



ADVISORY COUNCIL ON INTELLECTUAL PROPERTY

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**REVIEW OF  
TRADE MARK ENFORCEMENT**

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**April 2004**



# CONTENTS

<b>ABBREVIATIONS .....</b>	<b>1</b>
<b>TERMS OF REFERENCE.....</b>	<b>2</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>2</b>
<b>RECOMMENDATIONS .....</b>	<b>4</b>
<b>1 BACKGROUND.....</b>	<b>6</b>
<b>2 EXAMINATION ISSUES .....</b>	<b>8</b>
2.1 EXAMINATION.....	8
2.2 CLASSIFICATION OF GOODS AND SERVICES.....	9
2.2.1 <i>Cross class searching</i> .....	9
2.2.2 <i>Incorrect nomination of classes</i> .....	11
2.3 NEW SIGNS.....	12
2.4 DISCLAIMING NON-DISTINCTIVE ELEMENTS OF A TRADE MARK .....	14
2.5 ASSOCIATION OF TRADE MARKS.....	16
2.6 REGISTRATION OF TRADE MARKS WITHIN THE CONVENTION PRIORITY PERIOD.....	17
<b>3 HEARING AND OPPOSITION ISSUES .....</b>	<b>18</b>
3.1 OPPOSITION PROCEEDINGS.....	18
3.2 BOARD OF REVIEW .....	20
<b>4 POST-REGISTRATION AND INFRINGEMENT ISSUES .....</b>	<b>21</b>
4.1 WELL-KNOWN MARKS.....	21
4.2 COUNTERFEITING AND INFRINGEMENT .....	22
4.2.1 <i>Penalties</i> .....	23
4.3 PARALLEL IMPORTATION .....	24
4.4 PROOF OF USE AT RENEWAL.....	25
4.5 TRADE MARK INFRINGEMENT ON THE INTERNET .....	26
<b>5 INTERACTION BETWEEN TRADE MARKS AND OTHER RIGHTS .....</b>	<b>27</b>
5.1 GEOGRAPHICAL INDICATIONS.....	27
5.2 PLANT BREEDER’S RIGHTS.....	28
5.3 TRADITIONAL EXPRESSIONS .....	29
<b>ATTACHMENT 1: CROSS CLASS SEARCH LISTS .....</b>	<b>30</b>
<b>ATTACHMENT 2: WRITTEN SUBMISSIONS.....</b>	<b>32</b>

## Abbreviations

ACIP	Advisory Council on Intellectual Property
ACS	Australian Customs Service
BDW	Blake Dawson Waldron
BM	Baker & McKenzie
BSAA	Business Software Association of Australia
BSW	Baldwin Shelston Waters
DCC	Davies Collison Cave
FMS	Federal Magistrates Service
IACC	International Anti-Counterfeiting Coalition
IPCRC	Intellectual Property and Competition Review Committee
IPRIA	Intellectual Property Research Institute of Australia
IPTA	Institute of Patent and Trade Mark Attorneys of Australia
LCA	Law Council of Australia
LIV	Law Institute of Victoria
SMEs	Small to Medium Enterprises
UTS	University of Technology, Sydney
WIPO	World Intellectual Property Organization

## Terms of Reference

To inquire into and report on issues relating to the enforcement of trade marks in Australia. In particular, to consider whether small business enterprises are disadvantaged by the current system, when compared to larger business enterprises.

## Executive Summary

The ‘enforcement’ of intellectual property rights is the means used to assert or defend a right or to test its validity. Enforcement is often thought to be synonymous with litigation. However, enforcement encompasses a much broader range of legal, administrative and commercial strategies. The main focus of the current review has been to look at ways of strengthening trade mark rights and providing more certainty about the validity of rights, thereby potentially reducing the need for enforcement action. The Advisory Council on Intellectual Property (ACIP) has also looked at other aspects of trade mark enforcement, such as the seizure of infringing goods and the interface with other rights, but has not covered the issue of enforcement in the courts. This is the subject of a separate review undertaken by ACIP into the potential extension of the jurisdiction of the Federal Magistrates Service (FMS).

In line with the terms of reference for this review, ACIP has also considered whether there are particular disadvantages for Small to Medium Enterprises (SMEs) in the current system. ACIP has identified some aspects of the current system where enforcement may be more difficult for SMEs than for larger enterprises, largely because SMEs generally have less capacity to cover the demands that may be placed on their time and financial resources. However, as a whole, ACIP did not find that the system actively disadvantages SMEs when compared to larger enterprises.

In all, ACIP has made twelve recommendations mainly aimed at strengthening trade mark rights or providing right holders and other parties with greater certainty and clarity as to the extent of the rights. The suggested reintroduction of mandatory disclaimers and the broadening of the cross class search list reflect this intention. Some recommendations encourage the Government to devote additional resources to areas like examination and opposition and to monitor examination quality control practices to ensure greater consistency and certainty for all parties. ACIP also believes that IP Australia should undertake a comprehensive review of its opposition procedures. The opposition and hearing process is an important area that provides a relatively low cost resolution of disputes by avoiding recourse to more expensive court processes.

The control and enforcement of trade mark rights in relation to counterfeit goods is an issue of ongoing concern. ACIP notes the main avenue for counterfeit goods onto the market in Australia is through importation and therefore the seizure provisions are a crucial aspect of enforcement. Consequently, ACIP makes recommendations aimed at strengthening the seizure provisions to improve the prospects for trade mark owners to protect their rights. To ensure that the penalties for importing counterfeit goods are acting as an appropriate deterrent, ACIP recommends that a review of the penalties for the relevant offences in the *Trade Marks Act 1995* should be undertaken. As not all counterfeit goods are imported, ACIP also recommends that the Government investigate extending seizure powers to other state and local government agencies to assist trade mark

owners pursue infringement actions for locally produced counterfeit goods which are outside the control of the Australian Customs Service (ACS).

There are several areas of the trade mark system where ACIP considers the law and IP Australia's practice are working well and no changes are needed at this time. These areas include the examination of new signs, the interaction between trade marks and plant breeder's rights, and the practice of not registering trade marks before the Convention priority period has expired. ACIP also looked into whether proof of use of a registered trade mark should be provided at renewal, but has not recommended that such a requirement be introduced. However, ACIP has recommended a minor change in the examination of the classification of goods or services in an application. ACIP sees considerable benefit in ensuring that the claimed goods or services are correctly classified as soon as possible after filing and has therefore recommended that a system for achieving this should be implemented.

ACIP has recommended the repeal of section 198A of the *Copyright Act 1968*, which provides for circumstances in which a trade mark will not be infringed by the importation of copyright material. ACIP recognises that not every provision relevant to trade mark owners appears in the Trade Marks Act, but considers that a provision like this should appear in the Trade Marks Act, rather than the Copyright Act. ACIP understands that amendments will be made to the Trade Marks Act to achieve the same purpose. If section 198A of the Copyright Act is no longer required after the amendments to the Trade Marks Act are made, ACIP recommends that it be repealed.

As part of this review, ACIP considered whether a Board of Review should be implemented to make enforcement procedures more affordable and accessible as this would have particular benefit for SMEs. However, ACIP has separately inquired into the possibility of extending the jurisdiction of the FMS to encompass intellectual property matters, which would achieve the same goal if implemented.

There are other areas where ACIP considers more work is needed, particularly at the international level, and ACIP has encouraged the Government to continue to participate in international discussions on issues such as the protection of well-known marks, trade mark infringement on the Internet, and the protection of traditional expressions. ACIP also encourages the support of research into the economic and legal benefits of, and costs associated with, extended protection for well-known marks.

## Recommendations

### Recommendation 1

(a) IP Australia should continue to monitor its examination processes to ensure the outcome of examination is consistent with the quality control benchmarks which it has adopted and should consider whether there is a need for it to formulate and implement additional quality standards and procedures to meet its charter. In particular, consideration should be given to increasing the involvement of senior examination staff in the examination of cases and providing additional training for all examination staff.

(b) IP Australia should ensure that it handles material received from third parties during examination consistently and its practice should be clarified in a Practice Note.

(c) IP Australia should ensure that relevant interest groups are consulted prior to making changes to practices and procedures, and information about any changes should be widely disseminated using the IP Australia website, email and Official Journal Notices.

### Recommendation 2

IP Australia should revert to its pre-July 2000 cross class search list, with amendments to cover classes 43 to 45 of the Nice Classification. In addition, a working group should be established consisting of representatives of IP Australia and relevant interest groups to improve and enhance the parameters of the associated classes.

### Recommendation 3

Consideration should be given to introducing a requirement for the Registrar of Trade Marks to carry out a classification check as soon as possible after the application is filed to ensure that the applicant has nominated the correct classes.

