

24 MAR 2004

Office of the Director-General



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Dear Mr Roberts

I refer to correspondence from Professor Andrew Christie, Chair of the ACIP Working Group on Trade Marks and Business, Company, and Domain Names, concerning a review that the ACIP is conducting on the relationship between trade marks and business names, company names and domain names.

In response to Professor Christie's invitation to make a submission on the ACIP Issues Paper on this matter, I provide the following comments.

Page 2 of the Paper describes four distinct identifiers that serve different purposes in the marketplace. These identifiers are trade marks, business names, company names and domain names. In addition, the Australian Business Number is another distinct identifier which may be relevant to your review as it involves the nomination of names used for business purposes by an entity.

The Australian Business Number is a single identifier for all business dealings with the Australian Taxation Office (ATO) and was introduced as part of the Federal Government's Goods and Services Tax reforms. The Australian Business Number is linked to the trading entity (sole trader, company, partnership, etc), not the business or company name.

When registering for an Australian Business Number, the entity nominates either:

- the business name registered for the entity under the law of a State or Territory; or
- if a business name is not registered for the entity — the name used for business purposes by the entity.

Page 3 of the Paper states that 'Registration (of a business name) is compulsory in each state and territory from which a business operates, and must be completed

before the business starts to trade'. Registration is only compulsory if the trader is carrying on business under a name other than their own.

The *Business Names Act 2002*, which has been passed by the NSW Parliament but has yet to commence, will also allow a trader to carry on business under an unregistered business name, so long as all orders for the goods or services provided by the business are received exclusively by means of an on-line service (in other words, if it is an Internet-based business).

I now turn to some of the specific issues raised by ACIP throughout the Paper.

### *3.1 Problems associated with the misconceived nature of business and company names.*

The Paper asserts that there is widespread misconception as to the effect of registration of a business name and the legal nature of the 'rights' attached to such registrations. However, no quantification is provided to support this statement. The Department of Commerce's experience suggests that the number of incidences where trade mark holders find it necessary to pursue their proprietary rights against a business name is not significant, and that current educative measures are sufficient in informing applicants of the legal nature of business names.

#### *3.2.1 Are present educative measures about the legal nature of business and company names adequate?*

Refer to the answer to 3.1

Commerce, through the Office of Fair Trading provides extensive information about the legal nature of business names (especially compared to trade marks).

Applicants for business names are advised that registration of a business name does not confer ownership of the name or words in the name. Advice is also provided concerning the existence of trade mark registration, and applicants are informed that Commerce does not cross reference the Trade Marks Register when registering business names.

The Department's publication, *Business names - A guide to registering and using your business name* states that:

- a business name is simply a name or title under which an individual or other legal entity conducts its business. Registering a business name does not in itself give ownership of that name;
- a trade mark identifies a product or service of a business and distinguishes it from similar products or services of other businesses. Registration of a trade mark gives the owner the exclusive legal right to use, or control the use of, the mark;
- choosing a business name that infringes an existing trade mark can be a costly exercise. It is a good idea before registering a business name to search the Register of Trade Marks; and
- registering a business name will not prevent the name being used by somebody who has registered it as a trade mark. If there is a dispute with someone over a

business name, company name or trade mark, the matter may need to be resolved in court. It is the proprietor's responsibility to check the Register of Trade Marks.

In addition, the Department's form for those applying to register a business name reiterates that:

- the registration of a business name does not confer ownership rights to the name;
- ownership rights may exist under common law or other legislation such as the *Trade Marks Act 1995 (Cth)*;
- Commerce does not consider Trade Marks when determining the availability of a proposed name, nor does it accept responsibility for the registration of a name which might infringe ownership rights acquired by the registration of a trade mark. It is suggested that trade mark enquiries be made with IP Australia prior to applying for registration of a business name.

### *3.2.2 Can educative measures alone address the misconception as to the legal nature of business and company names?*

Although deemed sufficient, it is questionable whether educative measures alone could ever completely address misconceptions as to the legal nature of business names. However, there are ways that governments can complement existing educative measures.

