

**SUBMISSIONS – RELATIONSHIP BETWEEN
TRADE MARKS AND BUSINESS NAMES,
COMPANY NAMES AND DOMAIN NAMES**

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1. Introduction

There are presently significant problems with the interaction of the different schemes to obtaining and registering the commercial identifiers of business names, company names and domain names and, in particular, their interaction with the registered trade mark system. These problems include a widespread commercial and community misunderstanding about the rights (if any) conferred by business name, company name and domain name registrations as opposed to the rights conferred by a trade mark registration. A comparative summary of these rights is set out in the attached table (**Matrix of Rights**).

Tensions between the rights or entitlements of parties under the different systems result from the actual scope of rights conferred (if any), the purpose for which each system was created and how each system is administered. The “apparent” strength of rights conferred as a result of the independent operation of each system adds to these tensions as registrants of all types of names frequently assume there are no blocks to use of their commercial name or domain name as their registration has proceeded without challenge.

To some degree those tensions result from a difference in perspective which is fundamental to each of the different systems. Due to the monopoly rights granted by trade marks and the legislative scheme, the trade mark approach consists of carefully constructed law based on rights and usage and careful delineation of rights between competing interests. In contrast, domain name rights are granted on a “first come first served basis” with limited carve out protection against direct misappropriation. The problems for traders are exacerbated by the fact that the current domain name system fails to recognise the true value of a domain name licence, or the use of many domain names as de facto trade marks and the direct impact the grant of these “exclusive” rights to domain names have on trade mark owners. In contrast, the business name registration system was created to protect consumers by identifying the legal entities or individuals behind trading names. The company name register was created to fulfil various statutory requirements in regulating the corporate sector. Each system has developed its own rules on the allocation of company and business names and the rules of allocation are inconsistent between the systems and, within the business name system, even vary from state to state.

Despite these tensions, each of these systems of name registration can be of significant benefit to trade mark owners even in their present form. From the perspective of trade mark owners, Gilbert + Tobin submits that rather than compromise the registered trade mark system by returning to a two-tiered system, reform efforts should be directed towards remedying the

problems with the existing systems, recognising they do interact and making the systems compatible.

Reforms would need to include legal measures to protect the interests of trade mark owners as well as amendments to various mechanical aspects of the existing business names, company names and .au domain names systems, with particular regard to cross-checking the respective online databases, application and removal procedures.

2. Summary of Proposals

- **Education**

There is currently no central location for comprehensive information concerning the different systems of commercial identifier. We suggest identical information (and links to the different systems) should be included on the relevant website for each system, in easy to understand language, including examples. This information needs to be updated and consistent across all systems. We also suggest a strong upfront warning concerning the specific rights (if any) that are conferred under each system.

- **Interaction Between Systems**

If a trader receives ownership rights in relation to a commercial identifier, then these rights should be recognised across the other systems of commercial identifier i.e. a trade mark registration should block registration of an identical or similar commercial identifier in the other commercial identifier systems operating in the Australian marketplace. Because commercial name registrations are linked to commercial activity, applicants should be able to co-exist for discrete goods and services. Domain name registrations could also be differentiated on a similar basis, in a manner discussed below. Linking these systems would remove any appearance of “exclusive rights” which applicants in the different systems assume they receive because their ancillary registration (e.g. business name, company or domain name) has not been examined against and hence not blocked by a trade mark registration.

- **Need for Cross-checks of Registers**

We suggest an exact trade mark search (at a minimum) should be carried out by the relevant registration authorities in each of the commercial identifier systems. An application to register a business, company or domain name should also be coupled with an undertaking by the applicant that to the best of their knowledge the name applied for does not breach any third party rights. A breach of this undertaking should be grounds for cancellation of that particular registration. We suggest the cross-checks are carried

out by the registration authorities to ensure consistency on searching. Any assessment function by the registration authority can be limited to raising an initial requisition on the application so the onus then falls on the applicant to prove entitlement to a particular name. We propose that objections to applications are handled by a specialised review section in the relevant registration authority and that IP Australia is involved where any requisition involves a registered trade mark.

- **Mandatory Provision of Commercial Activity Information**

We suggest that all applicants for company name registrations should be required to provide commercial activity information when applying for registration of company identifiers. This would make the company name allocation system consistent with the business name registration system. “Commercial activity” is where conflict arises between the different commercial identifiers. Improving access to this information may resolve potential disputes at an early stage if it is obvious that parties are operating in different commercial areas.

- **Value of Domain Name Registration Should be Recognised**

We submit it is naive to continue to characterise domain name registrations as simple IP addresses. The uniqueness of a domain name registration has a direct impact on value and the regulation system in relation to domain names should recognise that domain names often operate as de facto trade marks. The domain name registration system in particular needs to interact with the trade mark registration system. The history of cyber squatting associated with these commercial identifiers and the failure of both the UDRP and the auDRP process to provide cost effective and appropriate remedies for complainants is an indication of the interdependence of these systems. Reform of the regulation of domain names is also necessary to limit the growth of the grey market where domain names are bought and sold for what has effectively become a “going commercial rate” rather than complainants resorting to expensive auDRP proceedings to recover domain names. We suggest this can be most effectively achieved by introducing an action for removal of unused domain names.

- **Removal of the Business Name and Company Name Registers Would be a Mistake**

These registers currently provide a valuable resource to trade mark owners to protect brands by policing potentially conflicting names and also to check whether new brands might potentially conflict with third party rights. Rather than abolishing the registers, it would be more useful to synchronise the business name and company name registration systems so the rules of allocation are consistent (i.e. don't vary from state to state and

consistent from one system to the other) and improving the search functions available in relation to the online registers.

- **Improve the Search Functions of All Current Identifier Systems**

In our view, the search functions of all the commercial identifier systems should be upgraded so that searching is consistent and can be readily conducted across all systems. At present it is possible to search the Trade Marks Register for similar marks (via a Boolean search) and for all marks owned by a particular proprietor. It should be possible to search for similar names as well as conduct proprietor searches concerning ownership of the other commercial identifiers as well. For example, it is currently only possible to conduct proprietor searches of business name registrations via the responsible departments. Such searches cannot be conducted online, and obtaining the information takes some days and sometimes weeks. It is not currently possible to conduct proprietor searches in relation to ownership of domain names in the *com.au* domain space.

