

5 April 2011

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Dear Ms Moore

Intellectual Property Laws Amendment (Raising the Bar) Bill 2011

I have pleasure in enclosing a submission in response to IP Australia's exposure draft on the Intellectual Property Laws Amendment (Raising the Bar) Bill 2011.

The submission has been prepared by the Intellectual Property Committee of the Business Law Section of the Law Council of Australia. The submission has been endorsed by the Business Law Section.

If you have any questions in relation to the submission, in the first instance please contact the Committee's Deputy Chairman, Mr Richard Hamer on 03-9613 8853 or via email: richard.hamer@aar.com.au

Yours sincerely

Margery Nicoll.

Margery Nicoll
Deputy Secretary-General

Enclosure

Intellectual Property Laws Amendment (Raising the Bar) Bill 2011

Submission to IP Australia
by
Intellectual Property Committee
Business Law Section
Law Council of Australia

Dated 5 April 2011

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The Intellectual Property Committee of the Business Law Section of the Law Council of Australia (**IPC**) has considered the *Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 (Bill)* and is pleased to make the following comments in response to IP Australia's exposure draft.

A number of these comments were previously submitted to IP Australia by the IPC in response to the consultation papers entitled 'Getting the Balance Right – Toward a Stronger and More Efficient IP Rights System' (**Getting the Balance Right Submissions**) and 'Streamlining the Patent Process'.

The IPC notes that a number of issues and recommendations relevant to the Bill are raised in the Advisory Council on Intellectual Property's final report into Patentable Subject Matter (**ACIP Report**). The IPC has not yet been given an opportunity to comment on the ACIP Report. The IPC would be grateful for an opportunity to comment on any amendments made to the Bill and/or the draft explanatory memorandum to the Bill (**Explanatory Memorandum**) arising out of the ACIP Report, if that is proposed.

1. Schedule 1

1.1 Summary

- The Explanatory Memorandum should make it clear that whether a person skilled in the art would have 'ascertained' certain information may be a relevant consideration in the inventive/innovative step inquiry, albeit no longer a threshold requirement.
- The IPC does not agree with the amendment contained in item 7 to section 40(1) to require a provisional specification to disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the relevant art. The current requirements should be retained.
- The references to the requirement for 'full scope enablement' in items 8 and 9 of the Explanatory Memorandum should be deleted. These references overly simplify the current European position on sufficiency and fair basis and/or are erroneous.
- The IPC supports the amendment contained in item 29 subject to amending clause (1) of item 29 to include the words 'in substance', as specified below. This amendment will better align section 102(1) with 102(2).
- The transitional provisions unfairly prejudice patent applicants who have filed their applications in accordance with the current law, but are yet to receive an examiner's report. Items 2, 3, 4, 6, 8, 9 and 10 should only apply to applications filed on or after the commencement of the Bill.

1.2 Inventive/innovative step – 'ascertained, understood and regarded as relevant'

Item 3 of the Bill removes the requirement that prior art for the purposes of assessing the inventive step of an invention be restricted to information that would be '*ascertained, understood and regarded as relevant*' by a person skilled in the art.

While the IPC agrees with the removal of the section 7(3) threshold requirements, that is on the basis that it is made clear in the Explanatory Memorandum that these factors can still be considered in the course of the obviousness inquiry (albeit no longer as threshold requirements). It is important for this matter to be made clear in the Explanatory Memorandum lest a court concludes, on the basis of this amendment, that the 'ascertained' test is to be entirely disregarded.

The IPC submits that the final paragraph under the heading "Item 3:..." in the Explanatory Memorandum (page 16) should be amended as follows:

The amendment is not intended to permit hindsight analysis. The inventive step tests are still applied in the context of what the skilled person would have known and done at the priority date of the claims in question: more particularly what the skilled person would have ascertained, considered relevant and understood from a disclosure at the priority date.

1.3 Requirement to describe provisional and complete invention fully

Item 7 amends section 40(1) of the *Patents Act 1990* (Cth) to require a provisional specification to disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the relevant art. The amendment is designed to align the descriptive requirement for a provisional specification with that of a complete specification, with the exception of the requirement to include a best method of performance.

The IPC does not agree with this proposal.

