

# Submission to Review of Enforcement of Trade Marks

Patrick Caldon

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## 1 Introduction

When intellectual property rights are granted to some individual or private organisation, they are taken away from the public. Any drafters of intellectual property laws must be keenly aware of this balance and ensure that the public's free expression is not unduly or onerously circumscribed through any grant of intellectual property rights.

Furthermore any laws restricting the free movement of goods and services may have the effect of creating monopoly situations over some kinds of goods, to the detriment of the consumers that the law is trying to benefit. The free movement of goods and services is a central policy platform of this Government, its benefits shown through the relative performance of our economy. Any modification to the law must be particularly careful not to disadvantage consumers by artificially raising prices.

This analysis will proceed section by section through the issues paper, with some general issues raised at the end.

## 2 2.3 - Stakeholders

I would propose that one large group of "stakeholders" are the public at large, and their issue is to have unambiguous branding of goods, that is what the various trade marks acts are designed to permit. Ambit claims over trade marks are of no benefit to consumers, neither are trade marks being held and not used.

Similarly low prices are of immense benefit to consumers. I would suggest that consumers are moderately intelligent, and not so prone to confusion as the discussion paper suggests. I would suggest on this basis that the harm done to consumers is small, but the utility (in keeping prices down) is great.

One group also not identified as "stakeholders" are parallel importers themselves. I noted that there were no recognisable parallel importers on the initial discussion panel. I would suggest that these importers are typically smaller businesses, and would have less need (or monetary ability) to consult with the variety of IP specialists sitting on the various groups. I am not one of these

importers, nor do I know any personally, but I believe that that they do a great service in providing competition in this country. Any legislation drafted must take cognisance of their input. It is simply unfair to have evidence in the discussion paper of the harm that they have allegedly done without giving them any chance to both counter these claims and also submit evidence of the benefits they bring to the community.

### **3 Two-tier Trade Mark System**

One proposal not discussed in the paper about a two-tier system would be to have a two-stage application process.

In this process, a trade mark would be applied for and some kind of cursory examination made, for a small fee. This would grant a provisional right to use the mark. This would typically occur alongside business name registration and perhaps be included in the fee.

A second, complete application would need to be submitted within several years (say four) which would grant a full protection of the mark. Should there be no additional application made the provisional mark should lapse. The supplementary application should include evidence that there is a good currently being traded using that mark.

Regular re-applications should then be required for marks currently in use.

The advantages of this scheme are the following:

- The difficulties imposed upon new businesses and new products in getting a trade mark would be low.
- Typically a business or product line is only profitable after some time in the market (four years being a reasonable rule of thumb) and so payment of fees should only be levied at this point.
- Should a new product be unsuccessful then there is no reason to continue to hold the trade mark on it; the mark should lapse and be returned to the public.

Such a scheme would allow both the quick registration of marks, the proper protection of marks for established businesses, and the keeping of unused marks in the public domain.

As discussed in the paper, mandatory disclaimers over full marks and not over lower marks would be appropriate. Declaration of use every 10 years seems generous however; five years would be more appropriate.

### **4 4.1.1a - Business Names**

A proximate solution to the problem of the confusion over business names would be the integration of the trade mark database with the business name database. On registering a business name a trade mark would not automatically be created,

but a printout given to the business owner detailing all trade marks similar to the business name. This would raise awareness of the distinction between business names and trade marks in the community.

## 5 4.1.1b - Domain Names

One issue not raised by the paper is the danger of free expression being subverted by the doctrine of not permitting deceptively similar marks. These are collectively known as the “sucks” cases, where persons or organisations have registered domain names for the purpose of criticising or parodying companies (and their related marks) by appending the word “sucks” to the name.

These cases have been pursued through the WIPO trade mark resolution process. The process appears to be somewhat arbitrary in its workings, with some “sucks” cases being thrown out, and others successfully removing the domain.

In any event, trade mark holders should not be immune to parody, satire or criticism in consequence of holding a trade mark. In parody, satire or criticism of a trade mark holder it is often necessary to use that trade mark, and frequently by virtue of the restrictions of the medium it is not possible to immediately identify the trade mark holder as being a different entity to the publisher of the information; domain names is a case in point, it being infeasible to construct

