

**Review of enforcement of trade marks  
Issues Paper by the Advisory Council  
on Intellectual Property (ACIP)  
Submissions on behalf of  
Freehills/Freehills Carter Smith Beadle**

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## Table of contents

	<i>Page</i>
<b>1</b>	<b>Introduction</b> <span style="float: right;"><b>1</b></span>
<b>2</b>	<b>4.1.1.a – Business and company names</b> <span style="float: right;"><b>1</b></span>
<b>3</b>	<b>4.1.1.b – Domain names</b> <span style="float: right;"><b>2</b></span>
<b>4</b>	<b>4.1.1.c – Plant breeder’s rights</b> <span style="float: right;"><b>5</b></span>
<b>5</b>	<b>4.1.1.d – Geographical indications</b> <span style="float: right;"><b>6</b></span>
<b>6</b>	<b>4.1.1.e – Traditional expressions and indigenous people’s rights</b> <span style="float: right;"><b>6</b></span>
<b>7</b>	<b>4.1.1.f – National icons</b> <span style="float: right;"><b>7</b></span>
<b>8</b>	<b>4.1.2 – Searching</b> <span style="float: right;"><b>7</b></span>
<b>9</b>	<b>4.1.3 – Proprietorship</b> <span style="float: right;"><b>8</b></span>
<b>10</b>	<b>4.2.1.a – Examiner’s report</b> <span style="float: right;"><b>8</b></span>
<b>11</b>	<b>4.2.1.b – Non-word or logo marks</b> <span style="float: right;"><b>9</b></span>
<b>12</b>	<b>4.2.1.c – Restricted searching by class</b> <span style="float: right;"><b>9</b></span>
<b>13</b>	<b>4.2.1.d – IP Australia’s trade mark examination practice &amp; procedures</b> <span style="float: right;"><b>10</b></span>
<b>14</b>	<b>4.2.1.e – Incorrect nomination of classes</b> <span style="float: right;"><b>10</b></span>
<b>15</b>	<b>4.2.1.f – Material brought to the attention of examiners by a third party</b> <span style="float: right;"><b>11</b></span>
<b>16</b>	<b>4.2.2 – Disclaiming non-distinctive elements of a trade mark</b> <span style="float: right;"><b>11</b></span>
<b>17</b>	<b>4.2.3 – Registration classes for goods and services</b> <span style="float: right;"><b>12</b></span>
<b>18</b>	<b>4.3 – Board of review</b> <span style="float: right;"><b>12</b></span>
<b>19</b>	<b>4.4.1 – Opposition proceedings – Costs</b> <span style="float: right;"><b>14</b></span>
<b>20</b>	<b>4.4.2 – Opposition proceedings - Extensions of time</b> <span style="float: right;"><b>14</b></span>

21	4.4.3 – Where use of marks would be “contrary to law”	15
22	4.5 - The Madrid Protocol	17
23	4.6 – Proof of use to maintain registration	17
24	4.7 – Rights and obligations of a trade mark owner	18
25	4.7.1 - Non-use provisions	18
26	4.7.2 – Action against counterfeiting	20
27	4.7.3 & 4.7.4 – Parallel Importation of goods	23
28	4.8 - Other issues	25
29	4.8.1 – Prior use rights	25
30	4.8.2 – Association	26
31	4.8.3 – Well known marks/dilution	26
32	4.8.4 – Infringement and dilution on the Internet	29
33	4.8.5 – The effect of sub-section 88(2)(c) of the <i>Trade Marks Act (Rectification)</i>	30

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# **SUBMISSIONS**

## **1 Introduction**

We have not sought to comment on all areas discussed in ACIP's paper. In the time available, we have focussed on particular areas only. Where we have not addressed an issue raised by ACIP this should not be taken to indicate that Freehills either agrees with the comments made by ACIP, or does not hold an opinion. In particular, we may be in a position to comment further at a later date.

For ease of reference, we have identified each section on which we comment by the paragraph number and heading used in the ACIP paper.

Use of "Freehills" in these submissions should be taken as a reference to both Freehills and Freehills Carter Smith Beadle.

## **2 4.1.1.a – Business and company names**

It has been noted by ACIP that the public, and even some business advisers, mistakenly assume that a business or company name registration conveys trade mark rights. We agree with this assessment by ACIP.

In light of this, ACIP seeks comment as to whether rationalisation of the nine separate State and Federal company and business name Registers would help reduce the level of confusion and complexity between trade marks and business names.

In our view, whilst the consolidation of the nine registers would provide consistency between the States, it is unlikely in itself to increase the public's level of awareness in relation to the different rights conveyed by trade mark and business or company name registrations. The level of confusion suggests that more needs to be done to educate the public as to the differences between business names and trade marks.

IP Australia, the ASIC and State Business Names Offices currently provide, upon request, sources of information with regard to business names and trade marks. A review of the manner in which this information is brought to the attention of the public may identify reasons as to why the information is not reaching its target. For example, this information could be provided with the Certificate of Incorporation or Registration of a company or business name. It should, in our view, specifically refer to the fact that the act of registration does not create rights in the name.

Further, the information on this topic is currently made available by IP Australia under the heading “Business, company & domain names” accessible in the Trade Marks section of the website. This information should automatically appear when using IP Australia’s trade mark register search facility (ATMOSS) and when lodging a trade mark application via the website.

There also appears to be room for improvement in the education of trade professionals such as accountants as to the differences between business names and trade marks.

### 3 4.1.1.b – Domain names

#### General introductory comments

While domain names were created to serve the technical function of providing addresses for computers that were more recognisable and memorable than underlying IP addresses, many domain names have now taken on a secondary characteristic and function as trade marks. Also, with the addition of the relevant suffixes, trade marks can function as domain names.

In our submission, some internet users have shown scant regard for the rights of trade mark owners and at times, and in some circumstances, have prided themselves on their ability to appropriate those rights and profiteer from them: see *Electronics Boutique Holdings Corp v John Zuccarini* (unreported, 30 October 2000, United States District Court for Pennsylvania, Schiller J).

While a cybersquatter owns a domain name, the cybersquatter breaches the fundamental right of a trade mark owner to use its trade mark. Further, the *Trade Marks Act 1995* (*Trade Marks Act*) requires a trade mark owner to exercise control over the trade mark to ensure its continued validity (section 8). Failure to provide adequate protection for trade mark owners in the internet context may prevent them from exercising this necessary control and hence lead to a loss of trade mark rights.

While supporting legislative change to strengthen the rights of trade mark owners in the internet environment, Freehills considers that it is important to view this issue as a global one, given the lack of boundaries that operate in cyberspace.