In particular, as a matter of principle the purpose of a provisional specification is to enable an applicant to disclose an invention in a preliminary way and in general terms, whereas a complete application is required to contain additional and more detailed information, such as to describe the best method.

There is no reason in principle to change that position.

The IPC also notes that the proposed amendment is not consistent with other jurisdictions, for example the UK. In the UK the specification of an application must disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the art.¹ However, it is not necessary for the UK equivalent of a provisional application to meet this requirement.

Under section 15(1) of the *UK Patents Act 1977* the date of filing an application for a patent is taken to be the earliest date on which documents filed at the Patent Office to initiate the application satisfy the following conditions:

- (a) the documents indicate that a patent is sought;
- (b) the documents identify the person applying for a patent or contain information sufficient to enable that person to be contacted by the Patent Office; and
- (c) the documents contain either -
 - (i) something which is or appears to be a description of the invention for which a patent is sought; or
 - (ii) a reference, complying with the relevant requirements of rules, to an earlier relevant application made by the applicant or a predecessor in title of his. [emphasis added]

Therefore, in the UK a provisional specification that initiates a patent application need only *describe* the invention for which a patent is sought. There is no prima facie legislative requirement for the provisional specification to disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the art.

Of course, whether a provisional application is effective in achieving a priority date for a complete patent application is a separate, but related, issue. This is discussed in the Explanatory Memorandum under item 10: Priority Dates.

¹ s 14(3) Patents Act 1977.

The priority requirements in Europe have been interpreted in some decisions as having a meaning close to requiring a 'clear and complete' disclosure (See for example *CIPA Guide to the Patents Acts, 6th Edition, paragraph 15.27* and *Same Invention G 2/98 [2001] OJ EPO 413*). But the IPC would strongly advise against Australian legislation attempting to codify European decisions (which are inherently unsettled and capable of change at any time) as opposed to achieving consistency with the underlying legislative framework.

1.4 Sufficiency and Fair Basis - full scope enablement

Item 8 amends section 40(2)(a) by imposing the requirement that a patent specification must disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the relevant art. The Explanatory Memorandum explains that item 8 is intended to modify the wording of section 40(2)(a) of the Patents Act so as to require enablement across the full scope of the claim, while adopting language that is consistent with other jurisdictions.

Item 9 amends section 40(3) of the Patents Act by substituting the words 'fairly based on the matter described' with the words 'supported by matter disclosed'. The Explanatory Memorandum states that the concept of 'support' requires a degree of enablement, which is not necessarily present in the concept of 'fair basis', and aligns Australia with foreign jurisdictions. Importantly, the Explanatory Memorandum notes that under these amendments the full scope of the claims must be enabled by what is disclosed in the description and drawings contained in the specification.

Whilst the IPC supports the wording used in items 8 and 9 of the Bill, the reference to full scope enablement contained within the Explanatory Memorandum causes problems.

As previously stated by the IPC in the Getting the Balance Right Submissions, it is clear that 'full scope enablement' is not a correct and complete statement of European law. For example, in the UK at least, a product claim may be enabled by disclosing a single method of making the product. In relation to method claims, the requirement for full scope enablement represents one line of European authority and applies in specific circumstances only. The Explanatory Memorandum should not refer to such an unsatisfactory or incomplete formulation of the European test in these circumstances. Again, the Explanatory Memorandum should not attempt to state the current European position as this will create inflexibility in the Australian approach, and prevent the Australian position from evolving with international developments.

Accordingly, the IPC submits that the references to the requirement for 'full scope enablement' in items 8 and 9 of the Explanatory Memorandum should be deleted.

1.5 Standard of proof

Item 14 of the Bill amends section 49(1) of the Patents Act to require the Commissioner to accept a patent application if the Commissioner is 'reasonably satisfied' that the invention is novel, inventive, useful and complies with section 40 of the Patents Act and the applicable regulations.

The IPC submits that the wording of item 14 should be amended as follows:

(1) Subject to section 50, the Commissioner must accept a patent request and complete specification relating to an application for a standard patent

after examining the request and specification in accordance with section 45 if the Commissioner is satisfied on the balance of probabilities:

Subsequent amendments will need to be made to items 15, 18, 19, 21, 26 and 28, which require the higher standard of proof.

These amendments will ensure that there is no ambiguity over the application of the 'balance of probabilities test'. Further, they ensure that the Bill captures the aims described in the Explanatory Memorandum and that the test applied by the Commissioner is the same as that applied by the Courts.