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www.abcco_sucks_please_note_that_this_site_is__constructed_as_a_
parody_satire_or_criticism_of_abcco_by_joe_bloggs_who_is_not_the
trade_mark_holder_of_abc_and_not_associated.com
```

as a domain name.

Furthermore much satire is based on the implicit assumption that the content is in fact created by someone other than the author, and it can be suggested that the best satire is that which leaves the audience somewhat unsure (until the last possible moment) that it is satire. Any domain name being a (good) work of satire will do its utmost to convince the audience that it is in fact the real domain name of the business in question. Trade mark law should not restrict the ability of individuals or organisations to produce works of satire; any legislation or DRP-like mechanism introduced must take these concerns into account.

## 6 4.7.3 - Parallel Importation

### 6.1 Cost of Goods

One major issue not considered in the discussion paper is the effect of cost of goods on consumers. As a gross generalisation, the one of the primary goals of any trade/commerce policy must be to ensure consumers can access goods at the lowest possible price; most other goals must be subservient to this. This goal is not really addressed in the body of the discussion paper.

In the case of importing goods, there are many differences between a well managed importer and a poorly managed one. A well managed importer will take appropriate cognisance of exchange rate variations, and perhaps use financial market products (such as hedging or options) to guard against variation; they will carry appropriate levels of stock, aware of possible demand fluctuations; they will price goods appropriately to ensure the maximum number of consumers can get the goods at the minimum price. In a competitive environment, those doing this well will be profitable, and those doing this poorly will be bankrupt, which is as it should be. Having sole importers has the effect of propping up poor importers and shielding them from competition. As far as is practical, this area should be open to competition.

These concerns particularly important in a country such as Australia, so dependent as it is on imported goods. This dependence means that structural changes in the importation of goods will have major ripple-on effects in the rest of the economy. Any changes to trade mark law to regulate this area must be under the purview of interested bodies such as the Department of Treasury or the Productivity Commission; any changes without the considered input of such bodies would be ill-advised.

## **6.2 Media (touches on 4.7.4)**

The Australian Government has successfully introduced laws allowing for parallel importation of music (i.e. Compact Discs) and books. Despite many cries on the part of importers, manufacturers and distributors, the sky has not fallen and Australian consumers are enjoying somewhat lower prices for these goods, whilst still supporting a vibrant local industry for goods of this nature.

All of these goods are clearly also covered by many trade marks; typically the name of a band and record title will be a trade mark, as may the title of a book or film. In the case of software all products are evidently trade marks.

My concern is that this legislation may have the effect of re-introducing the old regime by stealth. In particular, it has been reported in the press (AFR 11/3/02) that the Government has received representations from the US Trade Secretary concerning this matter, urging us to disallow parallel importation. Any legislation enacted should have clear provisions to ensure that this Government's initiative is not accidentally destroyed.

With regard to parallel importation, I have purchased parallel imported copyrighted goods and as a consequence enjoyed lower prices. If this indeed constitutes a significant reduction in the rights of trade mark holders, then it is appropriate.

## **6.3 Quality, Services and Warranty Coverage**

The issue is alluded to in the discussion paper that local licensees of trade marks as well as importers are concerned about parallel imports as the parallel imports are not covered by any warranty or services which the importer usually provides.

The main objection listed is that this causes “confusion to the customer”, that they may be receiving goods which are not consistent with their usual quality.

I suspect that the manufacturers/importers concerned, and perhaps ACIP itself, are underestimating the sophistication of their consumers. As a case in point, in the US it is common practice for camera retailers to retail both a “US” version with a valid US warranty, and a “Import” version without such a warranty, but a somewhat lower price. Typically they will also retail warranty service for a period of some years as a separate product. This allows a consumer to choose the level of service that they receive; they are having the best of both worlds. It is not at all ambiguous what goods the consumer is purchasing.

Similarly, I recently purchased goods from a discount shop in Sydney. The prices were somewhat lower than standard retail prices, and curious as to why I examined the packaging on the goods. It was immediately apparent that they had been packed for an Arabic market. I was not in any way confused; were the goods to have been faulty I would have complained to the shop as opposed to the local manufacturer, but as it happened the goods (toothpaste and other cleaning products) were of excellent quality at a substantial discount to the normal price. As a result I had more dollars in my pocket and walked away a happy consumer.

## 6.4 Competition Policy

My understanding in informal discussions with members of the legal profession is that in the past there have been attempts by local possessors of exclusive licenses to limit the commercial activity of others using the courts; all of these have been (rightly) rejected. Were trade mark rights to be extended in this way, these old cases will be opened up again.

It is my belief that parallel importing should be permitted except when it is explicitly prohibited, for reasons of increasing competition. Trade mark law is simply not germane to the issue in a global economy. Should there be two trademarks registered under different jurisdictions for different products, then trade mark law is relevant. In the case of a global brand, trade mark law should be relevant only in cases of brand piracy.

## 6.5 Examples Presented

The two potted examples given in the issues paper do not ask one very important question; what is the licensee’s wholesale price, and what is the parallel importer’s? If a business is selling foodstuffs which are off, then surely that is an issue for state health authorities, and I understand criminal penalties apply in most states. If the licensee’s price is below that of the parallel importer, I cannot see how the parallel importer is still in business, as he will necessarily have higher overheads having to pay the US distributor. If the licensee’s price is higher, frankly they should either cut their prices or renegotiate their agreement; it’s very clear that either they paid too much for an exclusive licence to distribute the goods, or they are price gouging.

In the case of goods being marketed with identical branding but different formulation, it's hard to see that this is anyone's fault but that of the manufacturer. If they want to pollute the value of their own trademark by marketing substantially different goods under an identical label, they should not be surprised if customers get annoyed. Indeed on the next page it is revealed as the opinion of ACIP that most trade mark holders would like to avoid the situation of trademarks meaning different things to people in different jurisdictions.

The arguments in these examples stink of special pleading. The nature of business should be that the reward for doing such patently stupid things is bankruptcy. Trade mark law should not be fiddled with to protect incompetence to the detriment of Australian consumers.

## **7 Conclusion**

Trade mark law is valuable insofar as it allows consumers a means of identifying goods and brands; when it moves outside of this scope it must be treated with caution. Some of the proposals in the discussion paper clearly move trade mark law outside of this scope. These movements must allow for existing established prerogatives of freedom of speech and the free flow of goods to remain.