

**IP AUSTRALIA SUBMISSION TO THE  
HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON LEGAL AND  
CONSTITUTIONAL AFFAIRS INQUIRY  
INTO THE ENFORCEMENT OF  
COPYRIGHT IN AUSTRALIA**

**AUGUST 1999**

**IP AUSTRALIA SUBMISSION TO THE HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS  
INQUIRY ON THE ENFORCEMENT OF COPYRIGHT IN AUSTRALIA..... 3**

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# **IP Australia submission to the House of Representatives Standing Committee on Legal and Constitutional Affairs inquiry on the enforcement of copyright in Australia**

## ***Introduction and scope of this submission***

IP Australia thanks the Committee for its invitation to make this submission to its inquiry on the enforcement of copyright in Australia. Having considered the terms of reference IP Australia considers that subparagraphs 1(b)(iii), 1(f) and 2(e) refer to matters most related to its areas of responsibility and this submission will address those matters. However, in addressing the terms of reference, this submission will achieve a number of other objectives, including:

- stating IP Australia's role in the administration of Australia's intellectual property system;
- clarifying some terms that may cause confusion;
- providing an explanation of the overlap that exists between the copyright/trade marks systems and the copyright/designs systems; and
- offering alternative points of view to some of the issues raised by submissions to the inquiry.<sup>1</sup>

## ***IP Australia's role***

IP Australia is the Commonwealth government agency responsible for administering Australia's intellectual property legislation as it relates to patents for inventions, registered trade marks and registered industrial designs. It is a division of the Department of Industry, Science and Resources and operates on a full cost-recovery basis.

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<sup>1</sup> Please note that IP Australia was not able to read all the submissions to the inquiry before making this submission.

The main acts administered by IP Australia are the *Patents Act 1990* (Patents Act), the *Trade Marks Act 1995* (Trade Marks Act) and the *Designs Act 1906* (Designs Act). As noted in the submission by the Attorney-General's Department, intellectual property is commonly divided into two branches:

- *industrial property* which is chiefly the responsibility of IP Australia and covers some of the areas that are related to industrial products and processes, ie, patents, trade marks and designs; and
- *Copyright* which relates primarily to literary, musical, artistic and audiovisual works.

The division is not hard and fast as, eg, many of the areas copyright covers could also be described as being related to industrial activity. The term industrial property in this submission will refer to patents, trade marks and designs.

Australia's intellectual property policies are based on the long-held premise that economic development and the well-being of society are advanced through the introduction and dissemination of new products, processes and services. Granting exclusive rights encourages innovation by providing investors with a degree of security from the effects 'free riding' for their investment in inventive activity leading to new patentable products and processes, the development of trade marks that facilitate easier product identification and the development of designs that improve the aesthetic appearance of products.

The acquisition of industrial property rights, unlike copyright, requires that the person seeking those rights must make application for that right to the appropriate office: the Patents Office, the Trade Marks Office or the Designs Office. Applications are examined to make sure that they comply with the relevant criteria laid down in the appropriate Act. After that process a right is granted or refused depending on the outcome of the examination and any hearing process within the applicable office. (A hearing is an internal review of a decision to grant or refuse a right). Decisions regarding the grant or refusal of a right by the Commissioner of Patents, the Registrar of Trade Marks or the Registrar of Designs are appealable to the Federal Court or State or Territory Supreme Courts.

The industrial property rights granted by IP Australia are statutory rights, which grant some form of exclusivity over the manufacture, use or sale of a product, process, label or packaging. The rights are personal property and are capable of assignment and of devolution by law. Because the rights are personal property it is the responsibility of the owners of those rights to protect and enforce them. IP Australia has no direct involvement in the enforcement of those rights but as the body with policy responsibility it advises the Government on enforcement issues.

Industrial property rights granted by IP Australia have effect only in Australia and certain external territories. If such rights are required in other countries, an application must be made in each country in which protection is sought. Such applications will be considered, and appropriate rights granted, in accordance with relevant national law. Generally speaking, intellectual property laws around the world are fundamentally similar to Australia's. This partially reflects the influence that various international treaties, such as the Paris Convention for the Protection of Industrial Property 1883 and the World Trade Organization agreement on Trade-Related Aspects of Intellectual Property (TRIPS), have in shaping national industrial property laws.

## ***Patents***

A patent gives the owner (or patentee) the right to stop others from manufacturing, using and/or selling the patented invention in Australia. In return for this exclusive right, the patentee must fully disclose the invention. Patents cover, generally, any device, substance, method or process that is new, inventive and useful. An Australian standard patent lasts up to 20 years although some pharmaceutical patents can have a life of up to 25 years. Artistic creations, mathematical models, plans, schemes or other purely mental processes cannot be patented.

## ***Trade marks***

A trade mark can be a letter, number, word, phrase, sound, smell, shape, logo, picture, aspect of packaging or any combination of these. It is a sign that is used to distinguish goods or services of one trader from all others. A registered trade mark gives the registered owner the

right to the exclusive use of the mark in relation to the goods or services in respect of which it is registered. The registration of a trade mark may continue indefinitely.

Registration is not compulsory for use of a trade mark in the course of trade. Protection for unregistered trademarks is available under the common law action of 'passing off' and under the *Trade Practices Act 1974* (Trade Practices Act) and State and Territory fair trading legislation. The advantage of registration is that it establishes ownership. The common law and Trade Practices Act require the aggrieved party to prove ownership, which usually involves demonstrating that person's reputation in the mark. This can be a difficult and very expensive exercise.