1.6 Amendments not allowable

Item 29 amends the Patents Act to require an applicant to meet the disclosure requirements at the time of filing the complete specification. Under this amendment an applicant would not be able to amend a patent specification to add any material that the hypothetical skilled person could not directly derive by reading the information in the specification as filed.

The IPC supports this amendment subject to amending clause (1) of item 29 to include the words 'in substance' as specified below.

- (1) *An amendment of a complete specification is not allowable if, as a result of the amendment, the specification would claim or disclose matter that extends beyond that in substance disclosed in the specification as filed.*

This amendment is necessary to prevent purely technical objections from being made to the amendment of a complete specification. Importantly, this amendment will not subvert the purposes of item 29, as outlined in the Explanatory Memorandum, because section 102(1) will still apply to any substantive amendments.

Further, this amendment is necessary to align section 102(1) with section 102(2), which also contains the words 'in substance'.

1.7 Transitional Provisions

Under item 39, the following substantive amendments will apply to complete applications for standard patents made prior to the commencement of Schedule 1 if the Commissioner has not provided an examination report:

- items 2 and 4 (inventive/innovative step – common general knowledge);
- item 3 (inventive step – prior art);
- item 6 (usefulness – 'specific, substantial and credible');
- item 8 (requirement to describe the invention fully);
- item 9 (fair basis); and
- item 10 (priority date).

This position unfairly prejudices the substantive rights of patent applicants who have filed their applications in accordance with the current law, but who are yet to receive an examiner's report.

In these circumstances, the traditional, and it is submitted appropriate, practice has been for legislative amendments to be transitioned into force in a way that minimises their impact on the rights of existing applicants. For example, section 5(3) of the Patents Act 1952 provided that the former legislation governing patents continued to apply in relation to all applications for patents lodged before the commencement of the Patents Act 1952. Whilst the Patents Act 1990 applied to all patent applications filed before the relevant commencement date (where a corresponding complete specification or petty patent specification had been lodged under the 1952 Act),² s 234(5) provided:

- (5) Objection cannot be taken to:
 - (a) an application mentioned in subsection (2); or
 - (b) a patent granted on such an application;

and such a patent is not invalid, so far as the invention is claimed in any claim, on any ground that would not have been available against the application or patent, as the case may be, under the 1952 Act.

In other words, the *Patents Act 1952* continued to apply for validity purposes in relation to existing patents³ and patent applications.⁴

For these reasons the IPC submits that these substantive amendments should not apply to patent applications filed in accordance with the current law, but which are yet to receive an examiner's report.

The same issues do not arise in relation to procedural amendments contained in the Bill, such as those relating to examination, opposition and re-examination procedures and onus.

The IPC submits that by bringing the procedural amendments into effect immediately, while not applying the amendments, in effect retrospectively, in relation to the substantive rights for pending applications, the correct balance between preservation of existing rights and achieving as soon as possible effective improvements in the validity of patents is achieved.

1.8 Other items

The wording contained in paragraph 3(b) of item 32 should be amended as follows:

- (3)
- (b) *complying with section 6(c) (about deposit requirements).*

² S 234(2) *Patents Act 1990*.

³ See section 233 *Patents Act 1990*.

⁴ There may also be constitutional issues if patent rights are extinguished. Under section 51(xxxi) of the *Constitution*, the IPC notes that the term 'property' has been liberally construed and may include statutory rights which are stable in nature, including patent rights. See for example *Bank of NSW v The Commonwealth* (1948) 76 CLR 1, 349-50; *Australian Tape Manufacturers Association Ltd v The Commonwealth* (1993) 176 CLR 480, 509.

2. Schedule 2

The IPC supports the introduction into the *Patents Act 1990* of an express exemption for experimental activities from patent infringement. The IPC considers such an amendment to be long overdue.

It is considered that there are two important aspects to the enactment and implementation of an experimental use exception to patent infringement;

First, if the exemption is to have practical application the provision must be expressed clearly.

Secondly, so far as is possible, the exemption should be consistent in scope with similar exemptions in place or proposed by our closest international trading partners.

In order to achieve these two objectives the IPC suggests a number of changes to the wording of section 119C of the bill.

