

New Zealand Trade Marks (International Treaties and Enforcement) Amendment Bill 2008

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The Trade Marks (International Treaties and Enforcement) Amendment Bill 2008 (The Bill) was introduced into the New Zealand Parliament on 8 September 2008. The Bill has passed its first reading and is currently before a Select Committee. When passed, the Bill will amend New Zealand's Trade Marks Act 2002 and, to a more limited extent, the Copyright Act 1994.

The Bill makes a number of amendments to the current Trade Marks Act. These amendments are being made to harmonise New Zealand trade mark law with the requirements of international agreements (the Nice Agreement, the Madrid Protocol, and the Singapore Treaty) and allow New Zealand to accede to these agreements. The Bill also increases the powers of New Zealand's border control and internal anti-counterfeiting enforcement officers. The most significant amendments contained in the Bill are detailed below.

Nice agreement

The Bill provides for New Zealand to accede to the Nice Agreement, which governs the international classification of goods and services for the registration of trade marks. New Zealand has used the Nice Classification system for 60 years under the Trade Marks Act 1953 (now repealed) and the Trade Marks Act 2002 but is not currently a party to the Nice Agreement. There are currently 1,300 live trade marks registered in New Zealand before 11 December 1941 (Third Schedule registrations) that are not classified under the Nice Classification system. These registrations prevent New Zealand from becoming party to the Nice Agreement. They also result in added administrative costs for the Intellectual Property Office of New Zealand (IPONZ), as it must maintain two, rather than one, searchable trade mark registers.

The Bill provides for the Trade Marks Regulations to be amended, allowing the Commissioner of Trade Marks to initiate the re-classification of Third Schedule registrations to the Nice Classification. The new system requires the Commissioner to write to the registrant proposing a suitable classification. The registrant will have the opportunity to either accept the Nice Classification as proposed by the Commissioner, or provide an alternative classification satisfactory to the Commissioner within a specified period.

The normal appeal procedures specified in the Regulations would apply in situations where the registrant disagrees with the Commissioner's decisions regarding conversion. Where a conversion results in a registration being converted into two or more classes of the Nice Classification system, additional renewal fees for the number of classes would be payable on the expiry of the registration.

Following the conversion of Third Schedule registrations, New Zealand will become a party to the Nice Agreement.

Anti-counterfeiting enforcement measures

The Bill increases the powers of New Zealand's Customs and anti-counterfeit enforcement officers.

The importation, manufacture, distribution, and sale of counterfeit products is a growing problem for New Zealand. The illegitimate sale of counterfeit products deprives trade mark owners, their licensees and legitimate retailers of income. The sale of counterfeit products can also result in health and safety risks due to the use of poor materials and substandard processes in their manufacture.

In accordance with New Zealand's obligations under the World Trade Organization Agreement on Trade Related Aspects of Intellectual Property, both the Trade Marks Act 2002 and the Copyright Act 1994 include criminal offences for willful counterfeiting or piracy.

The Bill provides Customs and the National Enforcement Unit of the Ministry of Economic Development (NEU) with additional powers, including search and seizure powers, to assist with actively enforcing the criminal offences set out in the Trade Marks and Copyright Acts. The Bill does not change the law on infringement or the rules on prosecuting offenders. The focus for Customs enforcement is at the border, and the NEU will focus its efforts on post-border enforcement.

The enforcement powers contained in this Bill will provide the NEU and Customs with warranted search and seizure powers and the ability to share information with other enforcement agencies, such as the New Zealand Police, to assist in identifying persons involved in the commissioning of a criminal offence. Customs is to be provided with non-warranted powers to seize counterfeits when counterfeits come within the control of Customs at the border.

Currently a range of circumstances make it impractical for the NEU to apply for, and execute, search warrants.. This is because of the transient and itinerant nature of offenders selling counterfeits, and the nature of some counterfeits which can pose a public health and safety risk. In order to address this type of offending, the Bill provides the NEU with some limited powers to undertake search and seizure of counterfeits without a search warrant where the goods are being offered for sale in areas open to the public. The additional powers of Customs and the NEU are intended to be used in conjunction with prosecutions to provide an effective tool for helping to reduce and deter offending. The efficacy of these new powers in reducing counterfeiting will inevitably depend on the levels of funding that Customs and the NEU receive. With current funding levels it is doubtful the new powers could be effectively implemented.

Termination of voluntary registration of licensees

The Bill revokes the provisions in the Trade Marks Act 2002 relating to voluntary registration of licensees (previously called 'registered users'). Currently, the name and address of a licensee can be voluntarily registered against a trade mark and registered licensees may initiate infringement proceedings or register customs notices under certain circumstances.

The Bill revokes the provisions relating to voluntary registration of licensees. Licensees registered under the Trade Marks Act 2002 will be removed from the trade marks register. This will not affect the validity of the licensing agreements between the parties — they will just no longer be recorded on the register.

The Bill broadens the definition of a 'licensee' to cover any authorised user of the trade mark. Whether or not a licensee can take action against infringement, or lodge a border protection

notice, will be determined by the license agreement between the trade mark owner and the licensee. This is a significant change. All trade mark licensors and licensees should review their license agreements to ensure that they remain appropriate.