- **Upgrade WHOIS Information**

Where a registration is granted and information appears on a public register, the information provided should be consistent. In particular, the same information as that available in relation to company and business names should be made available in relation to domain name registrations. Name and address information along with the renewal dates of a domain name should be included at a minimum. The absence of all of this information currently creates significant problems. This will also facilitate the policing of domain name registrations which are no longer of interest to the registrant.

- **Removal Actions Should be Available in Relation to Domain Name Registrations**

Registration periods for domain names vary between Registrars. Where a domain name registration is no longer in use or of any continuing interest to a domain name holder, there should be a provision for an interested applicant to apply for cancellation of that domain name registration. Removal actions should be coupled with a right of “first allocation” as the present system of “first in, first registered” and the lack of notification of cancellation means an applicant has to be lucky to secure a registration even if they have applied for removal.

- **A two-tier Trade Mark Registration System Should Not be Adopted**

The current systems of commercial identifiers should be reformed rather than further complicated by the re-introduction of a two-tier trade mark system. A two-tier system would be likely to lead to further confusion regarding rights conferred through

registration of the different identifiers and the award of costs and has the potential to erode the value of a trade mark registration.

- **Security For Costs**

The domain name regulation system should include provision for security for costs in disputed proceedings under the auDRP and provision for the award of costs to the successful party. Where an action to cover a domain name is contested, security for costs may go some way to encouraging use of the auDRP proceedings (as it would encourage only legitimate defences) rather than promoting the current grey economy where it is cheaper to simply purchase a domain name. Where proceedings are not contested, an applicant should be entitled to automatic removal and reallocation of the disputed domain name. Streamlining the domain name removal process would overcome the current discrepancy where a domain name licence holder has better rights in a domain name by virtue of inaction than a trade mark owner in relation to a registered trade mark.

- **Provision For Cancellation on the Basis of Bad Faith Registration**

The business name and company name registration systems should allow for cancellation actions on the basis of bad faith registration. This would overcome the current problem faced by trade mark owners where there has been token commercial use so as to defeat the current cancellation option in relation to business names. Company name registrations should also be able to be attacked on similar grounds as there is no current system for cancellation of “unused” company names except by expensive court proceedings.

- **Challenge to Business Name and Company Name Registrations**

A trade mark registration should enable a trade mark owner to challenge applications for company or business name registrations at the outset (application stage). This would remove the appearance of “proprietary rights” in these names at the application stage. It should also be recognised that once a commercial name is in use, the owners of these commercial names do have and acquire various rights based on their use and reputation. Applicants for registration of company and business names should not be allowed to accrue rights through use and reputation in the face of a conflicting trade mark application or registration just because it is too difficult to remove these names without resort to costly legal proceedings.

- **Concurrent registrations**

Business name registrations should be permitted to exist concurrently with prior company name or business name registrations where the applicant can demonstrate that confusion is unlikely, for example where the prior registration is not being used in trade or where the fields of commercial activity differ. This would recognise the commercial reality that different traders in different fields can have a legitimate interest in the same mark and name. This would also bring the business and company name systems into line with the registered trade mark systems and the common law.

- **3. Trade Marks**

- **3.1 Rights**

A trade mark registration gives an exclusive right (subject to any limitations on registration) to use that sign on the goods and services covered by the registration. It also creates an enforceable buffer around those goods and services by allowing the trade mark owner (or nominated parties) to prevent others from using the same or similar marks on closely related goods and services where such use is likely to mislead or deceive.

- **3.2 Benefits**

A trade mark registration is beneficial for traders for the following reasons:

- brand protection – it allows the owner (or nominated parties) to prevent use of the same or similar marks in relation to the same or similar goods or services;
- unlike other actions to protect a name/mark, no use is required to enforce rights under the Trade Marks Act 1995 (**TMA**) (subject to removal action);
- registrations are recorded on a public register which may deter other traders from adopting similar marks;
- infringement proceedings are facilitated as it is only necessary to satisfy the statutory requirements under the TMA and is not necessary to provide evidence of use and reputation in the market place which is usually time consuming, costly and not always available; and
- a registered trade mark is a valued commodity which can be sold or commercially exploited.

3.3 Obstruction

A registered trade mark prevents others from registering a substantially identical or deceptively similar trade mark on overlapping goods or services. Unfortunately, a trade mark registration has only an incidental impact on the other systems of registered identifiers. Whilst a trade mark owner may be able to sue for trade mark infringement in relation to the registration of identical or similar business names, company names and domain names, infringement proceedings are only available once a trade mark is registered. In addition, there generally must be commercial use of the identical or similar commercial identifier on goods or services which overlap with those covered by the trade mark registration (except in relation to “famous” trade marks). Trade mark infringement proceedings are not generally available where a business, company or domain name are simply being held by the registrant and there is no commercial use.

The broad eligibility criteria for the allocation of *.com.au* domain names means there is no provision for an upfront block at the application stage by a third party with conflicting rights to prevent a domain name registration. Trade mark owners are either required to negotiate a purchase of conflicting domain names or trigger the auDRP proceedings for recovery of domain names. Given the nexus between the *.com.au* domain space and Australia, there is no practical reason why the domain name allocation system should not interact with the other systems for registration of commercial identifiers including trade marks.

3.4 Limitation on rights available to trade mark owners

Corresponding business and company name registrations may prevent a trader from using a registered trade mark as a trading name without breaching the *Business Names Acts*. Prior domain name registrations may prevent a registered trade mark owner from effectively exploiting the trade mark online which in an unintended way effectively limits the monopoly rights conferred by a trade mark registration by limiting the avenues for commercial exploitation. Solutions should be directed towards protecting the rights of trade mark owners to use their names to the full extent covered by the registration where there is no conflict with common law rights. Reforms might include allowing concurrent business name, company name and domain name registrations for different fields of commercial activity by requiring authorities responsible for the registration of company names, business names and domain names to conduct, at minimum, an exact match trade mark search prior to approving a registration. We have made suggestions concerning the reform of the business, company and domain name systems below which would enable this interdependence to work in practice.