As proposed, section 119C(1) exempts from patent infringement the 'doing of an act' that would otherwise infringe if it is done for experimental purposes relating to the subject matter of the invention.

The IPC notes that the definition of the term 'exploit' in the dictionary to the *Patents Act 1990* (which informs the test for infringement) refers to both the doing of certain acts and the use of a patented method or process. So as to be absolutely clear that all available forms of exploitation will be the subject of section 119C(1) the IPC proposes that section 119C(1) be amended to read:

(1) A person may, without infringing a patent for an invention use a method or process or do an act that would infringe the patent apart from this subsection, if the use or act is done for experimental purposes relating to the subject matter of the invention.

The IPC also considers that subsection (2) of section 119C should be further clarified to remove the possibility of undesirable debate surrounding the scope of the provision, by adopting the following wording:

(2) For the purposes of this section, **experimental purposes** relating to the subject matter of the invention include, but are not limited to, the following:

(a) determining the properties of the invention and/or the manner in which it works;

(b) determining the scope of the invention and/or any claim of the patent for the invention;

(c) merely seeking an improvement to or modification of the invention;

(d) determining the validity of the patent for the invention and/or any claim of the patent for the invention;

(e) determining whether the patent for the invention has been or may be infringed.

It is suggested that the proposed changes to the wording of section 119C of the Bill above are consistent with the rationale for the enactment of the provision set out under the heading 'Acts for experimental purposes' at pages 42 to 44 of the

Explanatory Memorandum, more clearly define the intended scope of the exemption and are more consistent with equivalent provisions section 60(5)(b) of the *UK Patents Act 1977* and proposed section 136 of the *New Zealand Patents Bill 2008*.

The IPC also notes that, at page 43 of the Explanatory Memorandum, it is stated that:

The exemption is not intended to apply only to circumstances where activities are undertaken solely for experimental purposes.

Just below that statement there are three examples provided of circumstances where there is a commercial element to the activity but where the exemption would still operate. The further statement is made that:

Thus if an activity is conducted primarily for the purpose of improving a patented invention, the activity would still be exempt, even if the person also had in mind commercialising the improvement in the future.

The IPC apprehends that most debate around the application of the proposed exemption is likely to occur in circumstances where the experimental research is undertaken for mixed purposes involving a commercial element.

The IPC notes that the Explanatory Memorandum provides that the exemption from infringement should continue to apply as long as the specific acts (and we interpolate use of a method or process if the proposed amendment set out above were to be accepted) are undertaken for the predominant purpose of gaining new knowledge, or testing a principle or supposition about the invention.

It would be surprising, however, if the exemption were to apply even in circumstances where the experimental act or use provided an immediate commercial benefit yet the second example of a 'mixed purpose' scenario provided in the Explanatory Memorandum at page 43 suggests that this may be so. Accordingly, the IPC submits that the second bullet point on page 43 of the Explanatory Memorandum should be amended as follows:

research may be conducted with a view to ultimately commercialising the end-products of the experimentation

3. Schedule 3

The IPC has already commented at length on the proposed changes to opposition proceedings under the *Trade Marks Act 1995* (Cth). Schedule 3 items 17 – 30 of the Bill are designed to provide a legislative framework which will enable major changes to be made to current opposition proceedings through the new regulations contemplated by item 30 of the Bill. This means that it is difficult for stakeholders to comment on the changes proposed in the Bill because the full effect of the proposals will not be apparent until the regulations are available by which time it will be too late to amend the Bill. The IPC believes that this is unfortunate as it reduces the ability of informed stakeholders to make constructive comments on the Bill.

The IPC makes the following additional comments:

1. The IPC has noted previously the importance of recognizing the interplay between the provisions designed to expedite opposition proceedings and those dealing with amendments to a notice of opposition and statement of

grounds. The right to amend a notice of opposition has now been removed and, if the regulations fail to allow adequate opportunity for an opponent under Part 5 of the *Trade Marks Act 1995* to amend a notice of opposition and statement of grounds while, at the same time, imposing a tight timetable, the IPC believes that there is a risk that either opponents will continue to try to rely on all grounds of opposition or genuine opposition will be shut out.

