

AIPPI Submissions on the IP Amendment Bill

AIPPI has responded on those legislative amendments that it considers require further comment.

1 Schedule 1, Part 1 – Parallel importation

1 Section 123(1) of the *Trade Marks Act 1995* (Cth) (the **TM Act**) has proven to be, despite its relatively simple wording, difficult to interpret and apply, leading to a significant volume of litigation in recent years. For these reasons, AIPPI is, in principle supportive of the intention stated in the draft Explanatory Memorandum (**EM**) 'to clarify the circumstances in which genuine trademarked goods may be imported into Australia or sold in Australia without infringing a registered trade mark.' (paragraph 10).

2 However, AIPPI considers that the proposed wording of s 122A exceeds this stated intention and unduly favours the rights of importers over the rights of trade mark owners. This goes well beyond the Productivity Commission's recommendation to:

Ensure that parallel imports of marked goods do not infringe an Australian registered trade mark where the marked good has been brought to market elsewhere by the owner of the mark or its licensee.

3 AIPPI is concerned that the defence to trade mark infringement provided by s 122A will extend beyond importers and suppliers of *genuine* parallel imported goods to importers and suppliers of *counterfeit* goods. If an importer or supplier only has to establish that it was 'reasonable to assume' that the trade mark has been applied to goods by or with the consent of the registered owner or other relevant persons on the basis of 'reasonable enquiries', the bar is too low given the reality of global and sophisticated counterfeit operators.

4 The low standard set by the current wording of s 122A undermines the ability of trade mark owners to prevent the importation and sale of counterfeit goods in Australia. Our members have seen plenty of examples in practice where chains of distribution overseas would make it relatively easy for an importer or seller of counterfeit goods to provide some basis which would satisfy the wording of s 122A. Unfortunately, those who trade in counterfeit goods may be only too willing to provide some form of certificate of authenticity which may itself be inauthentic.

5 Unfortunately, the EM provides little comfort in this regard stating in paragraph 15 that:

Requesting and receiving a certificate of authenticity from the supplier will be sufficient in most circumstances.

6 Also of concern to AIPPI is the statement in the EM (paragraph 25) that:

Subsection 122A(1) is also intended to confirm that the person who subsequently uses the trade mark as described in section 122A does not have to prove that the registered owner applied the trade mark to the goods or consented to the application of the trade mark by another party. Paragraph 122A(1)(c) requires only that, after making reasonable enquiries, it was reasonable to assume that the application of the trade mark was made by or with the owner of any of the parties mentioned in paragraphs 122A(1)(c)(i) to (vi). This is intended to avoid placing an unreasonable evidentiary burden on the parallel importer (or other person) as they could not be expected to have access to the type of documents or information that could prove that consent was actually given such as contracts or other commercial records.

7 AIPPI submits that the evidentiary issue identified in the EM as quoted above could be addressed by providing that the registered owner or authorised user has the onus of proving that the trade mark was **not** applied to, or in relation to the goods with the consent of the relevant person. This could be achieved by adding an additional subsection (5) to 122A.

8 AIPPI also suggests deleting paragraph (b) of the proposed wording of section 122A(1) and the words at the beginning of s 122A(1)(c), namely 'at the time of use, a reasonable person, after making those enquiries would have concluded that'.

9 These amendments would better address the stated intention of ss 122A(3) and (4) found at paragraph 27 of the EM:

Subsections 122A(3) and (4) provides guidance on how the permission or significant influence referred to in sub-paragraphs 122A(1)(c)(iii) to (v) should be construed. Again, the intention is to capture a broad range of behaviours so that the provisions operate to permit genuine parallel imports regardless of how the relevant authorisation or significant influence arose.

10 AIPPI acknowledges that the concept of 'consent' has been extended in an attempt to overcome decisions such as the *Paul's Retail Pty Ltd v Sporte Leisure Pty Ltd* [2012] FCAFC 51, but as described above, AIPPI is concerned that s 122A does not distinguish sufficiently between genuine parallel imported goods and counterfeit goods. This is an unintended but undesirable consequence.