#### Adoption of a process that reflects the ICANN UDRP in Australia

In our view, the current lack of any uniform mandatory dispute resolution policy across all .au second level domains (2LDs) is unacceptable. The .com.au policy of provision for

a non-compulsory independent arbitration between disputing parties is not an appropriate substitute for a formal independent dispute resolution procedure.

In our submission, the international experience with respect to the top level domain names (.com, .net and .org) provides an appropriate reference for the Australian experience, particularly in relation to cybersquatting and other inappropriate uses of trade marks.

In our submission, the ICANN UDRP has, to date, been largely successful in correctly arbitrating disputes between domain name licensees and trade mark owners.

Freehills is strongly of the view that all .au 2LDs should be granted subject to a mandatory dispute resolution policy similar to that of the ICAAN UDRP in order to provide a mechanism for the quick and inexpensive resolution of domain name disputes.

Importantly, legislative remedies provided for trade mark infringement and other abuses of trade mark rights, while important, are of limited usefulness in some circumstances, given the global nature of the internet, for example where the defendant and/or registrar are located outside Australia's jurisdiction.

The adoption of a DRP similar to the ICAAN UDRP will greatly assist trade mark owners as it removes most of the practical difficulties relating to service and jurisdiction by providing a mechanism designed to resolve disputes between parties in different jurisdictions. In addition, the UDRP is contractually binding on registrars with the effect that an order made to transfer a domain name will bind the registrar and is not dependent on the co-operation of the defendant, who is often difficult (or impossible) to locate.

Freehills notes that auDA have recently released their DRP policy which is to apply to all open 2LDs. Freehills supports the implementation of this DRP policy which is based largely on the ICAAN UDRP. We agree with auDA that it would be preferable (for the sake of consistency) for the DRP to apply additionally to all closed 2LDs.

Whilst an ICAAN style procedure would not require an analysis of whether inclusion of a trade mark in a domain name constitutes "use", we are of the view that this question should nevertheless be resolved by legislative amendment and comment on it further below.

**Whether remedies for domain name cybersquatting and/or trade mark infringement should be addressed in the *Trade Marks Act* and sui generis legislation should be introduced**

In our view, it is unclear at the present time as to whether the *Trade Marks Act* will provide a legislative avenue for trade mark owners seeking redress against trade mark abuses occasioned by the use of domain names.

Currently, in Australia, the courts have not determined whether use of a trade mark in a domain name on its own constitutes use as a trade mark within the meaning of the *Trade Marks Act* and if it is what goods and services that use is with respect to.

In several jurisdictions, such as the United Kingdom and the United States, a number of judicial decisions have defined “use as a trade mark” so as to encompass circumstances where a trade mark is contained in a domain name.

Freehills submits that the *Trade Marks Act* should be amended to specify the circumstances in which “use as a trade mark” will be taken to have occurred in the context of the internet, and in particular in relation to domain names.

If the *Trade Marks Act* is to provide the vehicle for trade mark owners seeking to prevent infringement by the use of domain names, Freehills is of the view that the *Trade Marks Act* should be amended to specifically provide a trade mark owner with the right (in cases of infringement) to compel an Australian domain name registrar to transfer the domain name.

Alternatively, Freehills submits, in recognition of the potential difficulties that arise when attempting to apply traditional trade mark analysis to the internet, that Australia should give some thought to enacting sui generis legislation.

Freehills notes that the United States has adopted this approach in enacting the *Anticybersquatting Consumer Protection Act*. This legislation provides a trade mark owner with a cause of action where a domain name has been registered, trafficked in or used in bad faith (with intent to profit from the mark) provided that the domain name is identical or confusingly similar to the trade mark. Importantly, the *Anticybersquatting Consumer Protection Act* provides remedies to trade mark owners where “use as a trade mark” could not be demonstrated, but where nevertheless, the rights of the trade mark owner are being abused.

**Comment on whether a strengthening of the provisions relating to the protection of famous marks and the inclusion of anti dilution provisions in the *Trade Marks Act* would assist the resolution of at least some cybersquatting cases**

Freehills is of the view that famous marks are clearly targets for those seeking to take commercial advantage of the reputation established by trade mark owners. Experience shows that these marks are at a significantly higher risk of being infringed in the internet environment.

This risk and the value of these famous brands is such that Freehills is of the view that additional protection is necessary.

Freehills considers that much of the unauthorised use of famous marks in the internet environment may not constitute trade mark infringement but may still result in significant harm being done to a famous mark.

Further, Freehills supports the WIPO proposal of the creation of a famous marks list which would be used to preclude the registration of a domain name that is identical to or deceptively similar to a famous mark on such a list. Criteria for determining what constitutes a famous mark would need to be established.

**Comment on whether the use of trade marks as meta tags is causing problems in Australia and if it is, how the problem might be addressed**

Freehills is aware that this practice is widespread and is of concern to trade mark owners.

The result of this practice is that consumers using internet search engines – which is the most popular way of navigating through the vast amount of material on the internet - may be led to a site other than that which they were attempting to locate.

Although a meta tag is not visible to consumers when conducting internet searches (without the use of certain internet browser software), we consider use of a trade mark as a meta tag should constitute use as a trade mark.

#### **4 4.1.1.c – Plant breeder’s rights**

ACIP has sought comments as to whether the owner of a plant breeder's right (**PBR**) should be able to register a trade mark for the same name, and if so, should any limitations or conditions be placed upon the trade mark.

The fact that PBR names cannot be registered as trade marks forces the owner of a PBR to find a new name for use as a trade mark. A PBR gives the registered owner, or grantee,

exclusive rights in relation to propagating the plant variety and offering for sale, importing or exporting the plant variety. It also gives the owner the right to take an infringement action against a person using the name of a variety that is entered in the register in relation to:

- (a) any other plant variety of the same plant class: or
- (b) a plant of any other variety of the same plant class.

In our view, there is a valid argument that it is illogical that a PBR owner is not allowed to register the PBR name as a trade mark in relation to that particular plant variety or fruit derived therefrom.

Freehills submits that consideration should be given to allowing a trade mark registration for a PBR name for the same period for which the corresponding PBR is granted (up to 25 years for trees or vines and 20 years for other species).

## **5 4.1.1.d – Geographical indications**

No submission.

## **6 4.1.1.e – Traditional expressions and indigenous people’s rights**

The ACIP paper raises the question as to whether “traditional expressions” and indigenous people’s rights should be granted special trade mark protection.

It is unclear what indigenous people’s rights the paper refers to in the context of trade mark protection.

