims to deprive persons of the proceeds and benefits gained from unlawful conduct and prevent the reinvestment of those proceeds in further criminal activities. The *POCA* includes powers to trace, restrain and confiscate proceeds of crime.

Availability of certain provisions under the *POCA* depends on whether an offence is an indictable offence or a “serious offence”, as defined in the *POCA*.²⁶ Where an offence is “serious”, forfeiture of property can occur automatically six months after conviction. Also, monitoring orders on financial accounts are available for serious offences but are not available for indictable offences.

POCA provisions for indictable offences are already available for offences under the *Trade Marks Act*. However, the “serious offence” provisions of *POCA* are not available for offences under the *Trade Marks Act* because the maximum imprisonment term for trade mark offences is currently 2 years, i.e., below the 3 year minimum requirement of the *POCA*.

7.2 Telecommunications (Interception and Access) Act

The *TIA* provides enforcement agencies with significant investigative tools, including the ability to obtain warrants to intercept communications and obtain access to stored communications.

Interception warrants are only available for “serious offences” as defined in the *TIA*.²⁷ Stored communications warrants are available for “serious offences” and “serious contraventions”.²⁸ Interception warrants are only available to those agencies classified

²⁶ The term “serious offence” is defined in s338 of the *POCA* to include, inter alia, an indictable offence where the penalty is 3 or more years involving unlawful conduct by a person that causes, or is intended to cause, a benefit to the value of at least \$10,000 for that person or another person.

²⁷ Section 5D of the *TIA* sets out the definition of a serious offence. It includes some specific offences as well as offences having a maximum imprisonment period of at least 7 years where the particular conduct of the offence involves one of a range of other elements including serious property damage or serious fraud.

as ‘interception agencies’ whereas stored communications warrants are available to all enforcement agencies. Interception warrants are not currently available for offences under the *Trade Marks Act*. Stored communication warrants are currently available where the offence is committed by an individual.

The availability of further provisions under the *POCA* and the *TIA* would be useful for law enforcement agencies and would be likely to provide considerable added deterrence to committing crimes, particularly on a larger scale. They may be particularly relevant in assisting relevant enforcement agencies in investigating and countering the involvement of organised crime in counterfeiting.

The availability of these provisions has been restricted based on the seriousness of the offence in question, as indicated by the level of penalties associated with the offence. These provisions allow serious intrusions into personal privacy and should therefore only be available in relevantly serious circumstances. Ultimately, the level of the penalties will be decided on issues such as those discussed in Section 6 of this paper, and as such the level decided on will determine whether further provisions under the *POCA* and *TIA* would become available.

8 Criminal Offence Options

IP Australia has stated its consideration for each option based on the information and issues of which it is aware. Any information, issues or arguments for alternative reasoning received in submissions will be used in reconsidering these options before recommendations on these options are made to the Government.

8.1 Raise the maximum penalty units and imprisonment periods for the existing indictable offences in ss145-148

The *Trade Marks Act* be amended to increase the maximum penalty units and/or imprisonment periods for the existing indictable offences in ss145-148.

Current maximum penalties are 500 penalty units and/or 2 years imprisonment.

Options for change could be:

1. Penalty Units: No Change, Imprisonment Period: 3 years²⁹; or
2. Penalty Units: 550 units, Imprisonment Period: 5 years³⁰; or
3. Penalty Units: 550 units, Imprisonment Period: 7 years³¹.

²⁸ Section 5E of the *TIA* sets out the definition of a “serious contravention” which includes an offence punishable by a maximum imprisonment period of at least 3 years or an offence punishable (if the offence is committed by an individual) by at least 180 penalty units or at least 900 penalty units (if the offence cannot be committed by an individual).

²⁹ This is the minimum penalty level for further provisions under the *POCA* to apply. Also, stored communications warrants would become available for trade mark offences committed by corporations - see Section 7

³⁰ This would be consistent with maximum penalties available under the *Copyright Act* – see Section 6.6

³¹ Interception warrants under the *TIA* may be available at this level of penalty depending on the case involved – see Section 7.2

IP Australia Consideration:

IP Australia considers that, on balance, Option 2 would be the most appropriate option because of:

- primarily, consistency between offences of a similar kind or of similar seriousness, in particular, the penalty levels for offences in the Copyright Act and penalty levels internationally;
- the possible seriousness of trade mark offences (worst cases) given public health and safety concerns and potential economic impacts; and
- the need for a greater deterrent effect due to the apparent increasing involvement of organised crime in counterfeiting activity.

