



Law Council
OF AUSTRALIA

Business Law Section

Professor Ian Harper
Chair
Competition Policy Review Panel
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: contact@competitionpolicyreview.gov.au

19 June 2014

Dear Professor Harper,

Policy Review – Parallel Imports of Trade Marked Goods

- 1 The Intellectual Property Committee of the Business Law Section of the Law Council of Australia (**IPC**) welcomes the opportunity to make a submission in response to the *Competition Policy Review Issues Paper*.
- 2 The IPC notes that question 2.9 of the *Competition Policy Review Issues Paper* makes specific reference to parallel imports: 2.9 Should any current restrictions on parallel importation be removed or altered in order to increase competition?¹. Submissions no doubt will be made to the panellists undertaking this review relating to aspects of the parallel importation of trade marked goods. However, given the scope and timing of this review, it seems unlikely that it will involve the comprehensive examination of the parallel importation of trade marked goods that the IPC considers needs to be undertaken. Further, it is noted by the IPC that no detailed analysis or empirical study will take place by the Panel during the Competition Policy Review itself².
- 3 The IPC wishes to bring to the Panel's attention the concerns that its members have had for some time regarding the provisions in the *Trade Marks Act 1995 (the Act)* relating to parallel importation. These concerns are due in part to the lack of clarity surrounding these provisions in the light of several recent decisions of the courts.
- 4 The regulation of parallel importation of trade marked goods has long been a contentious issue involving conflicting principles and policies which need careful balancing and periodic

¹ The IPC also notes the references in the Competition Policy Review Issues Paper (dated 14.4.2014) to consumer implications for choice and quality of service (at p6), the restrictions on competition from, for example, the granting of IP rights (at 2.2), the concerns regarding international price discrimination particularly in the area of IT products which has lead to Australians paying a much higher price for such products (at 2.6), the recent Canadian law dealing with country specific price discrimination against Canadian consumers (at 2.7) and the various empirical reviews undertaken thus far in respect of IP summarised in The Productivity Commission's Trade and Assistance Review 2011-2012 referred to above (at 2.18).

² Page 4 at para 8

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review to ensure that the regulation continues to serve the public interest³. For this reason and the reasons set out below, the IPC considers that the situation has been reached where a comprehensive examination of the parallel importation of trade marked goods should be undertaken to determine the costs and benefits of permitting (or not permitting) such parallel imports into Australia. It is important that this examination include detailed empirical investigations which have not been carried out in the past, even when the current laws regarding parallel importation were introduced in 1995. Such an examination will enable the Government to review and reassess its policy position and then take action to make the law clear, certain and consistent with that policy.

Problems with the current statutory provisions

- 5 The IPC notes that in the past government policy in the area of registered trade marks has supported parallel importing. This is seen in section 123 of the *Trade Marks Act 1995* (**section 123**) which provides that a person who uses a registered trade mark in relation to goods that are similar to goods in respect of which the trade mark is registered does not infringe the trade mark 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. (Section 123(2) provides similarly in relation to services.) While some doubt surrounds the position, recent Full Federal Court decisions have held that a parallel importer of goods bearing a registered trade mark will infringe the registration unless the parallel importer is excused by section 123.
- 6 However, in light of several significant decisions by the courts, it has become very difficult to advise clients on what is, or is not, a legitimate parallel import. For example, recent decisions of the Federal Court suggest that the defence provided by section 123 may not apply where:
 - (a) the trade mark is applied to goods manufactured overseas pursuant to a licence from the Australian trade mark owner, but sold or supplied outside the scope of the licence;
 - (b) the trade mark is applied by a company within the same corporate group as the Australian trade mark owner, but the related company's licence excludes sales to Australia;
 - (c) the Australian registered trade mark has been assigned to an independent Australian distributor or licensee or to a company within the same corporate group as the previous Australian trade mark owner;
 - (d) the Australian registered trade mark has been assigned to an Australian distributor/licensee, although the trade mark owner in the country of origin holds an assignment back which is not dated or registered, or where there is an obligation to assign the trade mark to the overseas owner on demand.
- 7 In addition, section 123 operates as a defence so the onus lies on the importer or retailer to prove all the requirements of the defence have been satisfied. This is typically very difficult to satisfy. The members of the IPC are aware that some Australian retailers and importers