We comment on the following issues:

### **The criteria for determining what should be excluded**

We submit that it would be very difficult to determine which expressions or rights should be granted protection. To this end a special committee representing the interests of indigenous people would need to be established and consulted.

Consideration could then be given to extending the list of prohibited marks to include the expressions selected.

### **Should words of special importance to all ethnic groups be excluded or only those of importance to Aboriginal and Torres Strait Islander people?**

We submit that it would be impossible to consider all expressions which could have an importance to any ethnic group. Different cultures have different customs and different

values. For example, limiting such an endeavour to Christian values would not represent the interests of all ethnic groups.

### **Operation of prior trade mark rights**

Should such a regime be adopted, the question arises how to deal with existing trade mark registrations consisting of or containing traditional words or expressions.

We submit that many such trade marks have acquired a reputation in relation to the goods or services in relation to which they are registered. For example, BARINA™ and BILLABONG™ are two well known Australian brands used in conjunction with motor cars and clothing respectively.

Exceptions to deal with such matters would need to be introduced.

## **7 4.1.1.f – National icons**

The question has been raised as to whether “national icons” should be protected under the *Trade Marks Act*. No definition or examples of “national icons” have been provided. We consider the Sydney Opera House to be such an example.

Prohibiting the use of a national icon such as the Sydney Opera House as part of a trade mark would, in our view, have a detrimental effect on a great number of small businesses as well as the entire tourism industry. For this reason, we do not see any public interest in protecting national icons under the *Trade Marks Act*.

## **8 4.1.2 – Searching**

ACIP has noted that there is an ongoing issue as to whether users of the trade mark system are aware of the need to carry out searches before adopting a trade mark, and the possible limitations of any search that they may undertake.

Freehills submits that users of IP Australia’s search facilities need to be made aware of the importance of conducting a full trade mark, availability search which extends to common law rights before adopting a new trade mark, and the risks associated with failing to do so. There appears to be insufficient awareness of common law rights, deceptive similarity of marks and the comparison of goods and/or services when a potential trade mark applicant conducts his or her own searches. In our view, the trade mark application kit could be amended to stress the importance of searching and common law rights.

In our experience, infrequent users of the ATMOSS database, who are not familiar with the searching facility and its limitations, often fall victim to incomplete search results. The default settings on the ATMOSS database enable the searching of “exact words” and “pending and registered” trade marks. Consideration could be given to changing these settings to “part word” and the status as “all”. Whilst this would result in a higher number of records located, the inexperienced searcher would then be forced to make the conscious decision to narrow the search strategy to restrict the number of marks located, rather than inadvertently carrying out a narrow search strategy which is not fully understood.

Further difficulties arise because ATMOSS recognises that a “character” has been entered, rather than recognising the actual “character” entered. Software could be developed to recognise when a “space” is entered and to make allowance for this. At present, if a “space” is inadvertently entered at the end of a search term this would generally result in zero records being located.

When providing results of searches, risk disclaimers should be prominent with regard to the complexity of trade mark searching with an emphasis on possible common law rights.

The results of any trade mark search could also be accompanied by the recommendation to contact a trade mark professional to either:

- (a) confirm effectiveness of the strategy adopted for the search; or
- (b) advise on any further searches which should be conducted; and
- (c) to discuss the results of the search conducted.

Consideration could also be given to linking the ATMOSS search page to various relevant databases ie. ASIC, ATMOSS, IP Australia Mainframe, domain name authorities etc.

## **9 4.1.3 – Proprietorship**

No submission.

## **10 4.2.1.a – Examiner’s report**

Freehills agrees with the view that some kinds of trade marks are accepted too readily whilst other kinds of signs (such as shape trade marks) face an unduly restrictive examination process.

We observe that even within categories of types of trade marks inconsistencies in examination procedures can readily be observed. In many instances, decisions reached can, at best, be described as arbitrary.

In addition, it appears that international trade mark applications designating Australia are treated more leniently than national applications.

Trade Mark Examiners are currently not bound by previous decisions made nor indeed by court rulings. This further fuels inconsistencies in the standard of trade mark examinations conducted by IP Australia.

The absence of a precedent system makes trade mark prosecutions both uncertain and unfair.

A possible idea to counteract inconsistencies in decisions reached by IP Australia would be to engage a pre-acceptance committee of a small group of senior examiners who would review each recommendation for acceptance or rejection made.

#### **11 4.2.1.b – Non-word or logo marks**

Freehills agrees with ACIP's observation that IP Australia appears sometimes to approach the registration of these marks with an assumption that they are not capable of distinguishing goods and services. We have made written submissions to the Trade Marks Office in relation to a number of such applications and are currently waiting for responses. In our view, the approach adopted by the Trade Marks Office is not acceptable in light of the provisions of the *Trade Marks Act*, and these marks should be afforded the same presumption of registerability as "traditional" marks.

#### **12 4.2.1.c – Restricted searching by class**

Our experience suggests that the changes in July 2000 to the cross class searching carried out by IP Australia during examination on one hand reduces examination time and the cost of examination to the Trade Marks Office, however, on the other hand may result in acceptance of trade marks which conflict with an earlier registered mark.

The amendments to the cross class searching also increases the risk that users of the ATMOSS database will not identify potentially conflicting prior trade marks, prior to filing or adoption for use of their trade mark.

Freehills submits that consideration should be given to reverting to, and improving on, the pre-July 2000 cross class search system taking into account the new classes 43 to 45 of the Nice classification system. A broadening of the cross searching could perhaps

ensure that clothing, footwear and head gear in class 25 be cross searched with safety clothing in class 9.

A focus group consisting of IP Australia staff as well as trade mark practitioners would perhaps be best placed to reconsider the cross searching of goods and service classes. Freehills would be happy to contribute to any such focus group.

### **13 4.2.1.d – IP Australia’s trade mark examination practice & procedures**

When inviting comments on proposed practice changes IP Australia generally appears to address IPTA only. Freehills submits that practitioners specialising in trade mark law are not necessarily members of IPTA.

For this reason, Freehills would welcome the involvement of trade marks practitioners through alternative channels such as by contacting major firms in the field of intellectual property.

### **14 4.2.1.e – Incorrect nomination of classes**

It has been suggested that some applicants (whether inadvertently or not) nominate the wrong classes for their goods or services. Freehills agrees that this occurs from time to time.