3.5 Interaction with other systems

Applicants for company, business or domain name registrations should also be required to give an undertaking that their application does not to the best of their knowledge breach any third party

rights in a particular name or trade mark. The penalty for breach (if challenged and the applicant is unsuccessful in proving priority rights), would be removal of the offending registration. We submit a registrant should be required to prove entitlement to a particular name rather than requiring the registering body to investigate and establish an entitlement to registration. We suggest a system where (beyond a preliminary enquiry by the relevant registering body), rights need to be proved and defensible by an applicant where another name affecting the application is already registered..

Company name, business name and domain name registrations are approved by the relevant authorities without first conducting a search to determine whether the names will conflict with any prior registered trade mark rights. Solutions would include requiring authorities responsible for registering company and business names to, at a minimum, conduct an exact match trade mark search prior to registering a company name or business name. Applicants should also be required to provide details of commercial activity in the application and registration should be refused if the commercial field nominated by the Applicant overlaps with the fields covered by the trade mark registration. This type of reform needn't require the registering authority to investigate and assess any overlap, rather, a requisition could be raised which the applicant is then required to overcome by proving entitlement to the name either on the basis of priority or distinguishing the area of commercial activity. This reform would require an additional function of the relevant registering authority (i.e. the capacity to re-evaluate responses) or this could be covered as an extended function of IP Australia.

One of the benefits of the business name registration system is that if a business name is not in use this breaches the grant of that registration so that the registration is vulnerable to cancellation. We submit company name registrations should also be vulnerable to cancellation in the absence of commercial use on the grounds of priority rights of trade mark owners, unless companies are able to nominate themselves as non-trading entities and register with an undertaking that there will be no use of the company name on conflicting goods and services. This should entail minimal inconvenience and expense to the company name owner as it is relatively easy and inexpensive to change an inactive company name.

The problem with domain name registrations is they can only be attacked on the basis of prior trade mark rights if used in an overlapping commercial area or if the trade mark owner can prove bad faith registration. Where a domain name is inactive, eg site under construction, trade mark owners should be entitled to challenge a *.com.au* domain name registrations on basis of priority trade mark rights without the expense of resorting to auDRP proceedings. We submit a simple cancellation action on the basis of non use should be available in relation to domain name registrations.

4. Company Names

4.1 Rights and benefits of registration

Company name registration does not confer any rights per se, although coupled with use of the company name as a trading name may facilitate actions for misleading or deceptive conduct or passing off.

Company name registration does provide a number of benefits as discussed in the attached table, including tax and other structuring benefits, as well as the ability to transact and hold property as a legal entity. A collateral benefit is that registration of a trading name as a company name avoids the requirement of registering the trading name as a business name.

4.2 Obstructions

Company name registration does not obstruct trade mark registration or domain name registration. However, a company name registration will obstruct:

- registration of another company name that is “identical” to the company name within the meaning of Schedule 6 of the *Corporations Regulations 2001*. The Schedule 6 rules are attached. “Identical” company names include names with the same letters but differing punctuation, and names which are plural forms of singular names (and vice-versa). However, names with added or subtracted elements from the original registration will not be obstructed. For example, registration of John Citizen Pty Ltd would not prevent registration of John Citizen 33 Pty Ltd by another trader, and registration of Pacific Banking Corporation Ltd would not prevent registration of Pacific Pty Ltd.
- registration of business names anywhere in Australia that are considered by the relevant departments to be “confusing” when compared to the company name. This varies between States and Territories ranging from only identical names, to names which would be considered identical under the Schedule 6 rules, to names which are only marginally similar – see below. For example, in Queensland, a prior company name registration for S.A.M. Pty Ltd would prevent registration of the business name SAMS, and in South Australia (where more restrictive eligibility criteria appear to be applied), prior company name registrations for Smith & Co Pty Ltd, Smith Investments Pty Ltd and Smith Enterprises Pty Ltd would prevent registration of the business name SMITH, even though these company names were not cited in objection in any other State.

4.3 Difficulties with existing databases

(a) Search functionality

As is illustrated by the attached table, the National Names Index (**NNI**) database has very limited search functionality. The database will display a maximum of 100 matches for any given name, and overnight “offline” searches must be conducted for any further information. The reality is that overnight delays in availability searches and due diligences may be simply impossible, forcing traders to proceed without the relevant information.

Further, NNI allows for only “identical” searching rather than Boolean searching. This causes obvious difficulties. For example, if one was searching for entries including both the words “black” and “white,” only the following searches would be available:

- a search for “BLACK AND WHITE”, which would generally only reveal hits including those words at the start of a name;
- a search for “BLACK,” which displays 4 entries and indicates there are “an additional 2942 entries containing the word BLACK”. The further entries can only be accessed through an offline search, and are in any event too numerous to review, and
- a search for “WHITE”, which displays 9 entries and indicates there a further 4821 entries. Again, the further entries can only be accessed through an offline search, and are in any event too numerous to review.

Boolean search facilities should be included in the NNI database as a matter of urgency.

(b) Commercial activity information

ASIC does not collect details regarding the field of business activity of companies, and this information is not featured on the NNI database. This means that traders searching the NNI to determine whether a mark would infringe the common law rights of another trader must conduct further market place searches to determine whether a company name is being used in a similar field of activity. A simple solution to this problem would be to require companies using their name as a trading name either:

- to nominate a field of commercial activity, as is already the case for business names. This would facilitate comparison of business names and assessment of confusion for the State and Territory agencies dealing with business names if a concurrent registration policy were adopted (see below); or

- to nominate that they are non-trading companies (such as investment vehicles). Non-trading companies should not be raised as an objection to business name registrations at all.

Gilbert + Tobin anticipates that companies (like businesses) may need to alter or expand fields of commercial activity over time, and submit that this should be allowed except where another trader has already nominated the same field of commercial activity for an “identical” (within the meaning of Schedule 6) name. That is because it is established trade mark law that even traders who are first to adopt a mark in the marketplace can conflict with the rights of other traders if they subsequently expand the use of the mark into another field of activity.