The Department has no formal link with IP Australia, and does not search the trade marks database for identical or similar names when registering a business name. As outlined above, Commerce encourages applicants for business names to conduct a search of the trade marks database to ensure that a breach of another's intellectual property rights does not occur.

The National Competition Policy Review of the *Business Names Act 1962* found that, although it is ultimately the responsibility of private traders to ensure that the use of words in business names does not breach others' intellectual property rights, it would be of value if Commerce developed formal links with IP Australia, with a view to providing access to that agency's intellectual property registers at the time of registering a business name.

NSW would welcome the views of IP Australia on the feasibility of such a service.

### *3.2.3 Should the state/territory business names registers be abolished and, if so, what information should be required to be disclosed?*

Commerce is currently investigating the feasibility of amending or repealing the business names legislation in light of the introduction of the Australian Business Register.

By way of background, on 8 July 2003, in a speech to a business forum, the NSW Premier stated that:

- while the State Government could not reduce the extra load imposed on business by the Commonwealth's Goods and Services Tax requirements, it could examine

whether the State's requirements had been superseded by this tax. For example, if consumers and creditors could track down businesses through their Australian Business Numbers, should the State still require business names to be registered; and

- amending or repealing the Business Names Act would save business up to \$14 million per annum.

The Australian Business Register is a register of information provided to the ATO by businesses and other entities when they register for an Australian Business Number. The Australian Business Register can be accessed by the Internet (although not all information held on the Australian Business Register is publicly available).

Commerce's investigation has focussed on the ability of the Australian Business Register to achieve the objectives of the business names legislation. The Business Names Act was established to:

- provide information on the identity of the legal entity (ie person or corporation) carrying on business in NSW under a name other than their own or usual name. Access to the Register of Business Names for identification of business principals can be undertaken for a number of reasons, including consumer redress, debt recovery by other traders, and requests from the NSW Police Service and the NSW Crime Commission for details for legal proceedings; and
- prohibit words not considered desirable for registration.

The Department has received advice from the ATO that it is able to 'on-supply' full details held on the Australian Business Register in circumstances where it has a specific section within its governing legislation which allows it to disseminate information. This means that Commerce would be able to supply non-publicly available information from the Australian Business Register to third parties in certain prescribed circumstances.

However, unlike the Register of Business Names, the Australian Business Register does not contain a trader's residential address, date of birth, or addresses of other places of business. This information is of particular value for compliance purposes, and significantly helps in the identification and location of a trader.

The ATO's advice also confirmed that it would be feasible for NSW to require all traders to register for an Australian Business Number, which would mean that, if adopted, no trader would be able to 'opt out' of appearing on the Australian Business Register in NSW (currently traders with a turnover of less than \$50,000 do not have to register for an Australian Business Number).

If the legislation were to be repealed, the prohibition on undesirable business names could be achieved by way of a general prohibition on the use of undesirable names being inserted into the *Fair Trading Act 1987*.

It is important to point out that Commerce has been examining the possible repeal of the business names legislation in the context of whether the objectives of the Act could be achieved by alternative means. Although the business names legislation helps to safeguard the goodwill associated with a business (by creating a mechanism by which prospective business operators can identify and avoid names

that are already in use) the legislation was not introduced to protect goodwill. As such, it is difficult to see how the business names legislation could be repealed purely to alleviate misconceptions as to 'rights' conferred by registration of a business name (as is suggested in the Issues Paper).

*3.2.5 Should the state/territory business names registers be replaced by one central register? Would a central register alleviate the misconception as to the legal nature of business names?*

It would be premature to comment on the feasibility of a central register before NSW has completed its review on the feasibility of amending or repealing its business names legislation. In any event, it is difficult to see how a national register would alleviate misconceptions as to the legal nature of business names. Simply locating all registered business names in one location is unlikely to better educate traders about the legal nature of business names.