Options 1 and 3 are not considered appropriate primarily because they would not comply with the principle of consistency between offences of a similar kind or of similar seriousness. Specifically, a 3 year maximum imprisonment period or a 7 year maximum imprisonment period would be inconsistent with the *Copyright Act* and the average penalty level internationally.

8.2 Introduce summary offences in addition to existing indictable offences

The *Trade Marks Act* be amended to establish summary offence ‘versions’ of the existing indictable offences under ss145-148 of the Act.

The summary offences would be differentiated from indictable offences by having lower fault element requirements in relation to some physical elements of the offence. Specifically, for ‘conduct’ physical elements of summary offences, the required fault element would remain as ‘intention’. However, for ‘circumstance’ physical elements of summary offences, the required fault element would be reduced from ‘knowledge’ or ‘recklessness’ to ‘negligence’.

The maximum penalty units and imprisonment periods for summary offences could be:

1. Penalty Units: 120, Imprisonment period: 12 months (in keeping with section 4H of the *Crimes Act* - see Section 5.3); or
2. Penalty Units: 120, Imprisonment period: 2 years (this would be consistent with maximum penalties available for summary offences under the *Copyright Act*)

IP Australia Consideration:

IP Australia considers that Option 1 would be an appropriate change, as it would give law enforcement agencies more flexibility in deterring trade mark counterfeiting activity. This option would also increase consistency with offences in the *Copyright Act*.

The association of intention with ‘conduct’ physical elements and negligence with ‘circumstance’ physical elements for this option is consistent with the summary offences now in the *Copyright Act*.

It is necessary to consider whether it is appropriate to use negligence as a fault element for this type of offence.³² The Explanatory Memorandum for the *Copyright Amendment Bill 2006* contains the following justification for the use of negligence as a fault element:

“The use of negligence as a fault element is justified in these offences because a person should not be able to avoid criminal liability on the grounds that they did not have some subjective awareness about the risks involved with their activities.”³³

Such a justification would appear to also be appropriate for trade mark offences.

Option 2 is not considered appropriate as the imprisonment period would not be consistent with the policy of the *Crimes Act* relating to the division between indictable and summary offences.³⁴ The use of negligence as a fault element in summary offences would also advise against imposing a higher penalty of imprisonment.

8.3 Introduce strict liability offences and an infringement notice scheme

The *Trade Marks Act* be amended to establish strict liability offence ‘versions’ of most of the existing indictable offences under ss145-148 of the Act which would be linked to an infringement notice scheme.

The strict liability offences would have a maximum fine of 60 penalty units only.

Strict liability offence ‘versions’ would be created for all offences except s147(3) (possessing something that can be used in committing an offence under ss145-146).

As an alternative to charging a person with a strict liability offence, law enforcement agencies could fine the person 12 penalty units. The person would have to agree to have the alleged infringing goods confiscated in order to receive the alternative fine.

IP Australia Consideration:

IP Australia considers that this option should not be adopted at this stage for the following reasons:

This option would appear to be difficult for law enforcement officers to reliably implement due to the physical elements of trade mark offences.

³² See pages 22-23 of the *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* reproduced at Attachment 13.1

³³ Copyright Amendment Bill 2006 - Explanatory Memorandum, pages 18-19. Available online at: <http://www.comlaw.gov.au/ComLaw/Legislation/Bills1.nsf/bills/bytitle/2642587B661E9782CA25721000025117?OpenDocument&VIEWCAT=attachment&COUNT=999&START=1>

³⁴ See page 42 of the *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* reproduced at Attachment 13.1

As part of operating an infringement notice scheme under this option, law enforcement officers would be required to determine whether the physical elements of the strict liability offences were satisfied.