There are 4 types of trade marks available. By far the most common is the *standard trade mark* and it is used, as above, to distinguish the goods or services dealt with or provided in the course of trade from those of any other person. A *Certification trade mark* is used to distinguish goods or services dealt with or provided in the course of trade and certified by the trade mark owner (or another person approved by the owner) in relation to quality, accuracy or some other characteristic including origin, material or mode of manufacture. An example of a certification trade mark is the 'Woolmark'. After examination by the Trade Marks Office, the rules governing the use of the certification trade mark must be approved by the Australian Competition and Consumer Commission. A *Collective trade mark* is used in the course of trade by members of an association. The association cannot be a body corporate and the trade mark cannot be assigned to a new owner at a later date. A *Defensive trade mark* allows the registration of a trade mark where the applicant does not intend to use the trade mark. The applicant must already own the same trade mark for goods and/or services on which it does use the trade mark. That trade mark must be so well-known for the registered goods and/or service that if it were to be used by another trader on the goods and/or services specified in the defensive trade mark application, consumers would be likely to be confused about the origin of those goods and/or services.

## ***Designs***

Registered designs are used to protect the visual appearance of manufactured products from use by others without the agreement of the registered owner. A registered design gives its

owner the exclusive right to a new or original visual form of an article. That visual form may relate to 2-dimensional aspects of pattern or ornamentation, or to 3-dimensional aspects of shape or configuration. A design may be registered for up to 16 years.

### *Terms of Reference*

#### **1) b) (iii) Options for copyright owners to protect their copyright against infringement including use of legislative provisions other than those of the *Copyright Act 1968*.**

#### ***Trade Mark/Copyright overlap***

A trade mark owner may apply for registration of his or her trade mark under the Trade Marks Act. If registration is granted actions for infringement of the rights granted by registration can be taken. (See below under reference 2(f) for a detailed discussion of the infringement provisions.) This includes action allowing customs to seize imported goods, pending action in a court for infringement, that bear a registered trade mark where the registered trade mark owner has not authorised the use of the trade mark on those goods (see discussion of customs seizure provisions under reference 1(f) below).

Whether a trade mark is registered or not, action is available via a common law 'passing off' action or actions against misleading or deceptive conduct under sections 52 and 53 of the Trade Practices Act and the equivalent provisions of the State and Territory fair trading acts. IP Australia has no involvement with unregistered trade marks.

As stated above a trade mark can consist of a letter, number, word, phrase, sound, smell, shape, logo, picture, aspect of packaging or any combination of these. The possibilities for trade mark protection are thus very broad and many trade marks also incorporate copyright material where that material also meets the criteria of the *Copyright Act 1968* (the Copyright Act) as, for example, literary, artistic or musical works.

This overlap was demonstrated in the *Bailey's Irish Cream*<sup>2</sup> case where the Irish Bailey liqueur company had an agreement with an Australian company to distribute the liqueur Bailey's Irish Cream. Boccaccio, who was not the authorised Australian distributor, had imported the legitimate liqueur into Australia from a source in Holland. The judge found that there was no infringement of the trade mark because the trade mark on the label had originally been applied with the consent of the registered trade mark owner (the Baileys company). However the judge did find there was a copyright infringement in the label because it was an artistic work under the Copyright Act. He found under the Copyright Act that there is no implied licence in the purchase of legitimate goods allowing for their importation into Australia without the consent of the owner of the copyright and therefore the copyright had been infringed. The fact that the label was used as a trade mark did not imply a surrender of any copyright protection inconsistent with trade mark law: the two rights could clearly co-exist. The ability of copyright owners to limit legitimate imports in this manner will soon be unavailable (see next section: trade marks and parallel importation).

An example of a trade mark that was found not to meet the criteria of the Copyright Act was the invented word EXXON.<sup>3</sup> It was found not to be a literary work because a literary work is seen by the courts as requiring an exercise of sufficient effort to effect a certain result. This result is the conveying of information or, perhaps, instruction and pleasure in the form of literary enjoyment. Because the word meant nothing without supporting words or context it did not meet the criteria.

It is noted that some submissions to the committee inquiry conflate the term 'copyright' with 'brand' or 'trade mark'. In many cases this is appropriate to the extent that dual protection under both the copyright and trade mark regimes may be available as the examples above attest. However in other cases, depending on the nature of the brand or trade mark, the conflation of the terms is not appropriate because the trade mark does not contain or consist of copyright material.

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<sup>2</sup> *RA & A Bailey & Co Ltd v Boccaccio Pty Ltd* (1986) 6 IPR 279.

<sup>3</sup> *Exxon Insurance Consultants International Ltd*, [1981] 2 All E R 495.



It is also very important to keep in mind that the two regimes are for essentially very different purposes. Copyright protects 'creative' expression while the essential purpose of a trade mark is to identify the trade source from which goods or services emanate. Each set of protection will provide the same material or parts of the same material with different enforcement options. Whether these provide real solutions for infringement of rights will depend on the individual circumstances of the case. (See below at 2(f) for a detailed discussion of the infringement provisions of the Trade Marks Act.) IP Australia has no data on how often the trade mark/copyright infringement overlap has featured in court decisions or other enforcement actions.

### ***Trade Marks and parallel importation***

IP Australia would like to make some comments on the issue of trade marks and parallel importation as some of the submissions refer to parallel importation in the context of 'brands' and 'trade marks'.<sup>4</sup> Parallel importation is the importation of goods bearing a trade mark which has been applied to the goods with the authority or under the control of the intellectual property owner in Australia. However, these goods are imported into Australia by persons other than those authorised by the trade mark owner. As discussed above the infringement provisions of the Copyright Act currently act to prevent the parallel importation of goods where the associated packaging, labelling etc includes copyright material and the copyright owner has not specifically authorised the importation. This right will not be available from 1 March 2000 due to the commencement of Schedule 2 of the *Copyright Amendment Act (No 1) 1998* which effectively overrules the *Bailey's Irish Cream* case.

