

1 June 2018

Economics Legislation Committee
Senate Standing Committee on Economics
POS
Parliament House
CANBERRA ACT 2600

By email: economics@sen.aph.gov.au

Dear Sir or Madam

Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2018 [Provisions]

The Intellectual Property Committee of the Business Law Section of the Law Council (**IPC**) welcomes the opportunity to make a submission to the Economics Legislation Committee of the Senate Standing Committees on Economics (**Committee**) in response to the invitation from the Committee for submissions on the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2018 (**Bill**).

For the reasons explained below, the IPC does not support the inclusion of proposed section 122A in the Bill in its current form.

1. The stated objective of the proposed amendments is to allow the importation and sale of genuine goods. However, the effect of the wording proposed in the Bill is also to allow the importation and sale of counterfeit goods, provided that the importer made reasonable inquiries and a reasonable person would have concluded they were genuine.
2. The IPC is concerned therefore that the parallel importation provisions of the Bill have adverse unintended consequences and do not reflect the Government's intention, which the IPC understands was to implement the recommendations of the Productivity Commission. As drafted, the provisions will undermine the ability of trade mark owners to prevent the importation and sale of counterfeit goods in Australia.
3. The existing provisions are contained in section 123 of the *Trade Marks Act 1995* (Cth) (**Trade Marks Act**) which is only concerned with whether the trade mark owner actually applied or consented to the application of the trade mark. Consequently, the alleged infringer's knowledge or belief is irrelevant. Proposed section 122A(1)(b) and (c), on the other hand, operates in circumstances where reasonable inquiries were made and a reasonable person would have concluded that the trade mark had been applied to goods by or with the consent of the registered owner or other relevant persons, regardless of whether that was in fact the case.

4. It is made clear in the draft Explanatory Memorandum that section 122A is intended to "clarify the circumstances in which genuine trademarked goods may be imported into Australia or sold in Australia without infringing a registered trade mark." The IPC considers that the language of proposed sections 122A(1) (b) and (c) is problematic insofar as it extends the operation of section 122A substantially beyond its intended application.
5. The provision of a defence to trade mark infringement in these circumstances opens the section 122A defence to importers and suppliers of counterfeit goods, not merely genuine parallel imported goods. For example, an importer or seller of counterfeit goods may well be able to point to a basis for a reasonable person to conclude that the trade mark was applied to those goods by or with the consent of the registered owner, for example in the form of a certificate of authenticity provided by the supplier or contractual warranties of non-infringement, or where the counterfeit nature of the product is difficult to discern.
6. On its present drafting, the effect of section 122A is to create a broad "innocent infringer" defence of potential application to any form of trade mark infringement, whether the goods are in fact genuine parallel imported goods or counterfeit goods. In light of the fact that section 122A is intended to address parallel importation of genuine goods, this appears to be an entirely unintended consequence of the current drafting which should be addressed.
7. In the IPC's view, to ensure that the objectives of the sections are met, it is important that the defence be limited to circumstances in which the trade mark has actually been applied by, or with the consent, of relevant persons. The IPC considers that the issues that have given rise to the drafting of the "reasonable to assume" limb of section 122A, as outlined in the draft Explanatory Memorandum, are already adequately addressed by other aspects of the proposed amendments, in particular the references to "persons with significant influence" and "associated entity", and also subsections 122A(2) and 122A(3) of the proposed amendments.
8. The IPC's view is consistent with the findings and recommendations of the Productivity Commission, which referred with approval to the submission of the IPC. It is worth noting the recommendation of the Productivity Commission, which was in these terms:

... [to] ensure that parallel imports of marked goods do not infringe an Australian registered trade mark when the marked good has been brought to market elsewhere by the owner of the mark or its licensee. Section 97A of the Trade Marks Act 2002 (New Zealand) could serve as a model clause in this regard. (Recommendation 12.1)
9. The Productivity Commission's recommendation is to allow parallel importation where the goods have in fact been put on the market by the trade mark owner or associated entity. It was not the recommendation to allow importation where a reasonable person might conclude that this was the case but in fact the goods were counterfeit. The IPC also notes that no such provision is contained in the New Zealand Trade Marks Act 2002, which the Productivity Commission proposed as a model.
10. The IPC proposes that the Bill be amended to reflect the government's intention by deleting the words shown below in strikethrough:

(1) In spite of section 120, a person who uses a registered trade mark in relation to goods does not infringe the trade mark if:

- (a) the goods are similar to goods in respect of which the trade mark is registered; and
- (b) ~~before the time of use, the person had made reasonable inquiries in relation to the trade mark; and~~
- (c) ~~at the time of use, a reasonable person, after making those inquiries, would have concluded that the trade mark had been applied to, or in relation to, the goods by, or with the consent of, a person (a relevant person) who was, at the time of the application or consent (as the case may be).~~

11. The IPC recognises that the proposed wording relating to “reasonable inquiries” and “reasonable person” are intended to address the problem of the reversed onus of proof resulting from the Courts interpreting section 123 of the Trade Marks Act as changing the nature of use as a trade mark (see, for example, *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd* [2016] FCAFC 91 at [58] (per Besanko, Nicholas and Yates JJ)). The IPC submits that issue could be addressed more simply by including an additional subsection in section 123 of the Trade Marks Act along the lines set out below:

- (5) *The registered owner, or authorised user, of the trade mark has the onus of proving that the trade mark was not applied to, or in relation to, the goods by or with the consent of a relevant person.*

12. In its response to submissions, IP Australia said:

All that can be reasonably expected of the parallel importer is that they make reasonable enquiries to determine if the appropriate consent has been obtained and then act reasonably and in good faith on that information. Where the parallel importer does this but is ultimately deceived by the supplier as to the existence of consent, the responsibility should fall on the trade mark owner to pursue remedies against the deceptive supplier. Allowing the trade mark owner to pursue remedies against the parallel importer would make parallel importation unacceptably risky and stifle the supply of parallel imports to the Australian market, contrary to the intent of the PC’s recommendation. (IP Australia response to public consultation on exposure draft of Intellectual Property Laws Amendment (Productivity Commission response part 1 and other matters) Bill and Regulations 2017, page 3.)

13. The IPC does not agree with this proposal at all. It should be borne in mind that this is a provision dealing with people importing things into Australia from potentially anywhere in the world. No doubt a trade mark owner has a strong interest in stopping counterfeiting at source, but it is an enormous task. It may not even be possible. The trade mark owner (or relevant person) may not have trade mark rights in the place in question. Even if it does, it is often very difficult, if not impossible, to enforce them effectively. The approach proposed by in the Bill imposes an extremely onerous and unfair burden on trade mark owners and has the potential to legitimise the importation and sale of counterfeit goods in Australia. The IPC is not aware of such a broad defence to infringement being applied in the trade mark law of any other jurisdiction.

The Committee would be pleased to discuss this submission if that would be helpful.

Please contact John Collins, Chair of the Intellectual Property Committee at icollins@claytonutz.com or 02 9353 4119 in the first instance, if you require further information or clarification.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Maslen-Stannage', written in a cursive style.

Rebecca Maslen-Stannage
Chair, Business Law Section