RESPONSE TO THE EXPOSURE DRAFT BILL AND THE EXPLANATORY STATEMENT BY 
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Introduction

This is a submission regarding the Exposure Draft: Intellectual Property Laws Amendment (Productivity Commission’s Response, Part 1 and other Measures) Bill and Regulations 2017\(^1\), originally proposed by The Productivity Commission Inquiry Report, Intellectual Property Arrangements, number 78, dated 23 of September 2016\(^2\). We have reviewed also the Exposure Draft of the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and other measures) Regulations 2017\(^3\), which its mission is explained in the Exposure Draft of the Intellectual Property Laws Amendment Regulation 2017: Draft Explanatory Statement\(^4\).

These documents are discussing the implementation of intellectual property changes in Australia that will dramatically alter how the Australian IP legal system works so that compliance with major bilateral treaties, in which Australia is party, is achieved. IP Australia must undertake a forensic review on the Exposure Draft: Intellectual Property Laws Amendment (Productivity Commission’s Response, Part 1 and other Measures) Bill and Regulations 2017 as the wording, the meaning of terms employed, and several subtle legal consequences of these changes seem very unclear. The Exposure Draft of the Intellectual Property Laws Amendment Regulation 2017: Draft Explanatory Statement underlies some problematic regulations that are magnified by its explanations presented.

The fact that submissions and further comments from interested parties are restricted to some parts of these afore-mentioned documents above-mentioned, is not beneficial to neither the entire process nor to the parties involved, as there are many sections that are overlooked in the draft. Although possibly unintentional due to the expedited process to review these sections. These changes have limited opportunity to be subject of deep analysis. We could certainly share our preoccupation concerning the drafted changes for a streamlined Australian trade marks procedure against the current Australian and American jurisprudence on the matter.

Regardless of this apparent restrictive parameters, we have provided comments on some trade marks procedure and rules issues presented by these amendments explained in the Draft. We have concentrated our analysis on trade marks amendments concerning international trade mark applications consequences, of non-use and removal of trade marks from the Registrar in the proposed amendments and the current Australian jurisprudence, which are related to the reduction of three years to register a trade mark in Australia. Further, we examined only trade marks obligations which are subject to treaties or international agreements ratified by Australia such as bilateral treaties. Indeed, these obligations became unclear if considered other intellectual property rights ratified by Australia in multilateral international treaties managed by the World Intellectual Property Organization, from which the Madrid Agreement is worth of notice. In this submission, we consider that the Australian-American bilateral treaty, namely Australia and US Free Trade

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Agreement, **AUSFTA**, because these amendments originally started to be agreed upon around 2004. This is an extensive trade treaty with one of the largest trade partners of Australia. For comparisons purposes, we refer briefly to the European Union trade agreement with Australia, which is another important bilateral trade agreement.

Although the American and Australia bilateral treaty is aided by mutual cultural similarities, one legal topic with plenty of distinctive treatment in the US and in Australia are intellectual property rights and obligations. This 2004 bilateral treaty demonstrates the challenges to overcome serious disparities in our domestic approach of the trade mark procedures, and indicates the possibly of an increase in legal battles in Australian courts for asserted meaning of trade marks rights and obligations involving American trade marks applicants. As stated prior, this submission is restricted to questions addressed to the public by the Commission, thus we will refrain to point out or clarify these dissimilarities on trade mark policy for the benefit of focussing on these crucial amendment issues at hand.

Matters of trade marks policy between American and Australian trade marks practice will surface after the implementation of these ambiguous amendments because they are imprecise. These issues most likely will be addressed by future Australian jurisprudence if it goes to litigation in Australian courts. The proposed amendments will also impact deeply the new **Code of Conduct for Patent and Trade Marks Attorneys** to be approved in its final draft by the IP Board in 2018, though unfortunately we will not address these problems here. For trade marks attorneys and trade marks agents, some implementations are positive in the short-term such as with the parallel importations amendments, but non-use trade mark cancellation will become an expensive issue for domestic and international applicants.

On the other hand, the questions raised by a reduction of a three-year term opposed to the current five years to register a trade mark domestically shall not circumvent a legal issue represented by an Australian honest user of a trade mark that is able to potentially tarnish goodwill of an American registered trade mark. This is true statement when concurrent use is established between close resemblance marks, particularly in similar or neighbouring classes. This is due to the flexible definition of what consists to be an honest user of a trade mark in Australia, opposed to what is a consistent trade mark practice of defined *bona fide* intention in the United States.