While we have stated above that copyright and trade mark are similar offences in terms of their seriousness and infringement of IP rights, the physical elements of these offences necessarily differ. IP Australia is concerned that trade mark offences have a number of physical elements that would be problematic for enforcement officers to reliably assess.³⁵

- Physical elements of trade mark offences of particular concern include that:
 - A trade mark or a sign substantially identical with a trade mark has been applied to the good.
 - Particulars of the trade mark in question are entered in the Register of Trade Marks. This element would include assessments of whether:
 - the trade mark is registered;
 - the trade mark is registered for the goods in question; and
 - the trade mark has multiple owners but registered in respect of different goods (i.e. the officer might seize legitimate goods in cases where the officer did not know what goods a particular trade mark was registered for).
- The application of the trade mark was not permitted, authorised, etc. by the trade mark owner.

Generally, this information would have to come from the trade mark owner unless lack of permission, etc. was obvious from the quality of the goods or some other factor. (The goods may also be legitimate parallel imports.)

Most of the potential difficulties in making a reliable assessment could be remedied if the law enforcement officer had prior information from, or was accompanied by, a representative of the trade mark owner. However, this brings into question the value of such a scheme if the availability of ex officio action by law enforcement is limited.

- *This option does not appear to be consistent with other common law countries.*

In the report mentioned above on the *Copyright Amendments Bill 2006* it was pointed out that in other common law countries such as United Kingdom, Canada and the United States, offences of strict liability do not exist in copyright law

Similarly, IP Australia is not aware of other common law countries having offences of strict liability in trade mark law.

- *This option appears to have mixed support from stakeholders.*

³⁵ See page 45 of the *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* reproduced at Attachment 13.1.

The concept of an infringement notice scheme received mixed views when raised with the Trade Mark Interest Group.³⁶

The introduction of an infringement notice scheme was also raised in consultations between IP Australia and a group of Sydney lawyers in 2005. They suggested that this option was not targeting the main problem (i.e. the organisations supplying the infringing goods). They indicated they believed that it was these larger organisations that should be targeted.

- *Similar changes in the Copyright Act have not yet been adequately tested.*

The strict liability offences and infringement notice scheme under the Copyright Act do not appear to have been used yet and as such their effectiveness can not be determined.

IP Australia considers it more appropriate to observe how these changes in the *Copyright Act* function once they are in operation and reconsider this option at a later date.

8.4 Introduce escalating penalties for repeat offenders

The *Trade Marks Act* be amended to introduce alternative maximum penalties that should be applied based on whether the offence is a first or repeat offence.³⁷

IP Australia Consideration:

IP Australia considers that this option should not be adopted because it “has been very rare for a Commonwealth offence to be subject to alternative maximum penalties depending, for example, on whether the offence is a first offence or repeat offence. Such distinctions are generally undesirable because they elevate a single factor above all others, thereby undermining the scope for a court to weigh all relevant factors in determining the appropriate penalty in accordance with the sentencing consideration in section 16A of the *Crimes Act*.”³⁸

8.5 Align fines with the retail value of the genuine goods

The *Trade Marks Act* be amended to include sentencing guidelines that courts must award fines that correspond to the value of the goods seized if they were genuine, in addition to other considerations that may increase the fine imposed.³⁹

³⁶ The Trade Mark Interest Group is a consultative group which comprises representatives from the Institute of Patent & Trade Marks Attorneys, Law Council of Australia, and The Australian Manufacturers’ Patents, Industrial Designs, Copyright and Trade Mark Association.

³⁷ The *ACIP Review*, the International Anti-Counterfeiting Coalition (IACC) submission to that review and the law firm submission mentioned above all consider it appropriate to investigate escalating penalties for repeat offenders.

³⁸ See page 35 of the *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* reproduced at Attachment 13.1.

³⁹ This was an option that the *ACIP Review* suggested could be considered in a review of penalties.

IP Australia Consideration:

IP Australia considers that this option should not be adopted primarily because of the negative impact it would have on the sentencing discretion of the courts. Similar to the previous option, this would “elevate a single factor above all others, thereby undermining the scope for a court to weigh all relevant factors in determining the appropriate penalty in accordance with the sentencing consideration in section 16A of the *Crimes Act*.”⁴⁰ While the courts can consider this aspect, it is considered that it would be inappropriate to *require* the courts to award penalties based on this aspect.