4.4 Enforcement issues

Removing a company name that is not being used as a trade mark or in use in the market place can be difficult as this may not infringe the legal rights of trade mark owners. Gilbert + Tobin submits that an appropriate solution would be to add the following grounds for removal to the *Corporations Law* on discretion of ASIC:

- “bad faith” grounds for removal, where a company name is demonstrably likely to lead to confusion (for example, corresponds to a prior registered trade mark, or a famous mark);
- failure to trade under the name in the nominated area of trade (if a nomination process is to be adopted as recommended above). In this case, companies should have the option of altering the description of trade to an area in which the company is actually trading (subject to the proviso above regarding third party rights) or nominating themselves as non-trading entities (if concurrent business name registration is to be allowed as recommended below).

The system would be greatly improved if concurrent business name registration was permitted as recommended below, as this would rectify the current situation where prior company name registrants can effectively hold trade mark owners to ransom.

4.5 Inconsistency with trade mark law

Under the present system, a trade mark owner may be prevented by a company name registration from legitimately trading under the trade mark (that is, without breaching the *Business Names Acts*). This is a particular problem in the case where a pre-existing business is purchased from a trader who has been trading under their own name, as in this case the squatting problem generally precedes the requirement to register the trading name by the business purchaser. Company names eligibility rules do not allow multiple businesses to legitimately trade under the same name in different fields, although this is possible at common law and in the registered trade mark system.

In our experience this has resulted in trade mark owners paying directors (\$3,000 - \$5,000) to change company names, even in cases where these names do not infringe their rights and where both parties may have continued to operate under the names with no risk of confusion, such as in the case of companies which are only being used as investment vehicles not as trading entities.

To recognise the fact that multiple traders can have rights in identical names and to enable trade mark owners to comply with the *Business Names Act* even in the face of squatters, concurrent registration of business names in the face of prior identical business and company names should be permitted where the Applicant can establish the field of commercial activity covered by its application is different or that co-existence would not otherwise be confusing (for example, as a result of long-term use or because the cited company name is not a trading entity).

4.6 Education issues

ACIP has noted that traders often believe that registration of a company name confers proprietary rights or a defence against infringement. This could be dealt with by warning applicants on application forms that the name registration does not confer rights to trade under the name, and by requiring ASIC to conduct an exact match trade mark search prior to registration (assuming that companies are also forced to nominate a field of commercial activity).

5. Business Names

5.1 Rights and benefits of registration

Business name registration does not confer any proprietary rights per se. However, registration of a business name does indicate an intention to trade under the name, and business name registrations may as a result be a clearer indicator of a potential misleading or deceptive conduct or passing off claim than company name or domain name registration.

Business name registration provides a number of benefits as discussed in the attached table. These include comparatively simple administration when compared to company name registration, and lower setup costs. A number of traders opt for trade under business names rather than corporate structures in order to avoid reporting requirements and the like.

5.2 Obstructions

Business name registration does not obstruct trade mark registration or domain name registration. However, a business name registration will obstruct:

- registration of another company name that is “identical” to the company name within the meaning of Schedule 6 of the *Corporations Regulations 2001*, as discussed above; and

- registration of business names *in the same State or Territory* that are considered by the relevant departments to be “confusing” when compared to the company name. This ranges from only identical names, to names which would be considered identical under the Schedule 6 rules, to names which are only marginally similar – see below. For example, in Victoria, a prior business name registration for LACHLAN ELECTRICITY CONSULTANTS would prevent registration of the business name LACHLAN CORPORATE POWER; in Queensland, a prior registration for DR A AUTOS prevented registration of the business name DR A for retail of clothing and accessories, and in Queensland, a prior registration for FUN LOOK for publishing was originally cited against an application to register LOOK FUN for retail of clothing and accessories.

However, unlike ASIC, the business name departments do not have set eligibility criteria, but rather assess each application subjectively; and unlike the Trade Marks Office, the business name departments do not rely on established principles for comparison of trade marks. This leads to both prejudice and inconvenience for business names applicants as discussed below.

5.3 Problems with business names eligibility criteria

The present registry situation is not user-friendly for applicants, in particular for traders trading in multiple states. Eligibility criteria differ in each state and territory and are not disclosed by the relevant agencies. Names acceptable for registration in one state may be rejected in others – for example, some states will accept minor or descriptive additions such as “New South Wales” as sufficient to distinguish a business name from a prior registration, whereas others require “distinctive” additions or multiple words to be added.

Indeed, some states appear to be applying a “deceptive similarity” rule when comparing business names. Such eligibility rules are more appropriate for trade marks than trading names, and as State government agencies, unlike the Trade Marks Office, do not abide by established laws regarding comparison of trade marks and will not accept submissions on this basis, this can be very damaging to trade mark owners – particularly trade mark owners seeking to register a trade mark nationally. For example:

- in the case of “DR A AUTOS” / “DR A”, Consumer Affairs Victoria refused to consider submissions arguing that the businesses of the two traders were transparently different (one a mechanic, the other a clothing retailer);
- in the case of “FUN LOOK” / “LOOK FUN”, the Queensland Office of Fair Trading was ultimately persuaded by arguments regarding the different locations of the businesses and their different fields of commercial activity (one a publisher, the other a clothing retailer), but appeared more heavily swayed by the identity of the applicant (a very large fashion manufacturer) than by the legal arguments concerned; and

- in the case of “Smith & Co Pty Ltd”, “Smith Investments Pty Ltd” and “Smith Enterprises Pty Ltd” / “SMITH”, the South Australian Office of Consumer and Business Affairs raised as citations company names which were not even mentioned in relation to the corresponding applications in New South Wales, Victoria, Western Australia, Queensland and the ACT.

The business names referred to above are fictional but are based actual examples.

This uncertainty could be addressed by encouraging all state and territory agencies to adopt the eligibility rules set out in Schedule 6 of the *Corporations Regulations*, or similar rules.

5.4 Database issues

The same problems with NNI search functionality as discussed in detail above effect the business names system. However, in the case of the business names system, the problems of inconsistent eligibility criteria are compounded by the fact that at least some State and Territory agencies (including at least Queensland and Victoria) appear to have access to different search functions than those made available to the public through the NNI.