### Recommendation 4

IP Australia should continue to monitor its practice to ensure that an application to register a shape, colour, scent, sound or aspect of packaging is treated in a manner that is consistent with an application to register a word or device mark and that the threshold for registration is the same.

### Recommendation 5

The Trade Marks Act should be amended to reintroduce mandatory disclaimers for non-distinctive elements of trade marks, without retrospective effect. The current provision which allows an applicant to voluntarily disclaim non-distinctive material should be retained.

If this recommendation is not accepted, the Government should conduct a specific review to more fully examine the advantages and disadvantages of disclaimers.

### Recommendation 6

(a) IP Australia should undertake a comprehensive review of its trade mark opposition process to identify and address areas in which improvements could be made. In particular, the review should look at the granting of extensions of time, the clarification of the grounds of opposition at an early stage in the process, the appropriateness of the current scale of costs and the handling of confidential information filed in opposition proceedings.

(b) Consideration should be given to introducing a case management process to ensure oppositions run smoothly and are kept on track.

**Recommendation 7**

- (a) The Government should support research into the economic and legal benefits of, and costs associated with, extended protection of well-known marks.
- (b) Australia should continue to actively participate in international discussions regarding well-known marks.

**Recommendation 8**

- (a) The Government should give consideration to:
- amending section 133 of the Trade Marks Act to allow the Australian Customs Service to seize goods that are similar or closely related to the goods or services in respect of which the notified mark is registered; and
  - allowing the Australian Customs Service to disclose information to the objector or trade mark owner that may help to identify the source of the goods.
- (b) The Government, through appropriate consultative processes with the States, should investigate extending seizure powers for counterfeit goods to other state and local government agencies.

**Recommendation 9**

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.

**Recommendation 10**

In amending the Trade Marks Act to implement the Intellectual Property and Competition Review Committee's recommendation on parallel importation and the assignment of trade marks, the Government should ensure that the amendments will cover the importation of all types of goods. If the amendments to the Trade Marks Act mean that section 198A of the Copyright Act is redundant, ACIP recommends that provision be repealed.

**Recommendation 11**

ACIP encourages IP Australia to continue to monitor international developments in the area of trade mark infringement on the Internet.

**Recommendation 12**

The relevant legislation should provide a ground for refusal of a geographical indication where there is a likelihood of confusion between the geographical indication and a trade mark right that exists by virtue of use or is the subject of a registration or pending application.



## 1 Background

ACIP is a government appointed body which advises the federal Minister for Industry, Tourism and Resources on intellectual property matters and the administration of IP Australia.

In 1996, the then Minister requested that ACIP review the enforcement of intellectual property rights in Australia. During the early stage of the review, ACIP concluded that there were fundamental differences between the enforcement of patents and trade marks. As a consequence, ACIP restricted the first part of its review to patent enforcement, producing a report in March 1999 entitled *Review of Industrial Property Rights ¾ Patents*.

In late 1999, the Parliamentary Secretary to the Minister asked ACIP to initiate the second part of its review — to inquire into and report on issues relating to the enforcement of trade marks in Australia. In particular, the Parliamentary Secretary noted that SMEs appeared to experience difficulties when seeking to enforce trade mark rights, suggesting that small business enterprises may be disadvantaged by the current system, when compared to larger business enterprises.

ACIP commenced this review in April 2000 by circulating a background paper to interested parties. Discussions were then held with focus groups in Melbourne, Sydney, Adelaide, Perth and Hobart with the aim of identifying and understanding the current and emerging issues relating to trade mark enforcement in Australia.

Participants in the focus groups considered a broad range of issues and were strongly of the view that an inquiry into enforcement must include an examination of the nature of the rights given by trade mark registration and the way that protection is obtained. Those issues necessarily impact on the quality of the right granted and the extent to which the owners will be able to enforce their rights. ACIP therefore decided that it was necessary to adopt a broad approach to its terms of reference and has considered the following matters:

- searching
- examination
- classification
- validity and scope of the rights granted
- opposition
- infringement and remedies
- interface between trade marks and other interests

ACIP published an Issues Paper in February 2002 and received 29 written submissions in response. Workshops were then held in Melbourne, Sydney and Perth to enable debate and discussion of the issues that it had identified. In addition, ACIP held separate consultations with IP Australia, the ACS and representatives from the State and Territory business name authorities.

A number of issues canvassed in the Issues Paper are either not discussed in the final report or are considered only briefly. The reason for this is that the issues either attracted limited comment from submitters, they were matters which ACIP felt would have no

direct effect on improving the enforcement of rights, or they were matters that warranted detailed consideration in specific reviews.

With reference to the latter point, ACIP has commenced separate reviews on the protection of national icons and the interaction between trade marks, business names, company names and domain names. In addition, the handling of trade mark matters in the courts has been encompassed by ACIP's inquiry into extending the jurisdiction of the FMS to intellectual property matters. ACIP also decided that the issue raised in relation to the clarity of paragraph 88(2)(c) of the Trade Marks Act should be looked at as part of IP Australia's Trade Marks Legislation Review and ACIP referred this issue to that review for further consideration.

From consultation with stakeholders, ACIP determined that there are differing views as to how the Australian trade mark system should operate. For some, the priority is a simple low cost system which allows maximum access, while other users favour a robust system with greater certainty. These differing views led ACIP to consider three models for the Australian trade mark system:

- Model One — A system with a low entry threshold that better suits the needs of those seeking low cost, reduced complexity and greater speed, but who are willing to trade-off certainty;
- Model Two — A system with a high entry threshold that better suits the needs of those seeking a greater level of certainty for protection and enforcement of their trade mark rights;
- Model Three — A two tiered system offering users the option to select a low or high threshold system.

The matter was discussed at length in Workshops with the strongest support being expressed for Model Two. ACIP agrees that this model provides the most balanced and cost-effective system and has therefore concentrated its deliberations on changes which are consistent with Model Two.

Another point that was repeatedly made during the consultations was that users of the trade mark system, be they small, medium or large businesses, all wanted greater certainty through stronger and more enforceable rights. In order to obtain this end, they indicated they were willing to incur reasonable fee increases if this was a necessary consequence.

## 2 Examination Issues

### 2.1 Examination

The examination of applications for registration is a critical aspect of the trade mark registration system. All applications are examined to determine whether they meet the requirements of the Trade Marks Act and an application will only be accepted if these requirements are met. Accordingly, rigorous and thorough examination is essential to ensure trade marks that do not meet the relevant requirements are not accepted or registered.

Many participants in the current review expressed concern about the standard of examination.<sup>1</sup> While it was acknowledged that IP Australia has committed significant time and effort to improving examination practices, there is still a strongly held belief in the Australian trade mark community that there is room for improvement.

The main problem identified during the consultations was a perceived lack of consistency and predictability. It appears to be a widely held view that similar cases are not necessarily treated in the same way and this makes it difficult for applicants and their legal advisers to anticipate whether a mark will be acceptable.

ACIP acknowledges that it is difficult to achieve consistency where there are a large number of decision-makers. However, as was suggested in several submissions, this could be addressed by increasing the involvement of senior examination staff in the assessment of applications. For example, it was suggested that senior examiners should be involved in the examination of all contentious cases<sup>2</sup> and that a small group of senior examiners should be established to review all proposed acceptances and rejections.<sup>3</sup> ACIP supports such suggestions and would note that a further option could be to require all first reports to be approved by a senior examiner.

There was also strong support for providing examiners with more training,<sup>4</sup> and it has been suggested that the training could include a particular focus on the need for consistency in examination.<sup>5</sup>

While it is recognised that these initiatives would potentially increase the cost of examination, a common theme expressed during the consultations was that some increases in fees would be acceptable if it leads to stronger, clearer and more robust trade mark rights, which would consequently be less likely to become involved in enforcement disputes.