9 Additional damages

As mentioned previously, the *ACIP Review* suggested that the option of introducing additional damages in the case of wilful infringement in the *Trade Marks Act* should be considered. IP Australia has also received submissions from a number of stakeholders supporting introducing additional damages.

10 Civil Remedies Background

10.1 Current civil remedies under the Trade Marks Act

As mentioned above at section 4.1, civil action for trade mark infringement can be taken by the trade mark owner under Part 12 of the *Trade Marks Act*.

Section 126 of the *Trade Marks Act* sets out what relief can be obtained from the court:

The relief that a court may grant in an action for an infringement of a registered trade mark includes:

- (a) an injunction, which may be granted subject to any condition that the court thinks fit; and
- (b) at the option of the plaintiff but subject to section 127, damages or an account of profits.⁴¹

Account of Profits

The remedy of an account of profits requires the infringer to give the profits he or she made from the infringing activity to the right holder.

Damages

The remedy of damages requires the infringer to compensate the right holder for the loss the right holder has suffered.

⁴⁰ See page 35 of the *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* reproduced at Attachment 13.1.

⁴¹ Section 127 deals with certain situations where a court may not grant relief to the plaintiff despite it being determined that the defendant has infringed.

10.2 Definition of additional damages

Additional damages (also known as exemplary or punitive damages) are damages, over and above those necessary to compensate the right holder, awarded to:

- punish the infringer and provide retribution;
- act as a deterrent to the infringer and others minded to behave in a similar way; and
- demonstrate the court's disapproval of such conduct.

The *Designs Act 2003* (Cth) (*Designs Act*)⁴², *Patents Act 1990* (Cth) (*Patents Act*)⁴³ and *Copyright Act*⁴⁴ all allow the awarding of additional damages.

The grounds on which a court can award additional damages specified in each of these Acts all include the flagrancy of the infringement and 'all other relevant matters'. Other specific grounds in the *Patents Act* and the *Copyright Act* include:

- the need to deter similar infringements;
- the conduct of the party that infringed after the infringement or after the party was informed that it had allegedly infringed; and
- any benefit shown to have accrued to that party because of the infringement.

The power to award additional damages is discretionary even when all the matters referred to are established to the court's satisfaction. If the court believes that the amount of damages awarded under other provisions are sufficient, it may decline to award additional damages.⁴⁵ The Full Bench of the Federal Court has also emphasised the discretionary nature of the award but noted that it may be awarded where a court is satisfied that any one or more circumstances are present.

11 Civil Remedies Issues

Some of the submissions to the *ACIP Review* discussed issues with trade mark infringement action and supported the inclusion of additional damages.

The Law Council of Australia's submission stated that:

"Trade mark infringement actions are expensive to mount and even when successful often do not result in meaningful awards of damages and appear to have little deterrent effect on counterfeiters. Problems are often encountered in proceeding against counterfeiters as they can be difficult to identify and physically locate, often the sale outlets for the trade marked counterfeit goods being casual street markets.

The low recovery in damages is due in part to the difficulties associated in assessing such damages and the difficulties in establishing the extent of the infringement with

⁴² See section 75(3)

⁴³ See section 122(1A)

⁴⁴ See section 115(4)

⁴⁵ *Amalgamated Mining Services Pty Ltd v Warman International Ltd* (1992) 24 IPR 461

many trade mark infringers not producing reliable documentation in relation to their infringing use of the registered mark.”⁴⁶

In 2006, the Business Software Association of Australia (BSAA) and the Interactive Entertainment Association of Australia (IEAA) made a joint submission to IP Australia on the introduction of the additional damages in the *Trade Marks Act*.