The NNI allows for exact match searches only, but State agencies in particular often raise “citations” which do not correspond exactly to a business name. Agencies have indicated to us in telephone discussions that they have access to different search facilities to the NNI, but have not stated the nature of those facilities. As examples of citations include citations containing word components of the business name in altered order (for example, LIFESTYLE ASPECT was cited against ASPECT LIFESTYLE, when searches for ASPECT and LIFESTYLE individually on the NNI did not reveal the LIFESTYLE ASPECT name), it appears that at minimum some agencies have access to Boolean search operators. The restrictive search functionality of the NNI coupled with the broader searches in use by some agencies and the unpredictable eligibility criteria applied in each State or Territory can make it even more difficult for lawyers to “clear” a business name for registrability in all States and Territories.

As a matter of urgency, the public should be given access to the same search functionality for business names as is available to the administering agencies, as is the case for the trade marks system.

A further problem with the NNI database is that it does not allow the public to conduct proprietor searches. This severely impacts upon a number of legal and clearance functions including due diligence searches and trade mark availability searches. Proprietor searches can only be carried out through individual departments and have a lead time ranging from one week to one month. Some agencies (e.g. the NSW Department of Fair Trading) delay or refuse to conduct proprietor searches on privacy grounds, despite the relevant information being on the public record. As

even delays of only a few days can significantly disadvantage traders conducting due diligence enquiries, these delays are a significant problem. Proprietor search functionality should be added to the NNI database as a matter of urgency.

5.5 Complexity of application procedure

At present, the application procedure is needlessly complicated for applicants trading in multiple States and Territories as each State or Territory uses its own application form and fee scale. The system could also be made more user-friendly by creating a consolidated business name register which would enable applicants to register a business name in multiple states/territories on one application form. If any such consolidated registry was created by consent with the states, the eligibility rules as between the states and territories should be uniform, and ideally would be the same as the Schedule 6 eligibility criteria.

5.6 Inconsistency with trade mark system

Again, the business name system as it stands is inconsistent with the trade mark system as present eligibility criteria do not recognise that traders can co-exist for identical trade marks for differing goods and services where confusion is unlikely. This can enable squatters to effectively hold trade mark owners to ransom merely by registering a business name to obstruct the trade mark owner's legitimate use of the trade mark as a trading name, by stamping them from registering the trade mark as a business name. Although there is some provision for names not in use to be cancelled by the relevant Registrar, this is a discretionary matter and results in legal expense and delays that clients may prefer to resolve through paying out a squatter.

It is also a problem for a large number of traders who presently use similar names for goods and services, as the relevant agencies will usually not register business names which are identical to prior business names or company names, even on the basis of the written consent of the prior registrant.

This situation could be remedied if business name registries allowed registration of identical or similar business names to prior registrations where the applicant can establish that confusion between the two is unlikely – for example, because the prior business name or company name is not in use, or because the fields of commercial activity covered by the prior registration is different to that covered by the application. While this would reduce to some extent the “obstruction” benefit to traders of securing business name registrations corresponding to trade mark registrations, we consider that this would be balanced by the corresponding benefits to trade mark owners.

5.7 Consequences of refusal to register

Refusal by a relevant agency to register a business name can have very serious consequences for trade mark owners, particularly those trade mark owners who are not prepared to breach the *Business Names Acts* in order to trade under their registered trade marks. The seriousness of refusal to register trading names has been recognised by the provision of an appeal from a similar refusal by ASIC to register a company name to the AAT. Similar reference to an appropriate tribunal or even internal auditor should be provided for in the Business Names Acts and should be drawn to the attention of applicants whose applications have been refused.

5.8 Enforcement issues

As for company names, registration of business names without use, or with use in an unrelated field may not amount to trade mark infringement, breach of s52 of the *Trade Practices Act* or the tort of passing off. This can make it very difficult for trade mark owners to have obstructing business names removed from the relevant registers, especially when those names are in use for different goods or services. A solution would be to add to the *Business Names Acts* further grounds for removal of a registered business name (in addition to the non-use provisions already covered by the Acts) to allow for removal on discretion of the Registrar for a registration which has been obtained in bad faith, including a registration obtained for the same field of commercial activity as a registered trade mark, or for registrations that are not being used in relation to the goods or services covered by the registrations.

5.9 Lack of penalty enforcement and habitual non-compliance

Breaches of the *Business Names Acts* are in our experience rarely investigated by the responsible departments and penalties, while in some cases potentially severe (up to \$25,000 in the ACT) are rarely applied. At the same time, compliance with the *Business Names Act* is difficult for trade mark owners where prior registrations (including registrations owned by squatters) obstruct registration of a trade mark as a company or business name, particularly where the trade mark owner trades throughout Australia and is obliged to overcome different eligibility criteria imposed by the different states and territories. For these reasons, non-compliance with the *Business Names Acts* is very common, even for Australia's largest corporates. The consumer protection objectives of the *Business Names Acts* scheme are thereby compromised. Allowing concurrent business name registrations, adding grounds of attack against business name registrations obtained in bad faith, and adding avenues of appeal for applicants whose application to register a business name has been refused (see above) will all assist in facilitating and encouraging compliance with the *Business Names Acts*.

5.10 Education

As ACIP has noted, registrants of business names are sometimes subject to misconceptions regarding the effect of business names registration. This is no doubt encouraged by the awareness of most applicants that the relevant agencies conduct availability searches prior to registering names. This misconception could be dealt with by warning applicants on application forms that the name registration does not confer rights to trade under the name, and by requiring business names agencies to conduct at a minimum an exact match trade mark search prior to registration so that registrants do not have a “false sense of security” about the name.

However, in our experience, this misconception is not limited to business names registrants and can often be shared by the agencies themselves, in particular in appearing to apply “deceptive similarity” eligibility criteria. One agency informed us that it would not register a business name which was similar (but not identical) to a prior name because the owner of the prior registration “would not want [our client] to use a similar name”. Misconceptions at this level could be addressed both by education campaigns for agencies and by the introduction of stricter and more transparent eligibility criteria such as the Schedule 6 rules for company names.