Comments received in the submissions also indicated a concern about how material provided to an examiner by a third party is handled. Currently, a third party may give an examiner information that they consider relevant to the registrability of a trade mark. There is no clear practice on how this information should be treated and ACIP understands that it is being handled in an ad hoc manner. The submissions received on this point suggested

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<sup>1</sup> Tribe, BSW, Freehills, IPTA, MotorOne, LCA

<sup>2</sup> BSW

<sup>3</sup> Freehills

<sup>4</sup> BSW, IPTA, UTS

<sup>5</sup> UTS

that such a practice was undesirable and that IP Australia should handle such material in a more transparent and consistent manner.<sup>6</sup>

ACIP specifically inquired into whether the processes by which IP Australia changes its examination practices and procedures and advises users of the trade mark system of the changes are appropriate. Responses indicated that IP Australia's consultation on legislative changes is good. However, the level of consultation on changes to examination practices and procedures that do not require legislative amendments is not always adequate. The changes that were made to the cross class search list (see paragraph 2.2.1 below) were an example of a major change in examination practice without sufficient consultation. ACIP would support any moves to increase consultation with interested groups and agrees with the suggestion made in some submissions that IP Australia should increase its use of the Internet and email to disseminate information about any changes to practices and procedures.<sup>7</sup>

### **Recommendation 1**

- (a) IP Australia should continue to monitor its examination processes to ensure the outcome of examination is consistent with the quality control benchmarks which it has adopted and should consider whether there is a need for it to formulate and implement additional quality standards and procedures to meet its charter. In particular, consideration should be given to increasing the involvement of senior examination staff in the examination of cases and providing additional training for all examination staff.
- (b) IP Australia should ensure that it handles material received from third parties during examination consistently and its practice should be clarified in a Practice Note.
- (c) IP Australia should ensure that relevant interest groups are consulted prior to making changes to practices and procedures, and information about any changes should be widely disseminated using the IP Australia website, email and Official Journal notices.

## **2.2 Classification of Goods and Services**

### **2.2.1 Cross class searching**

The Nice Agreement for the International Classification of Goods and Services (Nice Classification) provides a system of classifying goods and services into 45 different classes. This system is an administrative tool that streamlines searches of the Register for conflicting trade marks.

By using the Nice Classification, a search can be restricted to only the classes that would contain the same or closely related goods or services. This is achieved by sorting the classes into groups of associated classes and the associated classes are listed in the cross class search list.

Australia's cross class search list was modified in July 2000. As a result of the changes, the number of classes searched is significantly less than it had previously been. The previous and current lists are in Attachment 1.

<sup>6</sup> IPTA, Tribe, BSW

<sup>7</sup> BSW, LIV

The following explanation for the changes is given in Part 26 of the Trade Marks Office Manual of Practice and Procedure (Trade Marks Manual).

The previous cross search list was drawn up when the *Trade Marks Act 1955* was in force and was broad enough to take into account public interest concerns as well as proprietorial interests. In the ... *Metro* case,<sup>8</sup> French J noted in his judgement that the presumption of registrability, which underpins the 1995 Act, has to some extent shifted the balance of the objectives of trade mark law more towards protection of commercial interests than to consumer protection.

He also pointed out that the decision to reject an application must now be based “upon positive satisfaction that a ground for rejection is made out”. It seems therefore to follow that if there is uncertainty that the goods and services are similar or closely related, there can be no “positive satisfaction” that a ground exists under section 44.

The Cross Class Search List has been limited to classes where it is not only “likely” but “probable” that similar or related goods or services will be found.

All the submissions ACIP received on this issue were critical of the changes that have been implemented by IP Australia to its cross class search list.<sup>9</sup> It was felt that the changes compromised the integrity of the Register by:

- lowering the standard of examination,<sup>10</sup> for example by allowing the registration of similar marks by different entities in respect of closely related goods or services;<sup>11</sup>
- compelling applicants to seek additional protection in classes closely related to classes of real interest even when they may have no intention of using the trade mark for goods/services in these classes;<sup>12</sup> and
- increasing the costs of maintaining effective watching programs and potentially creating the need for trade mark owners to take expensive opposition or non-use action.<sup>13</sup>

In particular, it was felt that the redefined cross searching classes are too narrow and do not take into account potentially conflicting use of marks. For example, clothing (class 25), retailing of clothing (class 35) and safety clothing (class 9) are not associated under the current list.

Participants in the Workshops expressed concern that changes to the cross class search list have meant that Examiners are not citing marks which are clearly substantially identical with, or deceptively similar to, an application mark because one relates to goods and the other to services. For example, a mark registered in class 14 for ‘jewellery’ would not be cited against a substantially identical mark in class 35 covering retail and wholesale services in respect of jewellery.

While ACIP accepts that IP Australia is committed to streamlining its procedures, and that classification and cross class searching represent a substantial proportion of the cost of the

<sup>8</sup> *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411

<sup>9</sup> BSW, BM, Freehills, IPTA, LCA, LIV, Tribe

<sup>10</sup> IPTA

<sup>11</sup> BSW

<sup>12</sup> BSW

<sup>13</sup> BSW, Tribe

examination process,<sup>14</sup> it does not believe the changes are justified. The changes have reduced certainty by increasing the possibility of conflicting marks being registered because they are not picked up during the search. In addition, ACIP notes that the UK Trade Marks Office has reverted to a much broader cross class search list than it had in place when IP Australia revised its list in July 2000.

The changes to the cross class search list have had the effect of moving costs from IP Australia to the user by increasing the need to monitor the Trade Marks Official Journal for acceptance advertisements and to take opposition or non-use action. This process is particularly onerous for many SMEs who are unlikely to have the time or resources to continually monitor acceptance advertisements or to pursue opposition actions.

If the Australian trade mark system is to produce strong, robust rights, it is critical that the searches conducted Australia during examination are sufficiently broad to ensure that all relevant conflicting applications and registrations are taken into account for the purpose of applying section 44.

### **Recommendation 2**

IP Australia should revert to its pre-July 2000 cross class search list, with amendments to cover classes 43 to 45 of the Nice Classification. In addition, a working group should be established consisting of representatives of IP Australia and relevant interest groups to improve and enhance the parameters of the associated classes.

#### **2.2.2 Incorrect nomination of classes**

Trade mark applicants are required to specify the goods or services that they seek protection for and nominate the classes that the goods or services fall in. The classification details provided on the application form are entered into the system without checking whether the goods or services have been claimed in the correct class. An incorrect classification will not be corrected until the application is examined, which may be several months after filing. An application which nominates the wrong class (either in error or deliberately) will be difficult to detect in a search of the Register unless an unnecessarily broad search is conducted, which would increase the cost of the search.

The Trade Marks Office has trialled an optional up-front service whereby applicants have the option to receive an initial assessment of their application before the application is filed. One aim of this new service is to ensure that applications filed following the up-front assessment will not have any formality problems, such as incorrect classification. ACIP believes that this is a commendable initiative, but notes that, even if this new service is implemented, not all applicants will use it and there will still be the potential for classification errors to be made.

It was submitted to ACIP that trade mark applications should be subject to an initial formalities check to determine whether the correct classification has been used to ensure, as far as possible, the integrity of the Trade Marks Register for searching purposes.<sup>15</sup>

<sup>14</sup> It was suggested to ACIP by IP Australia that these costs could be as high as 30% of the cost of examination.

<sup>15</sup> BM, BSW, Freehills

ACIP notes that New Zealand has introduced a requirement in its new trade marks legislation whereby the classification is checked shortly after the application is filed. Incorrectly classified goods are identified and the applicant is given one month to add the correct class to their application, after which time the correct class cannot be added. ACIP considers that Australia should look at introducing a similar requirement. The classification of goods and services claimed in an application must be checked at some point during the examination process. Consequently, it should not add significantly to the cost of examination to undertake a check of the classification as soon as possible after the application is filed, perhaps as part of the indexing process.

### Recommendation 3

Consideration should be given to introducing a requirement for the Registrar of Trade Marks to carry out a classification check as soon as possible after the application is filed to ensure that the applicant has nominated the correct classes.

## 2.3 New Signs

The ‘new signs’ referred to in this report are sounds, shapes, smells, colours and aspects of packaging. These signs were not excluded from registration under the *Trade Marks Act 1955* (the 1955 Act), but under that Act ‘mark’ was defined as including a device, brand, heading, label, ticket, name, signature, word, letter or numeral, or any combination thereof. Given this definition, the registration of any of the new signs was difficult, if not impossible, under that Act. The new signs were specifically provided for under the current Trade Marks Act, which commenced on 1 January 1996, and it has taken some time for the law and practice regarding these signs to develop.

In the Issues Paper, ACIP noted that a number of people in the focus groups had expressed concern that new signs appear to be treated differently from the more traditional kinds of marks during examination.<sup>16</sup> Concern was also expressed in the Workshops and a number of submissions have expressed similar views.<sup>17</sup> There was a widely held view that the Trade Marks Office was operating under a presumption that the new signs are not *prima facie* registrable and evidence of use should be submitted. In other words, there appeared to be a higher registrability test for these types of marks than for word and logo marks. It was suggested that, as the present law does not differentiate between the more traditional kinds of signs and new signs, there is no justification for treating them differently.<sup>18</sup> ACIP agrees with this position.

