

1992

THE PARLIAMENT OF THE COMMONWEALTH OF
AUSTRALIA

SENATE

INDUSTRY, TECHNOLOGY AND COMMERCE
LEGISLATION AMENDMENT BILL 1992

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendments and New Clauses to be Moved on Behalf of
the Government

(Circulated by authority of the
Minister for Industry, Technology and Commerce,
Senator the Hon. John N. Button)



AMENDMENTS OF THE INDUSTRY, TECHNOLOGY AND COMMERCE LEGISLATION AMENDMENT BILL 1992

OUTLINE

These amendments give effect to measures recently announced by the Minister for Industry, Technology and Commerce and the Minister for Science and Technology to stiffen the penalties for falsely describing goods and for counterfeiting and forgery of trade marks. The amendments also make it clear that indefiniteness in extent in one or two dimensions of the article to which a design is applied should not be taken into account when determining the registrability of the design. The amendments amend the *Commerce (Trade Descriptions) Act 1905*, the *Designs Act 1906* and the *Trade Marks Act 1955*.

Amendments of the Commerce (Trade Descriptions) Act

The amendments of the Commerce (Trade Descriptions) Act substantially increase the penalties under the Act.

Amendment of the Designs Act

The amendment of the Designs Act makes it clear that indefiniteness in extent in one or two dimensions of the article to which a design is applied should not be taken into account when determining the registrability of the design.

The amendment is necessitated by two recent court decisions which have the undesired effect of invalidating many registered designs. It is retroactive in order to preserve the validity of current registrations. This retrospectivity is limited to 16 years before the first of the court decisions (16 years being the maximum period during which a design registration can be in force). Provision is also made for the protection or compensation of persons who acted in the belief that the registration of a design was invalid as a consequence of the decisions.

Amendments of the Trade Marks Act

The amendments of the Trade Marks Act are based on the anti-counterfeiting/forgery recommendations of the report of the Working Party to Review the Trade Marks Legislation, *Recommended Changes to the Australian Trade Marks Legislation*, July 1992, (recommendations 53-56).

The amendments prescribe substantially stiffer penalties for forging registered trade marks and dealing in counterfeit goods.

They also incorporate the concept of implied knowledge on the part of the defendant to cover both actual knowledge and recklessness and provide for the characteristics of the defendant and the surrounding circumstances to be taken into account in proceedings under Part XIII of the Trade Marks Act. Other minor changes include limiting the offence of importing counterfeit goods to importation for commercial purposes and extending what is to be taken to be trade mark forgery.

Consequential changes include removing a defence that would be incompatible with the operation of the new provisions and ensuring that forfeiture will continue to be available as a penalty in privately prosecuted cases.

Recommendations 54B, 54C and 56 of the Report have not necessitated new or amended legislation as the *Crimes Act 1914* operates to the desired effect.

FINANCIAL IMPACT STATEMENT

The amendments of the Commerce (Trade Descriptions) Act and the Trade Marks Act are expected to result in an increase in Revenue receipts.

NOTES ON CLAUSES

AMENDMENT (1) — PART 1 - PRELIMINARY**Clause 2 — Commencement**

1. This clause substitutes a new section 2. It provides for commencement of the Act upon the Royal Assent (subsection 2(1)) except for new Part 2B (Amendment of the *Designs Act 1906*) which is retroactive to 30 July 1975 (new subsection 2(2)).

2. The retrospective date of commencement of new Part 2B is necessary to preserve existing registered design rights. It predates by 16 years the judgement of the first of two court decisions which have the undesired effect of invalidating many registered designs. The provisions of new Part 2B will remedy this unintended effect. The retrospective period of 16 years derives from the maximum period during which a design registration can be in force.