A short three-year term instead of five-year term to register an intention to use a trade mark in commerce is not a creative lawmaking intervention. The **Lanham Trademark Act, Sub-chapter I – Principal Register, §1051, § 1, (b), (1), A, (d)** stated that an American trade marks applicant must consider essential to trade their products under the sign chosen to be registered in the US, excluded

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7 The matter for Australian trade mark attorneys is to coordinate with American trade mark attorneys what an Australian trade mark applicant should inform in a verified statement to the USPTO Examiner. Any failure on their communication may result in provisional refusal or an offense of a trade mark application. See, **Trademark Manual of Examining Procedure**, 1300 Service Marks, Collective Marks, and Certification Marks, § 1303.01 (b) (i), Statements Required in Verification of Application for Registration § 1 or § 44 Application. But see also 37 C.F.R. § 2.20.

any action to reserve a trade mark to be used in the future as it seems fit for the applicant. Many Australian trade marks applicants may overlook this section as they read it as any declaration of intention to use the mark is valid, which is unequivocally wrong. Trade mark applications on the U.S. soil under the category of “intended for use in commerce” must have a declaration of *bona fide* intention sworn by the applicant in order to formalize to the USPTO Examiners a firm intention to trade, so that the Examiners could verify the trade mark application under *bona fide* intentions. That document is a “verified statement of actual use of the mark” that “should be read to mean a fair, objective determination of the applicant’s intent based on all circumstances”.

One must read carefully these terms in conjunction with the section 1051 as “based on all circumstances” is always the rationale behind *bona fide* intentions in American trade marks practice and jurisprudence. This is not the same as “genuine intention to use the mark”, or “so that the section means that it is no infringement for any person honestly to use his own name, in relation to his goods, so long as he has no intention to deceive anybody and no intention to make use of the goodwill which has been acquired by another trader”, or even “proved instance of actual confusion”. These assumptions are of subjective nature and even harsher towards a substantial evidence to be produced in courts, but it has survived in our jurisprudence and became an item of circumstantial evidence, to be observed case-by-case in litigation matters.

The term of “*based on all circumstances*” means liability onto the applicant’s intention-to-use statement if his/her intention and his/her statement is not untrue. It is simply more than a moral obligation to state *bona fide* intentions as a formality, but that the applicant *should* act upon it. That detailed assessment of the intention to use a mark in the American jurisdiction is not simply a future disposition to search for classes that would closely resemble the US classification or classes to be of a vague interest to trade in the future by the applicant.

Effectively, future US trade marks applicants claiming trade mark protection in Australia for the same classes in good and services in the US as well as overseas applicants choosing to use the *Madrid Union* clearance procedure system must be or are about to be in commerce in the US territory. The nature of the verified statement is not to be taken lightly as it must be written in a formality that does not disavow the substance of the declaration. In short, trade marks applicants

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10 Ibidem.


12 See, M.Z. Berger, Appeal n. 14-1219 (Fed. Cir. 2015), 1, 12.


17 See, “*G E* Trade Mark” [1969] Ch D 186, 199 (“there is in this case no evidence of any single proved instance of actual confusion in the sense that someone has bought the goods of one company in error for the goods of other.”).

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take an oath on what they declare in the verified statement. It is a dramatic difference between claiming a mere investment for a future enterprise with few indications of commercial activity and actively pursuing such commercial activities such wording carries weight. If doubt persists, one must look at the alternative language warning applicant against false statements in the MM18.19

It is an objective determination by an Australian trade marks applicant to abide by a bona fide statement by proving there is a trade within American jurisdiction. In the Lanham Act, the consequences of bona fide intention of a trade marks applicant states that the same lapse of time for a trade marks registration that the Commission has proposed for non-registrated trade marks – three years term20, most likely because bona fide in the US trade marks procedure is an objective assumption rather than a subjective intention.

Further, the consequence of a declaration of bona fide intention prescribed by the Lanham Trademark Act, §1051 is a verified statement of objective evidence from any trade marks applicant.21 Therefore, Australian trade marks applicants shall be aware that any inconsistency of classes, description of product or services, generic signs, foreign signs of generic meaning in the language chosen to fill in the declaration form for the USPTO may and will interfere negatively for a successful trade marks registration.22 As a result, an Australian trade marks applicant can be opposed in the USPTO for his chosen classes, have a cancellation for non-use of a trade mark automatically rendered according to the Lanham Act23, or even a refusal if a bona fide declaration is deemed unclear or inconsistent.24 That is still a true statement even if the trade marks applicant in Australia is relying on the bilateral treaty ratified with the US, having in mind that the United States of America is not part of the Madrid Agreement just the Madrid Protocol like Australia.25

If a verified statement is not taken into consideration as an objective requirement under all circumstances for a trade mark applicant to succeed in its registration, there is a grave concern that opposition to the trade mark application will be raised and successfully won by whoever opposed to the US trade marks application. In the Australian trade marks system, good faith is also stated at the Trade Marks Act 1995, section 92 (4), (b), (ii), which a clear definition is absent but rather a fluid concept is available. The Australian jurisprudence has entertained the question of what good faith is applying most of the times English jurisprudence as its guidance. For example, Liquideng Farm