2 Schedule 1, Part 3 – Non-use

AIPPI supports the changes to the non-use provisions.

3 Schedule 1, Part 4 – Patent term extension data

AIPPI supports the changes to the patent term extension regime.

4 Schedule 2, Part 8 – Unjustified Threats

- 11 For the reasons outlined below, AIPPI is, in principle, supportive of the proposed amendments to the unjustified threats provisions set out in Schedule 2, Part 8 of the Bill.
- 12 The amendments fall into three main categories:
- a. inclusion of an unjustified threats provision in the *Plant Breeder's Rights Act 1994* (Cth) (the **PBR Act**);
 - b. introduction of additional damages for unjustified threats for all IP registered rights; and
 - c. replacement of the reference to “groundless threats” in the *Olympic Insignia Production Act 1987* (Cth) (the **Olympic Act**) and the *Trade Marks Act 1995* (Cth) (the **TM Act**) with the phrase unjustified threats.
- 13 As to the first proposed amendment, the stated objective is to bring the PBR Act into line with other IP rights and deter the making of unjustified threats of proceedings for infringement of PBR.
- 14 AIPPI considers that the introduction of the unjustified threats provision is a welcome addition to the PBR Act. The proposed s 57A should act as an deterrent, whilst the same time, by virtue of the proposed section 57D, provide PBR owners and licensees¹ with the protection required by clarifying that the mere notification of the existence of the PBR does not constitute a threat.
- 15 While the wording of s 57A is based on the Patents Act, AIPPI considers that the words “or other similar proceedings” could be further clarified to make it clear that s 57A only applies to other similar proceedings relating to a PBR. The suggested addition will help clarify the connection to a PBR required for s 57A to be invoked.
- 16 The second proposed amendment, provides an applicant with the ability to seek additional damages for unjustified threats. It is made clear in the draft Explanatory Memorandum (**EM**) that the new provisions dealing with additional damages are based on the same principles that apply to an award of additional damages for infringement of those IP rights. AIPPI considers this to be an appropriate approach to the assessment of additional damages of unjustified threats.
- 17 The draft Explanatory Memorandum states that the power to award additional damages is contingent on damages being awarded in the first instance. While this statement in the draft EM clarifies when an award of additional damages is enlivened, AIPPI notes that this statement does not appear to be included as part of the proposed amendments to the relevant IP Acts. AIPPI considers that the language in each of the IP Acts could be amended to include such a

¹ AIPPI strongly supports the proposed amendments to the PBR Act that grants exclusive licensee the right to commence infringement proceedings. The proposed amendments remedy a longstanding anomaly in the PBR Act and bring the rights of PBR exclusive licensees into line with those provided for under the Patents Act, Copyright Act and TM Act.

statement. The fact that compensatory damages are not always available for unjustified threats (see *Mizzi Family Holdings v Morellini* (No. 3) [2017] FCA 870) supports the proposed further amendment.

- 18 In AIPPI's view, to ensure uniformity across all IP rights, it would be prudent to consider whether similar amendments should be made to the allow additional damages to be sought in respect of unjustified threats in relation to copyright and circuit layouts. Further, AIPPI notes that no amendments are proposed in relation to providing additional damages unjustified threats under the Olympic Act. AIPPI notes that it is not clear from the draft Explanatory Memorandum why the additional damages remedy was not included for the Olympic Act.
- 19 The repeal of s 129(5) to the TM Act also assists in aligning the legislation with other IP legislation, such as the Patents Act, where commencement of infringement proceedings did not quell an action for unjustified threats.
- 20 Finally, AIPPI considers that the third proposed amendments to the language of groundless threats to unjustified threats is a sensible amendment and in line with the stated objectives of the Bill.

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1 June 2018