2. The IPC is concerned by the negative consequences which are very likely to flow from shutting out genuine oppositions. In addition to the potential injustice of shutting out a genuine opposition, one likely outcome is that there would be even more 'appeals' to the courts. Such 'appeals' are, of course, hearings de novo and not limited to the grounds or evidence before the Registrar. In such cases, there will necessarily be the increased costs, delays and stresses attendant on court actions which the IPC considers are not in the interests of applicants, opponents or the public generally.
3. The IPC considers that the existing provisions of s66 of the *Trade Marks Act 1995* strike the appropriate balance and achieve the necessary flexibility in dealing with amendment applications. If thought appropriate, the Bill could set out the factors to be taken into account in considering an amendment application, including any negative impact on the prompt resolution of opposition proceedings.

4. Schedule 4

See joint submissions of the five IP NGOs, (AIPPI(A), APAA(A), FICPI(A), IPC of the LCA, and IPTA).

5. Schedule 5

The IPC broadly supports the proposed amendments made to Part 13 of the *Trade Marks Act 1995* and Part V Division 7 of the *Copyright Act 1968* contained in Schedule 5 subject to its further suggestions contained below. Specifically the IPC supports:

1. the requirement that an Importer must make a claim for release of seized goods within the specified claim period;
2. the ability for the CEO of Customs to notify the Objector of any information the CEO has regarding the exporter of the seized goods; and
3. the ability of the court to award additional damages.

However, the IPC considers that the additional amendments outlined below should also be considered. These further amendments would enhance the workability of the Notice of Objection Scheme and the overall effectiveness of Australia's enforcement regime.

The IPC submits that the following additional amendments should be considered.

5.1 Inability to locate importer

The principal concern for rights holders under the current Notice of Objection Scheme is the ability of Importers to evade Objectors and therefore hamper the

ability of Objectors to pursue forfeiture of the goods or undertake legal action. This was recognised in the Australian Customs Service Consultation Paper in December 2008 where it was noted that:

There is some evidence of attempts by Importers to circumvent the Notice of Objection Scheme. There have been instances where the Importer:

- *Does not respond to the seizure notice;*
- *Is unable to be found;*
- *Has provided a false name and/or address; or*
- *Appears to have deliberately made themselves unavailable until the action period (10 days) has expired.*

These circumstances limit an Objector's ability to pursue forfeiture of the goods or undertake legal action.

The IPC notes that the Bill in its current form establishes a higher deterrent for Importers by shifting the onus to the Importer to claim its goods under the Claim for Release scheme. However, the IPC is concerned that, in its current form, the Bill still may not avoid the concerns outlined in the Consultation Paper and that Importers may still be able to evade Objectors.

The Explanatory Memorandum provides that:

The amendment introduces a new scheme where an Importer can only reclaim the seized copies by providing the Objector with information necessary to identify and contact them. This ensures that Importers are not able to reclaim the copies without giving the Objector information that will assist the Objector to test the matter in court

The intention of the legislation is therefore clear, but at present the proposed amendments only place an onus on the Importer to provide the '*information prescribed by the Regulations*' in its claim.

This requirement is set out in the proposed amendments, specifically the amendments to section 135AEA of the *Copyright Act* and section 136 of the *Trade Marks Act*.

It is understood that the regulations have not been drafted yet, but that it has been suggested that the information necessary to identify and contact the Importer will include name, address and possibly a form of photo identification as proof of identity.

Suggestion 1 – requirement for photo identification and other details

The IPC believes that the regulations should, as is anticipated, specify that an Importer provide as part of the claim form:

- i. further identification such as photo identification or proof of address; and
- ii. current residential and business address, phone number and email address.

Without such requirements, the IPC submits that the Importer may still provide a post office box, a fictional address or the address of a third party which would result in the Objector being unable to locate the Importer, to either pursue forfeiture or

undertake legal action, ultimately resulting in the release of seized goods. This inadvertent release of seized goods is precisely the result the Bill seeks to avoid.

The IPC also notes that the provision of a post office box would be insufficient to enable service of process since Court rules require personal service of originating process, rather than service by post to a post office box.

Suggestion 2 – requirement for a valid claim form

The proposed amendments provide that seized goods *not* claimed by the Importer are forfeited to the Commonwealth. The Explanatory Memorandum describes these provisions as follows:

This is a key provision that ensures that an Importer who deliberately makes themselves unavailable (so as to avoid infringement proceedings) loses the right to reclaim seized copies).