An application which nominates an incorrect class is difficult for a user of the ATMOSS database to detect unless a broad search in all classes is conducted. We agree that consideration could be given to whether the formality check of trade mark applications should extend to a check of the goods and/or services and the respective classes nominated by the applicant. If during indexing it is noted that particular goods and/or services are nominated in an incorrect class, the correct class could be “quasi” added to the application on ATMOSS for searching purposes, particularly for the purpose of location of that trade mark as a citation to a latter filed application. If the indexing of the goods and/or services is technical, the case could be referred to an examiner for immediate review. This would eliminate some of the problems associated with searching where the number of records identified is extremely high and a class is entered to limit the results of the search (which currently could eliminate applications for relevant goods and/or services, but which have been incorrectly nominated by the applicant into the wrong class).

## 15 4.2.1.f – Material brought to the attention of examiners by a third party

No submission.

## 16 4.2.2 – Disclaiming non-distinctive elements of a trade mark

ACIP has questioned whether Australia should re-introduce mandatory disclaimers for registered trade marks. Freehills submits that a number of considerations need to be borne in mind when addressing this issue.

### **Advantages of disclaimers**

- A decision on public record defining the scope of protection of a trade mark would assist applicants in reaching a decision as to whether to adopt a particular trade mark.
- Disclaimers would further facilitate the task of evaluating trade mark availability search results and, in some instances, enable faster resolution of opposition and infringement matters.

### **Disadvantages**

- Re-introducing compulsory disclaimers would considerably slow down the examination process whilst being more cost intensive.
- Consideration will need to be given to the question of how such disclaimers are applied to existing registrations, for example on renewal or on request whether by the trade mark owner or a third party.

In our experience, decisions by the Trade Marks Office and subsequent reviews by a Court have demonstrated, on numerous occasions, that the fundamental question of the extent to which a trade mark is inherently adapted to distinguish is largely based on individual interpretation.

Reverting back to compulsory disclaimers would mean that the role of deciding whether a trade mark is inherently adapted to distinguish would rest with IP Australia.

ACIP's paper raises (in chapter 4.2.1) the concern of inconsistencies in trade mark examination by IP Australia. Given this, in our view entrusting this assessment to IP Australia in the current environment is unlikely to lead to the intended outcome of just and consistent decisions.

In addition, questions arise such as whether to adopt separate or total disclaimers and how a disclaimer should be interpreted.

## 17 **4.2.3 – Registration classes for goods and services**

No submission

## 18 **4.3 – Board of review**

ACIP has noted that it is aware of hearing office decisions that do not appear to be supported by case law or trade mark legislation.

Freehills agrees with this assessment by ACIP. For example, the Trade Marks Office objects to the registration of trade marks which contain a surname which occurs more than 750 times on the Australian Electoral Roll. In *Companhia Souza Cruz Industria E Comercio v Rothmans of Pall Mall (Australia) Ltd* [1998] 698 FCA (17 June 1998) Justice Wilcox found that the Trade Marks Office's surname objection had no basis in law. Despite this decision, the Trade Marks Office continues to object to certain trade marks containing or consisting of a surname.

At present, the only option for a dissatisfied party is to appeal to the Administrative Appeals Tribunal (AAT) or the Federal Court.

A possible solution identified by ACIP is the establishment of an internal board of review within IP Australia. It is suggested that this would be a less expensive avenue of appeal than appealing to the AAT or the Federal Court. It is suggested that this board might consist of three hearing officers who could consider whether the law had been appropriately applied. At the board's discretion it could, in certain circumstances, return a decision to the original decision maker for reconsideration.

In our view, it is unclear what place such a board of review would have in the appeal process. One possibility is that the board of review would represent an alternative course of action to appealing directly to the Federal Court. Another is that the board of review would be a mandatory step in the appeal process between the original hearing decision and appeal to the Court. This would be a significant change to the Australian trade mark registration system.

### **Advantages**

- The primary advantage envisaged by ACIP is that an internal board of review would provide an affordable and accessible avenue for appealing hearing decisions. We agree that it is likely that the cost of appealing to the Federal Court

is a significant disincentive to small and medium enterprises. A board of review could provide these trade mark owners with an avenue of appeal when they would otherwise have none due to financial constraints.

- A board of review could provide for decisions to be subjected to some basic form of review more quickly than an appeal to the Federal Court would allow.
- A board of review could divert unnecessary cases from the court process by resolving them at an earlier stage. If the appeal process was seen to be a fair and thorough one then it may even have this effect if the appeal is unsuccessful.
- A board of review could provide the Trade Marks Office with some form of quality control over decisions being issued and allow identification and monitoring of areas of concern.
- A board of review could lead to the creation of a valuable precedent system which would provide users of the trade mark system with greater certainty as to the likely outcome of applications.

### **Disadvantages**

- In our view, it is questionable whether administrative review is the most appropriate means for dealing with decisions that are not supported by legislation or case law.
- A board of review may simply add another layer of delay and expense if matters are not resolved to the trade mark owner's satisfaction. If appealing to the board of review were to be a mandatory step, the potential for additional (and perhaps unnecessary) delays and expenses would increase.
- If appeal to the board of review were to be optional, those that could afford it may avoid the board of review and choose only to appeal directly to the Federal Court and take advantage of its expertise and the breadth of its review powers. This could lead to a marked division in the quality of outcomes available to different groups. Further it could negate the intended outcome of providing smaller enterprises with a cost-effective appeal process if a wealthier opponent is able to elect to transfer the matter to the Federal Court.
- The suggested model involves a hearing officer's decision being reviewed by other hearing officers. There is a possibility that the review of decisions by

colleagues of the original decision maker will hamper the impartiality and effectiveness of the process.

- In our submission, it should be considered whether it is more appropriate for an impartial third party to review decisions and a new examiner to be assigned to reconsider the matter.
- A decrease in the cost of appealing decisions may encourage frivolous or ill-considered appeals. This could place further strains on the resources of the Trade Marks Office and its hearing processes.
- If the only possible outcome of the review process is that the board may, at its discretion, remit the decision to be remade by the original decision-maker, trade mark owners may not be satisfied that their concerns have been adequately considered and addressed.
- Perhaps most importantly, the introduction of a board of review will not substantively address the problem of decisions being made that are not supported by law. The problem of incorrect decisions will only be dealt with in a piecemeal fashion as it will be the role of trade mark owners to initiate the review process.

A more comprehensive approach might look at decreasing the likelihood of poor decisions being made in the first place through better selection and training of IP Australia staff.

#### **19 4.4.1 – Opposition proceedings – Costs**

We comment on costs later in response to section 4.7.1. We refer ACIP to that submission, and repeat our view that the costs recovery process should more accurately reflect actual costs incurred.

#### **20 4.4.2 – Opposition proceedings - Extensions of time**

Under 4.4.2 of the issues paper, the question of whether the opposition process might be improved if procedures similar to those used by courts are adopted is raised.