Parallel importation

The Bill clarifies the law in New Zealand on 'parallel' importation. Under the Trade Marks Act 2002, a registered trade mark is not infringed by the importation of products into New Zealand that have been put on the market anywhere in the world by the trade mark owner, or with their consent.

The expression 'trade mark owner' means the trade mark owner in New Zealand rather than in the place the goods originate from. This interpretation has allowed international trade mark owners to circumvent the provisions on 'parallel' importation by assigning their local trade mark registrations to local distributors or licensees, who have not 'consented' to the use of the trade mark on goods 'parallel' imported from abroad.

The Bill closes this loophole. The Bill provides that a registered trade mark is not infringed by the use of a trade mark in relation to goods that have been put on the market anywhere in the world by the trade mark owner, with the trade mark owner's consent, or by an associated person of the trade mark owner. The concept of 'association' is broadly defined to cover persons who are members of the same group of companies, companies with the same members or controlled by the same persons, two companies where one has effective control over the other's use of a trade mark, and two companies whose use of the trade mark is effectively controlled by a third party. 'Effective control' exists if the controlling person may authorise the use of the trade mark or has significant influence over how it is used, regardless of how that authorisation or influence arises.

When the Bill is enacted, the only situations where 'parallel' importation will constitute a trade mark infringement will be where the owner of the trade mark in the country the goods originate from, and the owner of the trade mark in New Zealand, are entirely unconnected.

The Madrid Protocol

The Bill provides for New Zealand to join the Madrid Protocol. This will enable trade mark owners to file Madrid Protocol applications in New Zealand.

Currently, international businesses wanting trade mark protection in New Zealand must file a separate trade mark application with IPONZ. Likewise, New Zealand businesses that want to protect their trade marks overseas must file separate trade mark applications in each country and comply with each country's specific requirements.

When New Zealand joins the Madrid Protocol, international businesses will be able to file trade mark applications under the Madrid Protocol procedure. The procedure involves filing an initial trade mark in a Madrid Protocol member country. An international application based on this initial application is then filed with the intellectual property office in the initial country of application, but processed by the World Intellectual Property Organization (WIPO). Finally, you designate Madrid Protocol member countries in which protection is sought (in this case, New Zealand). WIPO then files an application in New Zealand on the applicant's behalf.

International applicants filing in New Zealand under the Madrid Protocol procedure will not automatically receive a registration in New Zealand. The Madrid Protocol does not give businesses a registration in the countries they select, it just allows for filing applications in a number of countries at once, which can lead to cost savings. Madrid Protocol applications will still need to be examined as usual by IPONZ.

Likewise, New Zealand businesses will be able to file international trade mark applications (covering the countries they designate from the Madrid Protocol members) by filing an international application with IPONZ based on a New Zealand application.

New Zealand joining the Madrid Protocol will also simplify renewal and management of trade marks for international trade mark owners in New Zealand, and New Zealand trade mark owners internationally. It is possible to renew or record changes to trade mark registrations in each Madrid Protocol member country using the Madrid Protocol rather than having to make a request directly in each country.

As most countries New Zealand imports from are already members of the Madrid Protocol, companies in these countries will immediately benefit from New Zealand joining the Madrid Protocol. Many of New Zealand's export markets are not members of the Madrid Protocol, so there will be less benefit for New Zealand companies initially.

The Bill allows for regulations to be made to implement the Madrid Protocol, but these regulations are not part of the Bill. Consequently, New Zealand's implementation of the Madrid Protocol will depend on the regulations that are drafted.

Assuming the Bill is passed, accession to the Madrid Protocol is expected to occur in early 2011.

Other changes

The Bill allows for regulations to be made on dividing trade mark registrations. Currently an application for a trade mark can be divided into multiple applications but once a registration is granted it cannot be divided.

The Bill changes the current law on recording changes of trade mark ownership. Currently a change of ownership of a trade mark can only be made by the new owner of the trade mark. The Bill allows for an application to record a change of owner to be made by either the previous owner or the new owner of the trade mark. This change will bring New Zealand law into line with the requirements of the Singapore treaty.

The Bill allows for further certificates of registration to be issued by the Commissioner of Trade Marks. Currently, the Trade Marks Act 2002, states a 'replacement' certificate of registration may be issued. This is misleading as the Commissioner may issue a further certificate without the original certificate being lost or destroyed. The Bill clarifies this position.

When will the Bill become law?

The Bill has passed its first reading in parliament and is currently before the Foreign Affairs, Defence and Trade Select Committee. Public submissions to the Select Committee on the Bill have closed. Our understanding is that few submissions were received and, that most of these focused on technical, rather than policy, issues. It is not anticipated that there will be substantial

changes to the Bill unless negotiations relating to the Anti-counterfeiting Trade Agreement (ACTA) progress to a stage where their implementation could be incorporated into the Bill. That seems unlikely, but means that further amendments may have to be made to implement the ACTA over the next couple of years. The Select Committee is expected to report back in October. The Bill is likely to be passed in late 2009. Even once the Bill is enacted, it may be some time before the implementing regulations are drafted and put in force.

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