³ The IPC notes that this is consistent with the recommendations made by The Productivity Commission in its Trade and Assistance Review 2011-2012 at 94-96

are therefore avoiding the risks associated with parallel imports for fear of engaging in criminal conduct and being labelled a counterfeiter.

- 8 Trade mark owners also frequently claim that an Australian importer or retailer which purchases parallel imports from an overseas distributor commits the tort of inducing a breach of the contract between the trade mark owner and the distributor.
- 9 The problems associated with the points (c) and (d) above have been known for some time. Indeed, in its report on the *Review of intellectual property legislation under the Competition Principles Agreement*, September 2000, the Intellectual Property and Competition Review Committee recommended that “the Trade Marks Act be amended to ensure that the assignment provisions are not used to circumvent the intent to allow the parallel importation of legitimately trade marked goods”, a recommendation that was accepted by the Government. While several initiatives to implement this recommendation were commenced, none were completed.

Other problems

- 10 Trade mark owners have expressed concern in relation to the following circumstances where their goods have been parallel imported into Australia, concerns the IPC consider should be taken into account in any examination or review of the parallel importation of trade marked goods.
 - (a) Where the parallel imported goods are new but the condition of the goods has been changed or impaired without the consent of the Australian trade mark owner.
 - (b) Where the parallel imported goods are materially different from goods that are also being supplied in Australia by or with the consent of the Australian trade mark owner.
 - (c) When those responsible for parallel importing the goods do not provide spare parts or warranties comparable to those provided in relation to the goods supplied in Australia by or with the consent of the Australian trade mark owner.
 - (d) Where those responsible for parallel importing the goods tamper with the packaging of the goods. Concern is particularly expressed where lot number codes are removed making it difficult to establish the age of the products or identify the products in the event of a safety recall.
- 11 The circumstances identified in points (a), (b) and (c) immediately above can result in blame being attributed to the Australian trade mark owner which in turn results in damage to the owner’s goodwill and a diminution in the value of the registered trade mark.
- 12 Parallel imported goods can also be used to prevent the detection of counterfeit goods entering the country. Some trade mark owners have had experience with counterfeit goods being packaged in containers surrounded by parallel imported goods.
- 13 If the recommendations of the Working Party to Review the Trade Marks Legislation (**Working Party**) had been implemented, section 123 would not have provided a defence to the parallel importation in the circumstances identified in points (a) and (b) immediately above. In particular, in recommendation 22D(4) in its report *Recommended Changes to the Australian Trade Marks Legislation*, 1992 the Working Party recommended that :

“A registered trade mark is not infringed by
(4) the use of the trade mark on goods imported into Australia provided that:
(i) the mark has been applied to the goods by or with the consent of the trade mark proprietor;
(ii) in the case of new goods the condition of the goods has not been changed or impaired; and
(iii) where the goods are also being supplied by or with the consent of the registered proprietor, the goods the subject of the importation are not materially different from the first-mentioned goods;”

Conclusion

- 14 In conclusion, the IPC reiterates its view that a comprehensive examination of the parallel importation of trade marked goods including empirical investigations should be undertaken to enable the Government to review and reassess its policy position and then to take action to make the law clear, certain and consistent with that policy.
- 15 If you have any questions regarding this submission or would like further information or background to that raised in this submission, please contact the Committee Chair, Richard Hamer, by phone on 03-9613 8853 or via email: Richard.Hamer@allens.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Keeves', with a long horizontal stroke extending to the right.

John Keeves
Chairman, Business Law Section