A specific point raised by ACIP is the practice of many opponents to list all grounds possible in their notice of opposition, but only rely on some of these grounds when the matter is heard. Freehills agrees that this practice is commonplace.

ACIP has suggested (among other possibilities) that an opponent could be compelled to provide precise details of the grounds of the opposition, at least by the time the evidence in support is filed.

If such a procedure were to be adopted, in our view, the opposition process would be more efficient and cost effective because the applicant will only need to prepare evidence and argument in respect of the grounds actually being pursued by the opponent. However, our experience suggests that it is often the case that grounds of opposition may only become apparent after service of evidence in answer by the trade mark applicant. This is particularly the case in instances where the evidence reveals errors in the application process. It is therefore important that any system allows for amendment to grounds of opposition. We submit that if a party abuses this right by maintaining a gratuitously broad basis of opposition until late in the proceedings, it is possible that cost penalties could be used to discourage such behaviour. We would be reluctant to see too inflexible a practice adopted.

We further submit that the desired outcome of clarity as to the points in issue would be helped by the implementation of a reply process (operating along similar lines to that of pleadings in the Federal Court), thus requiring both parties to the proceedings to state formally their positions.

## **21 4.4.3 – Where use of marks would be “contrary to law”**

The following submissions are based on issues relating to proprietorship of a trade mark. Applications which are affected by legislation such as the *Trade Practices Act 1974* or the *Plant Breeder’s Rights Act 1994* have not been considered.

ACIP has sought comments on the role of IP Australia in assessing whether a trade mark is “contrary to law”, and particularly whether hearing officers should be required to take such matters into account in the course of opposition proceedings. Any doubt regarding the jurisdiction of the Registrar to determine “contrary to law” issues was resolved by the High Court in *Queen v Quinn* (1977) where it was held that the Registrar had the duty to maintain the trade marks register in the state which the legislature had prescribed. “In so doing he must make decisions not only upon what should or should not be placed but also upon what should remain on the register in accordance with the statutory prescriptions”: per Barwick CJ at 10.

Such characterisation of the Registrar’s administrative role applies equally to hearing officers. The task of considering “contrary to law” issues in the course of opposition

proceedings is not an exercise of judicial power. Rather, it is an exercise of the hearing officer's administrative role in maintaining the trade marks register. To draw a distinction between the respective roles of an examiner and hearing officer is false. Both roles are administrative in character.

"Contrary to law" issues with respect to copyright commonly arise as theoretical considerations. The hearing officer or examiner is not required to determine, as a matter of fact or indeed law, whether use of a trade mark *does* infringe copyright. Rather, the question is whether such use *would* infringe copyright. The Federal Court in *Advantage-Rent-A-Car Inc v Advantage Car Rental Pty Ltd* [2001] noted that the Registrar "has the comfort that the criterion is that the use 'would' not 'could' be contrary to law": per Madgwick J at [28]. The Federal Court further noted that any error of the Registrar may be corrected by an appeal *de novo* to the Federal Court: at [28].

We agree with ACIP's assessment that there are some obvious difficulties in requiring hearing officers to determine "contrary to law" issues. These include requiring hearing officers to determine issues with which they may not necessarily be familiar, and increasing the responsibility and difficulty of their roles.

To assist hearing officers in considering issues expert evidence could possibly be admitted.

However, there are a number of advantages which would ultimately balance these difficulties. These include:

- (a) creating consistency in decision-making as to the scope of the hearing officer's or Registrar's jurisdiction. Reported decisions illustrate an inconsistency amongst examiners and hearing officers as to the scope of their jurisdiction, with some examiners/hearing officers considering "contrary to law" issues whilst others maintain that it is beyond the competency of their jurisdiction to do so;
- (b) creating a body of precedents to assist hearing officers and examiners determine whether use of a trade mark would be contrary to law;
- (c) greater efficiency in decision-making; and
- (d) thorough consideration of all the matters pleaded by the opponent. If the opponent is entitled to raise "contrary to law" issues which are within the jurisdiction of the hearing officer or examiner to decide, the argument that such issues are beyond

jurisdiction cannot be sustained in light of both the recent and past decisions of higher courts.

In our submission, issues of “contrary to law” should be fully addressed when raised in opposition proceedings and, in limited circumstances, at the examination stage.

## **22 4.5 - The Madrid Protocol**

At paragraph 4.5 of the Issue Paper, ACIP speculated whether it would be premature to evaluate whether, and if so what, amendments should be made to the *Trade Mark Regulations 2001 (no 1) (Trade Mark Regulations)*.

Freehills agrees that it is too early to fully assess what kind of amendments might be desirable.

## **23 4.6 – Proof of use to maintain registration**

ACIP has raised the question of whether proof of use should be required when a trade mark registration is renewed.

Effectively, this requirement would place the onus on trade mark owners to demonstrate that their rights in their registrations remain valid. At present, a third party aggrieved by the existing registration may apply to remove the registration provided that said registration has not been used for a continuous period of 3 years.

Requiring proof of use when a registration is renewed would have a number of advantages and disadvantages, including:

### **Advantages**

- Trade mark owners would be encouraged to keep accurate records of use of trade marks.
- The register would be less cluttered by old and unused trade marks facilitating the creation of new trade marks.

### **Disadvantages**

- Inconvenience and additional cost to trade mark owners.
- Inhibition of straightforward brand extension within existing trade mark protection.
- As a consequence of evidence of use filed, registrations may be required to be amended by restricting the goods or services to only those goods or services in

respect of which use can be demonstrated. This may have an adverse effect on the scope of protection of a trade mark as well as creating an additional administrative burden.

If the obligation to prove use of a mark on renewal is imposed, a number of questions would need to be addressed:

(a) How often should proof of use be required to maintain a trade mark registration? Should evidence need to be shown upon renewal (every 10 years) or at five year intervals as in the United States of America?

(b) What would be sufficient to constitute use of the trade mark? Established tests for use could be applied. For example, even if sales had not been made in the relevant period, an extract from the trade mark owner's website showing that the goods or services are available for purchase in Australia would suffice. Alternatively, advertising efforts may be considered. A basic statutory declaration accompanying the evidence can be amended to detail the activities of the trade mark owner.

(c) What if use has only been made on some of the goods or services covered by the registration?

(d) What if the mark has not been used due to "special circumstances"? "Special circumstances" should not be difficult to define. The circumstances that are regarded as "special" under a defence to a non-use removal action could simply be applied here. In our view, it would be appropriate for the Registrar to retain an overall discretion to make a decision based on what he considers to be fair in all the circumstances.

If an evidence of use requirement upon renewal is introduced, we submit that the trade mark should correspondingly be afforded immunity from a non-use application for three years thereafter.

