

Proposals to streamline IP processes and support small business

**SUBMISSION by the OFFICE OF THE AUSTRALIAN SMALL BUSINESS
COMMISSIONER**

April 2015

This is a submission by the Office of the Australian Small Business Commissioner (the ASBC)¹ to the *Proposals to streamline IP processes and support small business* developed by IP Australia.

The content of this submission is informed by our ongoing engagement with the business community, including dealings with individual small businesses and their representatives.

The ASBC has a strong interest in reducing the cumulative compliance burden on small businesses, particularly through the simplification and streamlining of processes.

Further to our submission, the ASBC would welcome the opportunity to be involved in additional consultation in regard to intellectual property, particularly in relation to small businesses.

1. INTRODUCTION

The ASBC is supportive of initiatives that make it simpler and easier to start and run a small business in Australia. We believe that the intellectual property (IP) system is key to enabling an innovative and internationally competitive business environment.

In our experience, we have found that many small businesses have a poor understanding of the IP system and the benefits and protections that it can offer their businesses. Over the last nine months, we have been working with IP Australia to disseminate easy to understand information about IP through ASBC communication channels.

We commend IP Australia for acknowledging that some of the processes for IP rights in Australia can be overly complex and create a compliance burden for small business. We are pleased that IP Australia is proactively looking to address these concerns by aligning and streamlining processes.

This submission will focus on:

- **Information and communication:** Government has a core responsibility to educate small business about laws and regulations.
- **Compliance and deregulation:** It is our experience that small businesses are often disproportionately affected by regulations and the processes associated with them.
- **Dispute resolution:** Quick and inexpensive resolution of disputes is crucial for business efficacy; this is particularly the case for small business.
- **Comments on the proposals in the consultation paper:** The ASBC broadly supports the proposals in the consultation paper.

¹ The role of the ASBC is to provide information and assistance to small businesses, represent small business interests and concerns to the Australian Government, and work with industry and government to promote a consistent and coordinated approach to small business matters. In 2013, the Australian Government committed to transforming the ASBC into the Australian Small Business and Family Enterprise Ombudsman that will be a:

- Commonwealth-wide advocate for small businesses and family enterprises;
- Concierge for a dispute resolution service;
- Contributor to the development of small business friendly Commonwealth laws and regulations; and
- Seamless link with the Government's Single Business Service to help small businesses easily find out about other Government services and programmes, including general business advice.

2. INFORMATION AND COMMUNICATION

It is our view that government has a key role in improving the business environment, with two enduring core responsibilities – access to justice (see dispute resolution below) and provision of information. These two pillars are critical to the productivity and profitability of business.

At the ASBC, we have a saying:

“No small business should fail through lack of access to information.”

Government has a core responsibility to educate and inform small businesses about laws and regulations to help them to understand what to do and to get better at doing it. This is particularly important in a complex area such as IP.

In our experience, many small businesses have a poor understanding of the IP system, including the value it can add to their businesses and brands, as well as the legal implications of breaching an individual's or organisation's existing IP rights.

We work closely with IP Australia and have been impressed with the importance placed on the small business sector, including development of the *Intellectual Property 101* brochure, the launch of the *IP – your business* edge magazine, and the production of educational videos to be released in May 2015.

The ASBC has been working with IP Australia to disseminate easy to understand information about intellectual property to small businesses. Recent activities include guest posts on the ASBC Blog, newsletter articles and link on the ASBC Government News page:

- Blog, March 2015: [From fat duck to loose goose, a lesson in IP](#)
- Blog, January 2015: [IP Australia and your small business in 2015](#)
- Newsletter, Issue 18: [Snap shot of IP Australia's priorities in 2015](#)
- Newsletter, Issue 16: [Intellectual Property 101](#)
- Blog, November 2014: [Trade mark to avoid copy cats.](#)

RECOMMENDATION 1: SMALL BUSINESS EDUCATION

Given that IP is an area of confusion for many small businesses, the ASBC recommends that IP Australia give careful consideration to the best mechanisms to educate and inform small businesses about IP and the changes once implemented. The ASBC would be pleased to work collaboratively with IP Australia regarding this recommendation.