AMENDMENT (2) — PART 2A - AMENDMENTS OF THE COMMERCE (TRADE DESCRIPTIONS) ACT 1905**Clause 4A — Principal Act**

3. Formal.

Clause 4B — Notice of intention to import**Clause 4C — Importation of falsely marked goods****Clause 4D — Penalty for applying false trade description to exports**

4. Clauses 4B, 4C and 4D amend sections 6, 9 and 12 of the Act. The amendments will substantially increase the penalties for failing to give notice of an intention to export, for falsely describing imported goods or for applying false trade descriptions to goods intended for export.

AMENDMENT (3) — PART 2B - AMENDMENT OF THE DESIGNS ACT 1906**Clause 4E — Principal Act**

5. Formal.

Clause 4F — Design may include functional features or be of indefinite dimension

6. Clause 4F inserts new subsections 18(2), (3) and (4). New subsection 18(2) will make it clear that indefiniteness in extent in one or two dimensions of the article to which a design is applied should not be taken into account when determining the registrability of the design. The new provisions will remedy the undesired effect of the recent decisions of the Federal Court in *Bondor Pty Ltd and Others v National Panels Pty Ltd* 102 ALR 65 and in *Brisbane Aluminium Fabricators and Supplies Pty Ltd v Techni Interiors Pty Ltd* 23 IPR 107 in which it has been held, amongst other things, that designs for articles of uniform cross-section but of indefinite length are not registrable under the Designs Act. Registered designs for articles such as extruded door frame or glazing jamb sections are therefore

invalid on the basis of those decisions. Designs which are registered for articles having not only indefinite length but also having indefinite width or height (such as wallpaper or textile fabrics) could also be of no force in the light of the decisions.

7. New subsection 18(3) will provide for the protection or compensation of persons who acted in the belief that the registration of a design was invalidly made as a consequence of the recent court decisions so far as they relate to indefiniteness of extent of an article. It is intended that the protection or compensation will be by way of a licence along the lines of that currently provided by regulations 29, 29A and 29B of the Designs Regulations as part of the protection or compensation provisions associated with extensions of time.

8. New subsection 18(4) will cite the relevant decisions of the Federal Court.

9. In order to preserve existing design rights, the new provisions will be retroactive to 16 years before the date of judgement of the *Bondor* case, the first of the court decisions (see subclause 2(b)).

AMENDMENT (4) — PART 5 - AMENDMENTS OF THE TRADE MARKS ACT 1955

Clause 14 — Principal Act

10. Formal.

Clause 15 — Forgery etc. of trade marks

11. Subclause 15(a) substitutes a penalty of two years' imprisonment for the existing penalty of \$5000 or imprisonment for two years (in the case of a natural person) or \$25,000 (in the case of a body corporate). The *Crimes Act 1914* will operate to the effect of setting pecuniary penalties of \$12,000 for a natural person and \$60,000 for a body corporate. In all cases, the penalties will be maximum penalties by virtue of the Crimes Act.

12. Subclause 15(b) omits subsection 98(2) which provides a defence that will not be compatible with the operation of amended section 106 (see clause 17).

Clause 16

13. This clause substitutes new sections 99 and 100 of the Act and repeals section 101 of the Act which provides for forfeiture to the Commonwealth of offending articles. Forfeiture of tainted property is provided for in Division 2 of Part 2 of the *Proceeds of Crimes Act 1987* and new section 107A (see clause 18).

Selling etc. goods with false marks

14. Subsections 99(2) and (3) will prescribe new penalties of a maximum of two years' imprisonment, or a fine of \$500 per item up to a maximum of \$50,000 for a natural person, or both. The *Crimes Act 1914* will operate to the effect of setting \$250,000 as the maximum pecuniary penalty for a body corporate. This will give the courts added flexibility to impose substantial penalties when warranted. By virtue of section 4G of the Crimes Act, an offence under section 99 will be indictable.