In the time since submissions for this review closed (April 2002), there have been two Federal Court decisions that have provided some much needed clarity as to how new signs should be treated: *Kenman Kandy v Registrar of Trade Marks* [2002] FCAFC 273, which related to a shape mark; and *Philmac Pty Ltd v Registrar of Trade Marks* [2002] FCA 1551, which related to a colour mark.

A clear message from these decisions was that the tests for assessing registrability of shape and colour marks should be the same as those used to assess word and logo marks. The

<sup>16</sup> p17

<sup>17</sup> BSW, UTS, DCC, Freehills, IPTA, Kelson

<sup>18</sup> BSW, DCC, UTS, Freehills

Trade Marks Manual now makes it clear that examiners should adopt this approach to the examination of all new signs.

In relation to shape marks, the Manual makes the following statements:

- ‘Applications for shapes as trade marks should be considered under the same broad criteria as any other kind of sign.’<sup>19</sup>
- ‘An invented shape should be treated in a similar manner to an invented word, and is equally entitled to *prima facie* acceptance.’<sup>20</sup>

The Manual also makes it clear that functional shapes are not inherently adapted to distinguish and a ground for rejection against such marks should be raised.<sup>21</sup> This is consistent with the views expressed during ACIP’s consultations.

In addition, the *Kenman Kandy* decision made it clear that it is not appropriate to raise objections against a shape mark on the basis that the public would need to be educated to see it as a trade mark, or that an attractive shape is functional because it is designed to attract the attention of consumers. These objections formed the basis of the refusal to register a sea shell shape for chocolates in *Chocolaterie Guylian N.V., Re* [1999] ATMO 28 (26 March 1999) and, based on information received during ACIP’s consultations, appear to have been commonly raised against applications for new signs.

In the *Philmac* decision, Mansfield J found that a single colour applied to the surface of goods should be considered ‘in the same class as an application for registration of a purely descriptive word.’<sup>22</sup> Consequently, it can be expected that such trade marks will usually require evidence of use under subsection 41(6) of the Trade Marks Act, and this is confirmed in the Manual.<sup>23</sup> Mansfield J also provided clear guidelines on the circumstances in which such trade marks may be inherently adapted to distinguish. In short, a single colour may be capable of distinguishing goods as long as it is not functional or common in the relevant market. The Manual makes it clear that the same reasoning applies to sound and scent marks.

ACIP is confident that the judicial guidance provided by these decisions would have allayed much of the concern expressed during the consultations undertaken for this review. However, ACIP would encourage IP Australia to monitor its practice in relation to the examination of new signs to ensure that the law is consistently applied.

#### **Recommendation 4**

IP Australia should continue to monitor its practice to ensure that an application to register a shape, colour, scent, sound or aspect of packaging is treated in a manner that is consistent with an application to register a word or device mark and that the threshold for registration is the same.

<sup>19</sup> Section 3.2 of Part 21

<sup>20</sup> Section 3.6 of Part 21

<sup>21</sup> Section 3.4 of Part 21

<sup>22</sup> at paragraph 64

<sup>23</sup> Section 4.3.1 of Part 21



## 2.4 Disclaiming Non-Distinctive Elements of a Trade Mark

Section 32 of the 1955 Act provided for mandatory disclaimers. Under this provision, the Registrar could require the applicant to disclaim rights to any non-distinctive elements of their trade mark as a condition of registration. The presence of a disclaimer on a registration clarified the scope of the right and provided competitors and other traders with some degree of certainty that their own use of a non-distinctive element of the mark would not result in infringement action.

Mandatory disclaimers were not included in the current Trade Marks Act because it was considered that the costs of administering this requirement were not outweighed by the benefits of retaining it. Instead, voluntary disclaimers are provided for under section 74 and may be recorded on the Register at the request of the applicant or registered owner.

In its report, *Review of Intellectual Property Legislation Under the Competition Principles Agreement*, the Intellectual Property and Competition Review Committee (IPCRC) considered the issue of whether mandatory disclaimers should be reintroduced. It recommended that mandatory trade mark disclaimers should not be reintroduced. However, the IPCRC acknowledged that the use of disclaimers brings some benefits and made further recommendations aimed at promoting the more widespread use of voluntary disclaimers. The Government's response to this recommendation was deferred, pending the outcome of ACIP's consideration of this issue in the current review.

In the Issues Paper, ACIP sought comments on whether mandatory disclaimers should be reintroduced. This suggestion was overwhelmingly supported in both the written submissions and the Workshops. ACIP received eleven<sup>24</sup> submissions commenting on disclaimers and all but two<sup>25</sup> of these were in favour of reintroducing mandatory disclaimers. However, those two submissions were not opposed to the reintroduction of mandatory disclaimers — Jane Tribe suggested that the use of voluntary disclaimers should be encouraged and Freehills outlined some of the advantages and disadvantages of mandatory disclaimers, but did not express an opinion either way. Otherwise, the view was consistently expressed that mandatory disclaimers give all users of the system much more certainty about the scope of a trade mark and should be reintroduced.

Mandatory disclaimers provide for an increased level of certainty because '[t]he effect of a disclaimer is that the owner cannot claim statutory rights in what has been disclaimed.'<sup>26</sup> Thus, another trader may use the non-distinctive element in the course of trade with greater assurance that they will not be infringing the trade mark owner's rights. The submissions from the Law Council of Australia (LCA) and Blake Dawson Waldron (BDW) both argued that the savings made by removing the mandatory disclaimer requirement do not justify the consequent reduction in certainty that exists in the current system. Furthermore, Davies Collison Cave (DCC) point out that this reduced level of certainty 'particularly disadvantages other traders' and is not in the public interest.

The IPCRC commented that the parties in favour of mandatory disclaimers were not able to support their arguments with empirical evidence to support the reintroduction of mandatory disclaimers. ACIP has found the same limitation in the current review, but

<sup>24</sup> BM, BDW, DCC, Freehills, Heather, IPTA, MotorOne, LCA, LIV, Tribe, Wilson

<sup>25</sup> Freehills, Tribe

<sup>26</sup> Davis, M., Johnston, K., Kennedy, P., *Shanahan's Australian Law of Trade Marks and Passing Off*, 3<sup>rd</sup> edition, (Sydney: Law Book Co., 2003) p272

notes that it is very difficult to quantify the effects of not having a mandatory disclaimer system. Nonetheless, it is clearly an issue of significant importance to users of the trade mark system.

Clearly the IPCRC saw sufficient merit in the disclaimer system to warrant its recommendation aimed at promoting the use of disclaimers. ACIP agrees that the trade mark system would benefit from the increased use of disclaimers, but considers that a mandatory requirement is necessary to achieve the full benefit of a disclaimer system. Unless the disclaimer requirement is mandatory, it will not have the desired effect of increasing certainty and clarity for users of the system.

Given that there is such strong and widespread support for the reintroduction of mandatory disclaimers, ACIP considers that the Trade Marks Act should be amended to provide for mandatory disclaimers. Voluntary disclaimers should be retained as they can provide a useful option in certain circumstances, particularly in negotiations between parties.

ACIP notes that the reintroduction of mandatory disclaimers would add some complexity to the registration system. Potential exists for an applicant to be discouraged from pursuing registration after receiving an adverse report in relation to a disclaimer. ACIP considers that the wording of adverse reports should provide sufficient explanation of the disclaimer requirement to ensure applicants are not discouraged from pursuing an otherwise registrable trade mark. This is particularly important for SMEs and smaller users of the trade mark system.

If this recommendation is implemented, consideration must be given to those marks registered without disclaimers since 1996. The submissions that ACIP received on this point were pragmatic. It was generally acknowledged that, while the presence on the Register of marks which contain non-distinctive material without a disclaimer is not ideal, it is a situation which can be tolerated — provided that it is not continued. ACIP does not believe that the issue of a disclaimer should be revisited for those marks registered since 1996, nor does it support a notation on the Register identifying the relevant marks. ACIP believes that the Register will be cleansed of these marks over time.

If this recommendation is not accepted, the Government should conduct a separate review to look specifically at the issue of disclaimers. Clearly some change is needed as both ACIP and the IPCRC, under different terms of reference, have made recommendations aimed at increasing the use of disclaimers. However, ACIP accepts that the Government may require more detailed information or empirical evidence before committing to any changes with regard to disclaimers. It has not been possible to obtain such information in the current review and this would best be obtained through a specific review and consultation process.

### **Recommendation 5**

The Trade Marks Act should be amended to reintroduce mandatory disclaimers for non-distinctive elements of trade marks, without retrospective effect. The current provision which allows an applicant to voluntarily disclaim non-distinctive material should be retained.