The reasons put forward in this submission can be summarised as follows:

- (1) It would create a powerful deterrent effect on 'would be' counterfeiters due to the increased likelihood of legal action being taken against infringements as well as the greater financial penalties for infringements. The significance of this deterrent effect is shown in the copyright context where the Courts have used the additional damages provision in appropriate circumstances to send a clear signal to the market on the financial consequences of infringements.
- (2) Trade mark owners with limited resources, such as small businesses, would be particularly assisted as the increased likelihood of obtaining an award of damages would justify bringing an infringement action and act as a deterrent to infringements against the most vulnerable targets.
- (3) The absence of an additional damages provision in the Trade Marks Act creates inconsistency between Australia's trade mark regime and Australia's copyright and patent regimes.
- (4) An account of profits is rarely a satisfactory remedy for trade mark owners because of the difficulty associated with proving the profits an infringer has made as a result of his or her infringement. Obtaining a substantial award of compensatory damages can also be problematic in trade mark cases because most counterfeiters do not maintain business records of their counterfeiting activities. In the BSAA's and IEAA's experience, counterfeiters regard nominal damages awards as a cost of doing business that is more than compensated for by the rewards of counterfeiting.

The issues raised by stakeholders regarding trade mark civil action and the introduction of additional damages are in many respects similar or the same as the reasons raised in the *ACIP Review of Enforcement of Industrial Property Rights*⁴⁷ and the *ALRC 74 Designs* report⁴⁸ for the introduction of additional damages in the patent and designs regimes, respectively.

12 Civil Remedies Option

The *Trade Marks Act* be amended to introduce a provision allowing for the award of additional damages. This provision would be framed in similar terms to section 122(1A) of the *Patents Act*.

⁴⁶ See page 6 of the submission. Available online at <http://www.acip.gov.au/submissions/council.pdf>

⁴⁷ Available online at http://www.acip.gov.au/reviews_completed.html#enforce. See e.g. page 26.

⁴⁸ Available online at <http://www.austlii.edu.au/au/other/alrc/publications/reports/74/> See e.g. paragraph 14.7.

IP Australia Consideration:

IP Australia considers that this option should be adopted for the following reasons:

- the need to provide a punitive response to deliberate actions aimed at making it difficult to adequately determine actual levels of profits or damages;
- consistency with the patents, designs and copyright regimes;
- the potential for a greater deterrent effect on counterfeiters; and
- potentially greater motivation for trade mark owners to take civil action resulting in a reduced call on law enforcement for criminal action.

There has been some academic criticism internationally of the use of additional damages to the effect that punishment is the realm of criminal law. However, its use in the copyright and patents regimes has provided a useful and uncontroversial method of addressing unique problems in awarding damages for infringements of intellectual property rights in Australia. It would be expected that this would also be the case if additional damages were introduced in relation to trade mark infringement.

13 Attachments

13.1 Extracts from the Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers

The *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers*⁴⁹ (the *Guide*) is “a resource to assist in the framing of proposed criminal offences, civil penalties and certain other enforcement provisions that are intended to become part of Commonwealth law.” It consolidates “a range of principles and precedents relevant to the framing of offences and enforcement provisions.”

From page 22-23 of the *Guide*:

Negligence

Do not use negligence unless its use is justified

Principle: Negligence should be specified as a fault element for an offence where it is necessary and appropriate that a person be criminally liable based in part on objective standards rather than their own subjective mental state.

Discussion: Proof of negligence requires an objective assessment of the standard of care and of risk. It requires ‘such a great falling short of the standard of care that a reasonable person would exercise in the circumstances and such a high risk that the physical element exists or will exist, that the conduct merits criminal punishment ...’.

Considerations relevant to determining whether negligence is an appropriate fault element include the following.

– Where the context is one where negligence is a well established indication of liability (eg occupational health and safety) this will support the use of negligence.

Where a person who was not aware of relevant risks or circumstances is deserving of criminal punishment if they fall seriously short of the requisite standard of care, this will suggest that negligence may be an appropriate standard.

– The definition of “negligence” in section 5.5 of the Criminal Code is problematic when applied to a physical element of conduct, particularly paragraph 5.5(b). The definition is better suited to physical elements of an offence comprising circumstance or result...

The heavier the proposed penalty for an offence, the stronger the justifications for negligence would need to be. Negligence has traditionally not been considered appropriate for offences carrying a heavy penalty of imprisonment.

⁴⁹ Available online at:

[http://www.ministerjusticeandcustoms.gov.au/www/agd/rwpattach.nsf/VAP/\(CFD7369FCAE9B8F32F341DBE097801FF\)~ConsolidatedGuideFebruary2004.pdf/\\$file/ConsolidatedGuideFebruary2004.pdf](http://www.ministerjusticeandcustoms.gov.au/www/agd/rwpattach.nsf/VAP/(CFD7369FCAE9B8F32F341DBE097801FF)~ConsolidatedGuideFebruary2004.pdf/$file/ConsolidatedGuideFebruary2004.pdf)

...

