

Memorandum of advice



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To Senate Economics Committee
From Gilbert + Tobin
Subject **AUSTRALIAN BUSINESS NUMBER (ABN) BUSINESS NAMES REGISTRATION PROJECT**

By email

Dear Sirs

We would like to comment on the proposed *Business Names Registration Bill 2011* (the **Bill**), as well as the Business Names Registration (Transitional and Consequential Provisions) Bill 2011 and Business Names Registration (Fees) Bill 2011 (the **Supporting Bills**).

We set out below what we believe to be the key issues arising out of the new system, together with our recommendations or comments where applicable.

1 Summary

We note that the introduction of the Bill has been delayed following issues raised during the prior consultation period. We applaud the Department of Innovation, Industry, Science and Research (the **Department**) for being receptive to the interests and concerns of trade and industry in introducing this new registration system across Australia.

We strongly support the introduction of a seamless national system for business name registration in Australia.

It is well recognised that the current system is burdensome and inconsistent, insofar as it involves different agencies, processes and fees across the different States and Territories. Currently business names can be rejected if the proposed name is considered too similar to a currently registered business name. However, depending on the state of the register, business name applications can be approved in one State and rejected in another. There are also inconsistent rules in place in different States and Territories as to what constitutes a similar name for the purpose of blocking registration or inconsistent application of those rules. There is currently no consistency for businesses which trade in multiple jurisdictions, and a new harmonised national system should go some way to addressing this issue.

Whilst harmonisation of the various State and Territory registers will advantage future registrants of business names by removing the need for registrations in a number of States and Territories, we are concerned that some of the proposed changes are likely to create new issues. In particular, we believe the proposed grandfathering mechanism will create a 2 tiered ownership system where current registrants of identical names are advantaged over future business name registrants and that registration of these names at a national level poses a potential risk of consumer confusion.

ALLIANCES:

BLAKISTON & CRABB
LAWYERS



SYDNEY + MELBOURNE + PERTH

PERTH

CHINA

We have reviewed the Bill and the Supporting Bills, and we believe that there are some parts of the proposed scheme which require further clarification and/or amendment as set out below.

2 Application to register a business name

Section 22 sets out the type of information that applicants must provide with their application. For example, subsection 2 provides that details sufficient to identify the entity are required, together with the entity's ABN and address.

We suggest that subsection 2 also include the current requirement that the "nature of business" is included in the application. We note that this information is currently available on publicly accessible business name registers (for example the Business Names Details Check available online at NSW Office of Fair Trading), and this information is invaluable when assessing whether trading names are available for use not just registration.

We strongly recommend that this requirement be retained under the new scheme.

3 Is a business name *available* to an entity?

Section 24(a)(iii) of the Bill provides that a business name is available to an entity if the name is not identical or nearly identical to a name that is registered to another entity on a notified State/Territory register.

Under the new national scheme, the comparison base for business names will be extended from those registered in one State/Territory to business names registered in **any** State or Territory.

However, this does not recognise the current situation that identical or nearly identical business names may co-exist alongside one another without confusion provided that the businesses operate in completely different fields of commercial activity.

We therefore suggest that subsection (iii) in Section 24(a) be amended along the following lines:

"a name that is registered to another on a notified State/Territory register where the nature of the business is not the same or similar".

4 Identical or nearly identical names

Pursuant to Section 25 of the Bill, the Minister may, by legislative instrument, make rules for determining whether a name is identical or nearly identical to another name.

As a practical matter, we suggest that the search functionality of the national register is upgraded so that potential registrants can adequately search and check whether their proposed business name is available. By way of example, a search for the name DOCTOR DENIM should bring up the reverse name, DENIM DOCTOR. This search functionality should also be part of the proposed online automated test that will be applied in determining whether a business name is registrable (see **Section 9** below).

When comparing a business name to another name (other than a company name) to determine whether the names are "*identical or nearly identical*", a word or expression in an item in **Schedule 1** to the *Business Names Registration (Availability of Names) Determination 2011* is to be taken to be the same as each other word or expression in this item: Section 6 of the *Business Names Registration (Availability of Names) Determination 2011*.

We are concerned that this draft list is too broad and that the proposed list as currently drafted will unnecessarily restrict the availability and registration of business names. For example, based on our

interpretation of the provisions, a prior business name registration for SMITH'S BOBCAT would block a subsequent registration by an unrelated third party for SMITH'S TIPPER HIRE, and similarly EMMA'S BODY CARE would block EMMA'S SKIN CARE CLINIC. These terms are not necessarily interchangeable, and may describe different businesses and commercial activity.