If this recommendation is not accepted, the Government should conduct a specific review to more fully examine the advantages and disadvantages of disclaimers.

## 2.5 Association of Trade Marks

The doctrine of association requires substantially identical trade marks in respect of the same or similar goods or services to be owned by the same owner. Section 36 of the 1955 Act provided for association of trade marks to minimise the risk of deception or confusion which is likely to occur where substantially identical marks are owned by different people and used in respect of similar goods or services. The association requirement ensured that, when a mark was assigned to another party, all the associated marks would also be assigned to the same owner.

The Working Party that reviewed the 1955 Act could not reach an agreement on how association should be included in the new legislation and the Government decided to implement a streamlined version of association, which was included in the initial version of the new legislation — the *Trade Marks Act 1994* (the 1994 Act). The association provisions in the 1994 Act were considered to be unworkable and the view was strongly expressed by users of the system that, although they would rather see association retained in the same form as in the 1955 Act, it would be preferable to remove association all together than to have the provisions of the 1994 Act. Consequently, association was not retained in the Trade Marks Act.

During this review, support was again expressed in favour of association. In the Melbourne and Perth Workshops and in discussions with the focus groups there was support for the reintroduction of compulsory association. This was also strongly endorsed in two submissions<sup>27</sup> with mild support in two others.<sup>28</sup> It was argued that the association of substantially identical marks used in respect of the same, similar or closely related goods or services materially reduces the likelihood that use of the mark will result in deception or confusion.

However, several submissions expressed opposition to the reintroduction of association.<sup>29</sup> It was noted that the reintroduction of association would increase the time and cost involved with examination<sup>30</sup> and that it is not unreasonable for an assignee to take steps to ensure that all relevant marks are assigned to them.<sup>31</sup>

Although the reintroduction of association could bring some advantages, ACIP does not consider it to be a high priority. The potential for problems to arise in the absence of association is low, but the cost of administering association would be borne across the entire trade mark system — including by SMEs, who are less likely to use the association provisions than larger businesses with multiple trade mark registrations. ACIP believes the resources that would be required to administer association would be more beneficially used in other reforms of the trade mark system, such as the reintroduction of disclaimers, increased training for examiners and the broadening of the cross class search list.

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<sup>27</sup> IPTA, LCA

<sup>28</sup> BM, BSW

<sup>29</sup> BDW, UTS, Freehills

<sup>30</sup> Freehills

<sup>31</sup> UTS, BDW

## **2.6 Registration of Trade Marks Within the Convention Priority Period**

Under Article 4 of the Paris Convention for the Protection of Industrial Property, an applicant can rely on the filing date of an application for a mark filed in one Convention country to claim an earlier priority date for the same mark when filed in another Convention country. They must file the later application within 6 months of the filing date of the earlier application.

The priority date of an application is the date used when comparing conflicting trade marks to determine which application is the earliest. Accordingly, a Convention application may be filed on 1 July 2004 and claim a priority date as early as 1 January 2004. Any conflicting marks filed between the priority date and the filing date would be pre-dated by the Convention application, but the existence of the Convention application would not be known until it is filed. Furthermore, the existence of any conflict between a prior application and the Convention application will not be known until the Convention application is examined.

There is no authority in the Trade Marks Act for the Registrar to cancel a registration due to a conflicting Convention application that was unknown before the other mark was registered. The only way to cancel such a registration is by taking court action. As such, IP Australia has adopted a practice of not registering any trade marks until 7½ months after the filing date and expediting the examination of all Convention applications. This ensures that any conflicting Convention applications will be found before a trade mark is registered.

ACIP understands that IP Australia is under constant pressure from a variety of sources to 'speed up' the registration process. In the Workshops, concern was expressed that IP Australia may be pressured to register trade mark applications before the expiration of the Convention period. ACIP would not support any moves to change IP Australia's current practice as it would potentially lead to the cancellation of registrations. Such an outcome would be extremely undesirable as it would reduce certainty and expose the parties seeking the cancellation of a registration to the costs of court action.

## 3 Hearing and Opposition Issues

### 3.1 Opposition Proceedings

The Trade Marks Act provides for opposition proceedings whereby a third party may oppose the registration of a trade mark that has been accepted. This process provides two important safeguards in that it:

- allows a decision of the trade mark examination branch to accept an application to be reviewed in a comparatively cost effective environment; and
- ensures that there is an opportunity for a skilled trade mark hearing officer to consider evidence and argument on matters which impact on the registrability of a trade mark but are beyond the scope of the examination process — for example, questions relating to proprietorship and marks which enjoy a reputation in Australia.

The opposition proceedings not only help to clarify the extent and strength of the rights to be registered, but they also offer a relatively cheap and straightforward form of dispute resolution. As such, the opposition proceedings are an important and integral part of the Australian trade mark system and are seen by many parties as a highly desirable aspect.<sup>32</sup> ACIP therefore considers it is particularly important that the opposition process operates effectively and efficiently.

A general consensus in both the focus groups and the written submissions was that the opposition process often lacks direction and, as a result, proceedings can become unnecessarily protracted and costly for the parties.<sup>33</sup> It was suggested during the Workshops that the system is open to abuse, in that it allows well-resourced parties to delay proceedings and put pressure on those with fewer resources. Some key areas of concern are the ease with which extensions of time are granted and the specification of the grounds on which the registration is opposed.

ACIP agrees that numerous extensions of time and a failure to specify the actual grounds of opposition early in the process can cause unnecessary delays and costs for the other party. However, it also recognises the need to balance the interests of opponents and applicants to ensure that both sides have sufficient opportunity to present their case.

The concerns expressed in the submissions about extensions of time chiefly related to extensions granted for serving evidence. ACIP notes that the preparation of evidence can take significant amounts of time and accordingly it would not advocate a tightening of extensions of time for this purpose. However, consideration could be given to introducing a sliding scale of fees as a mechanism for dissuading parties from unnecessarily prolonging proceedings. This scale of fees should take into account the number of extensions requested by a party and apply to all types of extension sought during the opposition process.

The failure of many parties to specify the real grounds of their opposition was identified as an issue of particular concern and a cause of unnecessary delay and cost as applicants are forced to prepare evidence and present submissions on issues which an opponent may

<sup>32</sup> UTS, DCC, IPRIA, LIV, LCA, IPTA

<sup>33</sup> IPTA, LCA, UTS, DCC

have no intention of arguing. It is often not clear what grounds an opponent will rely on until the matter reaches hearing.

ACIP acknowledges that it is not always possible for an opponent to accurately identify the relevant grounds of opposition at the date of lodging the Notice of Opposition. However, ACIP supports the widely expressed view that the actual grounds of opposition should be finalised at some point before the hearing date<sup>34</sup> and favours clarification immediately after the lodgement of evidence in support, with only limited grounds for amendment after that time. ACIP also favours a cost penalty to opponents who do not refine their grounds of opposition and then fail to rely on all the grounds specified at the hearing.

Other aspects of the opposition process that were identified as areas of concern are the handling of confidential information and the scale of costs.

Currently, there is no provision in the Trade Marks Act or Regulations to preserve the confidential nature of information served on a party, or to allow the Registrar to make orders that certain information is to be treated as confidential. A person wishing to rely on evidence containing confidential information is required to serve that evidence on the other side, but he or she must rely on general legal principles for protection against misuse of the confidential information.

It was suggested that costs should be increased to deter parties from lodging vexatious oppositions<sup>35</sup> and ensure that the costs awarded more closely reflect the actual costs incurred.<sup>36</sup> However, ACIP considers that this could also have the undesirable effect of deterring SMEs or those with limited financial means from taking opposition action. Several submissions did not support a significant increase in costs,<sup>37</sup> but there was general support for a review of the scale of costs and ACIP agrees that this should be undertaken as part of a broader review of the opposition process.

In the Issues Paper, ACIP outlined a case management process intended to help keep oppositions on track and running smoothly. The suggested process, set out below, received general support in the submissions<sup>38</sup> and consideration should be given to implementing such a process as part of an overall review of opposition procedures.

- A hearing officer should be appointed at the outset of each opposition, to oversee timetables and keep the proceedings on track.
- A process similar to directions hearings in the Federal Court could be introduced to set a timetable (agreed to by the parties with input from the hearing officer) for the conduct of the proceedings. The timetable could include defined milestones and would not be changed without the approval of the hearing officer.
- The opponent could be compelled to provide precise details of the grounds of the opposition, at least by the time the evidence in support is filed.
- The hearing officer could be given discretion to dismiss an opposition where it appears that there is no sufficient basis disclosed.

