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Intellectual Property Arrangements Inquiry
Productivity Commission

Dear Commissioners

Submission in response to the Productivity Commission's draft report for the Inquiry into Intellectual Property Arrangements

Thank you for the opportunity to make this submission in response to the draft report for the Inquiry into Intellectual Property Arrangements. This submission responds specifically to the recommendations and requests for information in the draft report dated 29 April 2016.

1 Designs

Options for improving current system

1.1 The Commission has noted that:

...the Commission does not consider that the 'low' uptake of design rights is necessarily a problem...Indeed, the lack of empirical evidence that design rights produce net benefits to Australia calls into question whether it is playing a beneficial role in Australia's IP system. (307)

1.2 With respect, IP Australia's obligations under multilateral treaties including the Paris Convention and TRIPS require design protection to be provided and withdrawal from these is not feasible as the Commission has noted at 308. It is evident that the current system is not effective for the reasons outlined in the Commission's reports and our previous submissions. Regardless of the Commission's view on the utility of design rights, rather than retaining an ineffective design system, it would be preferable to comply with Australia's treaty obligations in a more effective manner, including by:

(a) supplementing the registered design system with a short term unregistered design right (rather than replacing the system outright). The stakeholder concerns outlined by the Commission at 309 do not represent an impediment to this. For example:

(i) businesses need not be concerned about the costs of freedom to operate checks if the right is limited to copying the original design (which businesses should be able to avoid without difficulty) and appropriate exemptions from damages for innocent infringement are implemented (as for copyright) to avoid liability for inadvertent dealings with copies produced by third parties;

(ii) the concern the information function of the Designs Register may be undermined overlooks the fact that the Designs Register is notoriously difficult to search (requiring searches to review all items with a particular description or design code, which may number in the hundreds). This was one factor in favour of abolishing the pre-grant examination of design applications under the 2003 Designs Act, as examination was

prohibitively difficult even for examiners. In our experience, businesses do not regularly conduct clearance searches of the Designs Register to take advantage of its information function;

- (iii) any uncertainty which might arise from an unregistered design right is no different from the uncertainty arising from the copyright system, which is routinely navigated by Australian businesses;
- (b) adopting a limited term of copyright protection for appropriately qualified original industrially applied designs (which as the Commission has noted has the benefit of both avoiding the complexities of the copyright/design overlap and ensuring limited time protection for such designs). We note New Zealand has a 16 year copyright protection period to correspond to the term of a New Zealand registered design. The stakeholder concerns outlined by the Commission at 310 do not represent an impediment to this. For example:
- (i) any uncertainty which might arise from a short term copyright for industrially applied designs is no different from the uncertainty arising from the copyright system as a whole (and in fact would have a lower impact given the shorter term), and again, liability for copyright infringement essentially depends on copying and would not prevent businesses from inadvertently independently creating a similar design;
 - (ii) it need not extend the protection term for designs over and above the current registered design term, as any limited copyright protection term could be set as the legislature saw fit to balance the rights and interests of designers and the public, including to correspond to the term of a registered design as for New Zealand;
 - (iii) the view that copyright protection is unsuitable for mass-produced articles is highly specific to the Australian legal system (as many copyright systems do provide copyright protection for appropriately original mass produced designs, including major trading partners such as New Zealand, the USA, and many European countries including France). Many cultural products protected by copyright (books, music, posters and video recordings) are similarly mass produced and the current artificial distinctions in copyright law, which provide copyright protection to (for example) a mass-produced 2D print but not to a jacquard pattern, are difficult to justify.

Grace period

- 1.3 We agree with the Commission's proposal at 318 that implementing the grace period before any finalisation of the DDLT (and accession) would be a useful measure. As the Commission has noted at 316, most other jurisdictions have such a grace period. As discussed in our previous submissions, it is Gilbert + Tobin's experience that both Australian and international designers (particularly international designers from jurisdictions with a grace period or unregistered design protection) are not familiar with the absolute requirements for non-publication of a design before filing a design application in Australia. On numerous occasions, clients have requested advice in relation to design protection shortly after commercialising a design, when it is already too late to file a valid design application in the absence of a grace period. We note our experience corresponds with the ACIP survey results in the Commission's figure 10.7, which indicate that more than 50% of respondent designers have inadvertently disclosed designs prior to filing – that is, that they have filed at least one invalid design application.

