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Counterfeit (Copycat) Goods Under Australian Law

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Introduction

It has been estimated that losses in the United States from counterfeiting in 1988 exceeded $60 billion, accounting for at least 15% of the U.S. trade deficit.[1] The Australian losses, due to inadequate laws and enforcement of intellectual property rights, are much lower. The application of trade sanctions by the United States against those countries that do not enforce relevant protective legislation has been mainly responsible for an improvement in the situation as far as Australia is concerned.

There are major areas of disagreement between the United States and Australia including the scope of copyright, performers and broadcast rights, design protection and whether patent rights should be available on *first to file* or a first *to invent* basis, with Australia following the European practice of *first to invent.*[2]

The law on intellectual property in Australia derived largely from that of the United Kingdom although the regulatory detail has become more dissimilar.[3] It includes common law and equitable principles as well as statutory sources. The Australian legislative power to regulate this area comes from $51 of the Constitution, which permits Australia to make laws respecting copyrights, patents and designs and trademarks.

In addition to the protection of creative effort and the resulting products, the commercial exploitation of such effort has generated another protectable commodity, i.e. the protection of a reputation or good name and the "integrity of the connection between a business and its customers."[4] The protection of this type of proprietary interest is covered by the statutory prohibition on misleading or deceptive conduct or the common law tort *of passing off.*[5]

It has also been held by the High Court that Australia may "implement protective regimes that are the subject of an international treaty or agreement to which Australia is a party."[6] However, some forms of intellectual property

[1] J. McKeough & A. Stewart, Intellectual Property in Australia 390 (Sydney, Butterworths, 1991).

[2] Id. at 393.

[3] Id. at 5.

[4] Id. at 273.

[5] Id. at 275.

[6] Id.

activity as defined by the World Intellectual Property Organization are not protected under Australian law, including moral rights, scientific discoveries, intangible forms of cultural heritage, and unfair competition.[7]

Copyright

Original works of authorship are protected under the Australian Copyright Act of 1968.[10] Copyright protection arises upon the creation of the work and only exists if the work is embodied in material form.[11] There is no system for copyright registration. Although copyright notice is not required, it is recommended and should be placed in a prominent place. There is an obligation to deposit certain works at the National Library; however, failure to do so would not affect the existing copyright. There is also a copyright in computer programs[12] which includes any subsequent adaptation of the program.

The copyright in a literary, dramatic, musical or artistic work lasts for fifty years beyond the death of the author.[13] Copyright also exists for television and radio broadcasts, sound recordings and published editions of works.[14]

The author of a work is usually the owner unless a contract of employment or other contract would determine otherwise. The owner has the exclusive right to reproduce, publish, perform or broadcast his or her work as well as the exclusive right to make adaptations or derivative versions of the work.[15] This also embodies the right to authorize another to do these acts in relation to the work.[16] The Copyright Act contains anti-piracy provisions which makes it an offense to make, trade, sell, import or distribute any article known to be an infringing copy of a work.[17]

[7] Id. at 11.

[8] The outline for the overviews for several of the topics under this section were derived largely from Intellectual Property World Desk Reference (Boston, Kluwer, 1992) and Freehill, Hollingdale & Page, Doing Business in Australia 12--1-114 (N.Y., Matthew Bender, 1992).

[9] Australia is a party to the following international conventions dealing with copyright: Berne Convention for the Protection of Literary and Artistic Works, 1886; University Copyright Convention, 1952; Rome Convention for the Protection of Performers, Producers of Phonoprograms and Broadcasting Organizations, 196 1; Geneva Convention for the Protection of Producers of Phonograms..., 1971; Brussels Convention Relating to the Distribution of Programme-Carrying Signals..., 1974; and the Vienna Agreement for the Protection of Typefaces..., 1973.

[10] Copyright Act of 1968, as amended.

[11] *Id.* 22(1).

[12] *Id.* 10(1).

[13] *Id.* 10(1), 33(2).

[14] *Id.* 89-92.

15 Id. 31(1)(a).

16 Id. 13(2).

17 Id. 132(1).

Fines are levied for conviction under the Act ranging from $500 to $7,500 and six months to two years for a first offense and $1,500 to $15,000 and up to five years for a second offense. When an offense involves a number of articles or infringements, the fines may range from $10,000 to $250,000 depending on the court and whether the defendant is a natural person or a corporation.[18] Remedies include injunctive relief and damages. In cases where the plaintiff is concerned that the offending evidence may be destroyed, the courts may permit an action to enter the defendant's property to seize the offending materials.[19]

There is currently a great deal of activity concerning reviewing and reforming the copyright legislation, including the following major areas:

- new right of transmission to the public to replace the present broadcasting and diffusion right;
- recognition of moral rights of integrity and attribution of authorship;
- new allocation of rights between publishers and employee journalists;
- investigation of complaints relating to *collecting societies*;
- review of rights for computer software protection;
- development of proposals for performers' copyright;
- implementation of TRIPS requirements concerning commercial rental rights, for computer programs and sound recordings, enhanced customs seizure provisions and an extended protection for performers;
- increased awareness and protection for the rights of indigenous creators; and
- the call for a comprehensive review and simplification of the Copyright Act, taking into account relevant international developments and obligations; as well as the "laws and experience of Australia's major partners in international-copyright related trade."[20]

Circuit layouts/integrated circuits[21]

Circuit layouts are protected for a period often years after which they become part of the public domain.[22] It is an infringement of the owner's right to copy the layout or to make an integrated circuit in accordance with such layout. The faw prescribes the marking of layouts with *prescribed labels* including the name of the maker as well as the country and year in which it was commercially exploited. The owner of the EL (eligible layout) rights may bring an action for an infringement, seeking an injunction and either damages or an account of profit.[23] An exclusive licensee of the circuit layout may also have the right to commence an action with the same rights and remedies as the owner.[24]

[18] Id. 133.

[19] Id. 115(2); see also, McKeough & Stewart, supra note 1, at 165. This type of action is called an Anton Pillar Order and is used largely in recording, video and software piracy [note 86].

[20] S. Ricketson, *Reform of Australia's Intellectual Property Law, 69* The Law Institute Journal 1127-1128 (1995).

[21] Australia is a signatory of the Washington Treaty on the Protection of Intellectual Property in Respect of Integrated Circuits, 1989.

[22] The Circuit Layout Act of 1989.

[23] *Id.* 19.

[24] *Id.* 30.

Design protection[25]

In order to obtain protection for an industrial design, it must be new and original and applicable to an article of mass production.[26] Design registration conveys monopoly rights similar to those conveyed under the Patent Law. Registration is initially granted for a one-year period and may be renewed for three subsequent five-year periods. Under the Designs Act, it is an infringement for anyone to:

- apply a design or any fraudulent imitation of it to any article for which it has not been registered;
- import into Australia for sale or any Commercial use, any article in respect of which the design has been registered and to which the design or a fraudulent or obvious imitation of it has been applied; or
- sell, offer or keep for sale any article to which the design or a fraudulent imitation has been applied, or in respect to which a registered design or fraudulent imitation has been applied to an article outside of Australia without the authority of the registered owner of the design.[27]

The court may order an injunction in response to an action by the plaintiff and/or either damages or an account of profit for breach of the design monopoly.[28]

Patents

It takes approximately two years to obtain a patent and the cost is over US $1,300. Patent inventions must be new, useful, non-obvious and not used before the application date.[30] The novelty standard applies to anywhere in the world, rather than in Australia only. The law also provides for the issuance of *petty patents,* based on purely local novelty, i.e. simple novelties that can be obtained easily and inexpensively.

The filing procedures are essentially the same and include a copy of specifications,' copies of abstracts and claims and the name and address of the applicant. If a convention priority is claimed, then additional particulars are required.

The term of the patent right is sixteen years. A four-year extension is available for standard patents covering pharmaceutical products intended for human use. Petty patents are initially granted for one year after which they may be renewed for five years. Before 1990, it was necessary to manufacture the product in Australia, but this is no longer required. Infringement procedures must be initiated within three years of the grant of a patent or within six years of the date of the alleged infringement, whichever is later.

[25] Australia is a signatory of the Hague Agreement Concerning the International Deposit of Industrial Designs, 1925 and the Locarno Agreement Establishing an International Classification for industrial Designs, 1968.

[26] The Designs Act of 1906, as amended.

[27] *Id.* at 30.

[28] *Id.* at 32B(1).

[29] Australia is a signatory to the Paris Convention for the Protection of Industrial Property, 1883; Patent Cooperation Treaty, 1970; Budapest Treaty on the International Recognition of the Deposit of Microorganisms..., 1977; and the Strasbourg Agreement Concerning International Patent Classification, 1971.

[30] The Patents Act, 1990, as amended.