Unlike the Copyright Act, the Trade Marks Act allows parallel importation in some circumstances. Section 123 of the Trade Marks Act provides an exception to the infringement provision (section 120) where a person uses a trade mark in relation to goods or services in respect of which the trade mark is registered if the trade mark has been applied to, or in relation to, the goods by, or with the consent of, the registered owner of the trade mark in Australia. This effectively means that the act of applying trade marks to goods and putting

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<sup>4</sup> For example, submission number 28 by Mattell Pty Limited.

them on the market 'exhausts' the proprietor's capacity to control subsequent dealings in those goods (a concept known as the doctrine of 'exhaustion of rights').

It is also important to keep in mind that a trade mark is a badge of origin and as such it facilitates identification of goods and services in the marketplace. A trade mark, unless it is a registered Certification trade mark such as the 'Woolmark', does not guarantee anything about any standards applied to the goods or services in relation to which it is used.

### ***Design/Copyright overlap***

Owners of copyright in artistic works may seek protection for some works by registering them as industrial designs under the Designs Act. Artistic works include paintings, drawings, sculptures, engravings, buildings and works of artistic craftsmanship. A design means features of pattern, ornamentation, shape or configuration applicable to an article being features that, in the finished article, can be judged by the eye, but does not include a method or principle of construction<sup>5</sup>. For example, the owner of copyright in an artistic work may apply that work to an article (eg a dinner plate) and then register that article as an industrial design. The owner of the artistic work will have dual protection under copyright and design law. This dual protection is known as the design/copyright overlap.

In 1989 the government acted to limit the design/copyright overlap by inserting sections 74 to 77 in the Copyright Act. The explanatory memorandum to the amending Bill stated that the provisions were intended to remove copyright protection for essentially industrial products and eliminate the uncertainty and inequity caused by the overlap. The overlap provisions currently operate as follows:

- Two-dimensional designs continue to receive copyright protection as artistic works under the Copyright Act when applied as surface designs to articles, to the extent that those design features reproduce the artistic works. If the design is also registered under the Designs Act then dual protection is given.

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<sup>5</sup> Section 4, *Designs Act 1906*

- The copyright in a two-dimensional artistic work continues to be infringed by a two-dimensional copy of that work made in the course of industrial application, that is, ‘plan-to-plan copying’.
- Three-dimensional articles retain copyright protection only if they are works of artistic craftsmanship or buildings or models of buildings. However copyright protection is lost if these items are registered as designs.
- In other cases, copyright protection for artistic works applied as three-dimensional designs is effectively forfeited if the corresponding design<sup>6</sup> is commercially produced.<sup>7</sup>

In responding to the Australian Law Reform Commission’s report on Designs the Government has agreed to modify the overlap provisions to clarify the policy objective to generally exclude copyright protection for essentially industrial products.

### ***Patents/Copyright overlap***

Computer programs are protected under the Copyright Act as literary works — see the definitions of *computer program* and *literary work* in section 10 of that Act. There is also legal authority that methods of computer programming are also capable of being patented. The decision of the Full Federal Court in the case of *CCOM v Jiejing* (1994) 28 IPR 481 formulated the test for computer software being patentable subject matter as whether there is:

...a mode or manner of achieving an end result which is an artificially created state of affairs of utility in the field of economic endeavour.

Consistent with the CCOM case the Australian Patent Office Manual of Practice and Procedure (Vol. 2 - National) states at 8.2.7.4

[i]t is clear that each of the following will almost always be such "a mode or manner" as referred to in *CCOM v Jiejing*:

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<sup>6</sup> Section 74 of the Copyright Act defines “corresponding design”, in relation to an artistic work, means a design that, when applied to an article, results in a reproduction of that work, but does not include a design consisting solely of features of two-dimensional pattern or ornament applicable to a surface of an article

<sup>7</sup> Paragraph 17.6, Australian Law Reform Commission Report No 74—Designs

- (a) source code for patentable computer software, irrespective of the material form in which that code is presented;
- (b) executable code for patentable computer software, which is in a machine-readable form; and
- (c) a computer, when programmed to achieve any result which has utility in the field of economic endeavour.

IP Australia considers that dual protection of software can be conveniently maintained, in the absence of any internationally accepted system of *sui generis* protection.

### ***Protection of Sydney 2000 Games products***

The submission by Tress Cocks & Maddox<sup>8</sup> to the Inquiry provided that unless the [copyright] enforcement issues are addressed urgently, the organisers of the Sydney Olympic Games and other major events in Australia will lose substantial revenue that would be generated by the sales of authorised, licensed merchandise. The submission also argued that the Sydney Organising Committee for the Olympic Games (SOCOG) may have to rely upon provisions of the Copyright Act or the Trade Practices Act in order to prevent sales of unauthorised merchandise.

Although SOCOG may rely on those Acts to protect its revenue, the Government has in fact enacted specific legislation to protect that revenue. The *Sydney 2000 Games (Indicia and Images) Protection Act 1996* (the Sydney 2000 Games Act) was enacted to protect the Sydney 2000 Games against ambush marketing. The Sydney 2000 Games Act provides the regulation of the use (by SOCOG and the Sydney Paralympic Organising Committee (SPOC)) for commercial purposes of indicia and images associated with the Sydney games up to and including 31 December 2000. The Act defines Sydney games indicia and images<sup>9</sup> and prevents the

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<sup>8</sup> Submission No 14

<sup>9</sup> See section 8 and 9 of the Sydney 2000 Games Act

application of these to goods and/or their commercial use<sup>10</sup> except under the direction of SOCOG or SPOC. The Sydney 2000 Games Act provides SOGOG and SPOC with remedies if there is unlicensed commercial use of games indicia or images. The protection required is wider than at general law because replication of the indicia or images need only be similar enough to provoke a reasonable mistake, as opposed to the general law requirements of 'substantial identity' or 'deceptive similarity' (Trade Marks Act) and 'substantial reproduction' (Copyright Act).

**1) f) Whether the provisions for border seizure in Division 7 of Part V of the *Copyright Act 1968* are effective in the detention, apprehension and deterrence of the importation of infringing goods, including counterfeit goods.**

IP Australia has no role in the implementation of the border interception provisions of the Trade Marks Act but as the body with policy responsibility for the Trade Marks Act it has a role in advising the Government on the issues involved.