Senate Committee Views: The Scrutiny of Bills Committee has indicated that where a Bill includes provision for a fault element of negligence, the explanatory memoranda to that Bill should explain the reasons for the use of negligence (Alert Digest 6/2001 pages 30-31). The Committee will express concern about the use of negligence as a fault element if it does not consider that adequate justification has been provided (eg Report 9/2001 pages 404-05).

From page 23 of the *Guide*:

Strict liability and absolute liability

Give careful consideration to the use of strict liability and absolute liability

Principle: Strict or absolute liability should only be used in an offence where there are well thought out grounds for this.

Discussion: The Criminal Code reflects the same starting presumption as the common law: that fault must be proven for each physical element of an offence for a person to be guilty. Strict or absolute liability can only be applied by an express provision to this effect. This reflects the premise that it is generally neither fair, nor useful, to subject people to criminal punishment for unintended actions or unforeseen consequences unless these resulted from an unjustified risk (i.e. recklessness).

...

Commonwealth Governments and Parliaments have long taken the view that any use of strict or absolute liability should be properly justified.

...

Strict liability or absolute liability may apply to specific elements

Different considerations apply to the use of strict and absolute liability depending on how it applies to an offence. Application of strict or absolute liability to all physical elements of an offence has generally only been considered appropriate where each of the following considerations is applicable:

- The offence is not punishable by imprisonment and is punishable by a fine of up to 60 penalty units for an individual (300 for a body corporate) in the case of strict liability or 10 penalty units for an individual (50 for a body corporate) in the case of absolute liability. A higher maximum fine has been considered appropriate where the commission of the offence will pose a serious and immediate threat to public health, safety or the environment.
- The punishment of offences not involving fault is likely to significantly enhance the effectiveness of the enforcement regime in deterring offences.
- There are legitimate grounds for penalising persons lacking ‘fault’, for example because they will be placed on notice to guard against the possibility of any contravention. In the case of absolute liability, there should also be legitimate grounds for penalising a person who made an honest and reasonable mistake of fact.

From page 35 of the *Guide*:

Setting a penalty

Adequacy

Ensure penalty is adequate for worst possible case

Principles: There should be a single maximum penalty for an offence that is adequate to deter and punish a worst case offence including the case of a repeat offence. There should not be multiple penalties for a single offence, for example applying to first and repeat offences, except in the case of offences tiered according to the level of culpability.

Discussion: A maximum penalty should be adequate and appropriate to act as an effective deterrent to commission of the offence to which it applies. A heavier penalty will be appropriate where there are strong incentives to commit the offence, or where the consequences of the commission of the offence are particularly dangerous or damaging.

It has been very rare for a Commonwealth offence to be subject to alternative maximum penalties depending, for example, on whether the offence is a first offence or repeat offence. Such distinctions are generally undesirable because they elevate a single factor above all others, thereby undermining the scope for a court to weigh all relevant factors in determining the appropriate penalty in accordance with the sentencing considerations in section 16A of the Crimes Act.

Consistency

Ensure penalty fits with other penalties in Commonwealth law

Principle: Penalties should be framed to maximise consistency with penalties for existing offences of a similar kind or of similar seriousness. Penalties within a given legislative regime should reflect the relative seriousness of the offences within that scheme.

Discussion: In some cases, there are clearly established benchmarks for the appropriate penalty for a given type of offence in Commonwealth law. In other cases there are conflicting precedents and/or reasons why different penalties should apply to offences that appear on the surface to be similar. These should be reconciled in a manner that takes account of penalties applying to offences of the same kind in other legislation and to penalties for other offences in the legislation in question.

From page 42 of the *Guide*:

Indictable / Summary Distinction

Crimes Act indictable / summary distinction to apply unless departure justified

Principle: The dividing line between indictable and summary offences provided for in section 4G of the Crimes Act should apply unless there is a demonstrated reason why that dividing line is inappropriate for a particular offence.