5.11 Constitutional issues

Gilbert + Tobin recognises that it is presently beyond the power of the Federal Government to make any amendments to the State-based business names scheme. However, as the *Business Names Acts* are relatively uniform as between the States and Territories, and as the States already contribute relevant business names information to the central NNI database, it is clear that the States have already recognised the need for a uniform regime. It is possible that the States may voluntarily agree to the necessary amendments to make the scheme workable for trade mark owners, avoiding constitutional issues.

At minimum, the issue should be canvassed with the States.

6. Domain Names

Purchasing a domain name gives the holder the exclusive right to use a name for a specified period (commonly two years) for a specific fee. If the payment for the “leasing” of the domain name lapses, it is possible for anyone else to register the name. See the attached Matrix of Rights.

6.1 Rights

No positive ownership rights are conferred by a domain name registration. In fact, “registration” is a misnomer as the registrant is granted a licence to use a domain name rather than any

ownership rights. However, any characterisation of a domain name as a simple IP address fails to recognise that a domain name registration is effectively the grant of an exclusive licence to use a unique internet address which can be renewed indefinitely (subject to some rights of challenge). A domain name “registration” is also a valuable commodity in that it can guide customers directly to the trader’s business, or can incorporate the trade mark or trading name, and it is capable of sale as part of a business transfer. A domain name can operate as a de facto trade mark and the monopoly granted to a particular name in a domain space is general in that there is no limitation in relation to the goods and services the name is used on. Once a domain name has been allocated, it is no longer available for use by any other trader on different goods or services or for any other purpose.

6.2 Benefits

These include:

- A domain name is a key trading asset which can be critical to brand identity. It often forms an integral part of the “IP package” registered by a business in order to fully commercially exploit its brand in the marketplace. While domain name registrations were originally the preserve of “e-commerce” businesses, there has since been a comprehensive adoption of the internet as a mode of doing business by the full range of commercial enterprises.
- Intuitive searching means that a domain name corresponding to a trade mark or commercial name in an appropriate country code is a key marketing tool. Consumers frequently “guess” domain names by location and trade mark, often successfully, which will only increase, the prevalence of that practice.

6.3 Obstruction

A domain name registration will only block registration of an identical name in that domain. It will not obstruct similar names or very slight variations on trade marks in the same domain. Identical names or marks can also co-exist in other domains. Registration of a domain name has no impact on the registration of identical or similar trade marks or business or company name despite the fact that commercial use of domain names may contravene third party rights in the Australian marketplace.

6.4 Domain Names are a limited and valuable resource

Technical limitations mean that domain names are a limited resource. Once a particular domain name has been licensed it is not available to traders in different commercial areas to use on unrelated goods or services. Although different domains are now available, this underestimates

the value of core commercial domains (i.e. *.com* and *.com.au*). This makes domain names inherently inconsistent with trade marks, which can be used by multiple traders, and means that cybersquatting can have a devastating effect on the business of a trade mark owner.

Domain names registrations are bare licences and do not confer proprietary rights, although they can be as important to trade mark owners as a trade mark registration. The extensions to the eligibility criteria for domain names have gone too far ie. the ease of grant is inconsistent with the value of the monopoly conferred under a domain name licence. The lack of cross checking of the trade mark system when granting domain names fails to recognise the practical impact domain name registrations have on trade marks and the rights of trade mark owners. This has resulted in a “defensive registration” strategy by trade mark owners, who have to secure sometimes tens if not over a hundred domain names to protect against cybersquatters, which impacts negatively on the availability of domain names for traders operating in different commercial areas where there are no prospects of trade mark infringement. Trade mark owners cannot protect their position in relation to *.com.au* domain names by registering them for longer than periods of two years. (cf gTLDs which can be renewed for up to ten years).

6.5 Recovery of Domain Names

The options available to trade mark owners to recover a domain name registration that from a practical point of view prevents full commercial exploitation of their brand are limited. As for business and company names, the registration of a domain name may not be trade mark infringement in Australia, or breach of s52 of the *Trade Practices Act* or the tort of passing off in the absence of commercial use on conflicting goods and services. A domain name registration may not give rise to an action under a .au Dispute Resolution Policy (auDRP) where “bad faith” elements (such as offer to sell) are absent, for example where the squatter has registered the name as an obstructionist tactic without seeking payment and has commenced some token commercial use. Even if an action under the auDRP is available, such actions can be expensive, and legal costs associated with the actions are not recoverable.

The absence of costs recoverability is a disincentive to settlement of proceedings once commenced ie, there is no penalty for continuing to defend an action or even failing to respond. Further, the auDRP proceedings do not assist where a squatter has registered a “package” of IP (i.e. other commercial identifiers) which can greatly increase recovery costs. In this case, a trade mark owner is required to take separate actions regarding each identifier in the package under different systems which have different (if any) provisions for the removal of offending identifiers. Difficulties with enforcement ultimately mean that most trade mark owners with cybersquatting problems will settle a dispute by purchasing the domain name (\$3,000-\$5,000 per domain name) rather than pursue action through the auDRP (which can cost well over \$5,000 in legal costs for the initial round of submissions and more for protracted or defended proceedings) or through the Court system at costs likely to exceed \$20,000.

6.6 Database Information

- Proprietor searches are not currently possible in relation to ownership of the domain name registrations which severely impacts upon due diligence searches and policing of trade mark infringement when dealing with “serial” offenders. This is particularly difficult where the same third party has registered slight variations on domain names that include a trade mark. While it is possible to search for exact domain names, there are no search capacities for checking “similar” names. It is therefore difficult if not impossible for a trade mark owner to check for additional registrations by a squatter.
- The .au registry does not contain expiry details, forcing trade mark owners to take action (at least in the form of approach to the Registrar indicating a dispute is likely) rather than simply wait for a domain name registration which infringes their rights to lapse, even where lapsing may be imminent. Taking action, in turn, risks encouraging a squatter who might otherwise have allowed the name to lapse to renew the registration. Solutions might include expanding the functionality of the available database searches to add both proprietor search and similar name search functionality for all domains. At minimum, expiry information should be incorporated back into the .au registry as it is for all other current registries. It is our understanding that the information was removed to avoid fraudulent renewal notices. However trade mark owners have faced the same problem for years, and there is no reason why domain name owners should have any greater level of protection against this kind of conduct, particularly given the cost to trade mark owners when the party protected is a squatter. If necessary, .auDA could add appropriate warnings to domain name registrants upon registration that they should not pay invoices to any third parties to prevent use of registry details for fraud. This type of notice is similar to those issued by the various trade mark registration bodies in relation to trade mark stamp.