However, an Importer can still deliberately make himself, or herself, 'unavailable' by providing false details on a claim form. This could ultimately lead to:

- the seized goods being released, given the Objector will be unable to track down the Importer to undertake legal action; or
- proceedings being taken against an Importer who cannot be located – precisely the problem the Bill is designed to address.

The IPC submits therefore that the seized goods should be forfeited unless a **valid** claim for release is made within the specified period. A valid claim would be one made in accordance with the Regulations and which contains information that is true and correct in all material respects.

If an Objector were to establish to the satisfaction of the CEO of Customs that the claim was invalid (for instance because a false address had been given), then no valid claim for release would have been made and the goods would be forfeited.

Such a provision would reflect a cost effective and efficient way to address the issue of an Importer who makes themselves deliberately unavailable.

Suggestion 3 – offence for providing false information

Although the provision of false information on a claim form would be an offence under section 243U of the *Customs Act 1901* the IPC believes that all rights-specific offences should be incorporated within the relevant intellectual property legislation. A person trying to determine his or her rights in relation to a trade mark matter will naturally look at the *Trade Marks Act* and the same is likely to be true for advisers who are not expert IP practitioners. The same will be true for a person seeking to determine his/her rights in relation to a copyright matter: he/she will naturally turn to the *Copyright Act*. Such people are likely to be prejudiced if provisions dealing with offences are difficult to find.

The IPC therefore suggests that it should be an offence to provide a claim form that is false or misleading in a material particular and that provisions dealing with such an offence should be set out expressly in the *Copyright Act 1968* and the *Trade Marks Act 1995*. If for some reason it is considered inappropriate for the *Copyright Act 1968* and the *Trade Marks Act 1995* to be amended to specifically deal with such an offence the IPC considers that, at the very least, carefully worded notes

should be included in those Acts referring the reader to the existence of the *Customs Act 1901* offence.

The IPC also considers it desirable for Importers to be notified that providing false information on a claim form is an offence (whether under the *Copyright Act 1968* and *Trade Marks Act 1995*, as suggested above or, if that suggestion is not adopted, under the *Customs Act 1901*). This could be achieved by the Regulations prescribing a form to be used for making a claim for the release of seized goods which includes a prominent notice of the offence.

5.2 Further information regarding shipment

One of the most significant of the proposed amendments is the ability of the CEO of Customs to provide information regarding the exporter of seized goods. Clearly this will be of assistance to Objectors (if accurate), and will potentially allow Objectors to trace the roots of counterfeit goods back to their source. Such information is thus helpful to Objectors and such a proposal is welcomed.

In addition to the details of the exporter, the IPC suggests including a provision allowing Customs to inform Objectors of the total number of goods seized from the same shipment and the total number of other Objectors in respect of the shipment. If Objectors are made aware by the Australian Customs Service of the total number of goods seized by the Australian Customs Service from an Importer and the number of other rights-holders affected, that could significantly impact on the decision as to whether to react more vigorously than perhaps might otherwise have been contemplated against the Importer.

By way of example, if an Objector received a notice from the Australian Customs Service indicating that, say, four articles bearing counterfeits of its trade marks had been seized by the Australian Customs Service from a particular Importer, that piece of information alone may be insufficient to enable an Objector to form a view as to the significance of the importation, given the low numbers of seized products. On the other hand, if the Australian Customs Service was also authorised to inform the Objector that along with those four articles, there were several hundreds or indeed thousands of other articles bearing counterfeits of third party trade marks that had been seized as part of the same shipment, the Objector would know that it was dealing with a significant player in the counterfeit trade and may well take a different course of action.

Information of this type is routinely available after proceedings are commenced against an Importer by issuing a subpoena against Customs. However, this process is cumbersome and, moreover, can only occur after proceedings have already been commenced against an Importer. The time when the information is most useful to an Objector is when deciding whether to commence proceedings to restrain release of the seized goods. This is the time when an Objector must weigh up the information to hand to decide whether the Importer is a counterfeiter or pirate worth suing or whether the importation is too insignificant to warrant further action.

At present, Objectors must piece this picture together themselves – often by being jointly represented by the same firm of solicitors who receive multiple seizure notices (one for each brand) in respect of the same importation, or otherwise by a process of behind-the-scenes coordination.

