

Search and Seizure Actions for Piracy and Counterfeit Of Intellectual Property Of Goods in Australia

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Introduction

IP rights can be the most valuable asset of any a business. For example, Forbes reported¹:

- ✚ While Disney's 2013 hit Frozen grossed US\$1.3 billion at the box office, that the licensing of the IP rights accumulated US\$107.2 billion in retail sales; and
- ✚ Lucasfilm's astute decision to retain the IP licensing rights for consumer products for the first six Star Wars films, that aided George Lucas become a billionaire.

IP rights being valuable need protection from pirates and counterfeiters.

This paper is about, how Australian laws seek to protect IP rights owners interests at the Australian Border and internally through search and seizure orders.

The paper looks at who has the rights to seek such orders, who conducts the searches and under what, if any restrictions there are on those undertaking the search.

Overview of the Australian Legal System

The Australian Legal system is based on English common law. In addition to the general theories of the 'reception' of the English common law into Australia, with colonial settlers said to '*wear the common law on their backs*', the British Home Office dispatched formal Letters Patent to the colonial administration, (also known as the Charters of Justice), which made clear that the laws and court systems, and even the organisation of the legal profession, should be created in the English style.²

State and Federal Governments adopted the English constitutional system of Government.

When the six existing colonies united to form the nation of Australia in January 1901, section 51 of the (then new) **Australian Constitution** expressly enumerated the specific areas in which the Commonwealth (or federal/central) government has law-making powers, such as foreign affairs, defence, customs, taxation and interstate trade and commerce. All residual legislative powers were thus reserved for the States (the former colonies).

Protection of Intellectual Property in Australia

Since the seventeenth century there have been statutes and regulations that we now recognise as intellectual property (“IP”) laws, and specific international agreements since the late nineteenth: the Paris Convention for the Protection of Industrial Property (1883) and the Berne Convention for the Protection of Literary and Artistic Works (1886). These instruments were developed to address ‘international piracy’ between dominant political powers, and arranged IP into two related but distinct fields: manufacturing and the arts. The term ‘industrial property’ covered patents over inventions, design rights and trade marks. ‘Literary and artistic works’ were defined broadly to encompass written texts, drawings, paintings, architecture, sculptures, engravings, lithography and sheet music. The conventions marked out certain standards for the protection and treatment of such subject matter, but the protection conferred depended upon the technicalities of the respective domestic laws of the signatories to these conventions.

This separation of art and science still underpins common sense intuitions about IP laws today. Regulation of the culture industries and education is perceived as requiring essentially different considerations from that of industry and manufacturing, and perhaps also as requiring different kinds of legal skills.

IP is similar to the ray of white light. It appears when seen as a single beam of consistent and uniform white light. Yet when it is passed through a prism what appeared as a single uniform ray of white light separates into its base wavelengths: its base distinct forms.



Like the ray of white light, IP is spoken of and used colloquially, as a single unitary concept. But, like white light, IP it is a bundle of distinct forms of rights knotted together.

Under common law notions, each distinct form of IP, is an artificial construct and, as a matter of law, it is made up of a number of distinctive categories, most with underlying

statutes that define the particulars of the property and limits to the rights. Each area of IP has its own history, rationales and technicalities. These ‘knowledge laws’ only fit together in a very loose and rather uncoordinated way. Accordingly, despite the way IP is spoken of and used colloquially, as single unitary concept, each creature of statute, must be understood as a discrete legal and political construct.

Overview of search and seizure remedies in Australia

The forms of action that can be taken can be seen as being preventative, and compensatory.

Preventative actions include actions to prevent pirated and or counterfeit goods entering into Australia through search and seizure at the point of importation through Border Force. This involves having pirated and or counterfeit goods searched and seized within Australia.

The preventative actions are civil.

While the compensatory actions can also be civil, some of the compensatory remedies have a deterrent effect by giving the Police, Government Bodies and or for IP rights owners rights to take criminal action against the pirates and counterfeiters.

Compensatory, are those actions that give the IP rights owners the right to claim damages, account of profits, corrective advertisements, and the destruction or delivery of the pirated or counterfeit goods.

Search and seizure remedies while being both at the point of importation and internal in Australia, can be both criminal and civil.

As each distinct form of IP right is a creature of statute, the search and seizure orders that exist are derived from the acts are likewise, creatures of statute.

Border Protection (Non-criminal) statutory remedies: Notices of Objection

Copyright Act 1968 (Cth)

Division 7 of Part V of the *Copyright Act 1968* establishes a procedure whereby a person (the “objector”) who is owner or exclusive licensee of copyright in copyright material may lodge with Border Force³ a notice of objection in relation to the importation of copies of that material (section 135(2)).

“Copyright material” means a work, sound recording, cinematographic film, published edition of a work, or a television or sound broadcast as recorded in a cinematographic film or a sound recording (section 134B).

Prior to amendment of the *Copyright Act 1968* in July 1995 to implement Australia’s response to the obligations relating to copyright contained in the Trade-Related Aspects of Intellectual Property Rights agreement, the objection provisions applied only in relation to printed copies of published literary, dramatic or musical works. Before 1995 no notice of objection was ever received. Since the inclusion of subject matter other than works (most notably encompassing compact disc [CD] sound recordings, video tapes, computer software, clothing and footwear) notices of objection have become prevalent.

Section 135(7) of the *Copyright Act 1968* empowers Border Force to:

1. seize goods that are imported for the purposes of trade;
2. which are subject to the control of Customs within the meaning of the *Customs Act 1901*; and
3. which are covered by a current Notice of Objection.

Border Forcer is a division of the Department of Immigration and Border Protection, which is a Federal Government body.⁴

A notice of objection remains in force for a period of four years from the date of the notice unless revoked earlier.⁵

It is important to note that Border Force does not itself adjudicate on copyright infringement. Border Force is empowered simply to seize any such goods and hold them for 10 working days, extendible for a further 10 days upon reasonable request by the objector (*Copyright Act 1968*, section 135AC and *Copyright Regulations*). As soon as practicable after the seizure, Border Force must serve written notification on both the objector and importer, stating that the seized copies will be released to the importer unless an action for infringement is instituted by the objector in respect of the copies. In many cases, particularly those involving small consignments of goods, the importer simply consents to forfeiture of the seized copies (sections 135AC and 135AE) rather than defend an action for copyright infringement.

Trade Marks Act (1995) (Cth)

The *Trade Marks Act 1995* similarly allows for notices of objection to be lodged with Border Force in respect of infringing imports. Notices of objection may be lodged by either the registered owner of a registered trade mark or, in certain circumstances, by an authorised user of the trade mark (section 132). A notice of objection remains in force for a period of four years from the date of the notice unless revoked earlier.⁶

Section 133 provides for the seizure of imported goods which bear a mark that, in the opinion of Border Force, is “substantially identical with, or deceptively similar to” a trade mark in respect of which a notice of objection has been lodged. Unlike the non-mandatory seizure provisions under copyright legislation, however, section 133(2) of the *Trade Marks Act 1995* provides that Border Force must seize the suspect imported goods unless satisfied that there are no reasonable grounds for believing that the notified trade mark is infringed by the importation. As soon as practicable after seizure, both the objector and the designated owner must be notified in writing (section 134). As with copyright seizure, unless the objector commences an infringement action within 10 days (extendible to 20 days on request), the goods are released to the owner. In any case, the goods must be released after 21 days unless a court order provides otherwise.

Section 133 of the Objection scheme only applies to counterfeit goods. It cannot be used to prevent the importation of genuine goods bearing a trade mark legitimately applied by, or with the authority, of the registered owner of the trade mark (parallel importing).

designated owner must be notified in writing (section 55). As with copyright seizure, unless the objector commences an infringement action within 20 working days, the goods are released to the owner unless a court order provides otherwise.

Major Sporting Events (Indica and Images) Protection Act 2014 (Cth)

The act regulates the commercial use of indica and images associated with three major international sporting events:

- The Asian Cup 2015
- The Cricket World Cup 2015
- The Gold Coast 2018 Commonwealth Games

Having regard to the fact that:

1. neither the *Trade Marks Act 1995* or the *Copyright Act 1968* protect common words, titles and short expressions, not all event indicia could have been registered as trade marks; and
2. Research after the Sydney 2000 Olympics and the Melbourne 2006 Commonwealth Games confirmed that it was the special legislation which limited the unlicensed commercial use of protected indicia and images and enhanced competition, due to its deterrence and signalling effects, the enhanced ability of the authorising bodies to enforce their rights by threatening to take action under the special legislation and greater clarity regarding the existence and scope of intellectual property rights;

the Australian Federal Government passed this act to protect the scheduled major international events of significance in Australia.

Each of the events has a list of agreed words and phrases associated with it, including variants of the event name and known abbreviations, although generic words such as 'cricket', 'football' and 'Commonwealth' are excluded from the lists.

The lists were developed in consultation with the event bodies and IP Australia and can be found in the Schedules to the Act.

Restrictions apply to unlicensed commercial use of the words on the lists, but the use of certain indicia and images, for the purpose of the provision of information, criticism or review, is exempt.

Potential remedies for unlicensed commercial use include injunctions, damages and corrective advertisement. It is the event body who may bring an action against an unauthorised user; enforcement is not the responsibility of the Government.

The act is consistent with the *Trade Marks Act 1995* or the *Copyright Act 1968* in relation to the importation of goods infringing Australian trade marks and copyright and the ability of Border Force to seize unauthorised goods, in order to avoid confusion.