6.7 Eligibility Checks

There do not appear to be any checks by domain name registration authorities regarding the veracity of claims to eligibility. In the past, domain names have been registered on the basis of commercial names that are not themselves registered. Registrants should be required to nominate that they are a legal entity authorised to hold domain names in accordance with the .au policy, and breach of this warranty should be sufficient grounds for cancellation. Where an Australian corporate or trading applicant other than an individual is nominated as the registrant, the Registrar should be required to check the NNI to confirm that the applicant exists.

7. Conclusion

We believe some refinement of the existing systems to make them more cross-referenced and consistent in recognition of the true value of rights conferred with each form of identifier, would go a long way to resolving the current tensions between the different systems of commercial identifiers. This review provides an opportunity to rectify some of the various weaknesses of these systems which is an opportunity that should not be avoided or underutilised even if it requires difficult changes. Strong protection and clear cross-recognition of name protection systems will only encourage investment and commercial activity with an obvious economic benefit to the broader Australian community.

Gilbert + Tobin

15 March 2004

MATRIX OF RIGHTS

TRADE MARKS

Required to register?	Rights and benefits	Obstruct	Key issues
No	<p>Rights - Sue for infringement</p> <p>Benefits –</p> <ul style="list-style-type: none"> • brand protection, • facilitates infringement proceedings, as there is no requirement to prove reputation, • registrations are on the public record and may deter other traders from adopting similar trade marks • easily dealt with, including by assignment, licence or mortgage (with or without goodwill) 	<p>Trade marks –prevents others from registering a substantially identical or deceptively similar trade mark for similar goods / services (s44 <i>Trade Marks Act</i>) and from using a substantially identical or deceptively similar trade mark for similar goods / services (s120 <i>TMA</i>)</p> <p>Does not obstruct registration of Identical or similar business names, company names, domain names (but trade mark owner will be able to prevent use of these in relation to the goods/services covered by the trade mark on the basis of trade mark infringement, misleading or deceptive conduct and passing off)</p>	<p>Subjectivity - examiner-based process produces differing outcomes in similar cases. Solution – Trade Marks Office to comply with Register precedent.</p> <p>Database – ongoing inability to search endorsements. As endorsements include items such as English language translations of foreign marks and definitions of actual colours in colour marks, this results in uncertainty of rights which impacts on business names, company names, and domain names. Solution – add further endorsement search functionality to ATMOSS/mainframe.</p> <p>Limit on rights posed by business and company name registrations–business or company name registrations can prevent owner from using the registered trade mark as a trading name without breaching the State and Territory <i>Business Names Acts</i>. Serious issue in cases of business acquisition, in particular acquisition of business from a person or company previously trading under their own name, where requirement to register the business name occurs after squatters have noticed the mark. Solution: as below – allow concurrent business name registrations for different fields of commercial activity, require at minimum exact match trade mark searches by registering authorities.</p>

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COMPANY NAMES

Required to register?	Rights and benefits	Obstruct	Key issues
<p>No, but if registered is alternative to business name registration</p>	<p>Rights - No positive rights through registration (but may be protected by s52 TPA, passing off if reputation through use)</p> <p>Benefits –</p> <ul style="list-style-type: none"> • Tax • Cost-effective when compared to registering and maintaining business names in each State and Territory • Unified brand/trader entity • Can hold assets and otherwise deal as a natural person, unlike business names. 	<p>Company Names –prevents other traders from registering identical (Schedule 6) name as a company name.</p> <p>Business Names - prevents others from registering <i>in any State or Territory</i> an identical or in some states (such as Victoria) a very similar name as a business name.</p> <p>Does not obstruct registration of identical or similar trade marks, domain names, company names with slight additions not covered by Schedule 6 identity rules such as added numerals.</p>	<p>Database – does not include details of field of business activity of companies; further investigations required in common law searches to assess infringement risk. Solution – require disclosure of similar details to business names records, in particular of field of commercial activity, and add to National Names Index (NNI).</p> <p>Enforcement issues - bare registration without use may not be trade mark infringement or breach of s52 of the <i>Trade Practices Act</i> or the tort of passing off. Company name registrations cannot be removed without court order even if not in use, so serious issue if company name obstructing trader's trade under a trade mark. Solution - To facilitate prevention of squatting, add to <i>Corporations Law</i> grounds for removal of a company name registration on application to ASIC on bad faith grounds, including that the registration was obtained to obstruct use of a registered trade mark.</p> <p>Inconsistency with trade mark law – Company names can be an absolute bar to registration of similar business names, preventing trade mark owners from using their registered trade marks as trading names. Trade mark owners are often forced to pay directors of company names whose companies are not infringing their rights in order to clear the path for business name registrations, where at common law both traders could trade under the name if consumer confusion was not likely.. To cater for multiple businesses legitimately trading under the same name in different fields, allow registration of business names in the face of prior identical business name (below) where applicant can establish that the field of commercial activity covered by its application different and coexistence would not be confusing.</p> <p>Misconception of rights – traders often believe that registration confers proprietary rights or a defence against infringement. Solution – Applicants should be warned more prominently on application forms that a company name registration does not confer rights to trade under the name. Requiring ASIC to conduct an exact match trade mark search prior to registration may assist if companies also disclosed the field of commercial activity. However, squatters generally register business names rather than company names.</p>