15. New subsection 99(4) will provide for both actual knowledge and implied knowledge (arising from "ought reasonably to have known") of the counterfeit nature of the goods being sold etc, to be taken into account in establishing a contravention of subsection (1). It will also provide for the characteristics of the defendant and the surrounding circumstances to be taken into account. The defence provided by subsection

99(2) will not be carried over as it will be incompatible with the operation of the new section.

16. The fact of entry in the Register of Trade Marks will continue to be available as evidence amongst all the evidence relevant to the question of whether or not the defendant knew or ought reasonably to have known that the trade mark was registered.

Importing goods with false marks

17. New section 100 will be limited to importation for commercial purposes. This will ensure that the seizure-at-barrier provisions of the Act (section 103) will apply uniformly to all alleged offending imports. It will also ensure that Australia's barrier control provisions, so far as they relate to imported counterfeit goods, will not be out of step with those of other OECD countries.

18. New penalties will be prescribed in subsections 100(2) and (3) of a maximum of two years' imprisonment, or a fine of \$500 per item up to a maximum of \$50,000 for a natural person, or both. The *Crimes Act 1914* will operate to the effect of setting \$250,000 as the maximum pecuniary penalty for a body corporate. This will give the courts added flexibility to impose substantial penalties when warranted. By virtue of section 4G of the Crimes Act, an offence under section 100 will be indictable.

19. New subsection 100(4) will provide for both actual knowledge and implied knowledge (arising from "ought reasonably to have known") of the counterfeit nature of the imported goods to be taken into account in establishing a contravention of subsection (1). It will also provide for the characteristics of the defendant and the surrounding circumstances to be taken into account.

20. The fact of entry in the Register of Trade Marks will continue to be available as evidence amongst all the evidence relevant to the question of whether or not the defendant knew or ought reasonably to have known that the trade mark was registered.

Clause 17 — What taken to be forgery of trade mark

21. Clause 17(a) substitutes a new subsection 106(1). The new provisions will provide for knowledge of the registration of a trade mark to be taken into account in establishing whether a person is taken to have forged a registered trade mark. The deeming provisions will also be extended to the unauthorised making of a registered trade mark which retains its essential characteristics despite additions or alterations which might transform the mark so that it can no longer be claimed to be identical or "substantially identical" with the mark as registered.

22. Clause 17(b) adds new subsection 106(3). The new provisions will provide for implied knowledge (arising from "ought reasonably to have known") of the registration of the trade mark and the characteristics of the defendant and the surrounding circumstances to be taken into account in establishing a contravention of subsection (1).

23. The fact of entry in the Register of Trade Marks will continue to be available as evidence amongst all the evidence relevant to the question of whether or not the defendant knew or ought reasonably to have known that the trade mark was registered.

Clause 18 — Forfeiture orders under the *Proceeds of Crime Act 1987*

24. This clause inserts a new section 107A. Consequential on the repeal of section 101 (see clause 16), the forfeiture provisions of the *Proceeds of Crime Act 1987* will be relied upon for prosecutions by the Director of Public Prosecutions. New section 107A will modify the application of the *Proceeds of Crimes Act* to ensure that the same forfeiture provisions will be able to be relied upon in cases that are privately prosecuted. Section 13 of the *Crimes Act 1914* provides for private prosecutions under Part XIII of the Trade Marks Act.

Clause 19 — Subsections 99(1) and 100(1) may be dealt with summarily in certain circumstances

25. This clause substitutes a new section 118A. The provisions will prescribe the lesser penalties of up to 12 months' imprisonment, or a fine of \$500 per item up to a maximum of \$10,000 for natural person, or both, for contraventions of subsections 99(1) or 100(1) which are dealt with summarily. By virtue of the *Crimes Act 1914*, the maximum pecuniary penalty for a body corporate will be \$50,000. The provisions of new section 118A will be required notwithstanding the provisions of section 4J of the Crimes Act, which provide for certain indictable offences to be dealt with summarily, because the provisions of subsection 4J(3) of the Crimes Act do not prescribe pecuniary penalties on a per item basis.