Trademarks[31]

The new Trade Marks Act, 1995 was passed for a number of reasons including the need to "reflect international trends toward greater uniformity" and to conform "with the minimum standards and principles prescribed for trade marks in the Agreement Establishing the World Trade Organization.[32]

A trademark is a distinguishing sign used by a person to identify goods or services provided that they are different from that provided by others. Exclusive use is granted to those who register the trademark as well as the right to obtain relief from infringements of that use.[33] Applications for a trademark registration will not be granted if use of the trademark would be scandalous, contrary to law or likely to deceive or cause confusion as when the mark would be substantially like another registered mark.[34]

An approved and registered trademark is advertised in the Official Journal, and the owner is given a certificate of approval. The trade mark registration expires ten years following the filing date. It may be renewed for an additional ten years.[35]

The Comptroller may seize any goods that are imported into Australia if the importation infringes or appears to infringe a registered trademark and may secure the goods until the matter is decided.[36] Any person who falsely applies a trademark or sells goods or possesses goods knowing them to have a falsified trademark is guilty of an offence which is punishable with 500 penalty units and/or up to two years in prison.[37]

The regulations made under the Act may declare, under the terms of a treaty, that a country is a convention country which means that an application for a trademark made in one of the countries is equivalent to an application in the other countries.[38] A trademark that is applied to goods or services that are exported from Australia and any act done in relation to such goods will be taken to constitute a use of the trademark in Australia.[38]

[31] Australia is a signatory of the Madrid Agreement Concerning the International Registration of Marks, 1891; Nice Agreement Concerning the International Classification of Goods and Services for the Purpose of Registration of Marks, 1957; Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks, 1973; Trademark Registration Treaty, 1973; and the Lisbon Agreement for the Protection of Appellation of Origin and Their International Registration, 1958.

[32] Trade Marks Act, 1995, No 119.

[33] *Id.* 17, 20

[34] *Id.* 42-44

[35] *Id* 72-79

[36] *Id.* 131-144

[37] *Id.* 145(1)-150(1)

[38] *Id.* 225

[39] *Id.* 228(1)

Specific legislation and common law action

Protection against the economic losses caused by counterfeiting has largely been accomplished under the existing statutes regulating copyright, patent, design and trademark protection, as well as the Federal Trade Practices Act and the Fair Trade Acts of the states. In addition, some of the statutory gaps, including misrepresentation, breach of confidence (protection of trade secrets) and unfair competition, are partially covered, depending on the factual situation, not only by the mentioned acts but also under the common law tort of *passing off,* which originated from the action of deceit.

Restrictive trade practices

The Federal Trade Practices Act contains a general prohibition against commercial corporations from engaging in conduct that is misleading or deceptive.[40] It prohibits any person in trade or commerce from engaging in conduct that might mislead the public concerning the nature, characteristics, quantity or suitability of a product for their purpose.[41] There has been much of court activity under these sections of the Act as to what constitutes deceptive or misleading conduct. The greatest conflict seems to be in what are termed descriptive words which may tend to mislead a significant portion of the public to think that the offending business is that of the plaintiff. A breach of this section may be remedied by an injunction,[42] The publication of clarifying information,[43] and/or damages.[44]

Many of the principles applied by the court in interpreting the deceptive activity described by the Act are those involving the common law tort *of passing off.* When the issue involves the use of a name to which the plaintiff claims exclusive right:

- the conduct cannot be misleading;
- a statement that may be true can, in fact, be misleading;
- conduct is likely to mislead if there is a real possibility that it will do so;
- the question of being misleading is an objective one and a particular section of the public must be identified that would likely be misled; or
- usually, proof of confusion or uncertainty will not be sufficient to prove misleading or deceptive conduct, although the court may determine otherwise.[45]

Each of the Australian states has adopted a Fair Trading Act with similar provisions to those of the Federal Trade Practices Act with the provisions applying to corporations and individuals.[46] Although the Federal Constitution requires that the regulation of trade and commerce is under the Federal jurisdiction, a claim against an individual would most likely be brought under the fair trading legislation of a state.[47]

[40] The Trade Practices Act, 1974, 52.

[41] *Id.* 55.

[42] *Id.* 80.

[43] *Id.* 80A.

[44] *Id.* 82.

[45] Freehill, Hillingdale & Page, *supra* note 8, at 12-80—12-81.

[46] *Id.* at 12-82.

[47] (NSW) Fair Trading Act, 1987, 42; (Qld) Fair Trading Act, 1989, 38; (SA) Fair Trading Act, 1987, 56; (Tas) Fair Trading Act, 1990, 14; (Vic) Fair Trading Act, 1985, 11; (WA) Fair Trading Act, 1987, 10.

Passing off, misrepresentation

Passing off is a common law tort, originating from the action of deceit, which is committed when a person represents his or her goods or services as those of another party, or claims to be associated with the other person to the detriment of the other party.[48] The tort is to protect the reputation and good-will developed over time through a trademark or trade name. If a product has not been registered under the Trademark, Copyright or Design Acts, then the remedy for infringement would be the tort of *passing off.* It is available to those who have acquired good will in a particular market and that good will is represented by a distinctive mark, design or name.[49] The good will may be present in a jurisdiction without the person or corporation carrying on a business operation within the jurisdiction,[50] which is different from the British approach requiring the plaintiff to have carried on a business in England.