## **24 4.7 – Rights and obligations of a trade mark owner**

### **25 4.7.1 - Non-use provisions**

ACIP has raised the following issues in an attempt to further improve the current provisions dealing with removal of a trade mark for non-use:

- (a) whether the fee of \$150 for filing a removal application is too low, such that it may not be sufficient to discourage “frivolous challenges”; and
- (b) whether there should be more guidance in relation to the contents of the statutory declaration to be provided by the applicant for removal. For instance, whether there should be direction as to the kind of inquiries which should be made to show a prima facie case of non-use.

### **Costs of filing a removal application**

In our view, increasing the fee may discriminate against private individuals and small enterprises.

There are other ways to discourage “frivolous challenges”. For example, closer scrutiny of the status of the applicant as a person “aggrieved” could be encouraged.

### **Requirements for filing a non-use action**

Presently the *Trade Mark Regulations* provide that an application to remove a trade mark for non-use must be:

- (a) in an approved form; and
- (b) accompanied by a statutory declaration which:
  - states that the applicant has carried out an inquiry into the use of the trade mark; and
  - sets out the findings of that inquiry that support the grounds of the application, as provided for under sub-section 92(4) of the *Trade Marks Act*.

The nature of inquiries largely depend on the nature of the goods and/or services in question.

While it may be useful to provide a guideline on the kinds of inquiry which should be considered, in our view it may be more beneficial to rely on a statutory declaration which outlines all the efforts undertaken to ascertain whether a trade mark is in use. It could then be up to the discretion of the examiner to determine whether sufficient avenues of investigation were employed.

In our experience, the majority of removal actions are brought under section 92(4)(b) of the *Trade Marks Act* on the ground that for a continuous period of three years up to one month before the date of making the removal application, the registered owner has made

no good faith use of the mark. Should proof of use be introduced upon renewal of a trade mark, this provision should be amended so that removal applications may not be filed for 3 years after each renewal.

### **Recovery of costs**

We submit that in all actions before the Trade Marks Office, the successful party should be entitled to party/party costs, which may include fees to counsel and solicitors (for example preparing evidence of use) and disbursements. In particular, we submit that in all removal actions, the registered owner should be entitled to party/party costs as distinct from the costs currently set out in Schedule 8 of the *Trade Mark Regulations*. The current scale of costs does not reflect the costs actually incurred by a registered trade mark owner in a removal action. The recovery of costs may indirectly discourage “frivolous challenges”.

## **26 4.7.2 – Action against counterfeiting**

ACIP seeks comment as to whether there are currently effective measures available to combat counterfeiting.

Part 13 of the *Trade Marks Act* sets out provisions to prevent the importation into Australia of counterfeit goods. Set out below are some advantages and disadvantages of the present system.

### **Advantages of the present system**

The provisions of Part 13 confer on owners and authorised users of trade marks registered in Australia the right to lodge Notices of Objection with the Australian Customs Service (ACS). Thus, the primary protection against counterfeiting is the interception of offending goods before they enter the country. Given that the majority of counterfeit goods are typically manufactured outside Australia, this system has the potential to be quite effective in combating counterfeiting. Furthermore, the lodging of Notices can have a deterrent effect.

In our experience, the ACS has been helpful in enforcing these Notices. However, we note that the system is not currently overburdened, and question whether it can remain efficient if use of the Notices increases significantly. We agree with ACIP’s comment that the ACS may require better resources to continue and improve its service in this area.

### **Disadvantages of the present system**

While the present system offers some protection for owners and authorised users of registered trade marks, it is overly restrictive in parts, and places onerous burdens on those it is designed to defend.

#### **(a) Goods**

The current system places onerous obligations on the objector. These include that:

- where the ACS seizes goods, and the designated owner of those goods does not consent to forfeit them, the objector must commence an action for infringement within 10 working days of being notified by the ACS of the seizure. This obligation applies even in cases where the objector has already commenced proceedings for infringement against the same party. A 10 day extension may be obtained if the request is “reasonable”; and
- within 3 weeks of commencing the infringement action the objector must obtain a court order restraining the ACS from releasing the goods.

Both of these obligations impose deadlines that may be difficult to meet. This will especially be the case where the owner of the trade mark is not based in Australia. Under the previous *Trade Marks Act*, a period of 1 month was allowed in which to commence proceedings for infringement, and the 1992 Working Party recommended that that period be extended to 3 months. The current deadline is apparently based on Article 55 of the TRIPS Agreement. Freehills accordingly submits that some amendments to the current provisions are necessary, especially in regard to:

- trade mark owners based outside Australia; and
- cases where proceedings for infringement have already been commenced.

#### **(b) Service marks**

Only goods are covered by Part 13. While section 120 of the *Trade Marks Act* provides that registered service marks can in some circumstances be infringed by the use of that mark in respect of goods, service marks remain inadequately protected, because section 133(2)(b) of the *Trade Marks Act* only allows seizure of goods for which the mark (the subject of the Notice) *is registered*.

By contrast, the United States extends protection to “trade names and trade styles” (*Code of Federal Regulations*, Title 19, Chapter 1, Section 133.11). Protection is ordinarily of complete business names, unless it can be shown that only a part of a name is customarily used. If a similar system was introduced in Australia, service marks would be better protected.

(c) **Lodgement of Notice of Objection**

The provisions of Part 13 make it awkward and time consuming for an authorised user of a registered trade mark to lodge a Notice of Objection. An authorised user must first request the owner of the mark to lodge a Notice. If the owner does not comply within 2 months, the authorised user may then lodge its own Notice. However, the 2 month waiting period applies even in cases where the owner of the mark expressly assents to the authorised user lodging the Notice. Furthermore, a registered owner may at any time revoke a Notice lodged with the ACS by an authorised user. Freehills submits that the procedures relating to protection for authorised users of trade marks must be improved.

(d) **Updating lodged Notice of Objection**

The existing *Trade Marks Act* does not provide for Notices already in place to be updated in cases where the owner or authorised user has obtained new registrations. Consequently, new Notices must be lodged, and owners and authorised users of multiple trade marks can end up dealing with a series of Notices, expiring and being renewed at different times. This system is obviously inefficient, and could easily be improved.

**Other recommendations**

The ACIP paper lists a series of other recommendations for improving anti-counterfeiting measures. Set out below are some responses to them.

The ACS is currently the most effective body at enforcing anti-counterfeiting provisions. It should be accorded greater resources that will enable it to inspect more shipments. This will in turn enhance the deterrent effect of the notices lodged pursuant to the *Trade Marks Act*.

