12 December 2017

By email

Registrar of Trade Marks
IP Australia
Discovery House
Woden ACT 2606

Dear Madam

Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2017

Thank you for the opportunity to make this submission in response to the measures to implement aspects of the Government’s response to the Productivity Commission’s (PC) inquiry into Australia’s Intellectual Property (IP) arrangements. This submission covers intellectual property protection issues in relation trade marks only.

We note that IP Australia is seeking comments on the draft legislation, in particular on any unintended consequences of this legislation or issues with the drafting, rather than on the policy that underpins the amendments as this has already been agreed to by the Government.

1 Parallel Importation Defence: Section 122A of the Trade Marks Act 1995 (Cth) (Act)

1.1 Goods closely related to services

Draft subsection 122A(1)(a)(ii) of the Act requires that the goods the person has used the trade mark on are closely related to services in respect of which the trade mark is registered.

Gilbert + Tobin is concerned that this provision goes beyond the PC’s recommendation in relation to the parallel importation defence (PID) by expanding its scope in an unintended manner.

In its Final Report¹, PC concentrated on the issue of onus on the parallel importer in order to successfully invoke the PID, which has become problematic in practice due to the acquis of recent judgements of the Federal Court of Australia. It was not, however, suggested by PC that the scope of the existing PID should be expanded through introduction of new concepts, such as the importation of marked goods which are closely related to services in respect of which the mark in question is registered. Rather, the focus and the subsequent recommendation to the Australian Government was to reform the PID that hinders parallel imports by way of clarifying when the rights afforded to trade marks are exhausted (ie. when the marked goods have been brought to market anywhere in the world by the registered trade mark owner or licensee).

Gilbert + Tobin notes, in particular, that neither the current iteration of section 123 of the Act nor section 97A of the Trade Marks Act 2002 (New Zealand) which was recommended to serve as a model clause by PC contain the concept of goods closely related to marked services.

Introduction of the concept of ‘goods closely related to services’ would be likely to have unintended consequences. Situations are likely to arise whereby the registered trade mark owner is only providing marked services in Australia but has chosen not to provide marked goods in this jurisdiction (for whatever reason). The effect of the draft subsection 122(1)(a)(ii) of the Act would be that a third party would be able to import marked goods of the trade mark owner from foreign jurisdictions, thereby potentially disrupting the trade mark owner’s business plans (eg., to delay the introduction of the marked goods into an Australian market for various reasons).

Gilbert + Tobin respectfully submit that, unlike in the scenario with goods similar to the marked goods, this situation is not a genuine parallel import situation and it goes beyond the intended scope of the PID.

1.2 Reasonable to assume

Draft subsection 122A(1)(c) of the Act introduces the standard of proof ‘reasonable to assume’.

This is not a recognised concept in trade mark law. In order to reduce ambiguity in relation to the proper application of this standard, it should be expressed as ‘objectively reasonable to assume.’ This would require a person using a registered trade mark in relation to marked goods to at the very least provide objective evidence forming the basis of their assumption.

Gilbert + Tobin submits that this requirement does not per se amount to an unreasonable evidentiary burden on the parallel importer to the extent that one exists presently due to the acquis of recent judgements of the Federal Court of Australia.

1.3 The time of the application or consent

Draft subsection 122A(1)(c) of the Act refers to ‘the time of the application or consent’.

The wording of the draft subsection 122A(1)(c) of the Act in relation to consents closely follows that of section 123(1) of the Act. Namely:

<table>
<thead>
<tr>
<th>Current section 123 of the Act</th>
<th>Draft subsection 122A(1)(c) of the Act</th>
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<tbody>
<tr>
<td>… if the trade mark has been applied to, or in relation to, the goods by, or with the consent of, the registered owner of the trade mark.</td>
<td>… the trade mark had been applied to, or in relation to, the goods by, or with the consent of, a person who was, at the time of the application or consent (as the case may be):…</td>
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In *Sports Leisure Pty Ltd v Paul’s International Pty Ltd (No 3)*, the Federal Court of Australia held that the relevant time to assess consent is *at the time when the trade marks are applied to the relevant goods*. This approach was subsequently endorsed in *Facton Ltd v Toast Sales Group Pty Ltd*.

Consequently, the consent to the application of the registered trade mark to the goods is also assessed as at the time of its application.
Gilbert + Tobin, therefore, submits that:

(a) the phrase ‘at the time of the application or consent (as the case may be)’ (or, at the very least, the words ‘or consent’) is incorrect as a matter of legal construction and should be deleted; because

(b) the time at which the existence of the consent is determined is the time when the trade marks are applied to the relevant goods and not the time when the parallel importer uses that mark. Consequently, it is immaterial whether or not the owner of the Australian trade mark changes between the application of the mark to the goods and the use of the mark on the goods in Australia; insofar as

(c) the expanded list of persons who can consent to the application of the registered trade mark to the goods (namely those set out in draft subsections 122A(1)(c)(i) to (iv) of the Act) is otherwise sufficient to address situations where the ownership of a trade mark portfolio is or becomes fragmented globally (ie., where the same mark is owned by different parties or different group entities in different jurisdictions).