3. COMPLIANCE AND DEREGULATION

It is our experience that small businesses are often disproportionately affected by compliance requirements. This is due to a combination of factors, including requirements under the law, government agency processes and behaviours, and on occasions a lack of business acumen.

It is important for government to look for opportunities to make practices as simple as possible and deliver outcomes in a facilitative manner. As mentioned in the consultation paper, there is currently legislative and process complexity in the IP system. We commend IP Australia for acknowledging this and seeking to better align IP laws, and simplify, streamline and speed up processes.

3.1 REDUCING THE COMPLIANCE BURDEN

A key burden for small businesses is compliance duplication. In this review, consideration could be given to linking the IP application process with existing government data, for example by prefilling applications with business information based on the Australian Business Number.

Another useful approach to reducing the compliance burden is to examine the policy rationale behind requirements, for example the frequency of business-government interactions. This approach is beneficial in examining regulatory schemes, particularly those which require renewal. The ASBC is supportive of the proposals to align renewal dates across IP legislation.

3.2 PROCESSES AND BEHAVIOURS

The processes and behaviours of government agencies can greatly influence system complexity, particularly the burden of meeting application and regulatory requirements. Small businesses have raised concerns that government agencies request unnecessarily detailed information and do not appreciate the burden this places on small businesses.

IP Australia has acknowledged that some of its administrative procedures are more involved and burdensome than they need to be. The ASBC is supportive of initiatives to simplify processes and reduce administrative complexity.

Government agencies have good intentions when it comes to reducing complexity and administrative requirements. However, in practice this does not always eventuate. Government agencies are familiar with their own language, processes and systems and may overestimate the ease of understanding by other users. Too often small businesses have told us that government speaks a different language and does not use intuitive processes.

RECOMMENDATION 2: MARKET TESTING

In redeveloping processes, the ASBC encourages IP Australia to market test proposals and explanatory material with small businesses to make sure processes are intuitive and materials are easy to understand and follow.

4. DISPUTE RESOLUTION

Quick and inexpensive resolution of disputes is crucial for business efficacy; this is particularly the case for small businesses.

The cost of a dispute encompasses not only the financial cost of the issue and the cost of pursuing a resolution (such as legal fees), but also the opportunity cost and emotional stress involved. The opportunity cost refers to what may have been achieved had the time and effort involved in resolving the dispute been used in business operations.

4.1 ALTERNATIVE DISPUTE RESOLUTION

It is the view of the ASBC that low cost alternative dispute resolution, such as mediation, is an effective mechanism for resolving business disputes at a lower cost and speed than is available through the more traditional approach of courts and tribunals. Alternative dispute resolution also allows for commercially realistic outcomes.

As you may be aware, the ASBC is transforming into the Australian Small Business and Family Enterprise Ombudsman. Part of the proposed expanded role contemplates that the Ombudsman may be able to assist small businesses and family enterprises where a dispute relates to patents, designs and trademarks (among other situations). The Ombudsman will be able to provide information and advice to assist the parties to understand and address the issues, refer the dispute to an existing dispute resolution service, or provide the parties with details of mediators from its own list of alternative dispute resolution providers.

At present, under the laws governing IP, the process for addressing IP infringements are court-based and there is no mention of alternative dispute resolution as an option in the legislation. We are of the view that, where one of the parties is an individual or small business and the situation is appropriate, alternative dispute resolution should be required before litigation.

RECOMMENDATION 3: ALTERNATIVE DISPUTE RESOLUTION

The ASBC recommends that IP Australia consider whether alternative dispute resolution should be identified in IP legislation as a mechanism to address IP infringements. Where one of the parties is a small business and the situation is appropriate, alternative dispute resolution could be a mandatory step before litigation.

4.2 TRADE MARKS AND BUSINESS NAMES

In relation to IP disputes involving a small business, trade mark infringement is the most likely situation, particularly where a small business unintentionally infringes an existing IP right and the owner enforces that right.

We are aware that IP Australia does not have a regulatory role in the enforcement of IP infringements and that the IP owner is responsible for identifying infringements and enforcing its IP rights through legal avenues.