- 1.4 Adding a grace period to Australian law would significantly improve the position of Australian and international designers in this regard. To the extent that design owners lose the right to protect their design in other foreign markets as a result of the prior disclosure and reliance on a grace period in Australia, they would be compensated by the ability to protect their design in Australia at all (since in the absence of a grace period, many Australian designers disclosing their design prior to filing lose the option of securing Australian design protection altogether). Designers who are interested in overseas markets are generally able to access appropriate legal advice in any event, and would not be under any obligation to utilise the grace period if they wished to file Convention priority applications in overseas markets lacking grace periods.
- 1.5 A limited grace period would also enable designers to engage in some degree of testing the market prior to deciding whether or not to incur the expenses associated with registering a design.
- 1.6 We also agree that a prior user defence would accommodate the interests of any independent creators of similar designs. However, the Commission has indicated at 317 that this should extend to parties “acting on a prior disclosure.” We submit that any prior user defence should clearly not extend to users producing an otherwise infringing design on basis of the original designer’s disclosure, as that would defeat the purpose of the grace period.

Customs

- 1.7 Further to the Commission’s review of existing enforcement provisions in Part 18, we submit that Customs notices of objection should also be available to capture imports of products which infringe design registrations as for infringements of trade mark registrations and copyright.

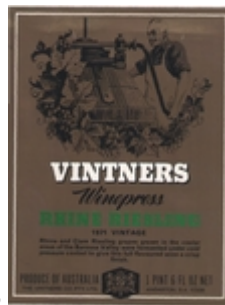
2 Trade Marks

Cluttering

- 2.1 The Commission has made a number of draft recommendations to address the so-called problem of “cluttering” of the Trade Marks Register. In the first instance, we note a number of the Commission’s conclusions regarding patterns of trade mark application filing, registration and opposition may be problematic. For example:
 - (a) the increase in filing activity following the *Trade Marks Act 1995* (figure 11.2) appears consistent with the previous trend in growth in filing activity within Australia and also generally consistent with the growth rate of filing activity with Australia’s major trading partners (figure 11.3) so cannot be attributed merely to the presumption of registrability under section 33;
 - (b) the Commission has noted at 335 that a large percentage of oppositions are successful and that many succeed on one or both of section 44 (prior similar mark on Trade Marks Register) or section 60 (prior trade mark with reputation in Australia) and concluded the identified opposition grounds “were either not considered during the application process, or were considered and judged not to be sufficiently problematic to warrant rejection at that stage.” However, IP Australia cannot consider section 60 opposition grounds during examination as this depends on information regarding third party use of a mark which is not available to IP Australia, so further consideration regarding the distinction between section 44 and 60 oppositions is warranted. Furthermore, section 60 oppositions demonstrate one form of search costs the registered trade mark system may help to avoid. In addition to consumer search costs, there are search costs associated with new entrants into the market, who typically seek to adopt a mark which does not impinge on third party rights (and in which they will be able to develop exclusive rights) as the

Commission has noted at 341. A prior registered trade mark or trade mark application is visible to the world at large via a search of the Trade Marks Register (and for examination purposes under section 44), including as a warning to third parties seeking to adopt similar marks. However, trade marks in use in the marketplace can be very difficult to identify even with the benefit of specialist search skills and market investigations, all of which involve additional costs and which can make it very difficult to completely clear a mark for use.

- 2.2 As a result, the Commission's conclusion that successful oppositions and increased filing activity indicate problematic "cluttering" of the Register warranting remedial action doesn't appear to be justified. The Register of Trade Marks will necessarily become more "cluttered" over time as the market grows and as additional marks accumulate in the marketplace. That is not an indicator of an inherent failing of the current trade mark registration system; it is an indicator of the maturity of the Australian marketplace. It is simply not possible to engineer for new market entrants a "greenfield" marketplace equivalent to that which may have existed in the infancy of the Australian registered trade mark system.
- 2.3 We do not agree with the Commission's draft recommendation 11.1 to restore the power for the Trade Mark Registrar to apply mandatory disclaimers to trade mark applications, consistent with the recommendation of the Advisory Council on Intellectual Property in 2004, including because:
 - (a) We do not agree that "cluttering" is a serious problem in Australia, and to the extent it is a problem do not agree that the problem is the result of any fault of the trade marks registration system (as opposed to the natural result of the expansion of the marketplace);
 - (b) Disclaimers are a feature of retrograde trade mark systems and do not usefully clarify monopoly rights, as is readily apparent from the disclaimers applied to older Australian trade marks - see for example:
 - (i) registration 173240 SPARKLING STARWINE ("Registration shall give no right to the exclusive use of the descriptive word "Sparkling"");