The border interception procedures in both the Trade Marks Act and the Copyright Act were modelled on the requirements of World Trade Organization (WTO) Agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS).<sup>11</sup> Consequently, the border interception procedures in both those Acts are broadly consistent with each other. The border interception provisions of the Trade Marks Act are in Part 13 of that Act. It is important to note that the provisions, as required by TRIPS, deal with the power of the Australian Customs Service (ACS) to seize imported goods. The trade mark owner must take action for infringement against their trade mark within 10 days following seizure. If no action is taken then the ACS must release the goods to the designated owner. The provisions require the following:

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<sup>10</sup> See section 11 of the Sydney 2000 Games Act for the definition of 'commercial use'

<sup>11</sup> see Articles 51 to 60 of TRIPS

- Before the Australian Customs Service (ACS) can take any action the trade mark owner, or an authorised user, must give a notice in writing to the CEO of Customs (CEO) objecting to the importation, after the date of the notice, of goods infringing the registered trade mark. The notice of objection remains in force for a period of 2 years after the date of the notice unless it is revoked earlier.
- Once a notice of objection has been lodged, the CEO may seize any imported goods that have applied to them a sign that is substantially identical with or deceptively similar to a notified trade mark unless the CEO is satisfied that there are no reasonable grounds for believing the notified trade mark is infringed by the importation of the goods. As soon as practicable after seizure, Customs must give a copy of the seizure notice to the designated owner of the goods and the objector, identifying the goods and stating that the goods have been seized.
- The objector then has a period of 10 working days in which to commence action against the designated owner of the goods in the courts and to advise the ACS in writing of doing so. This period may be extended up to 10 working days at the request of the objector. If the objector does not institute any proceedings within the 10 day period (or if no extension is requested), the CEO must release the seized good to the designated owner. Furthermore, even where an objector has started an infringement action, the CEO must release the goods to the designated owner at the end of a 3 week period after that action started, unless there is a court order in force preventing the release of the goods.
- At any time before an objector starts an infringement action, the designated owner may forfeit the goods to the Commonwealth by giving a written notice to the CEO.

**It is also worth noting that the Sydney 2000 Games Act has border interception provisions based upon those in Part 13 of the Trade Marks Act.**

Neither the Patents Act nor the Designs Act currently include provisions similar to the importation seizure provisions in Part 13 of the Trade Marks Act. Section 4 of Part III, Article 51 of TRIPS requires the implementation of border measures in regard to counterfeit trademark and pirated copyright goods and provides that such measures *may* also be taken in regard to other intellectual property rights such as patents. In a recent report to the Minister

for Industry, Science and Resources, the Advisory Council on Industrial Property (ACIP) recommended that the Minister should:

Give consideration to amending the [Patents] Act to reflect the importation of infringing goods of Part 13 of the *Trade Marks Act 1995* so that similar provisions apply to infringing patent material. This should include indemnity and seizure provisions.<sup>12</sup>

ACIP recognised that there would be difficult administrative issues to address if such a proposal were to be implemented because of: a) the difficulty in detecting and identifying infringing patented material; and b) the difficulty in proving the validity of a patent.<sup>13</sup> However, they noted that there is an international trend to provide customs protection to discourage the importation of infringing goods. The Government is considering its response to the report.

**2) f) In undertaking the inquiry and framing its recommendations the Committee will have regard to enforcement regimes for other forms of intellectual property.**

***Enforcement***

IP Australia has no 'hands on' role in enforcement of the industrial property rights it grants and registers, however, it does have a role, along with ACIP, in providing policy advice to Government on issues to do with industrial property rights, including enforcement. An important element of that advice is to ensure that the rights regimes IP Australia administers meet the requirements of Australia's international obligations. TRIPS sets out the minimum requirements for protection of intellectual property and is probably the most extensive international agreement in relation to enforcement of intellectual property rights. IP Australia is confident that the legislation it administers meets, at the very least, those minimum requirements. The *Trade Marks Act 1994*, the *Trade Marks Act 1995* and the *Patents (World*

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<sup>12</sup> Recommendation 12, 'Review of enforcement of industrial property rights', Advisory Council on Industrial Property, March 1999. A copy of the ACIP report has been supplied separately with this submission.

<sup>13</sup> *Ibid.*, p27.

*Trade Organization Amendments) Act 1994* amended IP Australia's legislation to bring it into line with TRIPS requirements.

It is very difficult to obtain statistics on the level and geographical spread of the infringement of industrial property rights. There appear to be a number of United States industry based bodies, such as the Business Software Alliance, the Software Publishers Association, the Motion Picture Association of America and the International Intellectual Property Alliance<sup>14</sup> who are acting together to combat copyright infringement and who collect statistical information on copyright infringement.<sup>15</sup> There are no similar large organisations producing such statistics for industrial property in Australia. Probably the only comparable group known to IP Australia that has a relationship to industrial property is the Anti Counterfeiting Action Group (ACAG), which is an association of manufacturers and wholesalers of clothing and other goods who are concerned with the sale of counterfeit products throughout Australia.<sup>16</sup>

In its report on patent enforcement, ACIP gathered statistics on the number of industrial property civil cases filed in the Federal Court of Australia from 1987 to 1996. It found that the average number of cases filed as a percentage of the number of registered rights per year for patents was .04%, for designs was .04% and for trade marks was .03%.<sup>17</sup> This appears to be a very low level of enforcement action compared to the number of rights IP Australia grants. The Council also conducted a survey<sup>18</sup> of major patent attorney firms on intellectual property enforcement which suggests that the courts decide less than 10% of cases filed and many enforcement actions do not involve litigation as they are resolved by negotiation.<sup>19</sup> The

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<sup>14</sup> This body appears to deal exclusively with copyright.

