

ACIP Issues Paper

A review of the relationship between trade marks and business names, company names and domain names

January 2004

These submissions are provided on behalf of Davies Collison Cave, Patent & Trade Mark Attorneys

Introduction

Davies Collison Cave welcomes the opportunity to comment on the Issues Paper. We have not sought to comment on all matters raised in the Issues Paper but have focussed on particular areas only. Where we have not addressed an issue, this should not be taken to indicate that Davies Collison Cave either agrees with the comments made by ACIP, or does not hold an opinion. We may be in a position to comment further on other issues at a later date.

We comment on the matters raised in the Issues Paper by corresponding paragraph number as follows:

3. Misconceived Legal Nature of Business and Company Names

We agree with ACIP's assessment that the public, and even some business advisers, mistakenly believe that a business or company name registration conveys trade mark or other proprietary rights for the use of the trading name.

3.2 Possible initiatives to counter the misconception

3.2.1. Educative measures

We do not consider that the present educative measures about the legal nature of business and company names are adequate. The information on the ASIC website does not sufficiently emphasise or explain that registration of a business or company name confers no proprietary right to the name and nor does registration necessarily provide a defence to an infringement action by the owner of a registered trade mark. The suggestion on ASIC's database that for "peace of mind", the user might search the Trade Marks Office database for any registered or pending trade marks which are identical or similar to the user's proposed business, company or domain name is, in our view, potentially misleading and fails to convey the reality of the risk in adopting a business name or company name which is the same, or very close to, a registered trade mark.

We believe that there should be a clear statement and explanation at the time of application and upon registration that registration of the business or company name does not confer exclusive proprietary rights in the chosen name and that the mere registration provides no defence to an allegation that use of the name infringes a registered trade mark or constitutes the tort of passing off or contravenes the Trade Practices Act 1974 or State Fair Trading Acts. In addition a notice should be included on all pro forma application documents for registration of business names and company names. To reinforce this notice, a warning should also be placed on the Certificate of Registration itself for Business Names and the Certificate of Incorporation of Company name. Further, staff employed by customer support centres of ASIC and Fair Trading Offices should be required to inform members of the public

inquiring about registration, either in person or by telephone, and on lodging applications for registration of the limitation of the rights to be conferred by the registration being sought.

Furthermore, it should not be assumed that the public understand the meaning of infringement. The company and business name authorities should provide basic information about the mechanics of infringement and on the practical consequences of a successful infringement, passing off and trade practices action. This would serve to highlight the potential risk in adopting a business name or company name that is the same, or very close to, a trade mark.

By the same token, we consider that users of the trade mark system should be made aware of the possible limitations of any searches that they undertake. There seems to be insufficient awareness of common law rights, the concept of deceptive similarity of marks and the comparison of goods and/or services when potential trade mark applicants conduct their own searches. Users of IP Australia's search facility should be made aware of the importance of extending their searches to common law rights before adopting a new trade mark or name, and the risks associated with failing to do so.

3.2.3 Abolition of the Business Names Register

We do not support the abolition of state/territory business name registers. We do not consider the abolition of these registers will alleviate the misconceptions and problems of the current system. Moreover, we do not consider this action will avoid confusion caused through similarly named businesses.

In addition, we consider that the abolition of these registers may make it more difficult for traders to establish and prove common law rights in a trading name as may be required in an action to enforce reputation rights or to defend themselves against a third party claiming rights in the same or similar name. Perhaps more importantly, if these registers were abolished, then it would be more difficult for honest traders to select and clear a new name which will not conflict with those already in the marketplace for which trade mark registration has not been sought.

Abolition of the business names registers would significantly increase the difficulties already experienced by Trade Mark advisers in providing clearance searches for clients proposing to use and/or register new trade marks in Australia. Currently the company and business name registers are essential tools in identifying potential common law conflicts. In the absence of these registers, inquiries about possible prior common law right would be limited to searches of telephone directories and the Internet, neither of which are complete sources of information. In our view, there is a serious risk that the abolition of an easily searchable business names register may have the unintended consequence of increasing the number of trade mark disputes.

Whilst the registration of business names raises a false expectation that registration creates some kind of right to use the name, we do not believe that abolition of the business names registers will prevent people from adopting names which may, in use, constitute and infringement of registered trade marks. While a business name registration does not confer rights, it does alert third parties to the possible existence of rights. Quite apart from searches of the company and business name registers for the purpose of identifying parties for

litigation or enforcement purposes, we conduct on average 20 business name searches per week as part of trade mark clearance searches.

3.2.4 Mandatory Trade Mark Registration Search

We agree with the principle that a trade mark search would be a useful pre-requisite to registration of a company or business name. There are however, a number of practical considerations which mitigate against the success of this proposal. The cost of undertaking meaningful trade mark searches to ascertain whether the use of a proposed business name is likely to cause deception or confusion may be prohibitive for many SMEs and individuals. An exact match search would be of very limited use and is likely to provide a false sense of security. Moreover, the provision of search results without a skilled analysis may be of little value. If a means could be found for carrying out a compulsory detailed search of the Trade Marks Register which is cost effective and which would not give rise to unrealistic expectations or misconceptions, then the scope for conflict between business names and trade mark registrations would diminish. However, in the absence of a mechanism to provide this result, we consider it preferable to avoid this requirement.

3.2.5 Central Register for Business Names

3.2.6 Central Register for both Business Names and Company Names

We agree that if business name registration is to be retained, the establishment of one register through which business names can be registered for specific States or Territories may reduce administrative costs for owners and provide an opportunity for greater consistency in the registration of business names. Efficiencies would be improved by making it easier and less

expensive to search and to maintain registrations. However, without effective education measures, a central register of business names, or business and company names, would not reduce in any way the misconceptions relating to the legal nature of business or company names, nor will it minimise the risks of trade mark infringement.

