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Intellectual Property  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

*Via online submission*

To Whom It May Concern:

**RE: Productivity Commission Draft Report on Intellectual Property Arrangements**

The International Trademark Association (INTA) welcomes the opportunity to provide comments on the Productivity Commission's draft report in respect of Australia's Intellectual Property Arrangements (the Draft Report). This submission relates to chapter 11.4 of the Draft Report, which deals with proposed reforms to the parallel importation of trademarked goods into Australia.

INTA's preferred position in relation to parallel imports was set out in its submission dated 27 November 2015 in response to the Productivity Commission's Issues Paper and the attached Position Paper. INTA notes that the Commission has recommended that section 123 of the *Trade Marks Act 1995* be amended to bring it into line with section 97 of the New Zealand *Trade Marks Act 2002*, clarifying that Australia follows the principle of "international exhaustion" of trademark rights. While this is contrary to INTA's preferred position, INTA submits that, even in a country which follows international exhaustion, a "material differences" standard should be adopted in order to exclude parallel imports from Australia that are materially different from products that originate in the Australian domestic market or have been imported into Australia by or under license from the trademark owner.

For ease of reference, INTA submits that a "material differences" standard would include:

"[p]rohibiting trade where the goods are materially different from those traded under the same brand in the jurisdiction: material differences may include formulation, fragrance, color, calories, lot code removal, size, fill-volume, technical functions, packaging, language, guarantees, labeling, manuals, instructions and ability/inability to control the quality of the goods through the distribution chain (in cases where the trademark owner in fact does so)." (page 8, *International Trademark Association Position Paper on Parallel Imports*, August 2015).

The Draft Report indicates the Productivity Commission's view that consumers in Australia are already protected (for example, from unsafe goods) by other laws and that the *Trade Marks Act 1995* should have no role in screening Australian consumers from dangerous goods. However, INTA notes that one of the important roles of a registered trademark is to function as a guarantee of the quality of the goods to which the trademark has been applied. Australian consumers purchasing goods bearing a particular trademark expect that the goods will adhere to particular standards and act in reliance on that trademark.

Goods which have been imported into Australia via trade channels which are not authorized by the trademark owner will often not meet the quality expectations of Australian consumers.

If there is a problem with products that have been parallel imported, regulators, enforcement authorities and consumers often turn to the trademark owner to rectify the problem. In the case of a parallel importation where products are materially different and not targeted at Australian consumers, the trademark owner should not be responsible for rectifying the issue. However, the parallel importer is often difficult to locate, causing costs and delay for the authorities on the one hand, and inconvenience and potential embarrassment for the trademark owner on the other.

Therefore, in cases where there is a "material difference" between an authorized product and a parallel imported product, INTA sees the Trade Marks Act 1995 as having an important role to play. Goods that are materially different from the goods which have been authorized by the trademark owner for importation and sale in Australia should be considered to infringe the registered trademark in Australia. In the United States, sections 35(1) and 42 of the Lanham Act 1946 have been judicially interpreted to prevent the importation and sale of foreign goods bearing a trademark which is identical to a valid U.S. trademark where the products in question are materially different. The U.S. courts look to differences in quality control, differences in product composition, differences in product packaging and differences in prices to determine whether a product sold in a foreign jurisdiction is materially different from the product sold in the United States such that its importation would infringe the U.S. trademark. U.S. Customs and Border Control can prevent the importation of goods under section 42 of the Lanham Act where a trademark owner can demonstrate that the imported goods are physically and materially different from the authorized goods sold in the U.S.

INTA requests that, if section 123 of the *Trade Marks Act 1995* is to be amended as proposed in the Draft Report, the Productivity Commission should also consider recommending that the defense does not apply to parallel imported goods which are physically and materially different from the authorized goods sold in Australia.

Sincerely yours,

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