<sup>15</sup> See eg pp 32-36 and attachments 1, 2 and 3 of 'Submission to the House of Representatives Standing Committee on Legal and Constitutional Affairs on its inquiry into the Enforcement of Copyright in Australia', Attorney-General's Department.

<sup>16</sup> Submission 36, Anti Counterfeiting Action Group. At page 2 of the submission ACAG estimates that '...breaches of copyright cause losses to the Textile, Clothing and Footwear Industry and our members in excess of \$300 million per annum.' As the textile area is clearly an area where copyright and trade mark infringement can overlap, it is not clear what percentage of this estimate might be purely related to trade mark infringement rather than copyright infringement.

<sup>17</sup> 'Review of enforcement of industrial property rights', Advisory Council on Industrial Property, March 1999. Attachment 1.

<sup>18</sup> 'Review of enforcement of industrial property rights', Advisory Council on Industrial Property, March 1999. Attachment 2.

<sup>19</sup> 'Review of enforcement of industrial property rights', Advisory Council on Industrial Property, March 1999, p9.



Council also noted that the low figures for cases filed in the Federal Court are not necessarily an indicator of satisfaction with the system as they may also be an indication that people are avoiding the system because they do not feel it can meet their needs.

## ***Brief overview of general civil remedies available for infringement of Patents, registered Trade Marks and Designs***

### ***Anton Pillar Orders***

An Anton Pillar Order is a pre-trial procedure used to facilitate the discovery process where it is likely that evidence may be destroyed before the finalisation of pre-trial procedures. On an *ex parte* application an Anton Pillar court order typically allows a named person to enter another's premises to search for and seize infringing articles or other evidence relevant to the plaintiff's claim.<sup>20</sup> It is only available where there is an extremely strong *prima facie* case, where the actual or potential damage is shown to be very serious and there must be clear evidence that damaging material is in the defendant's possession and that there is a real possibility of it being destroyed before any application *inter partes* could be made.<sup>21</sup>

### ***Injunctions***

Injunctions are probably the most important remedies available in intellectual property cases.<sup>22</sup> Injunctions are equitable remedies requiring the defendant to either stop doing something or commanding them to do something. They are granted at the discretion of the court, both at common law and under the statutory provisions of the intellectual property regimes. Injunctions can be in the form of an interlocutory or a final injunction. Both types of injunctions are very useful, however, the issue is often resolved at the interlocutory stage

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<sup>20</sup> McKeough, J and Stewart, A, *Intellectual Property in Australia*, second edition, 1997, Butterworths, Sydney, p 43.

<sup>21</sup> *Anton Pillar KC v Manufacturing Processes Ltd* [1976] CH 55 at 62 in McKeough & Stewart, *Ibid*, p 44.

<sup>22</sup> McKeough, J and Stewart, A state that '...there can be little question that injunctive relief has become the dominant remedy in intellectual property cases.' *Ibid.*, p 47.

where the plaintiff must prove that there is a serious question to be tried<sup>23</sup> and that the balance of convenience is in favour of granting the injunction.<sup>24</sup>

## **Damages**

Damages are the primary form of pecuniary relief in intellectual property cases. They are available to a successful plaintiff whether or not an injunction is granted. They are also a discretionary remedy both under common law and the intellectual property statutes. A damages award will aim to compensate the plaintiff for whatever loss can reasonably be traced to the defendant's conduct, whether calculated on an estimate of loss of profit or forgone royalties or some other method determined by the court in a particular case. Where an infringement has been particularly flagrant the common law appears to allow the award of exemplary or punitive damages but the courts are very reluctant to award them. The Copyright Act includes a provision for the award of 'additional damages' where the breach is flagrant (section 115(4)). The ACIP review of enforcement of the patent regime recommended that the Patents Act be amended to insert provisions for exemplary damages, in addition to ordinary compensatory damages or account of profits, along the lines of section 115(4) of the Copyright Act.<sup>25</sup> ACIP considered that if such damages were to be awarded, as they are in the United States, they could have a significant effect in deterring would be infringers.

## **Account of profits**

An account of profits is a discretionary restitutionary remedy which aims to strip the defendant of any ill-gotten gains from infringing another's intellectual property rights. It is an alternative remedy to damages and the plaintiff must elect either an account of profits or damages as their relief. This form of relief has very limited utility because of the difficulty in separating out the profit from the infringement from the other elements of the defendant's business.

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<sup>23</sup> *American Cyanamid v Ethicon* [1975] AC 396,

<sup>24</sup> Eg, *Appleton Papers Inc vTomasetti Paper Pty Ltd*, [1983] 3 NSWLR 208.

<sup>25</sup> 'Review of enforcement of industrial property rights', Advisory Council on Industrial Property, March 1999, recommendation 11, p

### ***Order for delivery up***

This is an ancillary type of relief and involves a court order requiring the defendant to deliver up the goods for either destruction or, in the case of trade mark infringement, the obliteration of the trade mark. The order ensures that the defendant cannot re-offend with those goods.

### ***Trade Marks enforcement provisions<sup>26</sup>***

#### ***Civil proceedings<sup>27</sup>***

##### *Rights given by registration*

Section 20 sets out the rights given by registration of a trade mark. These are the exclusive right, subject to any conditions or limitations of the registration to:

- use the trade mark on the goods and/or services for which the trade mark is registered,
- to authorise others to use the trade mark on the goods and/or services for which the trade mark is registered,
- obtain relief for infringement under the Trade Marks Act

Once registration is granted the rights accrue from date of registration of the trade mark. An authorised user of a trade mark has similar rights regarding the trade mark to that of the registered owner but this is subject to any agreement between the trade mark owner and the registered owner (section 26).

A trade mark is personal property and equities in regard to a registered trade mark may be enforced in the same way as equities in respect of any other personal property (section 21).

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<sup>26</sup> The customs border enforcement provisions have been described above under 1(f) of the terms of reference.