Discussion: Section 4G of the Crimes Act provides that an offence is indictable if it is punishable by imprisonment for a period exceeding 12 months. An offence that is punishable by 12 months imprisonment or less, or by a fine only, is summary. Summary offences are heard in lower courts, allowing for a quicker and more resource effective resolution. Departures from this well-established dividing line have been rare and should only be made where there is a clear reason for such a departure.

Other provisions of the Crimes Act also deal with indictable and summary offences, including sections 4J (Certain indictable offences may be dealt with summarily) and 4JA (Some indictable offences punishable by fine only may be dealt with summarily).

From page 45 of the *Guide*:

6.2 Appropriate use of infringement notices

Offences / civil penalties are appropriate

Principles: An infringement notice scheme may be employed for relatively minor offences, where a high volume of contraventions is expected, and where a penalty must be imposed immediately to be effective. An infringement notice scheme should only apply to strict or absolute liability offences. These offences should carry physical elements on which an enforcement officer can make a reliable assessment of guilt or innocence.

...

Discussion: Serious offences should be determined in court and should not be capable of being excused by an administrative assessment. The administrative apparatus required to set up an infringement notice scheme will only be warranted in high volume contexts.

The efficacy of an infringement notice scheme depends on the reliability of the assessments made by enforcement officers as to whether an offence has occurred. These assessments will be consistently accurate if the assessment turns on straightforward and objective criteria rather than on complex legal distinctions. The offences should not require proof of fault and the physical elements giving rise to a notice should be readily capable of assessment by an enforcement officer. This approach is consistent with recommendation 12-1 in ALRC Report 95: Principled Regulation.

Senate Committee Views: The Scrutiny of Bills Committee has accepted that imposition of strict liability in the context of an infringement notice scheme is appropriate (Report 17/2000 page 525, Report 6/2002 page 285).

...

13.2 Section 5.2-5.5 of the Criminal Code

5.2 Intention

(1) A person has intention with respect to conduct if he or she means to engage in that conduct.

(2) A person has intention with respect to a circumstance if he or she believes that it exists or will exist.

(3) A person has intention with respect to a result if he or she means to bring it about or is aware that it will occur in the ordinary course of events.

5.3 Knowledge

A person has knowledge of a circumstance or a result if he or she is aware that it exists or will exist in the ordinary course of events.

5.4 Recklessness

(1) A person is reckless with respect to a circumstance if:

(a) he or she is aware of a substantial risk that the circumstance exists or will exist; and

(b) having regard to the circumstances known to him or her, it is unjustifiable to take the risk.

(2) A person is reckless with respect to a result if:

(a) he or she is aware of a substantial risk that the result will occur; and

(b) having regard to the circumstances known to him or her, it is unjustifiable to take the risk.

(3) The question whether taking a risk is unjustifiable is one of fact.

(4) If recklessness is a fault element for a physical element of an offence, proof of intention, knowledge or recklessness will satisfy that fault element.

5.5 Negligence

A person is negligent with respect to a physical element of an offence if his or her conduct involves:

(a) such a great falling short of the standard of care that a reasonable person would exercise in the circumstances; and

(b) such a high risk that the physical element exists or will exist;

that the conduct merits criminal punishment for the offence.

13.3 Table of trade mark offence penalty levels in other countries

Country	Maximum Imprisonment Period (in years)
Austria	2
Canada	2
Denmark	1
France	5
Germany	5
Iceland	3 (months)
Ireland	5
Israel	3
Japan	5
Liechtenstein	5
Luxembourg	3
Malta	3
Netherlands	4
New Zealand	5
Norway	3 (months)
Portugal	2
Republic of Korea	7
Singapore	5
Sweden	2
Switzerland	5
Taiwan	3
Turkey	4
UK	10
USA	20

13.4 AFP IP Investigations and CDPP Trade Mark Prosecutions

F/Y	No. of AFP IP Investigations
2003-04	22
2004-05	9
2005-06	23
2006-07	16
2007-08	24

F/Y	No. of CDPP Trade Mark Prosecutions
2000-01	7
2001-02	7
2002-03	8
2003-04	16
2004-05	10
2005-06	4
2006-07	13
2007-08	13