We suggest that the list set out in Schedule 1 is reviewed and revised, so that only near identical terms are listed – for example:

- (204) cap, caps, hat, hats
- (221) nurse, nurses, nursing
- (267) trek, treks, trekking.

Below are some items taken from Schedule 1 of the *Business Names Registration (Availability of Names) Determination 2011*. By way of example only, we suggest that the following terms should not be deemed to be “the same as” existing names for the purposes of blocking registration of a new business name and that words with potentially different meanings should be separated out into different categories:

- (159) bobcat, bobcat hire, bobcat and tipper hire, bobcats, digger, digger hire, diggers, digging, earthmover, earthmovers, mini digger, mini diggers, tipper hire
- (207) fashion jewellery, fine jewellery, gem, gems, jewel, jeweller, jewellers, jewellery, jewelry, jewels
- (220) clinic, clinics, primary health care, health care, medical centre, medical centres, medical practice, medical practices, medical service, medical services, medicine, medicine centre, medicine centres, physician, physicians, practice, practices, surgeries, surgery
- (271) demolition, demolitions, wreckers, wreckers.

To make the list in Schedule 1 easier to search, we suggest that the listed terms appear in alphabetical order.

5 Consent applications

As currently drafted, Section 30(3) of the Bill provides:

If:

- (a) an application under section 22 for registration of a business name to an entity (the **applicant**) is lodged with ASIC; and*
- (b) each of the following notices is lodged with ASIC:*
 - (i) a notice under subsection (1) by the entity to whom the business name is registered consenting to the registration of the business name to the applicant;*
 - (ii) a notice under subsection 41(1) by the entity to whom the business name is registered requesting ASIC to cancel the registration of the business name to the entity;*

*the business name is taken to be **available** to the applicant.*

We submit that either consent OR cancellation should be sufficient to resolve issues with identical business names. Both should not be required.

If the holder of a prior/ existing business name registration provides consent to the applicant of a subsequent business name that is identical or nearly identical to that prior registration on the basis of different commercial activity, there should be no reason why the earlier registration should be cancelled.

Conversely, if a prior business name is cancelled, the registrant of a new “nearly identical” name should not be required to obtain consent from the owner of the cancelled name.

We suggest that the word “each” in subsection (b) is replaced with the word “either”, so that it reads “either of the following notices is lodged with ASIC”.

6 The cancellation process

We note the following:

- **Carve out for governmental bodies.** ASIC may cancel the registration of a business name to an entity if it is satisfied that the entity is not carrying on a business under the business name and the entity has not, in the immediately preceding period of 3 months carried on business under the business name: Section 46(1)(a) of the Bill.

However, this provision does not apply to government bodies.

We submit that this exclusion is unsatisfactory and request that it be removed from the draft legislation. If a business name registration is not in use, it is irrelevant whether it is held by a private individual, company or governmental body, and if not in use it should not remain on the register and block subsequent identical or nearly identical registrations.

- **Standing to apply for cancellation in the event of non-use.** As noted above, Section 46 of the Bill provides that ASIC may cancel the registration for non-use. It appears from the language of both the Bill and the Explanatory Memorandum that only ASIC can initiate such a cancellation action. The Explanatory Memorandum states that “*one purpose of this provision is to enable ASIC to take action in circumstances where ASIC is satisfied that an entity has registered a business name that it is not intending to use for itself*”.

We suggest that there be a mechanism for third parties to apply to ASIC, or otherwise bring to ASIC’s attention, where a third party becomes aware that a business name registration is not in use, is therefore vulnerable to cancellation and is otherwise blocking third parties from registering an identical or nearly identical business name in Australia.

- **Exceptional circumstances.** The threshold of “exceptional circumstances” is used throughout Sections 42, 46 and 47 in respect of cancellation of a business names.

We suggest, in the interest of transparency and clarity that, guidance from the Department is provided as to what constitutes “exceptional circumstances” as this is not currently provided in the Explanatory Memorandum.

7 Publicly available information

Pursuant to Section 60 of the Bill, ASIC is required to make publicly available on the Internet or otherwise free of charge any details of a kind prescribed by the regulations.