The proposal is, therefore, to make more efficient and transparent a process which already happens on an ad-hoc basis, by enabling Customs to provide a more fulsome picture of the importation at the outset.

5.3 Trade mark offences

The previous criminal offence penalties, and limitations on compensatory damages in civil proceedings, did not appear to be effective at deterring counterfeiters. The IPC therefore supports the amendments relating to trade mark offences, particularly including the right to award additional damages and the inclusion of the new summary offence provisions.

However, while the amendments to the *Trade Marks Act* offence provisions represent a significant improvement, the IPC considers that the Bill should provide further clarity regarding the process involved with commencing a prosecution under the *Trade Marks Act*, and specifically in relation to the Courts which may hear such a prosecution.

The IPC would encourage the government to consider whether, for consistency and clarity, it would be appropriate to give jurisdiction to the Federal Court for summary offences under the *Trade Marks Act* as is provided for in section 133A of the *Copyright Act 1968* which provides:

133A Courts in which offences may be prosecuted

- (1) *Prosecutions for offences against this Division may be brought in the Federal Court of Australia or in any other court of competent jurisdiction.*
- (2) *However, the Federal Court of Australia does not have jurisdiction to hear or determine prosecutions for indictable offences, despite section 15C of the Acts Interpretation Act 1901.*
- (3) *The Federal Court of Australia has jurisdiction to hear and determine prosecutions of the following offences against this Division:*
 - (a) *summary offences;*
 - (b) *offences of strict liability.*

This section plainly spells out that the prescribed court, for the purposes of Division 5 of the *Copyright Act 1968* relating to offences and summary proceedings, is the Federal Court.

The inclusion of such a section in the Bill would clarify the currently ambiguous position regarding the venue for prosecutions under the *Trade Marks Act 1995* (upon which the Act presently excludes the jurisdiction of the Federal Court but is otherwise silent).

Additionally, it would promote consistency with the position concerning summary offences in the *Copyright Act 1968*. There would appear to be no policy rationale for adopting different jurisdictional regimes for prosecution for summary copyright offences and summary trade mark offences.

Further, given that the Bill proposes to give jurisdiction in trade mark matters to the Federal Magistrates Court, it may also be appropriate to give jurisdiction to hear the summary offences to the Federal Magistrates Court.

5.4 Summary offences and standard of negligence

The IPC notes that proposed amendments introduce summary offences into the *Trade Marks Act*. The IPC welcomes the intention of these amendments, of

ensuring that people take intellectual property crime seriously. However, although the Explanatory Memorandum refers to 'intellectual property crime', which the IPC assumes is targeted at serious conduct such as commercial-scale counterfeiting, the IPC has some concern that the application of a negligence standard in the broadly-worded offence under sections 146 and 147 has some potential to render criminal the acts of legitimate businesses – particular small and medium-sized enterprises perhaps not as well apprised of intellectual property rights as they ought to be.

This potential is underlined by the statement in the Explanatory Memorandum that persons 'should be under an objective obligation to check that the mark is not registered.' The IPC proposes that the government should provide, in the Explanatory Memorandum, some guidance as to the kinds of behaviour which it considers would be, as defined under the Criminal Code Clause 5.5, 'such a great falling short of the standard of care that a reasonable person would exercise...that the conduct merits criminal punishment for the offence'. At least, the IPC submits, the government should avoid the suggestion, which presently appears in the Explanatory Memorandum, that failing to check the Trade Marks Register, on its own, constitutes criminal negligence.

5.5 Sections 145 and 146

The IPC is disappointed to see that, in the redrafting of sections 145 and 146 of the *Trade Marks Act*, there has been no attempt to clarify the goods or services to which a mark must be applied in order for there to be an offence. Unlike the civil infringement provision s 120, the present sections 145 and 146 do not expressly limit liability to cases where a mark is used *on the registered goods or services*, although, it might be assumed that the legislature intended that the sections should be read as applying only to goods or services in respect of which the mark is registered. There is case law to that effect in the United Kingdom (but in relation to differently drafted provisions). The IPC urges the government to clarify this point in the legislation by adding a further element, namely that the mark be used in relation to the goods or services in respect of which the trade mark is registered.

5.6 Trade Marks Act, Section 126 correction

Schedule 5, item 29 of the Bill includes an incorrect reference to 'the patent' rather than 'the trade mark' in proposed section 126(2)(c)(ii).

