



Australian Competition & Consumer Commission

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The Advisory Council on Intellectual Property
PO Box 200
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Attention: Jeff Roberts, Secretariat
jeff.roberts@ipaaustralia.gov.au

Dear Mr Roberts,

re ACIP Working Group on Trade Marks and Business, Company, and Domain Names

Thank you for inviting the Australian Competition and Consumer Commission (the ACCC) to review the Issues Paper — *a review of the relationship between trade marks and business names, company names and domain names*, released by the Advisory Council on Intellectual Property (the ACIP) Working Group in January 2004.

Intellectual property licences and assignments, including those relating to trade marks, currently receive special treatment under the *Trade Practices Act 1974* (the TPA). Specifically, certain conditions in IP licensing and assignment arrangements are excepted from some of the provisions of Part IV (the Restrictive Trade Practices provisions) of the TPA by virtue of section 51(3)ⁱ.

Section 51(3) of the TPA excepts IP licence or assignment conditions that relate to the subject matter of the IP right from the application of s 45 (including price fixing and boycotts due to the operation of ss 45A and 4D), 47, 50 and 50A. Section 51(3) does not except such licensing and assignment arrangements from the misuse of market power and resale price maintenance provisions of the TPA (ss 46, 46A and 48).

The Australian Government has announced its intentionⁱⁱ to narrow the s. 51(3) exception so that it will only apply if the relevant licensing or assignment arrangement if it relates to the



subject matter of the IP right and does *not* have the effect or likely effect of *substantially lessening competition*. The narrowed exception will continue to be unavailable for conduct that may breach the misuse of market power and resale price maintenance provisions.

At the time of writing, legislation to implement the Government's intention has not been introduced into Parliament. Therefore, the precise nature of the amendments can not be commented on. However, from the Government's announcement it can be inferred that:

- plant breeders' rights will be covered by the s 51(3) exception for the first time;
- ss. 45 (including price fixing and exclusionary provisions), 47, 50 and 50A will apply to dealings in IP for the first timeⁱⁱⁱ; and
- dealings in IP will continue to be fully subject to the misuse of market power and resale price maintenance provisions (ss 46, 46A and 48).

In general terms, the proposed amendments to s. 51(3) mean that IP licensing and assignment conditions will be subject to Part IV of the TPA to a greater extent than is currently the case. In particular, licensing and assignment conditions which constitute anti-competitive agreements, including price fixing, exclusionary provisions or exclusive dealing, will breach Part IV if they substantially lessen competition.^{iv}

When s. 51(3) is amended, the ACCC intends to release Guidelines outlining how it will view the application of Part IV of the TPA to intellectual property, in its enforcement work. However, the more relevant TPA provision to issues being considered by the ACIP Working Group are contained within the Part V consumer protection provisions and specifically section 52.

The ACCC notes the purpose of the ACIP Working Group is to examine issues relevant to the relationship between trade marks and business names, company names and domain names (collectively referred to as identifiers) with particular regard to the apparent confusion businesses are encountering, and in particular:

- the problems or issues businesses or individuals may have encountered regarding the interface between the identifiers;
- whether the problems or issues could have been avoided; and
- whether there exist ways to improve the operation of these identifiers, or the interaction between them, to make for easier access, reduce confusion, and provide a more streamlined and/or more effective service.

There is significant court precedent that has looked at the relationship between passing off actions and the misleading and deceptive conduct elements within section 52 of the TPA. One of the most significant judgments which considered, in part, the element of confusion, was that of *Taco Company of Australia Inc, & Anor. v. Taco Bell Pty. Ltd. & Ors. (1982)* ATPR ¶40-303 Deane and Fitzgerald JJ in their joint judgment state:

Conduct which produces or contributes to confusion or uncertainty may or may not be misleading or deceptive for the purposes of sec. 52. In some circumstances, conduct could conceivably be properly categorized as misleading or deceptive for the very reason that it represents that confusion or uncertainty exists where, in truth, there is no proper room for either. Ordinarily, however, a tendency to cause confusion or uncertainty will not suffice to establish that conduct is of the type described in sec. 52. The question whether particular conduct causes confusion or wonderment cannot be substituted for the question whether the conduct answers the statutory description contained in sec. 52.

In *Targetts Pty Ltd v Target Australia Pty Ltd (1993) ATPR ¶41-243* Justice Heerey found:

... that conduct which creates confusion, puzzlement or wonder in the minds of the public need not necessarily contravene s. 52. However such generalisations are perhaps not of great assistance in determining whether, in a given case, the conduct complained of has had, or is likely to have, the proscribed effect. Claims under s.52 based on the use of the **similar names and other commercial identification** call for analysis of the effect, or likely effect, of the conduct complained of on the relevant section of the public and consideration as to whether that effect is caused by misleading or deceptive conduct of the respondent or by some other factor for which the respondent is not responsible. [emphasis added]

The ACCC acknowledges the Working Party's concerns outlined in the Issues Paper. However, in the absence of substantive detail the ACCC is unable to comment as to the effect, or likely effect, the Working Party's suggested initiatives reforms would have on competition or consumers. Further, the ACCC is mindful of the Australian Government's commitment to reforming regulation-making, reflecting the policy of minimum effective regulation and, in particular, reducing compliance costs faced by business and particularly small business.

The ACCC looks forward to receiving the ACIP Working Party's final published document.

Yours sincerely



Robert Antich
General Manager
Compliance Strategies Branch

ⁱ ... (3)(b) the inclusion in a contract, arrangement or understanding authorising the use of a certification trade mark of a provision in accordance with rules applicable under Part XI of the *Trade Marks Act 1955*, or the giving effect to such a provision; or

(c) the inclusion in a contract, arrangement or understanding between:

- (i) the registered proprietor of a trade mark other than a certification trade mark; and

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- (ii) a person registered as a registered user of that trade mark under Part IX of the *Trade Marks Act 1955* or a person authorised by the contract to use the trade mark subject to his or her becoming registered as such a registered user;

of a provision to the extent that it relates to the kinds, qualities or standards of goods bearing the mark that may be produced or supplied, or the giving effect to the provision to that extent.

ⁱⁱ *Government response to Intellectual Property and Competition Review Committee Recommendations*, Information Package, August 2001.

ⁱⁱⁱ However, where the conduct consists of the imposing of, or giving effect to, a licensing or assignment condition that relates to the subject matter of the intellectual property, the conduct will only breach the *per se* prohibitions regarding price fixing, exclusionary provisions and third line forcing if it fails the competition test.

^{iv} Agreements contravening Part IV for the first time by reason of the proposed amendments to s. 51(3) will be capable of being authorised and notified under Part VII of the TPA. The authorisation process is subject to a statutory test requiring the ACCC to assess the public benefits against the anti-competitive aspects of the conduct seeking to be authorised. Notifications provide protection from actions by the ACCC or other parties for potential breaches of s. 47 of the TPA. See further: *ACCC Guide to authorisations and notifications* November 1995.