It provides safeguards through civil proceedings for persons who believe that their goods have been wrongly seized to challenge authorising bodies and to reclaim their goods.

It does not include any criminal offence provisions as these can be dealt with through existing legislation such as the *Trade Marks Act 1995* or the *Copyright Act 1968*.

Under section 23, a notice of objection remains in force until the earlier of:

1. It is revoked;
2. The end of the major sporting event's protection period; or
3. In respect of an authorised user the effluxion of the user's license period.

General provisions for the four schemes

The schemes do not provide for seizure of goods that are imported for the personal use of the importer and are not intended to be dealt with or provided in the course of trade.

Except for the *Olympic Insignia Protection Act 1987*, the other three schemes do not empower Border Force to take ex officio seizure action. Border Force cannot take action unless a Notice of Objection has been filed and it is current.

In lodging a Notice of Objection the right owner must provide security to cover the amount that the Comptroller considers sufficient to reimburse the Commonwealth for any expenses incurred by it in seizing the goods. The current amount for a Notice of Objection of a Trade Mark is \$10,000.

The purpose of the Security is to reimburse the Commonwealth for any expenses incurred by it as a result of action taken under the relevant act. Where a debit note has been issued to an Objector for seizure expenses and the claim is not met, Border Force will draw on the Security.

Where the Security is insufficient to reimburse the Commonwealth for expenses incurred in relation to action taken under the relevant act the amount of the excess is a debt due by the Objector that is recoverable in a Court of competent jurisdiction. In most cases the security is either an Australian bank or guarantee company which has been approved to join as a surety to Border Force securities.

Under the schemes once Border Force seizes goods, unless the importer consents to the confiscation of the goods, the objector (rights owner) must apply for an injunction before the end of the action period, otherwise Border Force must release the goods to the importer.

If an application for an injunction is made, the court may:

1. Order the release of the goods; or
2. Grant the injunction and determine the issue of breach of copyright, trade mark, or one of the special rights; or

3. Order that the goods be forfeited to the Commonwealth.

Border Force deals with a large volume of goods passing through the Australian Customs Barrier each day. Border Force does not have the staff to physically examine every item that is imported. To carry out its obligations Border Force carries out random checks and audits.

Our experience is that for an Objection Notice to be effective, and result in pirated or counterfeit goods being seized, the rights owner needs to be able to provide Border Force with the following information:

- Name of owner/importer;
- Name of overseas supplier/manufacturer;
- Name of ship, airline/flight number;
- Expected date/port of arrival;
- Details/description/quantity/Country of origin of the goods; and
- Details of importers authorised to import goods bearing the trade mark subject of the Notice of Objection.

Where civil proceedings have commenced as a result of Border Force action under the relevant act, there is no provision for the process to be held in abeyance should goods be taken by the Federal Police or Director of Public Prosecutions for the purpose of criminal proceedings under the Act.

A court hearing an infringement action under the *Trade Marks Act 1995* may direct Customs to appear before it and must allow the Comptroller to appear and be heard.

Is the presence of a police officer or bailiff necessary in the execution of an Objection Notice search?

As Border Force is an arm of the Australian Federal Government the officers of Border Force have their own statutory powers. The search and seizure does not need to nor in practice are objection notice matters executed in the presence of a police officer or any other court appointed person.

What is the nature of this state actor – an officer of the court, or a peace officer (e.g., a member of state or municipal police forces)?

To answer this question, it's necessary to take a closer look at the ***Australian Border Force Act 2015*** (Cth).

Section 10 of the *Australian Border Force Act 2015* gives the Australian Border Force Commissioner the 'power to do all things necessary or convenient to be done for or in connection with the performance of his or her duties.' Section 10 is phrased openly. It empowers deputized Border Force officers to do whatever they want as long as they claim it is in connection with their duties.

Under section 25, the Commissioner may delegate 'any of his or her functions or powers' to any public service employee who is Border Force, and even to people who are performing services on behalf of Border Force.

Border Forcer officers are able to carry firearms, carry/wear paramilitary-style equipment and detain people.

Does the court appoint an Officer, or must a practitioner liaise with local law enforcement to arrange for an accompaniment?

The schemes to prevent counterfeit goods entering Australia are not a court scheme, but rather creatures of statute.

Border Force is authorised to act without the need for any court appointed officer, or to liaise with anyone in the carrying out searches or seizures under the notice of objection schemes.

Internal Remedies

So far the paper has looked at the search and seizure remedies for preventing counterfeit and pirated goods from entering into Australia.

Internal remedies exist for counterfeit and pirated goods that are manufactured in Australia or that evade the Objection search and seizure remedies at the point of importation.

The nature of the internal remedies are criminal and civil in nature.

Internal Criminal Remedies

Criminal statutory provisions

Criminal offences for infringement under Australian IP legislation are limited to three types of IP:

1. Copyright - ***Copyright Act (1968)*** (Cth);
2. trade marks - ***Trade Marks Act (1995)*** (Cth); and
3. plant breeder's rights - ***Plant Breeders Rights Act (1994)*** (Cth);.

Besides the express criminal provisions there are also provisions in the Crimes Act of the Commonwealth and States that may have application.

Almost all other offences contained in Australian IP legislation relate to misrepresentations as to whether a patent, trade mark, design, etc. is registered, or dishonesty dealing with the registration offices.

Infringements of other categories of IP such as patents, designs, circuit layouts and confidential information can only be addressed through civil remedies.

Copyright Act 1968 (Cth)

The *Copyright Act 1968* (Cth) provides for indictable, summary and strict liability

offences with a range of penalty options, generally involving maximum penalties for indictable offences of fines for individuals not exceeding 550 penalty units or imprisonment for not more than five years, or both and for summary offences of fines of up to 120 penalty units or imprisonment for two years, or both.

The maximum penalty for a corporation is five times the maximum penalty for an individual.

A penalty unit is defined in section 4AA(1) of the *Crimes Act 1914* (Cth). As at July 2016 a penalty unit is \$180.00

The strict liability offences are underpinned by an infringement notice scheme in the Copyright Regulations 1969. This gives police a wider range of enforcement options depending on the seriousness of the conduct.

The main provisions of the *Copyright Act 1968* (Cth) that arise in prosecution include:

- section 132 – offences relating to infringing copies;
- section 132A – presumptions in relation to subsistence and ownership of copyright;
- section 133 – destruction or delivery up of infringing copies; and
- section 134AI – forfeiture of infringing copies to the Commonwealth.

Commercial scale infringements that have a substantial prejudicial impact on the owner of the copyright are proscribed under section 132AC of the *Copyright Act 1968* (Cth) as is airing of infringing works, sound recordings and films in public (sections 132AN, 132AQ, 132AR).

The *Copyright Act 1968* (Cth) contains evidential presumption provisions in civil and criminal proceedings to assist copyright owners and reduce costs in the litigation process. They provide that statements contained on labels, marks, certificates, etc. are presumed to be correct unless the contrary is established, rather than the existing 'admissible as prima facie evidence'. The evidential presumptions recognise

1. the labelling practices of commercially released films and computer software that will apply in both criminal and civil proceedings; and
2. a presumption of originality for computer programs.

Trade Marks Act 1995 (Cth)

Trade mark offences may be tried either summarily or on indictment. The main provisions of the *Trade Marks Act 1995* (Cth) that arise in prosecution include:

- section 145 – falsifying, etc. a registered trade mark;
- section 146 – falsely applying a registered trade mark; and
- section 148 – selling, etc. goods with false marks.

Penalties under the *Trade Marks Act 1995* (Cth) are 550 penalty units⁹ and/or imprisonment for not more than five years (again, a corporation may be fined five times this amount). Offences attracting this penalty include falsification of a registered trade mark in the course of trade (section 145), and selling goods which are falsely marked (section 148). The fault element is knowledge or recklessness as to the falsification.

Plant Breeders Rights Act 1994 (Cth)

Section 74 of the *Plant Breeder's Rights Act 1994* (Cth) provides that infringement of any of the rights set out in section 11 is punishable by a fine of 500 penalty units¹⁰ (\$55,000).

Infringement is defined in section 53. A "No fault" element is specified. Although strict liability expressly attaches to the physical element of circumstance that the infringing act would be infringing under section 53. It would seem that the default fault element of intention under section 5(6) of the *Criminal Code Act 1995* (Cth) attaches to the conduct elements involved in the infringement (e.g. producing or selling), and recklessness attaches to the circumstance that the act is without the authorisation of the grantee of the plant breeders right. There have been few if any prosecutions commenced under s 74 of the *Plant Breeder's Rights Act 1994*¹¹.

Is the presence of a police officer or bailiff necessary in the execution of a search order?

If the criminal investigation is being undertaken by the police, (State or Federal), then the presence of a police officer will be necessary. It will be necessary not because of any legal requirement. It will be necessary as a matter of practical necessity.

However, while not tested (so far as I know) there is a potential for a criminal action to be privately undertaken.

The definition of 'property' in theft offences can be wide, e.g. the theft provisions of the *Criminal Code 2002* (ACT) refer to the definition of property in the Dictionary to the *Legislation Act 2001* (ACT):

Property means any legal or equitable estate or interest (whether present or future, vested or contingent, or tangible or intangible) in real or personal property of any description (including money), and includes a thing in action.