Currently only Federal Police have the power to seize counterfeit goods. Responsibility for the enforcement of anti-counterfeiting measures within Australia could be extended to state police forces. Alternatively, powers could be vested in local authorities, in a system

similar to that of the UK where the local Department of Trading Standards can assist trade mark owners. In our view, the UK system operates well and provides a cost effective means of enforcing trade mark rights, which is of particular assistance to small and medium enterprises. A similar system has been implemented in the United States, where state police and local law officials can seize counterfeit goods. Furthermore, empowering state and local government officials to act on information provided by trade mark owners (who have other remedies such as injunctions and court proceedings for infringement) may remove the need to provide trade mark owners with limited powers of seizure.

## **27 4.7.3 & 4.7.4 – Parallel Importation of goods**

ACIP queries whether the parallel importation of trade marked goods benefits the community to such an extent that the cost to the trade mark owner can be justified.

The ACIP paper also addresses the recommendation in the Intellectual Property and Competition Review Committee’s report to the Government (**Ergas report**) to amend the assignment provisions in the *Trade Marks Act* in order to prevent “Fender arrangements”.

Finally the paper questions the appropriateness of changing trade mark owners' rights in unrelated legislation, specifically in the context of proposed section 198A of the *Copyright Act*.

### **Benefits and costs of parallel importation**

The issue of whether to allow parallel imports into Australia impacts not only on the protection of trade mark owner’s business assets, but also the domestic market and consumer protection concerns.

#### **(a) Consumer protection**

The function of a trade mark is to distinguish goods and services of one trader from those provided by other traders.

In our view, parallel imports could undermine consumer confidence in trade marks and could even mislead consumers for the following reasons:

- if a trade mark owner produces different quality goods for different markets under the same trade mark, the sale of lower quality goods under the same trade mark to domestic consumers could mislead those consumers as to nature of the product they are purchasing; and

- by allowing goods which have been damaged by incorrect handling by a parallel importer, where such damage would not otherwise have occurred due to distribution control by the trade mark owner, to be sold under the same trade mark.

(b) **Trade mark owner reputation**

As a trade mark indicates the origin of the goods, any goods bearing that trade mark have the ability to affect the trade mark owner's reputation. It seems reasonable that, in such a situation, a trade mark owner should be able to control any dealings with the goods which may affect their quality before they are sold via retail channels to the public. The examples given under "consumer protection" show how a trade mark owner's reputation could be severely damaged by parallel importation.

(c) **Enforceability of trade mark owner's rights**

As parallel importation allows for a number of unrelated and sometimes unidentified sources for goods in Australia it complicates the identification of counterfeit goods. This makes enforcement of a trade mark owner's exclusive rights more difficult, including increased investigation and legal costs, longer delays before goods could be seized and increased potential for litigation if action is incorrectly taken against a parallel importer.

(d) **Forum for parallel importation restraints**

The rationale behind the amendments to the *Copyright Act* in 1998 was that the use of copyright to control the distribution of goods not themselves protected by copyright was an inappropriate use of the *Copyright Act*. This rationale is not relevant in this context. Trade marks are essentially business tools and the intellectual property rights associated with them do not stem from some underlying inventiveness or creativeness. If parallel importing was to be restrained in Australia, the use of trade marks in this role would be appropriate.

A possible alternative to either completely allowing or completely prohibiting parallel importation would be to differentiate between:

- (a) the control of importation desired merely to maintain price discrimination between countries; and

- (b) the need to control the quality of goods bearing a trade mark in order to ensure consumer certainty and prevent damage to a trade mark owner's reputation.

Such a distinction could be based on whether there was a material difference between the grey goods and those of the trade mark owner. We understand that this is a concept which has been adopted in United States case law.

## **28 4.8 - Other issues**

### **29 4.8.1 – Prior use rights**

At paragraph 4.8.1 of the Issues Paper, ACIP raises the issue of whether some protection should be afforded to a bona fide trade mark applicant in the face of claims by a prior user.

The report suggests that even where a trade mark user has made extensive use of its mark and the mark has acquired a notable reputation, there is a reasonable chance that this mark would not be revealed in a search by a potential applicant for the same mark in the relevant market. It is suggested that an astute trader should have a good understanding of his competitor's products and activities.

Although this kind of situation could arise, the likelihood of it occurring could be dramatically reduced by appropriate investigations to identify common law rights. If proper searches are undertaken, the risk involved may be sufficiently small that it would be outweighed by the gain in certainty concerning continuous prior use rights. We refer to our earlier comments regarding the need to educate business as to the searches which should be undertaken prior to making a trade mark application.

We further note that if a continuous prior user in a particular market with rights at common law and under the *Trade Practices Act* is precluded from obtaining a trade mark registration on this basis, it might be considered that the registration granted to the later user would be a false indication of its rights in the face of prior user. On balance, it is in our view preferable to retain the current system and to direct resources into education.

#### **Prior use rights and geographical limitations**

In some instances where a conflict exists between a prior user and earlier applicant, the parties have been made to restrict their applications to different geographical regions on the basis that they would then not be in conflict. This kind of ruling appears to be based on the idea that people in a particular area are unlikely to come into contact with the

services, and possibly some goods, which are territory specific and therefore conflict would be less likely to occur.

Such an approach may be suitable for small businesses trading only at one address and who are not part of any franchising chain.

Nevertheless, it could be said that with the increase in reach of global mass media and increase in travelling by individuals, there would be much greater risk that consumers would become aware of the other goods/services which may result in confusion. This suggests that there may be fewer situations where the imposition of geographical limitations would be appropriate.

Accordingly, whether or not geographical limitations are used to allow conflicting marks to co-exist, it might be suggested that the rights of a prior user should be geographically limited in very limited circumstances only, such as where the prior user has no intention of trading in other regions and there could be no reasonable risk of confusion.

### **30 4.8.2 – Association**

In our submission the benefits derived from association are of limited value to a trade mark owner (primarily being the ability to maintain validity of the group through use of one or more individual marks) whilst the restriction upon transfer of the marks is onerous. On balance, Freehills submits that the interests of trade mark owners are best served by maintaining the status quo.

### **31 4.8.3 – Well known marks/dilution**

ACIP acknowledges that the protection of well known marks has been much discussed at an international level, and questions whether Australia should, either independently or in concert with other countries, introduce additional provisions to protect well known or famous marks. In particular, ACIP welcomes comment on the following:

- (a) should Australia establish a Register of “well known” or “famous” marks?
- (b) what would be appropriate criteria for assessing whether a mark is “well known” or “famous”?
- (c) what rights should flow to a mark accorded “well known” or “famous” status?