Despite this, we believe that government has a role in minimising the likelihood of business disputes occurring, particularly where laws and regulations facilitate a situation in which a dispute may eventuate. This is currently the situation in regard to business name registration and trade marks.

For example, in 2013, a Melbourne café was able to register the business name “The Fat Duck” and commence operation despite that name already being trade marked.² The café was forced to change its name, signage, advertising and marketing collateral – an expensive exercise. This situation was able to happen because the search on the business name register did not identify that the name, The Fat Duck, was trade marked and therefore its use would be an infringement under the *Trade Marks Act 1995*.

Linking the business name register and the trade mark database would reduce the likelihood of such infringements and disputes occurring in the future.

RECOMMENDATION 4: STREAMLINE TRADE MARK AND BUSINESS NAME SEARCHES

The ASBC recommends that IP Australia consider working collaboratively with the Australian Securities and Investments Commission (ASIC) to digitally connect the trade mark database and business name register search functions (i.e. search on either website and both databases are searched). This would help to streamline both processes, reduce the number of IP infringements, and provide greater certainty to new business entrants.

5. PROPOSALS

The ASBC is broadly supportive of the proposed changes to the IP system as outlined in the consultation paper. The proposals are grouped into three main themes:

- **Aligning and simplifying.** The broad aims of the proposals for aligning and simplifying are consistent with the government’s deregulation agenda and are supported by the ASBC. The ASBC supports, without further comment, IP Australia’s preferred options for proposals 4, 5, 6, 8, 10, 12, 14 and 16.
- **Supporting small business.** IP is an area of confusion for many small businesses. The ASBC is very supportive of proposals that will facilitate small businesses to better understand and navigate the IP system. The ASBC is supportive of IP Australia’s preferred options for proposals 17-20.

² http://www.ipaustralia.gov.au/about-us/news-media-and-events/publications/publications-listing/IP_policing-enforcing_your_IP_rights/

- **Technical fixes.** The ASBC is supportive of legislative changes that will improve consistency and transparency in legislation and the business environment. The ASBC is supportive of IP Australia's preferred options for proposals 21 and 22.

Below are the ASBC comments in relation to the remaining proposals.

PROPOSAL 1 ALIGNING RENEWALS

The ASBC supports the preferred options for renewal grace periods, early payment of renewal fees, and renewal notices.

In addition, the ASBC is aware that patent renewal terms are not internationally consistent (i.e. there is not a treaty obligation mandating Australia's current renewal terms). As such, the policy rationale for the current patent renewal terms could be examined, with the aim, where possible and appropriate, to simplify and extend renewal terms and therefore reduce the compliance and administrative burden on small business.

RECOMMENDATION 5: PATENT RENEWAL TERMS

The ASBC recommends IP Australia consider examining the policy rationale for the current initial four year term and annual renewal thereafter. If no sound rationale is apparent, particularly for annual renewal terms after four years, consideration could be given to implementing a more appropriate and less burdensome term, perhaps five years or even longer.

PROPOSAL 2 RE-EXAMINATION / REVOCATION

It is apparent from the consultation paper that there is a high degree of inconsistency across IP legislation in regard to re-examination and revocation.

The ASBC is supportive of the preferred option 4. However, we question the failure to align the timeframe for post-registration requests for re-examination of trade marks with other IP laws. Although the reasoning that it would increase uncertainty for business is potentially true, this is currently the situation for businesses that hold other IP rights.

RECOMMENDATION 6: RE-EVALUATION TIMEFRAMES FOR TRADE MARKS

The ASBC recommends IP Australia consider the policy rationale for inconsistent re-evaluation timeframes for trade marks in comparison with other IP laws and, if appropriate, seek to align the timeframes.

PROPOSAL 3 EXTENSION OF TIME

The ASBC is supportive of the preferred options proposed by IP Australia in the consultation paper, noting that information, assistance and education will be required to make sure applicants, particularly small businesses, are familiar with the new arrangements.

PROPOSAL 7 SELF-SERVICE AMENDMENTS

The ASBC is supportive of the combination of preferred options (2, 4 and 5).

In regard to online engagement with government, a key frustration for small business is the number of log-ins, passwords and other authenticators that are required to interact with government. There has been some consolidation in this space; for example a business can log-in to ASIC with their AUSkey, rather than requiring a separate ASIC log-in. We are also aware that digital identification and authentication is an area to be considered by the Government's Digital Transformation Office.