Gilbert + Tobin notes that the amendments to the New Zealand PID scheme (ie. section 97A of the Trade Marks Act 2002 (New Zealand)) have now been operating for some time. Given the proposed changes to the class of persons who can consent to the application of the trade mark to the goods to trigger the PID, we suggest research be conducted into how the New Zealand PID scheme operates in practice, including whether any issues that have arisen or if clarification has been required from the Courts on the language of that section.

1.4 Significant influence

Draft subsection 122A(1)(c)(iii) of the Act refers to a person ‘with significant influence over the use of the trade mark.’

Gilbert + Tobin submits that this relationship which, if established, is sufficient to invoke the PID is too broad and its operation is uncertain.

The Explanatory Memorandum seeks to excuse the application of the mark in a range of circumstances ‘authorised by’ the registered trade mark owner on the basis that the owner has contractual remedies against the party applying the mark in the event of unauthorised application of the mark. The current proposed wording ‘significant influence’ does not require a direct, legitimate, contractual relationship and arguably extends to any circumstance, such as for example, illegitimate control over the person by dint of military, terrorist or criminal influence. At the milder end of the spectrum this could also encompass political or other unconscionable influence.

Gilbert + Tobin proposes that this ‘other circumstances’ exception is either deleted or narrowed to a direct, legitimate and significant commercial influence backed by a contractual relationship.

1.5 Consent subject to a condition

Draft subsection 122A(2)(a) stipulates that consent for the purposes of this section includes a consent that is ‘subject to a condition’ (for example, a geographical restriction on where a licensee may sell the trade marked goods).

Gilbert + Tobin notes the proposal that conditional consents to the application of trade marks overseas will no longer be recognised as an exemption to the PID.
Again, Gilbert + Tobin submits that excusing all goods manufactured and sold in breach of a conditional licence is too broad. Whilst Gilbert + Tobin appreciates the difficulties of parallel importers tracking the legitimacy of marked goods back to their source, Gilbert + Tobin submits that if goods are clearly marked as being manufactured only for sale or as being suitable for a particular market, that this acts as sufficient notice to the importer and there is no reason why that restriction should not continue to apply to sales outside that territory.

This proposed change not only undermines and discourages legitimate distribution arrangements in Australia with the attendant economic benefits to the Australian economy and workforce, but it also encourages international distribution networks to cannibalise their own supply chains and will increase the cost of doing business for large international corporates.

2 Time for Making a Non-Use Application: Section 93(2) of the Act

Draft subsection 93(2) of the Act stipulates that:

‘A non-use application on the ground mentioned in paragraph 92(4)(b) may only be made after a period of 3 years beginning from the date the particulars of the trade mark were entered into the Register under section 69.’ (Gilbert + Tobin emphasis)

An explanatory note clarifies that the date from which the registration of a trade mark is taken to have effect is different to and, in fact, earlier than the date the particulars of the trade mark are entered into the Register. Gilbert + Tobin notes that often it takes up to 7 months for the trade mark particulars to be entered into the Register.

Gilbert + Tobin is concerned that the beginning of the non-use period proposed above is inherently inconsistent with and contradicts not only with the recommendation of PC but also with the provisions of current subsection 92(4)(b), which relevantly stipulate that a non-use application can be made on the ground that ‘the trade mark has remained registered for a continuous period of 3 years ending one month before the day on which the non-use application is filed.’

Section 72 of the Act clearly stipulates that trade mark registration takes effect from the filing date (or earliest Convention priority claim date as the case may be) in respect of the application for registration. There is no sound legal basis to deviate from the current wording of section 93(b) and to introduce a new relevant date.

If the non-use period date was to be set as currently proposed by IP Australia then, some marks would enjoy a period longer than 3-year grace period recommended by the PC.

By way of example only, trade mark registration number 1888653:

(a) claims a Convention priority of 13 August 2015;
(b) was lodged in Australia on 5 February 2016;
(c) was entered into the Register on 21 November 2017.

If IP Australia’s position is to be accepted and on the assumption that draft section 93 of the Act commenced on 21 November 2017, hypothetically this would mean that:

(a) a non-use application may only be lodged against this mark on or after 21 November 2020; but
Gilbert + Tobin, therefore, suggests that draft subsection 93(2) of the Act be worded as follows:

‘A non-use application on the ground mentioned in paragraph 92(4)(b) may only be made after a period of 3 years has passed from the filing date of the application of the trade mark.’

Note: For filing date see sections 6, 72 and 239A.

Let us know if you have any questions.

Yours sincerely

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