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21 See, Trademark Manual of Examining Procedure, §1303.01 (b) (i) Statement Required in Verification of Application for Registration - § 1 or §44 Applications, available at <https://tmep.uspto.gov/RDMS/TMEP/current#current/ch1300_d24b96_187da_248.html> See, also Lanham Trademark Act, section 1051, (a) (1). "The owner of a trademark used in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement (...)".
23 See, above note 21, Lanham Trademark Act, Title I, The Principal Register, § 1051, Application for registration: verification.
24 See, above note 21, Lanham Trademark Act, Title I, The Principal Register, § 1051, Application for registration: verification, (b) {1).
Supplies Pty Ltd v Liquid Engineering 2003 Pty Ltd (2009)\textsuperscript{26} is a noteworthy case. In reading the Liquideng decision, the passage in which Judges Tamberlin, Sundberg and Besanko shaped our understanding of good faith in trade marks use in Australia, the decision excluded all circumstances as accountable to establish good faith in the use of a trade mark in Australia but instead a genuine intent to use the mark in commerce as stated here:

“In the present case having regard to the above authorities, we do not consider that her Honour erred when she observed at [8] of her reasons that s 92(4) of the Act requires no more than a genuine intent to use the mark for commercial purposes, and that the reference to bona fide intention to use is not sufficiently wide to encompass the circumstances of the present case.”\textsuperscript{27}

Therefore, the Trade Marks Act 1995 (Cth), section 92, (4), (b), (ii) indicates good faith for events that occur after registration\textsuperscript{28}, unlike in Part 8 of the Act, that is concerned with the time of the trade marks application stated at the Lanham Act.\textsuperscript{29} It becomes confusing for applicants and practitioners to state what good faith is in the Australian trade marks Act, if one considers good faith stated in section 122, (1), (a), (b), (c)\textsuperscript{30} as distinct of good faith defined under section 92, (4), (b), (ii).\textsuperscript{31}

Consequently, drafting a reduced term of three years but not addressing good faith distinctive definitions will not remedy an absent harmony of what good faith truly means for trade marks applicants here. Due to this flexible good faith definition in our Act, any opposition to a trade marks application supported by a subjective evidence of trade marks use in Australia will be possibly fairly contested by an American trade marks under section 224, (6) of the Act.\textsuperscript{32}

We could envision further litigation based on the USFTA obligations when the treaty is implemented. Another issue is the concurrent use of trade marks. Concurrent use is basically the act of deceiving consumers towards the source of the product, which will most likely affect Australian trade mark applications. As the Australian market is relatively small, bilateral treaties are the most likely option to positively impact Australian consumers. One of the major Australian international agreements in trade, AUSFTA, will be implemented with distinctive approaches to intellectual property rights. One must be aware that the European Union has a completely different approach to the American trade marks procedure and thus of legislation specifically in concurrent use.

\textsuperscript{26} See, Liquideng Farm Supplies Pty Ltd v Liquid Engineering 2003 Pty Ltd (2009) Tamberlin, Sundberg and Besanko JJ FCAFC 7.

\textsuperscript{27} Liquideng Farm Supplies Pty Ltd v Liquid Engineering 2003 Pty Ltd (2009) Tamberlin, Sundberg and Besanko JJ FCAFC 7 [42], [56].

\textsuperscript{28} In Part 9, Removal of Trade Mark from Register for Non-Use, in section 92, Application for removal of trade mark from Registrar, the wording is a mark that “is or may be registered removed from the Register.”

\textsuperscript{29} In Part 8, Amendment, Cancellation and Revocation of Registration, Division 1 – Action by Registrar, sections 84 A and 88, respectively Registration may be revoked and Amendment or cancellation – other specific grounds, allowing a trade mark revocation by the Registrar to make a rectification. Section 88 is concerned to place the burden of proof on the trade mark owner to have a non-removal avoided. That is similar understanding that the trade mark owner is responsible to show why non-use occurred as stated in the Trademark Manual of Examining Procedure, § 1604.11 Excusable Non-use of the Mark”, available at <https://tmep.uspto.gov/RDMS/TMEP/current#/current/TMEP-1600d1e916.html >. See also Lanham Trademark Act, § 1064. Cancellation of registration.

\textsuperscript{30} See, Trade Marks Act 1995, section 122, (1).

\textsuperscript{31} See, Trade Marks Act 1995, section 92, (4).

\textsuperscript{32} See, Trade Marks Act 1995, section 224, (6).
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In the European Union, a notable example of concurrent use of a major company is Nike’s FAST FIT, EUTM Application number 16273161, opposed by an unregistered and common law rights mark from Mechanix Wear, Inc. for protective clothing and gloves. Although clearance searches before Nike’s filing may have been performed by NIKE, it is most likely that NIKE, well-known mark, may have minimized honest user and good faith use in the European Union context of trade marks procedure. In some respects, Nike’s application involved similar elements of Mc Cormick v McCormick (2000).

Having in mind that the European Union and the United States are larger markets and partners than Australia is for them, our Australian policy and trade marks legislation must be very clear of pitfalls to avoid conflicting legal solutions. Indeed, the drafted version of sections 222, 84A, 84A (4), 122, (1), (b) of the Act published in the Exposure Draft must be reviewed to have clear terms and easy understanding for all parties involved. Although this submission is not exhaustive of the trade marks issues presented by the Explanatory Draft, we feel that this submission reflects upon the possible trajectory of future legal complications should these issues observed are not addressed.

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