- (ii) registration 261185  ("Registration of this trade mark shall give no right to the exclusive use of the words 'VINTNERS WINEPRESS', the word 'VINTAGE', the numeral '1971', device of bunches of grapes and leaves, and device of the crown");



- (iii) registration 300293 (“Registration of this trade mark shall give no right to the exclusive use of the word SUMMER”)



- (iv) registration 324942 (“Registration of this trade mark shall give no right to the exclusive use of the words PREMIUM, QUALITY and CELLARS”).

These examples are extracted from only the oldest 10 currently registered trade marks including the word “wine” in Class 33 of the Register of Trade Marks. They illustrate the prevalence of disclaimers of non-distinctive subject matter under the previous Trade Marks Acts as well as their lack of utility: the identified marks obviously would not provide exclusive rights in the disclaimed words as opposed to the subject marks as a whole.

- (c) Mandatory disclaimers of descriptive words therefore provide limited clarity of the scope of monopoly over and above the standard tests of substantial identity and deceptive similarity under sections 44 and 120 of the *Trade Marks Act*, which provide a more sophisticated comparison of marks having due consideration to the marks as a whole (including the distinctiveness of common elements where appropriate): see eg. *Lift Shop Pty Ltd v Easy Living Home Elevators Pty Ltd* [2013] FCA 900, *Australian Postal Corporation v Digital Post Australia Pty Ltd (No 2)* [2012] FCA 862, *REA Group Ltd v Real Estate 1 Ltd* [2013] FCA 559; *Australian Health & Nutrition Association Limited (t/as Sanitarium Health Food Company) v Irrewarra Estate Pty Limited (t/as Irrewarra Sourdough)* [2012] FCA 592; *Crazy Ron’s Communications Pty Limited v Mobileworld Communications Pty Limited* [2004] FCAFC 196; *Millennium & Copthorne International Ltd v Kingsgate Hotel Group Pty Ltd* (2012) 97 IPR 183. Re-introduction of disclaimers more than 20 years after their abolition might prejudice the application of well-established authorities under sections 44 and 120 on trade marks that include non-distinctive subject matter (such as those above);
- (d) In many countries, disclaimers of descriptive material are a de facto means of readily securing a registration for a mark which might otherwise fail the tests of distinctiveness under equivalent tests to section 41 of the Trade Marks Act. Contrary to avoiding cluttering, mandatory disclaimers may have the impact of permitting registration of marks which otherwise might have been unregistrable (particularly given the application of the section 33 presumption of registrability); and

- (e) As the Commission has noted, disclaimers would be of limited practical utility without additional search functionality for endorsements being implemented in ATMOSS.
- 2.4 We also do not agree with the alternative proposals discussed in the Commission Box 11.12 including:
- (a) abolition or modification of the presumption of registrability. As the Commission has acknowledged, this would be disruptive. The presumption was introduced more than 20 years ago to reflect a balancing of market interests and in 2013, section 41 of the Trade Marks Act was redrafted to bring it within the scope of the presumption and override the operation of *Blount Inc v Registrar of Trade Marks* (1998) 40 IPR 498. IP Australia's view is that the introduction of the presumption did "not represent a significant change in the approach previously taken in examination under section 33 of the repealed Act except that the onus of proof is no longer on the applicant." (Trade Marks Office Manual of Practice and Procedure, Part 26.2). In any case, the presumption does not operate to require examiners to be satisfied that "the trade mark should clearly not be registered. Rather, as with other grounds it is intended that the delegate need only be satisfied that a ground exists on the balance of probabilities." (Explanatory Memorandum, Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 at page 146). In practice, of course, IP Australia does raise objections to registration frequently, so the presumption of registrability should not be interpreted as operating as a serious restraint on IP Australia;
 - (b) introducing a requirement for use prior to registration – Article 15 of TRIPS provides that "actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application." The "intention to use" filing basis is commonly used throughout most of the world. Introducing a pre-registration use requirement into Australian law at this point (when it has never been a requirement of the Federal trade mark registration system since the Trade Marks Act 1905) would involve substantial additional complexities over and above the established intention to use filing system. In our experience, countries including a use requirement for registration (eg. the USA) typically allow applicants protracted extensions of time to prove use after filing, which is expensive and can be difficult for applicants to manage. Introducing a post-application pre-registration requirement for use also would not prevent interim "cluttering" of the Register by applicants claiming unused goods/services prior to filing evidence of use, which pursuant to TRIPS would be possible for at least three years;
 - (c) otherwise requiring applicants to make the case as to why they meet the standards of registration. This reflects the pre-1995 Trade Marks Act approach and was abandoned in favour of the presumption of registrability. With respect, it is more efficient for IP Australia to identify any aspects in which an application fails the tests of registrability than for an applicant (who may or may not be a sophisticated user of the system) to demonstrate registrability, ie. to prove objections should not apply.
- 2.5 In relation to the proposal to moderate multi-class filing behaviour through charging higher fees for multi-class or class heading applications, we again do not agree that cluttering is a serious problem or that it reflects any systematic fault of the registration system. Many companies legitimately wish to use a mark across multiple classes of goods and services, particularly as the classification system is anachronistic. Similar goods/services commonly straddle different classes (eg. baby foods in Class 5 and conventional foods in classes 29 and 30; beers in Class 32 and wines and spirits in Class 33; clothing goods in Class 25 and clothing retail in Class 35;