If a trade mark becomes the generic term or symbol for the goods or services for which it is registered then the registered owner ceases to have exclusive rights over the trade mark from the day determined by a court (sections 24 and 25).

### *Infringement provisions*

Section 120 of the Trade Marks Act sets out the behaviour that infringes a trade mark. It states that a person infringes a trade mark if he or she uses as a trade mark:

- a sign<sup>28</sup> that is the same or deceptively similar to the registered trade mark in relation to the goods or services for which the trade mark is registered, or in relation to goods and/or services which are closely related to the goods and/or services for which the trade mark is registered. There is no infringement if the person establishes that using the sign as the person did is not likely to deceive or cause confusion.
- a sign that is well known in Australia and is the same or deceptively similar to the registered trade mark in relation to goods and/or services that are unrelated to the goods and/or services for which the trade mark is registered. This is only an infringement if it is likely that the sign would be taken to indicate a connection between the unrelated goods and/or services and the registered owner of the trade mark.

Sections 122, 123 and 124 sets out a number of exceptions to infringement under section 120.

Non-infringing acts include:

- using in good faith the person's name or their predecessor's name or the name of the person's place of business or the name of their predecessors place of business;
- using the sign in good faith to indicate the kind, quality, intended purpose, value, geographical origin, or some other characteristic of the goods or services or the time of production of the goods or of the rendering of the services;

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<sup>27</sup> See generally *Lahore, Patents, Trade Marks and Related Rights*, Butterworths loose leaf service, volume 1A for a commentary on the procedure regarding trade mark infringement action.

<sup>28</sup> A 'sign' is defined in section 6 as 'the following or any combination of the following, namely, any letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour, sound or scent.'

- using the trade mark in good faith to indicate the intended purpose of goods (in particular as accessories or spare parts) or services;
- using the trade mark for the purposes of comparative advertising;
- exercising a right given to them under the Trade Marks Act;
- where a court is of the opinion that the person would obtain registration of the trade mark in his or her name if he or she were to apply for it;
- using a disclaimed part of a trade mark;
- where the trade mark has been applied to the goods or in relation to the services by or with the consent of the trade mark owner; and
- where a person has continuously used an unregistered trade mark that is the same or similar to the registered trade mark on similar or related goods and/or services from a time prior to the date of registration of the registered trade mark or from a time before the first use by the registered owner or their predecessor in title, whichever is earlier.

An action for infringement of a registered trade mark can be brought in the Federal Court or a Supreme Court of a State or Territory (section 125). Those courts *may* grant relief including an injunction or, at the option of the plaintiff, damages or an account of profits (section 126). The Trade Marks Act also includes a right of action against groundless threats of legal proceedings (sections 129 and 130).

### ***Criminal proceedings***

The criminal offences provisions of the Trade Marks Act are to be found in Part 14 of the Trade Marks Act. The 1995 Act has broadened the criminal provisions from what were available under the *Trade Marks Act 1955*. The 1995 Act provisions almost all require a 'fault' element to be established in the prosecution of offenders with the formula 'intentionally or recklessly' being used in most cases.

Section 145 makes it an offence to, intentionally or recklessly, falsify or unlawfully remove a trade mark where it has been applied to goods that are being, or are to be, dealt with in the course of trade where the person knew or ought to have known that the trade mark was registered.

Section 146 makes it an offence to, intentionally or recklessly, falsely apply a trade mark to goods where those goods are being, or are to be, dealt with in the course of trade.

Section 147 makes it an offence for a person to have in his or her possession a representation of a trade mark or to have in his or her possession or to make a die, block machine, instrument, or to draw, or program a computer or other device to draw a trade mark, knowing or reckless of the fact that it is likely to be used in the course of committing an offence against sections 145 or 146.

Section 148 makes it an offence for a person to sell goods, or expose goods to sale, or have in their possession goods for the purpose of trade or manufacture, or import into Australia for the purpose of trade or manufacture, goods that have had applied to them a falsified registered trade mark, or have unlawfully had removed from them a registered trade mark or have had a registered trade mark falsely applied to them.

The penalties under sections 145-148 are a maximum of 2 years imprisonment or a fine of up to 500 penalty units (at \$110 per unit). Under section 4B(3) of the *Crimes Act 1914* (Cth) (Crimes Act) a court may impose on a body corporate convicted of an offence, a penalty of up to 5 times the amount of the fine that could be imposed on a natural person convicted of that offence.

Section 150 makes it an offence to aid, abet, counsel or procure in any way, directly or indirectly, the doing of an act outside Australia which, if it were done in Australia, would be an offence against the Trade Marks Act. The person is taken to have committed that offence and is punishable accordingly. Section 5 of the Crimes Act also has effect to punish a person who aids, abets etc a crime as if they had committed the crime. The Crimes Act also makes it an offence to be an accessory after the fact (section 6) and to attempt to commit a crime under a Commonwealth statute (section 7). Conspiracy to commit a crime may also be punishable under the common law.<sup>29</sup>

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<sup>29</sup> *R v Orton*, (1922) VLR 469 per Cussen J in *Lahore, Patents, Trade Marks and Related Rights*, Butterworths loose leaf service, volume 1A, [60,070].

Under section 151 it is an offence to make false representations regarding trade marks. For example under subsection 151(1) it is an offence to make a representation that a trade mark is registered unless the person knows or has reasonable grounds to believe that the trade mark is registered. The penalty under section 151 is 60 penalty units (at \$110 each unit).