A thing in action is an intangible personal property right recognised and protected by the law. Examples include debts, money held in a bank, shares, rights under a trust, copyright, the right to an owner of a trade mark or plant breeders right and right to sue for breach of contract. Statutory forms of IP legislate that such rights are species of personal property.¹² The reference to 'copyright' is tantalising, but other elements of theft such as intention permanently to deprive are presumably missing in copyright infringement.

Various provisions of the *Crimes Act 1914* (Cth) arguably allow IP rights owners to commence criminal proceedings themselves. There is provision under the *Crimes Act 1914* (Cth) for a private individual to apply for a search warrant under section 3E.

As section 3E simply requires the issuing officer to be satisfied by information on oath that there are reasonable grounds for the search to undertaken it appears there is no prohibition on an IP rights owner seeking their own search order.

In Australia, there are no apparent legal impediments to the commencement of private criminal prosecutions (see **Brebner v Bruce** (1950) 82 CLR 161).

However, it should be noted that the Commonwealth Director of Public Prosecutions has statutory power to take over a private prosecution commenced in relation to a Commonwealth offence under sections 6 and 9 of the *Director of Public Prosecutions Act 1983* (Cth). Furthermore, search powers under the *Crimes Act 1914* are limited to constables, so that the commencement of a private prosecution would still require the involvement of law enforcement officers in the execution of any search and seizure activities.

The requirement for the search and seizure to be carried out by a police officer may cause practical problems if the police do not wish to become involved. Often this can be the result of a complaint made to the police (both State and Federal) of an IP related offence.

In the State of New South Wales this may be overcome by the practice of the NSW Police Force offering cost recovery and user fee charges for a private person to hire police to assist in providing commercial services.

NSW POLICE FORCE

COST RECOVERY AND USER FEES AND CHARGES

Version: 27-May-16

In effect for events on or commencing 1 July 2016

Line	Services	GST Excl. \$	GST 10% \$	GST Incl. \$
1	Labour charges:			
2	Special events- Police per hour	110.82	11.08	121.90
3	Communications officers deployed for Special Events per hour	87.55	8.75	96.30
4	(Special events include concerts, exhibitions, festivals and fairs, agricultural shows, fun runs, sports)			
5	Other Commercial services- Police per hour	135.10	13.50	148.60
6	Other commercial services - Communications officers per hour	127.37	12.73	140.10
7	Other commercial services include transport escorts to ensure public safety, crane operations film shoots/policing at film locations, road closures/traffic management, rta)			
8	Labour for services requested at short notice	168.46	16.84	185.30
9	(receipt of notification within 72 hours of event)			
10	Motor vehicles/cycles per hour (including all running costs)			
	(Officer charges as per lines 1 to 9)			
11	Highway patrol vehicle	26.55	2.65	29.20
12	6 cylinder - operational vehicle	22.19	2.21	24.40
13	4 cylinder - operational vehicle	17.73	1.77	19.50
14	4WD - operational vehicle	24.37	2.43	26.80
15	Motor cycle	34.28	3.42	37.70
16	Bicycle:			
17	per day	48.55	4.85	53.40
18	per hour	7.00	0.70	7.70
19	(Officer charges as per lines 1 to 9)			
20	Meals and accomodation can be found at URL 1 below			

It may be possible therefore for a private person to take a criminal prosecution privately, and hire the police to conduct a search warrant that they obtain.

What is the nature of this state actor – an officer of the court, or a peace officer (e.g., a member of state or municipal police forces)?

For criminal remedies, the state actor would be the Police (State or Federal). Generally the action would be taken by the Police.

As noted, there is the theoretical possibility of an IP rights owner taking their own criminal prosecution and engaging the police on a cost recovery basis to undertake the search and seizure actions authorised by the relevant legislation.

Does the court appoint an Officer, or must a practitioner liaise with local law enforcement to arrange for an accompaniment?

The Police would undertake search and seizures under the criminal remedies. They would in most cases be undertaken by the powers invested in the Police by the relevant legislation and would therefore occur before court action was commenced.

In exploiting the criminal remedies the search and seizure powers would be used as an evidentiary and prohibition role.

Internal Civil Remedies

The civil remedies available in Australia fall into two distinct classes:

1. Non-criminal statutory remedies; and
2. Non-criminal common law remedies.

Irrespective of which form of civil remedy is looked to by an IP rights owner to protect their IP rights against counterfeit or pirated goods, the form of search and seize order is the same.

Before looking at the different triggers for when search and seizure orders can be applied for, we will look at how courts act when asked to grant such orders.

Search orders¹³

The purpose of a search order is to preserve evidence needed to prove the IP right owner's claim that its goods are the subject of being counterfeited or pirated. The purpose is achieved by a Court ordering the (alleged) pirate or counterfeiter to permit the IP rights owner's representatives and an independent supervising solicitor to enter, search, copy documents and remove property from the (alleged) pirate or counterfeiter's premises for safekeeping. Search orders are a species of discovery of the most extreme kind, which lie at the very limit of a court's civil jurisdiction.

The heartland of the search orders are cases concerning IP infringement and breach of confidence.

A search order is normally obtained without notice to the (alleged) pirate or counterfeiter¹⁴ and before service of the originating process, because notice or service may prompt the feared destruction or disappearance of evidence; thereby defeating the primary purpose of the search order, the preserving of evidence.

Search orders are also known as Anton Piller orders¹⁵.

The characteristics of a search order are:

1. secrecy,

2. mandatory form and
3. virtually immediate execution.

A search order does not permit forcible entry. In that crucial respect it differs from a search warrant. An IP rights owner with a search order, who encounters resistance to entry or search must depart: ***Anton Piller KG v Manufacturing Processes Ltd*** [1976] 1 Ch 55 at 61. The main sanction for disobedience to a search order is contempt of court.

Concern about the draconian effect of search orders, and the fact that they are made against (alleged) pirate or counterfeiters who have not been notified or heard, have led to Australian courts having detailed safeguards being built into the proforma form of search order in Practice Note SC Gen 13 (PN-13).

Although a search order is normally *ex parte* and granted before service of the originating process, they have and can be granted after judgment in order to obtain documents essential to the execution of the judgment where there was a serious risk that a (alleged) pirate or counterfeiter would remove or destroy them in order to frustrate enforcement: ***Distributori Automatici Italia SPA v Holford General Trading Co*** [1985] 1 WLR 1066.

Requirements of a Search Order

Australian courts may make a search order if the following requirements set out in the Uniform Civil Procedure Rules (UCPR) Pt 25 Div 3, r 25.20 are satisfied (they are modeled on those stated in ***Anton Piller KG v Manufacturing Processes Ltd*** [1976] 1 Ch 55 per Ormiston LJ):

- (a) An IP rights owner seeking the order has a strong prima facie case or an accrued cause of action;
- (b) The potential or actual loss or damage to the IP rights owner will be serious if the search order is not made; and
- (c) There is sufficient evidence in relation to a (alleged) pirate or counterfeiter that:
 - (i) the (alleged) pirate or counterfeiter possesses important evidentiary material; and
 - (ii) there is a real possibility that the (alleged) pirate or counterfeiter might destroy such material or cause it to be unavailable for use in evidence in a proceeding or anticipated proceedings before the court.

The crux of the evidence required to obtain a search order often concerns the third requirement that there is a “real possibility” that the (alleged) pirate or counterfeiter might destroy the material or cause it to be unavailable for use unless an *ex parte* order is made. This will usually require clear evidence of matters such as dishonesty, fraud or contumacy or the transitory nature of the (alleged) pirate or counterfeiter’s business, but such cases may be quite common.

Safeguards

Safeguards for the protection of (alleged) pirate or counterfeiters have been built into the standard form of order attached to PN-13. The most important is the appointment of one or more independent solicitors to supervise the search and report to the court. This is a mandatory requirement and the only safeguard expressly mentioned in the rules: r 25.23. Other safeguards appear in the standard form of order and are mentioned in PN-13. The responsibilities of a supervising solicitor are set out in the standard form of search order and are summarised in PN-13 [11].¹⁶

The IP rights owner's solicitor is required to undertake to the court to pay the reasonable costs and disbursements of the independent solicitor and any independent computer expert: PN 13 proforma form of search order Sch B [1].

Undertaking as to damages given to the Court by the IP rights owner

Being an equitable remedy that has a draconian effect and being in the nature of an interlocutory order, the IP rights owner must also undertake to submit to such order (if any) as the Court may consider to be just for the payment of compensation (to be assessed by the Court or as it may direct) to any person (whether or not a party) affected by the operation of the search order.

Other safeguards for the (alleged) pirate or counterfeiter required by the Courts in granting a search order include the following:

- The (alleged) pirate or counterfeiter is not required to permit anyone to enter the premises until the independent solicitor serves the order and affidavits and the (alleged) pirate or counterfeiter is given an opportunity to read the order. If requested, the independent solicitor must explain the terms of the order: PN 13 proforma form of search order [11].
- Before permitting entry to the premises by anyone other than the independent solicitor, the (alleged) pirate or counterfeiters for a time (not exceeding two hours from the time of service or such longer period as the independent solicitor may permit) may seek legal advice, may ask the court to vary or discharge the order, and (provided the (alleged) pirate or counterfeiter is not a corporation) may gather together anything which the (alleged) pirate or counterfeiter believes may tend to incriminate the (alleged) pirate or counterfeiter or make the (alleged) pirate or counterfeiter liable to a civil penalty and hand them to the independent solicitor. Similarly the (alleged) pirate or counterfeiter may gather together any documents that passed between you and your lawyers for the purpose of obtaining legal advice or for which legal professional privilege or client legal privilege is claimed and hand them to the independent solicitor: PN 13 proforma form of search order [12].
- Documents for which privilege is claimed which have been handed to the instructing solicitor must be delivered to the court on the return date without having been inspected by anyone: PN 13 proforma form of search order [13].
- Ordinarily a search order should be served between 9 am and 2 pm on a business day in order to permit the (alleged) pirate or counterfeiter more readily to obtain legal advice, and must not be executed at the same time as execution of a search warrant: PN 13 [13] and [14].