software in Class 9 and provision of access to online software in Class 42). In our experience, multi-class filings generally reflect legitimate commercial interests in a mark.

- 2.6 To the extent applicants over-claim for goods/services for which they do not ultimately use or intend to use their marks, their registrations will already either be immediately vulnerable to challenge under section 92(4)(a) of the Trade Marks Act for lack of good faith intention to use, or otherwise will become vulnerable to removal for non-use five years from filing under section 92(4)(b) of the Trade Marks Act. We note this is only two years longer than the minimum period required by TRIPS Article 15 (“an application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application”). The Trade Marks Act also provides for the automatic removal of registrations that are the subject of undefended removal actions. This allows new entrants to the market to clear “deadwood” registrations from the Register that are blocking use and registration of new marks. We also note IP Australia requires applicants claiming “unrealistically broad” goods or services under an application, eg. all items within a particular class to provide a declaration as to intention to use the subject mark for all identified goods under regulation 4.8(3) of the Trade Marks Regulations (see Trade Marks Office of Practice and Procedure Part 14.6).
- 2.7 If a tiered payment system is to be implemented, we suggest either:
- (a) a reasonable provision for multi-class filings before any higher class fee applies (eg. 4 classes); or
 - (b) a modified approach based on the current distinction between lower-cost pick-list filings and self-selected goods/services be adopted rather than a distinction based on classes covered. Filing for class headings only is not in any case best practice as IP Australia practice is that “an application which claims a class heading covers only the goods or services actually specified in the heading, or clearly encompassed by the heading” (Trade Marks Office of Practice and Procedure Part 14.6) and pick-list filings have the added benefit of avoiding the requirement for formalities examination by IP Australia, reducing examination costs. We do however note the pick-lists need to be updated to improve utility and user-friendliness.
- 2.8 We also note that if multi-class filing is regarded as rent-seeking behaviour (which we do not agree is the case), the proposal to charge higher fees for multi-class applications would have the effect of reserving the most serious rent-seeking behaviour to the most well-resourced applicants as the Commission has acknowledged at 337. This does not appear to be consistent with the objective of improving the efficiency of the trade mark registration system to all users.

Defensive marks

- 2.9 As the Commission has noted, defensive registrations are rarely used. There are only 307 such registrations currently on the Trade Marks Register dating back to 1959. Given the level of evidence required to substantiate registration and the complexity of the application process, defensive registrations also tend to be reserved to very large market players which may be able to access alternative means of protecting their famous marks including under section 120(3) of the Trade Marks Act, the Australian Consumer Law and the tort of passing off.
- 2.10 That said, the limited number of these registrations and the fame of the marks involved indicates that they are unlikely to contribute to any “cluttering” problem. Indeed the presence of registrations for famous marks across a number of classes may assist in avoiding unnecessary oppositions/enforcement actions as well as improving the efficacy of examination by IP Australia

in the small number of cases of related marks. It may also avoid systematic “cluttering” by filing and re-filing multiple applications for the same mark in classes for which the mark is not intended to be used to circumvent non-use removal proceedings (taking advantage of the 5 year period after the original filing date in which registrations cannot be removed for non-use).