IP Australia is not aware of the statistics on prosecutions under these provisions, however, it appears that, as with copyright enforcement, the Australian Federal Police are most likely to target for investigation large-scale operations, especially where they have assistance from the intellectual property owners.<sup>30</sup> This is in line with the priorities identified for the Australian Federal Police by Ministerial Direction under section 13(2) of the *Australian Federal Police Act*.<sup>31</sup>

## ***Patent enforcement***

### ***Reviews of patent enforcement***

It is widely acknowledged that the cost of taking action in the courts to defend or affirm one's legal rights in any area of the law is usually a costly and drawn out process. These issues have also been raised specifically in relation to the enforcement of intellectual property. Resulting from this kind of concern, there have been two reports produced on enforcement issues relating to patents in the last eight years. The first was a report by the Industrial Property Advisory Committee (IPAC), entitled *Enforcement of Industrial Property Rights*, which was published in 1992. In early 1988 the then Minister for Science asked IPAC to report on whether the practice and procedures for the enforcement of industrial property rights in Australia could be improved so as to ease the cost for Australian industry and reduce the time involved in such enforcement. The IPAC report concentrated mainly on reforms to litigation and court procedures. As the courts themselves had control over these areas it was not within the government's power to initiate many of the reforms suggested. Although the Government of the day did not respond to the IPAC report, many of its recommendations have since been incorporated into court rules and procedures

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<sup>30</sup> Australian Federal Police Submission to the House of Representatives Standing Committee on Legal and Constitutional Affairs Inquiry Into Enforcement of Copyright in Australia, June 1999, p 6.

<sup>31</sup> *Ibid.*, p 2.

The body that succeeded IPAC, the Advisory Council on Industrial Property (ACIP)<sup>32</sup>, was asked in June 1996, by the then Minister for Science and Technology, to examine the issues relating to enforcement of industrial property. As part of its examination of the issue the Council reviewed the status of the recommendations of the 1992 IPAC report. ACIP found that many of the IPAC recommendations had been considered by the courts when formulating changes to procedures for their industrial property lists. Further changes to court procedures, which arose from broader reviews of the legal system, had also overtaken other IPAC recommendations. ACIP found that the changes to court procedures such as the introduction of the 'docket' case management system had led to some reduction of cost and delay and that further reductions were likely to occur as the changes were bedded down.

However, ACIP commented that the inherent threshold costs of litigation still appeared to represent a prohibitive barrier for many industrial property owners seeking to enforce their rights and to others who might wish to test those rights. Estimates as to the average cost of a patent infringement case in Australia range from as low as \$20,000 to over \$1,000,000, although a general estimate is that typical costs per party range from \$50,000 to \$250,000.<sup>33</sup> Factors affecting the cost of actions include whether the case was finalised at the interlocutory injunction stage or whether a full trial was completed and how much the rights were worth to the litigants. Where the rights in question are worth large sums of money the associated legal actions inevitably reflect that fact. For example litigants in an action regarding a patent that is potentially worth millions of dollars will spend more on legal actions than litigants in an action regarding a trade mark used in relation to a small business.

As discussed above ACIP obtained statistics from the Federal Court showing that the percentage of patent rights for which civil actions are filed is around .04% of granted rights. It is acknowledged that the numbers of cases filed in the courts is not an indication of the number of enforcement actions taken<sup>34</sup> and merely represents the tip of the iceberg. Because of time pressures ACIP's report, *Review of the enforcement of industrial property rights*, was

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<sup>32</sup> ACIP is an independent body created to advise the IP Australia and the Minister for Industry, Science and Resources on issues to do with industrial property and the administration of IP Australia.

<sup>33</sup> *The Role of Intellectual Property in Innovation-Vol. 1, Strategic Overview*, Prime Minister's Science and Engineering Council, 1993, p 19.

<sup>34</sup> Enforcement actions come in many different forms including warning off letters, negotiation and sale or assignment of rights.



restricted to an examination of patent enforcement and it the Council stated an intention to conduct a further study on trade mark enforcement at a later stage. The ACIP report proposed a number of changes to the enforcement system, the general features being:

- providing better education and awareness programs to users and potential users of industrial property;
- providing an increased presumption of validity of patents;
- providing improved appeal mechanisms and procedures for the review processes within IP Australia;
- increasing the specialisation of Intellectual Property judges;
- providing for increased damages awards against infringers; and
- introducing provisions relating to the importation of infringing material.

The Government is currently considering its response to the report.

## ***Patent enforcement provisions***<sup>35</sup>

### ***Civil proceedings***

Unlike the Trade Marks and Designs Acts there is no definition of infringement in the Patents Act. Section 13 of the Patents Act provides that, subject to the Act, a patent gives the patentee the exclusive rights, during the term of the patent, to exploit the invention and to authorise another person to exploit the invention. It also states that exclusive rights are personal property and are capable of assignment and of devolution by law.

To prove infringement:

...a patentee must show that an alleged infringer has done an act included in the definition of 'exploit' in respect of the invention as claimed in any one or more of the valid claims of the patent.<sup>36</sup>

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<sup>35</sup> See generally *Lahore, Patents, Trade Marks and Related Rights*, Butterworths loose leaf service, volume 1 for a commentary on the procedure regarding patent infringement action.

<sup>36</sup> *Lahore, Patents, Trade Marks and Related Rights*, Butterworths loose leaf service, volume 1, [18,000].

'Exploit', in relation to an invention, is defined in Schedule 1 of the Act as including:

- (1) where the invention is a product - make, hire, sell or otherwise dispose of the product, offer to make, sell or hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or
- (2) where the invention is a method or process - use the method or process or do any action mentioned in paragraph (a) in respect of a product resulting from such use.

Only the patentee or an exclusive licensee have standing to take infringement actions (sections 3 and 120).

The almost inevitable consequence of taking an infringement action is that the defendant will counter claim that the patent is not valid. The legislation explicitly states that 'A defendant in infringement proceedings may apply by way of counter-claim in the proceedings for the revocation of the patent.'<sup>37</sup> Section 20 states that nothing done under the Patents Act guarantees that the patent is valid: the court is the body that decides whether a claim is valid or not.