- Anything the subject of a dispute as to whether it is a thing the subject of the search order must promptly be handed by the (alleged) pirate or counterfeiter to the independent solicitor for safekeeping pending resolution of the dispute or further order of the court: PN 13 proforma form of search order [15].
- The premises must not be searched and things removed except in the presence of the (alleged) pirate or counterfeiter or a person who appears to the independent solicitor to be the (alleged) pirate or counterfeiter's director, officer, partner, employee, agent or other person acting on the (alleged) pirate or counterfeiter's behalf or instructions: PN 13 proforma form of search order [17]. The independent solicitor may waive this requirement if they consider that full compliance with it is not reasonably practicable: PN 13 proforma form of search order [18].
- If it is expected that a computer will be searched, the search party must include an independent computer expert who has prescribed responsibilities: PN 13 proforma form of search order [20].
- Other safeguards appear in the various undertakings by the IP rights owner, the IP rights owner's solicitor, the instructing solicitor and any independent computer expert which are set out in Sch B to the proforma form of search order.

Disclosure of customers and suppliers

It has become common for search orders to require the (alleged) pirate or counterfeiters to provide information and documents as to their suppliers and customers. Such a provision appears in the PN 13 proforma form of search order [23]¹⁷:

Gagging order

Except for the sole purpose of obtaining legal advice, the (alleged) pirate or counterfeiter is usually prohibited until 4.30 pm on the return date from informing anyone of the proceedings or of the contents of the order or from telling anyone that a proceeding has been or may be brought by the IP rights owner: PN 13 proforma form of search order [25]. A similar obligation is cast on the IP rights owner by undertaking (3) in Sch B to the proforma form of search order. Such a gagging order has been rationalised on the basis that it gives the IP rights owner an opportunity to use information obtained from the search so as to locate and preserve evidence and assets in the possession or control of others.

Cross-examination

As in freezing order cases, the court may grant leave to cross-examine the (alleged) pirate or counterfeiter on disclosures.

Risks for IP rights owners and their solicitors

IP right owners seeking search or Anton Piller orders or their solicitors, who do not comply with requirements imposed on them or who act scandalously on its execution, are in contempt of court, and may be liable in damages to the (alleged) pirate or counterfeiter, and run the risk that the search order may be set aside or not continued. In *Long v Specifier Publications Pty Ltd* (1998) 44 NSWLR 545 the New South Wales Court of Appeal dismissed an appeal from a finding of contempt of

court for breaches of undertakings to the court given by a solicitor for the IP rights owner when he obtained a search order for his client.

Another risk eventuated in *Canadian Bearings Ltd v Celanese Canada Inc* (2006) SCC 36. There privileged documents obtained pursuant to a search order came into the possession of the IP rights owner’s lawyers. The Supreme Court of Canada ordered that those lawyers no longer act for the IP rights owner. This risk should be minimised under [12] and [13] of the proforma form of search order in PN 13 which permit the (alleged) pirate or counterfeiter to give the independent solicitor any documents for which privilege is claimed in a sealed container, and require the independent solicitor not to inspect or permit anyone to inspect them, and to deliver them to the court on the return date.

Non-criminal statutory remedies

When an IP rights owner seeks to protect their IP rights against piracy and or counterfeiting as seen they may seek to do so before the infringing goods enter Australia or if only discovered once in Australia, the IP rights owner can seek to the have the Police prosecute the offender or they may want to seek redress by civil action. Civil matters are typically commenced in the Federal Court of Australia, although some IP right owners have made use of the State district courts, and local courts. For civil copyright infringement, the Federal Circuit Court of Australia can be used.

Another possibility is for the IP right owners to request the Australian Competition and Consumer Commission¹⁸ (ACCC) to take action on their behalf. (We will discuss this in detail below.)

Having considered what needs to be done to obtain a search order and briefly looked at the proforma form of a search order we now turn to consider what circumstances will give an IP rights owner sufficient grounds to seek a search and seizure order from an Australian Court.

Non-criminal statutory provisions

Piracy and counterfeiting infringement actions can be taken for all categories of IP. As IP rights are creatures of statute, the civil remedies are obtained from the acts from which the IP is created. The category of IP and the legislation is contained in the table below.

IP Right	Act	Border Force Objection Notice Regime	Remedy	
			Criminal	Civil
Circuit layouts	<i>Circuit Layouts Act (1989)</i> (Cth)	No	No	Yes
Copyright	<i>Copyright Act (1968)</i> (Cth)	Yes	Yes	Yes

IP Right	Act	Border Force Objection Notice Regime	Remedy	
			Criminal	Civil
Designs	<i>Designs Act 2004</i> (Cth)	No	No	Yes
Patents	<i>Patents Act (1990)</i> (Cth)	No	No	Yes
Plant breeders rights	<i>Plant Breeders Rights Act (1994)</i> (Cth)	Yes	Yes	Yes
Trade Marks	<i>Trade marks Act (1995)</i> (Cth)	Yes	Yes	Yes
Olympic Insignia	<i>Olympic Insignia Protection Act 1987</i> (Cth)	Yes	Yes	Yes
Major events	<i>Major Sporting Events (Indicia and Images) Protection Act 2015</i> (Cth)			Yes
"Misleading & Deceptive"	<i>Australian Consumer Law</i>	No	Yes (Provided ACCC takes the action)	Yes

There are strict liability offences under these Acts. The strict liability offences are underpinned by an infringement notice scheme under the regulations to each of the acts.

One exception to the statutory forms of action is the civil action for breach of confidence. This is a purely common law based civil remedy.

WHAT ACTIONS DO THE ACTS PROTECT?

Circuit Layout Act 1989 (Cth)

A rights owner of circuit layout rights, has the right under Division 2 of the Act to obtain a court order to stop another person from commercially exploiting (infringing) their circuit layout rights.

In Australia circuit layouts are protected under the *Circuit Layouts Act 1989*. While the rights provided under the Act are based on copyright law principles they are a separate, unique form of protection.

In Australia it is not necessary to apply for circuit layout protection – circuit layout protection exists automatically from the moment the layout design is created. Circuit layouts are usually highly complex and the intellectual effort in creating an original layout may be considerable and of great value. An integrated circuit or chip made from the plans is the key to the operation of all kinds of electronic devices, from heart pacemakers to personal computers.

Copyright Act (1968) (Cth)

Under section 115 of the *Copyright Act*, the owner of copyright can take an infringement action seeking an injunction to stop the continued sale of the counterfeit goods, and either damages or an account of profits. There is also provision for the award of exemplary damages by the Court in appropriate cases. Under section 116, the owner of the copyright can also take an action for conversion or detention in relation to the infringing copies.

Design Act 2003 (Cth)

In the case of design breaches, the relevant legislation is the Commonwealth *Design Act 2003*. Under section 73, the registered owner of a design can take infringement proceedings against a person who has infringed their design. Infringement occurs if, without licence or authority of its owner, a person makes, sells, hires or imports a product, or uses for trade or business a product, embodying a design that is identical or substantially similar in overall impression to the registered design, or authorises a third party to do any of those acts.

Under section 75 the remedies available include an injunction and either damages or an account of profits. Exemplary damages are also available for flagrant breaches.

Patents Act 1990 (Cth)

Under the *Patents Act 1990 (Cth)*, the registered owner of a patent can take infringement proceedings against a person who infringes their patent. Under section 122, the remedies which are available to a registered owner are an injunction and either damages or an account of profits.

Plant Breeders Rights Act 1994 (Cth)

The *Plant Breeder's Rights Act 1994 (Cth)* provides a legislative framework for the provision of a temporary monopoly over new plant varieties in order to encourage the development of such.

The Act protects plants, trees, shrubs, vines, fruit, vegetable and flowers. Section 3 defines a “plant” to include “all fungi and algae but does not include bacteria, bacteroids, mycoplasmas, viruses, viroids and bacteriophages.

Infringement is defined in section 53. A “No fault” element is specified. Although strict liability expressly attaches to the physical element of circumstance that the infringing act would be infringing under section 53. It would seem that the default fault element of intention under section 5(6) of the *Criminal Code Act 1995* (Cth) attaches to the conduct elements involved in the infringement (e.g. producing or selling), and recklessness attaches to the circumstance that the act is without the authorisation of the grantee of the plant breeders right.

Trade Marks Act 1995 (Cth)

Under the *Trade Marks Act 1995* (Cth), the registered owner of a trade mark can take infringement proceedings against a person who infringes their trade mark. Under section 126, the remedies which are available to a registered owner are an injunction and either damages or an account of profits.