- 2.11 The costs of repeal of part 17 of the Trade Marks Act and associated determination of the residual effect of currently registered defensive trade marks may not be justified as a result.
- 2.12 Additionally, the provision for registration of defensive marks forms one of the means by which Australia complies with its obligations under article 6*bis* of the Paris Convention and article 16 of TRIPS. We note that countries which do not permit defensive mark registrations generally have alternative options for protecting famous marks including actions for pure dilution or fame registers. If the Commission proposes to repeal part 17, consideration should be given to alternative options for efficiently protecting the interests of famous marks consistent with Australia’s international obligations, including within the scope of current Australian legislative provisions. For example, we note there is presently divergent authority on the relevance of the fame of a trade mark in assessing whether a similar mark is deceptively similar to the famous mark, with a minority “victim of its own success” line of reasoning (including *Mars Australia Pty Ltd v Sweet Rewards Pty Ltd* (2009) 84 IPR 12) holding that famous marks may have a narrower umbrella of protection as third parties are likely to have more perfect recollection of the famous mark. This may warrant legislative clarification in order to improve the consistency of the application of deceptive similarity tests in the context of famous marks.

Section 43

Presumption of registrability

- 2.13 We do not agree with the Commission’s recommendation to amend the Trade Marks Act so that the presumption of registrability does not apply to the registration of marks that could be misleading or confusing under section 43.
- 2.14 In the first instance, the Commission’s conclusion that a registered mark which becomes misleading or confusing in future can only be rectified via the Australian Consumer Law (which is more restrictive than section 43) is incorrect. Section 88(2) of the Trade Marks Act permits rectification of the Register of Trade Marks where “because of the circumstances applying at the time when the application for rectification is filed, the use of the trade mark is likely to deceive or cause confusion”. Section 88(2) applies the section 43 standard of deception/confusion at the time of rectification.
- 2.15 Secondly, section 43 is only enlivened where there is a real and tangible danger of confusion occurring: *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1953) 91 CLR 592 at 594 – 595. It is difficult to perceive a situation in which an examiner could be in any doubt about a “real and tangible danger”. If there was any doubt under section 33, the application would not by definition contravene section 43. If there was no doubt, section 33 would not apply. The two sections are logically entirely compatible. In any case, section 43 applies only to inherent connotations of a trade mark so “apart from the most blatant cases” as the Commission has noted, section 43 objections are not warranted at all.

Geographical origin claims

2.16 We do however agree that attention to geographical origin claims is warranted in examination, including the addition of origin disclaimers where appropriate (as for wines). In addition to section 43, section 42 (contrary to law) objections may be appropriate where use of a mark including an origin claim for goods originating elsewhere would infringe labelling laws. The Commission should however be aware that geographical names may not be as clear as “Barossa” or “Byron Bay” (using the Commission’s examples). For example, “Agnes,” “Adelaide,” “Alberta,” “Alice,” “Albert,” “Alison,” “Abbey” and “Alexandra” are all geographical names in Australia (using only towns or suburbs beginning with “A” as a reference). The connotation of any mark including these names may not refer to the identified location at all. Any change in practice on section 43 objections for geographical names would therefore need to ensure that the change only applied to names where the only connotation of the name was a geographical location and where the geographical location was appropriately well-known, ie. where there was a meaningful danger of consumers being misled or deceived as to the origin of the branded goods as opposed to a mere possibility. Otherwise, mandatory endorsements as to origin could clearly have a serious adverse impact on trade mark owners using marks which have both geographical and other connotations.

Linking search systems

2.17 We agree with the Commission’s recommendation for IP Australia, in conjunction with the Australian Securities and Investments Commission, to link the ATMOSS with the business registration portal (specifically, the “check name availability” functions of ASIC’s “Company And Other Registers” and Business Names Register databases), including to provide a warning if a registration may infringe an existing trade mark registration, as well as to allow for searches of disclaimers and endorsements.

2.18 In practice this may not be a straightforward exercise as each register handles search requests differently – for example, searches of the “check name availability” registers of the ASIC’s “Company And Other Registers” and Business Names Register currently produce markedly different results. We suggest all registers should continue to carry warnings about potential infringements of third party rights.

Kind regards

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