BUSINESS NAMES

Required to register?	Rights and benefits	Obstruct	Key issues
<p>Yes, if trading name is different to the name of the corporation or individual</p>	<p>Rights - No positive rights through registration (but may be protected by s52 TPA, passing off if reputation through use)</p> <p>Benefits –</p> <ul style="list-style-type: none"> • Useful where corporation is not preferred business structure • No reporting requirements (unlike corporations law) • Consumer protection • Search and trade mark clearance benefits, as 	<p>Business Names - Registration prevents others from registering <i>in that State or Territory</i> an identical or in some states (such as Victoria) a very similar name as a business name.</p> <p>Company Names – Registration prevents other traders from registering identical (Schedule 6) name as a company name.</p> <p>Does not obstruct registration of Identical or similar trade marks, domain names.</p>	<p>Subjectivity / Lack of transparency – eligibility criteria differ in each State and Territory. Names acceptable in one State frequently rejected in others. State and Territory eligibility requirements are not disclosed to the public. Disclosure has been refused on request. Solution - require all State and Territory departments to adopt Schedule 6 corporations eligibility rules or similar in order to ensure consistency. If a consolidated business names registry is to be created (below), its eligibility rules should be the same as the Schedule 6 rules for corporations.</p> <p>Complexity of registering in each State/Territory – registration process can be time-consuming and costly. Forms and fees are not uniform between States and Territories. Solution – Consolidated Business Names Register. Applicants should still nominate trading State / Territories on any application. NB: while registers are presently separate they are searchable in consolidated form on NNI. Chief advantage of consolidation would be at application stage.</p> <p>Inconsistency with trade mark law – eligibility criteria do not recognise that identical trade marks can coexist for differing goods/services (where confusion unlikely). Solution: allow registration of identical / similar business names where applicant can establish that the field of commercial activity covered by those names are different and that confusion between the two is unlikely.</p> <p>Database - proprietor searches are not possible, severely impacting upon due diligence searches, which must be carried out through individual departments instead. Solution – Add proprietor search functionality to NNI database.</p> <p>Misconception of rights – traders often believe that registration confers proprietary rights or a defence against infringement. Solution – at minimum an “exact match” search of the Trade Marks Register should be conducted by business names authorities (applicant searches are not sufficient) prior to registering a name. Registration should be refused where a current trade mark registration covers the same commercial activity. Applicants should be warned more prominently on application forms about the danger of trade mark infringement.</p>

Required to register?	Rights and benefits	Obstruct	Key issues
			<p>Difficult compliance and minimal enforcement – Compliance with business names legislation is difficult where prior registrations obstruct registration of a trade mark as a company or business name. The <i>Business Names Acts</i> are poorly policed – while customers may complain of breach, investigation by the relevant departments is not frequent and penalties, while in some cases potentially severe (\$25,000 in the ACT) are never applied. For these reasons, non-compliance with the <i>Business Names Acts</i> is frequent and consumer protection objectives of scheme are compromised.</p> <p>Enforcement issues - bare registration without use may not be trade mark infringement or breach of s52 of the <i>Trade Practices Act</i> or the tort of passing off. Solution - consider adding to <i>Business Names Acts</i> further grounds for removal on discretion of Registrar for bad faith registration, including registrations obtained for same field of commercial activity as a registered trade mark (as well as for non-use as presently provided for in the Acts). The addition could be accomplished at State level rather than Commonwealth to avoid constitutional issues, as the <i>Business Names Acts</i> are presently relatively uniform in any event.</p> <p>Lack of appeal avenues - as refusal to register a business name has serious potential consequences for trade mark owners, avenues of appeal should be established.</p>

DOMAIN NAMES

Required to register?	Rights and benefits	Obstruct	Key issues
<p>No – but cannot use without registering.</p>	<p>Rights - No positive rights through registration – bare licence (but TPA, passing off if reputation through use, and may be rights associated with underlying eligibility criteria for a .au domain name, eg. if based on a trade mark registration)</p> <p>Benefits –</p> <ul style="list-style-type: none"> • key trading asset – critical to brand identity • consumers frequently use intuitive domain name searching, or “guess” domain name by location + trade mark, so domain name corresponding to trade mark and in appropriate country code is key marketing tool 	<p>Domain names - Identical names in that domain only.</p> <p>Does not obstruct registration of similar names in the same domain (including any minor variations); identical names in other domains; identical or similar trade marks, business names or company names.</p>	<p>Limited resource (esp. as .com and .com + .cc most important to traders) and cheap. Cyber squatting is therefore both prevalent and devastating.</p> <p>Lack of proprietary rights – can be almost as important as a trade mark (or even be the form in which a trade mark is presented) but does not convey the same rights to protect the property.</p> <p>Enforcement issues – bare registration may not be trade mark infringement or breach of s52 of the <i>Trade Practices Act</i> or the tort of passing off, and may not give rise to an action under a DRP where “bad faith” elements (such as offer to sell) are absent, esp. where the squatter has registered the name as an obstructionist tactic. Actions under the DRPs can be expensive where legal representation is involved, and legal costs are not recoverable, which is a disincentive to settlement of proceedings once commenced. DRPs do not assist where a squatter has registered a “package” of IP including trade marks and/or business/company names in addition to the domain name. Disputes very often settled rather than pursued through DRPs or courts. Solution – consider allowing costs recovery in DRP proceedings, expand grounds of “bad faith” to explicitly include obstructionist registrations.</p> <p>Database - proprietor searches are not possible, severely impacting upon due diligence searches. The .au registry does not contain expiry details, forcing trade mark owners to take action rather than simply wait for a registered domain name to lapse even where lapsing may be imminent. Solution – Add proprietor search functionality to all domain name databases. Add expiry information to .au registry (as for all other current registries), if necessary with appropriate warnings to domain name registrants upon registration that they should not pay invoices to any third parties to prevent use of registry for fraud (as is currently the case for trade mark applications).</p>

SEARCH MATRIX

	Exact search	Part word / Boolean search	Phonetic search	Proprietor search	Search by field of commercial activity
Trade mark	Yes	Yes	Yes	Yes	Yes – class
Business name	Yes	No	No	Yes, but only via responsible departments, not online.	No
Company name	Yes	No	No	Not applicable, but can search online for directors	No, and information not available
Domain name	Yes	No	No	No	No, and information not available