6. Schedule 6

The Bill does not address the current uncertainty regarding the standard of proof in opposition proceedings under the *Trade Marks Act 1995*. This is unfortunate because there is clearly serious disagreement between members of the Federal Court of Australia as to what the standard is/should be.

In *Torpedoes Sportswear Pty Ltd v Thorpedo Enterprises Pty Ltd* [2003] FCA 901; (2003) 132 FCR 326 at [16]-[22], Bennett J adopted the approach which courts have applied under the *Patents Act* and considered that the Registrar (and the Court on appeal from the Registrar) should allow an opposition only if 'clearly satisfied' or 'practically certain' that a ground of opposition has been made out. While a number of judges at first instance have taken a different view (finding that a ground of opposition need be proved only on the balance of probabilities), many other judges have applied Bennett J's approach – at least as a matter of comity. In this connection, the IPC notes that Schedule 1, items 14 and 15 of the draft Bill propose

to repeal the 'practically certain' standard applicable under the Patents Act and replace it with the 'balance of probabilities' standard. The IPC submits that this uncertainty in the Trade Marks Act should be removed and that, as with the proposed amendments of the Patents Act, the same 'balance of probabilities' standard should be applied at examination, opposition and in post grant proceedings.

Under the new s 41(2), as presently drafted, it is likely to be significantly easier for non-*prima facie* distinctive marks to be accepted for registration. In effect:

- marks that currently fall to be considered under s 41(5) could be accepted for registration under the proposed s 41(2)(a) *without evidence of any actual or intended use*; and
- marks that currently fall to be considered under s 41(6) could be accepted for registration under the proposed s 41(2)(b) *on the basis of intended use and/or 'other circumstances' only*.

The IPC believes that this 'lowering of the bar' for registrability is undesirable, and it suggests that it is contrary to the government's intentions as reflected in p 116 of the Explanatory Memorandum.

The IPC is also concerned that, as presently drafted, clause 41 does not define when a trade mark is not capable of distinguishing the designated goods or services. Moreover, it may be arguable that the Registrar would have to be satisfied that a trade mark met the criteria specified in clause 41(2) to qualify for registration. On that view, the objective of clarifying the 'onus' would not be achieved. The IPC therefore suggests that consideration be given to adopting the following wording in place of that in the Bill:

Section 41(1) An application for the registration of a trade mark must be rejected if the trade mark is not capable of distinguishing the applicant's goods or services (the designated goods and services) in respect of which the trade mark is sought to be registered from the goods or services of other persons.

Note: For goods of a person and services of a person see section 6.

(2)A trade mark is not capable of distinguishing the applicant's goods or services from the goods or services of other persons if:

- (a) the trade mark is not inherently adapted to distinguish the goods or services from the goods or services of other persons; and*
- (b) if the trade mark is only to some extent inherently adapted to distinguish the designated goods or services, but the trade mark does or will not distinguish the designated goods or services as being those of the applicant having regard to the combined effect of the following:*
 - (i) the extent to which the trade mark is inherently adapted to distinguish the goods or services from the goods or services of other persons;*
 - (ii) the use, or intended use, of the trade mark by the applicant;*
 - (iii) any other circumstances; and*

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- (c) *if the trade mark is not to any extent inherently adapted to distinguish the designated goods or services as being the goods or services of the applicant and the applicant has not used the trade mark before the filing date in respect of the application to such an extent that the trade mark does distinguish the designated goods or services as being those of the applicant.*

The IPC suggests that these changes are more consistent with the Government's stated objectives than the wording used in the Bill and they offer the additional advantage of consistency in approach with other IP legislation.

The IPC notes that the phrase 'the trade mark is not inherently adapted to distinguish' used in its proposed paragraph 41(2)(a) is the same phrase as was used in s 41(6) prior to the amendment of the subsection in 2006. It follows from what has already been said that the IPC should not be understood as suggesting that only trade marks which fell within sub section 41(6) before it was amended should be excluded from registration. The IPC considers it most unlikely that our proposed paragraph 41(2)(a) would be interpreted in this way given the long judicial consideration of the concept of inherent adaptation to distinguish. However, any risk of such an interpretation could be dispelled by appropriate commentary in the Explanatory Memorandum.