Olympic Insignia Protection Act 1987 (Cth)

In Australia, the ***Olympic Insignia Protection Act 1987*** (Cth) regulates the commercial use of certain Olympic expressions. Any advertising or promotional campaigns where the Olympic brand featured is not a licensed user by the Australian Olympic Committee must steer clear of words such as “Olympics”, “Olympic Games”, and “Olympiads” (or any words closely resembling these) in order to avoid infringing the legislation. The Olympic motto “Faster, Higher, Stronger” and its five ring symbol are also protected.

Major Sporting Events (Indicia and Images) Protection Act 2015 (Cth)

The ***Major Sporting Events (Indicia and Images) Protection Act 2015*** (Cth) offers specific protection to the organisers and sponsors of major Australian Pacific sporting events, including the Asian Football Confederation (AFC) Asian Cup 2015, the International Cricket Council (ICC) Cricket World Cup 2015, and the Gold Coast 2018 Commonwealth Games.

Australian Consumer Law

Section 18 and section 29 of Part 2.1 of the *Australian Consumer Law*, Schedule 2 to the ***Competition and Consumer Act 2010*** (Cth) (formerly the *Trade Practices Act 1974* (Cth)) has been interpreted expansively by the Courts and has thus moved into many fields of law that were not generally foreseen by its framers. One of these unforeseen fields is the area of IP protection.

Indeed save for Canada and New Zealand even these creatures of statute are unique to Australia. Like the forms of IP being creatures of statute, the basis of a misleading and deceptive conduct action only exist because they are creatures of statute.

Misleading and Deceptive conduct a creature of Fuzzy Law

Before considering what the false, misleading and deceptive conduct provisions mean, we need to appreciate the way the sections have been drafted. This is not just a means of stringing out the paper and making it sound or appear academic, it is a practical necessity. As practitioners of the law we need to be able to explain to our clients the position we all have to face when legislation is drafted as fuzzy law.

Traditionally, black letter common law drafting favours precision and particularity. This drafting provides for sharp boundaries defining prescribed conduct and allowing little discretion for the court. The black ink says what you cannot do and what is not said you can do¹⁹.

*“Fussy law concentrates on detailed distinctions thrown up by a focus on specific circumstances. Fuzzy law, on the other hand, provides general principles in the context of broad legislative purposes.”*²⁰

While fuzzy law provides a hazy penumbra requiring the ex post application of judicial discretion.

Fuzzy law is said to have sprung from the civil law tradition of legislative drafting that favours openness and generality. Fuzzy law uses law as a self-regulatory system. One that places the responsibility, and ultimately imposes a liability on a person using principles rather than being specific.

Section 18 of the **ACL**, deceptively and simply appear as follows:

- (1) A person must not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

This wording came from the Canadian restrictive trade legislation upon which the **Trade Practices Act 1974** (Cth) was modelled. It is not surprising that this first piece of fuzzy law drafting came from Canadian legislation that has both a civil law tradition mixed with that of the English common law.

The drafting is in the style of fuzzy law.

In practice, when dealing the concepts, we can all say when an act or omission is clearly misleading or deceptive: Even without any specificity or examples in the legislation. However, as we come closer to the line that separates what is not misleading or deceptive conduct, to what is misleading or deceptive conduct, we enter the world of ex post facto application of judicial discretion.

Mathematically, the distance between any two points on a line is infinite. This infinite distance is what separates those acts and omissions that are, or are not misleading or deceptive. Those situations that are finely distinguished make it difficult for practitioners to guide our clients on.

To use a sporting analogy. If we were coaching a tennis player, we would advise them, when serving, to serve the ball as close to the base line as they can get it. If they were to serve the ball on or over the base line they would be called out. If they serve two consecutive outs, they would lose a point. In this instance the line is a

known distance away. The more common variables in whether a serve is good or out are: wind, the strength of the player's swing, and the tension of the ball. As a game of tennis it is only a game, while not intending to serve a bad ball, it happens. A gust of wind can take the ball further than intended. A harder hit than planned can do the same. If the player is on the court to win, then a ball that is called out is not the intended consequence of the serve.

Similarly, in the world of commerce and law courts, just as the tennis player does not intend to serve a ball that hits or lands over the base line, our clients while not intending to mislead or deceive can inadvertently do so. Unfortunately, the ramifications of engaging in misleading or deceptive conduct are not as forgiving as serving a bad ball.

The main difference in the analogy is that the base line in the tennis court is known. Whereas, the type of conduct that is or might be held by a judge, the ACCC or ASIC to be misleading and deceptive, will only be known once our client has engaged in the conduct. Having engaged in the conduct they must accept the consequences of their actions, *ex post* engaging. The closer the conduct engaged in approximates the interface of the line of what is caught and what is allowed the harder it is to discern prior to the event whether a court or regulator will call the conduct out or not. In the world of commerce the base line, the line that divides allowed and prohibited conduct has an infinite distance. As such, we can advise when conduct is clearly allowed and when conduct would clearly fall foul of the legislation. At the dividing line, guidance is a matter of *ex post facto* determination. This is a benefit we as practitioners do not have.

When we give advice to a new tennis player, we can coach the tennis player, 'to play it safe'. That is, we can tell them to aim well before the base line until they get better at assessing their strength of serve and adjusting for wind, ball and racket tension. In providing the coaching advice to the student to 'play it safe', this may give their opponent an advantage which we are trying not to give them.

In the world of commerce, we could do the same for our clients. We could tell them to 'play it safe'. However, in doing so, it may jeopardize the client's ability to capitalise on a particular opportunity. All we can do in such a situation is to advise our clients (the player) of the risks involved, give them our considered opinion as to the likely finding of the particular conduct by a court and or regulator, and hope that the conduct is not held by a court or regulator to be out by being on or over the line of what is misleading or deceptive conduct. There are numerous examples of cases that have gone on appeal all the way to the High Court, and the cases have had varying degrees of success from first instance to their final determination by a split decision of the High Court. The point is that even highly respected jurists have differing opinions as to what is and what is not conduct that falls foul of fuzzy law drafting.

The scope of the prohibition of misleading and deceptive conduct

Although most misleading and/or deceptive actions will consist of misrepresentations, it is erroneous to limit misleading and/or deceptive claims exclusively to circumstances that constitute some form of representation. Section 18 claims have been successfully made against exaggerated sales puffs (see ***General Newspapers Pty Ltd v Telstra Corporation*** (1993) 45 FCR 164, 178 (Davies & Einfield JJ) and

mere silence: ***Henjo Investments Pty Ltd v Collins Marrickville Pty Ltd [No.1]*** (1988) 39 FCR 546 and are actionable as misleading conduct.

The breadth of Section 18, can be seen from the following interpretations that have been given to its predecessor:

1. **Intention is Irrelevant** - Section 18 is concerned with the impact of the conduct, not upon the state of mind of the person engaging in the conduct.
2. **Actual Deceptions is not Required** - It is not necessary to prove that anyone is actually misled or deceived. All that is necessary is to establish that someone in the target would be likely to be misled or deceived.

To establish a breach of section 18 or 29, it is not necessary that the impinged conduct actually lead a person into error; to engage in conduct that is likely to lead into error is sufficient: See ***Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd (1982) 149 CLR 191***. However, in contract related actions it has still been held necessary that there has to be a cause or nexus between conduct and loss: See ***Brown v Jam Factory Pty Ltd (1981) 53 FLR 340***.

3. **A Part Truth is Misleading** - A statement that contains some truth, but is incorrect in other respects, or those which are literally true but produce a false impression, can amount to misleading and deceptive conduct. For example:

“To announce an opera in which a named and famous prima-donna will appear and then to produce an unknown young lady bearing by chance the same name, would clearly be to mislead and deceive. The announcement would be literally true, but nonetheless, deceptive, and this is because it conveyed to others something more than the literal meaning which the words spelled out.” (This example was given in ***Hornsby Building Information Centre v Sydney Building Information Centre 1978] 35 FLR 372***).

4. **Silence can be Misleading or Deceptive** - If an overall impression is created, and the person making the advertising statements knows that to say something or provide some further information may fix a false impression, then not to do so amounts to misleading and deceptive conduct²¹.
5. **You cannot contract out of the section** – The false, misleading and deceptive conduct provisions apply to all manner of activities that concern trade and commerce. When the activity is one involving a contract, the Courts have held that the sections are forms of strict liability. Being such, they cannot be contracted out of. ***Henjo Investments Pty Ltd v Collins Marrickville Pty Ltd [No.1]*** (1988) 39 FCR 546.

In deciding whether or not conduct is misleading, especially in establishing whether there was a cause or nexus between conduct and loss, the courts have had to grapple with the question of how much intelligence should be accorded to the subject of any impinged conduct. In the case of contractual representations, the capacity of the conduct to deceive or mislead is determined with reference to the characteristics of the actual recipient.