A person who uses a deceptively similar trademark so as to confuse the public and thereby benefit from another's reputation, thereby causing damage to the plaintiff, is guilty *passing off.* This action is often pursued in conjunction with an action for misleading or deceptive conduct under the Federal Trade Practices Act. The reasons for this is most often to obtain immediate access to the Federal Court and also because there may be remedies under the statute that would not be applicable under common law.[51]

A person or company must have built up a reputation and good will that can be injured by imitation or confusion caused by the claimed misrepresentation. This may be the case where a descriptive name used to describe a product may become so associated with the product that another producer's use of the same descriptive name could confuse the purchaser. However, where words that were once distinctive become so common as to become generic, the right to protect the name may be lost.

Under the tort of *passing off,* an action can be brought to recover actual losses suffered as the result of damage to the good will of the business or an injunction can be sought to prevent possible damages.[52] This will usually be in the form of existing trade or loss of potential expansion. In order to be successful with such a charge, the plaintiff would have to show that such an expansion was already planned or underway.[53]

Trade secrets, confidentiality

Although there is no statutory law dealing with confidential information, there is a series of cases on the subject. Express or implied contracts may also protect such information. Traded secrets include client lists, designs, formulae and common data arranged in a particular manner. It must usually be shown that the recipient of the information should have reasonably known that it was imparted in confidence. Courts have also required evidence that the recipient's disclosure was in fact detrimental to the confider. Disclosure of information in the public interest is a good defense to such disclosure as where there is a risk to public health or an illegal act is involved. Remedies include:

- Interlocutory injunction;
- Final injunction;
- Account of profits;
- Damages; or an
- Order for delivery up or destruction.

[48] In the action for deceit, the plaintiff must prove a fraudulent intent; in an action for *passing off,* the plaintiff need only show that the public were or likely to be deceived by the false representation.

[49] F. Trindale & P. Cane, The Law of Torts in Australia 188 (Melbourne, Oxford Press, 1933).

[50] *Id.* at 204.

[51] McKeough & Stewart, supra note 1, at 297.

[52] F. Trindade, *supra* note 49, at 191.

[53] Mckeough, supra note 1, at 283.

Company and business names protection

Each Australian state and territory has legislation concerning the registration of all business names that carry on commercial ventures within the state or territory. Names may not be registered if there is any confusion with existing names. However, there is no right conferred to prevent others from using the name. The trademark laws and the common law tort of *passing off* must be relied on for such protection.[54]

Unfair competition

In Australia, there is no tort of unfair competition. The situations involving counterfeiting would be largely dealt with under infringement provisions with regard to copyright, design and trademark protection and the common law tort of *passing off* and the consumer protection of the Trade Practices Act or the Fair Trade Acts which deal with deceptive practices.

Court jurisdiction

The state supreme courts and the Federal Court of Australia have jurisdiction to determine issues arising under intellectual property statutes. The registration for one type of protection does not exclude the right to proceed under another form of protection, i.e. to register under the patent law does not preclude bringing an action for design or copyright protection of the same subject.[55]

Conclusion

There has been a great deal of movement for reform in several aspects of the intellectual property laws. The Liberal/National coalition government came forth with a Coalition Art Policy which includes proposals to:

- Update the copyright legislation, particularly the deficiencies relating to cultural and economic protection for indigenous art;
- Require cable television to pay for the privilege of intellectual property used; and
- Re-examine the inadequate transmission rights for music recordings.[56]

One of the major pressures being felt in Australia is from its trading partners, including the United States, who are seeking greater cooperation and uniformity in enforcing international and bilateral agreements for the protection of intellectual property rights, thereby diminishing the influence of piracy and counterfeiting activities which account for billions of dollars lost in trade profits each year.

During congressional hearings,[57] the major criticism leveled against Australia by Commerce Secretary Kantor involved the lack of protection it has afforded United States patent holders in pharmaceutical products who submit these products to the Australian Government for marketing approval. It was intimated during the hearing that Australia's direct violation of the TRIPs obligation to protect such data from exploitation might require the use of the World Trade Organization dispute settlement procedures.[58]

[54] Intellectual Property World Desk Reference, *Australia*-7 (Boston, Kluwer, 1992).

[55] Freehill, Hollingdale & Page, *supra* note 8, at 12-113.

[56] 1996 BPI Communications, Inc. The Hollywood Reporter (March 12, 1996).

[57] U.S. Congress, House Ways and means Subcommittee on the World Trade Organization, Hearings, March 13, 1996.

[58] Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, art. 39(3) (1986-1995).