RECOMMENDATION 7: IDENTIFIERS AND AUTHENTICATORS FOR ONLINE SERVICES

The ASBC recommends IP Australia consider aligning with other agencies to simplify the digital environment for businesses by enabling log-in to eServices through existing authentication processes, such as AUSkey.

PROPOSAL 9 CERTIFICATES

The ASBC supports the preferred option 3. This approach has also been taken by ASIC in relation to business name certificates.

PROPOSAL 11 THIRD PARTY REQUESTS FOR EXAMINATION

The ASBC is supportive of the preferred option 2. However, we note that shorter timeframes will require additional resources, especially given the current 12 month backlog of applications.

PROPOSAL 13 EXTENSION OF TERM – NOTICES TO DEPARTMENT OF HEALTH

The ASBC does not have a preference between options 2 and 3.

- Option 1 (not preferred). This option would continue the existing compliance burden without adding benefit to policy development or the health sector.
- Option 2. This option would remove the compliance burden. However, it may negatively impact policy development by reducing the availability of data. A number of government agencies collect data regarding research and development, including the Australian Taxation Office, Department of Industry and Science and the Australian Bureau of Statistics. Consideration could be given to whether the information already collected by these agencies could inform health policy.
- Option 3. If the data is not collected elsewhere and would be of value to government and the health sector, the ASBC could see value in this option provided it did not place an onerous compliance burden on business.

PROPOSAL 15 REGISTRATION OF DESIGNS

In relation to registration of designs, the ASBC supports the preferred option 4. However, given that registration will be the only option and applications will automatically proceed to registration after six months, there does not appear to be a strong rationale for having the option of a two-step process of filing and registering at different dates.

RECOMMENDATION 8: REGISTRATION OF DESIGNS

Given that option 4 proposes only one registration option and automatically defaults to registration after six months, IP Australia may wish to investigate the policy rationale and administrative impact of maintaining the option for a two-step process for registration of designs.

6. ADDITIONAL SUGGESTION

In addition to the comments and recommendations provided above, the ASBC suggests examining the timeframe for reapplication to register a trade mark refused due to opposition.

Last year, a matter of concern was raised with the ASBC regarding trade mark reapplication. Specifically, that where a trade mark application has been opposed resulting in a 'refuse to register' decision by the registrar, the applicant can immediately reapply for the same trade mark and have it assessed independently of previous assessments and oppositions.

The process of opposing a trade mark application can be time consuming and costly for small businesses and industry associations, particularly as legal advice is often required.

We wrote to IP Australia in regard to this and were informed that "through use and promotion, trade marks can become distinctive and as such applicants can apply for trade marks which have previously been refused as circumstances in the marketplace may have changed".

Generally we agree that conditions can change over time, we are of the view that market conditions do not change so quickly that immediate reapplication should be allowed. An exclusion period (for example, 12 months) for a refused application during which a subsequent application for the same trade mark cannot be made would benefit small businesses by reducing the time and financial impact of opposing trade mark applications. This would also provide greater business and industry certainty.

We acknowledge that extenuating circumstances may arise in which market conditions have varied sufficiently within the exclusion period to justify a reapplication. In such circumstances, the ASBC would suggest that the onus of justifying a significant change lie with the applicant, that opposition to the previous application be transferred to the new application and that parties who lodged an opposition be notified.

RECOMMENDATION 9: TRADE MARK REAPPLICATIONS

The ASBC encourages IP Australia to consider introducing an exclusion period (for example 12 months) for refused trade mark applications during which a subsequent application for the same trade mark cannot be made, unless extenuating circumstances can be determined.

7. CONCLUDING REMARKS

The ASBC is supportive of initiatives to simplify and streamline IP, particularly where such initiatives may assist small businesses to better understand IP and make it easier for them to apply, monitor and enforce their IP.