<sup>34</sup> LCA, IPTA, BSW, DCC, Freehills, IPRIA, LIV, UTS, Tribe

<sup>35</sup> Tribe

<sup>36</sup> Freehills, LIV, LCA

<sup>37</sup> BSW, UTS, DCC, IPTA

<sup>38</sup> BSW, UTS, DCC, IPTA, LIV

### **Recommendation 6**

- a) IP Australia should undertake a comprehensive review of its trade mark opposition process to identify and address areas in which improvements could be made. In particular, the review should look at the granting of extensions of time, the clarification of the grounds of opposition at an early stage in the process, the appropriateness of the current scale of costs and the handling of confidential information filed in opposition proceedings.
- b) Consideration should be given to introducing a case management process to ensure oppositions run smoothly and are kept on track.

### **3.2 Board of Review**

The hearing and opposition processes provide an opportunity for the decision of the examiner to be reviewed. However, following a hearing the only option for a dissatisfied party is to go to the Administrative Appeals Tribunal or the Federal Court. Such an appeal can be very costly and may be beyond the resources of many trade mark owners, particularly SMEs.

Some concern was expressed in the focus groups that these avenues for review of a hearing decision are inappropriate where the decision was made in error or is not supported by the trade mark legislation or current case law. In the Issues Paper, ACIP questioned whether an internal Board of Review within IP Australia would provide parties with an opportunity to have their case reconsidered in a more cost effective and timely manner than the current appeal mechanism. This proposal was supported in the Workshops but the submissions received were largely opposed to the introduction of an internal Board of Review. The main concerns expressed about such a move included that it would merely introduce another administrative layer<sup>39</sup> and lead to further delays in IP Australia's decision making process.<sup>40</sup>

ACIP considers there to be considerable merit in introducing reforms to make the appeal processes less complicated and expensive for the parties involved. This would have particular advantages for SMEs. Although there was little support for an internal Board of Review in the submissions, some comments were made in favour of giving jurisdiction for trade mark matters to the FMS.<sup>41</sup>

The FMS was established to provide a quicker, cheaper and more accessible forum for dealing with less complex family law and general federal law disputes. The jurisdiction of the FMS was extended to copyright civil matters earlier in 2003. ACIP has looked into extending the jurisdiction of the FMS to patent, trade mark and design matters in a separate review, which was released on 19 February 2004. ACIP has recommended that the jurisdiction of the FMS be extended to cover these areas and has also made recommendations aimed at streamlining current court processes and encouraging a greater use of alternate dispute resolution mechanisms. If these recommendations are implemented, ACIP believes that many of the concerns expressed in the current review will be addressed.

<sup>39</sup> DCC, BM, Freehills

<sup>40</sup> UTS, IPTA

<sup>41</sup> UTS, DCC

## 4 Post-Registration and Infringement Issues

### 4.1 Well-Known Marks

Article 6<sup>bis</sup> of the Paris Convention and Article 16 of the Agreement on Trade-Related Aspects of Intellectual Property Rights require Member States to protect well-known marks by refusing or cancelling registrations and prohibiting the use of marks that infringe a well-known mark. This protection extends to the situation where the infringing mark is used on goods or services that are not similar or closely related to the goods or services for which the well-known mark is registered.

Some problems that have been identified in this area include the difficulty in defining what constitutes a well-known mark and whether a mark needs to be generally well-known, or only well-known in a specific market. Internationally, there is considerable inconsistency in how well-known marks are protected and the extent of protection given. For example, some countries maintain a register that identifies well-known marks, while others allow it to be determined on a case-by-case basis. The strength of protection given in different countries also varies.

The Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO) have issued the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks. This document provides guidelines on how Member States may determine and protect well-known marks, but it is not prescriptive. Member States have significant flexibility in determining how they protect well-known marks.

The submissions ACIP received on this issue varied widely in whether or not further protection is needed in Australia. However, a key message that came out of the submissions was that this is a complex area of trade mark law and a full analysis of the legal and economic issues is required to determine whether further protection for well-known marks is warranted and, if so, the form and scope of that protection.<sup>42</sup> ACIP supports this suggestion and notes that the Intellectual Property Research Institute of Australia (IPRIA) is intending to undertake research into this issue in 2004.

In addition, ACIP notes that Australia is an active participant in the international fora in which this issue is discussed, including WIPO and Asia-Pacific Economic Cooperation (APEC). ACIP believes that Australia should continue to monitor international developments and participate in international discussions on well-known marks.

#### **Recommendation 7**

- a) The Government should support research into the economic and legal benefits of, and costs associated with, extended protection of well-known marks.
- b) Australia should continue to actively participate in international discussions regarding well-known marks.

<sup>42</sup> LCA, IPRIA, BM



## 4.2 Counterfeiting and Infringement

Part 13 of the Trade Marks Act allows the ACS to seize imported goods that may infringe a registered trade mark. The main avenue for counterfeit goods onto the market in Australia is through the importation of the goods, therefore the seizure provisions are a crucial aspect of trade mark enforcement.

Under these provisions, the owner of a registered mark can notify the ACS of their mark and the ACS must seize any imported goods to which a substantially identical or deceptively similar trade mark has been applied, unless the ACS is satisfied that the notified mark would not be infringed.

One of the limitations of the seizure provisions identified in the submissions<sup>43</sup> is that the ACS can only seize ‘goods in respect of which the notified trade mark is registered.’<sup>44</sup> This means that the ACS cannot seize goods similar to those in respect of which the notified mark is registered, nor can it seize goods that are closely related to services in respect of which the notified mark is registered — even though use of a similar trade mark on such goods may constitute an infringement of the notified mark.

The ACS submitted that it would be preferable if it could seize any goods to which a substantially identical or deceptively similar trade mark had been applied. ACIP would not support such a move because it would extend to seizure of unrelated goods and the use of a similar or substantially identical mark on unrelated goods would not ordinarily constitute an infringement under the Trade Marks Act.

However, ACIP considers that the ACS should be able to seize any imported goods that are similar or closely related to the goods or services for which the notified mark is registered. This would be consistent with the expanded infringement test that has been provided for under the current Trade Marks Act.<sup>45</sup> It is noted that this would increase the workload of the ACS because it would be required to seize more goods and also to make decisions about whether or not the relevant goods are similar or closely related to the registered goods or services. Consequently, the Government should devote additional resources to the ACS to accommodate the increased workload.

One option that may reduce the decisions involved for the ACS would be to require the trade mark owner to provide a list of the types of similar or closely related goods they would like the ACS to seize. Although the ACS would need to make an initial assessment as to whether the goods on the list are in fact similar or closely related to the registered goods or services, it would only need to make this assessment once and could then seize any listed goods.

Another limitation of the current provisions identified in the submissions relates to the ability of the ACS to give the trade mark owner, or other objector, a notice providing details of the seizure, details about the designated owner of the imported goods and any other information that may help to identify the importer of the goods.

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<sup>43</sup> ACS, Freehills

<sup>44</sup> paragraph 133(2)(b) of the Trade Marks Act

<sup>45</sup> Under the 1955 Act the infringement test extended only to the goods or services in respect of which the trade mark is registered. In the current legislation, the test extends to similar or closely related goods or services.

Several submissions<sup>46</sup> argued that the ACS should also be able to give the trade mark owner any information it has that may help to identify the source of the goods. ACIP agrees with this position because, in order to more effectively prevent further importations of counterfeit or infringing goods, the trade mark owner needs to be able to identify the source of the goods.

ACIP believes there may also be merit in extending seizure powers to government agencies other than the ACS and the Federal Police, such as State police authorities and selected local government authorities. This is particularly important in circumstances where the counterfeit goods are manufactured and traded within Australia and are therefore outside the jurisdiction of the ACS.

ACIP is however concerned that any such extension will require a careful determination of the powers to be exercised by the agencies, appropriate resourcing and a commitment by such agencies to give reasonable priority to requests.

During the consultation process there was some suggestion that private individuals should be given a limited power to seize counterfeit goods. In ACIP's view, it would not be appropriate to allow private persons a right of seizure and it believes that the effective empowerment of a wider range of agencies to act on information provided by trade mark owners should obviate the need to provide the owners with such a power.

### **Recommendation 8**

- a) The Government should give consideration to:
  - amending section 133 of the Trade Marks Act to allow the Australian Customs Service to seize goods that are similar or closely related to the goods or services in respect of which the notified mark is registered; and
  - allowing the Australian Customs Service to disclose information to the objector or trade mark owner that may help to identify the source of the goods.
- b) The Government, through appropriate consultative processes with the States, should investigate extending seizure powers for counterfeit goods to other state and local government agencies.