In fact, it could be argued that there already exists a central register of business and company names. The National Names Index, administered by the Australian Securities and Investments Commission, is a record of all company and business names registered in Australia, as well as some association names. Although the National Names Index falls well short in terms of the information maintained in State/Territory business names registers, it does contain sufficient information to determine whether a proposed business name may already be registered in another State or Territory.

For more information refer to: [www.search.asic.gov.au/gns001.html](http://www.search.asic.gov.au/gns001.html).

Misconceptions about the legal nature of business names are more likely to be reduced if the national trade marks register could be more easily searched during the registration process for business names. In this regard, see the answer to question 3.2.2.

*3.2.6 Were there to exist one central business names register, should it be connected to the company names register to form one central register for both business and company names?*

See answer to 3.2.5.

*3.2.7 Should a two-tier trade mark system be introduced into Australia? Would such a system address the misconception as to the nature of business and company names by providing an (albeit limited) exclusive right to the use of those names?*

In relation to this point, it remains unclear how second tier marks would relate to first tier marks. For example, if a registered business name constituted a second tier mark, how would its status as a mark be affected if a trademark, that was identical to that name, was subsequently registered and thus comprised a first tier mark.

*4.1 Has the auDRP been effective? Are the remedies of cancellation and transfer of domain name adequate?*

This has not been an issue in terms of NSW government domain registration. The NSW Government has review processes in place in regard to all agency requests, so domains are not simply allocated on request. If they meet the policy, then they are allocated. If required, they can be redirected as required within NSW government.

*Is there a real problem of complaints being made under the auDRP in bad faith? If so, can it be prevented?*

See the previous answer, this has not been an issue in terms of NSW government domain registration, with no complaints being received for nsw.gov.au.

*4.2 Is there a real issue of infringement of registered trade marks through good faith domain name registration and use? If so, could measures be taken to minimise the likelihood of trademark infringement?*

While this has been an issue in the commercial world, government agencies rarely use commercial names and even then, the .nsw.gov.au domain name clearly differentiates them from the .com domain.

*5.2 Should Federal legislation allow business or company name registration to be challenged? If so, on what grounds should such challenges be permitted?*

Currently, there are occasions where trade mark holders request Commerce to cancel a business name due to a perceived infringement of a trade mark. Due to the costs of legal action to defend trade mark rights, it appears that legal practitioners are advising their clients to appeal to Commerce in the first instance. There are no provisions in the relevant legislation that specify that Commerce may cancel the registration of a business name due to infringement of a registered trade mark.

Any system allowing objections to proposed business names, as raised in the Issues Paper, would be extremely resource intensive to administer, given the approximately 80,000 applications for business names in NSW each year. This would be exacerbated by the commencement of the *Business Names Act 2002*, which will allow traders to register multiple business names. Indeed, given the low incidence of infringements that have come to the attention of Commerce, such a system would seem disproportionate.

A less costly system might be one which focussed only on cancellations of registered business names. Under this scenario, Commerce might cancel the registration of a business name upon, for example, receiving a notice from IP Australia that it was satisfied that the business name in question infringed upon a registered trade mark. If it were deemed advantageous by jurisdictions, this could be achieved by amendment to state and territory business names legislation, rather than federal legislation.

Allowing the cancellation of the registration of a business name on the basis of an infringement of a registered trademark would establish the primacy of trade marks over business names, and would reinforce the limitations of registering a business name as opposed to registering a trade mark.

Further information would be required on the resources involved and the proposed procedure and basis for cancellation before NSW could comment further on this point.

For additional information, or if there are any questions in relation to this issue, Mr Travis Ahearn of the Department can be contacted on telephone 02 9338 8960 or email [travis.ahearn@oft.commerce.nsw.gov.au](mailto:travis.ahearn@oft.commerce.nsw.gov.au).

I trust that this information is of assistance.

Yours sincerely



Kate McKenzie  
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