Our submission focused on information and communication, reducing the compliance burden and dispute resolution. In addition, it addressed the proposals in the consultation paper and provided an additional suggestion in relation to trade mark reapplications. In all, the ASBC has nine recommendations for IP Australia to consider:

RECOMMENDATION 1: SMALL BUSINESS EDUCATION

The ASBC is often told by small businesses that it is difficult to stay on top of everything, particularly changes in government services and requirements. Given that IP is an area of confusion for many small businesses, the ASBC recommends that IP Australia give careful consideration to the best mechanisms to educate and inform small businesses about IP and the changes once implemented. The ASBC would be pleased to collaborate with IP Australia regarding this recommendation.

RECOMMENDATION 2: MARKET TESTING

In redeveloping processes, the ASBC encourages IP Australia to market test proposals and explanatory material with small businesses to make sure processes are intuitive and materials are easy to understand and follow.

RECOMMENDATION 3: ALTERNATIVE DISPUTE RESOLUTION

Under the laws governing IP, the process for addressing an IP infringement is court-based and there is no mention of alternative dispute resolution as an option.

The ASBC recommends that IP Australia consider whether alternative dispute resolution should be identified in IP legislation as a mechanism to address IP infringements. Where one of the parties is a small business and the situation is appropriate, alternative dispute resolution could be a mandatory step before litigation.

RECOMMENDATION 4: STREAMLINE TRADE MARK AND BUSINESS NAME SEARCHES

The ASBC is of the view that government has a role in minimising the likelihood of business disputes occurring, particularly where laws and regulations facilitate a situation in which a dispute may eventuate. This is currently the situation in regard to business names and trade marks. The business name register and trade mark database are not linked, meaning a business name that infringes an existing trade mark is able to be registered, potentially leading to a dispute and costly changes for the infringing business.

The ASBC recommends that IP Australia consider working collaboratively with ASIC to digitally connect the trade mark database and business name register search functions (i.e. search on either website and both databases are searched). This would help to streamline both processes, reduce the number of IP infringements, and provide greater certainty to new business entrants.

RECOMMENDATION 5: PATENT TERM RENEWALS (PROPOSAL 1)

There is a lack of international consistency regarding patent renewal terms. This would imply there is not an international treaty obligation mandating patent renewal terms and therefore individual countries set their own terms. The ASBC therefore recommends IP Australia consider examining the policy rationale for the current initial four year term and annual renewal thereafter.

If no sound rationale is apparent, particularly for annual renewal terms after four years, consideration could be given to implementing a more appropriate and less burdensome term, perhaps five years or even longer.

RECOMMENDATION 6: RE-EVALUATION TIMEFRAMES FOR TRADE MARKS (PROPOSAL 2)

IP laws, barring trade marks, do not impose a limited time period in which re-evaluation of registration can take place. However, for trade marks a limit of 12 months post registration is legislated.

The ASBC recommends that IP Australia consider the policy rationale for inconsistent re-evaluation timeframes for trade marks in comparison to other IP laws and, if appropriate, seek to align the timeframes.

RECOMMENDATION 7: IDENTIFIERS AND AUTHENTICATORS FOR ONLINE SERVICES (PROPOSAL 7)

A key frustration for small businesses when engaging with government online is the number of log-ins, passwords and other authenticators required by different agencies. Some progress has been made in this area with ASIC customers now able to log-in to ASIC online systems using their AUSkey rather than requiring a separate ASIC log-in.

The ASBC recommends IP Australia consider aligning with other agencies to simplify the digital environment for business by enabling log-in to eServices through existing authentication processes, such as AUSkey.

RECOMMENDATION 8: REGISTRATION OF DESIGNS (PROPOSAL 15)

Given that option 4 for registration of designs proposes only one registration option and automatically defaults to registration after six months, IP Australia may wish to investigate the policy rationale and administrative impact of maintaining the option for a two-step process for registration of designs.

RECOMMENDATION 9: TRADE MARK REAPPLICATIONS

Where a trade mark application is refused due to opposition, the applicant can immediately reapply for the same trade mark and have it assessed independent of previous assessments and oppositions. Market conditions do change, however, rarely is this so quickly that immediate reapplication should be allowed.

The ASBC encourages IP Australia to consider introducing an exclusion period (for example, 12 months) for refused trade mark applications during which a subsequent application for the same trade mark cannot be made, unless extenuating circumstances can be determined.