#### 4.2.1 Penalties

ACIP also received several submissions that argued that the penalties for importing counterfeit goods are too low. The current penalty for an offence under sections 145, 146, 147 and 148 of the Trade Marks Act is:

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

(A penalty unit is \$110 in the case of an individual and \$500 for a corporation.)

<sup>46</sup> IACC, LCA, BSAA

ACIP has only anecdotal evidence to support the claim that these 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.<sup>47</sup>

The International Anti-Counterfeiting Coalition (IACC) pointed out that penalties have been introduced into the relevant US law to enable the Customs authorities to levy fines in proportion to the retail value that the goods would have had if they were genuine. The fine may be doubled for the second and subsequent seizures. This ensures that the fines would always be at least equal to the expected revenue from the counterfeit goods.

ACIP believes that the penalties under the Trade Marks Act should be reviewed to ensure that they operate as an effective deterrent. Some options that may be considered in such a review include escalating penalties for repeat offenders, aligning the fines with the retail value of the genuine goods and introducing exemplary damages in the case of wilful infringement.

### **Recommendation 9**

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.

### **4.3 Parallel Importation**

Parallel importation is the importation of genuine goods, which were produced with the authority of the trade mark owner in the country of origin, by persons other than those authorised by the trade mark owner in the country of import. The parallel importation of goods bearing a trade mark does not constitute an infringement of the trade mark where the trade mark was applied by, or with the consent of, the registered owner of the trade mark in Australia.

The IPCRC recommended that the Trade Marks Act should be amended to remove the possibility of trade mark owners notionally assigning their mark to a local distributor in order to circumvent the parallel import laws. Such assignments would prevent parallel importation of the relevant goods because the owner of the trade mark in Australia would be different to the person who originally applied the mark to the goods.

ACIP accepts that current government policy clearly favours parallel importation. However, ACIP has sought comments on whether the IPCRC recommendation was reasonable, given the lack of evidence to suggest that trade mark owners are commonly adopting such a practice and the potentially adverse effects on trade mark owners of amending the assignment provisions. There was mixed support for the IPCRC recommendation in the submissions and no comments were made in relation to ACIP's suggestion that the implementation of the recommendation should be reviewed after a reasonable period.

The Government accepted the IPCRC's recommendation and section 198A of the Copyright Act was inserted to implement it in relation to imported goods that are protected by copyright. It is expected that amendments to the Trade Marks Act will

<sup>47</sup> BM, IACC, LCA, BSAA

follow. ACIP believes that any amendments to the Trade Marks Act should be sufficient to cover all imported goods and section 198A of the Copyright Act should be repealed. It is highly undesirable for parallel importation provisions that specifically relate to trade marks to be found in the Copyright Act and this suggestion was supported in all the submissions that commented on this issue.<sup>48</sup>

### **Recommendation 10**

In amending the Trade Marks Act to implement the Intellectual Property and Competition Review Committee's recommendation on parallel importation and the assignment of trade marks, the Government should ensure that the amendments will cover the importation of all types of goods. If the amendments to the Trade Marks Act mean that section 198A of the Copyright Act is redundant, ACIP recommends that provision be repealed.

#### **4.4 Proof of Use at Renewal**

Once a trade mark has been registered it may be maintained indefinitely by renewing it every ten years. Although the maintenance of valid trade mark rights depends on the mark being used, there is no requirement for the trade mark owner to prove that they are using the trade mark and marks that are no longer being used may be renewed and retained on the Register. However, a third party may apply to the Registrar for the removal of a trade mark on the ground of non-use under section 92 of the Trade Marks Act.

In the Issues Paper, ACIP queried whether it would be preferable to require trade mark owners to show evidence of use of their mark as part of the renewal process — thereby placing the onus on the trade mark owner to demonstrate that their rights in the mark remain current and valid, rather than on third parties to challenge the registration on the basis of non-use.

There were arguments both in favour of and against introducing such a requirement. Although ACIP considers there to be merit in cleansing the Register of unwanted marks, it is not convinced that a requirement for proof of use should be implemented because the costs it would impose on trade mark owners are not outweighed by the broader benefits. It was pointed out that the renewal fee would provide a significant deterrent to renewing a mark that the owner is no longer interested in<sup>49</sup> and that the non-use provisions are relatively straight-forward and accessible.<sup>50</sup> Furthermore, ACIP notes that Article 13(4) of the Trade Mark Law Treaty specifically precludes Contracting Parties from requiring proof of use for the renewal of a trade mark. Unless the treaty is amended, Australia could not implement this requirement without breaching its international obligations.

<sup>48</sup> ACS, BM, Freehills, IPTA, LIV

<sup>49</sup> BSW, BDW

<sup>50</sup> IPTA, DCC, UTS, BSW

#### **4.5 Trade mark infringement on the Internet**

Use of a registered Australian trade mark on the Internet can expose the trade mark owner to a risk of challenge by owners of the same or similar marks in other countries. While ACIP does not believe that Australian trade mark owners should be immune from allegations of infringement in other countries, it does have sympathy for the view that where use of an Australian trade mark on the Internet is only directed to Australian consumers, and is stated to relate to trade in Australia, such use should not be the subject of challenge in other countries.

In the Issues Paper, ACIP suggested some measures by which this problem may be addressed; namely, the use of a disclaimer on websites to make it clear that the goods are only available for sale in Australia, and the introduction of legislation to protect owners of Australian trade marks from attack in other jurisdictions. The submissions received on this issue made it clear that such measures would be unlikely to protect trade mark owners against infringement action in other jurisdictions<sup>51</sup> and ACIP does not consider that it is possible for Australia to address this issue unilaterally.

ACIP understands that the issue of trade mark infringement on the Internet is the subject of discussion internationally in the WIPO Standing Committee on the Law of Trade Marks, Industrial Designs and Geographical Indications, which has developed guidelines on the Internet and trade marks. ACIP encourages IP Australia to monitor international developments in this area.

#### **Recommendation 11**

ACIP encourages IP Australia to continue to monitor international developments in the area of trade mark infringement on the Internet.

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<sup>51</sup> Intel, LCA, IPTA, Freehills

## 5 Interaction Between Trade Marks and Other Rights

### 5.1 Geographical Indications

‘Geographical indication’, as applied to goods originating in a particular country, or a region or locality of that country, is defined as meaning a sign, recognised in that country, as a sign indicating that the goods originated in that country, region or locality and that they have a quality, reputation or other characteristic attributable to their geographical origin.

The issue of the inter-relationship between trade marks and geographical indications has been raised with ACIP during this inquiry, particularly in relation to a name being proposed as a geographical indication in circumstances where a party has prior trade mark rights in Australia, either registered or unregistered. Until recently, interest has focussed almost exclusively on wine. However, it is also now apparent that geographical indications are likely to be adopted in the future for a wider range of products such as cheese, rice, cured meat and tea, thereby increasing the scope of concern for trade mark owners.

The criteria for determining geographical indications in relation to wine and spirits are set out in the *Australian Wine and Brandy Corporation Act 1980* (AWBC Act). The determination process provides opportunities for interested parties to comment on a proposed determination and to seek review of a final decision. Section 40S of the AWBC Act requires the Geographical Indications Committee (GIC) to consult with any declared grape growers organisations and winemakers organisations when making a determination. In addition, the Australian Wine and Brandy Corporation website states that the GIC ‘will not determine a geographical indication where there is already an exclusive right to the proposed name in a trademark, without the approval of the trademark owner.’<sup>52</sup> However, this is merely a practice that the GIC follows — it is not a requirement of the AWBC Act.

ACIP is keen to ensure that any pre-existing trade mark rights are recognised before a geographical indication is determined. It was submitted to ACIP that the wine and brandy legislation should be amended to require the GIC to obtain the approval of relevant trade mark owners, both registered and unregistered, before determining a geographical indication.<sup>53</sup> ACIP agrees with this submission, but notes that a similar outcome may arise from the proposed Australia-United States Free Trade Agreement, which says:

Each Party shall provide that grounds for refusing an application for protection or recognition of a geographical indication include the following:

- (A) the geographical indication is likely to cause confusion with a mark that is the subject of a good-faith pending application or registration; and
- (B) the geographical indication is likely to cause confusion with a pre-existing mark, the rights to which have been acquired through use in good faith in that Party.<sup>54</sup>

<sup>52</sup> [http://www.awbc.com.au/winelaw/gi/gi\\_information.asp](http://www.awbc.com.au/winelaw/gi/gi_information.asp)

<sup>53</sup> BSW

<sup>54</sup> Article 17.2.12(b)(v)

This would apply to geographical indications in respect of all types of goods, not just wine. ACIP understands that implementation of the Free Trade Agreement is subject to Parliamentary consideration. In the event that it is not implemented, ACIP would encourage the Government to proceed with this aspect of the agreement.