Searching the Trade Marks Register as a prerequisite to business names registration proposed in the Issues Paper would be subject to the same limitation outlined in our comments on paragraph 3.2.4. A search of a central register would indicate the availability of the name in all states and not just the state in which business name registration is sought. With adequate education measures, the existence of the same business name or company name in another state might alert the business names applicant to the possibility that a third party may have superior rights (either common law or in the form of a trade mark registration) in the name.

Consideration should be given to requiring proof of use of a business name when a business name registration is renewed. Some States already require production of an ABN number on renewal. Although the existence of an ABN number does not necessarily mean that the holder of the ABN is carrying on business, this requirement would deter frivolous applications for registration and reduce the number of business name registrations which are not being used.

If proof of use of a business name on renewal is imposed, a number of questions would need to be addressed, including what would constitute sufficient use of the business name. Established tests used in relation to use of a trade mark could be applied, for example, even if sales had not been made during the preceding three year registration period, an extract from

the business names owner's website showing that the goods or services are available for purchase in Australia may suffice. Alternatively, advertising efforts may be considered.

The facilities for searching for business names and company names would need to be improved to allow for speedy, consistent and complete results to be obtained without the limitations imposed by the current searching parameters. For example, the current search facilities do not allow for reliable "part word" searches which are a basic search tool for trade mark clearance searches through ATMOSS.

3.2.7 Two-Tier Trade Mark System

We share the view previously expressed by the Institute of Patent & Trade Mark Attorneys that a two-tiered trade mark system would be a retrograde step and that it is not a practical solution to the tension between the existing trade mark system and the registration of business and company names. Indeed, we believe that the introduction of a two-tier system under which company and business names are automatically afforded registered trade mark status on a secondary register, would lead to increased confusion and may undermine the current trade mark system.

Confusion is likely to arise as to the rights subsisting in a second tier registration. Unless accompanied by a significant education program, a greater risk of confusion would arise amongst registrants as to the rights which the "registration" afforded them

This would tend to reinforce a belief amongst holders of second tier registrations that some exclusive right is granted by that registration. This in turn would have the effect of exacerbating the problem this proposal is attempting to resolve.

Moreover, the ACIP Issues Paper contemplates that a right granted by a second tier registration would not have precedence over existing rights. In the absence of a rigorous search of the trade marks register for identical and deceptively or confusingly similar marks, the holder of a second tier registration may proceed under the misapprehension that they have a right to trade under that name or mark, when in fact they may be infringing a pre-existing registered trade mark. This is a problem which has been recognised in the current system, although if a second tier trade mark system is adopted, there would seem to be greater potential for innocent infringement of pre-existing rights.

The current trade mark registration system is used effectively by many small to medium enterprises. There is a good level of understanding of the rights afforded by a trade mark registration in the business community and many traders are concerned to protect their valuable trade marks. The adoption of a second tier registration system with a view to avoiding confusion occurring amongst some small to medium enterprises would seem to be at the expense of businesses which determine the availability of and obtain rights in trade marks in the most appropriate manner.

It is our submission that a second tier trade mark registration system as proposed would have the effect of increasing the level of uncertainty in the rights granted by a "trade mark registration" and would undermine the integrity of the trade mark registration system in Australia.

Any trade mark registration system should offer protection to trade marks which are capable of distinguishing one trader's goods or services from another, whether the mark is inherently distinctive or distinctive in fact by way of use. Moreover, effective provisions for enforcement are essential in any trade mark registration system. The Australian Trade Mark Registration system has such mechanisms in place for ensuring the integrity of the register and providing for appropriate enforcement. The introduction of two-tier registration system and all the uncertainties that would follow, would seriously undermine the integrity of trade marks in this country.

4. Implications of Domain Name Registration for Trade Marks, Business and Company Names

4.1 Has the auDRP been effective?

To date, the auDRP has been an efficient and cost effective means of arbitrating disputes between domain name licensees and trade mark owners. The only change which may warrant some further consideration is the introduction of a process allowing a successful complainant to claim part of the costs of the action.

We are not aware of any complaints being made under the auDRP in bad faith. Of the 15 auDRP complaints filed to date, we are not aware of any finding of reverse domain name hijacking. The requirement for a complainant to pay an up-front fee and to substantiate its case appears to be a sufficient measure to prevent bad faith claims.

4.2 Trade Mark Infringement through use of a Domain Name

There is clearly a risk that use of a domain name registered in good faith will infringe a registered trade mark. However, existing trade mark law as evidenced by recent Federal Court decisions on this issue, provides an adequate remedy to trade mark owners in these circumstances.

As with the company and business name issue, we consider there are widespread misconceptions amongst the Australian public, and even some business advisers, on the interplay between domain names and trade marks. We consider the Australian domain name industry has an important educative role to play in alerting domain name registrants of the possibility of infringement and of the need to undertake clearance searches before selecting a domain name as an on-line presence. We consider that auDA and domain name registrars and resellers should be encouraged to fulfill this educative role.

5. Bad Faith Registration of Business and Company Names

5.1 The problem of bad faith registration of a business/company name

5.2 The possibility of challenges to business/company name registration

We consider that federal legislation allowing a business or company name registration undertaken in bad faith to be challenged is desirable. An administrative process similar to the auDRP which provides a cost effective and timely resolution of complaints is desirable. However, we do not believe that there is any reason for restricting the basis of proceedings only to registrations undertaken in bad faith. The additional grounds for challenge may include:

- a likelihood of deception or confusion which may arise from registration
- non-use in a requisite period

6 April 2004

Davies Collison Cave