We submit that it is in the public interest to have an open and transparent business name registration system. ASIC is investing in establishing and maintaining an online registration portal, and this access point should have a reasonable search function to allow it to be accessed and used by consumers.

The Government has specifically sought feedback on the availability of information and we agree that:

- consumers should be able to search for free details regarding the business name registration online but that these details should also include, the entity's principal place of business and its nature of business;
- home-based business should only have their suburb and State and Territory displayed on the free online register.

This is consistent with the current search functions for business name registrations. Details of an individual's home address are not available on free public databases, and are only accessible via private providers such as Espreon.

8 Grandfathering

The provisions for distinguishing grandfathered business names are set out in Part 5 of the *Business Names Registration (Transition and Consequential) Bill 2011*.

We note the proposal that business name registrations already on the various registers will automatically transfer across to the new national register. Where identical or similar names are registered by different entities in different States and Territories, a geographical suffix or notation will be added to the national register. However, when used, the business name will not need to include this qualifier. In this situation, similar businesses could potentially trade in the same State or Territory under an identical name.

We believe the proposed grandfathering mechanism will create a 2 tiered ownership system where current registrants of identical names are advantaged over future business name registrants and that registration of these names at a national level poses a potential risk of consumer confusion.

In relation to consumer confusion, if a business with an identical name in one State and Territory then made a decision to expand into another State or Territory where the identical name is in use, a geographical suffix is not required to be used and may not in any event be sufficient to distinguish between the trading entities leading to consumer confusion.

Instead, we suggest that existing business name registrations are grandfathered as State specific with a mechanism for registrants to convert the existing State or Territory registration to national registrations.

In the event of conflicting identical names on a national conversion application, a requirement of registration should be use of the geographic indicator and a limitation on the right to use a name to a particular geographic area.

9 Trading on the Internet

Under the current regime in New South Wales, if a business trades only via the internet the owner does not have to register and display its business name in New South Wales.

It is not clear on the current drafting whether this position will be adopted under the new regime, and we suggest that this is clarified.

10 Name Allocation and Clearance

Whilst we support the introduction of a harmonised and nationalised system for business name registrations, such a system must be implemented with care to ensure that it is not detrimental to trade mark owners' rights. Trade mark owners' rights should be carefully balanced and considered.

Under the new system, it remains the responsibility of the brand owners to ensure that third parties do not pass off as another business or infringe on other businesses trade marks, and as such, this is a continuation of the existing burden on brand owners to monitor the state of the registers.

In that regard, we note the following:

- We understand that an online and automated test will be used to determine registrable names, hence allowing the registration process to be fast, objective and repeatable. This objective raises one of the ongoing issues with the business and company name registration system in Australia, in that trade mark owners' rights are not recognised at this level. There is no cross referencing of the Trade Marks Register when checking trading names are available for registration, and that there is no effective administrative remedy for parties who are aggrieved by the registration of a company or business name in which they have prior trade mark rights or existing goodwill/reputation.

We suggest that it is made clear to potential registrants in the clearance notice that a business name registration does not confer any property rights in respect of a business name and is not confirmation that a name is available for commercial use. Further that it is the responsibility of the registrant to ensure that the business name does not infringe the rights of any third parties.

We further suggest that a similar mechanism to the domain name registration scheme is introduced in relation to business names. Registrants should be required to warrant that they are entitled to use a trading name and that use does not breach any third party rights.

A breach of this warranty should be included as a ground for cancellation of a business name.

- Franchisees will no longer be required to provide a copy of the franchisor's written consent to ASIC to register a franchise business name. This creates the potential risk of businesses "piggy backing" off the reputation of well-known franchises by adding geographical differentiators to a business name.

We suggest that the current requirement for consent is retained.

- Now that the company names and business names registration systems will both be nationalised and administered by the same body, ASIC, we advocate the introduction in Australia of a system to deal with the "opportunistic registration" of business names and company names. We refer to the introduction in 2010 in the United Kingdom of the Company Names Tribunal: see <http://www.ipo.gov.uk/cna/cna-factsheet.htm>.

An example of "opportunistic registration" would be when someone registers one or more variations of the name of a well-known company in order to force that company to buy the registration(s). Another example would be where a registrant knows that a merger is about to take place between two companies and so registers one or more variations of the name that the newly formed commercial entity is likely to require.

We appreciate this opportunity to comment on the policy review and we look forward to hearing the results of the review.

Yours faithfully
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