Courts have found false and misleading representations in these cases:

- a manufacturer sold socks, which were not pure cotton, labelled as 'pure cotton': ***TPC v Pacific Dunlop limited*** (1994) ATPR 41-307
- a retailer placed a label on garments showing a sale price and a higher, strikethrough price. However, the garments had never sold for the higher price: ***TPC v Cue Design Pty Ltd*** (1996) A Crim R 500; ATPR 41-475
- a business made a series of untrue representations about the therapeutic benefits of negative ion mats it sold: ***ACCC v Giraffe World Australia Pty Ltd*** (1999) 95 FCR 302; 166 ALR 74
- a motor repairer told a customer more repair work was needed on their car than was necessary: ***Dawson v Motor Tyre Service Pty Ltd*** (1981) ATPR 40-223

Whether a representation is considered false or misleading will depend on the circumstances of each case. A representation that misleads one group of consumers may not necessarily mislead another group. For example:

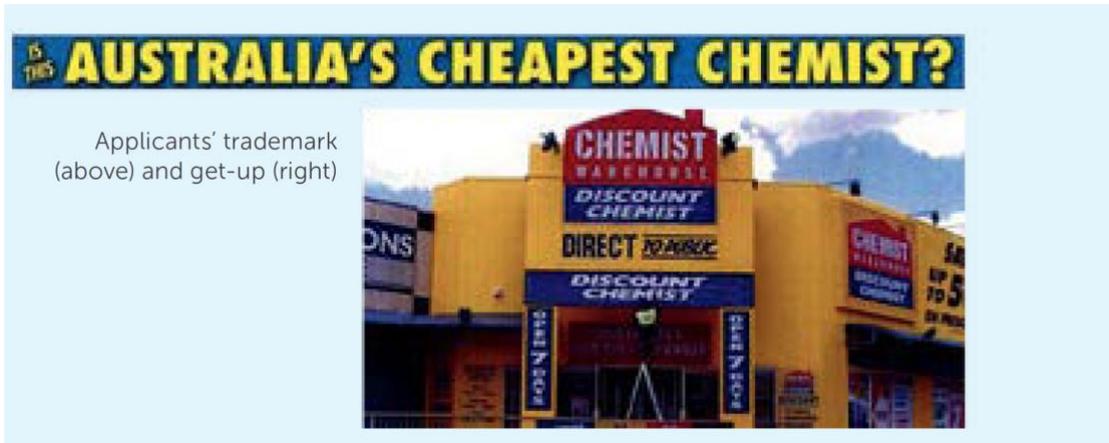
People concerned about their body image may be more vulnerable to products claiming to enhance beauty.

A representation can be misleading even if it is true. For example, an advertisement falsely claiming a person has benefited from using a product, even though they have never used it. The product may work but the advertisement is still misleading, because the person has never used the product.

However, a recent case has shown that where there is evidence of a competitor copying the trade mark and get-up of another party, this is per se not conclusive in establishing misleading and deceptive conduct. To establish misleading and deceptive conduct, Courts will consider whether the IP rights owner has a reputation in its IP, such that even if the counterfeiter has copied elements of the IP rights owners IP the Court will consider whether the counterfeiter the target audience would be misled or deceived. If not then there will not be protection under section 18 of the *Australian Consumer Law*.

Verrocchi v Direct Chemist Outlet Pty Ltd [2015] FCA 234.

The applicants, the IP rights owners, operate 68 pharmacies trading under the name *Chemist Warehouse*. They licensed the use of the *Chemist Warehouse* trademarks, getup, slogans and associated IP to proprietors of over 180 retail pharmacies that trade under the name *Chemist Warehouse* across Australia. The IP rights owners had as a trade mark the design mark pictured below (subsequently found to be invalid).



Applicants' trademark (above) and get-up (right)

Their pharmacies have a distinctive get-up, with the exterior of *Chemist Warehouse* pharmacies coated in a yellow 'background' upon which red and blue colours are used on banners containing slogans. An example of the get-up as existed in 2006 is above.

The respondents operate discount pharmacies which in 2005 were rebranded as *Direct Chemist Outlet*.

The respondents' pharmacies use a similar colour palette (pictured below). The respondents also used, in their logo and catalogues, the slogan: 'Who is Australia's Cheapest Chemist?' (pictured below).

The IP rights owners sought orders restraining the respondents from using a get-up on pharmacies, catalogues and websites which was deceptively similar or substantially identical to the get-up used in the applicants' pharmacies, catalogues and websites. This was not a proceeding concerned with a single colour (yellow), but the use of a palette of three primary colours (yellow, blue and red) in combination with a red logo with white text, and the use of descriptive discount slogans.



Respondents' slogan (above) and get-up (left)

Based on the respondents admitting that they had taken parts of the IP rights owners get-up to develop the design, look and feel of their store, and the Court seeing the similarity of the two parties slogans, the Court held that the respondents did copy elements of the IP rights owners IP.

Despite the Court finding that the respondent had copied IP, the Court was not convinced the respondents had engaged in misleading and deceptive conduct for the following reasons:

1. An applicant must establish that it has acquired the relevant reputation in its get-up such that the get-up has become distinctive of that applicant's business or products.

The evidence in this case indicated that the IP rights owners' use of its colour scheme varied significantly across its pharmacies, with some pharmacies not using yellow and other pharmacies using differing amounts of each colour.

There was no sufficiently common identity in the design and layout of the applicants' pharmacies to give rise to an unusual or distinctive store get-up (or catalogue or website design) associated with the IP rights owner.

The IP rights owner could not establish reputation in their get-up because it was not used in a consistent and universal manner across its pharmacies.

2. To the extent the IP rights owner did use the yellow, blue and red colour combination, that combination was not unique to them. Rather, a number of discount retailers (including discount chemists) have used those colours as part of their storefronts and, in particular, many retailers use yellow to promote sales. The Court found at [12] that 'the prominent, loud and garish use of yellow imparts the look and feel of "cheapness", or heavily discounted goods or services' and at [41] that 'Just as goods of different manufacturers may innocuously bear some resemblance to each other, so too will retail stores and the use of colours that have a functional element. Where such a legitimate resemblance occurs, then marks, labels and other unique branding will be significant in distinguishing competitors'.
3. While the Court concluded that the respondents liked and used aspects of the IP rights owners' marketing concepts, regardless of the similarity in external get-up and the use of a similar slogan, the Court found that the respondents sufficiently distinguished the trade indicia of their pharmacies, including by displaying their name, so that the logo, colours and physical appearance of their pharmacies, catalogues and website would not mislead or deceive, or be likely to mislead or deceive, consumers.
4. The Court noted that reputation can be limited to a geographical or territorial basis, and that the existence or strength of any reputation that the IP rights owners had at a particular point in time would inevitably vary between geographical areas, as the IP rights owner opened stores and adopted a get-up much later in some areas than others. Had the Court found in favour of the IP rights owner, it may have had to limit any remedies to areas in which they had a pharmacy using the get-up prior to the use of the get-up by the respondents' pharmacies. The evidence did not link the IP rights owners reputation to any particular geographic regions.

In this case, IP rights owners may have felt strongly that the respondents copied what they saw as their trade indicia. However, because the colours used by the IP

rights owner were commonly used within the discount retail business and not used in a consistent manner by them, they could not prove reputation in their get-up. Moreover, to the extent the respondents copied elements of the IP rights owners' get-up, the respondents sufficiently distinguished their pharmacies so consumers would not be misled or deceived.

Misleading and Deceptive conduct and IP protection

As mentioned above, the areas in which the misleading and deceptive conduct provisions have been used have entered into areas not envisaged by its framers. Indeed when I was at law school my lecturer at the time, said, that the sections would not alter the law and were if anything a form of codification of the law of misrepresentation of contract. How wrong they were.

Given the broad prohibition in section 18 against conduct which is misleading and deceptive, it is an ideal provision to use against piracy and counterfeiting claims.

Section 29 has also been used to combat counterfeiting. Relevantly, section 29 provides:

A person must not, in trade or commerce, in connexion with the supply or possible supply of goods or services or in connexion with the promotion by any means of the supply or use of goods or services:

- (a) *falsely represent that goods are of a particular standard, quality, value, grade, composition, style or model or have had a particular history or particular previous use;*
- (c) *represent that goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits they do not have.*

Section 29 has been used in conjunction with a private counterfeiting claim under section 18.

Section 29 is mirrored in section 151. The difference between section 29 and section 151 is that section 29 is an exclusively civil provision while section 151 is a criminal offence.

Section 33 could also be used to combat counterfeiting conduct:

A person shall not, in trade or commerce, engage in conduct that is liable to mislead the public as to the nature, the manufacturing process, the characteristics, and the suitability for their purpose or the quantity of any goods.

This provision is mirrored in section 155, which is a criminal offence.

Sections 29 and 33 are mirrored under sections 151 and 155 of the *Australian Consumer Law*. These sections allow the ACCC (through the CDPP) to seek criminal convictions and fines. The ACCC can seek a maximum criminal fine of \$1.1 million for a corporation and \$220,000 for an individual for false and misleading

representations under section 151 and 155. The *Australian Consumer Law* does not provide a term of imprisonment for contraventions of these sections.

The civil remedies under the *Australian Consumer Law* are available to any IP rights owner and to the ACCC. The remedies that can be granted by a court are injunctions, declarations, corrective remedies, compensation for consumers and non-punitive orders.

An IP rights owner can seek a search order in the manner discussed above relying upon the *Australian Consumer Law*.

The ACCC's search and seizure powers are contained in the principal act: Part XIX of the ***Competition and Consumer Act 2010*** (Cth).

The ACCC can apply to a magistrate for a search warrant if it satisfies s 154X. Section 154 X states that a magistrate may issue a warrant if they are satisfied that there are reasonable grounds for suspecting that there is evidential material on premises or there will be evidential material on premises within the next 72 hours. To be valid, the search warrant must contain particular information.

Powers and obligations of the ACCC

Prior to approaching a magistrate for a search warrant, the ACCC's Chairperson must appoint an inspector and issue the inspector with an identity card (s 154B). The inspector must carry the identity card during the execution of the search warrant and produce the identity card on request (s 154C).