An action for infringement of a granted patent can be brought in the Federal Court or a Supreme Court of a State or Territory (section 154/155). Those courts *may* grant relief including an injunction or, at the option of the plaintiff, damages or an account of profits (section 122). However, section 123 provides that a court may refuse to award damages or an account of profits if, at the date of infringement, the defendant was not aware, and had no reason to believe, that a patent for the invention existed. If patented products were marked so as to make it clear they were under patent, and the products were sold in the patent area to a substantial extent before the date of infringement, then the defendant is taken to be aware of

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<sup>37</sup> Section 121 of the Patents Act.

the existence of the patent unless the contrary is established (section 123). The Patents Act also includes a right of action against unjustified threats of infringement proceedings (sections 128 and 129).

As stated above one of the recommendations of the ACIP review of patent enforcement is that the courts should be able to award 'additional damages' where the patent infringement is flagrant along the lines of the award available under section 115(4) of the Copyright Act.<sup>38</sup>

### ***Criminal Provisions***

Section 178 makes it an offence for a person to falsely represent that he or she is the patentee of an invention or that an article sold by him or her is patented or the subject of a patent application. Section 178(4) prohibits the prosecution for an offence under section 178 without the consent of the Minister or a person authorised by the Minister.

### ***Designs enforcement***

#### *Australian Law Reform Council Report on Designs*

In its 1995 report on designs policy and legislation, the Australia Law Reform Commission (ALRC)<sup>39</sup> stated that:

...the current system of registered design rights needs to be improved by clearer definitions, stricter eligibility and infringement tests, a more streamlined registration system and better enforcement and dispute resolution procedures.

The ALRC found that the current Designs Act does not strike an effective balance between users of the system and the public interest as it does little to prevent 'free riding'. One of the major problem areas of enforcement under the current Designs Act is that the definition of infringement of registered designs has been very narrowly defined by the courts. The ALRC report states that:

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<sup>38</sup> 'Review of enforcement of industrial property rights', Advisory Council on Industrial Property, March 1999, recommendation 11, p

<sup>39</sup> Australian Law Reform Commission, Report no. 74, *Designs*, Commonwealth of Australia, June 1995, p5.

The terms of reference given to the Commission impel reform of the infringement provisions. They refer specifically to the need to 'remove difficulties that have arisen in the operation of the Designs Act 1906'. A major impetus for this review is the strong concern, clearly expressed during the Commission's consultations, about the narrow scope of protection given to designs by the courts' interpretation of the Act. These concerns escalated as a result of the decision in *Firmagroup [Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd (1987) 9 IPR 353]*.<sup>40</sup>

The courts' interpretation of the infringement provisions effectively means that small alterations to a registered design will result in the court finding that the registration is not infringed.<sup>41</sup> Obviously this makes it very difficult for design owners to enforce their design registrations.

On 16 February 1999 the Government announced that, resulting from the ALRC's report, significant changes to the designs legislation will be made, including amendments to the infringement provisions so that they better meet the needs of design owners.<sup>42</sup> The Government expects that the new designs system will be in place by early 2001.

#### *Statistical information on designs enforcement*

IP Australia does not have statistical information on enforcement actions taken in regard to designs registrations. However, in its report on Designs, the ALRC commissioned a major survey of designs users in which they asked questions on some enforcement issues.<sup>43</sup> A significant number of the 76 respondents to the survey had been involved in a dispute over a registered design (87%). Of these:

- 26% resolved the dispute by warning off letters;

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<sup>40</sup> ALRC report, p 110.

<sup>41</sup> ALRC report, p 111

<sup>42</sup> See attached Government Response to the Australian Law Reform Commission's Recommendations.

<sup>43</sup> See Appendix C, 5. Disputes, ALRC report.

- 33% did not proceed to litigation specifically because the costs of enforcement were too high;
- 17% did not proceed to litigation because the law was too uncertain;
- 9% of respondents had been advised by legal practitioners not to litigate; and
- 17% negotiated a settlement.

Fourteen of the disputes (18%) proceeded to litigation. Of these 6 obtained an injunction, 2 obtained orders for damages, 2 obtained orders for an account of profits, 2 lost the case and for 2 respondents the case was still on foot at the time of the survey. In no cases were both an injunction and damages/an account of profits ordered.<sup>44</sup> Seventy-five per cent of registered designs owners who had been involved in litigation were found to be unhappy with the result. 'This was primarily due to the high costs of legal action and the unlikelihood of recompense regardless of the result.'<sup>45</sup>

## ***Designs enforcement provisions***

### ***Civil proceedings***

The right granted by a design registration is the monopoly in that design (section 25). The rights of an owner with respect to a registered design are personal property and are capable of assignment and transmission by operation of law (section 25C). Rights to sue for infringement accrue from the date of registration (section 27A(1)) but can only be initiated after acceptance of the design for registration.

Section 30 of the Designs Act broadly states that person will infringe the monopoly in a registered design the person:

- applies the design or any fraudulent or obvious imitation of it, or sells, offers or keeps for sale, or offers or keeps for hire any article in respect of which the design is registered; or
- imports into Australia for sale, or for use for the purposes of any trade or business, any article in respect of which the design is registered and to which the design or any

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<sup>44</sup> *Ibid.*

fraudulent or obvious imitation of it has been applied outside Australia without the licence or authority of the person who was the owner of the registered design at the time when the design or imitation was so applied.

In an action or proceeding for the infringement of the monopoly in registered design a defendant may counter-claim that the design registration is not valid and should be expunged from the Register of Designs (section 32).

Actions for infringement can be instituted in a prescribed court or a court that is not prescribed (section 31). The remedies available for infringement of a registered design include an injunction and, at the option of the plaintiff, an award of damages or an account of profits (section 32B). However a court may refuse to make an award of damages or an account of profits where the defendant satisfies the court that, at the time of the infringement, he or she was not aware that the design was registered or that he or she had, prior to that time, taken all reasonable steps to ascertain whether a monopoly in the design existed (section 32B(2)).

Section 32C allows an action for relief from unjustified threats of infringement or similar proceedings (section 32C).

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<sup>45</sup> ALRC report, para 13.5.