(For consistency, the term “well known” is adopted below, though clearly one consideration is whether the relevant criteria should be “well known” or “famous”).

### **A Register of well known marks**

Australia could consider establishing a separate Register of well known marks, or even simply endorse the well known status of the mark on existing registrations. To accommodate unregistered marks (for example global marks which may be well known in Australia even before they are registered) we submit that any such list should be included in a separate category on the Register. In addition, advantages of having a separate Register might include there being a greater degree of certainty regarding the marks which have achieved well known status, and the ease with which persons could access a comprehensive record of all such marks. Of course, the administrative costs associated with the set-up and maintenance of a separate Register, and any fees associated with accessing it, may weigh against this option.

In any case, consideration should be given to the impact on searching facilities. Given that a well known mark may be infringed by use of a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to unrelated goods or services, well known marks should be accessible when conducting all searches.

Further, the practical/transitional issues involved with the implementation of any new regime must be fully explored. For example, should all trade mark owners be able to lodge an application to have their mark registered as “well known” upon commencement of any new regime (or at renewal, or some other stage)? This may impose a considerable administrative burden on the Trade Marks Office. Similarly, how should an existing registered mark which would infringe a well known mark be dealt with? Simply creating a moratorium for existing registrations may result in a rush of applications prior to the introduction of any new legislation.

#### **“Well known”**

In determining what criteria may be appropriate for assessing whether a mark is well known, one or more of the following approaches could be considered:

- (a) Retain the current provision, and consider any further clarifications to this.

At present, section 120(4) of the *Trade Marks Act* provides that in assessing whether a mark is “well known in Australia” one must take account of the extent to which the trade mark is known within the relevant sector of the public, whether as a result of the promotion of the trade mark or otherwise.

This provision, rather than definitively stating what is “well known” may permit a flexible interpretation. However (particularly if the rights afforded to a famous mark were to be extended) this guideline could be clarified. It could address, for example, how the relevant sector of the public is to be assessed and what level of awareness needs to be proved (including the evidence required to establish this).

- (b) Developing a list of non-exhaustive factors which may assist in determining whether a mark is well known.

Appropriate criteria have already been considered at the international level, and indeed in the United States the *Federal Trademark Dilution Act 1995* introduced a non-exhaustive list of factors. These and other sources may provide guidance as to relevant criteria.

Of course, in developing any such criteria at the national level, Australia must be mindful of the theoretical underpinnings and framework for criteria which have been developed elsewhere (for example trade mark dilution in the United States) and consider its appropriateness to the particular Australian regime.

- (c) Develop appropriate criteria, having regard to the considerations and types of evidence which have been accepted as establishing a defensive registration (given that a well known mark may in fact be one which would qualify for protection as a defensive mark).

In our submission, the criteria for establishing a mark to be well-known are likely to be, and should be, more onerous, but the defensive registration criteria may provide a useful guideline or starting point in their development.

### **Rights afforded to well known marks**

The protection afforded to a well known mark presently extends into the areas of unrelated goods and services for infringement purposes, where the provisions of section 120(3) of the *Trade Marks Act* are satisfied.

One further right which could be considered would be a requirement that the Trade Marks Office cite well known marks for application/registration purposes. This may decrease the chance of infringement later occurring and result in more secure registrations. Of course, the costs involved may be prohibitive, and there would need to be clear guidelines for examiners when dealing with applications.

A further consideration would be to align the defensive registration and well known marks regimes. Ultimately however, a thorough examination of the economic, practical and theoretical considerations regarding the scope of protection which should be afforded to well known marks (including their applicability across all classes) must be undertaken, prior to the introduction of any additional provisions.

#### **Further matters**

Ultimately, Australia should also continue to participate in international discussions regarding well known marks, irrespective of whether it determines to implement (or modify) its own regime.

### **32 4.8.4 – Infringement and dilution on the Internet**

At paragraph 4.8.4, ACIP discusses whether an Australian-based trader using its mark on a website accessible in a jurisdiction where another trader has rights in the same mark can be protected from infringement proceedings commenced by the foreign trader (provided that the Australian owner does not use the trade mark in that particular jurisdiction, eg it is not possible to order goods through the website from that country). It has been suggested that Australia could introduce a form of “long arm” legislation to protect Australian trade mark owners from attack in other jurisdictions. ACIP noted that this kind of approach may lead to other countries precluding Australian trade mark owners from protecting their legitimate rights outside Australia. It might also be considered that this kind of approach:

- (a) ignores the increase in cross-border trade and advertising;
- (b) undermines attempts to resolve international issues on an international level;
- (c) would be unlikely to be workable in the long-term, if at all; and
- (d) is ultimately unrealistic.

The use of appropriate disclaimers concerning the owner’s use and rights of the mark outside Australia (and other jurisdictions in which that owner has rights) is one method of attempting to deal with this issue. As it may take some time for this approach to be internationally recognised (if it is adhered to internationally), it would be likely to remain at the very least, a preferable interim way of dealing with the issue.

This issue raises further questions in relation to other forms of unlawful trade mark use (or use which could otherwise lead to confusion) in another jurisdiction as a result of its use on a website.

For instance, where a trade mark is displayed on a website with the “®” sign which is accessible in jurisdictions where the trade mark is not registered, this could lead to a false representation that the trade mark is in fact registered, which could be in contravention of trade mark or other law of that particular jurisdiction. This is another example of a situation where an appropriate disclosure may resolve potential problems.

#### **An alternative for known conflicts**

Where a trader is aware of another trader in a different jurisdiction who has rights in a mark which would be in conflict with its mark, there are technical means to prevent Internet Service Providers (ISPs) in that country from accessing the trader’s website exhibiting its trade mark. By this method, if the trader was interested in selling its products in that country, perhaps under a different trade mark, it could set up an alternate website incorporating that trade mark for access by ISPs in that country only.

Accordingly, this method could be used to impose restrictions on the use of trade marks which are in breach of local laws also.

(It is noted that this method of barring access from ISPs from a particular jurisdiction does not prevent a person from linking themselves to an ISP in another jurisdiction and then accessing that website. However, the frequency of this occurrence would not be likely to result in actionable conduct.)

### **33 4.8.5 – The effect of sub-section 88(2)(c) of the *Trade Marks Act (Rectification)***

Freehills agrees with the comments made to ACIP that the effect of sub-section 88(2)(c) of the *Trade Marks Act* is potentially unclear. In our submission, sub-section 88(2)(a) should enable rectification of a trade mark which was potentially deceptive or confusing prior to registration, but we accept that the relationship between these provisions is unclear and would welcome amendment of this section to clarify the position.