The search warrant must be executed within one week of being issued by the magistrate.

Division 4 governs entry to premises under a search warrant. Under s 154G(1), a search warrant authorises the executing officer (or inspector) to:

- (a) enter the premises
- (b) search the premises for the evidential material, and seize evidential material
- (c) make copies of evidential material
- (d) operate electronic equipment to access evidential material and
- (e) take and use equipment at the premises for the above purposes.

Section 154G(1A) permits the ACCC to take photographs, or make video recordings, of the premises or of anything at the premises for a purpose incidental to the execution of a search warrant or with the occupier's consent.

The ACCC will undertake a great deal of planning prior to executing a search warrant. Not only must the ACCC identify the documents, which they wish to seize, but they must also work out the locations of the relevant documents. The ACCC will endeavour to obtain information about the layout of the premises from former employees.

The ACCC will usually have between ten to 40 people in attendance during the execution of a search warrant, including at least two Australian Federal Police agents and a number of forensic IT personnel, whose role it will be to copy hard drives.

On arrival, the ACCC inspector must identify who they are and give the occupier the opportunity to allow access. The occupier should permit access or risk being arrested.

What can the ACCC take during a search warrant?

The ACCC can seize evidential material, which is material that discloses, or may be relevant to, the contraventions alleged in the search warrant.

The ACCC can choose to:

1. take the actual documents or items;
2. make copies of documents;
3. download data onto electronic storage devices such as memory sticks or hard disk drives; or
4. remove electronic storage devices, such as hard disk drives from the premises.

Role of ACCC in relation to piracy and counterfeit IP

Although the power to do so has been available since the inception of the statutory cause of action known as misleading and deceptive conduct under the *Australian Consumer Law*, (formerly the *Trade Practices Act 1974 (Cth)*) in 1974, until 2008 the ACCC has not investigated counterfeiting matters. Instead, it has referred IP rights owners to take their own actions, to industry associations set up to combat such counterfeiting or to other law enforcement agencies such as the Australian Federal Police, State Police or Border Force.

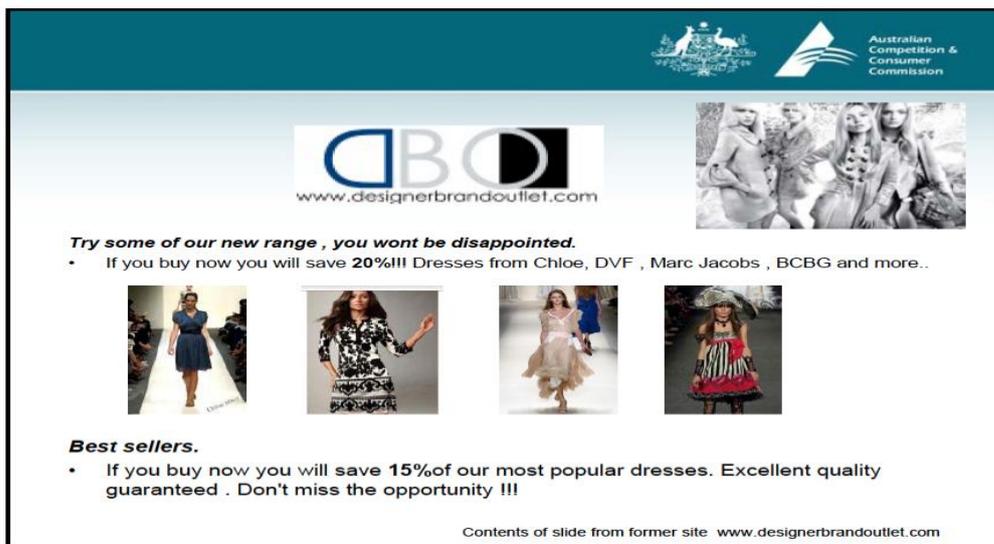


Figure 2 - ACCC presentation APEC 27 July 2009

On 5 September 2008, the ACCC initiated legal proceedings against www.designerbrandoutlet.com (Designer Brand Outlet "DBO"), alleging contraventions of the misleading and deceptive conduct provisions (of the then *Trade Practices Act 1974*). The ACCC stated in its media release of 9 September 2008, that it took action due to representations on DBO's website that items for sale were genuine designer label women's clothing when in fact these items were counterfeit copies - <http://www.accc.gov.au/content/index.phtml/itemId/842259>.

This matter was brought to the ACCC's attention in June 2008 by the United States Federal Trade Commission (FTC). The FTC provided the ACCC with a number of consumer complaints. In addition to the complaints received from the FTC, the ACCC also received complaints from consumers in the United Kingdom and a number of Australian states. The complaints variously related to Designer Brand Outlet (DBO) accepting payment and not delivering the goods, goods received not matching the goods ordered (including issues relating to authenticity), refunds not being provided and consumers being unable to contact the company.

The ACCC conducted an investigation of the alleged conduct, which included liaising with the ACCC's international counterparts, the major Australian bank (responsible for the credit merchant facilities for the website) and an Australian domain registrar (in relation to the registration of the website).

The ACCC obtained a number of interim interlocutory orders against DBO on ex parte basis. These orders included injunctions restraining the operators of the DBO website from "disposing, mortgaging, assigning, charging or otherwise dealing with their assets" (subject to some limited exceptions). These asset preservation orders were sought to ensure the assets of the company and individuals were not sent off shore.

In addition, the ACCC appears to have obtained orders suspending the DBO website, for the time being.

On 19 September 2008, the ACCC issued a second media release calling on consumers who believed they had been misled by DBO to contact the ACCC - <http://www.accc.gov.au/content/index.phtml/itemId/843467>. It appears that this appeal was made with the dual purpose of obtaining further evidence and identifying consumers who may have a claim for compensation.

In this media release, the ACCC identified a number of the brands which were the subject of the alleged counterfeiting including Chloe, Marc Jacobs and Diane von Furstenberg.

In December 2008 final orders were made, with the Court declaring amongst other things that the alleged conduct breached the provisions against engaging in:

1. misleading and deceptive conduct (s18);
2. making a false or misleading representation that the dresses with goods of a particular standard, quality, value, grade, composition, style or model (29(a));
3. making a false or misleading representation that a particular person has agreed to acquire goods (29(d));

4. making a false or misleading representation that the dresses had a sponsorship, approval, performance characteristics, accessories, uses or benefits (29(g)); and
5. misleading conduct to which and Industrial Property Convention applies (s33)²².

The Federal Court, in **ACCC v Bindert (Ben) Kloosterman & Ors** NSD1391/2008 resolved by consent²³ ultimately confirmed the interlocutory injunctions and the defendants, Kloosterman and Shi, settled a claim for compensation by agreeing to pay out a total of \$21,000.

In June 2009 the monies received by the respondents was returned to consumers that had provided a valid claim for compensation.

Although the ACCC has extensive powers, having limited resources, the ACCC considered that IP rights owners who had made counterfeiting complaints were often very large corporations with the financial resources and commercial interests to take their own private legal action to protect their brands. Also, the penalties for counterfeiting under the *Copyright Act* and *Trade Marks Act* are generally considered to be more serious than the remedies available under the *Australian Consumer Law*, such as term of imprisonment.

The DBO case is an exception. It was most likely undertaken having regard to the desire to aid the FTC and having regard to the cross border consumer complaints concerning an operation having an Australian focus.

Private actions

Is the presence of a police officer or bailiff necessary in the execution of an Objection Notice search?

A police officer or bailiff will not be necessary in the execution of an Objection Notice search by Border Force. Border Force officers must be in attendance. Border Force officers whilst not police are public servants with quasi police and para-military powers.

Is the presence of a police officer or bailiff necessary in the execution of a private search and seizure order?

Police are not required to attend or be present when an Anton Piller order is executed.

In practice, a person who has obtained an Anton Piller order would advise the local State or Territory police of their intention to execute the order. Whether the local stations commanding officer would suggest that police accompany the person would be a matter for that commanding officer. There is no requirement to attend and it would depend on resources and the perceived likelihood of a problems arising at the time of executing the Anton Piller order.

While no police need attend, often when civil litigation is used, IP rights owners call upon the assistance and/or are represented by industry enforcement units.

Enforcement units have a unique organisational and management structure designed to undertake a specific set of objectives, functions and operations. Sometimes described as quasi-police forces, enforcement units feature specially trained personnel with particular qualifications, experience and expertise for dealing with copyright enforcement. Enforcement units have developed in-house expertise and experience in dealing with infringement activities, especially in newer jurisdictions, such as the Federal Magistrates Court. They have also developed expertise in taking advantage of new tools and methods for dealing with copyright infringement such as the use of Anton Piller orders in which a court can require a defendant to grant access to property and /or premises to allow the claimant to conduct a search for evidence that may be easily disposed of upon notice of legal proceedings (**Anton Piller KG v Manufacturing Processes Ltd** [1976] Ch 55, 1 All ER 779).

Enforcement units such as the Australian Screen Association (previously known as the Australian Federation Against Copyright Theft) and Music Industry Piracy Investigations Pty Ltd lead civil proceedings on behalf of their stakeholders. As part of this process, they are involved in instructing and managing the lawyers, investigators, computer forensic specialists and surveillance operatives engaged by the stakeholders.²⁴

In NSW, and likely other Australian States, IP rights owners could seek the assistance of off-duty police or call upon the Police to provide officers to undertake the search and seizure utilising the cost recovery arrangements that the NSW Police have in place.