### **Recommendation 12**

The relevant legislation should provide a ground for refusal of a geographical indication where there is a likelihood of confusion between the geographical indication and a trade mark right that exists by virtue of use or is the subject of a registration or pending application.

## **5.2 Plant Breeder's Rights**

The *Plant Breeder's Rights Act 1994* (PBR Act) protects new varieties of plants by giving exclusive commercial rights to the owner to market a new variety or its reproductive material. To be eligible for protection, the new plant variety must be distinct, uniform and stable. Furthermore, it must be able to be demonstrated at a comparative trial that the variety is clearly distinguishable from any other variety, the existence of which is a matter of common knowledge. A plant variety right can apply for up to 25 years for trees or vines and 20 years for other plant types.

Paragraph 27(5)(e) of the PBR Act provides that the name of a plant variety 'must not be or include a trade mark that is registered, or whose registration is being sought, under the Trade Marks Act, in respect of live plants, plant cells and plant tissues.' Applications for trade marks that contain plant variety names may face grounds for rejection under sections 41, 42 or 43 of the Trade Marks Act if they claim plants or plant material.

Some concerns were expressed about this restriction as it forces the owner of the plant variety to develop both a varietal name and a trade mark under which it can market the variety.<sup>55</sup> It was suggested that the owner should be able to register the variety name as a trade mark for the same period as the registration under PBR Act.<sup>56</sup> However, several submissions<sup>57</sup> expressed strong opposition to allowing trade mark registrations for plant variety names. The variety name should be available for all to use as it is the only name by which the plant can be referred to — allowing a trade mark registration for the name would 'undermine the very definition of a trade mark and the intent and purpose of the Trade Marks Act.'<sup>58</sup>

ACIP agrees with this position and does not consider that any changes to current law or practice are required. However, it has been pointed out that any problems faced by plant breeders would chiefly arise out of confusion or misunderstanding about the nature of Plant Breeder's Rights and trade mark rights<sup>59</sup> and this could be addressed by increasing education and awareness in this area.

<sup>55</sup> LIV, Freehills

<sup>56</sup> Freehills

<sup>57</sup> IPTA, UTS, BSW, BM

<sup>58</sup> BSW

<sup>59</sup> IPTA, BSW

### **5.3 Traditional expressions**

In the Issues Paper ACIP sought comments on whether there should be special protection for traditional expressions and indigenous people's rights. It is apparent from comments made in the submissions and ACIP's own further consideration that this topic involves issues that go beyond trade mark enforcement and are consequently outside the scope of this review.

The protection of indigenous intellectual property has become an increasingly important area of law. There is a considerable amount of work being undertaken in this area, most notably through WIPO's Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC), which was established in October 2000. The IGC provides an international forum for policy debate on these issues and participation by Non-Governmental Organisations is particularly encouraged.

ACIP understands that Australia is an active participant in the IGC and ACIP would encourage the Government to continue to participate in this forum. In addition, the Government should look at ways to build on the valuable work being undertaken by the IGC, for example by providing additional resources to enable further research into the protection of indigenous intellectual property.



## ATTACHMENT 1: CROSS CLASS SEARCH LISTS

<b>Class</b>	<b>Associated classes Previous list</b>	<b>Associated classes Current list</b>
Class 1	2, 3, 4, 5, 16, 17, 29, 30, 31, 35, 40, 42	-
Class 2	1, 3, 16, 17, 19, 35, 40, 42	-
Class 3	1, 2, 4, 5, 21, 35, 40, 42	5, 21, 42
Class 4	1, 3, 35, 37, 39, 40, 42	39
Class 5	1, 3, 10, 16, 29, 30, 31, 32, 35, 40, 42	3, 10, 30, 32
Class 6	7, 8, 9, 11, 12, 14, 17, 19, 20, 21, 22, 35, 37, 40, 42	17, 19, 20, 22
Class 7	6, 8, 9, 11, 12, 16, 17, 21, 35, 37, 40, 42	8, 11, 12, 21
Class 8	6, 7, 9, 14, 16, 21, 26, 35, 40, 42	7, 21
Class 9	6, 7, 8, 10, 11, 12, 13, 14, 15, 16, 17, 22, 28, 35, 37, 38, 40, 41, 42	16, 28, 37, 38, 41, 42
Class 10	5, 9, 11, 20, 35, 40, 42	5
Class 11	6, 7, 9, 10, 17, 19, 20, 21, 35, 37, 39, 40, 42	7, 17, 19, 21, 37
Class 12	6, 7, 9, 17, 28, 35, 37, 39, 40, 42	7, 37
Class 13	9, 35, 37, 40, 42	37
Class 14	6, 8, 9, 16, 20, 21, 26, 34, 35, 36, 37, 40, 42	21, 37
Class 15	9, 35, 37, 40, 41, 42	-
Class 16	1, 2, 5, 7, 8, 9, 14, 17, 20, 21, 22, 24, 28, 35, 37, 38, 40, 41, 42	9, 41, 42
Class 17	1, 2, 6, 7, 9, 11, 12, 16, 19, 20, 21, 22, 24, 35, 37, 40, 42	6, 11, 19, 37
Class 18	20, 21, 24, 35, 37, 40, 42	-
Class 19	2, 6, 11, 17, 20, 21, 22, 24, 27, 31, 35, 37, 40, 42	6, 11, 17, 37
Class 20	6, 10, 11, 14, 16, 17, 18, 19, 21, 22, 24, 35, 37, 40, 42	6, 21, 24
Class 21	3, 6, 7, 8, 11, 14, 16, 17, 18, 19, 20, 24, 34, 35, 40, 42	3, 7, 8, 11, 14, 20
Class 22	6, 9, 16, 17, 19, 20, 23, 28, 35, 40, 42	6
Class 23	22, 26, 35, 40, 42	26
Class 24	16, 17, 18, 19, 20, 21, 27, 35, 37, 40, 42	20, 27, 40
Class 25	35, 37, 40, 41, 42	40
Class 26	8, 14, 23, 35, 40, 42	23
Class 27	19, 24, 28, 35, 37, 40, 42	24, 37
Class 28	9, 12, 16, 22, 27, 35, 37, 40, 41, 42	9
Class 29	1, 5, 30, 31, 32, 35, 40, 42	30, 31, 32
Class 30	1, 5, 29, 31, 32, 33, 35, 40, 42	5, 29, 31
Class 31	1, 5, 19, 29, 30, 32, 35, 40, 41, 42	29, 30
Class 32	5, 29, 30, 31, 33, 35, 40, 42	5, 29, 33
Class 33	30, 32, 35, 40, 42	32
Class 34	14, 21, 35, 40, 42	-

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<b>Class</b>	<b>Associated classes Previous list</b>	<b>Associated classes Current list</b>
Class 35	1 through to 34, 36, 38, 41, 42	36, 42
Class 36	14, 35, 39, 42	35, 42
Class 37	4, 6, 7, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 24, 25, 27, 28, 38, 39, 40, 42	9, 11, 12, 13, 14, 17, 19, 27, 38, 42
Class 38	9, 16, 35, 37, 39, 41, 42	9, 37, 41, 42
Class 39	4, 11, 12, 36, 37, 38, 42	4, 42
Class 40	1 through to 34, 37, 42 24,	25, 42
Class 41	9, 15, 16, 25, 28, 31, 35, 38, 42	9, 16, 38, 42
Class 42	1 through to 41	3, 9, 16, 35, 36, 37, 38, 39, 40, 41
Class 43	N/A	
Class 44	N/A	
Class 45	N/A	

## **ATTACHMENT 2: WRITTEN SUBMISSIONS**

1. Australian Customs Service
2. Baker & McKenzie
3. Balwin Shelston Waters
4. Blake Dawson Waldron
5. Patrick Caldon
6. Mark Davidson
7. UTS Trade Marks Law students
8. Davies Collison Cave
9. Dimitri Eliades
10. Federal Court
11. Freehills
12. Sherrie Heather
13. Institute of Patent and Trade Mark Attorneys of Australia
14. Intel Corporation
15. Intellectual Property Research Institute of Australia
16. International Anti-Counterfeiting Coalition
17. Robert Kelson
18. MotorOne Group Pty Ltd
19. Law Council of Australia
20. Law Institute of Victoria
21. Queensland Government — Department of Tourism, Racing and Fair Trading
22. Jane Tribe
23. Waltzing Matilda Centre
24. WA Government — Department of Consumer and Employment Protection
25. David Wilson
26. Business Software Association of Australia

3 confidential submissions were also received