What is the nature of this state actor – an officer of the court, or a peace officer (e.g., a member of state or municipal police forces)?

Not applicable.

Does the court appoint an Officer, or must a practitioner liaise with local law enforcement to arrange for an accompaniment?

As noted above, an independently appointed solicitor must oversee the execution of an Anton Piller order and report back to the court.

What are the comparative advantages of proceeding via the administrative, rather than the civil, enforcement route?

As can be appreciated there are a range of significant differences between the statutory regimes and common law remedies described above. For example, the *Copyright Act 1968*, *Trade Marks Act 1995* and the *Competition and Consumer Act 2010* provide for criminal prosecutions for alleged piracy and counterfeiting. However, the *Competition and Consumer Act 2010* does not provide any period of imprisonment for persons found guilty of piracy and counterfeiting.

The absence of imprisonment as a punishment for piracy and counterfeiting conduct is a serious shortcoming in terms of using the *Competition and Consumer Act 2010* as well as the common law and civil remedies under the *Copyright Act 1968*, *Trade Marks Act 1995* as a solution to piracy and counterfeiting from the perspective of

specific and general deterrence. When one acknowledges that much of piracy and counterfeiting activity is being undertaken by organised crime groups, any penalty that does not include a period of imprisonment will not be a very effective deterrent.

On the other hand, the criminal penalties available under the *Competition and Consumer Act 2010* for both corporations and individuals are much higher than the monetary penalties under the *Patents Act*, *Designs Act*, *Plant Breeders Rights Act*, *Copyright Act*, *Circuit Layouts Act* and *Trade Marks Act*. This goes some way to compensating for the absence of imprisonment under the *Competition and Consumer Act 2010* in terms of achieving both specific and general deterrence.

Another significant deterrent to a pirate and counterfeiter would be the risk of forfeiting the pirated and or counterfeit products. In many cases, the forfeiture of the products would constitute a larger financial penalty to the counterfeiter than the criminal penalties that apply under the *Copyright Act* and *Trade marks Act*. No express forfeiture remedy is available under the *Competition and Consumer Act 2010*. However, the Court is empowered to make such other orders as the Court may think appropriate and we see no reason why a forfeiture or destruction order would not be inappropriate.

On the other hand, the ACCC's ability to take civil actions against alleged pirates and counterfeiters provides a very rapid means of stopping any misleading conduct. As shown in the DBO case the ACCC can effectively stop the alleged counterfeiter from trading by obtaining interlocutory injunctions and an order freezing the alleged counterfeiter's bank account pending final resolution of the matter. The ACCC has the advantage of not having to give an undertaking as to damages if it seeking an injunction pursuant to Part 5.2, Division 2 of the *Australian Consumer Law*.

Advantages of Private Actions

Timing and costs controlled so far as the systemic issues allow under control of the IP rights owner.

Disadvantage of Private Actions

IP rights owner has to bear the costs of taking the action and bear the contingency cost of giving an undertaking to pay damages if obtaining an Anton Piller order.

Criminal or Administrative Actions

Advantage

No costs paid by the IP rights owner.

Disadvantage

Timing not in control of Rights Holder.

What are some strategies of cooperating with administrators involved in enforcement measures against counterfeiting?

This is a matter of costs against time. If the IP rights owner is prepared to allow the ACCC and or Police to take the actions in their own time and pace, then it is less costly to the IP rights owner. If however, the IP rights owner sees the commercial

damage as being too great a risk to take to have the Police or ACCC conduct an investigation the IP rights owner should take on the offender using such civil remedies at their disposal. In Australia there are various remedies which are relatively fast and effective; whilst not necessarily being cost free.

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End Notes

- 1 <http://www.forbes.com/sites/natalierobehmed/2015/07/28/the-frozen-effect-when-disneys-movie-merchandising-is-too-much/-301d38c45f08>
- 2 . See D Weisbrot, *Australian Lawyers* (1990) 165-166 and 170.
- 3 Border Force is a Department of the Federal Government Department Of Immigration and Border Protection charged with enforcing customs and immigration laws and protecting Australia's borders.
- 4 <https://www.border.gov.au/australian-border-force-abf/who-we-are>
- 5 <https://www.border.gov.au/Busi/Impo/Proh/Intellectual-Property>
- 6 <https://www.border.gov.au/Busi/Impo/Proh/Intellectual-Property>
- 7 Australian Customs Notice 2000 79
- 8 <http://www.brisbanetimes.com.au/comment/putting-the-muscle-into-border-enforcement-20150831-gjbxaj.html>
- 9 A penalty unit is defined in section 4AA(1) of the *Crimes Act 1914* (Cth). As at July 2016 a penalty unit is \$180.00
- 10 A penalty unit is defined in section 4AA(1) of the *Crimes Act 1914* (Cth). As at July 2016 a penalty unit is \$180.00
- 11 see ABC report *Investigation into illegal grain seed trading*, 17 November 2004
- 12 Section 196(1) *Copyright Act*, section 10(2) *Designs Act 2003* (Cth), section 20 *Plant Breeder's Rights*, section 21(1) *Trade Marks Act*, section 45(1) *Circuit Layouts Act 1989* (Cth).
- 13 Search Orders Judicial Commission NSW
http://www.judcom.nsw.gov.au/publications/benchbks/civil/search_orders.html
- 14 ex parte
- 15 The term "Anton Piller order" derives from the seminal case of ***Anton Piller KG v Manufacturing Processes Ltd*** [1976] 1 Ch 55.
- 16 **Sample form of Anton Piller (Search) orders contained in PN-13**
 - (a) serve the order, the notice of motion applying for the order (if applicable), the affidavits relied on in support of the application, and the originating process;
 - (b) offer to explain, and, if the offer is accepted, explain the terms of the search order to the (alleged) pirate or counterfeiter;
 - (c) explain to the (alleged) pirate or counterfeiter that he or she has the right to obtain legal advice;
 - (d) supervise the carrying out of the order;
 - (e) before removing things from the premises, make a list of them, allow the (alleged) pirate or counterfeiter a reasonable opportunity to check the correctness of the list, sign the list, and provide the parties with a copy of the list;
 - (f) take custody of all things removed from the premises until further order of the Court;

- (g) if the independent solicitor considers it necessary to remove a computer from the premises for safekeeping or for the purpose of copying its contents electronically or printing out information in documentary form, remove the computer from the premises for that purpose, and return the computer to the premises within any time prescribed by the order together with a list of any documents that have been copied or printed out;
- (h) submit a written report to the Court within the time prescribed by the order as to the execution of the order; and
- (i) attend the hearing on the return day of the application, and have available to be brought to the Court all things that were removed from the premises. On the return day the independent solicitor may be required to release material in his or her custody which has been removed from the (alleged) pirate or counterfeiter's premises or to provide information to the Court, and may raise any issue before the Court as to execution of the order.

¹⁷ **Sample orders -Provision of information**

Subject to paragraph 24 below, you must:

- (a) at or before the further hearing on the return day (or within such further time as the Court may allow) to the best of your ability inform the IP rights owner in writing as to:
 - (i) the location of the listed things;
 - (ii) the name and address of everyone who has supplied you, or offered to supply you, with any listed thing;
 - (iii) the name and address of every person to whom you have supplied, or offered to supply, any listed thing; and
 - (iv) details of the dates and quantities of every such supply and offer.
- (b) within [] working days after being served with this order, make and serve on the IP rights owner an affidavit setting out the above information.

¹⁸ The Australian Competition and Consumer Commission is an independent Commonwealth statutory authority whose role is to enforce the *Competition and Consumer Act 2010* and a range of additional legislation, promoting competition, fair trading and regulating national infrastructure for the benefit of all Australians. <https://www.accc.gov.au/about-us/australian-competition-consumer-commission/about-the-accc>

¹⁹ It has also been referred to a "fussy" law: see Campbell, L, ***Legal Drafting Styles: Fuzzy or Fussy?*** Murdoch University Electronic Journal of Law, Volume 3, Number 2 (July 1996) or 'mud rules' see Rose, C ***Crystals and Mud in Property Law***, (1988) 40 Stanford Law Rev 577.

²⁰ Campbell, L, ***Legal Drafting Styles: Fuzzy or Fussy?*** Murdoch University Electronic Journal of Law, Volume 3, Number 2 (July 1996) paragraph [1].

²¹ The case law on whether silence is actionable has been inconsistent. Differing approaches have been taken. In ***Rhone – Poulenc Agrochimie SA v UIM Chemical Services Pty Ltd (1986) 12 FCR 477*** the court held that failure to disclose certain information was not misleading and deceptive conduct. Whereas in ***Henjo Investments Pty Ltd v Collins Marrickville Pty Ltd [No.1]*** (1988) 39 FCR 546 the failure to disclose details was held to be misleading and deceptive conduct. While it has been inconsistent the view is that silence will be a basis for a finding of misleading and deceptive conduct.

²² All sections are referenced to the *Australian Consumer Law*. The case was conducted under the former legislation. The wording of the provisions are the same.

²³ Final orders available on the Federal Court of Australia website at:

<<https://www.comcourts.gov.au/file/Federal/P/NSD1391/2008/3549912/event/25652026/document/150771>>

²⁴ Australian Institute of Criminology, *Intellectual Property Crime and Enforcement in Australia*, Research and Public Policy Series No. 94, 2008 pp47-48